THE IMPACTS OF CULTURE ON THE PERFORMANCE OF MERGERS AND ACQUISITIONS: THE CASE OF METAL INDUSTRY IN NORTH AMERICA

[Name]

[Institution]

[Date]

Abstract

Mergers and acquisition form of business expansion has gained popularity both in the business and academic fields. This is because of the increased number of businesses expanding to the national and international markets through mergers and acquisitions. However, the rate at which mergers and acquisition deals are failing is very alarming attracting researchers and practitioners to investigate the cause of the failure. Culture plays a critical role in any business as it denotes the behaviors of people working in an organization as well as the manner in which a business operates. This study aimed at investigating the impacts of culture on the performance of mergers and acquisitions with an examination of the North American metal industry. The main study objective is to examine how culture impacts mergers and acquisitions and how the high failure rate can be addressed. Hofstede's theory of cultural dimensions and the Q- theory of mergers and acquisitions were discussed in this study. A mixed research method was used in data collection whereby qualitative data were collective through semi- structured interviews while quantitative data were collected through survey based questionnaires. The study results indicated that cultural integration play a critical role in determining the performance of mergers and acquisitions.

Table of Contents

List of Tables and Figures

Tables

Figures

1.0 CHAPTER 1: INTRODUCTION

1.1 Introduction

International mergers and acquisitions (M&A) are increasingly dominating the international business field as companies seek for ways of synergizing and increasing their competitive advantages. M&As are increasingly implemented to diversify businesses in the international markets. As noted by Kling, Ghobadian, Hitt, Weitzel and O'Regan (2014), M&As are used by companies to diversify their products and reduce risk. However, the performance of mergers and acquisitions involving companies from different cultural backgrounds is a rarely asked question. Put differently, is merging and acquiring culturally different companies a value increasing strategy for all companies? This question is very imperative in understanding why companies use mergers and acquisition strategy to expand globally or even increase competitiveness in the market. Drawing from economics, management, and organizational behavior aspects, it can be indicated that the use of the M&A strategy is aimed at increasing the competitiveness and competitive advantages of an organization in the market. This study investigates the impacts of cultural differences on the performance of mergers and acquisitions in the North American metal industry. Mergers and acquisitions is a topic receiving high attention in the recent academic and business fields due to the impacts these mergers and acquisitions have not only to the companies involved but also to customers, competitors, and employees. This topic was selected because the rate at which companies are forming mergers and acquisitions not only in the United States of American but also across the world is very high but some M&As fail miserably due to challenges associated with cross cultural differences.

Culture is an important factor to consider in the business environment. Culture is simply defined as the way of life of people in the market. As companies interact through joint ventures, partnerships, and mergers; cultural differences always arise but how they are dealt with demonstrates the performance of an organization. Globalization and market liberalization have increased internalization of companies and hence cross cultural interactions. As indicated by Hofstede in the theory of cultural dimensions, each country has a unique culture indicating that culture is a significant influencer of the way business are conducted in the international markets. Mergers and acquisitions are some of the business expansion strategies used by companies to increase their competitiveness and enter the international markets. This project focuses on the success and challenges of mergers and acquisitions in the metal industry in the United States by focusing on the metal industry. Additionally, this study describes that the strategic management of cross cultural issues at the pre mergers and acquisitions can help in improving the performance of these mergers.

Background of the Study

Mergers and acquisitions were first introduced in 1960s during the merger 'waves' period where several companies engaged in acquisition activities in various parts of the world such as the United States, Europe, Japan, and Australia among others. This shows that during their establishments in the market, mergers and acquisitions have played a critical and important role in the business environment both in financial and investment strategies. A number of studies have focused on the mergers and acquisitions especially on the impacts of these business activities on shareholders' wealth. According to Eriksen and Moller (2008), there have been changes in the economic environment due to increased globalization and competition; increasing the challenges faced by companies in the local and international markets. This is evident from the increasing mergers and acquisitions within and across borders. Companies use mergers and acquisitions strategy in order to stay ahead of their competitors and achieve increasing growth. Over time, the number and value of mergers and acquisitions has increased. However, this increase is not linear but moves up and down which is referred to as mergers waves. The literature review of this study pays attention to the mergers and acquisition transactions as well as numerous studies that have been conducted to increase the comprehension of the impacts of cultural differences on the performance of mergers and acquisitions. High performance denotes high value for mergers and acquisitions while low performance denotes low value. Culture is very critical in considering business environment especially in the international markets because each and every business has its culture and each country is unique with its cultures as explained by Geetz Hofstede in a theory on cultural dimensions.

By the year 2015, technology, media, and telecommunication industry had the largest value of global M&A deals with $168.2 billion (Statistica 2015) followed by pharmaceutical, medial, and biotech. In the United States alone, there are over 11,994 M&A deals. The value of M&A deals globally increased by 47% in 2014 from 2007 totaling to about $3.5 trillion in the year 2014. The United States was faced with economic crisis in the year 2010 but in spite of this crisis, the value of M&A deals increased by about 7% in 2011 (FactSet Research systems Inc 2014). In the global perspective, M&A grew by 63% by the year 2013 with the value increasing to more than $542.9 billion which was almost 10% from the previous year. North America was among the countries with highest value of M&A deals (FactSet Research systems Inc 2014). Some of the mergers and acquisitions deals sealed recently include Nokia acquiring Siemens at a combined turnover of EUR16.2 billion and EON acquiring Endesa at $714 billion. Ismail, Abdou and Annis (2011) believe that the increased number of M&As is as a result of the increased profits of these deals in the global markets. A report by FactSet Research systems Inc in the year 2014 showed that M&As are not linear in all industries as some industries such as technology, media, and telecommunication and commercial services have the highest value while government and utilities industries had the highest declines in M&A value. According to a report by Price Water Coopers (2015), M&A deals worth over $1 billion were sealed in the metal industry in the first quarter of 2015.

Currently steel industry is considered as among the back bone of the US economy due to its critical role in the infrastructural and economic development. However, the performance of the industry was adversely affected by the 2008 economic crisis in the US. Mergers and acquisitions is an imperative growth strategy in the industry providing product diversification, economies of scale, and production efficiency. M&A strategy is advocated in the steel industry due to the high cost of production as well as demand for diversified products. ArcelorMittal is a global player in the steel industry with a market share of 6.35% while Hebei Group commanding about 3.1% (Ślusarczyk, Constantin & Kot 2013). ArcelorMittal is a highly successful company in the local and global markets due to successful mergers and acquisitions. Despite the increasing M&A deals in the global steel industry to 249, there was a sharp decline in the North America with 188 deals totaling to $22.7 billion only (Ślusarczyk, Constantin & Kot 2013). This implies that M&A deals in the North American metal industry are not very successful as related to the global performance. Ślusarczyk, Constantin and Kot (2013) in their report indicate that the number of metal companies in North America has decreased significantly from 34 in the year 1990 to 12 in 2007 due to low priced imports, high cost of production, and high environmental factors among others.

Problem Statement

Stahl and Voigt (2005) proposed that future studies should focus on investigating the impacts of cross cultural differences on mergers performance rather than asking whether these mergers have any impacts on performance. As indicated in the introduction and background sections, several companies merge in order to increase their competitiveness and competitive advantages in the market as well as enter new markets. The analysis of mergers and acquisitions in the global markets indicate that the value of the deals is on the rise in some industries but low in others. Therefore, this study sought to investigate the cause of this discrepancy. For instance, the deals between American companies or European companies were higher than deals between American and Asian companies (Statistica 2015). This shows that there is a constant factor that influences mergers and acquisitions deals in the global markets.

Despite the significant growth of M&A, empirical studies indicate that there is a significant failure of M&A. Malhotra and Sharma (2013) indicated that, 60%-80% of M&As do not deliver the expected value to their shareholders. This implies that despite that mergers and acquisitions are intended to increase the performance of an organization, it is influenced by other factors which if they are not addressed effectively they result into their failure. As Ślusarczyk, Constantin and Kot (2013) put across, the North American metal industry is adversely impacted by increased costs of production among other factors. This may encourage mergers and acquisition deals as companies seek strategies to succeed in the market. As companies seek to grow in the international markets, they do not consider the aspect of culture which is very critical to organizational growth. Globalization and market liberalization have increased business internalization and M&A is seen as among the best strategies that allow companies to expand.

However, this process is influenced by cultural differences. Concerning global partners, the failure to consider the cultural differences of the merging companies may result in failure of the business strategy. The previous literatures such as Hitt, Harrison and Ireland (2001) and Olie, and Verwaal (2004) have described cultural differences as the major contributor to the failure of many mergers and acquisitions.

According to a study by King, Dalton, Daily and Covin (2004) where about 200 managers of the European firms were surveyed, the results indicated that cultural integration outperformed financial and strategic management factors in contributing to the failure of mergers and acquisitions. Several cross cultural mergers and acquisitions fail due to what was referred to as double layered acculturation by Bassler and Murtagh (2002). This implies that M&As involving different countries must combine two or more cultures. As indicated in the theory of cultural dimensions, each country is unique in its culture hence there are differences in politics, legal frameworks, belief systems, and organizational goals. Therefore, countries forming mergers and acquisitions are impacted by these differences. However, as Stahl and Voigt (2005) indicate, this is not a big challenge for countries that have less cultural diversities such as the U.S. and Canada as it could be the case between the U.S. and China.

Cross border merger and acquisition investments mainly occur in industries such as chemicals, banking, telecommunications, insurance, and pharmaceuticals. However, few mergers and acquisitions have occurred in the metal industry especially in North America. This has resulted in less research on this industry. However, as mentioned by Burgelman and McKinney (2006) and Bjorkman, stahl and Vaara (2007), over 70% of the cross border mergers and acquisitions have failed. Traditional theories such as Q- theory explained this failure from the cost of capital perspective whereby lack of effective investment value and adequate finances have been cited as the main causes of failure. However, more modern theories have explained the high rate of failure from the cultural perspective. These theories borrow from Hofstede's theory of cultural dimensions to indicate that cross cultural differences are the main causes of high failure rate of mergers and acquisitions. Authors such as Burgelman and McKinney (2006), Chakrabarti, Gupta-Mukherjee and Jayaraman (2009), and Chen, Chang and Lin (2009) argue that managers fail to consider the cultural differences between the acquired and acquiring companies resulting to low motivation levels of employees and eventual high employee turnover.

Some studies such as Slangen and Hennart (2008), Hitt, Harrison and Ireland (2001), and Malhotra and Sharma (2013) focused on the increasing costs of production as the main reason for the failure of mergers and acquisitions but did not include the aspect of cultural differences. These studies suggest that companies form mergers and acquisitions to reduce the cost of production and in the process make increased profits and revenues, therefore the main focus in on profit making rather than addressing cultural differences.

Rationale for the Study

Mergers and acquisitions are known to perform well when involving domestic companies rather than when involving international companies. However, some international companies such as Nokia and Siemens have successfully merged. This study therefore aimed at investigating the role of culture in success or failure of mergers and acquisitions. Despite that mergers and acquisitions are mainly successful when involving companies from less cultural diversities, the metal industry in North America (Canada, United States, and Mexico) has not effectively succeeded in mergers and acquisitions. Therefore this study analyzed the impact of culture on the performance (success) of mergers and acquisitions of the metal industry in North America.

Research Objectives and Research Questions

The aim of the study was to investigate and analyze how the performance of mergers and acquisitions in the North American metal industry are impacted by cultures. The study aimed at achieving the following research objectives:

i) To investigate the impacts of culture on the performance of mergers and acquisitions

ii) To describe the role of cultural management in cross border mergers and acquisitions

iii) To investigate and analyze the reasons for the failure of mergers and acquisitions in the North American metal industry

iv) To offer possible solutions on how to improve the performance of mergers and acquisitions

In achieving these research objectives, the current study sought to answer the following research questions:

i) How does culture influence the success and/or failure of mergers and acquisitions?

ii) What is the role of cultural integration in cross border mergers and acquisitions?

iii) What are the main cause of mergers and acquisition failure in North American metal industry?

iv) What are the possible solutions to improve the performance of mergers and acquisitions

Research Hypothesis

This study aimed at testing two hypotheses

1. H_o: Cultural integration has no impact on the performance of mergers and acquisitions
2. H_o: Cultural training and experience has no impact on the performance of mergers and acquisitions

Significance of the Study

The background of the study section has indicated that competition has increased resulting in companies looking for strategies to increase their competitive advantages as well as profits and revenues. Mergers and acquisitions are found to be among the best business expansion and market entry strategies therefore understanding factors influencing their success is an important endeavor. The extant study will enlighten not only the North American metal industry's managers but also other industries on how mergers and acquisition deals are influenced and impacted by cultural differences between the partners. Organization managers would be educated and informed by the study results on how to effectively address cultural differences in their mergers and acquisition deals in order to succeed in the market. As indicated by Olie and Verwaal (2004) and Paruchuri, Nerkar and Hambrick (2006), though mergers and acquisitions are very profitable in the market, the failure rate is high as a result of ineffective cultural integration. This implies that some merger deals fail not because of lack of financial support or strategic management but because of lack of cultural integration. This study offers insight to managers on how to effectively integrate cultural differences to improve the performance of their organizations.

Scope of the Study and Delimitations

This study focused only on the cultural impacts of mergers and acquisitions rather than focusing on financial and strategic management of mergers and acquisitions. The study investigated the impacts of cultural differences on performance of mergers and acquisitions.

Therefore, other impacts of culture on mergers and acquisitions rather than on performance were not discussed. The current study focused on the metal industry in North America because this industry has suffered a decline in mergers and acquisition deals in the last few decades. Additionally, the case of North America may be different from other areas such as Australia, Europe, Africa, and Asia due to cultural, economic, and political differences.

Structure of the Dissertation

The current study is divided into six main chapters. Chapter 1 introduces the study by discussing a background of the study, problem statement, rationale of the study, research objectives and questions, significance of the study and scope and delimitations of the study. The introduction chapter gives the reader an overview of the study.

Chapter 2 reviews the previous literatures on the impacts of cultural differences on the performance of mergers and acquisitions. This chapter discusses the theoretical concept of culture and the reasons for the success and failure of mergers and acquisitions. By relating cultural differences and the performance of mergers and acquisitions, theoretical and conceptual frameworks are developed.

Chapter 3 discusses the research methodology by indicating the methods and procedures used in conducting the study. This chapter discusses the research design, research philosophy and approach, research strategy, research methods and data collection and analysis methods, study limitations, and ethical considerations.

Chapter 4 analyses and presents the collected data in a way that readers can effectively understand. This chapter presents the collected data in graphs, tables and charts to make it easy for the reader to understand. Chapter 5 discusses the study findings. In this chapter the discussion is based on the research objectives whereby the study findings are linked with the previous literatures. Chapter 6 is the conclusion chapter. This chapter discusses the conclusions made from the study findings, recommendations for the future studies, and personal reflection of the study.

Chapter Summary

The aim of the study was to investigate and analyze the impacts of cultural differences on the performance of mergers and acquisitions with a focus on the North American metal industry. In doing this, the study investigates the role played by cultural integration in improving the performance of mergers and acquisitions. Despite that mergers and acquisitions are very profitable as they contribute in cost reduction, the failure rate is high. This study investigated whether the high failure rate is contributed by lack of effective cultural integration by focusing on metal industry in North America.

CHAPTER 2: LITERATURE REVIEW

Introduction

The literature review chapter begins by defining culture, cultural differences, performance and mergers and acquisitions. This chapter discusses the theories of culture and cultural differences. A conceptual model is constructed from the relationship between cultural differences and the performance of mergers and acquisitions. The literature review chapter gives a critical discussion of the previous literatures contributing towards the topic of the study.

Definition of Terms

1.1.1 Mergers and Acquisitions

Merger and acquisition is a business term but defined differently by different authors and researchers. Cooper and Finkelstein (2012) defined merger as the process of combining two businesses with an aim of increasing their competitiveness and competitive advantages. The authors indicated that mergers are formed from the assumption that two companies are more valuable as compared to two individual companies operating separately. Anderson, Havila and Nilsson (2012) indicate that mergers and acquisitions are formed to address tough times. Companies acquire or merger with others in order to create competitive, profitable, and cost effective corporations. Companies merging hope to acquire higher market shares and attain great efficiency.

Cooper and Finkelstein (2012) defined three types of mergers which include; horizontal, conglomeration, and vertical mergers. According to the authors, horizontal merger involves merging of two or more companies that share similar product lines and markets. A good example here is the acquisition of Siemens by Nokia or the merging of J.P. Morgan and chase Bank in the United States. Vertical merger involves a company and a supplier or customer joining to increase competitiveness and reduce the cost of production (Carney 2009). For instance, a cone supplier may merge with ice cream maker. Unlike horizontal mergers where companies producing and offering similar products merge, in vertical merger the merging companies are from different production lines in an industry to increase synergies and improve operation (Straub 2007). Conglomeration merger involves two or more companies from different and unrelated business lines forming a corporation. In this case, a single corporation owns and controls several smaller companies which conduct businesses separately in the market.

1.1.2 Performance

The concept of performance has gained popularity in the business field. Several managers and business owners define performance differently depending on their organizational cultures. For instance, business performance can be defined from the economic and financial perspective while in another business performance can be based on the quality of products and services offered as reflected in customer satisfaction levels (Hoerl & Snee 2012). Davidson and Mountain (2012) define performance as the combination of analytical and management processes where the set objectives and goals are achieved. The performance of an organization is measured on how the predetermined goals and objectives are achieved. Relating performance with mergers and acquisitions, the performance of these businesses is determined by how well the organizational goals and objectives are achieved.

1.1.3 Culture

Culture is considered an important concept to consider in any business. Culture is defined by Schein (2010) as the belief systems, practices, institutions, norms, and behavior patterns shared by a group of people in a particular area or region. From this definition it can be noted that culture is shared and learned hence employees in an organization share the organizational culture. In his theory of cultural dimensions, Geert Hofstede termed culture as unique in different groups and countries. This implies that organizational or corporate culture is unique in an organization. Flamholtz and Randle (2011) define a corporate as the organizational behaviors and beliefs that establish the interaction between employees and management and how outside business transactions are handled. From this definition it can be noted that, corporate culture is very imperative determinant of how businesses are conducted in an organization.

Mergers and Acquisitions

1.1.4 A Brief Background Study

A lot of monies are involved in the implementation of mergers and acquisitions especially in cross cultural deals. Currently, companies are seeking mergers and acquisitions as a strategy to achieve diversification and corporate growth. Mergers occur in waves whereby there may be so many at one given period of time and few at other times. The success of mergers and acquisitions is possible; nevertheless, the success rate stands only at 17% while 83% of the mergers have failed. According to Puranam, Singh and Chaudhuri (2009) the success of mergers and acquisitions is determined by cultural integration, acceleration, and adaptation. According to Cooper and Finkelstein (2012), mergers and acquisitions is not a new market strategy as its implementation started way back in the 19th century though the existence of this business strategy records as early as 1700. From this time, mergers and acquisitions have grown both in popularity and in practice to become one of the most implemented business growth and market entry strategy. Currently, companies engage in mergers and acquisitions in order to achieve high competitiveness and profits in the market. Companies involved in mergers and acquisitions must explore and seek effective strategies that are potential in facilitating growth, delivering value, and diversification.

The challenges faced by companies such as increased competition, increased cost of production and operations, and increased globalization lead companies to adopting merger and acquisition business strategy as a way of achieving their goals and objectives. Though there have been evolutions in M&A strategy, the important drivers have rarely changed and minimal deviations are recorded. As indicated earlier in this study, though the failure rate in M&A strategy has been high and comparable with the growth, the focus on the reasons for the failure especially on the issues of cultural differences and cultural integration is very recent. This is because researchers, authors and managers did not think that M&A strategies may fail due to cultural fit or lack of effective cultural integration management (Rani, Yadav & Jain 2013). The growth of mergers and acquisitions has been significantly contributed by economic growth and development. As economy grows, companies develop a need to expand and M&A is sought as an expansion strategy.

Understanding the M&A in the metal industry in North America requires understanding of M&A in the region. The history of mergers and acquisitions dates back in the 20th century after which there were continued mergers and acquisitions in a cycle. According to a report released by S&P Capital IQ in 2014, 16 M&A deals were sealed in the metal industry in North America during the second quarter of 2014. Examples of companies that sealed M&A deals during this period of time include; $19.5 million acquisition of Harvest Technologies by Stratassy Ltd acquiring and $50 million acquisition of TiLite LLC by AB Permobil Nevertheless, the rate of M&A deals was very slow.

1.1.5 Drivers of Mergers and Acquisitions

The increased literatures available on mergers and acquisitions and their relationship with cross cultural differences are evidence of the growing interest in the topic. However, more detailed research is recommended because the existing literatures do not have a general consensus. The need to expand to the global markets and increase competitive advantages in the local and international markets is a major driver for mergers and acquisitions. According to a report by investment bank manager, Berkery Noyes, over 21,000 M&A deals were closed in the year 2011with a collective price tag estimation of $1.9 trillion (East 2012). International business expansion is one of the drivers of mergers and acquisitions. Globalization, advent in technology, and market liberalization have provided opportunities for companies to expand globally. Companies are attracted to emerging markets such as china, India, Mexico, and Brazil among others due to their economic growth and development. Mergers and acquisitions are viewed as good business expansion and market entry strategies as the acquiring companies get resources from the acquired companies (Sinha & Kaushik 2010). Acquiring companies have guaranteed rate of expansion since the acquired companies have their reputations, brand image, and customers. For instance, by acquiring Mobil, Exxon increased its expansion not only in the American energy industry but also across the globe.

Companies are attracted to form mergers and acquisitions in by factors such as tax saving and management improvement. When a company acquires another in the market, it increases its management effectiveness by combining t its management skills with the skills of the acquired company (Paruchuri, Nerkar & Hambrick 2006). As indicated earlier in this study, cost reduction is one of the main reasons companies adopt mergers and acquisition strategy. This strategy helps in reducing taxes that a company could incur when operating as a single or a new entity in a new market. For instance, if an American company acquires or merges with a Chinese company in China, it gets the right to operate in the new market under the brand name of the acquired company hence taxes are lower as compared to if the company entered as a new business in the market.

Mergers and acquisition deals are driven by the need to increase market share. Slangen and Hennart (2008) note that, each and every company strive to increase their market shares both in the local and international markets. Mergers and acquisition strategy is a good strategy to increase market share especially horizontal mergers because as two companies combine, the market share of the acquiring company is increased.

1.1.6 Success and Failure of Mergers and Acquisitions

Mergers and acquisitions have mixed results in the market. According to a report by Gitelson, Bing and Laroche (2015), only 17% of mergers and acquisition deals are successful while 83% fail to deliver as required. The authors indicated that the success of mergers and acquisitions both in local and international deals is based on acceleration and adaptation. By adaptation, a company should concentrate and create a critical operational change to adapt to new management or organizational cultures. Companies that have strong financial base and good management skills succeed because there are adequate finances to increase production and product diversification as well as good and effective management to manage and control the acquired employees. However, lack of adaptation result in conflicts and lack of employee morale leading to collapse of M&A.

Companies desire to create value for their stakeholders therefore they strive to improve performance by looking for long term growth. In doing this, they use mergers and acquisition strategy in order to modernize or upgrade their equipments and in the process improve the quality of their products and services. Successful M&As are very beneficial to the involved companies because they increase market share, reduce cost, improve product development, and increase product diversification. There have been debates on the main success factor for M&A with some authors and researchers such as Hoerl and Snee (2012), Anderson, Havila and Nilsson (2012), and Cooper and Finkelstein (2012) citing availability of finances (economic factors) and strategic management as the main factors which Puranam, Singh and Chaudhuri (2009), Rani, Yadav and Jain (2013), and Paruchuri, Nerkar and Hambrick (2006) citing cultural integration.

On the other hand, majority of M&A deals have failed due to various pitfalls which hinder their progress and performance. As Gitelson, Bing and Laroche (2015) argue in an article on the 'impacts of culture on mergers and acquisitions', lack of commitments to the deal as a result of uncertainty on how the deal would impact an organization. The authors noted that in Canada the rate of failure of M&A is very high as individual managers are preoccupied with the thought on how their businesses would be impacted by M&A deals hence low commitment to their jobs. Employees tend to seek employment from other companies because they are not sure how the M&A deal would impact their jobs. In support of this idea, Chakrabarti, Gupta-Mukherjee and Jayaraman (2009) argued that in most cases, a company loses its employees in the transition process strengthening the competition. Chakrabarti, Gupta-Mukherjee and Jayaraman (2009) suggested that the preoccupation challenge should be solved by accelerating the transition process in order to reduce the uncertainty in employees and anxiety in managers.

M&A deals fail in North America due to infrequent and irrelevant communication. Communication is very vital in any business process as it gives hopes to the players as well as the affected parties. Communication helps in reducing the anxiety developing among employees and managers concerning their fate in the organization (Chen, Chang & Lin 2009). Lack of frequent and relevant communication keep the participating parties in darkness leading them to making exit decisions. Customers are mainly lost during the transition process because they are not aware of what is happening, therefore, lack of communication could only worsen the situation (Burgelman & McKinney 2006). In support of this idea, Bjorkman, stahl and Vaara (2007) noted that cultures are different whereby in some cultures communication plays a critical role in determining the performance of an organization. The communication challenge, according to Bjorkman, stahl and Vaara (2007) and Buono and Kerber (2005) can be addressed by accelerating the transition process and ensuring that there is effective management of cultural integration even after the transition process is over to maintain all employees and satisfy customers.

Almost 80% of the failures of M&A deals are caused lack of effective cultural integration management. Management is an important aspect in any organization and companies that effectively manage their mergers and acquisitions are successful. M&A involves cross beyond organizational and national cultures (Burgelman & McKinney 2006). However, due to differences in cultures employees and managers do not work together resulting in poor production and increased confusion and conflicts. Effective management helps to reduce stress and uncertainties associated with M&A deals. Good leadership ensures that all employees are effectively managed and motivated to continue working in the organization regardless of the changes incurred (Birkinshaw, Bresman & Hakanson 2000).

The Concept of Culture

Culture is an important factor to consider when operating international businesses because it is rooted both in people and organizations. Therefore, prior to discussing and explaining how corporate culture impacts the performance of mergers and acquisitions, it is important to understand what the concept entails. As indicated in section 2.2.3 in this study, culture is defined as the behaviors of an individual and a group of people shaped by norms, practices, values, principles, and traditions shared in a region or a group of people. Culture is defined from various perspectives depending on the view point taken by the scholar or researcher. From a corporate point of view, culture can be defined as the values and traditions shared in an organization. Culture is unique meaning that each and every company has a unique culture that may be different from others in the same industry or production line. This is different from national culture which is defined as a set of values, norms, traditions, and practices among others shared by a group of people in a region or nation. For as culture to be accepted as corporate it must add value to an organization. For instance, Apple is well known for their quality and highly innovative products hence the company is associated with innovation culture. Organization managers and owners try as much as possible to develop good corporate cultures for their organizations (Bjorkman, stahl & Vaara, 2007). National culture indicates that some values are shared by citizens of a country. Drawing from the definition of culture given by Geert Hofstede, Apfelthaler, Muller and Rehder (2002) argue that culture is the collective programming of the mind whereby members from one group are distinguished from another.

1.1.7 Hofstede's Dimensions of Culture

Geert Hofstede, in his book "culture's consequences" described the results of a survey conducted on the employees of IBM globally. Based on his definition of culture, Hofstede's study found that each country is unique culturally regardless of the location. Hofstede used the factor analysis model to identify people's behaviors in different parts of the world. The concept of culture from the Hofstede's perspective was described in this study because culture impacts the leadership and management aspects of mergers and acquisitions. According to Hofstede, despite that North American countries such as Canada, the United States, and Mexico border each other geographically, their national cultures are different. Schein (2010) note that, organizational cultures are shaped by national cultures meaning that companies and organizations use the national values and practices in determining their corporate cultures. Hofstede's theory of cultural dimensions comprises of five dimensions of culture which include; power distance, uncertainty avoidance, individualism versus collectivism, masculinity versus femininity, and long term versus short term orientation (Flamholtz & Randle 2011).

According to Hofstede, power distance is the extent to which power inequalities within a society is accepted (Bjorkman, stahl & Vaara 2007). In a general views, Hofstede's study found that power distance is higher in Eastern countries as compared to western countries. This implies that Chinese are more likely to accept power differentials as compared to Americans. Comparing the power distance between Mexico (81), USA (40), and Canada (39) (Varvouzou & Zasepa 2013), it can be found that USA and Canada have lower power distance as compared to Mexico. This implies that companies from the USA and Mexico interested in mergers and acquisitions will be largely impacted by the national cultures of the two countries (Varvouzou & Zasepa 2013). In high power distance societies, there are large numbers of supervisory staff as well as many hierarchical levels. Companies from low power distance cultures acquiring others from high power distance cultures would be required to increase their supervisory staff and increase hierarchical levels in order to effectively manage employees from the acquired companies. The small power distance of the USA (40) explains why most of the companies in the country have decentralized authorities as well as flat organizational structures (Hofstede & Minkov 2010).

Uncertainty avoidance is the degree to which society members cope with the risks of the future without experiencing much stress. Hofstede indicated that some countries have high uncertainty levels indicating that they avoid taking risks (are afraid of the future uncertainties) while others have low uncertainty levels indicating that they are risk takers (Hofstede & Minkov 2010). Based on the Hofstede's survey, Eastern countries have higher uncertainty avoidance levels as compared to Western countries. Hofstede's survey showed that United States (46) has the least uncertainty avoidance index in North America followed by Canada (48), and least was Mexico with 84 (Hofstede & Pedersen 2002). This shows that merging companies from these three countries would be impacted by the national cultures as companies are less risk takers while others are. For instance, a U.S. company merging or acquiring Mexican company may be faced with the challenge of less risk taking quality of the latter. Low uncertainty cultures are flexible and organizations have few rules while high level cultures have strong need for consensus and great respect for authority because individuals avoid taking risks (Varvouzou & Zasepa 2013).

Hofstede classified culture as either individualistic or collectivistic. According to the theory of cultural dimensions, individualistic cultures focus on self needs, goals, and interests and they tend to foster contractual relationships that are mainly based on the principle of exchange (Hofstede & Minkov 2010). On the other hand, collectivistic cultures are associated to social norms and values that are designed to maintain social harmony among society members (Hofstede & Pedersen 2002). Prior to making decisions, individuals belonging to collectivistic cultures consider their actions for wider collective. This implies that for mergers and acquisitions to be effective and successful, companies from individualistic cultures such as Canada and United States should be considered rather than considering companies from different cultures such as Mexico and the United States. In contrast, Hofstede and Minkov (2010) argued that cultural differences are not the main hindrances to the survival and success of international businesses but the efficiency of the management.

Hofstede categorized national cultures according to masculinity and femininity qualities. In masculine cultures, competition and material success are encouraged whereby the performance of an organization is measured from its material success and competition in the market. For instance, the performance of Apple Computers is measured based on how it competes against rivals in the market (Varvouzou & Zasepa 2013). On the other hand, in feminine cultures gender roles overlap and both men and women are supposed to be concerned with the quality of life. The difference in these two categories of culture indicates that mergers and acquisitions between companies from different cultures may be affected in terms of management (Paul 2011).

Hofstede categorized culture as long term orientation or short term orientation (Hofstede & Pedersen 2002). Long term oriented cultures reflect a future oriented mentality and individuals emphasize on perseverance and thrift. On the other hand, short term oriented cultures are oriented towards the past and the present and emphasizes on stability. Short term oriented cultures are negatively associated with economic growth and development (Hofstede & Minkov 2010).

Though Hofstede’s theory of cultural dimensions helps in describing and explaining cultural differences in different countries across the world, it has been criticized by some authors on various grounds. Apfelthaler, Muller and Rehder (2002) noted that, the theory fails to consider the concept of globalization and global cultures. The authors argued that as technology improves and globalization continues, global cultures emerge where individuals discard their national cultures and emphasize on global cultures. A good example is the online shopping where customers from across the world are interested in high quality products and services regardless of whether they are offered by local or international companies. Bjorkman, stahl and Vaara (2007) criticized cultural dimensions theory by indicating that it has never been updated despite that there are a lot of new developments happening in countries.

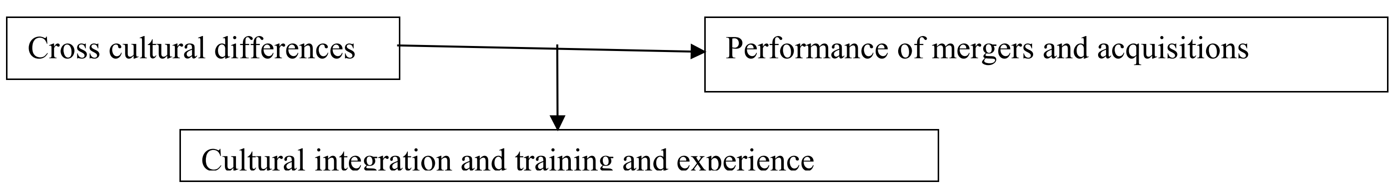
The Q- Theory of Mergers and Acquisitions

The Q- theory of mergers and acquisitions is an investment theory that states that the company's investment rate should increase with the ration of market value against the cost of capital. This is the main aim companies merge or acquire because they aim at increasing their investment value in the market against the replacement cost of capital. The Q- theory explains why companies acquire others in the market. Despite that mergers and acquisitions are largely impacted by cross cultural differences, the main aim for the merging and acquiring is to increase their investment value. In support of this theory, Jovanovic and Rousseau (2002) argue that mergers and acquisitions are preferred if a company is in a position to make large investments. The acquisition investment level should be higher that the direct investment. This implies that the acquiring company should find value in the acquiring process. Therefore, large companies have high likelihood of entering merger and acquisitions relative to their assets (Jovanovic & Rousseau 2002). This is contrary to small firms which experience high costs due to low assets level. The Q- theory of mergers has received criticism from some authors especially on the basis of its operations. Birkinshaw, Bresman and Hakanson (2000) argued that the Q- theory focuses on the effectiveness of investments but does not take into consideration other factors such as culture that affect the performance of mergers and acquisitions. The authors noted that the success of mergers is not only hid in the financial and asset aspects of an organization but also on the external factors such as culture.

Impacts of Culture on Performance of Mergers and Acquisitions

Empirical studies have indicated that the performance of mergers and acquisitions is greatly impacted by cultural integration and training and experience in cross border investments. Previous studies have identified negative and positive impacts of cross cultural differences on mergers and acquisitions. However, several studies have pointed out the difficulties experienced in access the issues of growth of mergers and acquisitions as there is no consensus on the impacts of cross cultural differences on the performance of mergers and acquisitions. This study investigates the impacts of cultural differences (independent variable) on the performance of mergers and acquisitions (dependent variable) by examining the metal industry in North America.

Independent Variables Dependent Variable



A study by Sinha and Kaushik (2010) indicated that, effective management of cross cultural differences in mergers and acquisitions is an asset rather than a liability in an organization. The authors concluded that the cross cultural differences having impacted mergers and acquisitions depend mostly on the performance measure applied as well as the nature and the degree of the cultural differences. This indicates that, if the differences are small, the performance impacts are very low while the impacts are high when the difference is high. However, the performance measure matters a lot. Performance can be measured in terms of management or profitability and the impacts of cultural differences depends on the performance measure used. For instance, a company's performance may be measured from the perspective of how well the company motivates employees and brings in innovative ideas while another may be measured in terms of profits accrued within a given period of time. Nevertheless, cultural differences if ineffectively managed have the potential of influencing and impacting all aspects of an organization such as profitability and employee motivation.

Research done by Kling, Ghobadian, Hitt, Weitzel and O'Regan (2014) found that corporations' success is largely influenced by the impact of their human resources. Drawing from Hofstede's cultural dimensions theory, it can be concluded that each country has a unique culture therefore employees from a particular country behave differently from others in another country regardless of the size of national boundaries. The authors argued that this can be termed as dissatisfaction, underperformance, or reluctant to accept change. Corporations merging or acquiring others face serious challenges in integrating employees and creating conducive working environments aimed at improving their performance. Basically, the performance of an organization is significantly determined by the satisfaction levels of human resources (Eriksen & Moller 2008). Ghobadian, Hitt, Weitzel and O'Regan (2014) suggested that human resource satisfaction impacts positively towards mergers and acquisitions. This is because the management is able to effectively manage the risks associated with cultural differences. Though these authors identify the importance of effective management of changes affecting employees on the acquired companies, they did not provide any suggestions for doing this nor do they indicate any possible risk associated with the human resources of the acquiring company in relation to the performance of the merging and acquiring process.

A study conducted by Stahl and Voigt (2005) points to the performance repercussion of cross cultural differences in mergers and acquisitions. The authors acknowledge the fact that mergers and acquisitions have gained high popularity for attaining corporate diversification and growth. The authors recognized the impacts of cultural differences on the performance of mergers and acquisitions especially on financial, strategy integration, and organizational perspectives. However, the authors identified the difficulties encountered by researchers and managers in examining and assessing the cultural difference issues. Additionally, this study identifies lack of cultural fit as the main factor that negatively impacts the performance of mergers and acquisitions. This idea was supported by Olie and Verwaal (2004) who argued that lack of effective cultural integration in cross border mergers and acquisitions is a serious problem that lowers the success rate of international investments. The authors acknowledged the importance of understanding the culture of the acquiring and acquired companies. The authors concluded that effectively managed cultural differences act as potential areas of an organization rather than a liability because the diverse cultures come together to increase the competitive advantages of a company. Therefore, these authors concluded that cultural differences impacts cross border investments both positively and negatively but this depends on the how they are managed and integrated. However, despite that Stahl and Voigt (2005) point out that cultural differences influence performance of mergers and acquisitions, they did not give specific ways through which these corporations are impacted nor offer solutions to the challenges faced by mergers and acquisitions.

A research conducted by Straub (2007) pointed out on the reasons as to why mergers and acquisitions fail. The authors criticized the traditional theories explaining mergers and acquisitions and their failure or success by indicating that they failed to identify the importance of cultural integration. In advocating for a comprehensive model, the author noted that culture plays a critical role in the operations, performance, and success of any business and this role cannot be overlooked. In acknowledging the importance of cultural integration, the author noted that failure mergers and acquisitions could be following the wrong strategy of acquiring the wrong target and ignoring the impact of cultural differences between the acquired and acquiring companies. This idea was supported by Kling, Ghobadian, Hitt, Weitzel and O'Regan (2014) who noted that there must be integration in organizational cultures between the acquiring and acquired companies. However, Straub (2007) has focused on the internal factors impacting the performance of mergers and acquisitions but has not clearly indicated the aspect of cultural fit as the main factor.

Ismail, Abdou and Annis (2011) reviewed the previous literatures linking corporate performance to mergers and acquisitions. The authors recognized the fact that mergers and acquisitions are instruments for competitive advantages and growth used by companies in the market. The authors indicated that mergers and acquisitions are influenced by both internal and external factors. Cultural differences were mentioned as the main external factor that influences the performance of mergers and acquisitions. The study indicated that managers interested in forming mergers and acquisitions are supposed to have prior knowledge and understanding of the organizational cultures of the two companies as well as the national cultures of the two companies. Therefore, the aspect of cultural integration was well discussed in this study. However, the study despite recognizing the importance of cultural integration to improve the performance of mergers and acquisitions focused mainly on how corporate management is linked to the performance of mergers and acquisitions. This implies that the study was centered on how companies should effectively manage their human resources as well as other resources to make them more productive. The issue of culture integration which should be discussed under corporate performance did not adequately feature in the article. Additionally, the study did not offer solutions on how the issue of cross cultural differences in mergers and acquisitions can be solved to improve the performance of these international investments.

In their study, Malhotra and Sharma (2013) explored the successful management of mergers and acquisitions in the Indian IT industry. The recognized the importance of mergers and acquisitions in increase the competitive advantage of an organization through synergy of resources. The study recognized that a large percentage of international mergers and acquisitions fail to achieve their goals and objectives not because of lack of adequate resources but because of ineffective cross cultural management. Malhotra and Sharma (2013) suggested that it is important for organization mangers to understand the critical role played by culture and ensure that effective management of culture is maintained throughout the transition period. The study indicates that over 70% of international mergers and acquisitions fail during the transition period because they are unable to effectively integrate the cross cultural differences. From this study it can be argued that effective management of cross cultural differences is an important management role that improves the performance of these international investments.

Chapter Summary

The main aim of the literature review chapter was to review that existing studies on the impacts of culture on the performance of mergers and acquisitions. This chapter has clearly defined culture and mergers and acquisitions giving the reader an understanding of these two major variables of study. The reviewed literatures agree that mergers and acquisitions contribute towards increasing competitive advantages of a company. These literatures indicated that cultural integration is very imperative in determining the performance of mergers and acquisitions.

Hofstede's theory of cultural dimensions and the Q- theory of mergers and acquisitions were discussed in this chapter and their link to the research topic drawn.

CHAPTER 3: RESEARCH METHODOLOGY

Introduction

Research methodology chapter outlines and discusses the research methods and techniques for data collection and analysis employed in this study. This chapter describes a procedure and process used in conducting the study. The chapter begins with a discussion on research design whereby various research designs are discussed and an explanation is given why a particular design was employed. All the areas discussed in this chapter are drawn from the research onion discussed by Saunders, Lewis and Thornhill (2012) in a book on ‘research methods for business students’. Chapter 3 discusses research philosophy, research approach, research strategy, research methods, data collection methods, data analysis, ethical considerations, and study limitations.

Research Design

Research design denotes the study type as exploratory, descriptive, or causal. This is the strategy taken by a researcher in a research. Lange, A. & Thompson, J. (2012) described three main types of research design such as; exploratory, descriptive, and causal. The choice of a particular design is determined by the nature of the study and the type of research question. Exploratory design is mainly used where there is limited study and the researcher has to discover new ideas. This design involves gathering data to answer a research question or test research hypotheses. Exploratory design is advantageous as it allows a researcher to discover new realities as he explores variables in a study. However, this design requires research skills as the researcher explores new phenomena to understand the relationship between the dependent and independent variables. As indicated in the literature review, a number of studies have focused on the impacts of culture on the performance of mergers and acquisitions hence this is not a new phenomenon therefore exploratory research design was not the best in this study. Descriptive design involves describing and discussing a phenomenon with an aim of understanding it better and adding value to the existing literatures. In descriptive design, the researcher borrows from the existing literatures. For instance, in this study there literature review indicated how other studies have analyzed the impacts of culture on performance of mergers and acquisitions. This study employed the descriptive research design because a review and an analysis of the previous literatures helped in understanding the research topic in a deeper manner. Descriptive design was employed because there are various studies such as Bjorkman, stahl and Vaara (2007), Birkinshaw, Bresman and Hakanson (2000), Chakrabarti, Gupta-Mukherjee and Jayaraman (2009), and Olie and Verwaal (2004) among others that have touched on the how cultural differences influence the performance of mergers and acquisitions. Therefore, descriptive design allowed the researcher to borrow ideas from the previous literatures and use the study findings to add to the existing literatures.

Research Philosophy

According to Saunders, Lewis and Thornhill (2012), the choice of research methods is determined by the willingness of the researcher to accept the assumptions and philosophies underlying various set of research method tools. Research philosophy is divided into three categories; ontology, epistemology, and axiology. Saunders, Lewis and Thornhill (2012) indicated that ontological philosophy focus on the nature of reality and researchers using this philosophy seek to answer questions such as how a society is made and how this affects the surrounding environment. Ontology mainly uses objectivism and interpretivism paradigms. Interpretivism mainly concerns with the meaningful nature of individual participation in social and cultural life. Therefore, researchers using this paradigm are interested in analyzing the meanings conferred by individuals upon their own and/or others behaviors. This study involves studying the impacts of cross cultural differences and analyzes how these differences influence the performance of mergers and acquisitions. Therefore interpretivism paradigm was used to interpret the social and cultural behaviors of employees and managers in a North American metal company. Interpretivism paradigm was used to understand, examine, and analyze cultural integration in the selected company and how this impacts the performance of mergers and acquisitions. In support of interpretivism paradigm, Ghanuri and Gronhaug (2010) argued that interpretivism helps in understanding the behaviors of the respondents and how these behaviors impact their roles in their organizations.

Epistemology is concerned with knowing the reality. In this case, reality is measured numerically (statistically) or through observations (Saunders, Lewis & Thornhill 2012). Epistemology philosophy is mainly used in scientific researches where quantitative research method is employed. Positivism and realism are the main paradigms under epistemology philosophy. Positivism was employed in this study to measure reality whereby statistics were used to understand the relationship between the dependent and independent variables (Myres, Well & Lorch 2013). One of the advantages of positivistic paradigm is that it allows the reader to identify what the acceptable knowledge is through statistical and/or observation measurement of reality. However, this philosophy cannot be used in qualitative research methods which do not consider numerical data but descriptive data (Lange & Thompson 2012).

Research Approach

Saunders, Lewis and Thornhill (2012) described two main types of research approaches; deductive and inductive approaches. The choice of a research approach is determined by the nature of the research question and the type of data required. Deductive approach means that a research starts with a research question and data analysis is aimed at answering this question This implies that the data collected are analyzed to test a research hypothesis. In deductive research, a research moves from a broad perspective towards a narrow one. According to Vogt (2007), deductive approach is mainly used in quantitative research whereby a research starts with a theory or a hypothesis and the implications of the hypothesis are tested with the data collected and analyzed. Deductive approach was employed in this research to test the research hypothesis and to offer a link between the dependent and independent research variables (Saunders, Lewis & Thornhill 2012). Deductive approach is advantageous in that the researcher investigates what has been done by previous researchers, read various theories related to the study hypothesis or theory and then use the study findings to test the hypothesis. This shows that the reader is able to effectively follow the steps followed in a research to understand why specific conclusions were made. However, this research approach is mainly used in quantitative research methods and in scientific studies making it hard for qualitative research to employ it (Ghanuri & Gronhaug 2010). Inductive research approach starts with a research question and analysis of data to formulate a hypothesis or a theory. Inductive research approach is different from deductive approach in that the former aims at theory and/or hypothesis formulation while the latter aims at testing a theory or hypothesis (Saunders, Lewis & Thornhill 2012). Since this study involved testing two research hypotheses, inductive research approach was not applicable.

Research Strategy

Research strategy is the choice used by the researcher to gather information. Saunders, Lewis and Thornhill (2012) described and discussed various types of research strategies such as action research, case study, grounded theory, survey, experiment, ethnography, and archival research among others. Survey strategy is mainly associated with quantitative research methods and deductive research. Survey strategy was used in this study because of its economical advantage in collecting a wide range of data to address such questions as where, when, how, and what in any given research topic. This study aimed at investigating the impacts of cultural differences on the performance of mergers and acquisitions hence survey strategy was deemed appropriate. In this study, survey strategy allowed the researcher to effectively analyze quantitative data in order to test the research hypotheses. However, as noted by Riemer, Lapan and Quartaroli (2012) survey strategy is not appropriate in qualitative research because qualitative method does not involve numerical and statistical data. Survey strategy was used to gather information through questionnaires. On the other hand, case study strategy was used whereby ArcelorMittal, a multinational steel company and U.S. Steel were described. The case study strategy offered the researcher with detailed information about the organization in terms of its success and failures in mergers and acquisitions. The rationale of using case study strategy is to ensure that adequate and relevant information of the company was gathered. ArcelorMittal was selected in this study because it has engaged in various mergers and acquisitions across the world hence managers have adequate experience on the performance of mergers and acquisitions and the role played by cross cultural differences.

Research Methods

The current literatures on research methods suggest that mixed method research is the most effective in an empirical study because it covers both numerical and descriptive data. Selecting and adopting the most effective research method is very imperative in any research as it allows effective data collection and analysis. In the research onion, Saunders, Lewis and Thornhill (2012) discussed three main research methods which include; quantitative research, qualitative research, and mixed method research. The nature of the research question determines the choice of a research method. Mixed method research was selected as the most appropriate research method for this study to the cultural issues impacting the performance of mergers and acquisitions at U.S. Steel and ArcelorMittal. This method was selected because it combines qualities of both qualitative and quantitative research methods. Mixed research method allows great flexibility in research whereby the researcher in a position to analyze both qualitative and quantitative data. Such research method is quite valuable in a research that combines interviews and questionnaires in data collection (Marczyk, DeMatteo & Festinger 2005). Given the research objectives of this study, the researcher believes that mixed method research is the most appropriate for this research. Quantitative method was used to study and analyze quantitative data collected through the survey method and used in testing the research hypothesis. However, this method requires statistical skills such as SPSS making it hard for some researchers (Matthews & Ross 2010). Therefore, qualitative method was used to complement quantitative data by neutralizing the challenges faced when analyzing data using this research method. Previous studies have outlined and discussed the disadvantages and drawbacks of mixed method research by indicating that it is cumbersome especially when used to analyze quantitative data. However, other studies have focused on the advantages of this research method by indicating that it allows great flexibility in research as the researcher can analyze any type of data (Riemer, Lapan & Quartaroli 2012). For instance, qualitative method is said to be less expensive as compared to quantitative method (Ghanuri & Gronhaug 2010) in terms of data acquisition especially when the required information cannot be easily collected through quantitative method.

Sampling Techniques and Data Collection Methods

Only primary data were gathered and analyzed in this study. Data were gathered from two companies; ArcelorMittal and U.S. Steel Company. ArcelorMittal is a multinational metal company which started as a very small company but expanded globally to become one of the largest steel companies globally. Data were collected through semi-structured interviews and structured closed ended questionnaires. Interview method gathered data from 10 managers drawn from marketing, human resources, operations, and finance departments in the two companies. Six managers were drawn from ArcelorMittal while 4 managers were drawn from U.S. Steel because the former is larger and has conducted more mergers and acquisitions as compared to the latter. Purposive sampling technique was used to select the respondents because it targets respondents with specific skills and information as required by the study. The interview method was aimed at gathering information on whether managers are involved in decision making concerning mergers and acquisitions, what is the role of cultural integration in the mergers and acquisitions, and whether managers are provided with training on how to address cultural integration in mergers and acquisitions. A sample size of 10 respondents was selected because interview method is very involving and could be very costly if a large number of respondents is involved.

Survey based questionnaire was used to gather information from the employees in the two companies. A total of 60 representatives drawn from the two companies were investigated. Simple random sampling technique was used to select respondents. This technique was selected because it gives all members of a population equal chance of being selected hence there is no biasness. Questionnaire method was used to gather information because it is very economical and less costly especially when gathering data from a large sample size as compared to interview method. Additionally, questionnaire method is mainly used to gather data from a large sample size whereby a wide range of information is collected. In this study, only closed ended questionnaires were used because the researcher wanted to control the information gathered.

Some of the issues studied through questionnaire method include; whether employees are involved in cultural integration, whether managers/ representatives are trained on cultural integration, and what are the main factors influencing performance of employees in the two companies among others.

Data Analysis

Data were analyzed through various methods in this research. Qualitative data collected through interviews was analyzed through content analysis and descriptive analysis methods. These methods analyzed the information given by the interviewees. On the other hand, quantitative data collected through questionnaires was analyzed through SPSS version 17.0. This data analysis tool gave clear relationship between the dependent and independent variables which helped in testing the research hypotheses.

Ethical Considerations

Any empirical study must consider ethical issues involved in a research. This study involved human beings as the respondents hence ethical issues touching on human beings were considered. For instance, data were collected in English language whereby simple and clear but comprehensive language was used to gather information. This ensured that respondents clearly understood the questions asked and gave the required answers. Respondents were informed about their participation in the study two weeks prior to the actual study. This allowed the respondents to prepare themselves for the study. Respondents were informed that their participation in the study was voluntary and no monetary compensations were offered. The researcher made it clear that the information given by the respondents would only be used for academic purposes and would not be released to unauthorized individuals. This helped in building a rapport with the respondents and encouraging them to joyfully participate in the study.

Study Limitations

The research methodology employed was not free from limitations. First, the study focused on the metal industry in North America and the study findings were generalized to all international corporations. This is a limitation because different companies or industries have different organizational cultures and behaviors and these may impact their performances. Additionally, the current study focused on two metal companies; U.S. Steel and ArcelorMittal Ltd, though these companies were representation of the metal industry, more companies should have been included in the study to make clear comparisons.

Chapter Summary

The aim of the research methodology chapter was to discuss and describe various methods and procedures employed in this study. Descriptive research design was employed to add value to the existing literatures by providing more information on the impacts of cultural differences on the performance of mergers and acquisitions. Positivistic and interpretivism research paradigms were employed and deductive research approach was deemed appropriate in the study. Data were collected from two organizations; U.S. Steel and ArcelorMittal hence a case study analysis of these companies was appropriate. Survey strategy was used to gather information from the managers in the two companies. Both qualitative and quantitative data were required in this study hence a mixed method research was used.

CHAPTER 4: RESEARCH FINDINGS

4.1 Introduction

After collecting data in Chapter 3, they were analyzed, interpreted and presented in Chapter 4. Therefore, this chapter involved data analysis, interpretation, and presentation to make it easy for the reader to understand. Chapter 4 begins by analyzing the demographic information of the respondents whereby the data collected through questionnaire method was analyzed. This is followed by information on the impacts of cultural differences on the performance of mergers and acquisitions. The aim of this section was to test the research hypotheses and provide information on whether cultural integration is important in mergers and acquisitions.

4.2 Quantitative Data Analysis

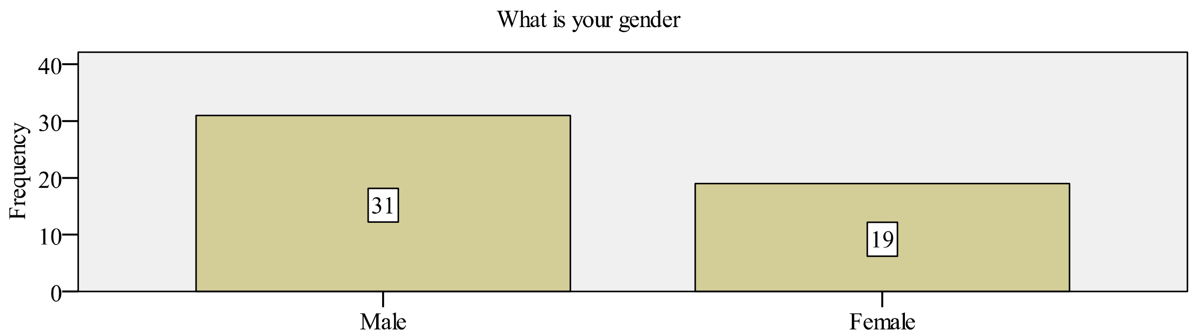
Quantitative data were collected from 50 respondents whereby out of the 60 questionnaires sent to respondents, only 50 were returned. This was an 84% response rate hence no more questionnaires were sent. Therefore, this section analyzes data collected from 50 respondents.

1.1.8 Demographic Information

a) Gender

Gender variable was analyzed this study to understand the number of males and females employed in the metal industry. Out of 50 respondents investigated in this study, 31 were males while 19 were females. This shows that more males are employed in the metal industry as compared to females. This information is illustrated in Fig 4.1 below.

Fig 4.1: Gender analysis



b) Age

The age bracket variable analyzed to understand the age of the respondents and identify which age bracket had the largest number of respondents. As indicated in Table 4.1 below, 48% of the respondents were aged between 46 and 50 years. This implies that ArcelorMittal Ltd and U.S. Steel metal companies are interested in employing well advanced individuals and with high experience.

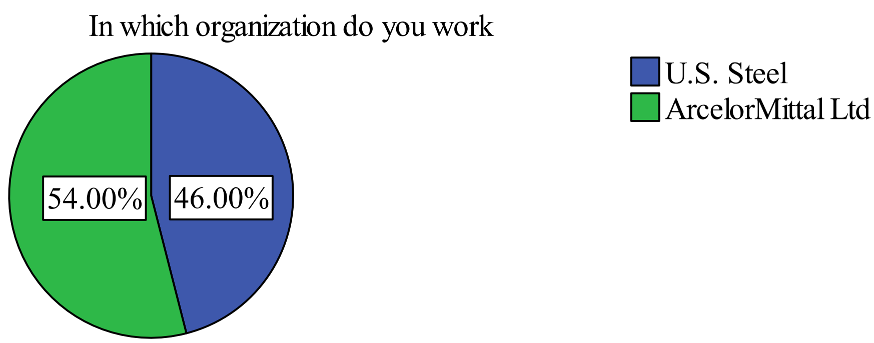
Table 4.1: Age analysis

		Frequency	Percent
Valid	Below 30 years	2	4.0
	31-35 years	11	22.0
	36-40 years	4	8.0
	41-45 years	4	8.0
	46-50 years	24	48.0
	51-55 years	3	6.0
	56 years and above	2	4.0
	Total	50	100.0

c) Organization

Analysis of the organization where respondents worked was done to ensure that only respondents from U.S. Steel and ArcelorMittal Ltd were included in the study. As indicated in Fig 4.2 below, 54% of the respondents were from ArcelorMittal Ltd while 46% were from U.S. Steel. ArcelorMittal Ltd drew a larger number of respondents because it is a larger organization and has conducted more mergers and acquisition deals as compared to U.S. Steel.

Fig 4.2: Organization analysis



d) Job Position

Information on the respondents' job position was analyzed to ensure that data were collected from the relevant sources only. Table 4.2 below indicates that most of the respondents (46%) were drawn from the human resource department followed by marketing department 28%, operations department 20%, and lastly finance department 6%. Majority of data were collected from the HR department because cultural integration in M&A mainly involves human resources.

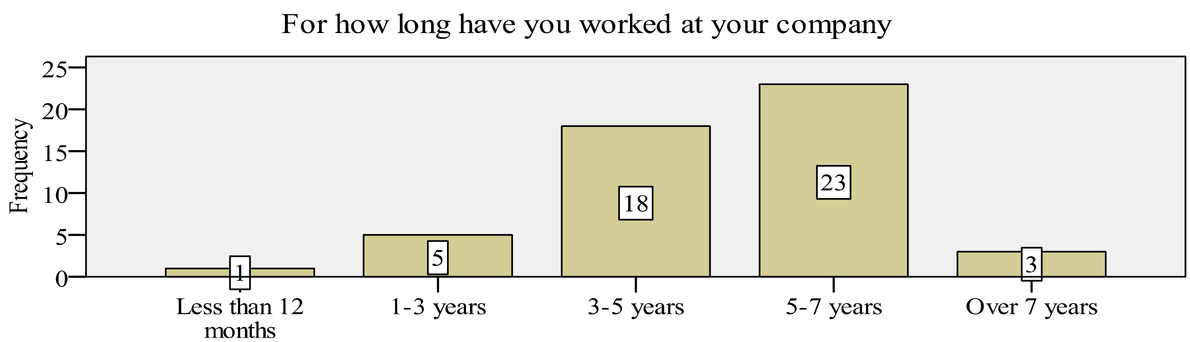
Table 4.2: Job position

		Frequency	Percent
Valid	Marketing manager	6	12.0
	Marketing representative	8	16.0
	Finance manager	3	6.0
	HR manager	8	16.0
	HR representative	15	30.0
	Operations manager	5	10.0
	Operations representative	5	10.0
	Total	50	100.0

e) Length of Stay

The demographic variable on length of stay was analyzed in this study to understand the experience of the respondents in their respective organization. Respondents who have stayed for a long period of time in their organizations have higher experience on the organizational behavior, culture, and performance of the company. Fig 4.3 below shows that majority of the respondents (46%) had stayed in their companies for 5-7 years.

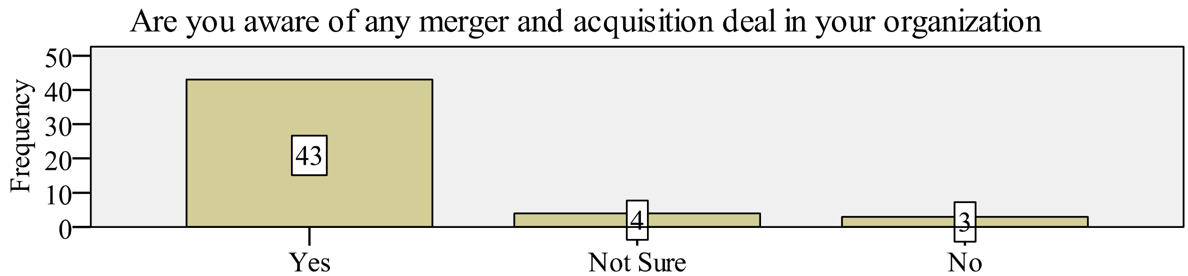
Fig 4.3: Length of stay



1.1.9 Leadership Involvement in M&A

This section aimed at understanding the rate of leadership involvement in mergers and acquisitions in U.S. Steel and ArcelorMittal Ltd. Fig 4.4 below illustrates that majority of the respondents (86%) were aware of mergers and acquisition deals in their companies. This implies that the leadership involvement in mergers and acquisition deals at U.S. Steel and ArcelorMittal Ltd is very high. ArcelorMittal Ltd had more respondents (23) who were aware of M&A deals as compared to U.S. Steel (20). None of the respondents from ArcelorMittal Ltd responded negatively while none of the respondents from U.S. Steel were undecided.

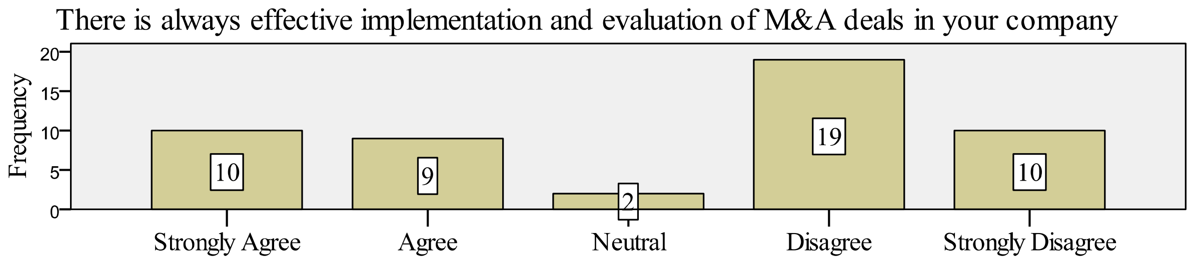
Fig 4.4: Awareness on M&A deals at ArcelorMittal Ltd and U.S. Steel



47 out of 50 respondents agreed that they have been involved in a merger and acquisition deal in their organization, 2 were not sure, and 1 had not been involved. Out of 47 respondents, 25 were from ArcelorMittal Ltd while 22 respondents were from U.S. Steel.

This study aimed at investigating whether implementation of M&A deals in ArcelorMittal Ltd and U.S. Steel was always effective. Respondents gave diverse responses with 38% agreeing and 58% disagreeing while 4% were not sure. This implies that not all M&A deals are effectively implemented. Fig 4.5 below illustrates this information graphically.

Fig 4.5 Effective implementation of M&A deals



1.1.10 Identification of Cultural Integration Issues

This section aimed at analyzing whether respondents identified and recognized cultural integration issues at ArcelorMittal Ltd and U.S. Steel. Analysis in this section helped in testing research hypothesis (H1). The research hypothesis stated as;

1. H_0: Cultural integration has no impact on the performance of mergers and acquisitions

Pearson's correlation coefficient (r) was used to measure the relationship between the dependent and independent variables. Two tailed Pearson's correlation program was used because it indicates the association between dependent and independent variables. A correlation value of 0.05 was used whereby the null hypothesis was rejected if the coefficient (r) value was greater or equal to 0.05 and the alternative hypothesis was accepted. The 0.05 value was derived from the Fisher approach of the cutoff point to accept the alternative hypothesis.

Table 4.3: Correlation between cultural integration and M&A performance

Correlations

		Do you think that your organization identify and strategically address cultural integration issues	The performance of M&A in your organization is very high
	Pearson Correlation	1	.775**
	Sig. (2-tailed)		.000

Correlations

Do you think that your organization identify and strategically address cultural integration issues	N	50	50
The performance of M&A in your organization is very high	Pearson Correlation	.775**	1
	Sig. (2-tailed)	.000	
	N	50	50

Table 4.3 above shows that the coefficient (r) value for the relationship between cultural integration and M&A performance was 0.775 which is greater than 0.05 then the null hypothesis is rejected and the alternative hypothesis accepted. The alternative hypothesis can be stated as;

H_1: Cultural integration impacts the performance of mergers and acquisitions

Respondents had mixed responses on whether their organizations (integration teams) identified and strategically addressed cultural integration issues. 17 respondents responded positively, 20 were not sure and 13 responded negatively. However, 37 respondents agreed that the integration team is faced with challenges when integrating cultural issues, 12 respondents disagreed and 1 respondent was not sure. 37 respondents agreed that cultural differences integration is the main challenge facing integration team 10 respondents disagreed and 3 were not sure. This analysis indicates that cultural integration is an important factor to consider in mergers and acquisitions. 36 respondents agreed that if cultural differences are not effectively managed they can undermine the M&A process, 13 disagreed and 1 was not sure. This information is summarized in the Table 4.4 below.

Table 4.4: Cultural integration issues in M&A process

Variables	Agree	Not Sure	Disagree

Do you think that your organization identify and strategically address cultural integration issues	17	20	13
The integration team is faced with several challenges when integrating cultural issues	37	1	12
Integration of cultural differences is the main challenge integration team faces	37	3	10
If not effectively managed, cultural differences can undermine the M&A process	36	1	13

1.1.11 Training and Experience

This section aimed at testing the second research hypothesis; Cultural training and experience has no impact on the performance of mergers and acquisitions. Pearson's correlation tool was used to measure the relationship between dependent and independent variables. Coefficient value of 0.05 was selected whereby if the coefficient (r) is greater than 0.05, the null hypothesis is rejected and the alternative hypothesis is accepted.

Table 4.5: Correlation between cultural training and M&A performance

Correlations

		Do you have any specific training on cultural integration in relation to M&A	The performance of M&A in your organization is very high
Do you have any specific training on cultural integration in relation to M&A	Pearson Correlation	1	.611**
	Sig. (2-tailed)		.000
	N	50	50
The performance of M&A in your organization is very high	Pearson Correlation	.611**	1
	Sig. (2-tailed)	.000	
	N	50	50

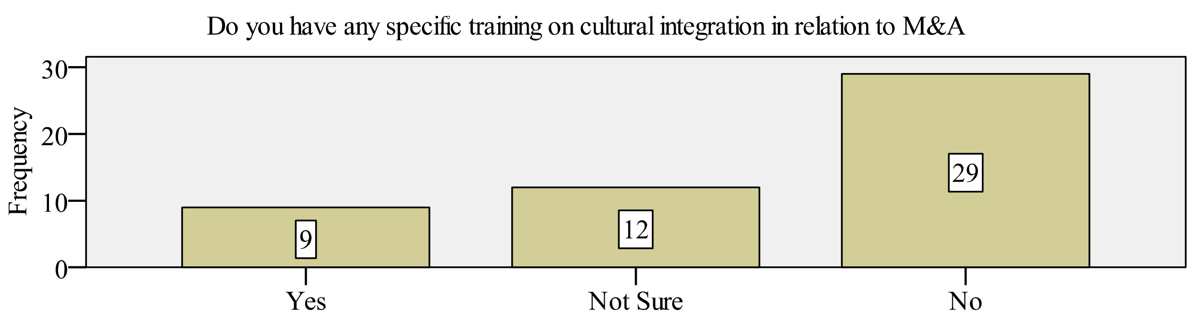
As indicated in Table 4.5 above, the r value is 0.611 which is greater than 0.05 hence the null hypothesis is rejected and the alternative hypothesis accepted. Therefore, the alternative hypothesis is stated as:

H_1: Cultural training and experience impact the performance of mergers and acquisitions.

This implies that when managers and integration team members are adequately trained and experienced on cultural differences they make well informed decisions concerning the intended mergers hence improving the performance of the mergers. From this analysis, it can be argued that lack of effective cultural integration and cultural training result in failure of mergers and acquisitions.

Respondents had mixed responses when asked whether they had any specific training on cultural integration in relation to mergers and acquisitions. As indicated in Fig 4.6 below, 18% of the respondents agreed that they had special training and experience, 24% were not sure, and 58% disagreed.

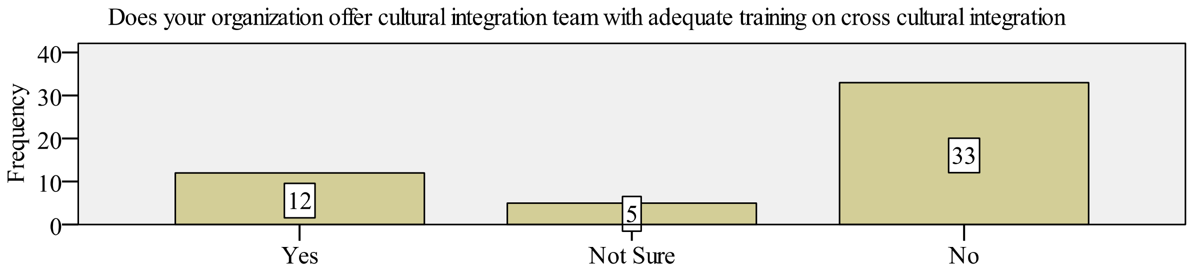
Fig 4.6: Respondents special training and experience on cultural integration



The figure above shows that, a large number of managers involved in mergers and acquisition deals at U.S. Steel and ArcelorMittal Ltd are not trained on cultural integration issues.

As indicated in Fig 4.7 below, respondents indicated that the cultural integration team was in U.S. Steel and ArcelorMittal Ltd are not provided with adequate training on cross cultural training. This implies that lack of effective and adequate training on cross cultural integration was one of the causes of high rate of mergers and acquisition failures in the metal industry in North America. As the below figure illustrates that 66% of the respondents disagreed that they received adequate training, 10% were not sure, and 24% agreed.

Fig 4.7: Training on cross cultural integration



However, respondents had mixed responses on whether the training and experience they have is necessary to ensure that effective cultural and integration as well as successful M&A. 31 respondents agreed, 4 were neutral, and 15 disagreed. This implies that respondents though they felt that they did not receive adequate training on cultural integration were able to use their skills to effectively integrate cross cultures and hence the success of mergers and acquisitions.

37 respondents (74%) disagreed that it would be possible for the success of mergers and acquisitions without adequate cross cultural integration training and experience. Only 10 respondents (20%) agreed and 3 were not sure. This implies that respondents acknowledged the importance of cross cultural integration training and experience in improving the performance of mergers and acquisitions.

The study results indicated that, though some of the U.S. Steel and ArcelorMittal Ltd M&A deals have succeeded, the companies do not always achieve the set goals and objectives. Out of 50 respondents investigated, 11 agreed that the deals meet the set goals, 3 were neutral, and 36 disagreed. Additionally, there were mixed responses on whether performance of M&A in the two organizations is very high. 26 respondents (52%) agreed that the performance is high while 24 respondents (48%) disagreed that the performance is very high.

4.3 Interview

Out of 10 managers scheduled for the interview, only 7 availed themselves in the interview session. 4 respondents were from ArcelorMittal Ltd and 3 from U.S. Steel. All the respondents indicated that they have been involved in mergers and acquisition deals in their organizations. One respondent commented that, “as a matter of fact, I have been involved in four M&A deals and what I can say is that the process is very critical as you have to understand the two organizational behaviors and cultures”.

Respondents had mixed reactions as to whether cultural integration issues in their organizations were identified and strategically addressed. Five respondents indicated that these issues were identified while two stated that they were not. Three respondents indicated that these issues were not strategically addressed while three indicated that they were addressed. One respondent asserted that, “the cultural integration team carefully identifies the cultural integration issues and addresses them to ensure the success of the M&A”. Another respondent noted that, “from what I have made from the few involvements I had, cultural issues are identified and named but they are not adequately addressed”.

All the respondents reported that they faced challenges in implementing mergers and acquisitions in their organizations. Cultural integration was named as the main challenge faced followed with cooperativeness of the two companies. One respondent asserted that, “we face a lot of challenges but integrating the two organizational cultures is the main challenge”. Another respondent asserted that, “you know these are two different groups with different organizational behaviors and cultures hence cooperation is always a challenge”. This analysis indicates the important of cross cultural integration in the implementation of mergers and acquisitions in the metal industry. Another challenge that was identified in the study was leadership. One respondent noted that, “leadership is very important in any business activity and in its absence there will always be challenges”.

Respondents had mixed responses on whether they are offered with adequate training on cultural integration. All the respondents agreed that they have even been training but the adequacy of the training differed. One respondent from U.S. Steel noted that, “it is mandatory for all integration team members to undergo a course in cultural integration however, I would say that more training is required as things are changing rapidly”. Another respondent from ArcelorMittal Ltd noted that, “without skills and experience, implementing M&A is not successful therefore there is a great need for more training to improve on skills and qualifications.” These results show that though members of the integration team in the two companies are offered with training and experience, more skills are required. This result agreed with the questionnaire findings on respondents’ training on cultural integration issues.

All the 7 respondents agreed that the training they received in their organizations was necessary to ensure effective implementation of mergers and acquisitions. One respondent from ArcelorMittal Ltd noted that, “the organization is very categorical in providing managers with cultural integration skills and training in done by well experienced managers or representatives who have been involved in a number of M&A deals across the world”. Another respondent from U.S. Steel asserted that, “the training and skills we receive are very important and necessary for the implementation of mergers and acquisitions”. This analysis agreed with the questionnaire analysis whereby it was found that respondents agreed that the training and skills they received enabled them to effectively implement mergers and acquisition deals. Therefore, though the training was not adequate, the skills offered were necessary.

Respondents indicated that not all M&A deals were successful in their organizations and not all of them failed. One interviewee from ArcelorMittal Ltd noted that, “as a matter of fact, not all of these deals are successful and not all of them have failed. However, I can say that most of them have failed”. Cultural integration was identified as the main contributor to the success or failure of mergers and acquisitions. One interviewee from U.S. Steel noted that, “for sure if cultural issues are well identified and addressed, the failure rate is low”. Economic and finance factors were also mentioned to impact the performance of mergers and acquisitions. The study indicated that in absence of adequate finances or in an economic crisis, the probability of M&A failure is very high.

All the respondents interviewed in the study agreed that the performance of mergers and acquisitions are influenced by cultural differences. One interviewee from U.S. Steel noted that, “each organization has its unique culture and integrating two cultures influence the process of merging the two companies”. Another respondent from ArcelorMittal Ltd noted that, “from what I have made from different M&A deals in our company, cultural integration plays a critical role”. This analysis indicates the importance of cultural integration in improving the performance of mergers and acquisitions in the metal industry.

4.4 Chapter Summary

The questionnaire and interview analysis in this chapter help in achieving the research objectives and answering the research questions. First, the study results indicated that cultural differences have major impacts on the performance of mergers and acquisitions. The study results on both questionnaires and interviews indicate that the implementation of mergers and acquisitions is impacted by the manner in which cultural differences are integrated. The study demonstrated the role of cultural differences management improving the performance of mergers and acquisitions. The study results in this chapter have indicated the reasons for the failure and success of mergers and acquisitions in the metal industry.

CHAPTER 5: DISCUSSION

5.1 Introduction

The discussion chapter discusses the study results by linking them with the study objectives. This chapter offers insights to the reader by discussing the link between the research objectives and hypotheses and study findings. This chapter begins by discussing the cross cultural aspect and its linkage with the performance of mergers and acquisitions. This section links the Hofstede's theory of cultural dimensions with the performance of mergers and acquisitions. This chapter discusses the role of cultural differences management in the performance of mergers and acquisitions as well as the failures and successes of mergers and acquisitions. Lastly, this chapter offers solutions to the high rate of failures of mergers and acquisitions in the international business environment.

5.2 Impacts of Culture on Performance of Mergers and Acquisitions

The study findings accepted the alternative hypothesis that cultural integration significantly impacts the performance of mergers and acquisitions. This finding was supported in the literature review by Rani, Yadav and Jain (2013) who argued that, the performance of mergers and acquisitions is largely influenced by cultural differences especially in international investments. The study results indicated that the respondents were aware of the cultural issues that arise when two companies merge. However, identifying and addressing these issues determine the success of mergers and acquisitions. Several previous studies such as Bjorkman, stahl and Vaara (2007), Chakrabarti, Gupta-Mukherjee and Jayaraman (2009), and Gitelson, Bing and Laroche (2015) among others have focused on the impacts of cultural integration on the performance of mergers and acquisitions. Chakrabarti, Gupta-Mukherjee and Jayaraman (2009) support this study enforcing the Hofstede's theory of cultural dimensions. The authors noted that each country has its unique culture and integration of these cultures is a prerequisite for cross cultural deals to be implemented. This implies that cultural integration team must understand the organizational cultures and behaviors of the merging companies in order to integrate them. Aspects of culture that should be integrated include; traditions, practices, values, and norms among others.

The study results revealed that cultural integration is the main challenge faced in the process of M&A implementation in the international investments. In contrast, Bjorkman, stahl and Vaara (2007) argue that the technological advent and globalization have led to the creation of an international culture whereby companies can operate across the globe without any challenge emanating from cultural differences. Nevertheless, this argument is criticized from Hofstede's point view by indicating that each country is unique regardless of the creation of international cultures and this uniqueness create differences. Another challenge that was named alongside cultural difference is economic or financial challenge. Despite that companies form mergers and acquisitions in order to strengthen their financial position in the market, mergers and acquisitions would fail drastically in absence of adequate finances or lack of effective management of finances. Basically, the acquired and the acquiring companies must have an agreement on the economic and financial effects of the merger prior to the actual merge in order to ensure that economic challenges are foreseen, identified, and addressed (Slangen & Hennart 2008). The study findings indicated that lack of considering cultural issues can ruin the performance of M&A. This finding supported the alternative hypothesis that cultural integration significantly impacts the performance of mergers and acquisitions. This concurs with the assumptions of the Hofstede's theory of cultural dimensions that since cultures are unique failure to understand this uniqueness results in failure to effectively conduct businesses. In support of this, Kling, Ghobadian, Hitt, Weitzel and O'Regan (2014) noted that the culture of home country influence international businesses in mergers and acquisitions. This implies that when companies are planning on which companies to merge with or to acquire, managers or the integration team must consider the aspect of culture to ensure that there are no conflicts emanating from differences in cultures.

5.3 Cultural Management in Cross Boarder M&A

The study results have indicated that culture plays a critical role in the implementation and performance of mergers and acquisitions especially in the international markets. The study results supported the literature review in that it contributes towards the role and importance of cultural management in the performance of mergers and acquisitions. For instance, 72% against 26% agreed that if cultural issues are not effectively managed, they can ruin the performance of mergers and acquisitions. This implies that it is the responsibility of organization managers to effectively manage their organizational cultures in order to excel in merger deals. In explaining the importance of understanding the cultural dimensions theory of Hofstede, Ismail, Abdou and Annis (2011) argue that different organizations have different organizational cultures regardless of whether they operate in the national or international markets. The authors supported the study findings by asserting that, the organization managers have the responsibility of understanding other organizations' cultures prior to engaging in mergers and acquisitions to avoid or prevent the challenges that may emanate from cultural conflicts.

The study results indicated that about 86% of the respondents were aware of M&A deals in their organizations and 94% had been involved in these deals. This implies that the respondents were well informed about the factors that influence the performance of these deals. However, only 39% of the respondents indicated that M&A deals in their organizations have been always successful. This concurs with the previous literatures of Stahl and Voigt (2005), Cooper and Finkelstein (2012), and Anderson, Havila and Nilsson (2012) that a large proportion of mergers and acquisition deals in the international markets are not successful. Lack of or ineffective cultural management has been cited by Stahl and Voigt (2005) as the major cause of this high failure rate. As assumed by the Q- theory of mergers and acquisitions, companies merge or acquire others in order to create value and increase their investment levels but in absence of cultural management, this value is not created because the investment collapses. Jovanovic and Rousseau (2002) argue that companies that are able to make huge investments prefer going by the way of mergers and acquisitions. However, the findings in this study prove that a company management must effectively manage cultural differences in order to succeed in mergers and acquisitions. However, this finding was criticized by Davidson and Mountain (2012) who overlooked the cultural connotation as a factor influencing M&A and stated that economic and finances are the main factors influencing the performance of M&A. In their argument, these authors noted that in absence of adequate finances a company cannot implement a deal regardless of the level of cultural knowledge they have. This implies that in addition to cultural management, M&A are influenced by the financial standing of an organization as well as the economic condition of the market.

5.4 Impacts of Cultural Integration Training and Experience on M&A

The study findings were aimed at testing the hypothesis that; cultural integration training and experience has no impact on the performance of mergers and acquisitions. The findings indicated that cultural integration training and experience significantly impact the performance of mergers and acquisitions. This implies that organization managers and owners must offer training opportunities to their integration team to add their skills on how to manage cultural issues. The study results indicated that 72% of the respondents had been provided with specific training on cultural integration in relation to M&A. This implies that ArcelorMittal Ltd and U.S. Steel provide their integration team members with specific training on how to manage cultural issues emanating from cultural differences involving two or more companies in national and/or international markets. The study results were supported by previous literatures such as Chen, Chang and Lin (2009) and Coulthard and McDonald (2005). These studies found that experience is a prerequisite in achieving success mergers and acquisitions. This is because experienced integration team members are able to effectively plan for M&A deals. However, it was reported that some past experiences could not be used in some modern situations due to the dynamism of the cultural and social environments. Chen, Chang and Lin (2009) acknowledged the importance of training and experience in mergers and acquisitions and indicated that training positively contributes to the performance of mergers and acquisitions. However, McCarthy and Dolfsma (2012) found that training and experience was not a key issue in their study. Nevertheless, the authors stressed the importance of training and experience in mergers and acquisitions. The current study found that less than half of the investigated respondents (44%) agreed that they were offered with adequate training on cross cultural integration. This implies that management may think that they offer the integration teams with adequate training depending on the nature of M&A only to realize that the training was not adequate. Nevertheless, the study results indicated that the type of training offered was necessary to ensure effective cross cultural integration as well as successful implementation of mergers and acquisitions. Vaara, Sarala, Stahl and Björkman (2012) argued that leadership is very critical in determining the performance of mergers and acquisitions whereby effective leadership recommend training opportunities to increase integration skills.

5.5 Solutions to the High Failure Rate of M&A

To understand the possible solutions that can be offered to M&As it is important to understand the causes of M&A success or failure in the market. This study has focused mainly on the cultural aspect of mergers and acquisitions but there are other factors such as leadership, economics and finances. The previous studies such as Puranam, Singh and Chaudhuri (2009), Slangen and Hennart (2008), and Kling, Ghobadian, Hitt, Weitzel and O'Regan (2014) concluded that ineffective cultural integration is the main contributor of high failure rate of mergers and acquisitions in the international markets. The authors based their arguments on the Hofstede's theory of cultural dimensions by indicating that since different countries have different and unique cultures, there is a need to understand these differences and uniqueness in mergers and acquisitions an aspect that is least considered in most of the mergers and acquisition deals. By giving the example of differences between national and cross border mergers and acquisitions' failure rates, the authors noted that there is higher failure rate in cross border mergers as compared to national mergers.

On the other hand, researchers such as Malhotra and Sharma (2013) and Straub (2007) argued that the success or failure of mergers and acquisitions is influenced mainly by the technological and economic climates of the involved companies. According to Malhotra and Sharma (2013), technology difference between two companies and countries determine the performance of mergers and acquisitions. This implies that when technology difference is large, there is a high probability of unfit in mergers and acquisitions. On the other hand, Straub (2007) discussed economic and financial challenges as contributing factors towards the high failure rate of mergers and acquisitions. The author based his arguments from the Q- theory of mergers and acquisitions to indicate that large corporations merge because they have resources and strong financial standing.

From the above analysis, two main solutions can be offered towards the high failure rate of mergers and acquisitions. Basing this discussion on the study findings, effective cultural integration is one solution whereby the integration team should understand the different organizational and national cultures coming into play when two companies merge. Effective integration involves understanding the organizational behaviors of the involved companies and hence understanding and acknowledging the cultural differences emanating from the two companies. This helps in solving any challenge that might arise from the cultural differences as demonstrated by human resources. On the other hand, effective training and experience of the integration team is a good factor to consider when dealing with two or more companies with different cultures. The study findings indicate that cultural integration training and experience impacts the performance of mergers and acquisitions. Though the respondents had mixed reactions on whether they are adequately trained in their organizations, majority of them agreed that the type of training they receive in their organization is necessary to increase their skills in addressing challenges that may arise due to cross cultural differences during the implementation of mergers and acquisitions.

5.6 Chapter Summary

The discussion chapter links the theoretical part of the study with the findings. This chapter has clearly shown the linkage between cultural integration and the performance of mergers and acquisitions as well as the link between cultural training and experience and performance of mergers and acquisitions. The discussion chapter demonstrates the importance of the Hofstede's theory of cultural dimensions as well as how this theory is related to the case of mergers and acquisitions. This chapter has demonstrated the reasons for the high failure rate in mergers and acquisitions as well as giving solutions on how to address this challenge in the North American metal industry.

CHAPTER 6: CONCLUSION, RECOMMENDATIONS, AND REFLECTION

6.1 Introduction

Chapter 6 is the last chapter in this project. This chapter comprises of conclusions made from the study results and discussion of the previous literatures, recommendations for future studies, and a personal reflection of the project. This chapter begins by outlining and discussing study conclusions by relating the study findings and discussion of the previous studies with the research objectives. Chapter six addresses the study limitations outlined in Chapter 3 by offering recommendations for the future studies. This gives the future researchers a hint on how to effectively conduct their studies.

6.2 Conclusions

Two main conclusions were made from the analysis and discussion of the study findings. First, cultural differences impact the performance of mergers and acquisitions and second, cultural integration training and experience impact the performance of mergers and acquisitions. This study acknowledged the fact that mergers and acquisitions have a high failure rate especially in the international markets and this challenge is mainly contributed by ineffective cultural integration. This conclusion helps in achieving the first research objective as well as rejecting the null hypothesis and accepting the alternative hypothesis. Several previous studies such as Kling, Ghobadian, Hitt, Weitzel and O'Regan (2014), Stahl and Voigt (2005), and Ismail, Abdou and Annis (2011) support the study findings by indicating that effective management of cultures improve the performance of mergers and acquisitions. Culture is very unique and failure to manage it may ruin the operations and performance of an organization. The current study proved that cultural management plays a critical role in improving the operations and performance of an organization in the international markets. This is because each country has unique culture and the national culture determine and shape the organizational culture making organizational cultures different. On the other hand, this study concludes that cultural integration training and experience has high impacts on the performance of mergers and acquisitions. Discussion of the previous literatures and analysis of the current study findings indicated that training and experience were very imperative in mergers and acquisitions. Therefore, the high failure rate of mergers and acquisitions can be addressed by effective management of cultural differences between the involved companies as well as effective and adequate training of the integration team on how to integrate cultures. Though other factors such as economics and finances come to play, culture was found to have high impacts.

6.3 Recommendations

Industries are unique and factors affecting one industry may be different from another industry depending on the products and services offered as well as the nature of people working in these industries. The future studies should gather information from a wide range of industries rather than focusing only on the metal industry in North America. The factors affecting the metal industry may be different from those affecting the fast food industry therefore, examining different industries may give wider information on the impacts of culture on the performance of mergers and acquisitions. The future studies should focus on different parts of the world to include a wide range of cultures. The current study focused on the North American metal industry alone but did not compare with other regions such as Asia or Europe. Basing on the cultural dimensions theory of Hofstede, the American cultures are different from the Asians or Europeans. Therefore, including different cultures would give a wide range of information. The current study focused on culture alone as the main contributor to the high failure rate of mergers and acquisitions. However, the future studies should focus on other factors such as finances and economics which were have great impacts on the performance of mergers and acquisitions. This implies that economic and financial theories should be discussed in understanding how mergers and acquisitions operate. For instance, the Q- theory explains the best companies to merger or acquire from an economic and investment point of view.

6.4 Personal Reflection

Completing this project was a great experience to me. First, I gained more experience on dissertation writing especially on objectives formulation as well as stating the statement of the problem. Additionally, I have gained skills in literature review both on reviewing the literatures and on matters related to the impacts of culture on the performance of mergers and acquisitions. I am now more skilled and qualified to tackle more challenging dissertations. However, writing this dissertation was not without challenges. Accessing information on the North American metal industry especially on the U.S. Steel and ArcelorMittal Ltd was not easy because the information is very scarce. However, this challenge was addressed to by searching information from a wide range of sources such as online and offline libraries. Accessing information from the respondents especially through the interview method was not easy as some respondents were not cooperative and others feared victimization. This challenge was addressed to by informing the respondents prior to the actual study that the information they give would not be used against them in their organizations and would not be released to unauthorized individuals.

REFERENCES

Stiebale, J. (2013) 'The impact of cross border mergers and acquisitions on the acquirers' R&D: Firm-level evidence.' *International Journal of Industrial Organization*, 31(4): 307-321

Kling, G., Ghobadian, A., Hitt, M., Weitzel, U. & O'Regan, N. (2014) 'The effects of cross-border and cross industry mergers and acquisitions on home region and global multinational enterprises.' *British Journal of Management*, 25(3), 116-132

Eriksen, R. & Moller, L. (2008) *An empirical study of the value creation in mergers and acquisitions: In relation to the strategic rationale.* Aarhus: University of Aarhus Press

Ismail, T., Abdou, A. & Annis, R. (2011) 'Review of literature linking corporate performance to mergers and acquisitions.' *The Review of Financial and Accounting Studies*, 3(1): 90-106

Statistica. (2014) *Value of global mergers and acquisitions in 2014, by industry*. [online] [availability 2015] <http://www.statista.com/statistics/245949/value-of-global-m-and-a-in-h1-2012-by-industry/> [Accessed Jun 15, 2015]

FactSet Research systems Inc. (2014) *US M&A News and Trends*. [0nline] [availability November 2014] <https://www.factset.com/mergerstat_em/monthly/US_Flashwire_Monthly.pdf> [Accessed November 18, 2014]

Price Water Coopers. (2015) *Forging ahead: First-quarter 2015 metals industry mergers and acquisitions analysis*. [online] [Availability May 12, 2015] <http://www.pwc.com/us/en/industrial-products/publications/forging-ahead.jhtml> [Accessed November 18, 2014]

Stahl, G. & Voigt, A. (2005) 'Impact of cultural differences on merger and acquisition performance: A critical research review and an integrative model.' *Advances in Mergers and Acquisitions*, 4: 51-82

Bessler,W. & Murtagh, P. (2002) 'The stock market reaction to cross-border acquisitions of financial services firms: An analysis of Canadian banks.' *Journal of International Financial Markets, Institutions and Money*, 12: 419–440

Ślusarczyk, B., Constantin, D. & Kot, S. (2013) 'Consolidation Trends in World Steel Industry.' *Metalurgia International*, 18(7): 1-6

Makhlouk, H. & Shevchuk, O. (2008) 'The importance and the influence of the corporate culture in a merger and acquisitions context.' *Change Management*, 5-114

Cooper, C. & Finkelstein, S. (2012) *Advances in mergers and acquisitions*. New York: Sage

Anderson, H., Havila, V. & Nilsson, F. (2012) *Mergers, acquisitions, and stakeholders: The critical role of stakeholders*. London: Wiley

Carney, W. (2009) *Mergers and acquisitions*. London: Sage

Hoerl, R. & Snee, R. (2012) *Statistical thinking: improving business performance*. New York: Wiley

Davidson, C. & Mountain, A. (2012) *Working together: Organizational transactional analysis and business performance*. Burlington: Gower Publishing Company

Schein, H. (2010) *Organizational culture and leadership*. New Jersey: Prentice Hall

Flamholtz, E. & Randle, Y. (2011) *Corporate culture: The ultimate strategic asset*. Victoria: Routledge

Straub, T. (2007) *Reasons for frequent failure in mergers and acquisitions: A comprehensive analysis*. New Jersey: Prentice Hall

Malhotra, B. & Sharma, V. (2013) 'An exploratory study on successful management of international mergers and acquisitions in IT industry.' *Indian Streams Research Journal*, 3(4): 11-21

Hitt, A., Harrison, J. & Ireland, D. (2001) *Mergers and acquisitions: A guide to creating value for stakeholders*. Oxford: Oxford University Press

Olie, R., & Verwaal, E. (2004) 'The effects of cultural distance and host country experience on the performance of cross-border acquisitions.' *Paper presented at the Academy of Management Conference, New Orleans*, August 6–11, 2004

Paruchuri, S., Nerkar, A. & Hambrick, C. (2006) 'Acquisition integration and productivity losses in the technical core: Disruption of inventors in acquired companies.' *Organization Science*, 17(5): 545-562

Puranam, P., Singh, H. & Chaudhuri, S.R. (2009) 'Integrating acquired capabilities: When structural integration is (un)necessary.' *Organization Science*, 20(2): 313-328.

Rani, N., Yadav, S. & Jain, P. (2013) 'Post-M&A operating performance of Indian acquiring firms: A Du Pont analysis.' *International Journal of Economics and Finance*, 5(8): 65-72

Selko, A. (2008) *Millions lost in M&A deals due to cultural integration issues*. [online] [Availability Sep 29, 2008] <http://www.industryweek.com/companies-amp-executives/millions-lost-ma-deals-due-cultural-integration-issues> [Accessed Jun 16, 2015]

East, T. (2012) *5 drivers of successful mergers and acquisitions*. [online] [Availability Jul 1, 2012] <http://www.hvacrbusiness.com/5-drivers-successful-mergers-acquisitions.html> [Accessed Jun 16, 2015]

Sinha, N. & Kaushik, K. (2010) 'Measuring post merger and acquisition performance: An investigation of select financial sector organizations in India.' *International Journal of Economics and Finance*, 2(4): 190-199

Slangen, A. & Hennart, J. (2008) 'Do foreign greenfields outperform foreign acquisitions or vice versa? An institutional perspective.' *Journal of Management Studies*, 45(7): 1302-1328.

Ślusarczyk, B., Constantin, D. & Kot, S. (2013) 'Consolidation Trends in World Steel Industry.' *Metalurgia International*, 18(7): 1-6

Zou, X., Wei, Q. & Zhang, B. (2011) 'Empirical research on M&A performance of private enterprises in China.' *Quality and Quantity*, 46(2): 639-651

Gitelson, G., Bing, J. & Laroche, L. (2015) *The impact of culture on mergers and acquisitions*. [online] [Availability Jan 3, 2015] <http://www.itapintl.com/index.php/about-us/articles/culture-impact-mergers-acquisitions> [Accessed Jun 16, 2015]

Chakrabarti, R., Gupta-Mukherjee, S. & Jayaraman, N. (2009) 'Mars-Venus marriages: Culture and cross-border M&A.' *Journal of International Business Studies*, 40(4): 216-236

Chen, C., Chang, Y. & Lin, M. (2009) 'The performance impact of post-M&A interdepartmental integration: An empirical analysis.' *Industrial Marketing Management*, 39(7): 1150-1161

Burgelman, A. & McKinney, W. (2006) 'Managing the strategic dynamics of acquisition integration: Lessons from HP and Compaq.' *California Management Review*, 48 (3): 6-27

Bjorkman, I., stahl, G. & Vaara, E. (2007) 'Impact of cultural differences on capability transfer in acquisitions: The mediating roles of capability complementarity, absorptive capacity, and social integration.' *Journal of International Business Studies*, 38(2): 658-672

Apfelthaler, G., Muller, J. & Rehder, R. (2002) 'Corporate global culture as competitive advantage: learning from Germany and Japan in Alabama and Austria.' *Journal of World Business*, 37: 108-118

Buono, A.& Kerber, K. (2005) 'Rethinking organizational change: reframing the challenge of change management.' *Organization development Journal*, 23(3): 23-38

Burgelman, A. & McKinney, W. (2006) 'Managing the strategic dynamics of acquisition integration: Lessons from HP and Compaq.' *California Management Review*, 48 (3): 6-27

Birkinshaw, J., Bresman, H. & Hakanson, L. (2000) 'Managing the post-acquisition integration process: How the human integration and task integration processes interact to foster value creation.' *Journal of Management studies*, 37(6): 395-425

Bjorkman, I., stahl, G. & Vaara, E. (2007) 'Impact of cultural differences on capability transfer in acquisitions: The mediating roles of capability complementarity, absorptive capacity, and social integration.' *Journal of International Business Studies*, 38(2): 658-672

Paul, J. (2011) *International business*. New York: Sage

Varvouzou, I. & Zasepa, M. (2013) *National cultural dimensions according to Geert Hofstede and their meaning in Japanese and German corporate management*. London: Prentice Hall

Hofstede, G. & Minkov, M. (2010) *Cultures and organizations: Software for the mind*. London: Wiley

Hofstede, G. & Pedersen, P. (2002) *Exploring culture: Exercises, stories and synthetic cultures*. Victoria: Prentice Hall

Jovanovic, B. & Rousseau, P. (2002) 'The Q- theory of mergers.' *Technological Change*, 92(2): 198-204

Saunders, M., Lewis, P. & Thornhill, A. (2012) *Research Methods for Business Students*. London: Pearson Education, Limited

Vogt, P. (2007) *Quantitative research methods for professionals*. New Jersey: Wiley

Ghanuri, P. & Gronhaug, K. (2010) *Research methods in business studies*. London: Pearson Education Limited

Lange, A. & Thompson, J. (2012) *Design research: The store that brought modern living to American homes*. New York: Wiley

Myres, J., Well, A. & Lorch, R. (2013) *Research design and statistical analysis*. London: Sage

Riemer, F., Lapan, D. & Quartaroli, M. (2012) *Qualitative research : An introduction to methods and designs.* San Francisco: Jossey-Bass

Matthews, B. & Ross, L. (2010) *Research methods: A practical guide for the social sciences*. Harlow: Longman

Marczyk, G., DeMatteo, D. & Festinger, D. (2005) *Essentials of research design and methodology*. Hoboken: Wiley

Chen, C., Chang, Y. & Lin, M. (2009) 'The performance impact of post-M&A interdepartmental integration: An empirical analysis.' *Industrial Marketing Management*, 39(7): 1150-1161

McCarthy, K. & Dolfsma, W. (2012) *Understanding mergers and acquisitions in the 21st century: A multidisciplinary approach*. New York: Palgrave Macmillan

Vaara, E., Sarala, R., Stahl, G. & Björkman, I. (2012) 'The Impact of Organizational and National Cultural Differences on Social Conflict and Knowledge Transfer in International Acquisitions.' *Journal of Management Studies*, 49(1): 1-27

APPENDICES

A. Questionnaire Sample

Part 1: Background Information

1. What is your gender Male Female
2. What is your age bracket

   Below 30 years

   31-35 years

   36-40 years

   41-45 years

   46-50 years

   51-55 years

   Over 56 years

3. What is your organization

   U.S. Steel

   ArcelorMittal Ltd

4. What is your job position

   Marketing manager

   Marketing representative

   Finance manager

   HR manager

   HR representative

   Operations manager

   Operations representative

5. For how long have you worked in your company

   Less than 12 months

1-3 years

3-5 years

5-7 years

Over 7 years

Part 2: Leadership Involvement

6. Are you aware of any merger and acquisition deal in your organization

   Yes Not Sure No

7. Have you ever been involved in any M&A deal

   Yes Not Sure No

8. There is always effective implementation and evaluation of M&A deals in your company

   Strongly Agree

   Agree

   Not Sure

   Disagree

   Strongly disagree

Part 3: Identification of Cultural Integration Issues

9. Are you aware of any cultural differences that exist between acquiring and acquired companies

   Yes Not Sure No

10. Do you think that your organization identify and strategically address cultural integration issues

    Yes Not Sure No

11. The integration team is faced with several challenges when integrating cultural issues

    Strongly Agree

    Agree

Not Sure

Disagree

Strongly disagree

12. Integration of cultural differences is the main challenge integration team faces

Strongly Agree

Agree

Not Sure

Disagree

Strongly disagree

13. If not effectively managed, cultural differences can undermine the M&A process

Strongly Agree

Agree

Not Sure

Disagree

Strongly disagree

Part 4: Training and Experience

14. Do you have any specific training on cultural integration in relation to M&A

Yes Not Sure No

15. Does your organization offer cultural integration team with adequate training on cross cultural integration

Yes Not Sure No

16. The type of training you have is necessary to ensure effective cultural integration and successful M&A?

Strongly Agree

Agree

Neutral

Disagree

Strongly Disagree

17. The success of M&A is possible without possible experience and training in cultural integration of the M&A process

Strongly Agree

Agree

Not Sure

Disagree

Strongly disagree

Part 5: Performance of M&A

18. Mergers and acquisitions always achieve the set goals and objectives

Strongly Agree

Agree

Not Sure

Disagree

Strongly disagree

19. The performance of M&A in your organization is very high

Yes No

B. Interview Questions Sample

1. Have you ever been involved in M&A deal and if so how would you comment about it?
2. From your perspective are cultural integration issues identified and strategically addressed?
3. Did you face challenges in the implementation of M&A? name two challenges
4. Does your organization offer integration team with adequate training?
5. Do you think that the type of training offered is necessary to ensure effective implementation of M&A?
6. From your perspective, was your organization successful in its M&A? What attributed to failure or success
7. From your opinion, do you think cultural integration affects the performance of M&A?