Integrating an acquired business model – an empirical analysis of potential roadblockers

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Chair:	Business Administration, Innovation Management
Chairman:	Professor Dr. Alexander Fliaster
Supervisor:	M. Sc. Dominik Dellermann

Author:	Florian Alexander Schuster
Student Number:	1654042
Address:	Trautenauer Straße 15a, 91315 Hoechstadt
E-Mail:	florian-alexander.schuster@stud.uni-bamberg.de
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Abstract

M&A (Mergers and Acquisitions) is still one of the most controversially discussed topic in business right now. Big names are involved with large investments throughout all industries and businesses aiming at synergies, strengthening of the own market position or developing the own business model. However, the overall reputation is still two part. Many mergers fail to deliver on the expected benefit and disappoint share- and stakeholders alike. One possible reason is the challenging task of integration as theory and field state unanimously. Various elements of the target's business model have to be evaluated thoroughly and numerous barriers have to be overcome during the integration process to achieve a successful integration. This thesis tried to identify the most threatening potential integration barriers and the most crucial elements of a business model by conducting empirical qualitative research with experts in the field and matching the insights with current literature. The ultimate goal was to provide the basis for a future quantitative focused research on the potential roadblockers during PMI (Post-Merger Integration). The results show that customers and the key people of the target's business model are important factors to consider during the due diligence phase in regards to the main elements. On the barrier side, culture, experience, communication, the pace of integration as well as red tape or compliance issues were identified as prevalent in past integration project. Ultimately, these areas where analyzed and their potential for quantitative research was evaluated in order to provide the basis for the needed standardization in field and theory, which would support integration teams in their daily work by offering solutions for common arising barriers. Hopefully, sharing experiences and knowledge on integration among experts in the field and making insights tangible will lead to a higher success rate of M&A in general.

Content

List of Abbreviations

M&A	Merger and Acquisition
IMAA	Institute for Mergers Acquisitions and Alliances
HBR	Harvard Business Review
PMI	Post-Merger Integration
KPI	Key Performance Indicator
HR	Human Resources

List of Figures

1 Introduction

Merger and Acquisition (M&A) is a constantly growing field of business with ever increasing investments and the involvement of global and local players within any kind of industry market.

Just recently, Microsoft bought LinkedIn for 28.1 billion US-Dollars (USD), Facebook bought WhatsApp for 19 billion USD and Bayer AG is about to acquire Monsanto for 66 billion USD. M&A activities are picking up since 2013 after a short phase of declining volumes and numbers after 2010, according to the Institute of Mergers, Acquisitions and Alliances (IMAA). The IMAA further calculated the overall volume spent on M&A in 2015 with 4.7 trillion USD and set the number of acquisitions to over 46000 deals worldwide (IMAA 2016, n.p.). Investment volumes increased sharply in contrast to the total numbers, which indicates that companies are willing to spend more on certain targets than they did in recent years. Especially in rapidly changing market conditions and because of the quick rise of competitors and disruptive Business Models, M&A are expected to provide change and innovation for the buyer's Business Model in order to adapt more effectively.

Still, the success rate of M&A is questionable, ranging from 50% in some studies (Perry/Herd 2004, p.13) to only 20-30% in the latest Harvard Business Review (HBR) paper by Christensen (Christensen et al. 2011, p.48). Although, there is no common understanding of the definition of M&A failure, it still indicates that not all mergers or acquisitions went according to plan. One possible reason is given by Christensen et al. in their publication in the HBR, where they state:

"The success or failure of an acquisition lies in the nuts and bolts of integration" -
(Christensen et al. 2011, p.49)

This view is also backed by a multitude of other research (Klamar/Sommer/Weber 2013, p.225) and has also been identified by various companies, which responded to this matter by creating Post-Merger Integration (PMI) Teams for the sole purpose of optimizing and executing the after acquisition process. These teams face various challenges during each individual integration, which are not always obvious or easy to identify. The underlying problem with M&A is that no two identical Business Models exist, and methods or solutions, which worked for one integration may not work the same way for another. Consequently, integrating an external system holds various obstacles and hurdles for which customized solutions need to be found in order to generate the expected synergies.

The situation is multifaceted and complex (Perry/Herd 2004, p.12) and the PMI Teams are in-between the forces of hard, tangible, financial expectations as well as unknown barriers, and intangible, soft and cultural factors. Today's M&As are even more intricate because the expectations are farther-reaching than simple economic goals, like cost reductions through economies of scale, as they used to be years ago. The demanded growth and the aforementioned influence on the buyer's Business Model is a far more difficult task (Perry/Herd 2004, p.12).

It is therefore the goal of this study to support the current research literature as well as the business world, by identifying the most urgent barriers and the crucial elements, which experts found to be perennial during their numerous integration projects. The business relevant insights should ideally provide structure and suggested standardization for PMI Teams. In addition, further quantitative research can use the outcomes of this study as a basis. It is also the aim to compare the latest and most common current literature on M&A and specifically PMI with the insights generated in the field to identify the relevance of the theory for the actual business world.

2 Structural Framework and Theory

The necessary empirical framework for the interview is based on two main streams of current research. Before building up this framework, the term Business Model itself and its impact on PMI are explained. Afterwards, as a first structural step, the currently well-established Business Model Canvas by Osterwalder provides an overview on the nine main elements of every Business Model. It can be used for entrepreneurs as well as for established businesses and is therefore suitable for the purpose of this paper. Second, it is important to identify potential obstacles in the integration process and to find out why those obstacles pose a threat. Therefore, different types of potential barriers based on various theories of current research streams were examined and put into context. In order to achieve a comprehensive result, a semi-structured literature review was conducted where these streams of theory were identified. The decision for this type of research is based on the large amount of literature available on this topic and the need to approach it in an understandable fashion. Therefore, different search topics were applied within Google Scholar, starting off with "integration barriers"/ "business model elements" AND "M&A" OR "PMI". Initial research was found and was gradually refined as more content was found for one element or barrier. In the end, the main areas were consolidated and analyzed in this thesis. They stem from different corporate cultures, hierarchical structure issues, technological limitations over the congruent part of the consistence theory, including the limitations of cognitive capabilities, and to communications within the acquired and the acquiring firm.

After the theory has been presented, interviews served as the empirical research to get deeper and more business relevant insights into Business Modell Integrations and to match the results with the research results of scholars in M&A. 197 experts on M&A and Business Model Innovation including top German DAX and MDAX listed companies from various industries had been approached to fill out the questionnaire via telephone or in a personal session. The first part of the survey deals with the Business Model elements, specifically, which of them require special attention to guarantee a successful integration, based on both the participants' expectations and experiences. Equally important, however, is to find answers to the question which barrier causes difficulties during the integration phase. The results will hopefully provide a more structured view on crucial elements and on the different barriers for modern integrations. In case of further input from the participants, the second part of the survey will leave space for open remarks. Here, information on the company's acquisition strategies, its targets and maybe industry-related issues can help to identify relevant linkages between the theory, the experienced integration pitfalls and potential upsides of certain integration scenarios, which will further support to create a sophisticated, detailed and comprehensive report.

The results were clustered and provide the necessary information on which elements cause problems in the integration process and also for what reason. By combining both the structural elements of a Business Model and the latest research on integration barrier theory, this paper serves as a comprehensive guideline for Business Model Integration and Innovation teams as well as for Due Diligence purposes. In order to achieve a business relevance, theories like the congruence research, which is not originally linked to the business world, will also be placed into context.

This study should lead to findings that can be extended to serve as an actual decision making model, which will be elaborated on later in the outlook section.

2.1 Business Model definition and its influence on Post-Merger Integration

The term "Business Model" developed around the time of the rise of the internet in the mid '90s, although the basic idea of what Business Models outline has been part of the economy basically ever since. Zott et al. conducted a literature review on the Business Model topic and found that over a third of current Business Model publications went without actually defining the term, while the rest identified certain elements or referred to other scholars' definitions. (Zott/Amit/Massa 2011, p.1022). This suggests that there is no consensus on how a Business Model can be generally defined. It furthermore leads to a multi-occupancy of the term itself, which gives the whole idea a different meaning depending on whether a reference to a architecture, design, pattern, plan, method, assumption or statement is intended (Morris/Schindehutte/Allen 2005, p. 726; Zott/Amit/Massa 2011, p.1022).

However, some scholars agree on the idea of value creation as the outcome of a Business Model and define the elements within and around it as the necessary methods, processes, resources, strategies and structures to deliver this value to customers (Johnson/Christensen/Kagermann 2008, p.60; Zott/Amit/Massa 2011, p.729). This thesis uses this concept, because it fits to Osterwalder's Canvas, which is one of the dimensions of the theory framework for this study, but even more importantly, because it builds a bridge to Business Model Innovation.

Business Models, as outlined before have always existed and just recently been tried to conceptualize. The idea of subjecting the company itself for the purpose of ultimately creating value for customers is also strongly linked to creating competitive advantages out of this system (Morris/Schindehutte/Allen 2005, p.727). This connection is important for all further evaluations since it also suggests that changes within the Business Model can lead to or destroy this competitive advantage. With regards to the development of companies over time and under constant external influences, the Harvard Business Review stated that:

> *"One secret to maintaining a thriving business is recognizing when it needs a fundamental change."* - (Johnson/Christensen/Kagermann 2008, p.59),

which implies that change is necessary to guarantee a successful continuation of a business. This conclusion leads to the completion of the circle, because the needful change in times where established companies are competing with disruptive Start-Ups within a rapidly changing environment can sometimes only be generated through internalizing external knowledge and skills via M&A.

As soon as M&A is involved, PMI is the next step in line and responsible to execute the integration and *bring this change* to both merging Business Models. Again, the fact has to be stressed that negative change is creating losses and might, even worse, erode the basis of whole businesses. Therefore, it is crucial for PMI teams to identify all potential obstacles of the target's Business Model and find solutions to overcome them to guarantee a successful continuation or even improvement of the buyer's Business Model.

2.2 Business Model Elements

The first dimension of this study's structural framework is composed of Business Model's elements. One of the most common models in current research was developed by Osterwalder in 2010 and has been served as a basis for many evaluations ever since. The main reason for the broad acceptance of his model is the combination of its simplicity, the comprehensiveness and the universal validity, which makes it useable for all types of companies all over the world (Osterwalder/Pigneur 2010, p.19). Although the common benefit of the canvas lies within the ability to easily conceptualize a Business Model and see how the different elements interact in order to provide value for the customer, in this study it serves a slightly different purpose. It acts as a checklist to ensure that all crucial elements of an acquired Business Model have been included into the evaluation processes within M&A and PMI. Companies, which are usually on the buyer side of an acquisition, due to their size and strategy, may have additional evaluation methods to Osterwalder's model to include individual, critical elements to their equation.

However, to achieve the desired outcome for this paper, a certain universal validity has to be prevalent and will be realized by comparing Business Models based on the following nine elements according to Osterwalder.

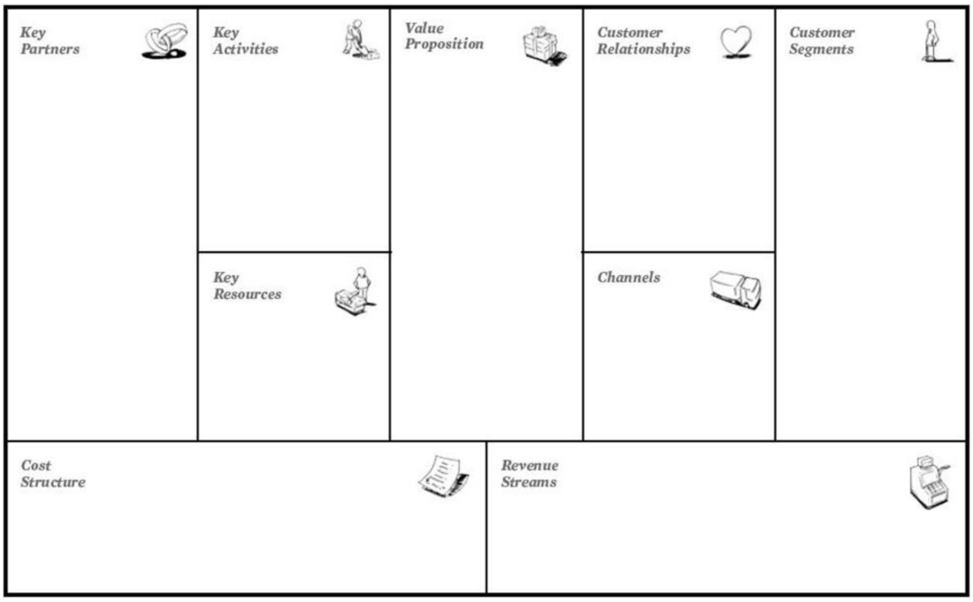


Figure 1: The Business Model Canvas by Osterwalder (2010, p.48)

2.2.1 Customer Segments

The heart of every Business Model and one of the first decisions which has to be made in order to create a sophisticated and value focused framework, is to define what kind of customers should be addressed, reached, and served. Customers vary in their demands, their needs, their willingness to pay for certain products and services, their origin in terms of private or organizational background and in the way they want to be addressed. Focusing on certain customer segments allows the company to sharpen its view and therefore being able to serve specific customer demands and set itself apart from the competition. (Osterwalder/Pigneur 2010, p.24; Zeithaml/Rust/Lemon 2001, p.118).

This element of the Business Model plays a crucial role in acquisitions, because the acquired organization is also based on previously defined customer segments, which will become part of the existing customer segment selection of the acquirer. In many situations, acquisitions have the goal to integrate further customer groups into their own market view by buying a Business Model, which is already designed to serve a specific group of customers (Dyer/Kale/Singh 2004, p.110).

2.2.2 Value Proposition

A Value Proposition is the answer a company offers to a customer’s demand or problem. It consists of products or services or a combination of both, which, as a whole, creates a distinctive benefit that serves as a decision criteria why customers choose one company over competitors (Osterwalder/Pigneur 2010, p.26). Value Proposition research is not frequent in the current literature and has only been recently considered in more depth (Frow/Payne 2011, p.224f.). Picking up this topic in 1996, Kambil et al. approached it from a cost and performance perspective (Kambil/Ginsberg/Bloch 1996), while, two years later (1998) developed a more interactive concept where value for the customer is created through (positive) experience, which is generated through doing business with the company.

The more recent research is building on the previous thoughts on Value Proposition and introduces a more customer centric idea. Anderson et al. focuses on the benefit, specifically how it is delivered to and valued by the customer as well as how inferior or superior the benefit is relatively to the one offered by the competition (Anderson/Narus/van

Rossum 2006, p.7). Finally, Rintamäki et al. (2007) cluster the types of benefits for the customer into four different areas[1] according to the customer experience.

Bearing the ideas of Anderson et al. and Rintamäki et al. in mind, the element of the Value Proposition in the Business Model Canvas needs to be evaluated accordingly. Osterwalder mentions another level of differentiation as Value Propositions can either be quantitative or qualitative and, furthermore, differ in the way its benefit is perceived by the customer. He states that the benefit of a Value Proposition can have various characteristics, such as featuring a novelty, solely be linked to performance or the result of customization, an appealing design, connect to the firm via branding, offers a cost reduction or risk minimization for the customer, has an optimized availability, delivers on increased usability, facilitates work processes or simply through offering the better price (Osterwalder/Pigneur 2010, p.27ff). It is noteworthy that all of the potential forms require different company backbones, since a Value Proposition, which, for example, inherits the goal to deliver a solution to a customer's problem with the benefit of the cheapest price needs a completely different setup than a Value Proposition which wants to deliver the best available solution at the highest price. Therefore, it is important for companies to identify the Value Proposition they want to deliver because the other elements of the Business Model will have to be designed accordingly.

Furthermore, in terms of M&A, acquiring a company and the Business Model in particular, also means to somehow "acquire" the Value Proposition of the other company. This raises the question how the acquirer deals with this element. Integrating it into its own Business Model might be difficult since the underlying processes will not be designed to serve the external Value Proposition properly. Not integrating the Value Proposition but other elements can reduce the dynamic of a previously working Business Model, since it is missing its original purpose and a clear goal.

2.2.3 Channels

One of the elements, which is directly influenced by the Value Proposition decision, is the element Channels. According to Osterwalder, Channels determine how a company is interacting with its customers, how it reaches them, and how it can deliver the Value Proposition most effectively. There are three types of channels that customers can use for the

[1] The four areas are: economic, functional, emotional and symbolic benefit (Rintamäki/Kuusela/Mitronen 2007, p.630).

purpose of interacting with the company, which are communications, sales and distribution. This order of the three types also symbolizes the consistency of the approach with the value delivery process. Each of these types can deliver one or more of the following main phases of customer interaction.

1. **Attentiveness**: get the customer's attention for own services and products
2. **Valuation**: get the customer's feedback on the value proposition
3. **Purchase**: enable the customer to actually buy services or products
4. **Conveyance**: get our value proposition to the customer
5. **After Sales**: support the customer after the purchase and skim upsell potential

Osterwalder furthermore distinguishes between partner and internal channels, as well as whether customers are approached directly by the company, for example via an internet shop or indirectly through a partner, like electronic shops. One example would be the original equipment manufacturer Microsoft, which sells its XBOX directly or via other shops. (Osterwalder/Pigneur 2010, p.30f).

The variety of possible Channels to interact with customer segments is also necessary to consider when acquiring another Business Model. Theoretically, potential extra effort by the acquirer needs to be performed on integrating channels, which are different to the own Business Model and its well-established distribution and communication systems. This needs to be done, if the acquired company cannot use the structure of the acquirer. Also, indirect channels, maybe even partner networks, need to be evaluated in terms of synergies as well.

2.2.4 Customer Relationship

Identifying the relevant Customer Segments is the first step to build a successful Business Model. Channels then define how to reach those segments and how the Value Proposition of the company will be brought across in the most effective manner. Additionally, customer-centric thinking becomes more and more prevalent in current times and since customer segments are heterogeneous, firms need different types of relationships with each of them (Reinartz/Krafft/Hoyer 2004, p.293). Customer Relationships are driven by various motivations. Depending on the level of market penetration, a customer acquisition with the idea to enlarge the own customer base can be one goal of the interaction strategy. Existing customers however need to be taken care of as well to make them stay loyal to the firm.

Lastly, once loyalty is achieved, a company should focus on making more revenue with these customers, which again is a different type of motivation and, therefore, demands a varied approach towards relationship management (Osterwalder/Pigneur 2010, p.32).

Types of Customer Relationships can have different forms. Besides the more common personal interaction with the customer on a call-center or email basis or a bit more sophisticated through personal and individual assistance, there is also the possibility to leave the customer with himself and just provide self-service. Increasingly popular, especially for online sellers, is the option of automated services where accounts serve as an information hub and can supply users with customized information. In addition, online platforms like amazon.com also engage their customers in co-venturing by demanding reviews and, therefore, improve the quality of its service. Lastly, communities play a more and more important role for companies to interact with their customers as they deliver deeper insights for the firm and also connect the customers among themselves. (Osterwalder/Pigneur 2010, p.33).

Again, it becomes clear that integration teams face a situation when evaluating the existing Customer Relationships of the acquisition target. One possible challenge scenario would be the potential stretch between the desire to keep loyal customers of the acquired Business Model after the integration, but therefore the need to integrate the according categories of Relationships as well, in case they have not been used by the acquirer yet.

2.2.5 Revenue Streams

At the end of the day, each Business Model is about making money. In order to achieve this, the predefined customer segments, which should have been addressed through Channels and certain Relationship categories as well as having received and understood the Value Proposition, need to pay for the benefit they will get. The way they pay, however, can differ in each Customer Segment and it is the company’s task to define the optimal revenue mix for each individual Business Model constellation.

Revenue Streams can either be generated through one time transactional payments for a good or service, or through recurring payments, while the latter is mainly used for after sales services and a constant ongoing delivery of value to the customer (e.g. mobile phone contracts). Possible options for sources of revenue are selling goods and the according property rights like cars, charging a fee to use a service such as hotel rooms, charging a membership fee as it is done in gyms or give customers the right to use goods for a certain period of time in the form of leasing, renting or borrowing. Besides these common ways of revenue creation, which most of the people experience on a daily basis, there are a few other options, being more prevalent in the Business to Business context. Licenses for example, enable the owner to generate income without actually producing or delivering value to any end-user directly. Commission fees, mainly used in network and platform Business Models, are charged by brokers who bring together sellers and buyers. Lastly, advertising is another way to generate income through publicly presenting other company's Value Proposition with their own goods and services. (Osterwalder/Pigneur 2010, p.34ff).

After evaluating how the different segments will most likely pay for receiving value, another major step is to define how to set prices. Osterwalder differentiates between two distinct forms of price setting in his book Business Model Generation. He states that variable pricing methods are characterized by a strong role of supply and demand and a dynamic setting of the negotiated price. Fixed-prices, on the contrary, are dependent on quality and features, the Customer Segments and the amount purchased. (Osterwalder/Pigneur 2010, p.37). The latter, being the most common option for companies, especially in the production industry, is furthermore closely linked to Customer Relationships, which makes it more difficult to adjust them dynamically (Fabiani et al. 2006, p.6).

While integrating a Business Model, it is important to understand how the acquired model made money prior to the acquisition, because of the direct connection between Revenue Streams and Customer Segments. If, for example, the acquirer decides to switch from a renting model to a membership model, some Customer Segments might get lost due to a misfit between the payment method and the way they want to pay for receiving the value. Therefore, if the acquirer does not have these revenue sources within his own Business Model, it needs to determine whether it will upset potentially new Customer Segments or integrate other payment models as well, which, again, will complicate the integration.

2.2.6 Key Resources

Resources are used everywhere and at any time within every Business Model. Key Resources are more important, since they play a major role in the value creation chain of the Business Model. They empower the company to create and communicate value, penetrate markets, let Customer Relationships thrive and create revenue (Osterwalder/Pigneur 2010, p.38). Key Resources are also crucial to enable, support and ensure a competitive advantage (Aaker 1989, p.91f; Grant 1991, p.117). Generally, resources can be classified as being tangible and intangible (Caves 1980, p.64), although Osterwalder defined another level of detail by categorizing assets into the four areas of physical assets, like buildings and machines, intellectual property like brands, patents and copyrights, human resources with specific research knowledge and financial resources, which are necessary for offering financing options to the customer (Osterwalder/Pigneur 2010, p.39).

After all, depending on the previously defined Business Model elements like the Value Proposition, different resources will be classified as Key Resources for a company. Successful companies are in possession of valuable resources and integrating such a running system into the structure of the own company makes it inevitable for the acquirer to evaluate these resources. Either the integration decision can be based on whether the resources may or may not feed benefit to the portfolio and value creation process or on the basis of the potential malfunction of the acquired Business Model in case the relevant key resources are not being integrated. One of the most common area of resources, which is made redundant after European- and American-based mergers, are former employees, who can also possess intangible Key Resources such as process or product knowledge, which can be crucial to run the Business Model smoothly (Kumar 2009, p.3).

2.2.7 Key Activities

Key Activities are the most important actions, which need to be performed by the company in order to create value and, similar to Key Resources, deliver the according proposition, reach customers and generate Revenue Streams. Although enabling the same goal for each Business Model, Key Activities can differ from model-to-model in the same way all the other elements do. (Osterwalder/Pigneur 2010, p.40). There are three distinctive types of Key Activities, which are production or creation of valuable goods, problem solving, which is the solution finding for external issues and network or platform oriented activities, where companies offer a specific service to bring the right players to the table, as Osterwalder defined in his book (2010, p.41).

Obviously, this is a high level view on types of Key Activities and serves the purpose of a rough categorization. In reality, each of those activities is the sum of many smaller activities, which, again, can be broken down into a large number of independent and interlinked processes (Kuutti 1996, p.30). When integrating a Business Model with the goal to include its value proposition into their portfolio, integration teams have to look at those processes thoroughly and decide whether the Key Activities should continue to be performed autonomously and deliver the expected value or whether they want to achieve synergies with their own processes when integrating them into the own structure. The latter scenario appears to be much more complicated and time consuming as well as leaving more room for potential pitfalls.

2.2.8 Key Partnerships

Successful Business Models do not solely rely on internal resources and activities, but also need partnerships with suppliers and other companies to optimize their own Business Model. The most relevant examples of company partnerships are firstly joint ventures with the strategic goal to develop new businesses, secondly strategic alliances, which exist between partnering firms or non-competitors (Whipple/Frankel 2000, p.21), and thirdly coopetition, which is basically a strategic alliance between competitors. Furthermore, the more recent approach to establish positive buyer-seller-relationships underlines the previously explained shift towards a more customer centric view. (Osterwalder/Pigneur 2010, p.42).

Depending on the Business Model, diverse motivations for partnerships can develop. Two of the most basic benefits of partnerships are economies of scale and an optimization of the cost structure. Of similar importance is the access to knowledge, scarce resources or customers through a partnership since only very few companies perform all activities by themselves or own all the necessary resources to run their Business Model. Lastly, partnerships can reduce risks and uncertainties in the market. One example is the Blu-Ray standard which has been developed and established by several companies in a joint effort, although they still compete in the same market with different products (Osterwalder/Pigneur 2010, p.43).

If a Business Model is acquired with the intention to integrate it into the acquirer's company structure, one can assume that it will also get access to the company's resources and its network. This means that under certain circumstances, only the benefits, which partnering with the new parent company cannot provide will have to be somehow drawn from other relationships, which, again, need to be analyzed more thoroughly. Usually, however, a lot of the other motivations mentioned above can be reached through the consolidation of the resources of both acquisition partners.

A second interpretation of Key Partnerships put less focus on the supplier relationship but on the business network thought as a whole. Companies are always part of a business network consisting of stakeholders with a different degree of significance for the firm, who are all somehow interconnected and dependent (Anderson et al. 2000, p.2). However, M&A might change these relationships in terms of the company's position within the network as well as its function. This change may happen directly, with a short-term perspective but can also have long-term effects, which should be evaluated prior to the actual integration process (Anderson et al. 2000, p.7f)

2.2.9 Cost Structure

The last element and also the final piece of the Business Model canvas is the Cost Structure. Everything which has been elaborated on previously is somehow creating costs, including the creation of value, the distribution and communication of it, obtaining Customer Relationships and performing Key Activities. Depending on the goal of the Business Model, its operation can be more or less costly than others. Following economic principles, it is desirable to keep costs low at all time to achieve a higher profit. However, there are some Business Models where lower costs are more important. Therefore, two basic cost structures can be identified. Cost-oriented Business Models focus on keeping costs low through automatization, outsourcing and a lower priced value propositions. On the contrary, value oriented Business Models achieve a high level of satisfaction for the customer through top notch quality standards and sophisticated service processes. After deciding which cost structure is the better fit for the Business Model, companies have to take a closer look at which types of costs they are generating. Fixed costs, which occur no matter the amount of goods and services produced and variable costs, which vary depending on the amount of output, are well known within the business world already. Economies of scale, characterized as advantages based on the size of a company and benefits through grouping similar activities within different product divisions can bring costs down as well, if exercised in the right manner. (Osterwalder/Pigneur 2010, p.44).

Bringing two Business Models together would ideally improve the cost structure of the acquired company as economies of scale become increasingly prevalent and horizontal support functions can be used from the acquirer's system which would bring overall operation costs down (Silberston 1972, p.374f). However, it is still necessary for integration teams to focus on the cost structure and evaluate its potential to be a road blocker in the integration process, because of its determining function for the other elements.

2.3 Integration Barriers

As noted in the introduction, M&A are the subject of a controversial discussion in today's business world. The primary reason for the controversy is the long history of failing to meet the high expectations, which have been set for M&A (Schraeder/Self 2003, p.511; Weber/Tarba 2011, p.202). The causes have not been universally validated yet and depend on various factors, which makes it harder for companies to identify the crucial ones for their particular transaction in the first place. Most of the more recent studies focus their research on specific areas of M&A, especially where the level of differentiation between firms might cause a clash during the integration process. Popular subjects of research are the culture or the fit (Krogh 1994, p.310), which will also be discussed in this study. Undoubtedly however, M&A and specifically integration change historically grown structures and configurations in order to create the necessary synergies, which will eventually lead to potential stress within both companies as barriers might create resistance towards that change (Schweiger/Csiszar/Napier 1994, 32). In order to support decision makers with a comprehensive overview on potential integration barriers, the commonest theories in the current literature, which are relevant for companies merging, working together, collaborating or sharing knowledge are presented in this section before combining them with the elements of a Business Model. Finally, creating a relation between the two dimensions will make the road blockers visible.

2.3.1 Organizational Structure, Hierarchy and Strategy

The first potential barrier is the internal structure, specifically how a firm's organization is set up. The number of different layers of hierarchy comes into the equation as well as how tasks are delegated and how competences are distributed. Although there are potential pitfalls on both sides of the acquisition parties' hierarchical structures, this study focuses more on the acquirer's perspective of things as it might usually be the larger firm, which integrates another unknown company or Business Model into its own system, due to its outsized financial capabilities.

Being the acquired firm in the acquisition, a lot may change during an integration process, depending on the overall strategy of the acquirer. Certainly, however, a certain degree of change will happen in both companies, although the acquired firm is more affected by it in terms of uncertainty (Schraeder/Self 2003, p.514).

This change will be carried out by the employees, from senior management to low level workers. Facing such a change might also make barriers appear, which hinder the process. One of these barriers is the bureaucratic structure and an overload of hierarchical levels within an organization as Boonstra and Vink found out in their case study on the BankGiroCentrale, a Netherlands' based automated clearing house for payment transactions (Boonstra/Vink 1996, p.363). Furthermore, upper management might try to position itself in order to benefit from the acquisition, which is not well received by lower level employees and hinders the overall integration process as well (Boonstra/Vink 1996, p.363). Another barrier identified in the case study is the horizontal differentiation, namely strong interdepartmental boundaries, which appear to create further obstacles on the way to implement necessary change (Boonstra/Vink 1996, p.363).

Further research on the matter of organizational structure in the context of innovation identified a negative correlation between centralization and the capability to innovate (Damanpour 1991, p.569). These findings can also be applied in this study as the following interpretation of Mirow, Hölzle and Gemünden suggests. They interpreted the data of a meta-analysis and found that the reason for lower innovativeness stems from potential resistance of low level workers as they felt that their opinions were undervalued in the big picture (Mirow/Hölzle/Gemünden 2007, p.117). The same resistance might occur if high level executives make M&A decisions without involving lower-level employees in the evaluation process.

Stepping away from the hierarchical point of view and towards the organizational complexity of a company reveals more potential obstacles in the integration process. The starting point is to define what the term organizational complexity stands for and, in the second step, explain how it might affect integration projects.

Literature research on this matter found that the most fitting approach for the purpose of this study is presented by Damanpour, who conducted research on the relationship between organizational complexity and innovation performance of companies. He identified two main aspects in accordance with Whetten, which are, first, structural complexity and, second, the size of the company (Whetten 1987, p. 347; Damanpour 1996, p.694).

The structural complexity side can be further broken down into many different possible measurements, like, for example the four dimensions of organizations according to Blau[2]. However, the main issue for Business Model integration and why it can become a hurdle in the process is the complex way a Business Model is set up. More specifically, how different departments within it interact with each other and how those ties can be retained even after the integration into another Business Model. Damanpour introduces the term "departmentation or functional differentiation" and describes it further as "the extent to which an organization is divided into [different] structural components" (Damanpour 1996, p.695), which is also based on previous research by Kimberly and Evanisko (Kimberly/Evanisko 1981, p. 698). The latter put further emphasis on the fact that coordination efforts are growing, depending on the structural complexity of a company and the amount of different sub-units and divisions (Kimberly/Evanisko 1981, p.698). This complexity does not only

[2] The four dimensions are spatial, occupational, hierarchical and functional - Blau 1970, p.201

cause a higher demand for coordination, but also brings social and organizational misfits into the integration (Robson/Katsikeas/Bello 2008, p.650), which will lead to a lower overall performance of the endeavor due to a reduced interaction process between both parties (Robson/Katsikeas/Bello 2008, p.651). In regard to Business Model Integration and the underlying strategy, it seems reasonable to assume that the more complex the target company is set up, the more effort will be needed to guarantee a successful integration and interaction culture of and between all relevant units while still keeping the structural demands of the Business Model's value creation mechanisms intact.

In addition to the structural complexity of a firm, Damanpour also mentioned the company size itself as a part of the organizational system. Typically, larger enterprises also consist of a more complex structure than smaller ones due to the bigger headcount. This will eventually create the need for more divisions and sub units, which also increases the level of bureaucracy within the system (Grinyer/Yasai-Ardekani 1981, p.474). Linking this thought to the previously explained challenges of structural complexity, it is fair to assume that the integration team's effort will grow with the size of the target company and its Business Model.

This, however, is only one side of the medal, because size itself can also affect the integration efforts on another level. Gomes et al. conducted a literature review with the aim to link and consolidate the existing literature on M&A with the focus to identify critical pre-acquisition success factors (Gomes et al. 2013, p.20). Based on the work of Kitching and Moeller, Schlingemann & Stulz, it can be stated that a general misfit in size can lead to underperformance. Interestingly, it does not matter whether a big company acquires a small one or vice versa; the difference in size itself is linked to a reduced outcome (Kitching 1967, p.92; Moeller/Schlingemann/Stulz 2004, p.216). For this paper, however, it is more relevant to identify reasons for potential underperformance in case of a bigger bidder in comparison to a smaller target firm. Surveys with the focus on size mismatches and the related negative outcome of acquisition provide business relevant insights on this matter.

Another challenging topic is to get the mindset of a big company into the heads of a small company's employees and make them work like "big businessmen" (Kitching 1967, p.92). This cultural misfit will furthermore be elaborated in the next section of this paper. Concerning the size factor in acquisitions, integration teams need to have a sophisticated plan in place for integrating the new firm in order to avoid long term losses in terms of money and management time; even though the original purchase price they paid might have been relatively small (Kitching 1967, p.92).

2.3.2 Culture

Culture can be seen in two different yet interlinked forms within an organization. The theory differentiates between the *national culture* and the *organizational culture* (Stahl/Voigt 2008, p.165). Although literature reviews found a smaller impact of national cultural differences on the integration process in contrast to the more relevant organizational culture (Teerikangas/Very 2006, p.45), both will be subject of the discussion in this chapter and the latter serves as a starting point. The general importance of this issue is displayed by the fact that various scholars, who conducted research on the high failure rate of M&A, agreed that a cultural misfit between the two companies is one of the most common reasons for it (Bing/Wingrove 2012; Bauer/Matzler 2014; Stahl/Voigt 2008; Teerikangas/Very 2006). What makes culture such a crucial topic on an integration team's agenda, especially in regard to the organizational culture, is its ubiquitous influence on every aspect of a company's business processes (Chatterjee et al. 1992, p.320) and the fact that there are no two companies in the business world with identical cultural mindsets (Kenneth/Singh 1994, p.285). Bearing in mind that culture cannot be easily modified either (Chatterjee et al. 1992, p.320), integration teams need to handle this topic with special care in the evaluation process during Due Diligence and also during the actual integration itself.

2.3.2.1 Organizational Culture

Organizational Culture is one of the big unknown variables in integration projects as it has been discussed by many scholars (Buono/Bowditch/Lewis 1985; Barney 1986; Nahavandi/Malekzadeh 1988; Weber/Shenkar/Raveh 1996), due to its critical importance on the one hand and the difficulties in measuring it on the other hand. Culture cannot be broken down into handy pieces and be evaluated accordingly (Cartwright 1998, p.8). Nevertheless, acquirers need to include culture into their consideration as it is embedded within the people, who are running the Business Model.

There are numerous definitions of the term organizational culture in theoretical research as Smircich presented in her literature review on this matter (Smircich 1983, p.345). Although there is no consensus in this area, all interpretations share some identical elements, which can be put together in the following fashion according to Barney. He stated that organizational culture is "a complex set of values, beliefs, assumptions, and symbols that define the way in which a firm conducts its business" (Barney 1986, p.657). Consistent with this definition is also Buono, who furthermore emphasizes the shared expectations on organizational life (Buono/Bowditch/Lewis 1985, p.482). Moreover, Louis and also later Gordon, stated that culture does not only define the internal setting of a company, but also influences and is influenced by the interaction with key stakeholders (Gordon 1991, p.404; Louis 1983, p.10).

Many scholars conducted research on the role, which different organizational cultures play in an integration and all of them came to similar conclusions, no matter from which angle they approached the topic. A fit between the cultures of both companies is a facilitator for the success of an integration (Cartwright 1998, p.12; Chatterjee et al. 1992, p.331; Krishnan/Miller/Judge 1997, p.361; Stahl/Voigt 2008, p.160). Identifying whether the cultures of two merging companies will fit together before the actual integration takes place was the key goal of the research by Cartwright and Cooper in 1992 as well as Forstmann's development of a decision making mode in 1994. Cartwright and Cooper identified four types of corporate cultures, namely power, role, task and person culture with the goal to predict the outcome of possible combinations (Cartwright/Cooper 1992 in: Gertsen/Søderberg/Torp 1998b, p. 26), Forstmann went a slightly different way. He set up a survey model to identify values and behaviors, based on Trompenaar (Trompenaars/Hampden-Turner 1993) and Hofstede et al. (Hofstede/Hofstede/Minkov 1991), in the relevant companies, which then revealed the culture differences in both merging parties. This analysis allows for managers to plan the integration more thoroughly and therefore avoid missing potential lacks of fit between the companies. (Forstmann 1998, p.72).

The basic problem with cultures within organizations is that employees have a common bias, which will be confronted with another culture including the people who value it and are used to it. Eventually, this will lead to a certain level of stress (Nahavandi/Malekzadeh 1994, p.300). The integration of Business Models demands that affected employees should open up and adapt accordingly to behaviors, views or skills of the other culture, because an acculturation has to take place, at least to a certain extent (Nahavandi/Malekzadeh 1994, p.301). It can be stated, that a general acculturative attraction between both cultures will ultimately increase the overall financial performance of the merger (Very/Lubatkin/Calori 1998, p.103).

Finally, if the evaluation of different cultures is not exercised and prepared properly, the natural ethnocentrism of the groups will kick in and resistance grows (Buono/Bowditch/Lewis 1985, p.493; Hambrick/Cannella 1993, p.733).

Without doubt, a cultural fit is beneficial for any integration project. Nevertheless, some scholars put emphasis on the possibility that, even without a fit, integration can still be successful (Nahavandi/Malekzadeh 1994, p.301) or even have a positive effect on the integration (Teerikangas/Very 2006, p.35). The critical variable here is the degree of personal freedom and how it is affected by the merger (Gertsen/Søderberg/Torp 1998a). In accordance to their corporate culture model, Cartwright and Cooper created a continuum model, which shows the potential constraints employees could have with the possible effects of a potential merger. While a reduction of freedom obviously creates problems, an experienced increase in freedom will also create a more open attitude towards the foreign culture and the merger itself (Cartwright/Cooper 1992, p75 in Gertsen/Søderberg/Torp 1998b, p. 25). After all, the support of the employees is a determining factor for the expected outcome of an integration (Chatterjee et al. 1992, p.320).

This could be particularly important if the acquisition setup is very heterogeneous like it is with well-established and successful companies, especially in the industrial environment, which are interested in acquiring or teaming up with Start-Ups. The company cultures could not be more different but, yet, there might be a common goal which cause the need for these parties to align.

2.3.2.2 National Culture

National Culture plays an important role in M&A as well. It has to be considered especially in transnational acquisitions and also in case of a multitude of nationalities within one or both of the merging parties (Teerikangas/Very 2006, p. 32f). In contrast to organizational culture, the foundations of national culture lay deeper, since employees are experiencing it since the day they were born (Teerikangas/Very 2006, p.34). Olie found that the impact of this cultural type can exist in a form of historically grown or adapted nationalism (Olie 1990, p.211). Furthermore, Lane, Greenberg and Berdrow as well as numerous other scholars identified national differences as a source of added complexity to the integration process and see increasing difficulties for the joint effort of two organizations (Lane/Greenberg/Berdrow 2004, p.344).

As it has been described previously, organizational culture can be a barrier by itself and needs to be focused on diligently in the first place. National culture brings in another variable to the equation, adding an additional layer of investigation to the process and, therefore, raises the risk of a potentially unsuccessful integration (Lane/Greenberg/Berdrow 2004, p.354).

In contrast, Teerikangas and Very found contradicting evidence and suggested that national cultural differences can actually be a facilitator for M&A's success (Teerikangas/Very 2006, p.34), based on the assumption that the employees' general awareness of cultural differences in cross border acquisitions and the following integration is higher and more obvious than in domestic mergers (Larsson/Risberg 1998, p.47), which again would drive the beneficial acculturation process (Larsson/Risberg 1998 p.49).

2.3.3 IT and Information Systems

Besides the need for strategic alignment of both companies' goals as well as the aforementioned desirable cultural fit, it is furthermore important to focus on the technical dimensions of an integration to achieve compatibility and therefore a higher integration project performance (Sarkar et al. 2001, p.366). Just to name a few things here, integrated companies need to be added to the acquirer's payroll system, included in the directory and also into the internal Human Resource (HR) tools as well as into communication channels. Besides the people, there is also tangible knowledge, like project data, contracts, partner information or market analyses, which the acquired company will bring to the merger. This needs to be integrated as well and distributed accordingly within the new structure. These technical challenges grow bigger, depending on the variety of potentially incompatible standards and therefore might cause a barrier to a successful interfirm collaboration, even though recent developments in technology improved the overall process (Li/Williams 1999, p.113).

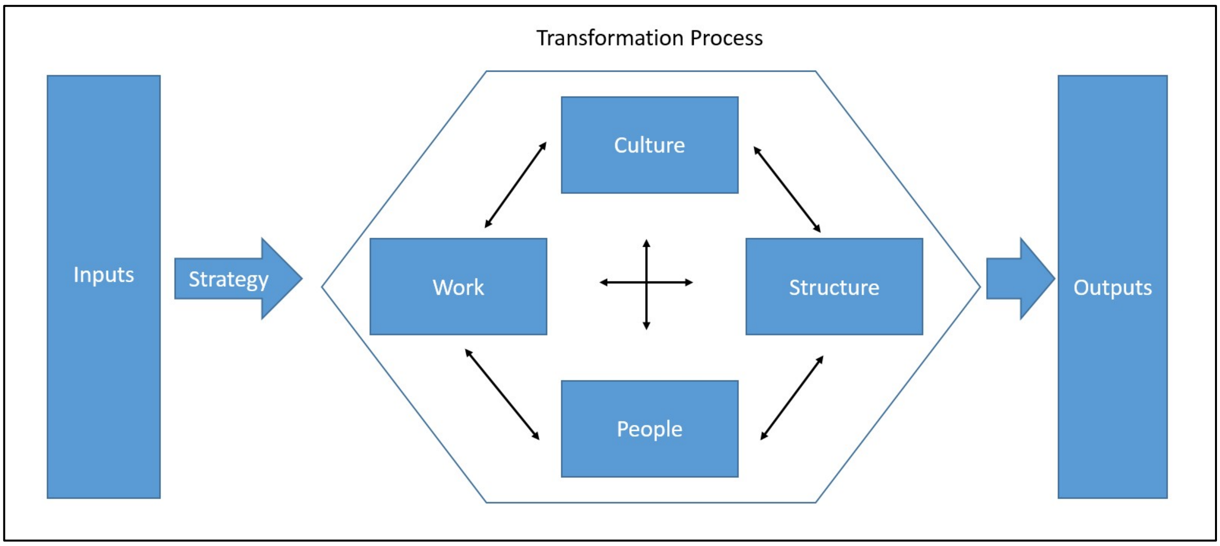
In addition to the technical challenges, especially when integrating new Business Models, the overall level of digitalization within both companies differs. On the one hand, the buying company, which wants to be digital but often lacks the operating models or infrastructure, and on the other side the young and dynamic entrepreneurial minded smaller company, which has been digital from the very start (Bossert/Laartz 2016, o.A.). Without a clear roadmap or strategy for an integration of the new firm's system, it will further complicate the existing infrastructure, increase maintenance and controlling efforts without providing the expected benefit (Bossert/Laartz 2016, o.A.).

Lastly, with the steadily increasing use of computers and software, more and more business relevant information is available in a digital form within the company, thoroughly protected by firewalls and sophisticated software. Nevertheless, security breaches, just like Yahoo!'s recent customer data leakage, show how high the potential of data loss is in the business world. Giving the stirred up atmosphere during a merger and the countless connection being established between two different systems, there is rising threat for data loss within this phase. Additionally, the target company has to be screened diligently for backdoors or unsecure systems prior to the integration. (Harrell/Higgins 2002, p.29).

Giacomazzi et al. also conducted research on the integration of information systems during a merger and created an integration model, which can be useful for further references (Giacomazzi et al. 1997).

2.3.4 Congruence Theory

Congruence can be seen as the degree of a fit between two components or, more specifically, to what extent "the[ir] needs, demands, goals, objectives and/or structures" fit together (Nadler/Tushman 1980, p.45). Congruence Theory is based on the idea that this particular fit needs to be achieved between an organization's elements to maximize its output. These elements are the culture, the people, the work and the structure, which when combined, define the transformation process from inputs into outputs as Nadler and Tushman specified them in their systems theory (Nadler/Tushman 1980, p. 43f). The following graphic illustrates this approach.



Graphic 1: A Congruence Model for an organization. (Own graphic, following Nadler/Tushmann 1980, p.47)

Additionally, the company's strategy needs to be congruent with the system's elements as well as with the company's environment (Nadler/Tushman 1980, p.45). Congruence theorists believe that the overall degree of congruence in the organization determines its success and weighs heavier than any individual strengths (Nahavandi/Malekzadeh 1994, p.301; o.A. 2003, p. 7f). Prevalent congruence furthermore facilitates other areas of the integration process, such as aspects of organizational synergies and also the internalizing of a foreign information system (Rajaguru/Matanda 2013, p.629).

When applying this theory to a Business Model integration, it becomes clear that the acquired Business Model should become part of the prevalent system, which has its own elements and its own level of congruence. Building on the theory, an integration of a Business Model can lead to a lower overall degree of congruence within the combined companies as new people are confronted with extra tasks in a completely unknown structure while still trusting their previous culture and their old system's elements. Expanding this thought, it means that during the process of acquiring another company and its Business Model, not only do the internal levels of congruence of the buyer and the target change, but also the new level of congruence between both companies, the one of a merged firm, has to be determined. This last thought has been touched several times previously in this paper when discussing the term "fit" with regards to topics like strategy, culture, structure, competence or processes.

Although the buyer seems to come out on top and may set the tone, because of its size and the role it plays in the acquisition (Leroy/Ramanantsoa 1997, p.880), it is still a two-way interaction, which has to be considered initially through possible processes in the pre-acquisition phase as it has been explained in section 2.2.2.1.

Cognitive Learning

Aligned with the idea of mutual appreciation in the congruence model, the desired fit of both systems also facilitates cognitive learning, another element, which is one of the prerequisites for successful change during integrating.

Without digging too deep into the theory of cognitivism, Cognitive Learning describes the internalization of behaviors and is deeply rooted within a learning subject, which makes it impossible to grasp or to measure. It is what happens in the "black box" (Schneider/Angelmar 1993, p.347). Although quantitative research experienced obstacles, scholars agree on the following assumption: learning something cognitively means anchoring it within one's behavior and mindset and therefore being able to use that knowledge for a behavioral change (Leroy/Ramanantsoa 1997, p.873). Organizations also have cognitive systems in the form of routines and processes which ultimately make up value creating activities (Levitt/March 1988, p.320).

However, merging companies do not address this issue thoroughly, since new processes or work streams are mainly forced on the acquired company in way that the new organization has to change how they behave (Fiol/Lyles 1985, p.806). In addition, scholars are finding more and more evidence that managers handle integrations under time constraints and therefore demanding speed during the project took root in recent years (Bauer/Matzler 2014, p.284). In order to realize the full potential of integrating another company, there should be an atmosphere of learning, which enable positive long-term impact through deeply understood and well received change. This however can only be achieved if the organizational systems involved are given time to internalize the new information on a cognitive level (Homburg/Bucerius 2006, p.361). This requires a certain degree of compatibility of both companies as well as a clear communication strategy, which focuses on integrating employees from different hierarchal levels through different activities like workshops from the very start (Leroy/Ramanantsoa 1997, p.890).

2.3.5 Communication

As a last potential barrier, the lack of or wrong Communication within the integration process will be explored in detail. Including the thoughts of Leroy and Ramanantsoa (1997) to conduct workshops in order to bring both companies' employees together, Gertsen and Soderberg see an even bigger need for this type of integration activity.

They assume a general shortfall of pre-acquisition analyses in terms of predicting potential problems during the integration phase, mainly because current models are missing the ability to specifically identify the prevalent organizational cultures and distinguish effectively between subcultures of one company. In other words, there is a lack of objectivity. Furthermore, unforeseeable issues can always hinder the process and lower the overall outcome as well. (Gertsen/Søderberg 1998, p. 191).

The presented approach puts the focus on the integration process itself and how any cultural pitfalls and potential misfits can be avoided by introducing a sophisticated and comprehensive communication strategy. Besides revealing the major fears of different employee hierarchy levels of both companies, communication furthermore serves as the foundation for relation building, which again is crucial for creating a common cultural identity and goal. (Gertsen/Søderberg 1998, p.193).

Without this communication, the undoubtedly existing culture and competence differences will at some stage break through and create barriers during the integration (Gertsen/Søderberg 1998, p. 191).

Another type of communication proposes further risk if not exercised properly. In this case, the internal communication between the top management and the employees about the clear vision, strategy and goals of the merger is necessary to avoid uncertainty, which will eventually lead to a more stressful change process with potentially negative outcomes for the integration (Sirower/Lipin 2003, p.30). In order to avoid uncertainty in the integration process, the communication of senior management has to be honest at all times, be conducted at the right time and be relevant for the recipient in terms of covering information on the company, the unit and the individual itself (Schweiger/Csiszar/Napier 1994, p. 42).

2.3.6 Summary

This study focuses on five main areas of integration barriers in alignment with the current research literature, namely the structural dimension, cultural aspects during integration processes, technological obstacles, the less tangible area of congruence and the importance of a comprehensive communication. For research purposes, these areas were analyzed in an isolated fashion in order to provide interviewees with a more accessible approach towards the barriers they experienced during integration projects. In reality however, all of these potential obstacles are intertwined. As it has been mentioned previously, organizational culture is running through all structures within a company and affects each of them profoundly. Hierarchical structures define how, for example, IT-systems are set up and, lastly, congruence is a desirable outcome on every level of the Business Model integration. These interdependencies make integration complex and PMI teams are given the task to overcome these barriers and turn the acquisition into a success. Furthermore, the mechanisms of the barriers have not been able to be finally determined in terms of positive or negative influences on M&A or the integration. As it has been elaborated on before, some barriers, like culture, create a mixed picture as some scholars believe that it will have a negative effect on the integration, while others see a chance or even a necessity of different cultures, to make the merger a success.

The following chapters will consolidate the business relevant experiences on the basis of the presented theory to identify the major issues for integrating new Business Models into existing companies and therefore support integration teams in their daily work. Hopefully, insights can be generated to shed light on the diverse theoretical standpoints in the current research theory.

Ideally, this thesis will also serve as the basis for further research, which can be conducted with the focus on measuring the distance between both company's major barriers and providing solutions to overcome them. Finally, bringing all the work together, a decision making model can be developed with the goal of bringing a bit of commonality to this field of business, which is characterized by a high level of individuality.

2.4 Empirical Methodology – Interview

The previously laid out theoretical framework for Business Model integration challenges, conducted through a semi-structured literature review on the Business Model itself and potentially relevant integration barriers, serves as a basis for the qualitative, empirical research method. In this case, given the complexity of the matter and the individuality of each integration project, an expert interview is the research method of choice. There are a couple of reasons for this decision.

First, it is necessary to conduct qualitative research on this matter, since the survey population is limited to experts in the field of M&A of only a narrow number of companies, which does not allow a frequency distribution approach (Mieg und Näf 2005, p.4f).

Second, the questions need to be open in order to engage a topic-focused discussion (Mieg und Näf 2005, p.4), which, again, is necessary to cover all possible pieces of information having been generated during past integration projects.

In order to comply with prevalent research standards, firstly, the persons who will be interviewed need to be classified as experts. Experts can receive their classification either through social status, like the hierarchical position within a company or through competency, which can be specified as longtime experience in a field of specific profession (Kurzrock 2014, p.2; Mieg und Näf 2005. p.6ff). In any case, there has to be a gap between experts, who have access to critical information because of their work related profession and other people, who do not have this access (Meuser/Nagel 2009, p.470). The following graphic shows the distribution of the interviewees according to these standards, especially the focus on the necessary experience, and proves that this study is based on profound expertise.

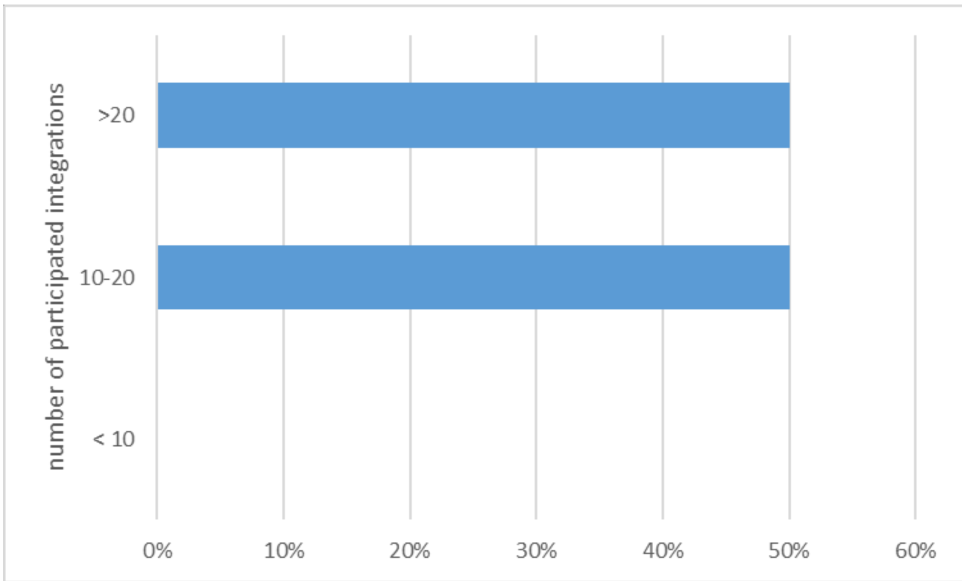


Figure 2: Distribution of experts according to the total number of integrations they participated in (own graphic)

Furthermore, the second crucial principal of qualitative research is the recording of the interview as the information given can be seen as raw data, which need to be conserved and made available for other scholars on demand (Mieg und Näf 2005, p.6). In this study, as some interviews have not been able to be recorded, because of the execution via telephone, the demanded compliance was achieved via taking down answers in a written way. The transcripts have been sent back to the interviewee to check for their accordance and afterwards been added to the appendix of this paper. Interviews being conducted in person have been recorded and transcribed thoroughly. Therefore, the process has been followed diligently and the interviews, although made anonymously, can be found in the appendix.

The interviewer prepared accordingly for the survey. Besides making himself familiar with the current state of research, it is also necessary to have a clear objective in mind when creating the questionnaire (Mieg und Näf 2005, p.10). Again, for this research, the questionnaire serves more as a guideline to guarantee a complete interview than as a strict manual, which would dictate the flow of the discussion. This method is suitable for the research in this study as the focus is on gathering data with the research target in mind as well as the need for precise information (Gläser/Laudel 2010, p.111).

A short abstract on how the questionnaire is structured will be presented here, while the complete version can be found in the appendix as well.

<u>The survey is structured in the following way:</u>

At first, the critical key words were defined to create a common understanding for the scholar and the interviewee, and to avoid mismatching answers to the questions. Following this pre-information section, it is important to understand the motives of the expert to participate in this interview and what he or she expects from the results. Before the main body of questions will be asked, a simple categorization of the company is exercised, which can lead to interesting links during the analysis phase of the research in terms of size and industry specific patterns of integration challenges.

After understanding the company setup as well as the interviewee's motivation, the questions are turning more towards M&A topics, specifically to the acquisition climate of the company. These broader, less specific information, which provide further insights into industry related acquisition strategies and therefore enable a more comprehensive analysis, allow to further drill down to the main issues of this paper. The next questions will focus on the individual significance of Business Model Elements, followed by an individual evaluation of potential Integration Barriers.

Finally, after receiving the critical information for solving the research question of this paper, the interviewee is asked to comment on the research outlook and on what would benefit the business and his daily work. He or she obviously is given the chance to add anything that hasn't been covered by the given questions at the end of survey.

The structure of the questionnaire:

1. Pre-Information
2. Company Categorization
3. Acquisition Climate of the Company
4. Identifying the significance of the Business Model Elements
5. Evaluation of potential integration barriers
6. Revealing interdependencies between barriers and elements
7. Business relevant Research Outlook

In the end, six experts have been interviewed from various industries and representing different company sizes. Overall, the consolidated number of integrations, which they actively participated in, exceeds 120. The investments involved in these integration summing up to 50-60 billion Euros. A clearer breakdown is indicated in the following graph:

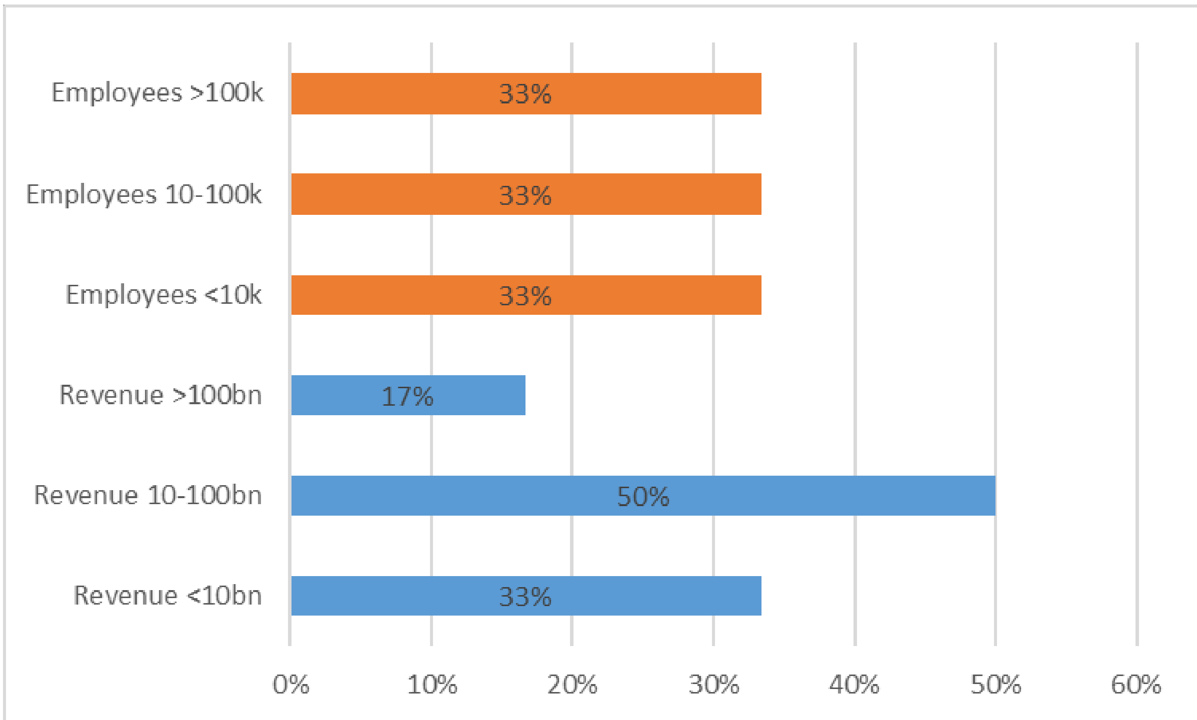


Figure 3: Distribution of survey population in terms of employees and revenue of the firms participating in this survey (own graphic)

Due to geographical limitations, 4 interviews have been conducted via phone and 2 interviews took place with both the interviewer and the interviewee at the table. All firms are operating internationally with regards to their sales numbers and the number of subsidiaries outside of Germany.

The distribution of the different types of industries can be seen on the following graphic.

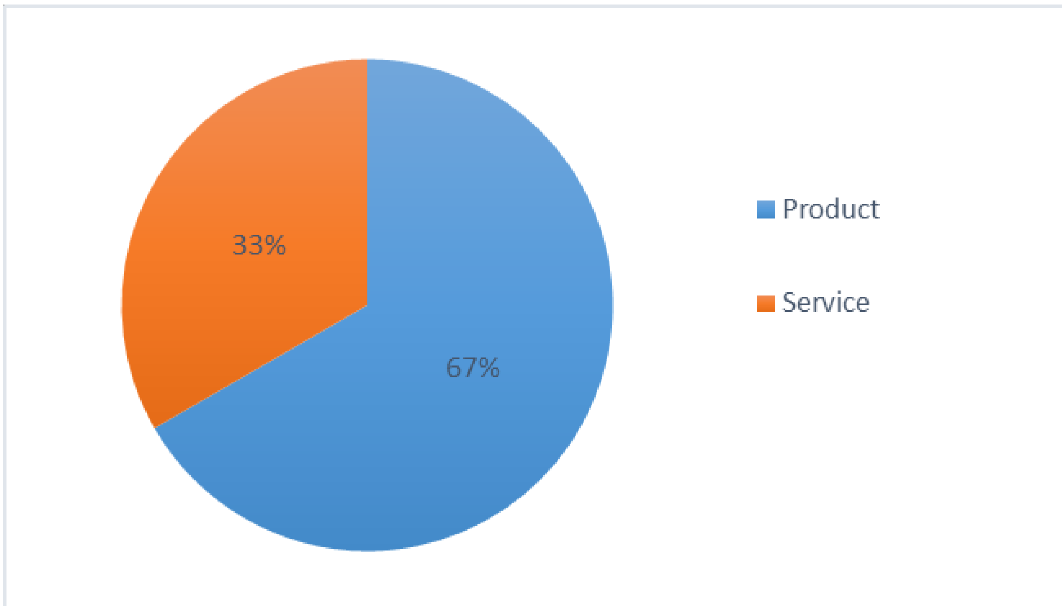


Figure 4: Distribution of industry types within the survey population (own graphic)

After the raw data has been collected, the analysis takes place. The most suitable way to deal with the information given in this survey is to perform a qualitative content analysis. This method is suitable for the prevalent research because it allows to analyze the data in two ways. First, coding the information given in the interview in a quantitative manner is possible because of the previous creation of an according framework. Second, it further enables the researcher to extract raw data from the interview end evaluate this data in accordance to a category system. (Gläser/Laudel 2010, p. 199f). This is an important factor, as it furthermore allows to include additional information into the study, which can serve as input for following studies or even as a game changer for the current thesis. Both are necessary in this study to find the crucial, business relevant information.

More specifically, the following procedure has been undertaken to get the relevant information out of the interviews.

With the research question in mind, the first step was to consolidate answers on which elements of the Business Model were seen as critical for a successful integration. Following this, the second step was to identify the barriers, which carry the highest potential of being a serious issue in most integrations. Consequently, qualitative measures are combined with qualitative indicators, which makes it possible to classify the barriers according to their threat potential. Lastly, answers to soft questions were taken into account and clustered into topic fields. According to the number of entries in one field, more relevant information can be picked out and analyzed more thoroughly, as it has been done for a later section in this study.

The data itself was put into a macro based Excel spreadsheet which allows to present the information in a more accessible fashion. The original excel document has been submitted to the university and can be accessed upon request.

3 Evaluation of research outcomes

The experiences of six experts with over 120 PMI projects in total, led to the following conclusions for the individual importance of Business Model Elements and potential Integration Barriers. It is important to note that the goal of this study is to qualitatively explore obstacles in the integration process of formerly foreign Business Models to support decision makers by providing potentially new insights. Ideally, the hypotheses and assumptions being made in this thesis, based on expert's revelations, will be analyzed in a quantitative way within future field work theses to serve as empirical evidence and give the prevalent research's results enough leverage to serve as valuable support for business decision makers.

The following chapter outlines how the business responded to the theoretical framework suggestions, which were created in the first half of this thesis and represent the stand of the current literature on M&A and PMI. The clear target is to firstly check whether the real world aligns with the theory or not and secondly, identify where they differ and why. This type of comparison has been conducted for the elements as well as for the integration barriers.

After matching research and business towards the current state of the theory, the next step is turning the table and analyze what insights are mentioned by the experts. Those will be elaborated on by comparing them with further streams of literature to identify linkages between topic areas and ultimately consolidate and cluster the results to drive the standardization and common understanding of PMI within M&A.

The elements of a Business Model, which are crucial for a successful integration according to experts will serve as a starting point.

3.1 Critical Integration Elements

Critical integration elements are characterized by the importance of their role during the integration process to facilitate the successful transition from an old autonomous Business Model towards its role within the parent's structure. Clearly, all elements of a Business Model are important and need to be evaluated thoroughly in order to integrate successfully.

However, the questionnaire aimed at identifying elements which can become a showstopper if not being able to be integrated. Ideally, patterns become visible to give indications for potential further quantitative research.

Before analyzing the findings, some limitations have to be made:

1. There was no conformity among the experts on how mature Business Models should be handled in comparison to Start-Ups. Some argued that Start-Ups have elements, which are better and some which are less developed, while mature Business Models show a certain balance between all their elements (see Appendix 3, p.XXIII). This would suggest a different approach for Start-Ups in terms of element evaluation. Others say, that over the time of an acquisition and the following integration, market forces shape the target's Business Model and its elements anyway, which makes it unnecessary to prioritize between them at any given point (see Appendix 2, p.XVII).

2. It also important to note that not all experts use Osterwalder's Canvas to analyze a Business Model. While some add extra criteria, some created methods and models on their own to serve their specific needs. Although the different models didn't use Osterwalder's definitions specifically, most of the elements mentioned by the experts could be assigned to a certain element within the canvas, which is what has been done in this study in order to have a common basis for the evaluation.

The following graphic gives a rough first impression of the findings. In total, each expert only named two elements on average, which could have been or were showstoppers in previous integrations.

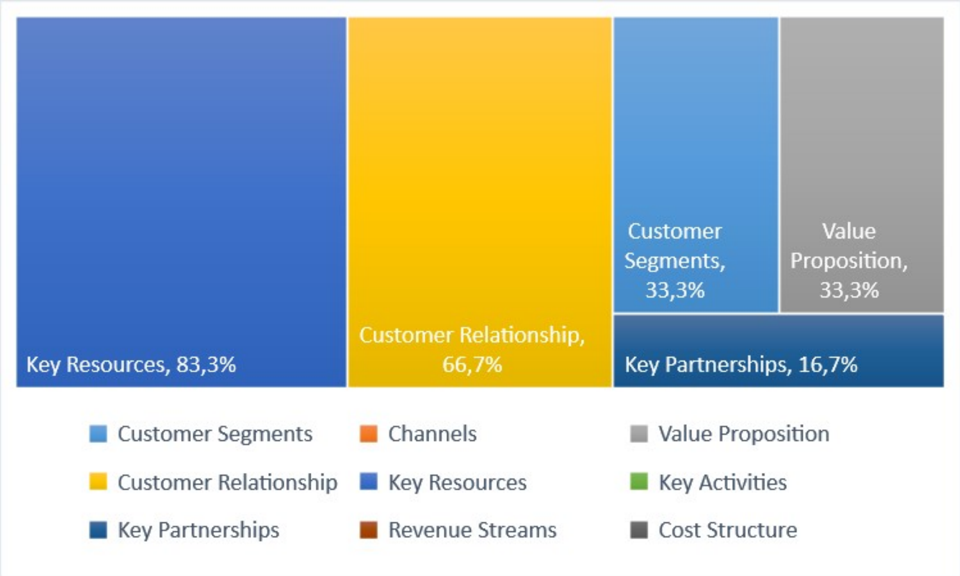


Figure 5: Distribution of BM elements in terms of importance

If an element scored 0% and is therefore not mentioned in the figure, it does not mean that it is not important. It just shows, that experts in the field only see a low potential for this element to cause trouble during integration and that it can be dealt with more easily. The percentages show only elements, which experts have experienced as being crucial for a successful integration.

Digging deeper into the data leads to a couple of findings.

3.1.1 Customer oriented Elements – Relationships and Segments

The customer related side of a Business Model, namely Customer Relationships and Customer Segments is of high importance for a successful integration according to the numbers. Almost 70% of the experts stated that Customer Relationship becomes crucial when there is a strong identification of the customers with the Business Model, which is about to be integrated. Especially in the Start-Up sector, buyers need to be careful how an integration can distort the external image of the target. Every third expert said that clarifying which customer segments are targeted by the new Business Model and integrate those into the own view is mandatory in order to integrate successfully. One example given by an expert illustrates the issue quite well. In this case, the buyer company was not aware of the religious differences between its home country and the country the majority of customers lived in which led to a dramatic drop in sales after the integrated Business Model distributed its product under another name (see Appendix 5, p.XXXVI).

3.1.2 Key Resources – Key People

Integrating Key Resources is an important factor within a Business Model Integration due to their crucial role for the effectiveness of the firm, according to Osterwalder. In his book however, he did not differentiate between the various degrees of importance of different Key Resources, which might be due to the fact that the focus of his work was how to build up a Business Model rather than integrating one properly. Nevertheless, it is noteworthy that the qualitative research for this study revealed a slightly different picture. One specific area of the Key Resources, namely the Key People, plays a fundamental role in the integration process, which is also backed by research as studies show that a declining identification with the integration can lead to dissatisfaction of the Business Model's key players (Klamar/Sommer/Weber 2013, p.219).

Two interview partners specifically emphasized the necessity of both the good leadership in the integration process itself and the importance of Key People of the acquired model (see Appendix 1, p.XIII; see Appendix 4, p. XXXII). All of the interviewees who stated that Key Resources are a crucial element for a successful integration specifically emphasized the necessity of dealing thoroughly with the acquired model's Key People. According to experts, these Key People are usually linked to three main considerations an integration team has to make:

- Key People can have specific knowledge for the success of the Business Model. This knowledge needs to be somehow captured in order to skim the whole benefit during an integration. This is specifically important for Start-Ups.
- Key People can also have well established bonds to customer segments. Without these connections, the acquired model might not deliver the revenue increases due to a sudden shortage of customers. Partnerships with suppliers also need to be secured if

Key People leave the company during an integration, in order to guarantee a continuous success of its operational daily business.

- Key People, especially CEOs or founders, can be strong leaders for their employees and serve as a role model. Losing them during the integration can lead to a loss of conviction of the other employees and deter the common goal, which ultimately might harm the integration.

In all cases, a loss would be fatal for the integration efforts.

3.1.3 Value Proposition

Interestingly, the Value Proposition, namely what the Business Model is trying to achieve and what value it wants to deliver to the customer, is not considered by all experts, as being a crucial element, which needs to be internalized. This would suggest that buyer companies expect an integration of a Business Model to be successful, although the purpose itself is not being included. There is a possible explanation for this. The concept of Osterwalder's Canvas describes the process of setting up a Business Model. It is fundamental for entrepreneurs to start with a goal in mind towards which all of the other elements can be aligned as this supports them in focusing on the big picture and on the important aspects. Acquirers, however, have a different approach and evaluate the existing Business Model as a whole where the original idea is already implemented within all areas of the firm and does not need to be integrated as a sole element itself.

3.1.4 Key Partnerships

Only one expert named Key Partnerships as a crucial factor which can cause a failure of the integration. Key Partnerships become very relevant if the integration into the buyer's network does not compensate the potential loss of former partners, like suppliers. Usually, the buyer being the bigger firm, the target gets access to wider variety of suppliers, partners, different networks and resources after the integration, which may be the reason why the element Key Partnerships has not been mentioned by more experts in this study. However, individual cases show that if the suppliers have notable bargaining power in the market, with reference to Porter and his model of the five forces (Porter 1979, p.140), and a negative attitude about the acquisition, the buyer will face major problems in running its newly acquired Business Model smoothly (see Appendix 3, p.XXIII). Nevertheless, with regards to future research, the threat potential of the element Key Partnerships can be evaluated diligently in the Due Diligence process and should therefore not cause much trouble in the integration phase itself.

Generally speaking, after analyzing the threat potentials of the elements, it becomes apparent that although there is no shared understanding of the importance of certain Business Model elements among the experts, the given examples show how important each independent case can become for the integration. This leads to the suggestion that it is crucial to evaluate each element individually for its threat potential in *each individual deal.*

3.1.5 Conclusion on Integration Elements

Summing up the gathered insights on which elements of a Business Model are the crucial ones and can ultimately lead to a threat for the success of the integration, brings out a couple of interesting assumptions for further research.

First, Osterwalder's canvas is not embedded in every M&A evaluation process although it is the standard in literature for some time now. Even though some experts are using parts of it, none of them fully base their analysis on Osterwalder. The main reason behind it is the diversity within the approaches of each individual buyer, depending on the M&A strategy and even more, the industry background. Consequently, this situation makes it quite a bit harder to establish a common ground and standardization in this business area, which is one big desire all experts expressed unanimously.

Second, even after including all different models and methods being used by different companies to evaluate Business Models, the decisive question which elements are standing out and can become showstoppers did not lead to the expected multitude of answers. As mentioned previously, only two elements on average were mentioned by the experts. The variance was significant as well as some experts touched on only one element while others stated up to five different elements.

Despite these hurdles, choosing the qualitative research method for this field of theory makes it possible to combine new insights and form them into clustered information and create this new basis for further empirical research.
Therefore, the following assumptions can be made:

1. Generally speaking, Business Model Elements are rarely a showstopper for the integration. M&A teams evaluate the Business Model in accordance with previous

experiences by the integration teams or join forces with them before the acquisition takes place. Consequently, the buyer firm has a comprehensive picture of the target which can avoid the occurrence of unexpected problems during the integration concerning *what* will be integrated.

2. The evaluation of Business Model Elements is influenced by the company's industry background (IT companies have different models than manufacturing firms) and by the target itself and how mature its Business Model is. This implies that there is no universal approach to a Business Model evaluation in the field. Although this situation does complicate things eventually on the standardization side, it appears to be necessary for each company to evaluate in accordance to their strategy and with their own industry setting and mindset at heart. On the upside, this also suggests that over the last years and through experiences, M&A teams have adjusted their models and methods in order to get deeper insights on which elements are really important.
3. However, an overall consensus exists with regards to the Key People, who drive the Business Model as well as the customers which are served by the Business Model. Both represent the majority of issues which occurred during the integration phases the interviewees supervised, independent of industry, level of maturity or the depth of integration.

With the goal of this thesis in mind, the following suggestions for future quantitative research can be made towards the standardization of evaluating Business Model elements:

1. Companies need to identify the Key People within the target's Business Model and further, what role those Key People play within it to make it successful. Furthermore, before the integration starts, a plan has to be at hand which exactly states how those people should be dealt with.
2. The way the target dealt with their customers and also what segments those customers are in, are also important aspects to be considered by the buyer. More precisely, it has to be analyzed how customers were reached before the acquisition, who the customers are, how they will respond to the transaction, and whether the buyer can offer the same sales channels as the target did.

3.2 Potential Integration Barriers

After the first dimension of the previously introduced framework has been elaborated on in chapter 2.5.1, it is now time to take a closer look on the potential barriers, which experts identified during the various integration projects they supervised.

The interviewees were not bound to the suggestions of the current research theory but should freely elaborate on their experiences in order to have a valid assessment of the literature presented in the first half of this study on whether there is a match between reality and theory or not.

The following figure serves as a starting point as it shows which proposed barriers have actually been mentioned and in what quantity by experts. Every additional aspect has been picked up and analyzed thoroughly in the chapter following this first overview. Overall, 14 references to the proposed barriers have been made, averaging roughly two per experts with a high variance between 1 and 5 references.

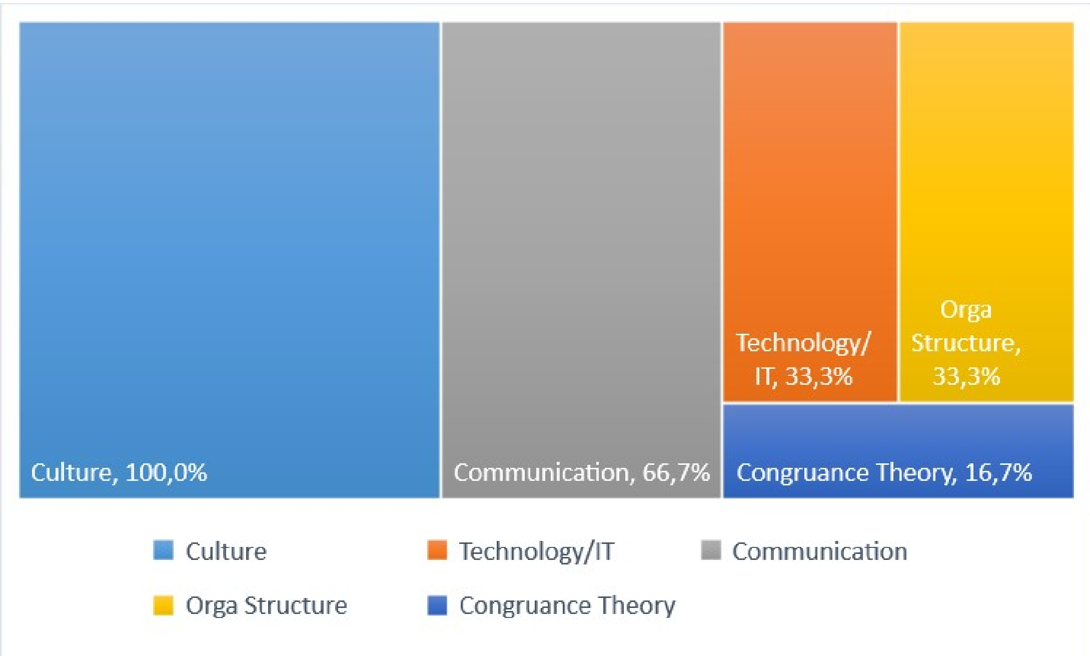


Figure 6: Relevance of proposed barriers according to experts (own graphic)

A first look at the numbers suggests that the thought of a necessary general fit between two models in order to successfully merge is not backed by experts, while culture is the most dominant potential barrier for integration.

A more detailed look at each barrier will provide more insights.

3.2.1 The relevance of the congruence approach

The idea that the acquisition of a Business Model and the eventually following integration of another Business Model can only be successful if both systems show a certain degree of fit, is the main essence of the congruence theory. The outcome of the interviews shows that a fit between both Business Models is certainly desirable but not necessary for the integration to become a success, which is why most experts do not see it as a barrier for integration. This is also what can be drawn from the answers to the question: “what are the evaluation criteria for potential targets?” as the fit between both systems per se was never mentioned. The decisive factors were whether the target would fill a blank spot within the development of the firm, whether it would benefit the overall financial situation as an investments or whether it would help the company to fulfill strategic goals. The prerequisite of a systematic fit between both parties could also limit the number of available options significantly, which might raise the risk of missing out on a good opportunity.

3.2.2 Organizational structures and hierarchies as potential Integration Barriers

Every third expert pointed to the prevalent structures within the target’s Business Model as being a potential threat to integration. More precisely, the focus here is not on the organization and the hierarchy, because those elements have been evaluated before in the Due Diligence phase, it is more about how tasks are delegated and how information flows within the system (see Appendix 2, p. XVII). The relevant insights are hard to find previous to the transaction and not identifying them properly during the closing period or the integration itself can lead to delays in implementations and irritations within the teams of the acquired Business Model. Furthermore, if those processes do not fit together with the buyer’s established work-flow, complications may arise (Klamar/Sommer/Weber 2013, p.219), which is why a thorough analysis can be suggested.

3.2.3 Technological issues as a potential Integration Barrier

There was a consensus among the experts on the threat potential of technological limitations within the integration process. Generally, diverse IT-systems and different computer system infrastructures do not stand for real integration challenges and also do not contain a high threat potential if evaluated properly in the Due Diligence process. Interestingly, however, every third expert mentioned it as a potential barrier. The reason behind it does only partly lie in the diversity of the systems but in the computing power of the prevalent systems of the buyer (see Appendix 6, p. XLI). Depending on the size of the target, a lot of new data, new information and new connections have to be integrated into the established system, which can at least lead to delays in the project plan but also to frustration if employees cannot seamlessly start working within the new structure.

3.2.4 Communication as a potential Integration Barrier

A significant number of experts named communication as a real threat for a successful integration. However, generalizing this topic in order to support the empiricism would miss the point as the area of communication spans over various scenarios which have to be addressed individually.

First, the top-down communication of a common goal through every level of both organizations and as a clear message and the start of a new process to all stake- and shareholders is inevitable after the closing of the deal (see Appendix 1, p.X; see Appendix 4, p.XXX; see Appendix 3, p.XXIII). This way, everyone knows what the idea behind the merger is. It also unifies the efforts towards achieving a joint goal, it serves as a guidance for each individual involved and it lets the employees stay motivated (Lippitt 1997, p.19). Most experts stated that it is much easier to change processes and establish new models and methods, if the goal is clearly understood by everyone (see Appendix 5, p.XXXVII). This view can also be verified by theory, as Spiker and Lesser identified proactive communication as an announcing tool, which is one of the main drivers to avoid resistance during the change process within an integration (Spiker/Lesser 1995, p.19f).

Second, the communication between new colleagues on the same hierarchy level needs to be included into the considerations. If not exercised extensively, strangeness between workers can develop and employees, who are meant to work together may remain in their old silos without sharing ideas and knowledge. In addition to supporting literature (Nahavandi/Malekzadeh 1988, p.81), one expert also stated that the first thing his company does, being in the buyer position, is to schedule meetings with both parties at the table to understand what the fears and hopes of both firm's employees are (see Appendix 5, p.XXXVII). Another expert stated that integrations take time, especially because the newly acquired Business Model with all its variables has to be observed thoroughly to understand it completely (see Appendix 2, p.XVII). They also brought in senior change managers to talk to employees to get a better feeling of how the integration needs to be shaped.

Third, the communication of expectations on both sides of the deal. The expected synergies can be achieved more effectively when the buyer and the target side are on the same page with project plans and milestones, but also even more important, when it comes to what they expect from each other and from the deal. This goes deeper than what the finance department put into the contract in terms of numbers, tangible information and strategic intent. It is more about finding a common ground for the newly merged Business Models and to get a better understanding of what both sides expect as a result of the transaction (see Appendix 3, p.XXIII).

The experts chosen for this study made clear, that getting the communication wrong during the integration can lead to misunderstandings, alienation of the parties, a general delay of the integration milestones and an overall lower level of synergy achievement.

Another positive aspect of communication is its leveraging capabilities to overcome cultural barriers, which is the last bit of the suggested theory in this thesis and is presented in the next chapter.

3.2.5 Culture as a potential Integration Barrier

All experts unanimously stated that culture – national or corporate – is a potential barrier for integration. Some companies even have a separate unit with the sole purpose of grasping this still unclear concept of cultural diversity within organizations. As the theory laid out previously, differences in mindsets, behaviors and habits can lead to clashes in the business environment. This has been confirmed by all experts.

However, as mentioned before, a more detailed look at the different issues of cultural differences gives a better access to the whole topic and can lead to a better understanding of the crucial aspects. This is necessary, given the variety of possible manifestations of culture within a company.

First, the culture of all players involved in the transaction needs to be somehow assessed. A good starting point is the national culture in case both sides of the merger either have different national cultural backgrounds or the whole company setting is international. One example mentioned previously about old customers not buying from the new owner also has its validity in this part of the thesis (see Appendix 5, p.XXXVI). It makes clear that every stakeholder involved in the deal needs to be evaluated and potential risks to be identified in terms of national cultural differences.

Besides the national culture, there is the even less tangible area of corporate cultures as it has been laid out in the theory section antecedently. Even if integration teams cannot put a finger on the exact forms of each corporate culture involved, it is still necessary to get a feeling for the prevalent and visible differences between the workers (see Appendix 1, p.IX).

This also includes the company taking a look at its own culture, especially if it is a multinational corporation with different subunits, as all of them developed an unique corporate culture themselves, slightly different to the overarching characteristics of the headquarter. One example here would be the statement of an expert who said that even considering the fact that the main company is perceived as a big and slow ship with a conservative mindset, some subunits still manage to create innovations in a lean and un-bureaucratic way, which is why a potential acquisition of dynamic start-up does not appear to be a mismatch on the second look (see Appendix 4, p.XXVII f).

Second, experts pointed out, that the common problem with culture is its intangibility (see Appendix 1, p. IX; see Appendix 5, p.XXXVII). A connection has to be made between the hard factors of a Business Model and the soft factors within it, which are omnipresent and connected to all elements. This can only be achieved if the cultural evaluations are considered early in the integration phase and also by asking different questions than before (see Appendix 1, p.VIII). The Organizational Health Index, developed by the consultancy firm McKinsey, is one of those models which dislodges its considerations from the hard facts, like numbers and structure, and tries to move down the path of a more overarching, intangible approach. Questions like: “What makes this company successful?” have to be responded with a different information background and seeking an appropriate answer might reveal new insights for integration teams, which they can apply in the project. Furthermore, research supports this view and states that a simple good or bad relationship between culture and performance fails short of addressing the variables, which dictate the M&A environment. This includes the chosen strategy and acculturation degree, as well as managerial actions, which are taken throughout the project process. (Teerikangas/Very 2006, p.45).

A third aspect of the culture discussion is the way in which change is exercised within both companies. As it has been elaborated on beforehand in the theory section, both parties are facing certain change during the integration phase. This change has to be triggered somehow and the important piece of information would be, how it is supposed to be exercised in order to generate the best possible outcome. There are two options, which is either the Top-Down approach, meaning that the management simply pushes through the shift, or the Bottom-Up approach which is carried and initiated by the majority of the employees including their vision and ideas. Experts stated that soft factors like culture, which are inherited in the employees, need to also be changed by those employees, which indicates the need for a Bottom-Up approach (see Appendix 3, p.XXIII). Cultural change is nothing, which can be dictated or forced in any way but that develops internally over time. However, initially, management has to trigger this change. Therefore, the process is a top-down initiation of the change process, which needs to be accepted and driven by the employees themselves in order to be successful and to become deeply rooted within them (see Appendix 4, p.XXX).

The timing of the initial trigger of cultural change within a system represents the fourth aspect of the culture dimension as discussed by experts. It can be noted that different strategies exist in the field and therefore also varying opinions on this matter. One company strictly separates the cultural integration from the evaluation process (see Appendix 3, p. XXII), others include the insights from the PMI Teams also on an earlier stage (see Appendix 2, p.XVI). However, consensus forms when it comes to the parallel execution of the integration project and the cultural integration. This parallel project planning signals that all companies understood the importance of culture as well as the way it needs to be dealt with in terms of a constant and carefully pursued adaption (see Appendix 2, p.XVIII).

There is demand for further quantitative research on this matter, because the survey population of this thesis is not representative for empirical evidence in terms of whether cultural aspects should be discussed before the acquisition or after the closing of the deal. Later in this paper, the thought on the right timing of the PMI inclusion is discussed in more depth.

When it comes to evaluating the cultural aspects of mergers, usually the potential threat of missteps is the main issue of discussion. However, one of the most important outcomes of this research shows that all experts generally agree on the positive aspects of cultural diversity. Hence, bringing two different cultures together during an integration can also have positive effects in terms of creating synergies, which will ultimately lead to a better performing system, according to the experts and also backed by the research of Krishnan et al. The scholars found a positive correlation between different corporate backgrounds and post-acquisition performance (Krishnan/Miller/Judge 1997, p.370). Again, one example of a successful cultural exchange was given by an expert, where the buyer, being multiple times larger than the target, adapted processes and models of the new Business Model, because they were superior to the established system (see Appendix 4, p.XXVIII). This however can only be achieved if both parties develop sensitivity for cultural topics and address them cautiously. The overall goal should be to create a multiculturism within the merged system, which values diversity and encourages different functional and national background, instead of a plural organization where both cultures only show a form of coexistence (Weber/Ganzach/Ben-Yemini 1995, p.208).

Besides the consensus on cultural diversity's capability to be an enhancer rather than an obstacle, some experts shared a final thought on how culture is affected and needs to be adapted during integration. Combined with the literature view that every time change is about to happen and new processes are being established, employees need to get out of their comfort zone to grow and develop, another suggestion can be made. The needed change can happen in a smoother way if the management establishes an error culture (see Appendix 1, p.XIII), where faults are tolerated and maybe even encouraged in order to create an environment where workers and managers alike can learn and thrive through exploring their personal limits. This also touches other areas, which have already been mentioned before. Such as the need for an adequate communication culture throughout the whole company, including management and line workers to the same extent. It should become part of the corporate culture to benefit the integration process in as many possible ways as van Dyck et al. proved in their study on the positive effects of error management (van Dyck et al. 2005, p.1320).

3.2.6 Further Integration Barriers

As the research method of this thesis outlined in a previous chapter, the questionnaire served as a guideline to keep the conversation open with the goal to identify further barriers within Post Merger Integration projects, which might be underrepresented in the current research literature or have not been dealt with yet.

After finishing the first part of the Integration Barrier section by matching expert opinions with the most common theories in research, now the second part analyses every issue stated by the interviewees, which does not fit into one of the previously defined categories.

3.2.6.1 Pace of the Integration

The first issue, which has been discussed controversially by the experts, is the pace or the speed of the integration, namely how quickly it should be done or how much time should be given to the integration team in order to fulfill the goals set by the M&A management. Besides the limitation that it has to be clarified when exactly an integration will count as successful, generally speaking, a quicker integration implies more potential risks, as the processes are not thought through as well (Marks/Mirvis 2012, p.67f). The main reason would be that achieving a change within a system that is deeply rooted in each employee and understood by both former separated parties should not be rushed and is hard to give a deadline to. Some experts precisely stated that integrations need time to be successful, especially on the cultural side, and should be given the time, even if the original project plan milestones cannot be kept (see Appendix 4, p.XXXIII; see Appendix 2, p.XVIII).

Nevertheless, quicker integrations are said to create more business and more revenue sooner, which is desirable especially for the shareholders (Angwin 2004, cited in Bauer/Matzler 2014, p.284). Theoretically, it also reduces the potential uncertainty for the employees, created by the merger (Schweiger/Csiszar/Napier 1994, p.43). Furthermore, a quicker integration also helps to get back into the daily business earlier, as one expert pointed out in particular (see Appendix 3, p.XXIV).

As the interviews have been conducted with PMI experts, it is understandable that the majority leans towards favoring an integration oriented approach, which has the main goal of achieving a successful integration and may tend to give lower priority to financial goals and timelines.

However, when asked about the influence of the financial department or the central M&A unit on the merger, the answers painted a picture of a still mainly finance driven M&A process (see Appendix 1, p.XII; see Appendix 5, p.XXXVIII; see Appendix 4, p.XXXIII). This in turn would suggest, that even though integration experts vow for a more flexible integration pace, the forces in the field are aiming at quick results, which may lead to a clash.

Future studies need to dig deeper into the relation between pace, success rate and financial influence within M&A and PMI to search for empirical evidence that supports either opinion. Some research has been done on this topic already. Bauer et al. conducted research on the success factors of M&A, including the speed of integration. Although not being able to ultimately prove whether speed harms or benefit integration, they strongly stress the fact that managers should deal with this issue thoroughly (Bauer/Matzler 2014, p.284). Homburg and Bucerius also added theory to the current literature of this field with the focus on inter-company relatedness and the speed of the integration. Their findings also support the careful evaluation of the chosen pace for the integration (Homburg/Bucerius 2006, p.361).

One suggestion to overcome this mismatch between financial goals and a deeply rooted integration, is to deal with the factor time more flexibly. One expert pointed out, that financial goals, like a certain increase in revenue, can be achieved without integrating the whole Business Model first (see Appendix 4, p.XXXIII). If integration teams are given the capability to flexibly adjust the factor time with the financial goals, both sides can reach positive results more easily.

3.2.6.2 Compliance and Red Tape

All experts who contributed to this thesis generally work for relatively big companies with revenues of between 500 million Euros to 150 billion Euros. In total, those firms employ almost 800,000 people and create over 270 billion Euros in revenue. Half of the enterprises have a long tradition in the market and are considered worldwide heavyweights in their industries while the other half is of younger age but not less relevant when it comes to growth figures and market share.

A business that operates successfully over a long period of time usually shows constant growth over its lifespan (Kautz/Åby Larsen 2000, p.24). Bigger companies sell more goods and services and have a higher awareness in the market but also within government agencies, which watch over the business activities of those firms. In order to ensure conformity with laws and regulation, bigger firms tend to have more layers within their structure and more units responsible for ensuring this conformity. (Buzby 1975, p. 18f). Especially in recent years, compliance and regulation activities seemed to have picked up after the events of some main lawsuits and the resulting penalties, which also caught public attention (Pasquali 2015, p.1).

Overall, there is a strong indication of rising regulative actions within big companies, which can have negative effects on the organizational effectiveness (Pandey/Coursey/Moynihan 2007, p.416).

It does not come as a surprise that these issues have also been brought up during the interviews. Experts stated that M&A within their firms is strongly regulated, even more for stock exchange listed companies (see Appendix 4, p.XXXI; see Appendix 1, p.VII f; see Appendix 6, p.XLI). All of the experts have to follow guidelines while executing integration projects. However, more than half of the interviewees are convinced that there is a need for guidelines in general to make integration easier to handle, although, at the same time, they stressed the fact that these guidelines need to be flexible in order to react to unexpected circumstances (see Appendix 1, p.XII & see Appendix 4, p. XXXI).

Consequently, red tape and compliance regulations can be a barrier, depending on the rules' degree of strictness.

This situation is symbolical for the goal of this study and also for the desires of integration teams, as it represents the need for standardization in the area of PMI while still obtaining flexibility to remain agile and being able to react to all kind of changing circumstances. Essential for this demand is that all the players involved in the integration management have the necessary experience and capabilities to interpret the situation and the guidelines most effectively. This leads directly to one of the most important potential barriers according to experts, which is the lack of experience and skills.

3.2.6.3 Experience and Skills

Analyzing the surveys led to identifying either obvious pre-evaluated barriers to integration like culture or pace, or loosely connected references, which revealed their real importance only after clustering them within this area. Many experts talked about the necessity of a good leadership team to drive the integration project effectively. This is plausible, given the general perception in the field of good leaders leading to good results, which is also backed by a multitude of research (Gertsen/Søderberg/Torp 1998b, p.26). Malekzadeh and Nahavandi, for example, stress the importance of good leadership to drive an acculturation process, which will enable synergies and serve as a basis for a successful integration (Malekzadeh/Nahavandi 1998, p.124; Nahavandi/Malekzadeh 1994, p.304). Expanding on this thought, previous studies on the cultural fit as a main determinant of the merger success were not able to ultimately prove this hypothesis, because one main influencing factor was the different prevalent leadership styles of the according integration (Haspeslagh/Jemison 1987, p.56).

However, one expert elaborated on this thought by stating what defines leadership as being "good":

"*The lack of experience must be seen as the overarching aspect, even above the actual barriers. You have to find the right answers at the right time and have the right people for it.*"
- (See appendix 4, p.XXXII)

Linking experience to the necessary skills to run an integration project pushes a door open for linking more opinions from the interviews to this area.

The *Lessons Learned* from previous projects are therefore playing a crucial part, as they represent information, which have been made tangible to a certain extent. A majority of the experts stated that there is an increasing focus on integrating these Lessons Learned into the Due Diligence process to give the M&A Team a more comprehensive set of tools to evaluate possible targets (see Appendix 2, p.XVI). This, again, goes in line with the overall desire to standardize PMI up to a definite level. However, to achieve this, those Lessons

Learned must be shared on an interorganizational level, between project managers, cultural change leaders, M&A and PMI teams to cover a wider area of possible pitfalls and potential ways to overcome barriers (see Appendix 4, p.XXXIV; see Appendix 2, p.XIX).

In addition to the theoretical limitation of knowledge carrier availability, another issue can become relevant according to research. Even if the right persons are present and involved in the project, they sometimes are occupied with different project and lack the time to fully concentrate on one process (Klamar/Sommer/Weber 2013, p.220). Again, this indicates a certain shortage to capable experts in the field of PMI.

3.2.6.4 Conclusion on potential Integration Barriers

With regards to the results of this study and its overarching initial goal of bringing standardization to this highly diverse topic, the following can be summarized concerning potential integration barriers and a potential research outlook:

1. Culture is the most critical potential barrier within Post Merger Integrations according to the interviewees, who supported this research. The prevalent relevance in theory goes in line with the statements made by experts in this field. It is noteworthy that culture also offers an extra benefit in terms of productivity and diversity if exercised correctly. It can therefore also be seen as a multiplier. In order to support the field, more quantitative research on how cultural integration issues have actually been dealt with by a multitude of experts is necessary. Hopefully, connections between the level of tangibility, strategy and execution plan will be found, which can back up future integration decisions.
2. Another important aspect during an integration project is the role of communication. In contrast to culture, where an evaluation is always dependent on both sides and therefore has a higher potential to create uncertainty, communication can be dealt with proactively by the buyer's integration team. Hence, it is up to further research to determine quantitatively which communication strategy has the biggest positive impact on the previously analyzed fields within an integration project. Communication should furthermore be implemented into the project plan with clear Key Performance Indicators for the three areas involved as stated previously: spreading the vision effectively, controlling employee collaboration and making sure that both merging parties share the same expectations.

3. It can further be concluded that the other potential integration barriers played important roles in some integration projects and that the insights generated within those projects need to be shared to support the work of other teams in this area of practice. A prevalent general threat of one or more barriers could not be confirmed by this study.

    Summing up the analyzed integration barriers reveals that PMI teams should generate a comprehensive understanding of how business is conducted and processes flow within the target's hierarchical structure. This might reduce pitfalls and misunderstandings during the integration project. Furthermore, there is only minor demand to spend a lot of time on the IT side of things as technical obstacles can usually be overcome more easily with providing more resources such as money and workforce, as one expert stated (see Appendix 6, p. XLI).
4. Compliance and regulations are only barriers at first glance. Although a lot of bureaucracy seems to be an obstacle during the integration of a highly specific and not standardized system, it does actually support the integration team by providing guidance and guaranteeing compliance. It is critical though that those regulations are handled flexibly.
5. Lastly, another interesting outcome was revealed in regards to the strategic and systematic fit of both organizations. As it has been presented in the theory section of this paper beforehand, theory stated almost unanimously that a fit is one of the most crucial prerequisites for a successful integration. This is undoubtedly true as it facilitates the integration process. Nevertheless, trying to look for targets which might have an ideal fit with their own system also take the chance away to see Business Models with the ability to provide possibly necessary change, if they may seem as a poor fit at the beginning of the evaluation. Again, the companies involved in the research did not specifically look for a perfect fit prior to deciding in favor or against the possible target. This is an interesting conclusion as it contradicts the prevalent research history to a certain extent.

The qualitative research on potential integration barriers in this study led to new insights on the match between the current theory and practical experiences as well as provided information, which can be used as the basis for further research.

The following outcomes and observations can be drawn from the interviews with PMI experts:

1. Generally, it turned out that the barriers mentioned by the experts in alignment with theory as well as the ones they brought up during the interview, are rarely real showstoppers in the sense of the word. Even more so, one result of the study is that integration barriers, which cannot be overcome, do not automatically lead to an unsuccessful integration. Certainly, there are barriers, which represent higher obstacles than others and need more time to find a solution for and might also be harder to identify in the evaluation phase. Ultimately however, no merger will be canceled because of the integration team hitting a barrier during the PMI. In case the PMI team identifies a potential barrier and does not find a solution for it, the buyer firm has to take a bet that the potential outcome is rated higher than the potential loss of the bet. This conclusion is very important as it relaxes the goal of this thesis in a way that no definite connection can be established between one particular barrier and the multitude of failures within M&A and the according integration.
2. Still, different barriers show diverse levels of threat potential for the integration. Out of the five main potential integration barriers according to the literature, which have been identified by a semi-structured literature review beforehand, only one was mentioned by all interviewees simultaneously and can therefore be seen as the most important integration barrier in M&A integration. *Culture*, both on a national and organizational level, proved to be a real threat in the first place for any kind of integration project. Many different facets of each individual culture lead to an intangibility, which causes a certain insecurity for people dealing with the cultural integration. Culture demands to be handled with care. Building on this outcome, further research on this matter leads to a second conclusion. Theory provides several attempts to cluster different corporate cultures with the goal to identify their fit more easily using a certain model (see Trompenaar 1993 or Cartwright and Cooper 1992 for example). In practice however, none of the experts stated that these models were actually used. Instead, each company has their own evaluation criteria and ways to deal with a potential mismatch between the own system and each highly individual target. Ultimately, the cultural integration has to be executed in a parallel fashion to the business integration which gives the integration team time to analyze real life, real time data and construct solutions on the fly. This goes hand in hand with the factor "time" or "pace" during integration, which has been presented before.

   It is more about the capabilities to analyze a target thoroughly and to have the background knowledge to act in the right manner in a critical situation, which asks for a more people centric approach. Empirical research, which facilitates standardization is still necessary, although it plays an important support function, rather than a decision model role.

3. This leads to a third important conclusion. People are the decisive factor within PMI. More specifically, people with experiences from various integration projects who can develop solutions based on a gradually developing familiarization with the topic and the ability to identify the potential pitfalls at an early stage. This outcome will be further elaborated in the final conclusion.

3.2.6.5 Timing of PMI inclusion

One aspect, which was brought up repeatedly during the interviews is not a barrier in the proper meaning of the word and therefore analyzed separately to the previous sections. There is no discussion among experts about the necessity of dedicated integration teams for the process during the merger. Even so, different approaches exist, concerning the timing of the inclusion or more specifically, at what time in the process do integration teams need to be included to provide the biggest benefit.

From the interviews, three different concepts can be derived.

1. <u>The PMI team is included from the very start</u>

   According to experts favoring this attempt, the experience and the assessment of the integration team towards certain elements of the Business Model target is essential to guarantee a successful and comprehensive evaluation before the acquisition and to identify pitfalls at an early stage (see Appendix 4, p.XXVIII).

   Opposing opinions state that including more and more people into the Due Diligence phase will allow for potentially more leakage of information, which is especially endangering for stock listed companies, as those firms have to share all information concerning business relevant decisions with their shareholder. On top of that, another expert stated that M&A and PMI has to be separated due to the different nature of the tasks and the resulting divergent required task delegation (see Appendix 3, p.XXII).

2. <u>The PMI team is acting separately from the M&A team</u>

   Supporters of this strategy emphasize the just mentioned necessary separation due to different skill sets of M&A teams, specifically within Due Diligence, where a clear focus on the financials and on compliance is prevalent. The integration team in comparison can approach the target with a fresh mind and from a different angle, which is necessary as the challenges are also different. Another supporting argument for this option is the integration team's minor influence on the ultimate buying decision. It is still a financially driven business process, which is why supporters of this model see the PMI teams as a necessary tool for the "post-merger" activities. Again, the same arguments in favor of a joint model serve as cons for this option. Making the whole merger a success needs the involvement of the integration team from the very first stage on, also in order to give a better prediction on how the timeframe might look like.

3. <u>The PMI team is separated from the Due Diligence phase but provides experience-based advice</u>

   Still, some companies see the value of PMI experience and want to include those insights into the evaluation process before the acquisition (see Appendix 2, p.XVI; see Appendix 1, p.XIII). They expect to identify pitfalls earlier and therefore have a smoother integration process afterwards.

More information on the relationship between integration success and the timing of PMI inclusion would be a valuable addition to the current literature and could provide the field with a better understanding of how different Due Diligence models can benefit or harm the integration process.

3.2.7 Limitations

The research for this thesis is of qualitative nature and can thus not be used as empirical evidence. However, it delivers new insights on the topic of PMI and allows for future research recommendations. This study has therefore been created with some limitations.

First, depending on the strategy of the buyer, the depth of the integration can vary. If a company acquired a target and decides to let it operate autonomously within the parent company's group, the impact on different cultures or structural change would be less superficial and relevant. It is important to note that the prevalent study based its research on the assumption that the buyer aims for a full integration of the target's Business Model.

Second, there has been no differentiation for the analysis of the elements and integration barriers in terms of the maturity and character of the Business Models. Namely, Start-Ups and established or more mature companies have been dealt with in the same way. A more detailed analysis on the frequency distribution of certain integration barriers with regards to the type of Business Model target could lead to further insights and support the call for standardization in this research area. Nevertheless, even if not analyzed in the possible depth, the outcomes of this study are still valid for any type of Business Model.

Third, in contrast to the possible differentiation of the target's Business Model, this limitation has to be pointed out for the buyers' different industry backgrounds. Again, with a more quantitative approach, possible connections between the industry and the integration threats could become visible. This thesis found cautious indications that the buyer's different industry backgrounds and different positions in the market can lead to different strategies for integration as well as a different approach in the way to exercise them. Furthermore, there supposedly is a difference between the most urgent fears of buyers depending on their size and background as well. It could be assumed that this also results in a different distribution of the importance of potential integration barriers for smaller and for bigger firms.

Additionally, there appears to be a dominant feeling within all industries that targets, which have the same industry background as the buyer are generally more popular to integrate as the acquirers do not face as many uncertainties as they would with disruptive Start-Ups. One expert pointed specifically to the need for a better understanding of those firms and this study supports this view (see Appendix 6, p.XLI). Although the results from this thesis can support the evaluation of Start-Ups as well, further research projects need to cautiously address the distance between the buyer and the target to create a more comprehensive view. Again, knowledge sharing is the key to build a common understanding in this matter as well.

4 Summary and Conclusion

The prevalent thesis aimed at finding explanations for the multitude of M&A failures with regards to potentially decisive Business Model elements and the potential threat of corresponding integration barriers. A semi-structured literature review served as the basis for evaluating the main streams of theory concerning this field of research, which was then matched with the insights of experts in the field. An interview formed the basis of the empirical research for this study. It was constructed to serve a qualitative approach and delivered on this goal as new findings emerged. These main outcomes will be presented is this section and ultimately, in the outlook chapter, they should form the foundation and ideally indicate a certain direction for future quantitative research to support the needed standardization in field and theory alike.

In order to align this summary with the overall study, the first part will look at the Business Model elements and their role within the M&A and PMI process while the second part summarizes the integration barriers, their match between theory and practice and the new insights generated within this area.

With a focus on the elements of a Business Model and their evaluation before the integration in regard to their level of significance for a successful integration, indications were found that the approaches are highly diverse in the field. Within the survey population, no company stated that they use the same models or theories to analyze the target as any other company. However, from a more abstract perspective, all elements mentioned by experts somehow fit into the Osterwalder Canvas if rearranged accordingly. Even if some companies needed additional evaluation criteria, the broad basis was comprehensively covered by the presented theory and can also support the standardization process in this field.

Concerning the Business Model elements and their potential to threaten the success of an integration, no statistical relevance was identified for certain elements to be more crucial than others. The merger environment, the industry background, the strategy and the company background interfere with the goal to find the one crucial element, which in case not being integrated properly will lead to an unsuccessful overall integration. However, the insights from the interviews pointed towards a certain importance of the Key People as well as the construct of Customer Segments and Relationships within the target Business Model. Here, more quantitative research is necessary to prove a statistical and empirical significance.

The research conducted on integration barriers was a hybrid between matching experts' answers to the suggested theory of the questionnaire, and evaluating the interviewees' perspective, experiences and open remarks, according to the latest research literature in theory.

The field supported the widely accepted assessment that culture, national or corporate, is one of the biggest potential integration barriers due to its individuality, intangibility and the uncertainty it can create within the buyer's PMI team. At the same time, it can also be a lever for a successful desegregation of the target when diversity is cherished within the parent company. The area of culture can be further extended and encompasses important activities concerning the processes involved in changing culture during an integration. One main issue, which was mentioned here, is change management and whether a top-down or bottom-up approach would be more suitable for a given situation. Another important area is the error culture, which needs to be present and accepted by the workforce in order to overcome mistakes quickly and learn from them. Both the latter points touch the second most important potential barrier, communications.

Communications play a vital role in, firstly, bringing workers from both sides together by creating a common goal and guidance to thrive jointly towards that goal, secondly, by enabling exchange of knowledge and experience in between previously foreign units and employees, and, thirdly, by ensuring that both sides' expectations are met and heard. It can be suggested that these three areas – creating a common goal, bringing foreign units and employees together, and to guarantee the inclusion of all parties' expectations – should be covered within every integration project plan and backed up by a simple KPI assessment.

Concerning the remaining barriers, it would be an interesting theory subject for future research to identify correlations between compliance and regulation-based red tape and the work of the integration team. The goal here would be to prove empirically what has been brought up in this study, which is the necessity of regulations within the field of M&A, but also the need for flexibility to enable decision makers to act according to soft factors rather than hard ones if necessary.

Furthermore, the pace of integration plays a similarly important role as many experts stated in the interview. Although its potential to be an actual barrier is not sticking out, it is still crucial to obtain a certain flexibility with regards to milestones and financial goals in order to be capable of shaping the integration process effectively. Again, future work could support the field of research here by conducting empirical field work on integration project elements which have a direct impact on the duration of the integration. This may lead to more comprehensive set of experiences for future planning and decision making and will therefore support the practice.

A final remark on the systematic fit should wrap up the area of potential integration barriers. The general fit between both systems the buyer's and the target's, as in how the organization is set up and how processes and information flow within it, has been heavily discussed by research literature. The main outcome is a clear consensus on the potential advantage of a fit for the success of M&A and PMI projects. This, however, cannot be validated by the qualitative research conducted in this study. Sure enough, a prevalent fit might benefit the integration and create synergies between the Business Models quicker, but is not necessary to make it a successful one. Future scholars should dig deeper into this hypothesis and try to find proof for:

a) A systematic fit of both systems is not a prerequisite for most M&A evaluation teams
b) Whether a systematic fit was a crucial element for successful integrations in the past.

The main aspect, which rose from this study, is the importance of having the right people for the integration job. This touches on the internal capabilities in terms of leadership and project management but also the potential external abilities which might need to be brought in at some point (Perry/Herd 2004, p.13). All experts stated that good leadership is mandatory for the success of an integration project, which aligns with the opinion of different scholars, who conducted research on M&A an PMI in general (Very/Lubatkin/Calori 1998, p.173). One aspect of good leadership is the ability to provide the right solution for a given problem which in this area is mainly based on the experiences and skills of the leader and the people working on the integration. If the experience is not extensive enough to overcome a challenge, someone else has to be found who does know how to find a solution. It may sound simple, but in reality, this idea requires a rethink on some levels.

First, a standardization within M&A and PMI literature is desirable. Some experts in the field of research, like Professor Kumar, are already working on this topic with the intention to create a comprehensive monography about M&A, which defines the main terms used in business. This should lead to a common understanding when using certain expressions that have had different meanings before, depending on the person using it. It is important to avoid a mismatch between meanings and words being used in this volatile environment and to create a common ground for discussion and knowledge sharing.

The next step would be to collect experiences and make lessons learned tangible in order to facilitate the sharing process. Therefore, integration experts should find a way to preserve the experiences on everything that happened unexpectedly and what they perceived during integration projects and share these insights on a broad basis.

What should happen next is part of a general shift within the economy and how Business Model Innovation and therefore value creation takes place. It is necessary to share insights with key partners and experts from other industries and companies or research facilities to include fresh ideas into the own evaluation processes. Creating a people-driven business environment by detaching them from their familiar background is what may create innovations, which can ultimately lead to an adaption of their own Business Model and bring the company forward. This view is not only backed by experts of this study and has been elaborated during various other studies, it also common practice in the business world as examples of Open Innovation or Cross-Industry Platforms like future_bizz show. Sharing lessons learned in such a receptive environment may lead to new approaches and can be a business relevant basis for future research.

With a focus on the declared aim of the field to have more comprehensive models at hand to support PMI and M&A processes, this basis can lead to quantitative research if enough examples from the business world are available to research. Bearing in mind that the results of this study revealed that many issues need to be dealt with individually and combining this with the possibility to create decision making models, one conclusion can be drawn. It should be possible to identify the most common barriers and elements, such as culture, and build the research around high level issues to generate best practices within this area and for the most frequent situations. This would lead to better decision making as questions like “What needs to be done in case of arising delays with regards to milestones?” or “What is the best way to deal with uninvolved target employees?” could be answered more easily and with less uncertainty as one expert stated specifically (see Appendix, p.XIX). The important factor here is to find empirical, resilient proof that some issues can be dealt with in one certain fashion. To support this process, the findings of this study will be clustered accordingly in the outlook section.

Combining the ability of experts and their knowledge and experiences with the empirically founded solutions and the common communication basis on M&A and PMI should lead to an overall improvement of success rates within PMI projects and therefore within M&A in general.

Without disregarding the fact that most studies point out a high failure rate of M&A, it should be noted that there is no common understanding on what can be classified as a failure of an integration. This goes in line with Bruner who stated the following in his book “Deals from Hell”:

“What is missing in the popular discussion is a rigorous definition of what the conventional wisdom means by “failure” in M&A”- (Levitt/Bruner 2013, p.15)

So far, most of the failures were linked the to a lack of shareholder value creation (Bing/Wingrove 2012, p.43) in terms of stock prices and outperforming competitors within the market (Perry/Herd 2004, p.12). This way, however, excludes many soft factors and does not focus on a long term perspective. Without a clear definition, M&A will always be subject of speculation and be associated with a negative effect on the business of a firm.

Overall, this thesis succeeded in providing business and theory with further insights of potential barriers and crucial elements of a Business Model for a Post-Merger Integration. While the qualitative research revealed a non-existent common basis or method of evaluation criteria for Business Model targets, the study identified consolidation potential in this area. The reason for this is that most of the analyses are similar to each other with only minor deviations for company specific criteria.

Furthermore, culture was identified to be in line with research as one of the most important potential integration barriers. The main areas where culture needs to be addressed have been presented and will hopefully be supported by future quantitative research.

The main result however, is the advice to focus on the people involved in M&A and PMI. Sharing experiences and lessons learned and finding the right people for the job is what will be decisive for future integrations.

5 Outlook

Building a decision making model for integration project teams was one of the overall goals that this study should provide the basis for. As it has been laid out in the main body of the text, there are suggestions and conclusions which can be used to achieve this goal. In order to include the results of the research, the following outlook can be given.

Based on this study, future scholars should focus on two things. First, for the Due Diligence phase of M&A, create a common basis of evaluation criteria for target Business Models and test it empirically. This basis may follow Osterwalder but does not need to, as long as it involves Key Elements like Key People and Customer Groups, which were identified in this study as the most important elements. In a second step, for the PMI phase of M&A, focus should be put on integration barriers which will appear during the process like culture or communication issues. Again, quantitative research should shed light on the question of what successful integration managers did in specific situations and what other options could be found in the literature to overcome these barriers. One example of the available research is the acculturation theory of Nahavandi and Malekzadeh (1994) with regards to the cultural issues during integration.

In order to support the quantitative research, the findings of this study are presented in the following figure with the intention to show which barriers and elements are important and likewise relatively easy to use for quantitative research. Therefore, firstly, their relevance for integration projects is identified by assessing the insights from the interviews and the theory input. The measuring unit is kept simple by differentiating between 1, which indicates a low relevance, up to 3, which signals a high relevance. On the horizontal axis, the same measuring unit is used, representing the degree of standardization potential, specifically, how well empirical quantitative research can be conducted on this issue without excluding possible significant characteristics.

There are two issues prevalent in these considerations. One question is whether the issue to be reviewed has many different characteristics, namely how complex it is. A higher number of varying forms requires different individual solutions and is therefore hard to standardize. A good example here is culture, as it includes numerous possible variations of organizational or national habits, mindsets and behaviors. The second question is whether the research subject has one main solution for overcoming it that can be identified empirically or whether there are multiple ways to deal with the issue. An example here would be the IT background of the target company. Possible solutions in case of arising problems are straight forward and clear cut, which makes it easier for empirical quantitative research to find a strong significance. On the standardization potential axis, 1 means no or only little standardization potential while 3 indicates that empirical research should be easier to conduct, because the scope for interpretation is narrower. The basis for the evaluation is drawn from chapter 3 of this study, based on the interview outcomes as well as input from the theory.

Lastly, the size of the dots varies according to the amount of research that has already been conducted on this element or barrier. The information related to this measurement stem from two key word searches, related to the barriers and elements on Google Scholar. Depending on the number of papers, which mention each of the topics, the issue is given a score between 1, indicating only little research so far, and 4, signaling an already high number of papers mentioning these terms at some point. The results vary from 16 articles to over 6000 for certain subjects, which is why the search has been narrowed down further.

A different picture can be seen, if the search is limited to research papers, articles and books, which have the name of the searches area mentioned in the title and therefore specifically deal with the issue.

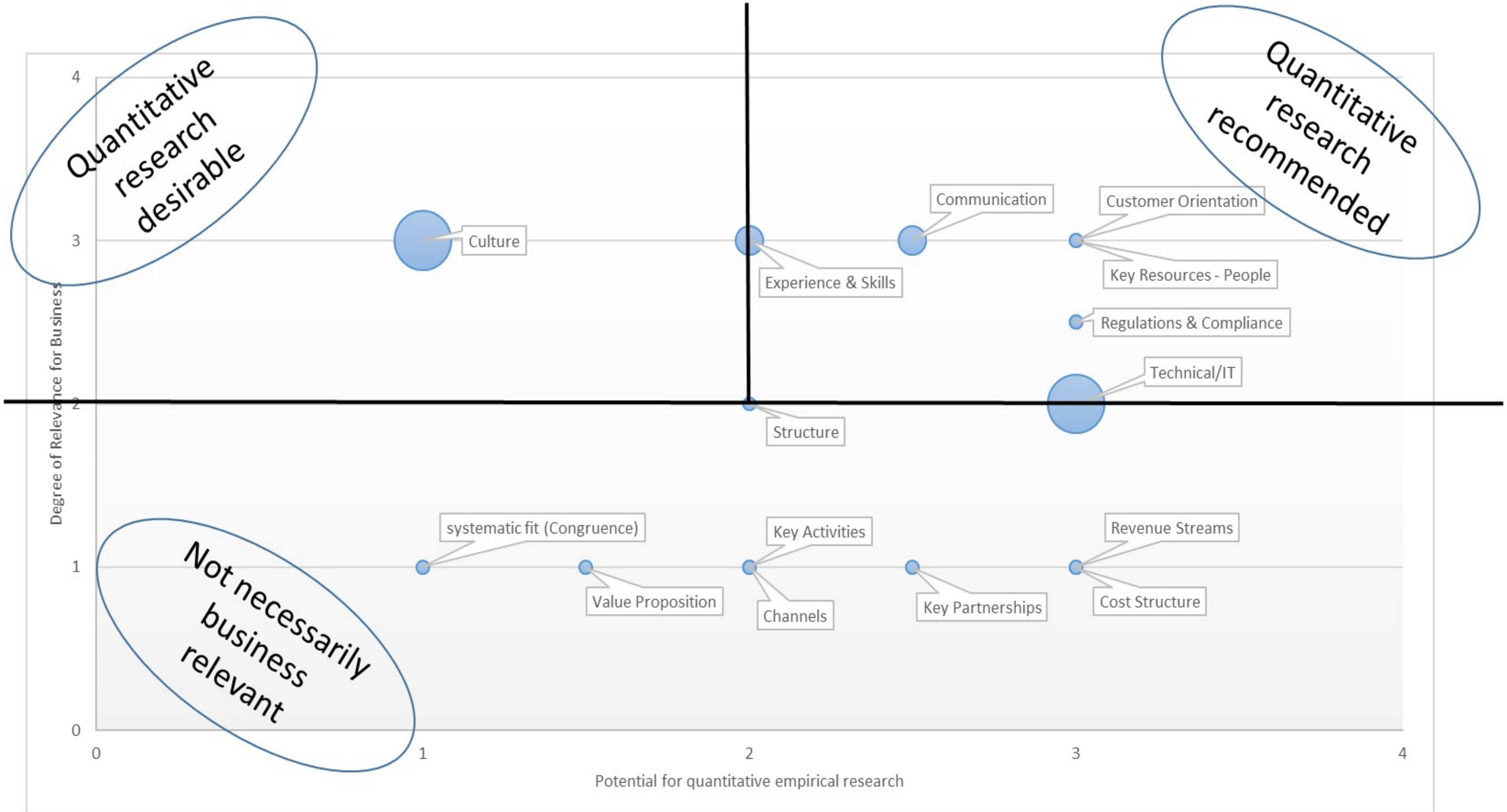


Figure 7: recommendation for quantitative research on the subjects of qualitative research in this study (own graphic)

The gradation is as follows:

1: 0-5

2: 5-25

3: 25-50

4: >50 results.

The actual numbers for all elements and barriers concerning all dimensions as well as the key word searches can be looked up in the Excel Worksheet upon request.

It becomes obvious, that the aforementioned irrelevance of some barriers and elements is also reflected by the literature and by the amount of research conducted on them. Generally, culture is one of the most important factors, which companies and literature should deal with thoroughly. It is also one of the most complex subjects as shown in the diagram, which is an indication that quantitative research might be a hard, yet necessary task. More impressive is the fact that there are many options for scholars to dig into fields in the upper right quadrant of the graphic, which are relevant for the business world, relatively easy to standardize and also at an early research stage. Elements and barriers below the middle line are not considered worth the extra effort for quantitative research because of their missing relevance for integration teams in the field.

On a future perspective, bringing together these hopefully soon to be discovered pieces of information, hard factors, tangible and universally usable insights with what can be classified as more soft factors like knowledge sharing and external expertise should lead to the possibility to create a decision making model for integration teams.

Ultimately, PMI is one of the most challenging aspects of the whole M&A process. It executes what the Due Diligence and M&A team planned and has the ability to actually create the expected synergies. All of this is happening within an environment of constant change, which requires adaptions and reactions to barriers as well as to external market forces. With the right tools at hand and the right people in place, PMI is the enabler of Business Model change which, again, is necessary to create Business Model Innovation.

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Eidesstattliche Erklärung

Ich erkläre hiermit gemäß § 5 Abs. 3 PuStO, dass ich die vorstehende Bachelorarbeit/Masterarbeit selbständig verfasst und keine anderen als die angegebenen Quellen und Hilfsmittel benutzt habe.

Ort/Datum   Unterschrift