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**IMPORTANCE OF THE CULTURAL MATCH BETWEEN
COMPANIES ON THE SUCCESS OF POST-MERGER
INTEGRATION**

Master's thesis

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I hereby declare that I have compiled the thesis independently and all works, important standpoints, and data by other authors have been properly referenced and the same paper has not been previously presented for grading. The document length is 18 024 words from the introduction to the end of conclusion.

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ABSTRACT

Mergers and acquisitions are known to be either very successful value creator or a very notorious value destroyer. Modern history holds such successful examples as Google and YouTube merge in 2006 which created a lot of positive momentum for customer and both companies. But there are less successful mergers in the history and those are the vast majority from the total amount of mergers. One failure example dates to 1998 when Daimler-Benz announced the purchase of Chrysler Corp. Almost a decade later the Chrysler division was sold to the private equity firm and Daimler-Benz took \$29 billion loss. There are many more examples of those cases with different reasons behind. Researchers have argued and tried to identify what is the main reason why nearly 70% of mergers are failing and debated that these failures have been somehow connected to the post-merger integration.

Thus, this study has focused on the post-merger integration phase, its planning, and research how does the organizational cultural fit between companies impacts the company's performance.

One key finding demonstrates that the combination of the company culture with a combination of the individual culture must be considered when comparing cultural fit between companies, as the combination of those two is built on joint values and beliefs and as a result enriches themselves and leads to the best post-merger performance. Another key finding which confirms the theory is that the communication and planning for post-merger integration is an essence for the people executing the integration as well as for the employees living through the change.

The study showed that the all involved participants of the interviews are happy with the achieved results of the integration done and the first seeds of the success are harnessed, but next steps of the company's growth and companies group evolution needs to be addressed.

Keywords: post-merger integration, cultural fit, post-merger performance, merger and acquisition.

INTRODUCTION

Mergers and acquisitions have become one of the main strategic directions for growth for the companies to improve organizational performance, achieve rapid growth and enter new markets seeking for expansion (Cloudt *et al.* 2006; Khan, Soundararajan and Shoham 2020). While first mergers and acquisitions activities have been observed in the Roman Empire, research started to investigate them nearly 100 years ago (Meglio and Schriber 2020). Companies are using mergers and acquisitions as a transformation tool to change and diverse their businesses by entering new markets, remove competition or attain scarce resources and assets, such as people (Bergamin and Braun 2017). According to Schweiger (2002), companies with a strong vision and culture are seeking ways to create value for customers and stakeholders. But to create value, modern organizations should be very agile and be able to constantly adapt to identify and develop new business opportunities to remain sustainable and relevant. Those characterises are reasonable due to very fast-paced business environments and unpredictability in the world and markets. As an example, recent COVID-19 pandemic which has turned the world upside down in a matter of months resulting the employees of companies were turned to work from home and discover new methods how to be innovative and productive. Ukraine and Russia conflict jeopardizes the world economies which will have long term impact of global economies and business. According to Jemison and Haspeslagh (1991) mergers and acquisitions is one strategic tool which can be used by organizations to create value, secure competitiveness, and develop organizational capabilities that cannot be built internally.

Mergers and acquisitions being one of the important phenomena of modern economies and globalization. During 2021 hitting the record of announced deals exceeded 62,000 globally rose 24% accordingly from 2020 (Global M&A Industry Trends: 2022 Outlook 2022). Aside of the continuous growth of mergers and acquisitions in the last decade globally, it is highlighted that the fail rates for the completed deals are likely above 70% (Thompson and Kim 2020). According to Chanmugam *et al.* 2005, failure during the implementation may lead to hundreds of millions of dollars loss, loss of trust and engagement in company and leadership from employees. Therefore, one of the important aspects to successfully accomplish merger and acquisition is hidden in the

details of planning during integration, such important aspects as communication of expansion plans, reasoning behind strategies and integration plan accompanied with set milestones.

Different scholars while investigating the phenomenon on generating value for organizations via mergers and acquisitions have revealed that any type of company merger mostly creates negative effects on employees, such as stress and anxiety (Empson 2017; Schweizer and Patzelt 2012). Furthermore, in some cases mergers and acquisitions might create negative effect for the company owners and shareholders, according to the Sundaram (2004) on average target company shareholders usually gain, but the buying company brakes even and sometimes might even lose with the purchase. Overestimated takeover gains and value creation expectations might not be achieved, which leads to the disappointment of the top management and shareholders (Sundaram 2004). According to Empson (2017) and his “School Dance” model the acquisition process might take four years, while based on Meglio and Schriber (2020) average time for an acquisition process is three years. During this time attention to employee’s well-being must be treated very carefully and post-merger integration process must be carefully planned and implemented to keep employee’s satisfaction high. According to Khan *et al.* (2020) research there is a connection which has been identified between employee satisfaction and acquisition success. Apart from general integration activities which are taken place during the integration phase such as: finance systems integration, IT systems integration, legal integration and creating a joint strategy, merger and acquisition integration should also involve both companies’ people and organizational culture integration. As according to Jemison and Haspeslagh (1991), value is created in post-merger phase therefore it is vital to avoid the success devastating mentality of, them versus us. If that is avoided the synergy and value would be created and customer satisfaction and employee satisfaction will bloom as result. The company which the author will review in this thesis is paying an utmost attention to the employees’ satisfaction and well-being. The company believes that the people are generating value for company and customer success. Moreover, the employee satisfaction is one of the three key performance indicators that are measured on a frequent basis, company employees believes that if employees are granted autonomy, trusted, and taken care of, customer success and satisfaction will follow and as result of those performance indicators profitability of the company will also rise.

Purpose

In the introduction chapter the author highlights the mergers and acquisitions purposes, its importance, and the benefits two organisations are expecting to gain, in order to strengthen competitive advantage or optimize performance. However, according to Khan *et al.* (2020) there are many risks associated with the merger and acquisition where chances of realising it are quite high due to neglect of importance in post-merger integration. The problem addressed in this thesis is related to the lack of studies conducted with the focus on the successes of the post-merger integration among different national environments of the companies with the highly autonomous leadership style. Furthermore, there is a gap of research and comparison of the post-merger performance results against the different integration types and acquisitions stakes of the selling companies.

Therefore, the purpose of this thesis is to highlight and analyse the challenges and achievements buying and selling companies faced in post-merger integration. Find the connection between employee and customer satisfaction KPI's results in highly autonomous organizational surroundings.

This master thesis is an empirical study seeking for answers to below research questions:

RQ 1: What is the relation of company's cultural fit on companies' post-merger performance?

RQ 2: What is the relation between autonomous leadership and company performance results after the post-merger integration?

RQ 3: What is the relation between post-merger integration planning and companies' post-merger performance?

Delimitations

The following delimitations will define the aspects, factors and variables that will not be included in the investigation.

1. The first delimitation is that this work results will provide relevant information for the professional service company providing custom software development and consulting services.
2. The second delimitation is that this work will focus only on post-merger integration phase. As a result, this work will not include aspect of pre-merge and acquisition phase due to lack

of access to the data. This work focuses on the cultural integration and integration of employees. Therefore, integration strategies for systems, teams, processes, and assets will not be covered.

3. The third delimitation is that this work will oversee the impact of integration on two key performance indicators inherited from buying company, those are customer satisfaction and employee satisfaction. Implication on financial results of buyer and selling companies will not be covered due to lack of access to the data.

Structure of the thesis

Current thesis starts with an introduction part, continues with three main chapters and ending with a conclusion. Introduction describes validity and relevance of this work as well as outlines the delimitations to set the right expectations for the reader. First chapter is a theoretical background, consists of one chapter unifying under it six sub-chapters where all of them are covering the theoretical part of the studied phenomena to support the research and analysis part. Second chapter is methodology, dwells upon the design analysis covering the aspect of the multiple case study used in current thesis. Third chapter is a research findings and discussions, consists of 4 sub-chapters which highlights and discusses the findings from the interviews and addressing those against theoretical part. In conclusion, author sums up the findings, highlights the limitations and suggests future research needs.

1. THEORETICAL BACKGROUND

This chapter describes the theoretical reference for this study; it describes merger and acquisition processes and phases, introduces post-merger and acquisitions typologies, concept of cultural implication and importance in post-merger context.

1.1 Mergers and acquisitions

The liberalization, deregulation, and globalization of the economy now mean that businesses must face both domestic and global competition (González-Torres *et al.* 2020). Mergers and acquisitions are referred to as M&A (an abbreviation for Mergers and Acquisitions). Among the different growth options, mergers and acquisitions are crucial strategic mean for achieving a long-term competitive advantage in today's business environments (Leon-Gonzalez & Tole 2016). As highlighted by Gaughan *et al.* (2018) reason for acquisitions can be is that the acquiring company wants to expand its business, either by growing larger in its core business or by expanding either vertically or horizontally.

A merger presents organizations with the opportunity for growth. By sharing knowledge, merging organization can fill in the gaps in their services, by responding to clients demand for increasing geographical coverage and introducing new services (Empson 2017). When companies are embarking on the path of merger and acquisition the reasons behind this activity might be very different and quite a lot depends on the company strategy. According to Gaughan *et al.* (2018), usually common motive for the company's merger and acquisition it is expansion. These authors further elaborate, buying a company's business line, product line or the geographical area might be quicker action for grow neither than the organic growth. According to Sherman and Hart (2009) every company deciding regarding mergers and acquisitions must answer two questions of the utmost importance: is it a better decision to buy a capability or we better in building it on our own? Answering this question might lead the company expansion strategy in different direction, costs and risks whether to buy or build might vary depending on decision. If the organization is planning to build a new location, organization must consider competitive density, demographic, real estate pricing, brand awareness, specialist accessibility, national risk and others. On the other hand by acquiring a company you have less risk associated with cultural fit, the willingness of the selling company to stay to work together and minor risks entering into a new geographical area.

1.1.1 Acquisitions

According to the Sherman and Hart (2009) acquisitions differ from merger where mergers usually involve companies of equal size, and acquisitions is the purchase of an asset while in acquisitions the acquiring company tends to be of larger size than its counterpart (Krekel *et al.* 1969). According to the Piesse, Lee, Lin and Kuo *et al.* (2006) there are clear difference between takeover, merger and acquisitions, though those are quite often treated as a synonym. Acquisition typically has one company – the buyer- that purchases the assets or shares of the seller, with the form of payment being cash, the securities of the buyer, or the assets of value to the seller. The definition according to Hubbard *et al.* (1999), acquisitions are takeovers in which bidder negotiates directly with the target company's board of directors. As Hubbard *et al.* (1999) argues that acquisitions have clear winners and looser, where power is not negotiable. Though as Sherman and Hart (2009) debates that the difference in meaning do not really matter, as the result of the joint activity done by those companies often the same: two companies which had different ownership are starting to operate under the same roof, usually to obtain strategic or financial benefit. According to Sherman and Hart (2009) yet the impact on financial, tax or cultural aspect may be very different, depending on the transaction type.

1.1.2 Mergers

Mergers describes a transfer of ownership in which one entity legally disappears into the other, or both entities disappear into a third entity created for the purpose of the merger (Reed Lajoux, 1998). As described by Gaughan *et al.* (2018) mergers are often categorized as horizontal, vertical, or conglomerate. Where horizontal occurs when two competitors combine and they are both involved in the same business activity and industry (Piesse, Lee, Lin and Kuo *et al.* 2006). As argued by Piesse, Lee, Lin and Kuo *et al.* (2006) those merges are typically result in market consolidation.

Vertical mergers are combinations of companies operating in the same industry, where they have a buyer-seller relationship while one of the companies is the part of the supply chain of another. As Piesse, Lee, Lin and Kuo *et al.* (2006) this kind of mergers are aiming to improve logistics, consolidate staff or reduce time to market.

While a conglomerate merger occurs when the companies are not competitors and do not have a buyer-seller relationship. In conglomerate merger are mostly seen as a business diversification for

big corporations, where the target and bidder firms are not related (Piesse, Lee, Lin and Kuo *et al.* 2006).

1.2 Mergers and acquisitions process

The mergers and acquisitions process consists of two major fundamental stages, which are the pre-merger stage and post-merger stage (Gomes *et al.* 2013; Haspeslagh, Jemison 1991; Hubbard 1999; Jemison, Sitkin 1986; Lasserre 2007). On Figure 1. can be seen generic process of mergers and acquisitions with different phases based on to Haspeslagh and Jemison (1991). Each phase includes subset of activities conducted during the process. The pre-merger process contains the decision-making topics related to the mergers and acquisitions, which covers the set of reasons and justifications such as screening, analysing and strategically evaluating acquisition prospects (Haspeslagh, Jemison 1991). The post-merger stage includes the integration phase of the acquired company such as integrating processes, cultures, values, and products, which are capabilities that contributes to the value of the acquisition (Haspeslagh and Jemison 1991; Pablo *et al.* 1996).

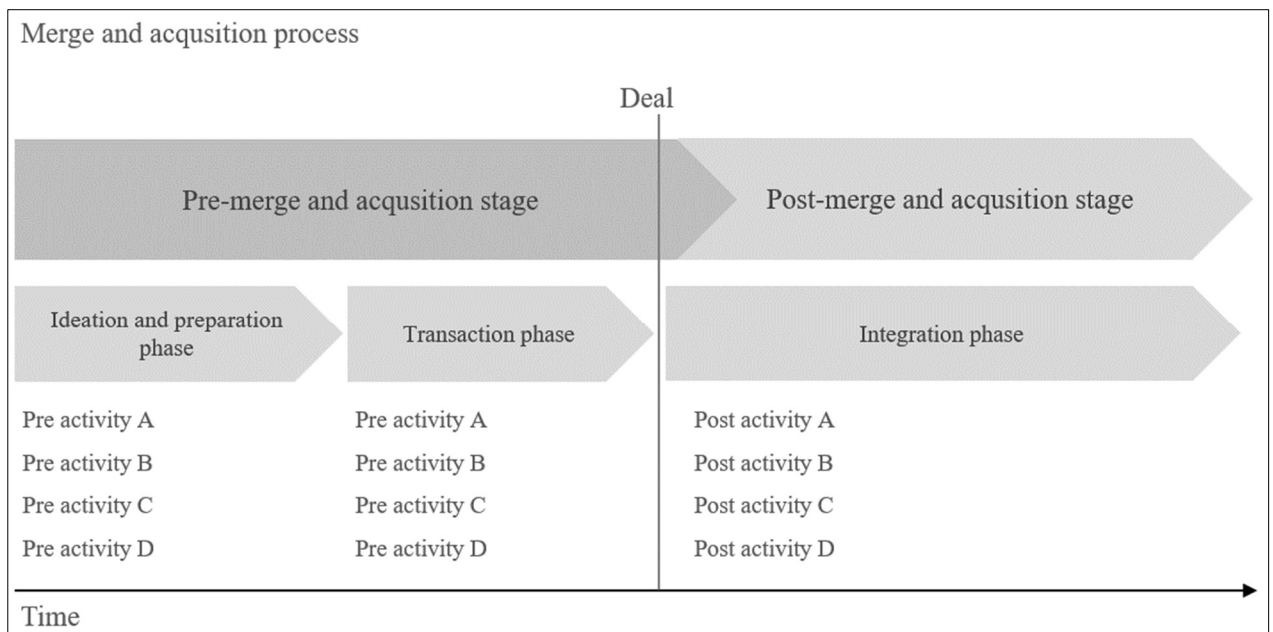


Figure 1. Authors summary of the mergers and acquisitions process according to Haspeslagh and Jemison (1991, 3 – 18).

1.2.1 Pre-merger process

According to Haspeslagh and Jemison *et al.* (1991) and Jemison and Sitkin *et al.* (1986b), it is essential finding the right acquisition target in the pre-merge and acquisition phase, analysing and evaluating the target and assessing the strategic and organizational fit between two companies.

As shown on the Figure 1. Haspeslagh and Jemison *et al.* (1991) identified and described three major M&A stages:

- 1) idea and preparation, is part of the pre-merge and acquisition phase,
- 2) transaction, is the part of the pre-merge and acquisition phase,
- 3) integration, is the part of post-merger and acquisition phase.

According to Carlsson *et al.* (2007) two first phases are decision phases which occur before the deal is signed. The third phase is the implementation phase in which the implementation plans are carried out. During the ideation phase the potential target companies are suggested and evaluated. The reasoning for using phases has been to distinguish different events and activities of each stage, thereby furthering the understanding of the M&A process and how it can be managed (Risberg, 2003).

1.2.2 Post-merger integration

The post-merger integration refers to the process following a M&A between a buyer and a seller with the motivation of combining two companies, its assets, cultures, and people into one (Raitis *et al.* 2018). It is highlighted by many authors (Haspeslagh and Jemison 1991; Schweiger 2002; Gomes *et al.* 2012; Ellis and Lamont 2004) this phase is the most important phase in the M&A where the value is created and transition from the seller to the buyer happens, this phase must not be considered as a capturing action.

According to Schweiger (2002) implementation of a well-constructed post-merger integration process is one of the key factors to amplify value creation and minimize risk of value destruction. As an example, Weber *et al.* (2011) suggests that during the M&A process stakeholders for on a strategic fit between the organizations, it is often used to determine the synergy potential while the aspects relating to the post-merger integration process including interaction, communication, and coordination factors are often neglected.

According to *et al.* Stahl & Sitkin (2010) sociocultural integration is a significant aspect of acquisition success from an organizational and employee perspective. It has been defined as creating positive attitudes toward the new organization, developing a sense of shared identity and compatible values, and gaining commitment and motivation from acquired personnel.

In the research conducted by Gomes *et al.* (2012) there are proposed seven different critical factors which are tightly connected with success of the post-acquisition phase:

1. Integration strategies,
2. Post-acquisition leadership,
3. Speed of implementation,
4. Post-merger integration team,
5. Communication,
6. Management of corporate and national cultural differences,
7. Human resource management.

1.2.1 Post-merger integration typologies

Integration is a phase of interaction taking place when the two firms come together. During the integration phase strategic capability transfer and value creation depend on the ability to understand the organizational context (Haspeslagh and Jemison 1991). In his research Datta *et al.* (1991) identified that the primary objective of the integration work is to make more effective use of existing capabilities. According to Pablo *et al.* (1994) researchers started to focus more on the aspects impacting the management of post- merger relationships as potentially critical in acquisition success or failure.

According to Gomes *et al.* (2013) the four integration approaches that Haspeslagh and Jemison (1991) identified represents a generally known post-acquisition integration framework. Integration framework developed by Haspeslagh and Jemison (1991) is taking into consideration varying levels of the need for strategic interconnection and the need for organizational autonomy following an acquisition. The integration framework consists of the four different integration types:

1. Symbiosis,
2. Preservation,
3. Absorption,
4. Holding.

Each of integration types are determined by the needed level of organizational autonomy and operational independence (Haspeslagh and Jemison 1991), see Figure 2. Integration approaches.

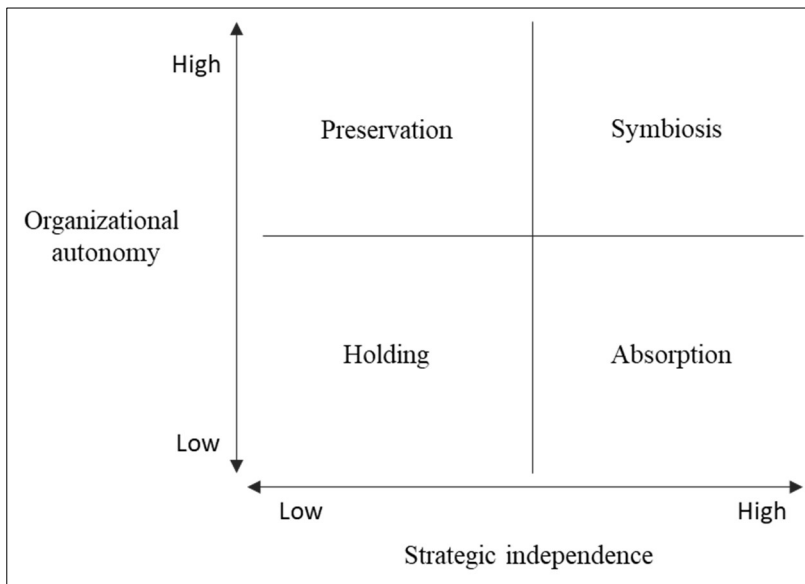


Figure 2. Integration approaches Haspeslagh and Jemison (1991, 145).

According to Ellis and Lamont (2004) the preservation integration type, characterized by limited strategic independence of the company involved but a high need for operational autonomy in both companies, allows the target company to continue operating independently following the acquisition. As Ellis and Lamont (2004) highlights, this integration type involves very little change in either of the two companies involved in the transaction given that one of the primary drivers of achieving post-acquisition success is the ability to keep intact those strategic capabilities being obtained from the target company. As a result, this integration type necessitates integration tasks such as allowing for continuing differences within the target firm, giving autonomy and decision-making authority to the target company management, and providing resources to improve the operations of the target firm as needed.

As Lasserre *et al.* (2007) confirms the preservation integration type is proper when little operational synergies are believed to be derived from the acquisition. The value in a preservation acquisition is supposed to contribute with is related to the strategic objectives of increased market coverage and product range as well as gains from transferring resources and competencies between the acquiring and acquired company.

The absorption integration type represents the condition in which the need for operational autonomy in both firms is low and the need for strategic indecencies is high (Ellis and Lamont 2004). The absorption integration type has the objective to reach a complete consolidation of the two businesses' organizations, operations, processes, and culture. The value in this integration type

is created in the realization of the organizational, strategic, and operational synergies (Haspeslagh and Jemison 1991; Lasserre 2007). As this type usually brings along a significant degree of change in the target firm, it is crucial to implement this type in well planned, logical, and fast paced manner to minimize the disruption and uncertainty surrounding the post-acquisition integration process. Ellis and Lamont, *et al.* (2004) highlights that the aspect of communication, milestone planning and time pressure is utmost of importance in this type of integration.

According to Haspeslagh and Jemison (1991), the symbiotic integration type is used in situations where there is a critical need for both operational autonomy and strategic independence. Based on the Ellis and Lamont *et al.* (2004), the symbiotic integration type involves a period of initial preservation and then a progressive integration of best practices from both firms. Symbiotic integration type involves some changes for both companies as two are trying to join and create a synergy and reflect the core competencies. Haspeslagh & Jemison (1991) highlights the importance of a mutual understanding and creation of cooperation atmosphere between the companies with a same purpose of future coexistence and value creation. Symbiotic integration type requires some operational responsibility by target company, a transition management structure should be in place in order to coordinate integration activities as well as help identify best practices. According to Haspeslagh and Jemison (1991), this integration type demands the most from both of the companies as considered to be most complex as the boundaries of the companies needs to be preserved at first with gradual increase of absorptivity until, symbiotically blended.

The holding integration type means no implications for either of the companies as no integration is planned, instead the value created and reason for the holding approach is to ease financial transfers and risk-sharing (Haspeslagh and Jemison 1991).

Another integration framework, developed by Nahavandi *et al.* (1988), focuses on an acculturation perspective. Main principle of this typology is which perspective does the buying and merging company have regarding the mode of acculturation between two companies, specifically how attentive are the companies in the regards to social, psychological, and cultural change due to merger. Nahavandi *et al.* (1988) identified two primary dimensions. One from the acquiring companies' perspective – degree of relatedness between the two companies as described on the Figure 3., and the second perspective is the degree of tolerance for multiculturalism by the buyer company as described on the Figure 4. (Nahavandi *et al.* 1988). The integration framework by

Nahavandi *et al.* (1988) consists of the four different integration types similar to the Haspeslagh and Jemison (1991) one has: separation, assimilation, integration, and deculturation.

		How much do members of the acquired firm value preservation of their own culture?	
		Very much	Not at all
Perception of the attractiveness of the acquirer	Very attractive	Integration	Assimilation
	Not at all attractive	Separation	Deculturation

Figure 3. Acquired firm's modes of acculturation.

Source: Nahavandi *et al.* 1988, 83.

The four types describe how the two organizations adopt to each other and resolve emergent conflicts. The integration type occurs when members of the acquired company wish to preserve their own culture and identity while at the same time need to be willing to be integrated into the acquiring corporation's structure (Nahavandi *et al.* 1988).

		Culture: Degree of Multiculturalism	
		Multicultural	Unicultural
Diversification Strategy: Degree of relatedness of firms	Related	Integration	Assimilation
	Unrelated	Separation	Deculturation

Figure 4. Acquirer's modes of acculturation.

Source: Nahavandi *et al.* 1988, 84.

The term multiculturalism refers to the degree to which an organization values cultural diversity and is willing to tolerate and encourage it (Nahavandi *et al.* 1988). In the assimilation type the acquired company abandons its culture and adopts the culture of the acquirer. Separation type is

likely to occur when two companies have nothing or close to nothing in common regarding the business and culture. The deculturation type may take place when the acquired company does not value its own culture, but also rejects the culture of the acquiring company.

In Figure 5., the author highlights the similarities and difference between two typologies. There are two main differences between those typologies, the integration type by Holding and Deculturation.

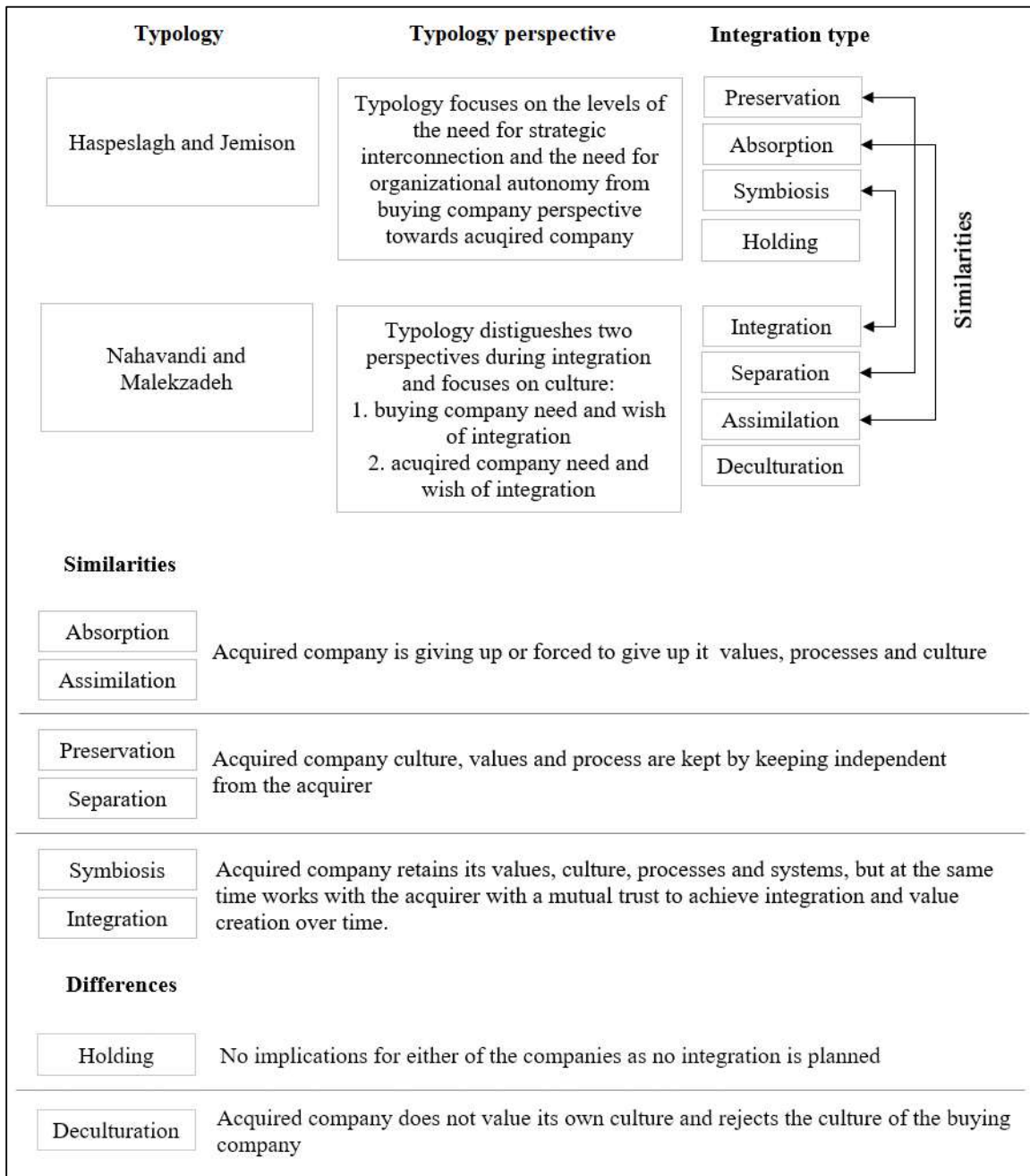


Figure 5. Summary of typologies, similarities, and differences.

Source: Author's comparison of typologies based on Nahavandi *et al.* (1988) and Haspeslagh and Jemison (1991).

1.3 Success factors of mergers and acquisitions

According to Sherman and Hart (2009), to achieve goals and establish high performing framework in order to accommodate shareholders expectation of successful growth, companies need to have long-term commitment and support from financial and HR areas, this attention may come with a price in some lost opportunities. As the Sherman and Hart (2009) expands more on this topic, involvement, and allocation of the resource to merger and acquisition might result in expediting the achievement of growth objectives, but also increase the level of risk if deals are not structured and negotiated properly (Sherman and Hart 2009).

Multiple authors have concluded that mergers and acquisitions should bring an improvement in performance of the combined companies which creates a competitive advantage to the firms (Krug, Wright and Kroll *et al.* 2014; Sinclair and Keller *et al.* 2017). The collaboration between the combined organizations will likely stimulate interaction to improvement in the competitive position and thus resulting in an effective performance (Schweiger and Weber *et al.* 1989).

According to Sherman and Hart (2009), the main latest reasons what motivates companies to join are:

1. Mergers might be the most successful and efficient way to enter a new market, or increase regional presence,
2. Access to company workforce and to obtain the intellectual property. Furthermore, according to Makinen *et al.* (2012), these processes are commonly known as “acqui-hire”, in which the buyer is motivated primarily by the talent of the seller’s employees rather than by its operational business or technology.
3. Rapidly changing technology, in high technology sectors,
4. Fierce competition between competitors,
5. Changing consumer preferences, which is driving many of the deals in the food and beverage industry,
6. The pressure to control costs,
7. Necessity to transform corporate identity,
8. Necessity to spread the risk and costs of developing new technologies (R&D in new medical discoveries, gaining access to new sources of energy, such as in the oil and gas exploration and drilling industries,
9. Develop an international presence and expanded market share,

10. Assumption that it is less expensive to buy brand loyalty and customer relationships than to build it,
11. Competitive necessity.

It is argued by Schuler and Jackson (2001) and Krug *et al.* (2014) that the most common reason of merger and acquisition failure was people mismanagement. It is highlighted that many buying companies underestimated the impact of managing HR issues and organizational change, which leads to the failure of mergers and acquisitions (Krug *et al.* 2014). It is highly recommended that the companies which are in the merger and acquisition process not only focus on financial aspect and strategic planning in their work but discuss the aspect in integration strategy and compatibility between two companies in post-merge phase. According to Schweiger *et al.* (1997), the extent of a merger or an acquisition successfulness will depend on how the organizations manage and resolve the differences which were identified in planning of integration between two companies.

Recent research indicates that averagely over 70% of mergers and acquisitions are failed to meet the desired outcomes (Krug *et al.* 2014). Blake *et al.* (1985) highlights that the common challenges encountered by acquiring company are how to manage the transformation and shifting organizational culture and fit of strategy from two different organizations to one new company. It is also addressed by Blake *et al.* (1985) that success in merger and acquisition processes to the large extent will be based on the readiness, planning, and a vigilant implementation. Not be able to address and manage integration plan will not only damage the expected value created with joining but also will have a significant impact on employee's morale of both companies. The failure of merger and acquisition will result negatively in many forms, and company might have on hand such problems as: productivity problems, a decline in shareholder value and loss of intrinsic motivation from employees (Walsh 1988; Chatterjee *et al.* 1992; Schuler, Jackson 2001; Krug *et al.* 2014).

All in all, there are many possible explanations for why mergers and acquisitions are failing, but probably the most convincing explanation is the simplest (Arikan 2002). As Arikan (2002) argues, mergers create uncertainty, fear, and distrust among the staff, even if there are no plans to cut the personnel and the actual purpose is to create value. Therefore, next sub-chapter will explore the part employees are playing in mergers and acquisitions.

1.3.1 People during mergers and acquisitions

Mergers and acquisitions can bring out the worst in professionals. Mergers provoke anxiety in the individuals, as they represent a change which potentially threatens established work norms (Empson 2017). Carefully prepared plans are questioned, and there is always the underlying threat of job losses (Angwin 2004). Employees used for collaborating autonomously and which being set under pressure of uncertainty are likely to experience particularly severe pre-merger anxiety (Empson 2001). As Empson (2017) is arguing in his book the leaders of merging organizations require subtle understanding of what drives employees and how to perform meaningful and value creating integration, these issues have been emphasized in terms of organizational fit. Cartwright and Cooper (1993) in their studies identified that post-merger acculturation to be largely predetermined by pre-merger cultural attributes and therefore outside management's control during the integration process.

On the other hand, the studies done by Larsson (1990) and Larsson and Lubatkin (2001) are in contradiction, these studies found that how employees act on M&A has little to do with the organizational prerequisites when a M&A decision is being made, but more on how the integration process itself is managed, speed, communication, hostility, and leadership. According to the scientific work done by Schweizer and Patzelt (2012) it is quantitatively proven that the fast integration motivates and have a positive effect on employees' motivation to stay at the company. Although some of the researchers highlighting that the speed may come with the cost and consequences as the anxiety rises and productivity drops, though there may be situations in which the costs of speed outweigh the benefits (Schweizer and Patzelt 2012). A slower integration might minimize conflicts between partners, enhance trust building, and reduce disruption of existing resources and process in both companies (Homburg and Bucerius, 2006). Setting the right speed of integration requires a comprehensive awareness of all the processes surrounding the deal. Therefore, speed should not be chosen intuitively but responsibly.

It is important that the integration leadership style is defined as inspirational, supportive and contextual, the stronger it has effect on fast integration (Schweizer and Patzelt 2012). Pritchett (1985) in his book argues that essential part of the merger and acquisition during the integration process is related to the employee's reaction. Figure 6. highlights the framework of approaches to the merger or acquisition created by Pritchett (1985) which is categorized based on the friendliness of hostility of the deal.

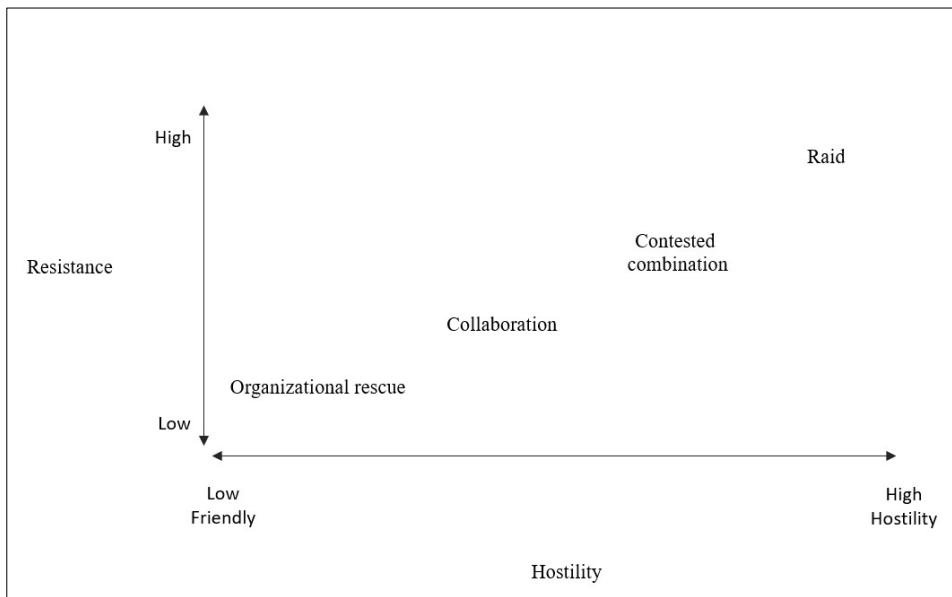


Figure 6. Friendliness - Hostility Continuum.

Source: Buono and Bowditch (1989), based on Pritchett (1985, 75).

The authors summary describing characteristic of possible takeovers against hostility and resistance the buying company might face from the target company based on Buono and Bowditch (1989) can be found in Appendix 2.

1.4 The role of culture in business

As it has been described in the previous sections, there are multiple post-meger integration frameworks established which are used extensively until today. Framework which author has described is the framework of Haspeslagh and Jemison (1991), but what is missing from the framework is the cultural integration aspect. But what is culture and how can it be defined? There are many definitions and according to Centre for Advanced Research on Language Acquisition, culture is defined as: “shared patterns of behaviours and interactions, cognitive constructs, and affective understanding that are learned through a process of socialization. These shared patterns identify the members of a culture group while also distinguishing those of another group.” (The Center for Advanced Research on Language Acquisition (CARLA): Culture 2022). According to Hofstede, Hofstede and Minkov (2017) culture consists of shared language, belief systems such as religion and political beliefs, ethnic heritage, and history.

But many researchers are highlighting that the culture in business and in organization do not consist only of national culture and obvious surroundings such as history, heritage, and others. According to Stahl and Voigt (2008), Björkman, Stahl and Vaara (2007), the organizational culture is more complex and consist of multiple levels of cultures. Additionally, Trompenaars and Hampden-Turner (2012) highlight that the culture in the business context is seen on the three levels: National or regional, organizational, or corporate and professional culture. As it is illustrated on the Figure 7. the cultures affect each other and very tightly connected. The arrows in Figure 7. represents the cultural exchange that naturally appear between the levels.



Figure 7. Onion model of culture based on Trompenaars and Hampden-Turner (2012).

Source: Trompenaars and Hampden-Turner (2012, 22).

The highest level, national culture, is the shared culture of members of a national or regional society. The middle layer refers to culture on the organizational level. The last level refers to professional culture in a business context. According to Trompenaars and Hampden-Turner (2012) all those levels are affected by each other. Trompenaars and Hampden-Turner (2012) argues that the employees belonging to the different units or teams within the same organization will likely have similar and share certain professional and ethical approaches.

1.4.1 National level

National culture can be considered as the set of shared aspects and factors of people belonging to the same geographical or national region (Schein 1990). A high degree of cultural differences between two countries is commonly referred to as high cultural distance. These cultural differences can be associated to the concept of “psychic distance” developed by Johanson & Vahlne (1977) that refers to factors that prevent flow of information between companies in and foreign markets. These information flows, whether actual or potential included: 1) Information on foreign markets needs, 2) information on the product. Additional “psychic distance” factors include, difference in language, culture, political system, education and industry development (Child, Ng and Wong 2002).

Based on geography and demography, national cultures have established, and those are affecting how human beings act and behave. National culture will affect how people behave in business. An awareness and understanding of a national level culture is essential while integration in order to avoid intergroup conflicts (Schein 2004). According to Chakrabarti, Gupta-Mukherjee, and Jayaraman (2008); Vaara, Sarala, Stahl and Björkman (2010) research it might be assumed that the companies with diverse national cultures perform better and cause less conflict during the post-merger integration process. In the research of national culture, Geert Hofstede is considered to be one of the most influential theorists (Hardin, Fuller and Davison 2007). Hofstede framework consists of five dimensions as described in the Appendix 3. and used to compare national cultures and as a result the conclusion might be drawn where are the two organizations standing. Hofstede’s initial research was based on the analysis of 116 000 IBM employees from more than 50 countries surveyed during the 1970s. The research has been conducted across the globe but within the same one organization.

For example, a country which has high score in power distance accepts hierarchical orders while the country which has low score in these areas are likely to distribute the power. Looking into the country with high individualism score primarily consists of individuals caring for themselves rather than for a greater society and vice versa.

1.4.2 Organizational level

Schein (1990) argues that organization can have a culture if it has been a stable group for some period of time, and every sub-group within that organization can have its own culture as it has its

own stable history. Definition of a culture specified by Schein (1990) is a set of assumptions taken for granted. But those assumptions according to Schein (1990) should be distinguished from another two levels, such as values and artifacts. As it is illustrated on the Figure 8. Schein (1990) breaks his model in the two different dimensions most visible and least visible.

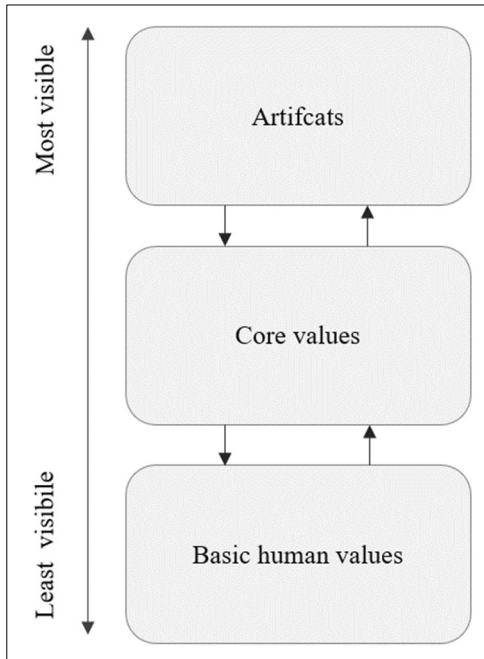


Figure 8. Three levels of culture in business based on Schein (2019).

Source: Schein (1990, 375 – 390).

View of Schein (1990) is very much alike and has similarities compared to Trompenaars and Hampden-Turner (2012). Schein (1990) suggests that culture is the property of a group. The very first level is artifacts, the aspect of the organization which can be easily viewed, heard and felt by individuals, those are usually organizational structures, business processes, visible elements of the organization all those aspects are falling under artifacts and go a long way in setting the culture of the workplace (Schein 1990).

The next level according to Schein (1990) is core values, this level is less visible but can be talked about. Usually those are ideals, standards, moral principles, strategies, and goals. Those are often mirrored from leaders to the group.

The third level according to Schein (1990) is the level of basic human values of the employees which can't be measured but do make a difference to the culture of the organization. Schein (1990)

argues that those are unconscious beliefs and perceptions and taken for granted facts which are hidden but do affect the culture of the organization. According to Schein (1990) those assumptions might differ in other part of the world. Schein (2004) claims that an organization's culture is stable when it is shared across the entire group and its sub-groups.

Culture shapes behaviour and therefore, the culture of an organization shapes the behaviour of its employees (Koberg and Chusmir 1987). According to Prajogo and McDermott (2011) the organizational culture can be divided into two aspects: content and strength of the culture. The content of culture is what conveys the values and behaviours of the organization's members and the strength, refers to how strongly and deeply those values and behaviours are rooted among the members and lived by (Prajogo and McDermott 2011).

1.4.3 Individual level

In the study performed by Schmidt (2002) he insists that the most common reason why mergers and acquisition fail is related to the people, and it is highlighted that the key factor to success is how well people are managed and integrated. Furthermore, the research conducted by Bansal (2015), indicates that the organizations which are prioritizing employee related problems including cultural difference and shared identity during the integration process have 26% higher probability to succeed with integration. Bansal's (2015) study indicates that the less human interactions organizations have the higher amount of negative emotion, uncertainty and insecurity employees express.

1.5 Organizational cultural fit

In the previous sections author has described the aspect of the culture on the organizational level, what it consists of, which levels are involved and how it impacts the organization. But the importance of the cultural fit between companies left untouched on purpose and will be explain in this section.

Cultural fit has been associated with high correlation of the unexpressed and usually unaware views deep-rooted in different cultures as a result this unawareness might lead to misunderstandings and conflicts (Meglio and Schriber 2020). The term cultural fit was defined by Chatterjee *et al.* (1992), as the degree to which the target companies' employees perceive their

culture to be compatible with the buying company. However, this definition seems to lack of perspective and only singly focused and may be ambiguous, as the cultural attractiveness of the target company from the buying company employee's perspective also should be treated as equally as important (Nahavandi and Malekzadeh 1988). If by any means any of the sides are left unattended during the pre-acquisition target selection phase, such difference can lead to cultural clashes or cultural collisions during the integration (Chatterjee *et al.* 1992; Stahl and Voigt 2008)

According to Kristof (1996), cultural fit is as a compatibility in two type of relationship between people and organization which can occur when: 1. the organization and the individual contribute to meeting one another's needs; 2. the organization and individual share similar characteristics. Furthermore, as another research from Meglio and Schriber (2020) indicates, there are different approaches to cultural alignment depending on the perspective considered:

1. The social identity or demography perspective,
2. Structural differentiation and formal position perspective,
3. Social-interactionist approach perspective.

The social identity or demographic perspective proposes that the social identity and an organizational member's values are the primary factors that influence the way in which the employee is going to make sense of the organizational context (Meglio and Schriber 2020). According to Meglio and Schriber (2020), company employees with the same background will have the more probability of cultural match neither than the employees with different demographic backgrounds. Structural point of view assumes that main elements that impacts the cultural points of view are structural differentiation and formal position. While the social-interactional approach perspective assumes that the companies' employees develop their cultural points of view while interacting with each other (Koene 1997).

On the contradiction to the research of Chatterjee *et al.* (1992) there is an opposite side and based on work done by Vaara *et al.* (2010) identified there is a positive effect of cultural differences. Furthermore Vaara *et al.* (2010) research confirms, that culture has been identified as an important condition for developing knowledge and capabilities difficult to develop and copy. Differences of cultures are having a positive effect and might impact positively on the knowledge transfer and learning. Cultural difference might be considered destructive in order to reach merger and question goals during the integration phase but according to Bauer and Matzler (2013), it might actually not

be. According to Bauer and Matzler (2013) cultural fit is a state of embracing both differences and similarities and define that cultural fit in this sense is positively associated.

1.6 Leadership in post-merger and acquisition process

According to multiple scholars investigating success aspects of the M&A, recognize that leadership is one of the critical factors affecting the success of post-merger integration (Lind and Stevens 2004; Sitkin and Pablo 2005; Nemanich and Keller 2007). Mergers increase employee's uncertainty, and as a result stress of employees. Implicating employee's satisfaction, commitment, intention to remain in the organization and perception of honesty, carrying and companies' trustworthiness (Schweiger and Denisi 1991). These biases have ability to spread fast and become devastating among employees, even among those who are promised not to be affected (Fulmer and Gilkey, 1988). Based on the results of the research done by Able (2007) he indicates that, if during the post-merger integration employees believe that their leaders care about them, they develop a positive attitude toward the change and commit to greater involvement in the integration. Furthermore, according to Kanter (1984), the leaders solely responsible for: involving employees to participate in changes, provide clear vision of the future prospects, share information, demonstrate own commitment for change, deliver clear expectations from them, and provide positive reinforcement messages. Based on the studies done by Papalexandris and Galanaki (2009), the leader's role is to express a vision of what is possible and to motivate people to transform this vision into reality.

There are different types of leadership theories which are promoting different types of leadership styles. For example, charismatic leadership, transformational leadership, visionary leadership and inspirational leadership styles (Nanus 1995; Shashkin 1988; Bass and Riggioni 2014; Conger and Kanungo 2003). Regardless of some differences in theories, some of them share the view that superior leadership go beyond a simple performance versus reward leadership thus have substantial effect of subordinates and their organizations. As highlighted by Kanter (1984) having a clear vision encourages and improves employee's engagement, furthermore Widermuth and Pauken (2008) claims that that transformational and authentic leadership styles also having a positive effect on it. Transformational leaders inspire followers to adhere to a common vision, whereas authentic leaders combine ethical and transformational qualities to achieve a common mission. On the other hand, there is contingency theory of leadership that do not set exact rules,

behaviours, or patterns. Contingency theory of leadership promotes the action towards specific situation considering, the leader at place, the task which needs to be completed and group of people involved. Theory liberates that no matter how good the leader is, he will always be challenged by the situation he never experienced before and due to that the success of his leadership is partially dependent on the circumstance he is facing (Fiedler 1964). In Appendix 4. author describes main contingency leadership models that falls under the contingency theory.

Author in his work would like to highlight the full range leadership model which was developed by Bass and Avolio (2004) and visualization of it can be found on Figure 9.

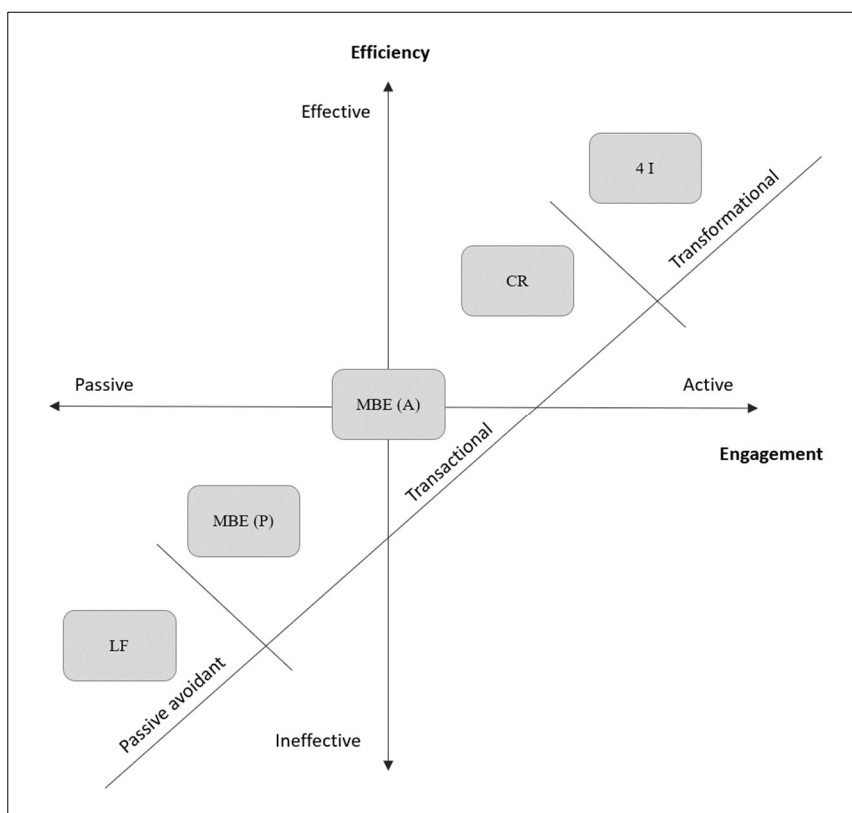


Figure 9. The full range leadership model.

Source: Bass and Avolio (1994, 6).

Transformational leadership creates substantial change for team members as well as organizations. Clearly defined expectations, inspirational leadership and high values are transformed into a team of highly motivated individuals. Transactional leadership is built on a clear structure of reward and punishment for different levels of performance. It is focused on results, efficiency, and performance rather than people and relationships. Laissez-faire leadership is a hands-off leadership style where team members are free to make all decisions.

According to the authors summary of the leadership models found in Appendix 4. and Appendix 5., author can conclude: to achieve high results and avoid mistrust during the merger and acquisition process, organizations should empower transformational leadership with a combination of contingency leadership styles as characteristics of those expect to boost employee morale, engage employees in the new vision adherence and overcome instability and uncertainty with less stress, but at the same time allow leaders to be more agile and flexible using best suitable leadership practices from their available “toolkit”.

The theoretical part covered the main aspects of mergers and acquisitions, its phases, challenges, leadership role during and highlighted the cultural aspect in business based on the literature. This theoretical part will serve as an input for the qualitative research of the current thesis. Next chapters will focus on research methodology and findings.

2 METHODOLOGY

In this chapter the author will present details of the research methodology upon which the study was built. This includes the research design, multiple case study description and justification of usage, data collection, and data analysis procedures.

2.1 Research design

According to Saunders *et al.* (2015) the research design is a general plan detailing how the research will follow, containing goals derived from the research question, sources from which the data is intended to be collected, proposal on data collection and analysis as well as other ethical considerations anticipated to be encountered like data access. Furthermore, Saunders *et al.* (2015) highlight the first step before setting up the research design, scholars should understand the research method available, that if it is, quantitative method, qualitative method, or both.

As Creswell (2013) highlights it is meaningful to use qualitative method when it is necessary to research the ways people come to understand, act and manage their day-to-day situations in particular environments. As the purpose of this research is to gain a deeper understanding the phenomenon of the autonomous leadership in the post-merger integration and its impact on the performance of the selling company, the author decided to use a qualitative research method. Qualitative methods are more meaningful to use when you need to investigate people relationships and it is more insightful neither the quantitative methods (Creswell 2013). A qualitative research design is less structured, more flexible, and open-ended compared to a quantitative approach, and is considered suitable once investigating a social phenomenon (Azungah 2018).

Furthermore, as suggested by Doz (2011), it is meaningful to conduct the study using the inductive approach and qualitative research if the purpose of the study is to generate new knowledge and insights rather than testing an existing theory. Due to the scattered and underdeveloped research in that area, author decided to use inductive method. An inductive approach combined with a qualitative research design can provide a deeper understanding of the phenomenon and answer the questions about “how” and “why” (Doz, 2011).

2.2 Multiple case study

In this master thesis author is using multiple case study approach that aimed to understand how the case companies from the different locations are performing in post-merger in highly autonomous environments. According to Crowe *et al.* (2011), a case study is a research approach that is used to generate an in-depth, multi-faceted understanding of a complex issue in its real-life context. A case study “is an empirical inquiry that: a. Investigates a contemporary phenomenon in depth and within its real-life context, especially when, b. the boundaries between phenomenon and context are not clearly evident” (Yin 2009, 18). There are multiple different opinions from scholars about the multiple case study and when to choose one. According to Yin (2009), multiple case study allows the research to analyse the data within each situation and across different situations, unlike when a single case study is chosen. Furthermore, the Baxter and Jack (2015) highlights that the multiple case study allows researcher to study multiple cases, identify and understand the difference and similarities between cases. According to Eisenhardt and Graebner (2007), multiple case study is confirmed to be more conclusive in its theory generating than a single case study as the possible findings is grounded in several empirical pieces of evidence.

The data was collected from the Estonian company that operates in the information technology sector and provides custom software development and information technology consultant services. The company is classified as a medium size company based on the classification of Ministry of Economic affairs and communications of Estonia. The company in the last five years expanded into the new markets and have multiple locations around the world, such as Latvia, Belarus, United States of America, India, and Poland. Total company headcount is more than 1000 employees with the headquarter office in Estonia, Tallinn.

For this study, two mergers and acquisition cases within the same buying company were studied meaning the multiple case study approach was used. The decision to select those two cases were based due to different acquisition agreements, where in one case the buying company bought the majority stake of 51% of the selling company. In the second case the buying company bought full stake of 100% of the selling company. Both cases of mergers and acquisition occurred in two different regional settings compared to the buying company. Due to the close deal signing time proximity of those two integrations which happened in 2018 and 2020 those cases might able to provide relevant comparison model as post-merger integration process is expected to be akin.

The researching two different cases would strengthen the potential findings as this would allow a comparison of both differences and similarities between the cases (Baxter and Jack 2015). Current research focuses on the cultural aspect of post-merger integration, including the type of merger, multiple cases in different contexts allows analysis of similarities and dissimilarities in those areas (Baxter and Jack 2015). Table 1. shortly describes types of the acquisitions including the regionality with number of employees at the year of acquisition.

Table 1. Mergers and acquisition cases.

Case	Region	Industry	Acquired share	Nr of employees	Acquired
A	Eastern Europe	Technology	51%	250	2018
B	Northern Europe	Technology	100%	100	2020

2.3 Data collection

In this research author used semi-structured interviews for gathering the information that helps to understand the nature of research topic. According to Bryman and Bell (2011) semi-structured interviews have the possibility to be more flexible during the interview compared to a more structured approach. Furthermore, Bryman and Bell (2015), highlights that the answers of the responders are more associated with personal experience sharing, semi-structured interviews give more freedom in terms of answering the questions in own words, additionally to that the questions are open-ended which gives an interviewer possibility to ask additional questions which were not planned to be asked.

For this study one interview guide were developed to answer the stated research purpose. According to Bryman and Bell (2015), an interview guide is a helpful tool to ensure that predetermined sections are not neglected or forgotten. The interview guide consisted of 31 (Appendix 1) questions and were divided into 4 main categories: pre-merger, post-merger integration, organizational culture, and present situation. Questions were prepared by the author based the research topics and the previous fellow scholars research work. As the purpose of the interviews were to learn and gather information of existing facts, experiences and feelings, the author used nondirected open-ended questions. Pilot interview were held prior the actual interview with the buying company. The goal of the pilot interview were to cross check if the questions are understandable, or something needs to be clarified or simplified. This approach is supported by

Dalen (2008) who claims that this approach allows the scholars to modify or change the questions if needed. All of the interviews were conducted during March 2022, with an aid of an online video call platform powered by Microsoft, Teams. As an interviewer were based in the Tallinn, Estonia some interviews with the buying company leaders were held face-to-face and via video calls. Due to the fact that the case companies' leaders were located in different geographical locations the use of video conferencing technology was most viable.

Interviews lasted for averagely of 55 minutes. Before the interview started the responders were informed about the purpose of the research work and author sought for consent to take down the notes and record the interview for later transcriptions. As author research question contains specific topics which needed to be explored, Tracy (2012) suggests turning to purposeful sampling technique where the selected participants have relevant experience aligned with the topics under study. As on contradiction, random sampling means the members of the group have equal chances to be selected (Tracy 2012). Thus, purposive sampling allows to have a smaller number of participants. During the process of interviewing author recognized that the information and answers during the interviews started to be very similar and feedback repeatable. This finding proves Eisenhardt (1989) theory where he highlights the level at which the saturation degree of a new knowledge is reached, and it is at approximately 12 interviews. The full list of interviews done by the author can be found in Appendix 5. As the aim of the research was to analyse the impact of the autonomous leadership and company cultural match on the performance in the post-merger integration, the sample has been selected using one of the following criteria's:

1. Active employment during the M&A at least during one of the examined cases.
2. Leadership position in the case and/or buying companies.
3. Active involvement with post-merger integration in case and/or any of the buying company.

2.4 Analysis

As highlighted by author above, the overall approach to data analysis followed inductive reasoning. The method of data analysis of the thesis is thematic analysis. Thematic analysis is focusing on finding highlights and topics that considered to be important to understand the specific phenomenon in the focus. Qualitative data is likely to be characterised by its richness and fullness, that allows to perceive object of study in as real manner as possible (Saunders *et al.* 2015).

Thematic analysis is often considered of as a generic approach to analysing qualitative data (Saunders *et al.* 2015).

The data analysis process began by reviewing the transcriptions created by the automated Teams software after the video conference. After this was completed, author reviewed every single transcript and read every single line one by, together with taking notes and identifying important and interesting topics and statements from the interview. Time after time the author had to get back to the recording from the interviews in order to get specific wording and see the persons reaction and feedback to the questions. Once this was completed the author created a coding table where all mapped highlights were coded and assigned to the appropriate respondent together with quotes. 14 interviews were conducted in English and two interviews in Estonian. When the interview process was completed the two interviews in Estonian has been translated into English by the author of the thesis.

It is fair to highlight that the author of this thesis is an active employee of the mother company and have been passively involved in the studied cases during the post-merger integration process. This passive involvement allowed the author to observe the integration process and related activities as a one of employees being part of those changes implemented. Additionally, worth of mentioning that author have extensive previous work experience from big corporation as Ericsson AB in the field of supply, procurement, and sourcing. Therefore, it is safe to assume that above mentioned aspects had an impact to the discussing and presentation of findings where the author has incorporated his own experience and used it to make conclusion and guide the discussions chapter.

3. RESEARCH FINDINGS AND DISCUSSION

This chapter presents the findings and their discussion of empirical data collected by conducting semi-structured interviews. Citations from the interviews are presented in the coded form of (Interview 2022), for all participants. Analysis and discussion are done with the focus on the identifying the challenges companies faced during the post-merger integration phase and finding the implications of autonomous leadership and cultural match on the company's performance. The following chapter is divided into 4 subchapters, where chapter 3.1 identifies the purpose of the mergers and acquisition between companies, 3.2 focuses on the post-merger integration and planning, 3.3 covers topics associated with people and organizations during the mergers and acquisitions and 3.4 reviews the post-merger performance. The research is built on the interviews done with the mother company and case company leaders who were involved in merger and acquisition process.

3.1 Win-Win situation

The investigated mother company has concluded multiple mergers and acquisition in the last couple of years and continuing to explore the markets for likeminded companies to engage in the mergers and acquisition. According to the respondent's feedback at the both case companies and buying company all share united understanding of purpose why did they engaged in the merger and acquisition and what goals were hunted. Majority of the respondents said the intention of those activities were related to the company growth. According to the Case company A responded (Interview 2022): "The main intention for this merger and acquisition, was to grow faster and to have joint forces effect in reaching better company results by doing business together." Case company B responded highlights (Interview 2022): "The main purpose was related to growth of business and the expansion to other markets". Buying company though sees more benefit in engaging in this activity neither than just market expansion.

As highlighted by Makinen, Haber, and Raymundo, A., *et al.* (2012) among different multiple reasons of expansion, there is a visible trend when companies are looking for access to the new workforce capability and refer to it as a process known as a "acqui-hire. During the interviews with the respondents from the mother company multiple highlighted "acqui-hire" as one of the reasons of mergers and acquisitions.

Based on the author previous working experience in procurement and sourcing, the size of the company also plays a vital role to obtain an access to the new clients and win large scale IT projects and this statement has been confirmed during multiple interviews. Big companies such as Apple, Facebook, Ericsson, and others are considering the size of the company during their vendor selection phase. According to the mother company CEO to get behind the table, you need to have a “weight” in term of financial stability, resource availability and competencies. (Interview 2022) highlights: “The reason behind merger was to grow stronger as a group company. So, we would be attractive to the bigger clients as a more mature and bigger company.” (Interview 2022): “Size of the company is important if you want to work with a big clients.”. (Interview 2022): “... usually the corporate clients, they have some sort of minimal size of the partner that they are willing to do business at all. This is because they expect the partner to be strong enough and stay on the market and experienced enough being long time on the market.”. As highlighted by the respondents from mother company and both case companies, the deals have been a win-win strategy for all parties. (Interview 2022): “We behave as a partners. It is not the relationship we tell them what to do, when and how, but we have a right to over-rule, unless something goes very bad. Operationally all companies have full autonomy to do what they need but big decision such as expansions plans, new office’s locations, dividend share should be aligned”.

The relationships and goal in this mergers and acquisitions can be characterized as partnerships with the purpose to grow the businesses, acquire access to the new markets and larger resource pool. All companies are operating in a very high autonomy given from the mother company to the acquired companies in order become bigger and create synergy. The mother company respondents also admitted that the company has undergone a tremendous work to identify and approach companies with similar values in the idea and preparation phase, which according to Carlsson *et al.* (2007) is a decision phase which before the deal is signed (Interview 2022): “We select candidates very thoroughly. We look for perfect value match. Company must share same values.”

3.2 Post-merger phase

The analysis of the findings suggest that the post-merger integration phase had two different approaches in two different case companies. According to Schweiger (2002) implementation of a

well-constructed post-merger integration process is one of the key factors to amplify value creation and minimize risk of value destruction.

3.2.1 Post-merger integration intention

As highlighted by author in the chapter 2.2. two case companies had different acquisition share split therefore the fact is that the integration intentions were different. The findings from the interviews suggest that the approach and depth of integration varied substantially. According to the interviews the Case company A (share split acquisition 51%) had less integration ambitions and intention compared against the Case company B (share split acquisition 100%). Although it is worth mentioning that the companies agreed to have a freedom of choice how extensive the integration should be. An (Interview 2022) with the Case company A highlights: "...we had a chance not to change if we do not want so much so we decided not to change. We are working together and taking the best practices from mother company and apply them.". Similar integration approach is confirmed by the mother company respondents. (Interview 2022): "Very low intention of integration, main purpose for two companies was to find opportunities for mutual benefit, also related to the fact that the Case company A decided not to inherit the mother company brand. We just operate under one umbrella and gather synergies...". It is fair to confirm that the Case company A and mother company is in fact initiated as Preservation integration approach. Where according to Lasserre *et al.* (2007) this approach is proper when little operational synergies are believed to be derived from the acquisition. The value from preservation acquisition is related to the strategic objectives of increased market coverage as well as gains from having a larger resources pool and competencies between the acquiring and acquired company. Integration plan with Case company A was not prepared and was mostly based on demand and related to the information and learning sharing sessions (Interview 2022): "Initially no integration planned. But as soon as the deal was signed, we have started two ways learning sessions."

Though the very opposite case is seen with the Case company B integration intention which company stake were acquired 100% by mother company. Analysis of the findings and the summary of the interviews suggest that Case company B had a full-scale integration, starting with systems integration, inheriting mother company brand and concluding with organizational structural changes. Case company B integration was (Interview 2022): "Larger scale integration due to the company were supposed to inherit mother company brand, and with brand comes the brand promise. This integration is closer to Symbiosis...Integration planned with appointed integration area leaders in IT, Legal, Marketing and HR.". Based on the interview the intention

was to keep company running after merger in order to avoid failing and then integrate it fully. (Interview 2022): “Our main goal was to acquire company and keep the business running, so that it will not fall apart, it took 6 months to do it. As soon as it was completed, we started more deeper integration ...”. (Interview 2022): “Our main goal was to acquire company and keep the business running, so that it will not fall apart, it took 6 months to do it. As soon as it was completed, we started more deeper integration ...”. Based on the Ellis and Lamont *et al.* (2004), this approach is very much like the symbiotic approach where initially it is preservation and then a progressive integration of best practices from both companies. Symbiotic approach involves some changes for both companies as two are trying to join and create a synergy and reflect the core competencies. The changes highlighted by the Ellis and Lamont will be discussed in the organization structural alignment chapter of this thesis.

3.2.2 Post-merger integration planning

According to the interviews with mother company and Case company B, the planning of the integration was not carried out in advance due to one very specific reason: mother company and previous Case company B mother company has signed an NDA and agreed not to communicate anything outside the allowed circle of people involved in pre-merger phase. (Interview 2022): “Integration plan was assembled after the deal was signed as there has not been possibility to do that during the negotiation phase.”. (Interview 2022): “After deal was signed, we got a mandate to prepare and start integration”. Unplanned activities with combination of time pressure have caused some disruption in the integration and rising of anxiety among the integration team. (Interview 2022): “No clear plan, no clear roles this integration caused huge workload...we actually learned and integrated on the go...”.

The feelings of employees involved in the Case company B integration were very mixed, some suggest the company must have a common integration plan and highlights it as a key to success, other participants mention that they preferred to go with a flow. Even though the company came up with the integration plan and documented it very well the integration steps were discovered during the process. (Interview 2022): “There was a lot of ambivalence. There was no strategy. There was no clear strategic path how to proceed”. Though one common message can be seen that it has been stressful, especially integration of the systems which took more time and efforts than expected. (Interview 2022): “It took a lot of time to get the system integrated, it looked like it was not planned properly from the beginning. Just to integrate our systems it took more than a year”.

Moreover, this ambiguity has caused lot of stress for the leaders in Case company B and mother company. (Interview 2022): “I have to say that the previous year was really, really, hard and the hardest was for the team leads because we were the buffer, between management and our team members.”.

Based on Schweiger (2002) implementation of a well-constructed post-merger integration process is one of the key factors to amplify value creation and minimize risk of value destruction. Self-exploratory integration approach taken by the merging Case company B and mother company should be considered as a risk of value destruction or at least value creation outcome reduction, due to the fact there has not been set of integration activities or areas at the beginning. During the interview author highlighted this concern and addressed as a possible risk and asked why this decision was still talked. According to the (Interview 2022): “...yes, we were fully aware of the possible risks we might face in the integration phase, still we decided to take it as saw very big potential in the Case company B”.

3.3 People during mergers and acquisitions

Communication of the changes and plans is playing one of the vital roles in the success of the mergers and acquisition according to Schweiger (2002). Pritchett (1985) in his book argues that essential part of the merger and acquisition during the integration process is related to the employee’s reaction. This reaction of employee is usually related to the hostility manner while the companies are undergoing the merger and acquisition. The more hostile takeover is the more resistance new mother company will phase in integration phase. On the opposite, the friendlier and more synergy seeking the takeover is the less confrontation is expected.

3.3.1 Anxiety and communication

As the Case company B had the full-scale integration planned it did not come as a surprise that employees of that companies felt threatened. A lot of uncertainty and lack of trust has been among Case company B related to the merger, where employees ahead of the merger heard the rumours that the previous mother company were seeking options to sell the company. (Interview 2022): “We had a lot of rumours, that our mother company is looking for opportunities to sell us to someone”. (Interview 2022): “There has been a distrust at the beginning but in ~6 months it has

disappeared”. Additionally, mother company admin roles were under threat, (Interview 2022): “There was a lot of worries, mostly from administration teams.” But of course, there has been a positive sign and wish for a change. (Interview 2022): “...I had very high hopes and was looking that our companies could collaborate more and have more common projects...”. Mother company employees were worried about the brand and brand promise the Case company B were supposed to inherit. (Interview 2022): “...after it has been confirmed that the Case company B will start full integration, administration team people were very concerned about the brand promise they are about to take, are the up-to their level to deliver that...”.

According to the findings from the interviews, to reduce the anxiety and provide the transparency to the employees Case company B communication has been planned very thoroughly. Case company B and mother company had very structural and well-prepared communication to the employees of the companies. (Interview 2022): “Everything was prepared in advance, company announcement and customers. We had a meeting with employees and CEOs of the companies were present. Everything was laid out hour by hour.” (Interview 2022): “...communication was managed to all employees of the Case company B by new and old owners. We gave big information seminar and we had QA session.”

Case company A announcement was carried out by the owners of the company, it was communicated as it is a partnership, and nothing will change for them. (Interview 2022): “... it was perceived very well as it didn't have any effect on employees. We started to provide more information to the team members and started cooperation building more trust between companies employees.” But at the same time Case company A respondent highlights the necessity of extra communication as there were some minor concerns at the beginning (Interview 2022): “Communication could have been done better; it is always better to over communicate rather than under communicate...”. Mother company respondents mentioned that during the announcement for the specialist it was unclear the purpose of the merger. (Interview 2022): “...in HQ I think that for an employee level, we don't really communicate why we're doing this or what is the benefit, what is the plan and what is the potential outcome. We just announced that we now have acquired new company and now we have new location.” (Interview 2022): “People do not understand how being part of the group is beneficial for them, communication could always be better”.

According to the interviews and analysis, the acceptance of employees of the changes in companies has been very different, we can observe the stress and interest, passiveness and willingness to

explore new opportunities. As the fact some people had to leave the Case company B due to the change and inability to adapt. (Interview 2022): “People not fitting in the positions had to leave or were asked to leave...”. Important highlight is that all key employees stayed within the company and adapted to the new reality and now enjoying it. (Interview 2022): “...I really think that this team structure is working, at least for us and I do not want to change it”. (Interview 2022): “If you ask anyone in the company if they like working with the new mother company, I believe there will be no one who will say no.”. Based on the analyses of the interviews and friendliness - hostility continuum developed by Buono and Bowditch (1989) authors assumes that the merge with the case company B was a combination of organizational rescue (financial salvage) and collaboration. Case company A was more related to the Collaboration. According to Buono and Bowditch (1989), both of those cases are considered non hostile takeovers with very minor almost to no resistance from employees towards integration. As confirmed by interviewers that the non-acceptance was very minor, on the opposite it has been quite positive which according to Pritchett (1985) which is essential part of the merger and acquisition related to the employee’s reaction. The more hostile takeover is the more resistance new mother company will phase in integration phase and acceptance from the employees. On the opposite, the friendlier and more synergy seeking the takeover is the less confrontation is expected. Furthermore, according to Chanmugam *et al.* (2005), one of the important aspects to successfully accomplish merger and acquisition is hidden in communication of expansion plans and reasoning behind strategies, which in current case for the mother company has been partially neglected and due to that lack of cooperation is observed while the company’s system, process and structural integration is successfully completed.

3.3.2 Culture and values

One of the important aspects that came into discussion during the interviews with all the respondents was related to the culture, it’s integration and importance of the actual cultural match between companies as prerequisite to create value creation and trustful relationship.

Mother company value proposition and success is very much based on it’s culture and it’s values. Mother company values of the employees are very much rooted to inner state and according to Schein (1990) the values of the employees which can’t be measured but do make a difference to the culture of the organization do make a difference to the culture of the organization. Author was very positively surprised how much similarity there has been in describing the companies culture.

Mother company employees describe themselves as a very entrepreneurial, caring, courage's, trustful and people-oriented company. (Interview 2022): "...we consider people as a priority when we make a decisions...". (Interview 2022): "Autonomy with responsibility this is part of our culture...." (Interview 2022): "It's very autonomous and entrepreneurial culture. It is high performance environment with high expectations towards our KPI's but at the same time a lot of trust and a lot of freedom for our teams.". Mother company pays a lot of attention to the hiring process and believes that the value-based hiring is vital for the company success. (Interview 2022): "You have to find a right person, everything else is happening itself. We pay a lot attention to the value-based hiring...". Yet another confirmation of the hiring importance was obtained while asking the questions what the responded would never change in his/her company. (Interview 2022): "Recruitment's process. We have a super smart people here; it starts with high quality recruitment based on values..." (Interview 2022): "...value-based hiring and culture over process...". What is very important to make sure that the Case company A is similar in cultural approach towards people. (Interview 2022): "People first. We build company for people... we believe in stable and long-term relationship with people and customers...".

Case company B company culture has undergone some changes and by confirmed fact has not been the same with the previous mother company. It is a positive sign to see that the culture has become more people focused, more open and trustful. (Interview 2022): "Biggest value is taking care of people, I feel it. I have this feeling that people are in the 1st place...". (Interview 2022): "...we have become more open, we can really about things openly...Before there were some decisions made that we could not questions, nowadays we can question and discuss...". But as the Case company B has joined the mother company less than a 2 years ago and has undergone big organizational change the culture is still forming. (Interview 2022): "...culture in the company if still forming...". Another big important aspect which impacted the cultural integration is the COVID-19 pandemic. According to According to the Bansal's (2015) study which indicates that the less human interactions organizations have the higher amount of negative emotion, uncertainty and insecurity employees express. Integration was carried out online and the teams had a very limited physical interaction, which of course according to many respondents had an impact. (Interview 2022): "...due to the COVID-19, our introduction plans were cancelled, we could not meet people and "feel" them, this was a big challenge". (Interview 2022): "We need to build more solid mutual trust. We are definitely impacted by COVID-19, due to the fact there were very limited options to meet people...". (Interview 2022): "...we need to build trust bridge, unfortunately due to COVID-19 we were restricted in F2F meetings".

Some respondents highlighted that even though the deal was signed, quite soon they have realised that there are some differences and mother company do now know how to tackle the differences. (Interview 2022): “I think we learned quite quickly that there are cultural differences, but we didn’t really know how to prepare ourselves for that.”. (Interview 2022): “Leadership Culture in Case company A is different; they want to have a control over the process and people and this is just I think because of the national culture it's always has been like that in the Slavic culture”. But even because the culture is less autonomous and more in the hand of the leaders, it is confirmed by multiple respondents that the attention to people and their well-being in the Case company A is top priority. As leaders of the case company A have the same believe as mother company, that the great results are achieved with motivated, inspired and cared people. (Interview 2022): “... when we bought Case company A then one thing was similar, is the culture of caring about people this we saw when visited Case company A office...” (Interview 2022): “...they are treating their people well and that was similar. That's why we also were encouraged merger...”.

All respondents described the culture and companies values in a positive term, moreover it was seen that the terms and understanding of cultural phenomena is similar to wide extent but with minor difference, mostly related to the leadership style. Connecting values, cultural aspects and actual behaviour of the mother company and Case companies’ employees confirms the theory of Koberg and Chusmir (1987) that culture shapes behaviour and therefore, the culture of an organization shapes the behaviour of its employees. According to the Bauer and Matzler (2013) research it is assumed that the cultural difference might be considered destructive but in really it might not be so destructive as initially thought. As the Bauer and Matzler (2013) suggest cultural fit is a state of embracing both differences and similarities in this sense can be positively associated and impact the company’s performance. As highlighted by multiple respondents the COVID-19 pandemic has caused the less interaction and impacted the integration plans. Based on Bansal’s (2015) study which indicates that the less human interactions organizations have the higher amount of negative emotion, uncertainty and insecurity employees express this observation is addressed to both companies.

3.3.3 Organizational structural alignment

The findings showed that the organization structural changes have been done quite extensively in order to adhere the necessity of unification of the bigger organization. The findings suggest that

the unified operational models and process are the necessity for a group, but with the change there comes a challenge of the roles and responsibilities the teams across the organization have faced. As quite commonly both companies do have similar organizational structures are least on the administration level such areas as finance, HR, IT, marketing, development department and maybe even the resource pool structures might be very similar and overlap after merger. Mother company organizational structure is very transparent and flat, with a relatively small level of hierarchy. Mother company operates on a team level where each team is independent and able to make their own decisions. The mother company teams are operationally supported by admin functions which includes finance, HR, IT and marketing. While on the contradiction the operations in the case company A and B in pre-merger used to be very hierarchical, with set heads of the departments, managers and resources pools filled with specialists and utilized based on demand. Going ahead the mother company had to decide how the organizational structure would look like after onboarding Case companies. Mother company sees the organizational structure as a network of independent “constellations” which is constantly developing like a solar system. (Interview 2022): “... companies that we want to buy it is as a constellation where everybody can make up their own decisions...”. As a Case company A had a very minor integration and had an option to choose what to change, structural changes have been very minor. (Interview 2022): “I'll say when we are speaking about our deal, we are speaking about independency which we have discussed from the very beginning as a first step, it gives us an opportunity not to change anything because we have one intention...”.

Biggest changes related to the organization structure and working model has been done in Case company B. Where Case company B adopted the team model structure, removed some layers of management, promoted project managers to the team lead level and introduced a matrix structure for administration roles together with mother company. Based on the interviews this has brought more clarity, transparency and less autocracy to the Case company B (Interview 2022): “We operate now in team model. We were divided in the teams and have our responsibility for it. We do not have middle managers more. Our organization have become flatter”. (Interview 2022): “...structure is not so formal as before; we do not have corporation style anymore...”. As some changes have been made on the structural level some people had to leave the company (Interview 2022): “... there were some people in the existing admin team of the Case company B that we didn't see as a strong partner and they had to leave...”.

Yet as mentioned above mother company had to adapt and implement organizational changes as well in order to cope with the new reality. Mother company had to implement Group function roles to align the working principles and support both companies in a unified manner in field of finance, IT, HR and Marketing. Operation of those areas are equally important and should act in a unified manner towards employees, customers, and group. (Interview 2022): “We had to do the separation of Group and Country level leadership teams. This is needed to have a clear differentiation of needed activities on Group level and Regional level”. (Interview 2022): “We needed to have a group structure which is still forming today. We need to figure out good ways to manage our organization, what used to work now is not working.”

Group level function introduction brought unification of the company voice in the areas of marketing, recruitment, and finance. (Interview 2022): “Admin team has taken a new step and "upgraded" to the new level of operations”. (Interview 2022): “This is needed to have a clear differentiation of needed activities on Group level and Regional level”. Despite the introduction and achieving the goal of unifying the operations the global roles still drag along confusion in roles and responsibilities. (Interview 2022): “The borders in the group are quite unclear, who does what - R&R are not clear” and as confirmed by responders company need to find a path as a group and become more mature (Interview 2022): “We as a group, leadership need to learn how to operate together. Business model needs to adjust as a group we need to mature as we have multiple locations, cultures, understanding etc.)”.

According to Buono and Bowditch (1989) a usual consequence of takeovers is the widespread changes in the management and restructuring. As result of those changes in organization, the level of uncertainty of employees were high as the common and so much known structure had been rebuild. As confirmed during the interviews it was clear the changes in Case company B were supposed to be substantial and that confirms the theory of Heidari-Robinson, Heywood and Edmonstone-West (2022). According to Heidari-Robinson, Heywood and Edmonstone-West (2022), companies embarking on the journey of a merger and acquisition with cross border companies are usually see the necessity of the organizational changes.

3.3.4 Leadership and autonomy

Another important factor of successful merger and acquisition is a leadership. According to Lind and Stevens (2004) research success aspects of the M&A, recognize that leadership is one of the critical factors affecting the success of post-merger integration (Lind and Stevens 2004). But one

aspect of leadership during the merger and another is the during actual existence of the company. The overall findings suggest that the leadership style the mother company advertises, and supports is very much people focused where leader genuinely cares about people, their development and general good well-being. The leadership style is driven by the company values and acts in the unified manner with them. The companies' leaders and team model excel the decision making to be done fast by that it allows the company to move fast, this brings the similarity to agile approach, fail small, fail fast. Even though the decision making is encouraged the feedback and constantly developing organization is very important. (Interview 2022): "... we empower courage to try and take the risk, but first we must recognize what type of risks we are taking.". Therefore, the respondents confirm that the risk taking is encouraged and if something happens and the risk is realized it is important that the valuable lessons are learnt. The leadership style is not hidden just in bravery but also the trust and decision-making power the leaders are transmitting to the team members (Interview 2022): "we have a very trusting relationship, trust environment around you and round your people." The team model the company operates have lots of autonomy and take responsibility but within some borders. (Interview 2022): "We want people to take initiative and take risks by giving people autonomy with a very large borders." (Interview 2022): "if teams are operating in reasonable manner and their actions do not harm client, brand and employee relationships they are able to do almost what they want".

Case company B had different approach to the leadership style before the acquisition it was more hierarchical and could be referred to active management by exception, where the setup was supported by the organizational structure. (Interview 2022): "...previously there was a lot of socialism principles, but the individual kind of responsibilities were much less than now. Now we really understand that we have our skin in the business, we do the decisions we make which directly affect us. We have plenty of autonomy". But with given autonomy there are also questions, to which extent company leaders are able to operate highlighted be respondent. (Interview 2022): "we as a company have plenty of autonomy, but it is very hard to understand how far we can go, and to which extend our autonomy goes. So much freedom that you get confused." That confusion is mirrored also from the mother company towards the case company. (Interview 2022): "Sometimes we see that we overlap in each other work and our expectation towards each other are unclear. We learn to work and share responsibility...". (Interview 2022): "It is still today hard to explain what autonomy is and how companies can operate."

3.3.5 Conflicts and trust

The findings provide the evidence that the conflicts have been part of this journey and trust building activities between partners requires more attention. Though the conflicts were merely due to the cultural aspects or differences but more related to the business goals, ambitions, and unclear expectation towards each other. Based on the results of the interviews conflicts could be divided into 2 phases which happened: a) during the pre-merger and, b) early in the integration phase. (Interview 2022): “Some misunderstanding which is quite normal during the negotiation phase. People coming from different companies, cultures, people understanding same word differently.”. (Interview 2022): “...we had conflicts mostly during the negotiation process, but this is common. The negotiation process is very hard, we had to defend our interest and couple of times we were about to leave the table and discontinue the negotiations, but no major conflicts during the post-merger integration that I would recall”. Another interesting observation and comment that at the beginning there were people among Case company B who were not interested in joining and trying to prevent the merge. (Interview 2022): “Yes of course, some people who didn’t want this deal to happen”.

Another perspective on the conflicts occurred during the integration phase, where more people and interests were involved. According to the interviews most of the conflicts were associated to the topics of responsibilities and expectations toward each other. Of course, the level of uncertainty and lack of post-merger integration plan in case of Case company B caused the most of the conflicts. (Interview 2022): “Yes of course we had conflicts, there were positive and negative conflicts, about finance, reward schemas, motivation and a lot about the decision power, who can decide what and how much..., positive conflicts were related to discovery and learning new ways of working”. (Interview 2022): “... I would not say they were conflicts; it was more like a confusion related to the misunderstanding or absence of the new rules we have to operate in due to the change, we had a discussion not a conflict... than maybe some confusion or dissatisfaction with the group systems we had to integrate...”. Further interviewer highlights that there were some worries how the companies would operate as a group, how the company would define the roles and responsibilities and further expands to the issue related to the management power: (Interview 2022): “This might be the issue of trust but in our company we have only 1 CEO but after the merger with the Case company B, the previous CEO insisted of having his title set a CEO in the country, even though in other branches we have a Business unit leaders in this position... it seems like a question of separation of power and influence...”.

Interesting observation that there were very minor conflict mentions related to the Case company A merger, both from the buying company as well as Case company itself, which might be related to the type of integration between companies. (Interview 2022): "... I think it is related to the expectations we didn't had conflicts, our hope was to increase the sales revenue, but it didn't realise to the extend we were hoping... the single conflict that I can highlight happened just recently and it was related to the profitability issue we had with one senior partner, gladly this was openly discussed and now closed topic for us". Additionally, to the conflicts, respondents highlight the issue of trust between companies' management and importance of building it, finding way to work together and involve each other in creating the direction of development for the group. (Interview 2022): "...sometimes I would say that we feel separateness, even in speeches, when we are meeting, for example in Tallinn the words show separation between us. I would say that his is not enough trust...".

Based on the interviews author assumes that the trust issues brought up by the companies are somehow related to the National level culture. As it has been highlighted in the interviews, the company cultures are very similar in both case companies, though with difference in leadership style. Considering the leadership style approach author would like to refer to the National level culture work done by Geert Hofstede as there might be some connection related. Hofstede framework described in the sub-chapter 1.4.1 used to compare national cultures and as a result the conclusion might be drawn where are the two organizations standing. After finding each Case company country comparison based on Geert Hofstede guesstimates difference is seen.

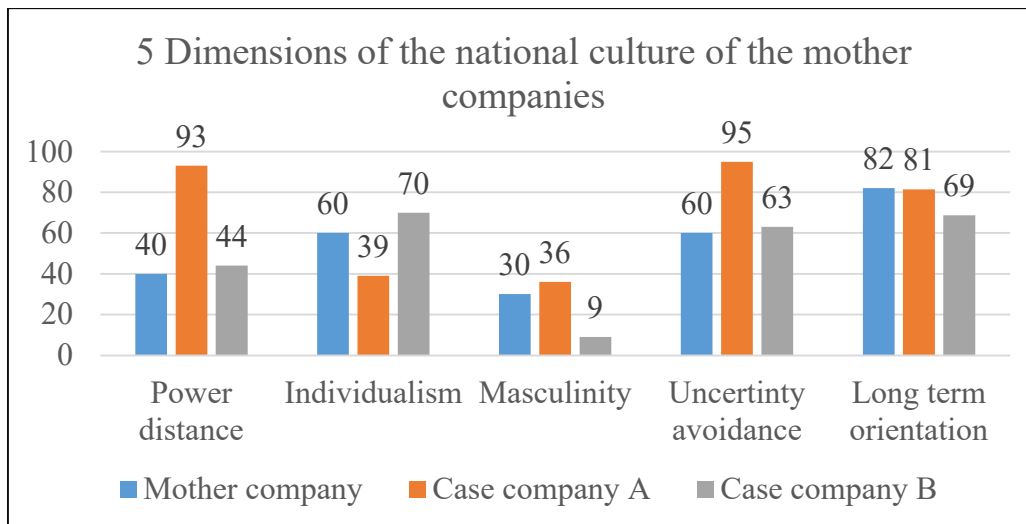


Figure 10. 5 Dimensions of the national culture of the mother companies.

Source: Hofstede (2022).

Based on the results presented in the Figure 10. and the difference seen in the power distance dimension and uncertainty avoidance it can be assumed that the trust and leadership style difference are somehow related to the National level culture. As it is highlighted during the interviews there are some tensions between the Case company A expectations, way forward of the company and actual results. According to Hofstede, high level of Uncertainty avoidance indicates that the Case company A have a low tolerance for the uncertainty and ambiguity which is quite a contradiction with the mother company actual behaviour where the Case companies are given a lot of autonomy in operations and freedom to choose how to act. During the interview responded was asked to conclude the todays results. (Interview 2022): “The integration process is not complete. The collaboration should be extended, we have lack of information and direction where the company is heading. We are developing but on our own, and it is not a common development.”. The uncertainty and lack of trust according to Arikan (2002) creates fear, distrust and leads to conflicts, which today might not be that tangible. Highlights about the leadership style differences for Case company A proves Hofstede dimension where Case Company A is very high results where autocratic leadership and much of the power is concentrated in the hands of a few leaders which might be considered as a conflict point for Mother company where a lot of power and power of choice is granted to employees.

3.4 Post-merger performance

Although the findings suggest that the performance management has always played a crucial aspect for company's performance measurement some differences has been identified. Mother company major key performance indicators are:

1. Employee engagement and well-being (measured 2 times per year and accompanied with additional smaller questionnaire on a quarterly basis.),
2. Customer satisfaction (Net Promoter Score - NPS),
3. Efficiency (Teams level financial performance).

During the acquisition it has been confirmed the Case company A had similar key-performance indicators in place. Nevertheless, according to the respondent some minor changes has been done in Customer satisfaction survey. Related to this, interviewee highlighted, (Interview 2022): "We had a very similar KPI's therefore mother companies' changes did not affect us so much, though the NPS measurement had to be adjusted to match the group level requirement". On the contradiction with the Case company A, the biggest changes have been done in the Case company B during the post-merger integration. (Interview 2022): "The KPI's were introduced and aligned, though with some minor differences. Initially the finance was measured on the company level not on a Team level. Employee engagement and well-being survey is something new that was introduced" Case company B feedback on the changes is rather positive. (Interview 2022): "Previous KPI's we had covered: Customer satisfaction and finance. What I really liked is the employee satisfaction focus. I feel I'm important to the company.". The results are reviewed on a quarterly basis which allows to take fast actions in the areas which requires attention. According to the interview with the mother company participants, company is happy with the results achieved and believe that the autonomy, trust and the team model mother company is providing is generating those positive results. (Interview 2022): "I'm personally very happy with what we have achieved, implemented our autonomous team models...we also improved our customer satisfaction pretty much".

Net promoter scores measure the loyalty of customers to a company. It is measured with a single-question survey and reported with a number from the range -100 to +100, a higher score is the best score. Net promoter score measures customer perception based on one simple question: "How likely is it that you would recommend Organization/Product/Service Z to a friend or colleague?". Respondents were provided a rating (between 0 - not at all likely, and 10 - extremely likely) and, depending on their response, customers fall into one of 3 categories to establish an NPS score:

1. Promoters – responders with scores of 9 and 10, they are loyal and enthusiastic customers,
2. Passives – responders with scores of 7 and 8, satisfied with the service but not happy to extent to be considered as promoters,
3. Detractors – responders with scores 0 to 6, dissatisfied customers who are unlikely to acquire a service again and may influence other to avoid a company.

Figure 11. represents the Net promoter score results through out last two years. Where the Case company B has had a great improvement.

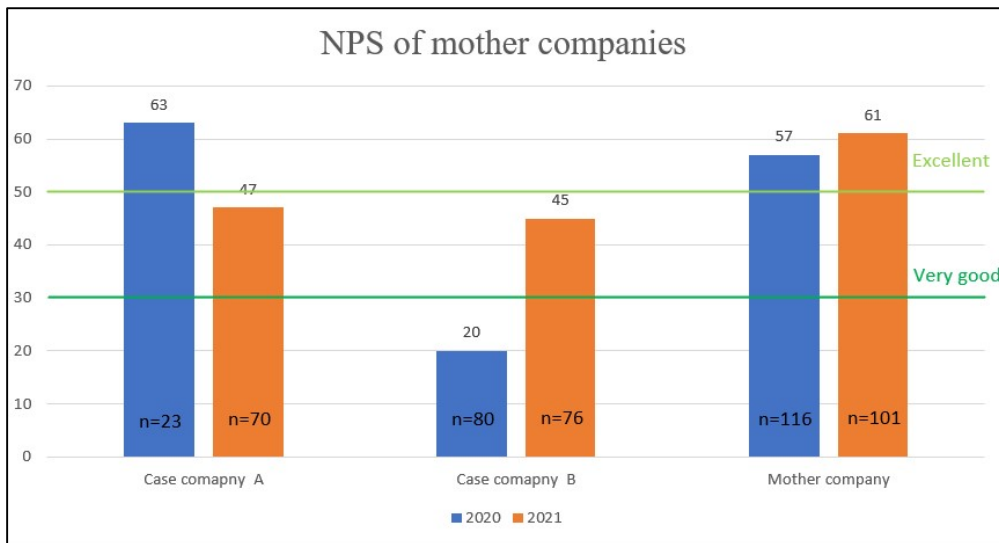


Figure 11. Net Promoter Score of mother companies.

Source: Mother company internal documents.

While the Case company A had minor drop in 2021 against 2020 results, due to the fact the group of participants responding were larger the results are still very good, comparing them against the results of TOP 5 leading technology companies highlighted in Table 2. Nevertheless, the Case companies and mother company takes the customer feedback very seriously, have an appropriate process in place and implement corrective actions immediately after the feedback is received if there is a need.

Table 2. Top 10 technology Net promoter scores.

Nr	Company	NPS Score
1	Veeam	73
2	Zoom	72
3	Netflix	67
4	Apple	61
5	Amazon	61

Source: Gocheva (2022)

Results presented on the Figure 12. are highlighting the development of the employee’s engagement and well-being. Unfortunately, due to the fact that the Case company A is not fully integrated and not using the same software for feedback gathering as mother company does, author was not able to gain access to the employee engagement and well-being survey results and therefore in Figure 12. mentioned as “...”.

		2021 Q1			2021 Q4			Variation Δ		
		Mother company	Case company B	Case company A	Mother company	Case company B	Case company A	Mother company	Case company B	Case company A
Area	N (no. of responses)	184	77	...	201	72	...	17	-5	...
	Engagement	87%	70%	...	85%	72%	...	↓ -2%	↑ 2%	...
	Alignment & Involvement	89%	72%	...	90%	78%	...	↑ 1%	↑ 6%	...
	Feedback & Recognition	82%	66%	...	86%	74%	...	↑ 4%	↑ 8%	...
	Leadership	91%	78%	...	86%	78%	...	↓ -5%	→ 0%	...
	Learning & Development	84%	70%	...	83%	71%	...	↓ -1%	↑ 1%	...

Figure 12. Employee engagement and well-being survey results.

Source: Mother company internal documents.

Nevertheless, looking into the results of Case Company B, we see substantial improvement in Q4 2021 results after the full-scale integration and brand change which took place in Q1 2021. The results in Q1 2021 were noticeable lower in multiple areas such as: Feedback and Recognition and Alignment and Involvement. According to the interviewees both those aspects are highly impacted by the fact of uncertainty and change related to the post-merger integration activities. However, both areas have had a great improvement in Q4 2021 and based on the interviewees, the employees feel the change and confirm the situation has improved. The major changes are seen in the Alignment & involvement area as well as Feedback and recognition. (Interview 2022): “I like that we have really trust environment around people...”. (Interview 2022): “The team model which we have introduced brought people closer to the leaders and profit-sharing model is actually working and motivating”.

Based on the Case company B results from the Net promoter score and Employee engagement and well-being it is viable to conclude that those are connected directly. If Case company have happy and engaged employees where they are able to control and impact team performance thanks to the high autonomy the more willing and interested they are in making customers happy.

CONCLUSION

In the final chapter the author aims to conclude how did the present study covered the problem and the purpose of the research. Highlight the theoretical implications, limitations and bring out the avenues for the future research.

The purpose of this work was with the help of the empirical findings and reference to the theory identify how does the cultural match between the companies, autonomous leadership and post-merger planning impacts the company's performance in post-merger phase. The thesis further investigated how does the different integration types and acquisition stakes affected the performance of the companies in post-merger phase. To fulfil the purpose of this work, author has set the following research questions:

RQ 1: What is the relation of company's cultural fit on companies' post-merger performance?

RQ 2: What is the relation between autonomous leadership and company performance results after the post-merger integration?

RQ 3: What is the relation between post-merger integration planning and companies' post-merger performance?

RQ 1: *What is the relation of company's cultural fit on companies' post-merger performance?*

Previous studies from Meglio and Schriber (2020) showed that the cultural fit has been associated with high correlation of the unexpressed and usually unaware views deep-rooted in different cultures as a result this unawareness might lead to misunderstandings and conflicts. But this perspective is single sided and the view of the cultural attractiveness towards buying company from the target company perspective must be considered as not less important. The fact is that the merger leads to the changes in organization and organizations are about people. The company results are delivered by people, if there is low interest, mistrust and additionally lack of communication from the target company this will result in stress and will lead to the destructive consequences neither than positive results, the buying company will face the resistance neither than the will of joining. The empirical data collected in the study finds the connection and shows the importance of the cultural fit between organizations and post-merger performance. Even further, this empirical study identified that there is even more importance of the cultural match on

the individual level. According to the results gathered during this research, the employees with the specific set of values and beliefs are more adaptable to change, result oriented and people caring. Which in combination delivers the positive return on the performance. Looking into the theoretical aspect of this statement it is identified by Koberg and Chusmir (1987) that the culture of an organization shapes the behaviour of its employees, author would like to argue here and add. From authors perspective and based on the findings this is a combination of both, company and people, their culture and values which have an impact on each other daily as this is like a living organism. As it can be seen from the Figure 13. employees contribute to the company culture the same way as company culture impact the employees' individual culture and this synergy establishes the uniqueness of the company.

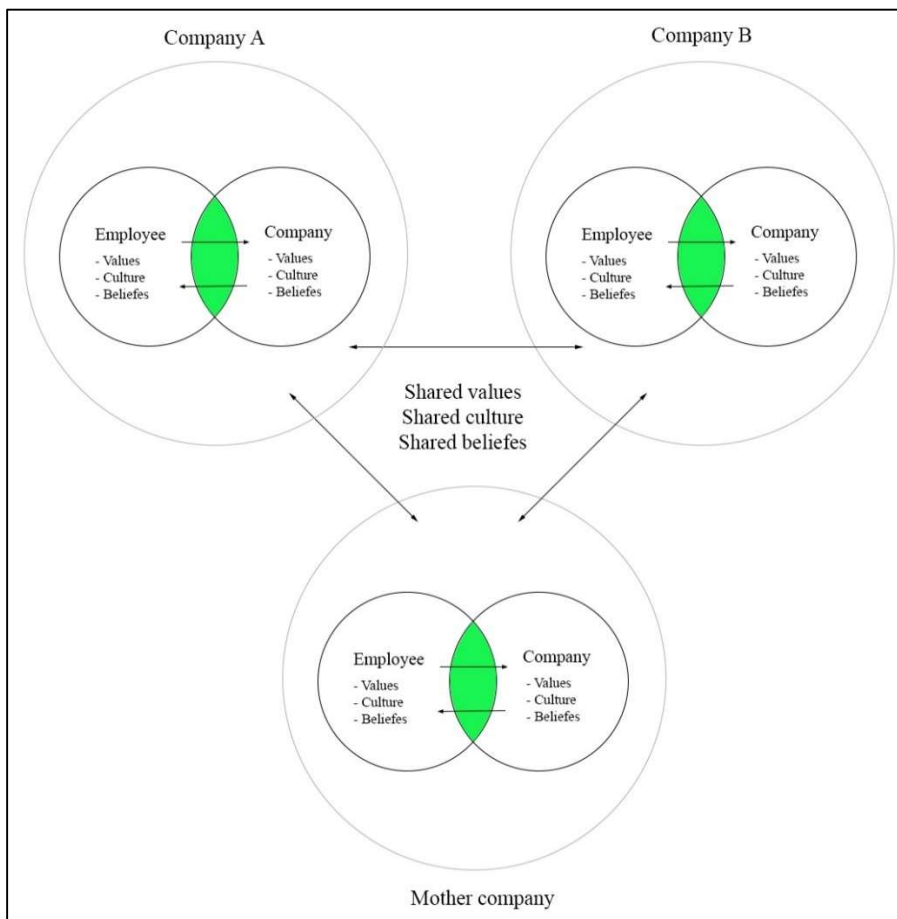


Figure 13. Cultural triangle of the companies.

Source: Author.

In conclusion if the target company employees are refusing to accept the culture of the mother company or have significantly different culture, the results in post-merger will be affected. If the employees' culture in the target company are similar or people are willing to accept new culture the results will thrive. Quinn and Cameron (2006) in their research are highlighting that there is

no one-fits-all company culture, but rather a necessity for finding a fit between the internal culture and the external environment in which the organization acts. The right employee and company culture fit supports employee satisfaction, which in turn is tightly coupled with high performance (Ostroff 1992).

RQ 2: What is the relation between autonomous leadership and company performance results after the post-merger integration?

Interviews showed that the mother company have very autonomous and entrepreneurial leadership culture. The mother company provides absolute operational freedom to the case companies but asks to operate within certain borders with the mandatory clause not to harm employees and the brand. Operational borders between the supporting functions are not specifically set but are explored during the process, based on the discussion for some employees this is unclear and raises specific questions where the borders are, how far they can go. This type of unclear authority is causing some uncertainty though it is fair to mention that those observations are vastly commented by the fairly new employees. While on contradiction the more mature employees with the longer company history are valuing the autonomous leadership, trust from the management and given authority to make operational decisions on their own. Nevertheless, it is evident that the leadership style in the case companies is less likely to be 100% similar as in the mother company. This difference is proven by the Geert Hofstede theory and goes down to the National level culture. Leadership style can be mapped against the power distance dimension where in the country with the higher power distance score companies are more adopt, willing to accept and behave in more hierarchical structure and accept orders while the country which has low score in these areas are likely to distribute the power. It is seen from the interviews that the Case company B is on the course of this change and made a huge step towards the autonomous leadership though it is observed that the wish of the leaders to control things and “double-check” is still prevailing and supported by employees themselves, who are seeking for approval or confirmation even though there is no punishment if decision is wrong.

To conclude, giving team and leaders the autonomy to make decision and lead is empowering and having a positive effect on the results of the team and the company. The important aspect to highlight is the willingness and readiness of employees to accept this type of freedom and be responsible for consequences.

RQ 3: *What is the relation between post-merger integration planning and companies' post-merger performance?*

As has been highlighted in previous researches that the clearly defined and planned integration plan and strategy helps to content anxiety and stress among the merging companies employees. Referring to the analysis sub-chapter 3.3 and 3.3.1 it is desired and highly valued to have: a detailed plan on intended level of integration, integration activities and possible obstacles companies would face. It is reasonable to highlight, based on the interviews the mother and case company B were lacking previous experience of integration to the extent it was done. Moreover, the level of confidentiality during the pre-merger didn't not allow to take the appropriate actions in advance and prepare. As studied by Angwin (2004) speed might lead to a faster integration, value creation via synergies between two organizations and faster return on investment. According to Angwin (2004) fast integration reduces uncertainty among employees, minimizes time spent in a holistic condition, and takes advantage of the momentum in the outcome of signing the deal. Thus, the frustration, level of anxiety and mistrust among both companies has been quite high at the beginning. The relation between post-merger integration planning is obvious as according to the interviews the integration took longer than expected and was discovered ad hoc, which caused the prolongation of activities and as a result the expected prolongation of a time frame to achieve desired performance results.

It is credible to highlight the importance of face-to-face meetings with the people while the changes companies are undergoing during the merger and acquisition. It is highlighted by many respondents that the COVID – 19 pandemics had an impact on integration plan of Case company B, causing delay and lack of direct interaction with people which might be a trigger for minor distrust noticed among both.

Limitations

The greatest limitation of this work is the number of the interviewed people from the case company A which in total was two. Unfortunately this low number of participants is caused due to the geopolitical situation and war affected world on the 24th of February 2022, therefore it is fair to admit that the data saturation for the Case company A has not been reached.

Another limitation of this work is related to the interviews which has been held online and some participants were not able to show the camera which reduced the possibility for author to read the body language and catch the precise reactions to specific topics.

Avenues for future research

This study has focused on the post-merger integration planning, importance of companies cultural fit and autonomous leadership. During the literature study author has identified framework used to assess organizational culture which is called the Competing Values Framework and was developed by Quinn and Rohrbaugh to assess organizational culture. Framework could be used for further study of the cultural fit which would enrich and provide additional and quantitatively validated data of the studied topic.

During the interviews the confidentiality aspects of the mergers has been highlighted as the barrier of the information sharing and proactive and predictable planning of the integration. In this regards author suggests performing additional research in the field of agile mergers and how the best practices of agility could be applied. Furthermore, the investigation could lead to the development of the specific agile post-merger integration framework/toolbox which should aim to provide relief on the employee aspect during mergers and address unpredictability during integration period.

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APPENDINCIES

Appendix 1. Table of interview guide and questions

Topic	Nr.	Interview questions	Purpose
Opening remarks		Briefing of study	Open up and setup the environment
		Interview procedure	
		Consent of recording and taking notes	
General background	1	What is your name	Get an understanding of the respondent background, role, and involvement in M&A
	2	What is your role in the organization and or, in M&A activity or post-merger integration process?	
	3	How long you have been working with the company?	
	4	In how many M&A process have you been involved?	
	5	What was your role in this acquisition/merge?	
Pre-merger	6	What was the intention with the acquisition?	Identify if the strategic goal of an M&A
	7	What was your expectation of this acquisition/merge?	
Post-merger integration	8	What was the intention in terms of integration of the acquired/merged companies? - Symbiosis, Absorption, Preservation, Holding?	Get an understanding how the M&A was perceived,

9	How was communication managed with employees?	managed, has there been any clashes with case company or inside, how was the communication established and which changes the buying company had to apply
10	Did it work from your point of view?	
11	Were the employees worried before and during acquisition/merge?	
11.1	If yes, how did that show and how long lasted?	
12	How was the acquisition/merge perceived be employees?	
13	Did the view changed over time?	
14	If yes, how long did it lasted?	
15	Were there any conflicts?	
15.1	If yes, what were the reasons behind?	
16	How and when the acquisition/merge was communicated to the customers and how was it perceived?	
17	When the acquisition/merge was communicated to the customers and how was it perceived?	
18	Has there been any changes in organization structure?	
18.1	If yes, what kind and why?	
19	How are the companies KPI's were communicated?	
20	How were those KPI's followed?	
21	How much freedom/autonomy was given to the acquisition/merge company? And in which area?	
21.1	What is freedom/autonomy to you?	
21.2	Was this freedom/autonomy enough?	

	22	Which aspects of the post-merger integration was given the most attention and why?	
Organizational culture	23	How would you describe the company culture at your company?	Get an insights on the organizational culture and match between the buying company and case companies
	24	What would you never change with your company?	
	25	Is risk-taking is encouraged at your workplace? In what way?	
	26	What happens when people fail?	
Present	27	How did the integration processes play out according to you?	Summarizing and getting feedback of the results
	28	How is the collaboration is going between today between companies	
	29	Did the mergers and acquisitions have met the expectations?	
	30	How could the post-merger the integration processes could be improved according to you?	
	31	Do you think integration is completed?	
Closing		Would you like to add anything else to this topics what we haven't discussed?	Closing
		Information to participant about next steps of the work	
		Thanking participant	

Appendix 2. Characteristics of a takeovers

Takeover	Hostility	Resistance	Description
Organizational rescue (financial salvage)	Friendly	Low	This type of takeover is the result of the target company not performing well financially. Usual consequence of current takeover is the widespread changes in the management and restructuring. As result of applied changes, the level of uncertainty of employees are high. Though according to Buono and Bowditch (1989) this type is well perceived by target company.
Organizational rescue 2 (rescue from hostile takeover)	Friendly	Low	The objective is to make a counteroffer for the target company and save it from Raid type of takeover initiated by other company.
Collaboration	Netural	Middle	The objective is to reach a fair deal for both companies. Commonly raised problems due to this takeover is a combination of lack of communication and unfulfilling promises to the employees (Buono and Bowditch, 1989).
Contested combination	Natural/less hostile	High	Only one of the companies wants the deal, or the companies would prefer completely different arrangements very close to raid. This type of takeover involves a high level of hostility, opposing interactions between the companies, and significant resistance during the integration stage (Buono and Bowditch, 1989).
Raid	Hostile	Very high	The buying company takes over the target company by bypassing management and directly asking shareholders to sell their shares.

			This type of the deal involves highest level of employee resistance and the greatest amount of uncertainty for the target company. The most hostile type of the mergers and acquisition (Buono and Bowditch, 1989).
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Source: Author's summary based Buono and Bowditch (1989, 65 – 70).

Appendix 3. Geert Hofstede's national cultural dimensions

Dimension	Low score value	High score value
Power distance	Society de-emphasizes the differences between citizens' power and wealth	Inequalities of power and wealth within society
Individualism versus Collectivism	Collectivist nature with close ties between individuals	Individualism and individual rights are paramount
Uncertainty Avoidance	Tolerance for variety of opinions, less concern about ambiguity and uncertainty	Low tolerance for uncertainty and ambiguity
Masculinity versus Femininity	Value social relevance, quality of life, welfare of others	Aggressive goal behaviour, high gender differentiation, males dominate
Long term versus short-term orientation	Place less emphasis on hard work, perseverance	Embraces long-term devotion to traditional, forward-thinking values

Source: Authors summary based on Hofstede (2001, 53 – 184).

Appendix 4. Contingency leadership models

Contingency leadership model	Contingency leadership styles	Definition
Fiedler's contingency theory	Not only about the leadership style but a combination of a leader's control over the situation. Leaders must be able to communicate the tasks and goals with outlined procedures. Leaders must be able to address the failures and provide praises.	
Situational leadership – Leaders must be able to adapt leadership style to their team members and their abilities. Situational leadership is driven by the maturity of the team.	Delegating	Style focused on leader to delegate tasks to other team members. Well adept for mature teams.
	Participating	Style focused on leader to share ideas and responsibility to take decisions. Used with the less mature teams
	Selling	Style when leader sells his ideas to the team members by giving the task instructions. Used with the less mature teams.
	Telling	Style focused on giving precise guidelines and following closely. Used with the low maturity teams.
Path-goal theory – Leaders primarily focused on identifying the processes which would allow to team members to reach their objectives. Focuses on the improving employee	The directive clarifying leader	Style used in the situations where the leader tells what is expected of the employees and how the task needs to be performed.
	The achievement-oriented leader	Style is used in high performing environments,

motivation, autonomy, and satisfaction.		where leader set the high expectations and goals to the employees and have full confidence in them.
	The participative leader	Style where leader focuses on consultations with employee before making a decision.
	The supportive leader	Style where leader focuses on employees and considered employees preferences.
Decision-making theory – theory focuses that the decision making is vital element of leadership and determines relationship between leader and employees.	Autocratic A1	Leaders following this style believe they have all information needed to make a final decision alone.
	Autocratic A2	Less aggressive than A1, leader consults with the team members before making a final decision alone.
	Consultative C1	Leader consults with the team members individually but makes final decision alone.
	Consultative C2	Leader involves a larger group for consultation before making a decision. Decision taken as a group
	Collaborative	Leader seeking for consensus, facilitates discussion and asks for input. Decision made in a group as a vote.

Source: Authors summary based on Arenas *et al.* (2017, 7 – 9) and Seyranian (2009, 152 – 56).

Appendix 5. Leadership styles and characteristics

Leadership style	Leadership style component	Definition
Transformational	Individualized Consideration - Caring	Leader genuinely cares and demonstrate concern about the individuals in the team as a result employees perform at their best. This type of leadership includes personalized feedback and praise. Leader acts as a coach and mentor to the team member.
	Intellectual Stimulation - Thinking	Leader challenges the team and the status quo, stimulation the creative thinking and encouraging risk-taking. Leader motives team members to find a new and improved ways of working.
	Inspirational Motivation	Leader provides inspirational vision and communicates convincingly and with optimism big picture. Everyone feels that they are a part of the vision and that their contributions are essential to fulfil it.
	Idealized Influence - Influencing	Leader is a role model for the team members, teams members have admiration for the leader. Trust is the thread that binds the organization.
Transactional	Passive management by exception (MBE) P	Leader provides more freedom to the team members and intervenes only if required at the later stage. Failure results in a negative reaction towards the failing employee.
	Active management by exception (MBE) A	Active controlling and monitoring of the tasks during and after the execution. Leader intervenes in the early stage activated by signs of failure or problems. Intervention resulting in the negative feedback and

		punishment. Active leader will seek for the opportunity how to improve productivity.
	Contingent reward (CR)	Approach to rewarding the followers depending on task fulfilment and outcome.
Laissez-Faire	Laissez-Faire	Hands-off leadership style, team members are free to make all decisions. This style might lead to the low productivity and can be perceived as a disengaged leadership. Though sometimes can applied with highly skilled and motivated teams.

Source: Authors summary based on Bass and Avolio (1994, 5 – 10).

Appendix 6. Table of interviewed leaders and companies

No	Position	Company	Method	Date	Start time	Duration
1	Senior partner	Buying company	F2F	14.03.2022	13:00	0.59h
2	CFO	Case company 1	Teams	16.03.2022	10:02	0.31h
3	Senior partner	Buying company	Teams	16.03.2022	15:00	1.17h
4	Team Leader	Case company 2	Teams	17.03.2022	11:00	0.46h
5	Team Leader	Buying company	Teams	18.03.2022	10:00	0.47h
6	Team Leader	Case company 2	Teams	18.03.2022	11:00	0.54h
7	Senior partner	Buying company	Teams	18.03.2022	13:00	0.53h
8	Senior partner	Buying company	Teams	18.03.2022	14:00	0.59h
9	Global Head of Marketing	Buying company	Teams	18.03.2022	16:00	1.25h
10	Global Head of Talent	Buying company	Teams	21.03.2022	15:00	0.49h
11	CEO	Case company 2	Teams	23.03.2022	11:00	0.35h
12	Senior partner	Buying company	Teams	25.03.2022	13:00	0.46h
13	Head of HR	Case company 2	Teams	28.03.2022	14:00	0.48h
14	CEO	Buying company	Teams	29.03.2022	15:00	0.47h
15	CFO	Buying company	F2F	30.03.2022	15:00	0.42h
16	Team Leader	Case company 1	Teams	31.03.2022	15:00	0.35h

Appendix 7. Interview transcripts

<https://drive.google.com/drive/folders/1EHRk1j7Uk8NIAUvY89jjg4Oxc8VAePM3?usp=sharing>

Appendix 8. Data analysis table based on semi-structured interviews

<https://docs.google.com/spreadsheets/d/12RtqFgiZ5WgfWOU9q5FEICGoq0spvjjC/edit?usp=sharing&ouid=117290331759254863406&rtpof=true&sd=true>

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