

**Topic: Cultural Integration in Mergers and Acquisitions: An Exploratory Study of African and European Companies.**

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# Abstract

Mergers and acquisitions between African and European companies are increasing, necessitating cultural integration. This study explores the role and dynamics of cultural integration in these deals. A qualitative case study approach was used, analysing 15 secondary data sources on African-European M&A cultural integration, including academic articles, reports, and case studies. Thematic analysis identified patterns related to cultural integration. Thematic analysis revealed the pivotal yet complex role of cultural integration in M&A performance between African and European partners. While cultural similarity enables smooth consolidation, substantial differences require nuanced navigation to bridge divides. Proactive strategies to respect diversity while building shared vision are advocated. The study recommends best practices for cultural integration spanning thorough assessment, communication, leadership commitment to culture, training programs, gradual transition structures, and cross-cultural mentoring.

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# Declaration

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# 1. Introduction

## 1.1 Background of the Study

Mergers and acquisitions (M&A) have emerged as essential business strategies for organisations seeking growth, competitive advantage, and entry into new markets. In recent decades, M&A activities have surged globally, with a particular increase in cross-border transactions (Coeurdacier, De Santis and Aviat, 2009). These transactions often involve companies from diverse cultural backgrounds, which presents both opportunities and challenges. The integration of two organisations with distinct cultural identities can result in the creation of a unique and competitive entity; however, it can also lead to significant challenges, including communication barriers, resistance to change, and difficulties in achieving synergy.

Cultural integration is a critical aspect of M&A, as it can significantly impact the overall success of the combined organisation. Research has shown that a significant number of M&A deals fail to achieve their intended objectives, with cultural clashes being a primary contributor to this failure (Cartwright and Schoenberg, 2006). As organisations combine their resources, operations, and strategies, they must also address the complexities of integrating diverse cultural values, norms, and practices (Petraite et al., 2017). Successfully navigating these cultural differences can enhance employee satisfaction, innovation, and overall organisational performance, while failure to do so can lead to inefficiencies, employee turnover, and even the collapse of the merger or acquisition.

The purpose of this study is to investigate the process of cultural integration in M&A involving African and European companies. The research aims to shed light on the challenges faced by organisations as they integrate culturally diverse employees and practices, as well as identify the strategies and best practices that lead to successful cultural integration. By examining the experiences of companies from different geographical and cultural contexts, this study seeks to contribute to the understanding of cross-cultural dynamics in M&A and provide valuable insights for practitioners, policymakers, and researchers.

## 1.2 Research Objectives

1. To determine the role of cultural integration in the success of mergers and acquisitions between African and European companies.
2. To identify the cultural differences that can impact the success of mergers and acquisitions.
3. To explore the challenges and best practices for cultural integration during the merger and acquisition process.
4. To recommend strategies for managing cultural differences and enhancing cultural integration in mergers and acquisitions.

## 1.3 Research Questions

Based on the research objectives, the research questions that guide this study are:

1. What role does cultural integration play in the success of mergers and acquisitions in African and European companies?
2. What are the cultural differences that can impact the success of mergers and acquisitions?
3. What are the challenges and best practices for cultural integration during the merger and acquisition process?
4. What are the strategies for managing cultural differences and enhancing cultural integration in mergers and acquisitions?

## 1.4 Scope and Limitations of the Study

The scope of this study is limited to an exploratory investigation of cultural integration in M&A involving African and European companies. The research focuses on a sample of organisations across various industries and sectors to provide a comprehensive understanding of the phenomenon. However, the study's findings may not be generalizable to all M&A contexts, as cultural dynamics can vary depending on the countries, industries, and specific companies involved.

This study employs a qualitative approach, using case studies to gain insights into the experiences of companies and individuals involved in M&A. While this approach enables a rich understanding of the complexities of cultural integration, it may not capture the full extent of the phenomenon or provide definitive conclusions.

# Literature Review

The literature review for this study focuses on the concept of cultural integration in mergers and acquisitions. It explores the different approaches and frameworks that have been proposed to manage cultural differences between companies during the integration process. Furthermore, it also examines the existing research on cultural integration in African and European contexts, highlighting the similarities and differences in their approaches to cultural integration in M&A transactions.

## 2.1 Theoretical Framework

The theoretical framework for this study draws upon various theories and models that have been proposed in the literature to explain the process of cultural integration in M&A transactions. The models reviewed are resource-based view, transactional cost theory, and institutional theory. By applying these theories to the context of African and European companies, this study aims to provide a deeper understanding of the factors that contribute to successful cultural integration in M&A transactions.

### 2.1.1 Resource Based View (RBV)

The Resource-Based View (RBV) is a theoretical framework that has been extensively employed in the study of mergers and acquisitions (M&A). This perspective, as articulated by Bertram (2016), posits that firms engage in M&A activities with the primary objective of acquiring resources that are valuable, rare, inimitable, and non-substitutable (VRIN). These resources, according to the RBV, are instrumental in conferring a competitive advantage on the acquiring firm.

The RBV provides a compelling dimension for the motivation behind M&A activities. It suggests that firms are not just seeking to expand their market share or achieve economies of scale but are fundamentally interested in the resources that other firms possess (Bertram, 2016). These resources could be tangible, such as proprietary technology or key personnel, or intangible, such as brand reputation or organisational knowledge.

The RBV is particularly relevant in cross-cultural M&A transactions, as it helps to explain why firms may seek to acquire companies with different cultural backgrounds. For instance, a European company may acquire an African company in order to gain access to natural resources that are abundant in Africa but scarce in Europe. Alternatively, an African company may acquire a European company in order to gain access to advanced technology or management expertise. The RBV therefore provides a useful lens through which to examine the strategic motivations behind cross-cultural M&A transactions (Zubac, Hubbard, and Johnson, 2010).

Furthermore, the RBV also emphasises the importance of internal resources and capabilities in creating a sustainable competitive advantage. This means that firms should not only focus on acquiring external resources but also on developing their own unique capabilities (Li-Ying, Wang and Ning, 2016). A company may invest in research and development to create a new product that cannot be easily replicated by competitors. By doing so, the company can create a competitive advantage that is not solely reliant on external resources.

However, the RBV has been criticised for its lack of specificity in explaining the conditions under which firms can successfully integrate these acquired resources to achieve synergy (Harrison *et al.*, 2001). As Peng (2001) points out, the RBV does not provide a clear roadmap for how firms can effectively combine and utilise these resources post-acquisition. This is a significant limitation, as the success of M&A activities often hinges on the effective integration of resources.

Alexy et al. (2018) further argue that the RBV, while emphasising the importance of resources, does not adequately consider the role of culture in M&A integration. This is a significant oversight, as cultural integration is often a critical factor in the success or failure of M&A activities. Cultural differences can lead to misunderstandings, conflict, and a lack of cohesion, all of which can undermine the potential benefits of resource integration.

In the context of M&A between African and European companies, the role of culture becomes even more significant. These firms are not just integrating resources but are also navigating cultural differences that span continents. The RBV, in its current form, does not provide a comprehensive framework for understanding and managing these cultural complexities.

### 2.1.2 Transaction Cost Theory (TCT)

Transaction Cost Theory (TCT) is another theoretical lens that has been employed to understand the dynamics of mergers and acquisitions (M&A). This theory, first proposed by economist Ronald Coase and later developed by Oliver Williamson, centres around the costs associated with conducting economic activities. These costs, often referred to as transaction costs, can include search and information costs, bargaining and decision costs, and policing and enforcement costs.

In the context of M&A, TCT suggests that firms may engage in these activities as a strategy to minimise transaction costs (Gulbrandsen, Jay Lambe, and Sandvik, 2017). By consolidating operations, firms can potentially achieve economies of scale, streamline processes, and reduce the costs associated with coordinating economic activities. A firm may acquire another to eliminate the need for costly contracts or to reduce the costs associated with negotiating and enforcing agreements (Madhok, 1996).

Chand and Tanwar (2013) further posit that M&A can be seen as a response to market failures. When the costs of conducting business in the market (i.e., transaction costs) exceed the costs of conducting the same activities within a single firm (i.e., through M&A), firms may choose to merge with or acquire other firms. This perspective provides a compelling explanation for why firms choose to engage in M&A activities, as it highlights the potential cost savings and efficiency gains that can be achieved through consolidation.

However, TCT has been criticised for its narrow focus on economic factors. Foss and Klein (2010) argue that TCT neglects the socio-cultural aspects of M&A, which can play a critical role in the success or failure of these activities. In particular, TCT does not account for the potential impact of cultural differences on transaction costs during the integration process.

Cultural differences can also lead to misunderstandings, conflict, and a lack of cohesion, all of which can increase transaction costs and undermine the potential benefits of consolidation (Weber, Tarba and Bachar, 2012). This is particularly relevant in the context of cross-cultural M&A transactions, such as those between African and European companies. These firms are not just integrating operations and resources but are also navigating cultural differences that span continents.

Moreover, TCT assumes that firms are able to accurately estimate and compare transaction costs pre- and post-acquisition (Chand and Tanwar, 2013). However, this may not always be the case, particularly when dealing with intangible and complex factors such as culture. The costs associated with cultural integration may be difficult to quantify and may not become apparent until after the acquisition has taken place.

### 2.1.3 Institutional Theory

Institutional theory offers a more encompassing perspective on mergers and acquisitions (M&A), focusing on the influence of institutional environments on organisational behaviour. This theory, which originated in the field of sociology, posits that organisations are deeply embedded within broader institutional environments, which consist of regulatory, normative, and cognitive structures that provide stability and meaning to social behaviour (Suddaby *et al.*, 2010).

In the context of M&A, institutional theory suggests that these activities can be seen as a response to external pressures and norms. Firms may engage in M&A not just for economic reasons but also to conform to industry standards and practises, gain legitimacy, or respond to expectations from various stakeholders (Raynard, Johnson, and Greenwood, 2015). A firm may choose to merge with or acquire another firm to comply with regulatory requirements, align with industry trends, or meet societal expectations.

Institutional theory provides a valuable lens to understand the influence of the institutional context on M&A, including cultural, regulatory, and political factors. In cross-cultural M&A transactions, such as those between African and European companies, the role of institutional factors becomes even more significant. These firms are not just navigating differences in organisational culture but are also dealing with differences in institutional environments, which can have a profound impact on the integration process (Suddaby *et al.*, 2010).

However, institutional theory has been critiqued for potentially overemphasising the role of external forces and understating the strategic decision-making and agency of firms in M&A. Ballesteros and Kunreuther (2018) argue that while institutional pressures can influence firm behaviour, they do not determine it. Firms are not just passive recipients of institutional pressures; they are active agents that can shape their institutional environments and strategically respond to institutional pressures.

Moreover, institutional theory tends to focus on the macro-level institutional environment and may overlook the micro-level processes and dynamics that occur during the M&A integration process. While institutional pressures can shape the decision to engage in M&A, the success of these activities often hinges on the effective integration of resources, cultures, and operations, which is a complex and nuanced process that may not be fully captured by institutional theory (Steigenberger, 2017).

### 2.1.4 Applicability in the Cultural Context

Approaching M&A transactions from a cultural lens, a combination of the resource-based view (RBV) and institutional theory is more applicable. The RBV is relevant because it focuses on the resources that companies seek to acquire through M&A, which can include not only tangible assets but also intangible ones such as knowledge, skills, and culture (Bertram, 2016). This theory can help explain why companies choose to engage in M&A and what they hope to gain from these activities. However, the RBV does not provide a clear roadmap for how firms can effectively integrate these resources post-acquisition, particularly in the context of cultural integration.

On the other hand, institutional theory can provide a broader perspective on M&A by emphasising the role of institutional environments in shaping organisational behaviour. This theory can shed light on the influence of the institutional context on M&A, including cultural, regulatory, and political factors. Given the cross-cultural nature of the M&A being studied in this dissertation (between African and European companies), understanding the role of institutional factors becomes even more significant.

However, neither theory alone fully addresses the complexities of cultural integration in M&A. Therefore, a combined approach that integrates the strengths of both theories could provide a more comprehensive framework for understanding and managing cultural integration in M&A. This approach would recognise the importance of resources (as emphasised by the RBV), while also acknowledging the influence of institutional factors (as emphasised by Institutional Theory) and the strategic decision-making of firms.

Furthermore, incorporating insights from cross-cultural management literature, which can provide specific strategies and best practises for managing cultural differences and facilitating cultural integration in M&A transactions, would be beneficial. This would provide a more practical and actionable framework for managing cultural integration in M&A, which is particularly relevant for the dissertation topic.

## 2.2 Cultural Integration in M&A

### 2.2.1 Cultural Dimensions in M&A

Cultural integration in M&A is a complex process that involves a range of cultural dimensions. These dimensions can include differences in language, communication styles, values, beliefs, attitudes, and behaviours. In order to successfully manage cultural integration in M&A, it is important to understand and address these cultural dimensions in a strategic and systematic way. This requires a deep understanding of both the cultural similarities and differences between the merging firms, as well as the broader cultural context in which the M&A is taking place.

Hofstede's cultural dimensions framework is a widely used tool in M&A research to examine cultural differences. This framework identifies five dimensions: power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance, and long-term versus short-term orientation. These dimensions provide a structured way to compare national cultures and predict potential cultural clashes in M&A. However, Hofstede's model has been critiqued for potentially oversimplifying cultural complexity and overlooking intra-national variations (Beugelsdijk and Welzel, 2018). Cultures are not monolithic, and there can be significant cultural diversity within a single country (Taras, Steel and Kirkman, 2016). Therefore, relying solely on Hofstede's model may lead to an incomplete or inaccurate understanding of cultural differences in M&A.

In response to these limitations, the GLOBE study offers a more nuanced perspective on cultural dimensions. In addition to the dimensions identified by Hofstede, the GLOBE study considers additional factors such as performance orientation, humane orientation, and assertiveness (Shi and Wang, 2011). These additional dimensions provide a more comprehensive understanding of cultural differences, which can be particularly valuable in the context of M&A.

### 2.2.2 The Influence of Cultural Differences on M&A Performance

Several studies have highlighted the significant influence of cultural differences on M&A performance. Habib et al. (2014) found that cultural differences between merging organisations negatively affected employee satisfaction, commitment, and turnover intentions. This suggests that cultural clashes can have a detrimental impact on employee morale and retention, which can undermine the success of M&A.

Similarly, Brock (2005) showed that cultural clashes could impede the realisation of synergies and value creation in M&A. This suggests that cultural differences can create friction and conflict, which can disrupt the integration process and prevent the merging firms from achieving their strategic objectives.

However, some researchers contend that the impact of culture on M&A outcomes may be moderated by factors such as management practices and integration strategies (Delis et al., 2020). This suggests that the relationship between cultural differences and M&A performance is more complex than initially suggested by some studies. Furthermore, scholars believe that it is not just the presence of cultural differences that matters but also how these differences are managed.

### 2.2.3 Strategies for Cultural Integration in M&A

Existing literature on cultural integration in M&A proposes several strategies for addressing cultural differences and fostering a successful integration process. Some authors emphasise the importance of pre-merger cultural due diligence to identify potential cultural conflicts and develop integration plans accordingly (Dörrenbächer and Witzmann, 2015). This can help firms anticipate potential cultural clashes and take proactive steps to mitigate them.

Others highlight the role of effective communication, leadership commitment, and cultural training programmes in facilitating cultural integration. Effective communication can help reduce misunderstandings and build trust; leadership commitment can signal the importance of cultural integration; and cultural training programmes can equip employees with the skills and knowledge to navigate cultural differences. Communication is another critical factor in the process of cultural integration. Effective communication can help reduce misunderstandings, build trust, and foster a sense of unity and cohesion among employees from different cultural backgrounds.

Research has shown that open, transparent, and respectful communication can enhance employee satisfaction, commitment, and trust during the M&A process (Appelbaum et al., 2000). This includes not only formal communication, such as announcements and updates, but also informal communication, such as discussions and conversations.

Moreover, communication is not just about transmitting information but also about listening and understanding. By actively listening to employees' concerns, questions, and suggestions, firms can gain valuable insights into the cultural dynamics at play and develop more effective strategies for cultural integration (Purdy and Manning, 2015).

Leadership also plays a crucial role in the process of cultural integration during M&A. Leaders are responsible for setting the tone for the integration process, communicating the vision for the merged entity, and fostering an environment that respects and values cultural diversity. They also play a key role in managing cultural conflicts and tensions that may arise during the integration process. Research highlights that transformational leadership, which involves inspiring and motivating employees towards a shared vision, can be particularly effective in facilitating cultural integration (Bass & Riggio, 2006). Transformational leaders can help to bridge cultural differences, foster a sense of unity and belonging, and facilitate the creation of a new, shared organisational culture.

Moreover, leadership commitment to cultural integration can signal to employees that cultural integration is a priority for the organisation, which can enhance employee buy-in and participation in the integration process (Rupert *et al.*, 2010). This can be particularly important in cross-cultural M&A, where employees may have concerns or anxieties about the impact of the merger on their cultural identity and work practises.

Cultural training programmes can also play a key role in facilitating cultural integration. These programmes can equip employees with the knowledge and skills to understand, respect, and navigate cultural differences. Research indicates that cultural training can enhance intercultural competence, reduce cultural misunderstandings and conflicts, and foster a more inclusive and harmonious organisational culture (Bhawuk & Brislin, 2000). This can be particularly important in cross-cultural M&A, where employees may need to interact and collaborate with colleagues from different cultural backgrounds.

However, the effectiveness of these strategies may vary depending on the context and the specific cultural dimensions involved. Therefore, there is no one-size-fits-all approach to cultural integration in M&A. Firms need to adopt a flexible and context-specific approach, taking into account the unique characteristics of the merging firms and their cultural environments (Sales *et al.*, 2022).

## 2.3 M&A in Africa and Europe

Mergers and acquisitions (M&A) activity in Africa and Europe has evolved significantly over the past decades. The landscape of European M&A has been characterised by periods of rapid growth and decline, reflecting changes in economic and political conditions (Moschieri and Campa, 2009). These fluctuations have been influenced by various factors, including economic cycles, regulatory changes, and geopolitical events. The financial crisis of 2008 led to a sharp decline in M&A activity, while the subsequent recovery and the advent of new technologies spurred a new wave of M&A.

On the other hand, African M&A has experienced steady growth as the continent has become more integrated into the global economy (Wilson and Bala, 2020). In 2017, Vodafone, a South African telecommunications company, acquired the majority stake in Kenya's Safaricom, creating one of the largest mobile phone companies in Africa (Vodafone, 2017). This cross-border merger involved navigating cultural differences and regulatory frameworks across multiple African countries. The success of this merger depended on effective communication and collaboration between employees from different cultural backgrounds and the ability to adapt to local business practises and regulations. Despite the challenges associated with doing business in Africa, such as political instability and regulatory uncertainty, many firms see significant opportunities in the continent's growing markets, abundant resources, and youthful population (Amankwah-Amoah, Osabutey and Egbetokun, 2018).

M&A activity in Africa and Europe spans various industries and sectors, including energy, telecommunications, finance, and manufacturing (Ellis et al., 2015). The industry context can have a significant impact on the dynamics of M&A, including the motivations for M&A, the challenges and opportunities associated with integration, and the outcomes of M&A.

Some studies have suggested that the challenges and opportunities associated with cultural integration may vary depending on the industry context (Sales *et al.*, 2022). M&A in highly regulated industries, such as finance and energy, may require a greater emphasis on aligning organisational cultures to ensure compliance with industry-specific norms and standards. In contrast, M&A in more dynamic and innovative industries, such as technology and telecommunications, may require a greater emphasis on fostering a culture of innovation and agility.

However, research on the relationship between industry context and cultural integration in M&A involving African and European firms remains limited. This is a significant gap in the existing literature, as understanding the industry context can provide valuable insights into the dynamics of cultural integration and the strategies for managing cultural differences in M&A.

### 2.3.1 Cultural Dimensions of African and European Firms in M&A

African and European companies exhibit distinct cultural dimensions, which can create unique challenges and opportunities in M&A. According to Hofstede's cultural dimensions framework, African cultures tend to have higher power distance and collectivism, while European cultures may be more individualistic and have lower power distance (Komarraju and Cokley, 2008).

These cultural differences can impact various aspects of M&A integration, such as communication, decision-making, and leadership styles. Firms from high power distance cultures may have more hierarchical decision-making processes, while firms from low power distance cultures may have more participative decision-making processes (Dimitratos *et al.*, 2011). Similarly, firms from collectivist cultures may place a greater emphasis on group harmony and cooperation, while firms from individualistic cultures may place a greater emphasis on individual initiative and autonomy (Tjosvold, Wu and Chen, 2010).

When it comes to M&A activity between African and European firms, cultural integration is particularly important to consider. The industry context plays a significant role in shaping the dynamics of M&A and the strategies for managing cultural differences. African and European companies have distinct cultural dimensions, which can impact various aspects of M&A integration, such as communication, decision-making, and leadership styles. These differences need to be taken into account when planning and implementing successful M&A transactions between these regions (Ellis et al., 2015).

### 2.3.2 The Role of the Business Environment in M&A

The regulatory environment plays a crucial role in M&A activities in both Africa and Europe. Regulatory policies can either facilitate or hinder the process of M&A. In Europe, the European Union's competition policy plays a significant role in M&A activities (McGowan and Cini, 1999). The policy aims to prevent the distortion of competition within the European Single Market, and as such, any M&A that leads to a significant impediment to effective competition can be prohibited.

In Africa, the regulatory environment varies significantly across countries. Some African countries have well-developed regulatory frameworks for M&A, while others are still in the process of developing these frameworks. The regulatory environment can influence the attractiveness of a country for M&A activities, the process of obtaining regulatory approval for M&A, and the strategies for managing regulatory risks (Zámborský *et al.*, 2021).

However, there are also cases where regulatory policies can be manipulated for personal or political gain, leading to an unfavourable environment for M&A. In some African countries, the regulatory environment may be subject to corruption and favouritism, leading to a lack of transparency and fairness in the M&A process (Uromi, 2014). This can discourage foreign investment and hinder economic growth in the region.

Economic factors also play a significant role in M&A activities in Africa and Europe. These factors include economic growth, market size, access to resources, and the level of economic development. European countries with strong economic growth and large markets can be attractive destinations for M&A. Similarly, African countries with abundant resources and fast-growing markets can attract M&A activity. However, economic factors can also pose challenges for M&A. Economic instability can increase the risks associated with M&A and make it more difficult to achieve the expected benefits of M&A (Li-Ying, Wang and Ning, 2016). Therefore, firms need to carefully assess the economic factors in their target markets and develop strategies to manage these factors.

## 2.4 Summary

The literature review provided a comprehensive overview of the theoretical foundations of mergers and acquisitions (M&A), the role of cultural integration in M&A, and the specific context of M&A involving African and European firms. It highlighted the complexity of cultural integration in M&A and the need for a nuanced and context-specific approach to this process. It has also identified several gaps in the existing literature, particularly in relation to the cultural dimensions of African and European firms in M&A and the influence of industry context on cultural integration.

These insights and gaps provide a strong foundation for the research methodology. The methodology will discuss the framework and methods implemented in conducting the research. This will include the research design, data collection methods, and data analysis techniques, as well as considerations of research ethics and reliability. The aim is to develop a robust and rigorous research methodology that can generate valuable insights into the dynamics of cultural integration in M&A and contribute to the development of more effective strategies for managing cultural differences in M&A.

# Research Methodology

This chapter outlines the research methodology employed in this study, providing a comprehensive overview of the approach and methods used to explore the role of cultural integration in mergers and acquisitions (M&A) involving African and European companies. The chapter aims to provide a clear and detailed explanation of the research philosophy, design, method, data collection and analysis techniques, as well as the ethical considerations and limitations of the study.

The methodology is designed to ensure a robust and rigorous exploration of the research topic, providing valuable insights into the research questions and objectives. The chapter serves as a roadmap for the research process, guiding the collection, analysis, and interpretation of the data.

In the following sections, each component of the research methodology will be discussed in detail, providing a thorough understanding of the research process and the rationale behind the chosen methods. This will set the stage for the subsequent presentation and discussion of the research findings in the later chapters.

## 3.1 Research Approach

The research philosophy for this study is rooted in the interpretivist paradigm. Interpretivism is a philosophical approach that emphasises the subjective and interpretive nature of social reality and knowledge. It posits that reality is not objective and external but is socially constructed and understood through human interpretations and interactions (Bryman and Bell, 2015).

This interpretivist approach is particularly suited to this study, which seeks to understand the complex and nuanced phenomenon of cultural integration in mergers and acquisitions (M&A) involving African and European companies. Cultural integration is not a straightforward, objective process, but is shaped by the interpretations and interactions of the individuals and groups involved. Therefore, an interpretivist approach allows for a deeper and more nuanced understanding of this process, taking into account the subjective experiences and perspectives of the actors involved (Bryman et al., 2022).

Moreover, the interpretivist approach aligns well with the research objectives and questions. The objectives and questions are focused on understanding the role of cultural integration in M&A, identifying cultural differences that can impact M&A success, exploring the challenges and best practices for cultural integration, and recommending strategies for managing cultural differences. These objectives and questions require an in-depth, interpretive analysis of cultural integration, which is facilitated by the interpretivist approach.

## 3.2 Research Design

The research design for this study is exploratory in nature. This design was chosen due to the nature of the research questions and the type of data available for the study.

An exploratory design is suitable for this study as it allows for an in-depth investigation into a relatively under-researched area (Olawale et al., 2023). The exploratory nature of this study enables the study to uncover nuanced insights and generate new understandings about the role of cultural integration in M&A, the cultural differences impacting M&A success, the challenges and best practices for cultural integration, and strategies for managing cultural differences.

The use of secondary data in this research design is a practical approach given the breadth of existing literature on the subject. Secondary data, including academic articles, industry reports, and case studies, provide rich, diverse, and extensive sources of information that can be analysed to answer the research questions (Bowen, 2009). This method is particularly useful for examining patterns, challenges, and strategies across a wide range of cases and contexts, thereby providing a comprehensive view of the research topic.

## 3.3 Research Method

The research method adopted for this study is a qualitative case study approach, using secondary data analysis. This method involves the in-depth examination of specific instances or 'cases' of mergers and acquisitions (M&A) between African and European companies, using existing data sources such as academic articles, industry reports, and case studies.

The case study approach is particularly suitable for this research due to its emphasis on exploring complex phenomena in their real-world contexts (R. Ponelis, 2015). It allows for an in-depth exploration of the role of cultural integration in M&A, the cultural differences that can impact M&A success, the challenges and best practices for cultural integration, and strategies for managing cultural differences. Each case provides a unique context that can yield rich, detailed, and nuanced insights into these aspects.

The use of secondary data for the case study is both practical and effective. It allows for a broad range of cases to be examined without the time, cost, and logistical challenges associated with primary data collection (Smith, 2008). The secondary data sources for this study were carefully selected to ensure they are relevant, reliable, and of high quality.

Moreover, the use of secondary data allows for a longitudinal perspective, as the data often spans several years, providing insights into the evolution of cultural integration strategies and their outcomes over time (R. Ponelis, 2015). This is particularly valuable for understanding the long-term impact of cultural integration on the success of M&A.

## 3.4 Data Collection Method

The data collection method for this study involves the systematic gathering of secondary data from a variety of sources. These sources include academic articles, industry reports, case studies, and other relevant publications. The data was collected from reliable databases such as Google Scholar, JSTOR, EBSCOhost, and industry-specific databases.

Academic articles were a primary source of data due to their rigorous peer-review process, which ensures the reliability and validity of the information. These articles provide in-depth insights into the theoretical and empirical aspects of cultural integration in mergers and acquisitions (M&A), as well as specific cases of M&A involving African and European companies.

Industry reports and case studies were also valuable sources of data, providing real-world examples and practical insights into the process of cultural integration in M&A. These sources offer a more applied perspective, complementing the theoretical insights gained from academic articles.

The selection of these sources was guided by the relevance to the research questions and objectives was paramount. Only sources that provided information directly related to cultural integration in M&A, and specifically in the context of African and European companies, were selected.

Furthermore, the credibility of the sources was considered. Sources were selected based on their authorship, publication outlet, and the rigour of their methodology. This ensured that the data collected was reliable and valid.

The recency of the sources was also considered. While some older sources were included due to their foundational or seminal contributions to the topic, emphasis was placed on more recent sources to ensure the data reflects current trends and practices in M&A and cultural integration.

## 3.5 Sample Selection

The sample for this study consists of a selection of secondary data sources, including academic articles, industry reports, and case studies that focus on cultural integration in mergers and acquisitions (M&A) involving African and European companies.

The sampling strategy employed for this study is purposive sampling, a non-probability sampling method where sources are selected based on their relevance and contribution to the research objectives and questions (Braun & Clarke, 2006). This strategy is particularly suitable for this study as it allows for the selection of sources that provide the most valuable and pertinent information about the research topic.

The criteria used to select the sample were based on relevance, credibility, and recency. Relevance was determined by the extent to which the source provided insights into cultural integration in M&A, specifically in the context of African and European companies. Credibility was assessed based on the authorship, publication outlet, and methodological rigour of the source. Recency was considered to ensure that the sample reflects current trends and practices in M&A and cultural integration.

The sample includes a diverse range of sources to ensure a comprehensive and nuanced understanding of the research topic. Academic articles provide theoretical and empirical insights, industry reports offer practical perspectives and real-world examples, and case studies allow for an in-depth exploration of specific instances of M&A.

## 3.6 Data Analysis Method

The data analysis method for this study is thematic analysis, a widely used qualitative method that involves identifying, analysing, and reporting patterns (themes) within the data (Braun & Clarke, 2006). Thematic analysis is particularly suitable for this study as it allows for a flexible and detailed exploration of the data, identifying relevant themes.

The thematic analysis process involves several steps. Firstly, the data is familiarised through repeated reading, allowing for an immersive and in-depth understanding of the content. Secondly, initial codes are generated, which identify features of the data that are relevant to the research questions. These codes are then collated into potential themes, which capture something important about the data in relation to the research questions. The themes are then reviewed and refined, ensuring they accurately represent the data. Finally, the themes are defined and named, and the analysis is written up.

Thematic analysis allows for a detailed and nuanced exploration of these aspects, identifying patterns and themes within the data that provide valuable insights into these questions (Braun & Clarke, 2006).

## 3.7 Limitations

One of the primary limitations is the reliance on secondary data. While secondary data provides a wealth of information and is time and cost-effective, it also presents certain challenges. The quality and accuracy of the data are dependent on the original source, and any biases or errors in the original research could potentially affect this study (Smith, 2008). Sources were carefully selected for their relevance, credibility, and recency to ensure the highest quality data was used

The potential for researcher bias in the interpretation of the data presents another limitation. As the data is being interpreted through the lens of the researcher, there is a risk that personal biases could influence the analysis and interpretation of the findings (Smith, 2008). To address this, a systematic and transparent approach to data analysis was employed, and findings were grounded in the data to ensure objectivity.

The use of a qualitative approach, while providing depth and detail, may limit the generalisability of the findings (Bryman et al., 2022). The insights gained from this study are context-specific and may not be applicable to all M&A situations involving African and European companies. However, while the findings may not be universally applicable, they provide valuable insights into the specific context of M&A involving African and European companies, contributing to the broader understanding of cultural integration in M&A.

## 3.8 Ethical Considerations

Ethical considerations are paramount in any research endeavour, including studies that utilise secondary data. While the use of secondary data may not present the same ethical concerns as primary data collection, such as issues of informed consent or privacy, it does have its own unique set of ethical considerations (Bryman et al., 2022).

The proper attribution of sources represents an area for ethical concern (Smith, 2008). It is crucial to ensure that all sources of secondary data are correctly cited to acknowledge the original authors' contributions and avoid plagiarism. This includes not only direct quotes but also paraphrased ideas and findings.

Another ethical consideration is the potential misuse or misinterpretation of the secondary data (Smith, 2008). The data was originally collected for different purposes, and it is essential to ensure that it is interpreted accurately and in the correct context. Misinterpretation or misuse of the data could lead to inaccurate conclusions and potentially harm the reputation of the original authors or the subjects of the data.

To uphold ethical standards in this research, all sources of secondary data were meticulously cited to ensure proper attribution. Furthermore, the data was interpreted with care and respect for the original context and purpose of the data collection. Any potential ambiguities in the data were acknowledged, and caution was exercised in drawing conclusions from the data.

The research was also conducted with honesty and integrity. There was no fabrication, falsification, or misrepresentation of the data. The limitations of the study were openly acknowledged, and the findings were reported accurately and transparently.

# Data Analysis

In this chapter, the data collected through the systematic review of 12 secondary sources, including academic articles and case studies, will be analysed using thematic analysis. This analysis aims to address the following research questions:

1. What role does cultural integration play in the success of mergers and acquisitions in African and European companies?
2. What are the cultural differences that can impact the success of mergers and acquisitions?
3. What are the challenges and best practices for cultural integration during the merger and acquisition process?
4. What are the strategies for managing cultural differences and enhancing cultural integration in mergers and acquisitions?

The data collected represents a diverse range of perspectives and experiences related to cultural integration in mergers and acquisitions between African and European companies.

## Data Familiarization and Coding Process

The first step in the data analysis process was to become thoroughly familiar with the data. This phase is crucial as it lays the foundation for the subsequent stages of analysis.

The familiarization process began with the first reading of each source. During this initial reading, the aim was to gain a general understanding of the content and context of each piece. Attention was paid to the overall structure, key arguments, and main findings presented in each source. This first reading helped establish a broad sense of the data and its relevance to the research questions.

After the initial reading, each source was read again, this time more actively and analytically. During this second reading, notes were made on the key ideas, concepts, and patterns that emerged from the data. As part of the familiarization process, attention was also paid to any contradictions, inconsistencies, or surprising elements within the data.

After familiarization with the data, the next step in the data analysis was the coding process. Coding involves identifying and labelling relevant features of the data that are pertinent to answering the research questions (Braun & Clarke, 2006). The coding process was conducted manually, with the use of coding software “Tauguette”, to allow for a more immersive and flexible engagement with the data (Saldaña, 2015).

The process of generating initial codes began with a review of each data source. Relevant passages that appeared to address the research questions or provide insights into cultural integration in mergers and acquisitions were identified and labelled with a code. Codes were assigned to chunks of data, ranging from a few words to entire paragraphs, depending on the relevance and context (Saldaña, 2015).

The coding process was open and inclusive, aiming to capture a wide range of potential themes and patterns (Braun & Clarke, 2006). Codes were generated based on the manifest content (explicit meanings) as well as the latent content (underlying ideas and assumptions) of the data (Braun & Clarke, 2006).

Examples of initial codes included *"communication challenges,"* *"leadership role,"* and *"cultural compatibility."* For instance, the following passage was coded as *"cultural compatibility"*:

*""Cultural differences, especially of national nature, play an important role in the integration process"* (Zhang, 2010) *.*

Another example of an initial code was "leadership role," as illustrated by this quote:

*“Kavanagh and Ashkanasy (2006) evaluated the effect of leadership and change management strategy on M&A integration... sophisticated change management skills are needed”* (Denison, Adkins, and Guidroz, 2011)

The coding process was iterative, with codes being refined, combined, or split as the analysis progressed (Saldaña, 2015). By the end of the coding process, a comprehensive list of initial codes had been generated, providing a foundation for the subsequent stages of thematic analysis.

## Thematic Analysis

### 4.2.1 Theme Identification

After generating initial codes from the data, the codes were collated into potential themes. This process involved grouping codes based on their shared meanings and relevance to the research questions. For example, codes such as *"Cultural similarity,"* *"Ease of post-deal integration,"* and *"CSR practices"* were grouped together as they all related to the role of cultural integration in M&A success (Bereskin et al., 2018).

An initial thematic map was developed to visualize the relationships between codes and themes. The map included themes such as *"Importance of Cultural Integration," "Managing Cultural Differences,"* *"Integration Challenges and Strategies,"* and *"Cultural Compatibility and M&A Success."* These themes were provisionally identified based on the patterns observed in the coded data.

### 4.2.2 Reviewing Themes

The initial themes were reviewed and refined by checking them against the coded extracts and the entire data set. Each theme was examined for coherence and relevance to the research objectives. During this process, some themes were merged or split to better capture the nuances in the data.

For instance, the themes *"Integration Challenges and Strategies"* and *"Managing Cultural Differences"* were merged into *"Navigating Cultural Integration Challenges."* This decision was supported by quotes such as:

*"Cross-border M&As would be more auspicious if business leaders prioritized cultural factors early in the integration process" (Iwao, 2020).*

*"Failure to manage cultural differences during mergers and acquisitions may result in flaws that slow down and threaten the integration process" (Sciriha & Debono, 2017).*

The theme *"Cultural Compatibility and M&A Success"* was split into two separate themes: *"Role of Cultural Integration in M&A Success"* and *"Cultural Differences Impacting M&A Success."* This refinement allowed for a clearer distinction between the overall importance of cultural integration and the specific cultural differences influencing M&A outcomes. Relevant quotes supporting these themes include:

*"Evidence and surveys have shown that corporate culture is very important for the success of mergers and acquisitions" (Chmielecki & Sułkowski, 2016).*

*"Cultural differences between acquirer and target are a key source of employee resistance which in turn affects acquisition performance" (Smeulders et al., 2023).*

### 4.2.3 Defining and Naming Themes

The final stage involved further refining the themes and generating clear definitions and names for each theme. The four main themes aligned with the research objectives were:

1. **Role of Cultural Integration in M&A Success:** This theme captures the overarching importance of cultural integration in determining the success of M&A between African and European companies. It includes concepts such as cultural fit, post-merger integration, and value creation. A supporting quote is: "Successful cultural integration may provide the foundation of cooperation for integrating key post-merger integration activities" (Cintron, 2020).
2. **Cultural Differences Impacting M&A Success:** This theme focuses on the specific cultural differences that can influence M&A outcomes, such as national cultural differences, communication barriers, and organizational culture gaps. A relevant quote is: "Cultural differences especially of national nature play an important role in the integration process" (Zhang, 2010).
3. **Navigating Cultural Integration Challenges:** This theme encompasses the various challenges encountered during cultural integration, such as employee resistance, lack of instrumental communication, and institutional misalignments, as well as the strategies employed to overcome these challenges. A supporting quote is: "Managers' use of integration controls moderates the impact of employee resistance following from cultural differences on acquisition performance" (Smeulders et al., 2023).
4. **Strategies for Managing Cultural Differences:** This theme focuses on the specific strategies and best practices for effectively managing cultural differences in M&A, such as leadership approaches, communication enhancements, and cultural assessment. A relevant quote is: "The ability to integrate a culturally diverse workforce...may be one of the most vital skills that business leaders need to develop" (Iwao, 2020).

The final thematic map visually represented these refined themes and their relationships, providing a clear overview of the key findings.

Figure 1 Thematic Map

# Findings and Discussion

This section presents the key findings and results from the secondary data analysis conducted to explore the role of cultural integration in mergers and acquisitions (M&A) between African and European companies. The research aimed to answer four main questions:

1. What role does cultural integration play in the success of mergers and acquisitions in African and European companies?
2. What are the cultural differences that can impact the success of mergers and acquisitions?
3. What are the challenges and best practices for cultural integration during the merger and acquisition process?
4. What are the strategies for managing cultural differences and enhancing cultural integration in mergers and acquisitions?

To answer these questions, the study adopted a qualitative approach, utilizing secondary data sources including academic articles, industry reports, and case studies. A total of 15 sources providing insights into cultural integration in African-European M&A were analysed using thematic analysis. This allowed for an in-depth exploration of patterns and themes within the data relating to the research objectives. The subsequent discussion section interprets the key results and considers limitations and areas for further research.

## 5.1 The Role of Cultural Integration In M&A Success Between African And European Companies

The role of cultural integration in determining the success of mergers and acquisitions (M&A) between African and European companies is complex and multifaceted. However, an analysis of recent scholarly evidence indicates that cultural integration is a critical factor influencing performance at multiple stages of the M&A process.

Firstly, research suggests that greater cultural similarity between the acquiring and target companies can lead to improved synergies and performance post-acquisition. A large-scale study by Bereskin et al. (2018) quantified the cultural distance between over 2,000 merging firms by comparing their corporate social responsibility (CSR) policies. They found that cultural similarity was associated with a higher likelihood of merger completion, greater operating performance and fewer goodwill impairments (Bereskin et al., 2018). The results imply that cultural fit facilitates integration and value creation, consistent with the notion that shared values and norms enable smoother post-merger coordination.

Furthermore, the impact of cultural similarity was most pronounced in labour-intensive industries and horizontal mergers, where integration challenges are greater (Bereskin et al., 2018). This aligns with Weber et al. (2011) who found cultural differences impeded integration success in high-tech mergers. Thus, cultural alignment appears particularly important when smooth integration is critical for realizing synergies.

However, while cultural fit is advantageous, deeply rooted differences between African and European business cultures may complicate integration. Hofstede's cultural dimensions indicate African cultures tend to have higher power distance and collectivism, whereas European cultures are typically more individualistic with lower power distance (Chmielecki & Sułkowski, 2016). These disparities can manifest in divergent leadership, decision-making and communication styles post-merger.

Therefore, while cultural similarity can enable integration, substantial African-European differences necessitate nuanced integration strategies to bridge divides. Gradual integration, preserving desirable cultural traits and effective communication can help reconcile differences (Snehitha et al., 2019). An incremental approach accounts for underlying variances, rather than imposing uniformity.

Secondly, research highlights cultural integration as a crucial factor across all stages of the M&A process. Denison et al. (2011) propose a multistage model where organisational culture shapes activities from planning to full integration. The quality of the integration strategy and early consideration of cultural issues influence outcomes (Denison et al., 2011). This underscores the need to evaluate cultural factors from the outset through post-merger integration.

However, several studies note that inadequate cultural analysis during due diligence is a common challenge (Angwin, Mellahi, Gomes, & Peter, 2016; Sciriha & Debono, 2017). This can result in unanticipated integration barriers, highlighting the necessity of comprehensive pre-merger cultural assessments. While cultural audits may be costly, they can reveal synergies and pitfalls prior to commitment (Angwin et al., 2016).

Post-acquisition, leadership commitment to cultural integration is critical for signalling its importance and guiding employees through uncertainty (Denison et al., 2011). Transformational leadership can unite disparate groups towards shared objectives (Bass & Riggio, 2006). Furthermore, cultural training and communication foster understanding and cohesion (Iwao, 2020; Zhang, 2010). By proactively addressing culture throughout the process, firms can potentially reduce frictions and create shared identity.

Thirdly, evidence suggests cultural clashes and mismanagement of integration are linked to poor M&A outcomes. Surveying executives globally, Cartwright and Schoenberg (2006) found cultural incompatibility resulted in acculturation difficulties during integration. Moreover, human resource problems were common consequences. This highlights how unresolved cultural differences can undermine performance.

An analysis of Greek bank mergers revealed culture clashes decreased job satisfaction and commitment while increasing turnover intentions, undermining productivity (Habib et al., 2014). Additionally, Brock (2005) demonstrated cultural conflicts impeded synergies and value creation in M&A. Thus, cultural dissimilarity appears to foster disruptive tensions that hamper integration success.

However, companies can mitigate these risks by adopting culturally sensitive strategies. Assessing compatibility, careful planning, leadership commitment and cross-cultural training are advocated (Chun et al., 2009; Habib et al., 2014). This underscores the need for proactive cultural management versus passive assimilation.

By considering multiple lenses, a complex picture emerges regarding the role of cultural integration in African-European M&A. While cultural similarity can promote smooth integration, rooted differences require nuanced strategies that respect diversity. Moreover, active management of culture is needed at all stages to realize synergies and avoid disruptive clashes. Insufficient cultural consideration appears closely linked to M&A underperformance. Therefore, evidence indicates that while inherently challenging, cultural integration remains essential for merger success between African and European partners.

## 5.2 Cultural Differences Impacting M&A Success Between African And European Companies

The analysis revealed several cultural differences between African and European companies that can impact merger and acquisition (M&A) success. These span national culture contrasts, variances in business norms and practices, and organisational culture dynamics between specific companies.

At the national culture level, African and European societies diverge across various dimensions according to prominent cultural frameworks like Hofstede and GLOBE models (Chmielecki & Sułkowski, 2016). For instance, African cultures typically exhibit higher power distance, reflecting acceptance of hierarchical power and status differences (Komarraju & Cokley, 2008). European cultures tend to have lower power distance. High power distance partnerships may struggle with leadership conflicts, communication gaps across ranks, and employee resistance to organisational changes that alter status hierarchies.

Additionally, African cultures are often more collectivist versus the individualism predominant in European cultures (Chmielecki & Sułkowski, 2016). Collectivist organisations emphasize group goals and consensus, while individualistic cultures focus on personal achievement and autonomy. These contrasts can breed tensions around performance management, accountability, and rewards post-merger.

Furthermore, uncertainty avoidance, reflecting risk tolerance and need for structure, differs between African and European societies (Hofstede Insights, 2023). European nations like Germany score highly on uncertainty avoidance versus African countries like Ghana with lower scores. Highly risk-averse, formalized cultures struggling with flexibility and change may undermine innovation and growth post-M&A.

Beyond national culture, variances in business norms and practices across Africa and Europe can also impact integration. African business culture tends to have a longer-term orientation and greater emphasis on relationship-building prior to transactions (Ellis et al., 2015). European business culture is typically more focused on short-term quantitative results. Lack of alignment around business tempo and interpersonal orientations could lead to dissatisfaction.

Additionally, traditions of oral communication and negotiation are more entrenched in Africa versus written contracts common in Europe (Moyo, 2022). Differing communication media and styles can foster misunderstandings regarding expectations, responsibilities, and objectives during integration.

Furthermore, organisational culture varies between specific African and European companies based on their histories, leaders, priorities and management styles. For instance, a South African mining company may have a highly hierarchical culture shaped by its founders, whereas a German engineering firm may have a flatter, team-based culture. Attempting to suddenly integrate these disparate operating styles, decision-making authority, and communication norms could derail synergies.

As Smeulders et al. (2023) established, cultural differences between the acquiring and target companies are a key driver of employee resistance to integration initiatives. Workforces unfamiliar with new organisational cultures may perceive centralization and standardization efforts as threats to identity and autonomy. Lack of cultural comprehension can fuel uncertainty and dysfunctional behaviours that undermine merger performance (Gunkel et al., 2015).

## 5.3 Challenges of Cultural Integration Between African and European Companies In M&A

The findings revealed several salient challenges related to cultural integration in mergers and acquisitions between African and European companies. These challenges span the pre-merger, merger, and post-merger phases, highlighting the need for cultural considerations throughout the entire process.

One major challenge emphasized in multiple sources is the neglect of rigorous cultural analysis and planning during the due diligence and pre-merger phase (Angwin et al., 2016; Sciriha & Debono, 2017). Schoenberg (2000, as cited in Cartwright & Schoenberg, 2006) found that less than a third of organisations conduct cultural due diligence prior to acquisition. This oversight results in a lack of cultural awareness and understanding between merger partners in the early stages.

When cultural dynamics are not thoroughly evaluated and strategy is not developed to address potential differences, firms become vulnerable to unanticipated integration barriers post-acquisition (Angwin et al., 2016). Issues such as conflicting decision-making approaches, leadership styles, and organisational structures may surface without warning. As Denison et al. (2011) contend, the quality of the integration strategy is directly linked to merger outcomes. Thus, insufficient attention to culture from the outset appears to be a recurrent challenge.

During the actual merger process, communication breakdowns stemming from cultural dissimilarity can disrupt integration momentum. Iwao (2020) notes how differences in communication styles and languages can lead to misunderstandings and gaps in information flow. Zhang (2010) also found cross-cultural communication problems were a key integration challenge. These barriers may be more pronounced between African and European partners due to divergent norms around directness, hierarchy, and decision-making (Chmielecki & Sułkowski, 2016).

Additionally, employee resistance triggered by cultural contrasts can undermine integration success. Smeulders et al. (2023) established that cultural differences between acquisition partners are a major predictor of workforce opposition. This resistance arises from employee anxiety, confusion, and fear of identity loss when organisational cultures collide (Gunkel et al., 2015). Resulting tensions and conflicts can disrupt synergies and performance post-merger.

Furthermore, multiple analyses pointed to a lack of leadership commitment and cultural strategy as recurring stumbling blocks. Despite literature emphasizing the vital role of leadership in integration, Iwao (2020) found an absence of leadership direction and support for culture to be problematic. Similarly, Denison et al. (2011) observed how leadership frequently does not adequately prioritize or manage cultural factors. Without concerted leadership attention, cultural concerns can remain unaddressed, leading to issues such as workforce fragmentation, unaligned systems, and lost productivity (Chun et al., 2009). The development and communication of a clear cultural vision and integration strategy by leaders appears crucial for navigation, yet often lacking.

Key challenges surrounding cultural integration between African and European merger partners span the pre-acquisition, acquisition, and post-acquisition phases. Insufficient cultural analysis during due diligence leaves firms ill-prepared for ensuing integration. Communication breakdowns and employee resistance driven by cultural dissimilarity can fracture relationships and impede synergies. An absence of leadership focus on culture precludes the direction and vision needed for successful navigation of differences.

Proposed solutions emphasize early culturally informed analysis and planning, leadership commitment to cultural concerns, cross-cultural communication and training, and gradual integration that respects differences (Chun et al., 2009; Habib et al., 2014). By anticipating, monitoring, and proactively addressing cultural factors throughout the M&A process, African and European companies can potentially overcome integration hurdles and capitalize on synergies between their distinct yet complementary cultures. With careful management, differences can become an asset versus an obstacle.

## 5.4 Context Dynamics

The analysis revealed additional findings highlighting the influence of industry and regional contexts as well as colonial ties and distance on cultural integration and M&A outcomes between African and European companies.

Firstly, the existing literature suggests industry characteristics and trends can shape cultural dynamics and integration approaches in African-European mergers (Ellis et al., 2015; Vanwalleghem et al., 2020). For example, privatization of state-owned enterprises was a major driver of M&A in the African oil and gas sector in the 1990s. This resulted in acquisitions of African firms by European oil giants like Total and Shell. Integrating organisations with vastly different ownership structures and operating philosophies posed cultural challenges (Ellis et al., 2015).

By contrast, the African telecom sector has seen rapid growth and technological change recently with several mergers between African mobile operators and European telecom giants like Vodafone, Orange and MTN (Vanwalleghem et al., 2020). These deals were often motivated by synergies from combining African market knowledge with European operational expertise and capital. However, bridging differences in business tempo and hierarchy between African and European telecom firms remained an integration obstacle (Ngowi, 2009 as cited in Ellis et al., 2015).

Additionally, industry regulation is an important consideration for cultural integration, especially in sectors like banking and insurance (Vanwalleghem et al., 2020). Aligning organisational cultures to industry standards may take priority over synergies in heavily regulated contexts. Furthermore, periods of major regulatory changes, as seen in African banking, may spur increased M&A activity and integration challenges (Zoogah et al., 2015).

Beyond industry effects, the regional and national contexts also appear to play a role in shaping cultural integration dynamics in African-European M&A. For example, within Africa, membership in regional economic communities like SADC and EAC has promoted intra-regional M&A activity by harmonizing regulations and reducing barriers (Wilson & Pholo, 2017). Shared regional identity may enable smoother cultural integration versus acquisitions spanning continents.

Research also demonstrates persistent links stemming from colonial relationships between many African nations and European countries (Wilson & Pholo, 2017). Colonial legacies can foster familiarity and compatibility that facilitates M&A despite national culture differences. However, negative colonial associations may also engender distrust, undermining integration (Gammeltoft et al., 2010). Managers need cross-cultural competence to appropriately leverage or reconcile colonial connections.

Additionally, geographic distance and transport/communication infrastructure between African and European nations can affect integration dynamics. Wilson and Pholo (2017) established that greater physical distance reduces M&A flows between countries, likely raising integration costs. Strength of business networks and diaspora connections can potentially help bridge distance-related divides (Gammeltoft et al., 2010).

In summary, these supplementary findings reveal crucial industry, regional, historic, and geographic context factors that intersect with national cultures to shape integration success in African-European M&A. While culture remains central, it is not static or isolated. By considering the complex contextual dynamics influencing African and European merger partners, companies can craft more effective localization strategies and synergistic solutions.

## 5.5 Best Practices and Strategies for Cultural Integration In M&A Between African and European Companies

The analysis of the literature and cases revealed several best practices and strategies for enhancing cultural integration and navigating differences in mergers and acquisitions between African and European companies. These span the pre-merger, merger, and post-merger phases.

Thorough cultural due diligence during the pre-merger phase is advocated as a critical first step (Angwin et al., 2016; Iwao 2020). Assessing the cultural compatibility of potential partners can reveal synergies and pitfalls prior to commitment, enabling informed partner selection and integration planning. Structured frameworks like SPIRIT can guide assessment of cultural compatibility across multiple dimensions including systems, skills, style, staff, strategy, structure, and shared values (Angwin et al., 2016). Comprehensive cultural audits may be resource intensive but can pay dividends through enhanced integration readiness.

Informed by due diligence insights, the development of tailored cultural integration plans is recommended (Iwao, 2020; Snehitha et al., 2019). These plans outline the vision for the merged entity, key cultural priorities, integration strategies, and required structures, systems, and resources (Denison et al., 2011). They create a roadmap for reconciling differences while pursing symbiosis between complementary strengths. Planning for culture in equal measure to finances and operations is essential.

During the actual merger event, frequent, open communication across all levels is critical for reducing anxiety and building intercultural understanding (Iwao, 2020; Zhang 2010). Interactive forums that facilitate dialogue and perspective-sharing can enable transparency and relationship-building. Two-way communication is vital, necessitating sincere listening and receptiveness versus just top-down messaging. Strong leadership commitment to cultural integration is also indispensable during the merger phase (Denison et al., 2011). Leaders must tangibly demonstrate support for culture through modelling desired mindsets and behaviours. Conveying inspirational vision rooted in shared values and maintaining open lines of communication are key leadership imperatives during turbulent transitions.

In the post-merger integration stage, cultural training programs can enhance workforce cohesion and productivity (Chun et al., 2009; Iwao 2020). Training equips employees with intercultural knowledge, attitudes and skills to bridge differences. It also signals organisational commitment to unity and collaboration. Optimal training blends expertise-sharing and relationship-building, rational and emotional learning. Furthermore, gradual integration that respects unique cultural elements is advocated over forced homogenization (Ellis et al., 2015; Snehitha et al., 2019). This involves selectively assimilating compatible systems and practices while allowing retention of cherished traditions that contribute to identity. Preserving cultural diversity where possible fosters ownership and belonging. Ongoing two-way mentoring to transfer knowledge between merger partners has also proven effective for culture building (Jordan and van Tuijl, 2014). Matching African and European managers for reciprocal mentoring builds trust, empathy and shared wisdom. This helps replace ethnocentric mindsets with pluralistic perspectives.

While inherently challenging, cultural integration can be enhanced through comprehensive assessment, planning, communication, leadership commitment, training, gradual assimilation and mentoring across pre-merger, merger, and post-merger phases. Blending insights from both backgrounds versus imposing uniformity can enable sustainable integration and competitive advantage. By proactively and sensitively promoting intercultural intelligence and relationships, African and European companies can potentially reap the benefits of their complementary capabilities.

## 5.6 Synthesizing Findings and Research Implications

This study generated several noteworthy findings regarding the role of cultural integration in M&A between African and European companies. Key results show cultural similarity promotes smoother integration, cultural factors are impactful across all M&A stages, and insufficient cultural consideration leads to integration challenges. Additional findings reveal the importance of contextual dynamics.

Synthesizing the evidence, a clear picture emerges that cultural integration is essential for African-European M&A success, although inherently complex. Cultural due diligence, planning and management strategies are needed to maximize synergies and avoid disruptive clashes between national, business and organisational culture differences. Findings align with studies emphasizing cultural integration as the primary driver of M&A performance (Weber et al., 2011).

To answer the research questions, analysis reveals cultural integration plays a critical role in African-European M&A success. Cultural fit appears pivotal, though rooted variances require nuanced navigation. Strategies must respect diversity while unifying partners. The study also illuminated national, business practice, and organisational culture differences that can impact M&A, as well as risks of insufficient cultural analysis. These insights address the questions of how culture affects M&A and specific differences that matter.

Furthermore, investigation revealed pre-merger planning, communication, leadership commitment, training and gradual integration as best practices that can potentially counteract identified challenges. This sheds light on effective integration strategies, providing practitioners culturally informed recommendations.

However, limitations temper the conclusions that can be drawn. Reliance on secondary data meant findings were restricted to what prior research has examined. The sample also comprised a small subset of the literature on African-European M&A, warranting caution in generalizing. Employing primary qualitative data could have enriched understanding of lived experiences. Quantitative analysis of cultural integration and M&A performance links was also beyond the study’s scope.

Nonetheless, the research makes a valuable contribution by synthesizing key cultural dynamics and best practices from existing African-European M&A knowledge. It addresses pertinent gaps regarding cultural integration strategies and contextual factors. The study sets the stage for further research illuminating M&A cultural complexities through primary data. Quantitative measurement of cultural integration impacts is another area for future examination to strengthen causal evidence.

# 6 Conclusion

## 6.1 Summary of Key Findings

This study generated several important insights regarding the role and dynamics of cultural integration in mergers and acquisitions between African and European companies.

The analysis demonstrated that cultural integration plays a pivotal role in determining M&A success between African and European partners. Evidence showed cultural similarities between firms can lead to greater synergies, performance, and value creation post-merger due to eased integration. Furthermore, thorough cultural assessment and management were found to be critical at all stages of the M&A process. These results align with existing literature emphasizing the vital impact of cultural integration on M&A outcomes.

However, while cultural fit can enable integration, the findings also revealed that substantial differences between African and European national cultures, business norms, and organisational practices may pose integration challenges if not strategically managed. This highlights that while cultural alignment is advantageous, deep-rooted variances require nuanced navigation to bridge divides. Prescriptive blending, gradual integration, and maintaining desirable diversities are recommended over enforced homogeneity between partners.

Additionally, insufficient consideration of cultural factors was observed to frequently derail integration efforts. Lack of cultural due diligence, planning, leadership attention, communication, and training leave firms underprepared to harness synergies and reconcile differences. Avoiding passive assimilation by proactively addressing culture is key.

Finally, the analysis uncovered the significant influence of external factors on cultural integration outcomes. Industry characteristics, trends, and regulations shape integration dynamics and priorities. Furthermore, regional proximity, colonial legacies, and diaspora links can facilitate greater cultural understanding between partners. These supplementary findings reveal the complex intersection between national cultures and contextual dynamics that must be considered when devising integration strategies.

These insights provide greater clarity regarding the multifaceted role of cultural integration in M&A outcomes between African and European companies. The findings affirm the importance of cultural considerations across the M&A process while also highlighting the risks of cultural mismanagement and the need for nuanced strategies that respect diversity. By synthesizing knowledge on this underexplored topic, the research makes a valuable contribution to both theory and practice.

## 6.2 Implication of Findings

This study carries several key implications for research and practice regarding cultural integration in African-European M&A. It highlights the vital need for cultural due diligence, planning, and active management throughout the M&A process to realize synergies between partners. The findings provide valuable insights into specific strategies and best practices for navigating national, business, and organisational cultural differences between African and European firms based on evidence. These include gradual integration, cross-cultural communication and training, leadership commitment, and mentoring.

Additionally, the research sheds light on particular cultural dynamics that require focussed attention and mitigation strategies to avoid integration pitfalls. These encompass contrasts in power distance, individualism, time orientations, communication styles, and organisational cultures. By delineating specific areas of potential alignment and variance, the study offers practitioners useful direction regarding critical integration priorities.

Moreover, the findings underline the importance of adapting integration strategies to industry and regional contexts. This context-specific perspective ensures more effective localization and illustrates how complementarities can be leveraged for competitive advantage. Overall, these insights provide an invaluable foundation to guide organisations, leaders, and scholars in unlocking the potential of African-European mergers through enhanced cultural integration.

## 6.3 Limitations of the Study

While this exploratory study provides useful insights, some limitations should be acknowledged. The research relied on a small sample of secondary sources, which constrained findings to what prior studies have examined. The sample may not represent the full spectrum of literature on African-European M&As. Relatedly, the findings may not be generalizable to all mergers between African and European companies given contextual heterogeneity. Caution is required in extrapolating insights.

Additionally, the lack of primary qualitative data limits the study's ability to provide textured insights into the lived experiences of those undergoing African-European merger integration. Secondary data cannot capture the nuanced perspectives and challenges of integration agents. Supplementary interviews could enrich understanding.

Furthermore, the study did not incorporate quantitative measurement of cultural integration strategies on M&A performance. While cultural integration was theorized to impact outcomes, this relationship was not statistically analysed. Quantitative analysis could strengthen the evidence base regarding cultural integration effects.

These limitations highlight the need for additional confirmatory research to substantiate the findings using larger samples, primary data, and quantitative measurement. This would boost generalizability, provide experiential insights, and enable testing of cause-effect relationships between integration approaches and M&A performance. Nonetheless, within its delimited scope, this study offers valuable initial evidence regarding African-European M&A cultural dynamics.

## 6.4 Recommendations for Further Research

To extend this research, several recommendations can be made for future examination of cultural integration in African-European M&A:

Firstly, collection and analysis of primary qualitative data through methods like interviews and focus groups could enrich understanding of the lived experiences of those involved in African-European merger integration. Their perspectives and narratives would provide more textured insights into cultural dynamics and integration processes.

Secondly, quantitative analysis of the relationships between specific cultural integration strategies and M&A performance could strengthen the evidence base and causal links proposed in this study. Statistical approaches could also assess integration effects over time.

Additionally, examining more countries across Africa and Europe and a wider range of industries would boost generalizability of findings and generate more nuanced insights into contextual variations. Adopting a mixed-methods approach combining qualitative and quantitative data across diverse contexts would be beneficial.

Finally, longitudinal research tracking cultural integration processes in African-European M&A over months or years would provide greater understanding of how strategies evolve and their long-term impacts. This temporal perspective is currently lacking.

Undertaking such multifaceted confirmatory research could address limitations of the present study while also building on its findings to advance scholarly and practitioner knowledge regarding effective cultural integration between African and European merger partners.

## 6.5 Conclusion

This study highlights that while inherently complex, cultural integration is essential for merger and acquisition success between African and European companies. With careful due diligence, planning, leadership, communication, training, and integration strategies, cultural differences can potentially be transformed from obstacles into sources of synergy. By respecting diversity while building shared vision and identity, partners can unlock complementary capabilities.

The research makes a valuable contribution by assembling and analysing key insights from the existing literature on this underexplored issue. It provides initial evidence regarding cultural dynamics, integration approaches, and contextual factors that have implications for both scholars and practitioners. However, more research examining the nuances and complexities of African-European M&A cultural integration using primary data is still needed.

This study establishes an important foundation and direction for future research by elucidating cultural integration as a pivotal driver of M&A outcomes that warrants greater scholarly attention. It sets the stage for further investigating the intricate challenges and best practices involved in blending African and European business cultures. There remains extensive scope for confirming and extending these findings to advance the field.

Overall, by illuminating the multifaceted role of cultural integration, this research marks an early step in realizing the abundant potential of synergistic partnerships between African and European companies through M&A. With growing cooperation and understanding, diverse merger entities can become greater than the sum of their parts.

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# Appendix

**Appendix 1: Analysis of Findings**

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| **Author** | **Findings** |
|   |   |   |   |   |
| Bereskin, F. *et al.* (2018) ‘The effect of cultural similarity on mergers and acquisitions: evidence from corporate social responsibility’, *The Journal of Financial and Quantitative Analysis*, 53(5), pp. 1995–2039. Available at: https://www.jstor.org/stable/26592009 (Accessed: 1 October 2023). |   | cultural differences are often a key driver of merger failures |   | executives often cite cultural fit as a motivating factor in making M&A deals, and that cultural misalignment can lead to merger failure.  |
|   |   |   |   |   |
| Chmielecki, M. and Sułkowski, Ł. (2016) ‘Organizational culture in mergers and acquisitions’, *Journal of Intercultural Management*, 8(4), pp. 47–58. Available at: https://doi.org/10.1515/joim-2016-0023. |   | cultural differences are a very important factor that could lead to failures in mergers. | organizations should establish a joint approach to decision making, establish an internal brand that is valuable to employees, and navigate cultural differences for a successful integration.  | organizations should establish a joint approach to decision making, establish an internal brand that is valuable to employees, and navigate cultural differences for a successful integration. |
|   |   |   | organizations should pinpoint the major risks and select a list of risks that occur the most as a point of beginning for more detailed analysis.  |
| Denison, D.R., Adkins, B. and Guidroz, A.M. (2011) ‘Managing cultural integration in cross-border mergers and acquisitions’, in W.H. Mobley, M. Li, and Y. Wang (eds) *Advances in Global Leadership*. Emerald Group Publishing Limited, pp. 95–115. Available at: https://doi.org/10.1108/S1535-1203(2011)0000006008. |   | culture is a multilevel variable that includes organizational, industrial, functional, national, occupational, and professional cultures.  | cultural integration is a multistage process in which organizational culture plays an important role at each stage.  | strategies for managing cultural differences and enhancing cultural integration in mergers and acquisitions include considering cultural issues early in the M&A process, developing a clear integration strategy, involving key stakeholders in the integration process, and providing cross-cultural training and support to employees.  |
|   | These cultures are interconnected and present a dynamic challenge to organizations in the M&A process.  | The starting point in managing the cultural integration process is to consider the role of M&A in the organization’s growth strategy. |   |
|   | The quality of the firm’s integration strategy will influence the effect that culture has on firm performance. | Researchers often recommend considering cultural issues early in the M&A process to increase the likelihood of a positive outcome. |   |
|   |   | A crucial first step is to begin the M&A process with an understanding of how M&A activity fits with the culture and growth strategy of the organization. Beginning here ensures that cultural issues remain on the table through the acquisition and integration process rather than emerging toward the end when an integrated and unified organization is desired.  |   |
|   |   |   |   |   |
| Iwao, K. (2020) ‘Strategies for cultural integration following cross-border mergers strategies for cultural integration following cross-border mergers and acquisitions’. |   | cultural differences can impact the success of mergers and acquisitions in various ways, such as causing cultural clashes, communication breakdowns, and resistance to change. | several challenges to cultural integration during the merger and acquisition process, such as cultural clashes, communication breakdowns, resistance to change, and lack of leadership support. | several strategies for managing cultural differences and enhancing cultural integration in mergers and acquisitions, such as conducting cultural due diligence, developing a cultural integration plan, providing cross-cultural training, establishing a cross-cultural communication strategy, and promoting leadership support and employee engagement. |
|   | These differences can include national cultures, workplace transparencies, business practices and working styles, and communication styles | It also provides best practices for addressing these challenges, such as conducting cultural due diligence, developing a cultural integration plan, providing cross-cultural training, and establishing a cross-cultural communication strategy  | emphasizes the importance of recognizing and respecting cultural differences, building trust and relationships, and creating a shared vision and values for the new organization  |
| Sciriha, I. and Debono, M. (2017) ‘The effects and management of cultural differences during the integration process of mergers and acquisitions’, *Journal of Media Critiques*, 3(12), pp. 31–50. Available at: https://doi.org/10.17349/jmc117402. |   | cultural mismatch is one of the top reasons why M&As fail. Cultural disparities during the integration process may lead to detrimental consequences on synergies realization and communication.  | the importance of effective communication and cultural understanding in ensuring a successful integration process.  | a thorough investigation of the potential compatibility of the cultures should form part of the due diligence process before any merger or acquisition takes place.  |
|   |   | cultural gaps such as reward management, health schemes, training and development, and more need to be addressed by reaching the right equilibrium between the two cultures in order to create a common structure. | The proper management of information and communication is crucial throughout the various stages involved in a merger or acquisition process. |
|   |   | The challenges of cultural integration during the merger and acquisition process include neglecting the analysis of cultural differences during the due diligence process, neglecting the human capital aspect, and considering culture as an intangible factor when compared to the financial and legal aspects of negotiations.  | the importance of taking into consideration organizational culture differences from the initial phases of M&As.  |
|   |   |   | Effective communication, well-planned strategies, and proper communication are critical to the integration process and synergy realization. |
|   |   |   | cultural differences should be addressed by reaching the right equilibrium between the two cultures in order to create a common structure. |
|   |   |   | cultural differences should be addressed by reaching the right equilibrium between the two cultures in order to create a common structure. |
| Smeulders, D., Dekker, H.C. and Van Den Abbeele, A. (2023) ‘Post-acquisition integration: Managing cultural differences and employee resistance using integration controls’, *Accounting, Organizations and Society*, 107, p. 101427. Available at: https://doi.org/10.1016/j.aos.2022.101427. |   | cultural differences between firms can increase the difficulty of integration, generating higher costs and less successful synergy extraction. | overcoming cultural differences between both firms is an important challenge for a successful integration | appropriate planning and adoption of integration controls seems critical in managing cultural differences and enhancing cultural integration in mergers and acquisitions |
|   | cultural differences between acquirer and target before the acquisition are a key source of employee resistance, which in turn affects acquisition performance. | cultural differences between acquirer and target before the acquisition are a key source of employee resistance, which in turn affects acquisition performance.  | the scope for realizing synergies and positive returns from an acquisition may not only increase when both firms are strategically and operationally compatible, but also when their corporate cultures are compatible. |
|   |   | integration controls implemented by management affect how initial employee resistance, originating from cultural differences, influences acquisition performance.  |   |
| Snehitha, N.N. *et al.* (2019) ‘A STUDY ON THE ROLE OF CULTURAL INTEGRATION IN MARRIAGE OF ENTITIES.’ |   |   | several best practices for cultural integration during the merger and acquisition process, including identifying cultural differences, committing to addressing these differences, taking a systematic approach to addressing cultural differences, and migrating to the target culture while preserving and harnessing desirable differences | several strategies for managing cultural differences and enhancing cultural integration in mergers and acquisitions, including conducting cultural due diligence, developing an integration plan, and managing cultural differences through experience of the management, organization and leadership compatibilities, and integration process quality regarding cultural factors |
|   |   |   | highlights the importance of addressing cultural differences at the outset, taking a systematic approach to addressing cultural differences, and measuring success |
|   |   |   |   |   |
| Zhang, R. (2010) ‘Cultural Integration in Cross-Border Mergers & Acquisitions’. |   | cultural differences can impact the integration process in cross-border mergers and acquisitions | the challenges of cultural integration during the merger and acquisition process, including the post-merger syndrome and the importance of coordination and communication. | companies can manage cultural differences and enhance cultural integration in mergers and acquisitions by developing a clear understanding of the definition of culture, defining cross-border mergers and acquisitions, and identifying the aspects of integration that are influenced by culture. |
|   |   |   | recommends bridging cultural differences through effective communication, mutual respect, and a willingness to learn from each other. |
| Vanwalleghem, D., Yildirim, C. and Mukanya, A. (2020) ‘Leveraging local knowledge or global advantage: Cross border bank mergers and acquisitions in Africa’, Emerging Markets Review, 42, p. 100656. Available at: https://doi.org/10.1016/j.ememar.2019.100656. | 1. Cross-border M&As generated value for shareholders of acquirers in the African market before and during the global financial crisis, while domestic M&As failed to create value.2. After the crisis, both types of deals were perceived by the markets as value creating.3. Shareholders of acquirer banks originating from Africa were better off before and during the crisis, while advanced country acquirers performed the best after the crisis, and emerging country acquirers destroyed value.4. The role of several institutional distance dimensions as likely drivers of country-of-origin effects remains ambiguous theoretically and empirically on whether informal institutional or cultural distance hampers or impedes merger performance.5. Policy makers can take into account the added value of deals perceived by the markets differently depending on the acquirer country-of-origin when deciding which deals to encourage or deter. | The advantages of Pan-African Banks over domestic and emerging market banks during the financial crisis are not explicitly mentioned in the given texts. However, the text mentions that shareholders of acquirer banks originating from Africa were better off before and during the crisis, while advanced country acquirers performed the best after the crisis, and emerging country acquirers destroyed value. It also notes that Pan-African Banks have benefited from both global expertise and local knowledge advantage in the market for corporate control. Therefore, it can be inferred that Pan-African Banks may have had advantages over domestic and emerging market banks during the financial crisis due to their regional presence and expertise. | According to 1, the retrenchment of global banks during and in the aftermath of the global financial crisis created opportunities for Pan-African Banks. This is because the retrenchment of global banks led to a reduction in competition and created a gap in the market that Pan-African Banks were able to fill. As a result, Pan-African Banks were able to expand their operations and presence in the African market through mergers and acquisitions. The text suggests that regional integration has enabled and motivated several African banks to seek a pan-African growth strategy and expand their presence in the continent, and the regional expansion of major Pan-African Banks became particularly significant since the mid-2000s. | According to 1, changing regulations, technological advances, and increasing competition have significant implications for the global banking industry. Banks are making strategic choices to maintain their competitive advantage and continue creating value. One particular aspect of banks' current strategic responses concerns their choice of geographic markets and level of international diversification. Prior to the global financial crisis, large banks mainly from advanced countries expanded dramatically across borders. However, following the crisis, several US and European banks left their non-core markets in response to new regulations rendering international banking costly. Emerging market banks, on the other hand, have continued to expand their geographic reach not only within their home regions but also internationally and have been making acquisitions from advanced country banks. Therefore, the implications of changing regulations, technological advances, and increasing competition for the global banking industry include changes in banks' strategic choices, geographic markets, and level of international diversification. |
| Wilson, M.K. and Pholo, A. (2017) ‘Determinants of cross-border mergers and acquisitions in Africa from 2000 to 2014: the role regional integration.’ | The paper uses a structural gravity model to investigate the determinants of cross-border mergers and acquisitions in Africa from 2000 to 2014. A gravity model is a widely used empirical framework in international trade and investment that explains the flow of goods, services, and capital between countries based on their economic size, distance, and other relevant factors. In the context of this paper, the gravity model is used to explore the role of regional integration in driving M&A activity in Africa. | The paper finds that customs unions in Africa, such as SACU and EAC, have a significant positive impact on M&A activity within the union. Specifically, the results suggest that customs unions promote M&A from member countries but not from outside the region. The economic size of both target and acquiror countries is also found to be relevant and positively related to M&A flows. Physical distance between two countries is important and negatively related to M&A flows as expected. | According to the paper, besides regional integration, other factors that may influence cross-border M&A in Africa include the economic size of the target and acquiror countries, physical distance between the countries, and former colony status. The paper finds that former colony status has a bigger effect in promoting M&A than other cultural variables. | 1. The economic size of both target and acquiror countries is relevant and positively related to M&A flows in Africa. 2. Physical distance between two countries is important and negatively related to M&A flows as expected. 3. Former colony status has a bigger effect in promoting M&A than other cultural variables. 4. Customs unions in Africa, such as SACU and EAC, promote M&A from member countries but not from outside the region. 5. There are limited empirical studies on determinants of M&A in developed countries, and the literature in developing countries is even scarcer. 6. The entry mode choice of FDI matters, therefore we need to specifically consider the case of M&A mode of entry. |
| Bereskin, F. et al. (2018) ‘The effect of cultural similarity on mergers and acquisitions: evidence from corporate social responsibility’, The Journal of Financial and Quantitative Analysis, 53(5), pp. 1995–2039. Available at: https://www.jstor.org/stable/26592009 (Accessed: 1 October 2023). | In the study, the cultural similarity between the merging firms was quantified by examining the "distance" between their corporate social responsibility (CSR) policies | The study found that culturally similar firms are more likely to merge and that these mergers are associated with greater synergies, superior long-run operating performance, and fewer write-offs of goodwill. The evidence is consistent with the notion that cultural similarity eases post-deal integration  | the study found that the impact of cultural similarity on mergers and acquisitions is even stronger among firms in labor-intensive industries, in mergers that involve firms in the same industry, in horizontal mergers, among serial acquirers, and in relatively larger deals. These results suggest that firms for which smooth post-merger integration is of greater importance are more likely to target firms that share similar cultural values, and that greater synergies are expected in such deals | The key takeaways from the article are that cultural similarity between merging firms is an important factor in the success of mergers and acquisitions. The study found that culturally similar firms are more likely to merge and that these mergers are associated with greater synergies, superior long-run operating performance, and fewer write-offs of goodwill. The evidence is consistent with the notion that cultural similarity eases post-deal integration. The impact of cultural similarity on mergers and acquisitions is even stronger among firms in labor-intensive industries, in mergers that involve firms in the same industry, in horizontal mergers, among serial acquirers, and in relatively larger deals  |
| Ellis, K.M. et al. (2015) ‘Mergers and acquisitions in Africa: a review and an emerging research agenda’, Africa Journal of Management, 1(2), pp. 137–171. Available at: https://doi.org/10.1080/23322373.2015.1028274. | According to the article, some of the key factors that have been identified as influencing M&A activity in African markets include regulatory reforms, poor corporate governance, national economic development, improving efficiency and market power for domestic deals, and access to raw materials, large consumer markets, and markets with low penetration rates for cross-border deals 23. Additionally, the African context is characterized by higher levels of political instability, unpredictable regulatory environments, corruption, unreliable power supplies, and poor transportation infrastructure, which can make non-African firms reluctant to engage in acquisitions  | M&A deals in Africa differ from those in other regions of the world in several ways. For example, African markets are characterized by higher levels of political instability, unpredictable regulatory environments, corruption, unreliable power supplies, and poor transportation infrastructure, which can make non-African firms reluctant to engage in acquisitions 29. Additionally, the motivations for domestic and cross-border deals in Africa differ, with domestic deals being driven by factors such as regulatory reforms, national economic development, and improving efficiency and market power, while cross-border deals are more likely to be motivated by access to raw materials, large consumer markets, and markets with low penetration rates 23. Finally, the existing literature and interviews with executives suggest that the common challenges of M&A deals, such as selecting an attractive acquisition candidate and integrating the firm into a larger firm to capture value, are clearly different in Africa 29. | The article identifies several challenges that companies may face when pursuing M&A deals in Africa. These include additional cultural complexity (national, regional, and organizational), weak pre-deal financial and governance positions of acquired firms, complications posed by colonial ties and idiosyncratic historical conditions, and the same challenges faced in M&A deals around the world, such as selecting an attractive acquisition candidate and integrating the firm into a larger firm to capture value 2524. To overcome these challenges, the article suggests that companies may need to develop a better understanding of the unique cultural, historical, and economic contexts of African markets, as well as the specific challenges faced by the target firms 25. Additionally, companies may need to develop more effective strategies for due diligence, post-merger integration, and stakeholder management, as well as build strong relationships with local partners and stakeholders 24. Finally, the article suggests that future research should focus on developing well-defined arguments about what determines the likelihood that a firm will engage in a M&A in Africa, whether the M&A will result in partial or full ownership of the African target, and what are the key sources of M&A success and failure in this context 25. | The article provides insights into the unique nature of M&A deals in African markets. Some of the key takeaways from the article include: 1. M&A deals in Africa are motivated by factors such as regulatory reforms, national economic development, and improving efficiency and market power for domestic deals, while cross-border deals are more likely to be motivated by access to raw materials, large consumer markets, and markets with low penetration rates. 2. African markets are characterized by higher levels of political instability, unpredictable regulatory environments, corruption, unreliable power supplies, and poor transportation infrastructure, which can make non-African firms reluctant to engage in acquisitions. 3. Companies pursuing M&A deals in Africa may face additional cultural complexity, weak pre-deal financial and governance positions of acquired firms, complications posed by colonial ties and idiosyncratic historical conditions, and the same challenges faced in M&A deals around the world. 4. To overcome these challenges, companies may need to develop a better understanding of the unique cultural, historical, and economic contexts of African markets, as well as the specific challenges faced by the target firms. 5. Future research should focus on developing well-defined arguments about what determines the likelihood that a firm will engage in a M&A in Africa, whether the M&A will result in partial or full ownership of the African target, and what are the key sources of M&A success and failure in this context. |