



DEPARTMENT OF ECONOMICS AND MANAGEMENT

MASTER IN INTERNATIONAL BUSINESS AND ENTREPRENEURSHIP: INTERNATIONAL MANAGEMENT

POST-MERGER INTEGRATION: A COMPARATIVE ANALYSIS OF VALUE CREATION MECHANISMS

Supervisor:

Prof. Martin Friesl

Discussant:

Prof. Paolo Benazzo

Student:

Annamaria Criscuoli

Matr. n. 541026

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Abstract

Questa tesi esamina l'impatto della progettazione dell'integrazione post-fusione (PMI) sul valore a lungo termine nelle operazioni di fusioni e acquisizioni. Attraverso un'analisi comparativa di più casi — Disney–Pixar e Vodafone–Mannesmann (successi) e Daimler–Chrysler e L'Oréal–The Body Shop (insuccessi) — e utilizzando dati secondari e d'archivio, viene ricostruito come le decisioni di integrazione trasformino l'intento strategico in risultati concreti. Le evidenze suggeriscono che la creazione di valore dipende dall'allineamento della modalità di integrazione con i bisogni di interdipendenza e autonomia; dal controllo selettivo dei flussi di conoscenza e dalla protezione delle routine critiche per l'identità; dalla segmentazione del timing e della sequenza delle attività di integrazione; e dalla definizione di diritti decisionali e meccanismi di coordinamento. Le condizioni di contesto — come la velocità del settore, la regolamentazione e la legittimità agli occhi degli stakeholder — spiegano la variabilità delle performance di approcci di integrazione comparabili nei diversi contesti. La tesi sviluppa così una teoria basata sui meccanismi della PMI e offre linee guida per la progettazione di integrazioni sensibili al contesto.

Abstract

This thesis examines the impact of post-merger integration (PMI) design on long-term value in mergers and acquisitions. Using a multiple-case comparison—Disney–Pixar and Vodafone–Mannesmann (successful) and Daimler–Chrysler and L'Oréal–The Body Shop (unsuccessful)—and secondary/archival data, it traces how integration decisions convert strategic intent into outcomes. Evidence suggests value depends on matching the integration mode to interdependence and autonomy needs; controlling selective knowledge flows and protecting identity-critical routines; segmentation of the timing and sequence of integration activities; and defining decision rights and coordination mechanisms. Context conditions—industry speed, regulation, and stakeholder legitimacy—explain the variable performance of comparable integration approaches across contexts. The thesis develops a mechanism-based theory of PMI and guides the development of context-sensitive integration designs.

Table of Contents

List of Figures ..... *XI*

List of Tables ..... *XII*

List of Abbreviations ..... *XIII*

1 Introduction *1*

2 Theoretical Framework of Mergers and Acquisitions *3*

2.1 Definition Types and Strategic Motivations of M&A **5**

2.2 Main Phases of M&A Process **8**

2.3 Post-Merger Integration: A strategic driver of value creation **10**

2.4 Integration Models and Core Dimensions **12**

2.5 Critical success and failure factors in M&A **18**

2.6 Summary **21**

3 Methodology *21*

3.1 Research setting **22**

3.2 Data sample **23**

3.3 Data sources **25**

3.4 Data Analysis **31**

3.5 Limitations **32**

4. Case Studies of Successful Mergers *33*

4.1 Disney–Pixar **34**

4.1.1 Background of the companies 34

4.1.2 Strategic motivations behind the merger, structure of the deal 36

4.1.3 Integration Process 37

4.1.4 Key factors for success 39

4.1.5 Results and long-term impact 41

4.2 Vodafone-Mannesmann **42**

4.2.1 Background of the companies 43

4.2.2 Strategic motivations behind the merger, structure of the deal 44

4.2.3 Integration process 46

4.2.4 Key factors for success 47

4.2.5 Results and long-term impact 48

5. Case Studies of Failed Mergers ***49***

5.1 Daimler–Chrysler **50**

5.1.1 Background of the companies 50

5.1.2 Strategic motivations behind the merger, structure of the deal 52

5.1.3 Integration process 54

5.1.4 Key factors for failure 55

5.1.5 Results and long-term impact 58

5.2 L'Oréal-The Body shop **58**

5.2.1 Background of the companies 59

5.2.2 Strategic motivations behind the merger, structure of the deal 60

5.2.3 Integration process 61

5.2.4 Key factors for failure 62

5.2.5 Results and long-term impact 63

6 Comparative Analysis of Successful and Failed Mergers ***64***

6.1 Comparison across all cases 64

6.1.1 Cross-case comparison of successful mergers 65

6.1.2 Cross-case comparison of failed mergers 66

7 Critical Discussion and Managerial Implications 71

7.1 Theoretical Implications 72

7.2 Practical recommendations for effective PMI management 74

7.3 Limitation and Future research 77

8 Conclusion 78

Bibliography 81

List of Figures

Figure 1: "How the acquisition Process affects Results" 9

Figure 3: "Conventional View of Acquisitions" 10

Figure 4: "Typical integration options in M&As" 13

Figure 5:"Acquired firm's modes of acculturation" 15

Figure 6: "The Acquisition Integration Process" 16

Figure 7: "Types of strategic capability transfer" 17

Figure 8:Source composition by case..... 30

List of Tables

Table 1: Summary of Case Sample 24

Table 2: Websites for Disney-Pixar 28

Table 3: Websites for Vodafone-Mannesmann 28

Table 4: Websites for Daimler-Chrysler 29

Table 5: Websites for L'Oréal-The Body Shop 29

Table 6: Case-Level Source Coverage by Type 30

Table 7: summary of success & failure factors 68

Table 8: Success and failure factors 71

List of Abbreviations

PMI	Post Merger Integration
M&As	Merger & Acquisitions
CGI	Computer Generated Imagery
PMR	Post-Merger Rejuvenation
AEG	Allgemeine Elektricitäts-Gesellschaft
AG	Aktiengesellschaft
LB	L'Oréal-The Body Shop
VM	Vodafone-Mannesmann
DC	Daimler-Chrysler
DP	Disney-Pixar
TSR	Total Shareholder Return

1 Introduction

Mergers and acquisitions (M&A) are still among the key instruments responsible for business rejuvenation, but their track record is still patchy, as they allow businesses to update their market standing in a way that cannot be achieved by internal expansion (Haspeslagh & Jemison, 1991). With the combination of assets and exchange of expertise, acquisitions bring benefits not achievable through alliances. Acquisitions introduce capabilities difficult to develop within an organisation, or they provide the opportunity to leverage underdeveloped assets in more competitive manifestations (Haspeslagh & Jemison, 1991).

The most striking distinctions between success and failure in acquisitions lie in understanding and better handling the processes by which acquisition decisions are made, and through which they are cemented (Haspeslagh & Jemison, 1991). This thesis also addresses the needs of researchers who are keen to know how strategic and organisational forces meet with performance outcomes in acquisitions (Haspeslagh & Jemison, 1991).

During the past century, acquisitions have been a huge phenomenon as firms rebuilt competitive positions, industries went through successive waves of reconstruction, and as acquisition activity spread world-wide (Haspeslagh & Jemison, 1991). Acquisition activity in Europe has never been as historically active as in the United States, except for Great Britain's which displays an American-style market for corporate control. Strong regional differences persist, as those stem from different traditions and different regulatory climates (Haspeslagh & Jemison, 1991).

M&A are major organisational events, and the period following mergers is critical for value creation. The post-merger integration (PMI) phase is a critical one, as the outcomes often may fail to meet expectations. Despite more than three decades of research on M&A, PMI processes remain poorly understood. The speed at which changes should be implemented is a pivotal decision at this stage and it has always been regarded as a source of uncertainty (Thomas,

Angwin, Thanos, Islam, Demir 2023). It is generally accepted within the literature on M&A that most value creation develops once the deal is concluded, but after all the decades of research, outcomes too frequently fail to meet expectations. Recent research highlights that the various departments of the same firm do combine at different speed rate, but little is known about the employee's perception (Thomas & Louisgrand, 2022).

In the '90s there has been a dominance of conglomerate mergers and an escalation in acquisitions between companies of different sizes and industries. This pattern of vertical integration and diversification does not appear to diminish in the near future (Appelbaum, Gandell, Yortis, Proper, Jobin, 2000). Still, even under the most favourable conditions, the initiating company only achieves average economic profits, and the value created often rests to the approached company. The primary reason for M&A is generally to improve performance through synergy across business units and therefore to increase competitive advantage. But the existence of potential synergies is not a guarantee of their realization, and empirical observation has tended to detect negative impacts on economic performance (Appelbaum et al., 2000). M&A are therefore a potent but two-edged corporate development tool. When properly implemented, they are a good base for longer-term competitiveness and viability, enabling firms to reform their enterprises by expanding, re-deploying, re-constituting, or disposing of assets in order to enhance their overall situation. If implemented poorly, they can lead to decline or outright failure, with a tendency to create more media attention than lasting value (Bodner & Capron, 2018).

This work comes with a specific research question: To what extent does the post-merger integration strategy adopted determine the long-term success or failure of M&A transactions in terms of value creation?

This thesis investigates how and under what conditions post-merger integration (PMI) design through scope, speed and safeguards of integration enables value creation especially in cross-

border M&As. The study is phenomenon-centered and suitable for inductive, process-oriented, multiple-case research, where qualitative data can surface mechanisms and boundary conditions difficult to observe with vairiance-based designs (Eisenhardt & Graebner, 2007).

This structure of this thesis is the following: Chapter 2 is merely a theoretical background of M&A, such as definitions and stages of M&A, value-added contribution of post-merger integration, integration modes and acculturation, critical success and failure factors; subsequently, chapter 3 will specify the methodology used, research design, data collection and coding, and limitations. Chapters 4 and 5 build four case studies—two successful integrations (Disney–Pixar; Vodafone–Mannesmann) and two failed integrations (Daimler–Chrysler; L'Oréal–The Body Shop)—on a uniform structure to facilitate comparison. Chapter 6 shows the cross-case analysis for determining critical success and failure factors. Chapter 7 combines theory and evidence, presenting theoretical implications, managerial guidelines, practical recommendations, and an agenda for further research.

2 Theoretical Framework of Mergers and Acquisitions

Since the late 1980s, the scale of mergers and acquisitions (M&As) has expanded sharply, exceeding the levels observed in the 1960s (Appelbaum et al., 2000). Whereas early waves largely joined highly similar firms within the same industry, contemporary transactions span a much wider range of companies of comparable size and often aim at vertical integration—a pattern that still continues (Appelbaum et al., 2000).

Within corporate strategy, M&As, strategic alliances and joint ventures, serve as a primary method for external expansion and capability building and have occupied a prominent place in managerial practice and academic inquiry for over a century (Bauer, Strobl, Dao, Matzler, Rudolf, 2018). They have likewise become the preferred instrument for internationalisation; however, their outcomes are often jeopardised by issues such as cultural misfit between the

combining firms, which can substantially affect integration results (Weber, Shenkar, Raveh, 1996).

From a financial perspective, M&As constitute one of the most significant avenues for capital allocation. Across 1980–2018, U.S. public firms devoted on average USD 92 million per year to acquisitions, an amount that represented roughly 18% of their annual investment budgets and 27% of profits over the same period (Nahavandi & Malekzadeh, 1988). Most deals are propelled by aims such as achieving financial synergies, accelerating growth, strengthening market power, and securing valuable talent and intellectual property (Ellahie, Hshieh, Zhang, 2025).

Notwithstanding their strategic appeal, M&As entail significant risk: empirical evidence indicates that about 40–60 % of transactions fail to generate value (Bauer et al., 2018), and some estimates report that nearly 70 % do not meet their stated goals (Bodner & Capron, 2018). Post-merger integration failures (misalignment and mismanagement of resources) are common reasons identified as the principal cause of these disappointing outcomes (Sirmon, Hitt, McClellan, 2025).

Nevertheless, when carefully planned and implemented, M&As still remain a powerful vehicle for corporate transformation. When well-executed, acquisitions enable firms to reconfigure their operations by adding, redeploying, recombining, or divesting assets and capabilities in order to reinforce competitive positioning (Sirmon et al., 2025). Viewed this way, acquisitions are major strategic moves intended to broaden the acquirer's resource portfolio; their success ultimately depends on the organisation's ability to integrate and reconfigure the combined asset base effectively (Bodner & Capron, 2018). When carried out successfully, M&As can deliver substantial corporate growth and transformation.

2.1 Definition Types and Strategic Motivations of M&A

Mergers and acquisitions (M&A) are a strategic corporate tool intended to enhance organisational performance by unlocking synergies between two firms, thereby strengthening competitive advantage (Appelbaum et al., 2000). At a fundamental level, these transactions function as mechanisms for acquiring resources and capabilities the acquirer does not currently possess, enabling rapid growth, transformation, and market leadership; however, this path also entails substantial costs, integration difficulties, and cultural fit risks that must be carefully managed to realise the anticipated gains (Sirmon et al., 2025).

In conceptual terms, a merger fuses two companies into a newly created legal entity, whereas an acquisition involves purchasing and absorbing another firm's equity and assets. M&A deals are commonly categorized by the degree of relatedness between the parties: related combinations typically target operational synergies—such as shared production, marketing, scheduling, managerial know-how, or compensation systems—while unrelated combinations seek financial synergies, including risk diversification and more favourable financing conditions. Empirical research shows that firms expanding into related businesses—whether achieved organically or via M&A, outperform those entering unrelated sectors (Nahavandi & Malekzadeh, 1988).

The degree of relatedness determines how integration should be designed. In unrelated transactions oriented toward financial synergies, organisations typically keep structural integration shallow and limit employee-to-employee interaction. By contrast, related transactions call for more intensive operational integration, the imposition of the acquirer's culture and routines, and sustained, close collaboration among personnel, although there is the risk of conflicts in managerial style or compensation systems that can erode the anticipated gains (Nahavandi & Malekzadeh, 1988). In this setting, structural integration and managerial

autonomy are not opposites; they can coexist when the firms possess complementary capabilities that together generate new value, rather than merely similar or wholly dissimilar (Zaheer, Castañer, Souder, 2013).

Multiple theoretical perspectives account for firms' motives to undertake M&A. Efficiency theory points to benefits arising from financial, operational, and managerial synergies, for example, reduced capital costs, scale economies, and improved planning and monitoring. Monopoly theory underscores the pursuit of market power, competitive restraint, and cross-subsidization, whereas competitive strategy theory interprets M&A as a mechanism for redefining product, market scope and reinforcing business-unit advantages (Trautwein, 1990). Empirical evidence also indicates that horizontal and concentric mergers generally generate greater synergies, and therefore outperform conglomerate and vertical mergers (Weber, Shenkar, Raveh, 1996).

Beyond purely theoretical accounts, managerial motivations also influence acquisition choices. Executives may aim to expand market power, advance their own careers, or secure dominance over competitors; in some cases, the belief that they can manage the target more effectively than its current leaders, or hedging behaviour, including diversification of their own employment risk, can precipitate the decision. The literature documents at least twenty distinct managerial objectives (Walter & Barney, 1990):

1. "Promote visibility with investors, bankers, or governments, with an eye to subtle benefits later
2. Accelerate growth or reduce risks and costs in a particular industry in which the acquiring company has a strength such as executive wisdom
3. Utilize interlocking and mutually stimulating (synergistic) qualities of the acquired company *vis- à- vis* the acquiring company

4. Attain improved competitiveness inherent in holding a sizeable market share or important market position
5. Utilize financial strengths of the acquired company such as foreign tax credits or borrowing capacity
6. Gain complementary financial features such as those that balance earnings cyclicality
7. Reduce risks and costs of diversifying products and services delivered to customers within an industry
8. Utilize the acquiring company's expertise in marketing, production, or other areas within the acquired company
9. Divest poor-performing elements of the otherwise undervalued acquired company, in portfolio management style
10. Improve efficiencies and reduce risk in the supply of specific goods and/or services to the acquiring company
11. Penetrate new markets by utilizing the acquired company's marketing capabilities
12. Improve economies of scale by utilizing the acquired company's distributional capacities to absorb expanded output
13. Gain valuable or potentially valuable assets with the cash flow or other financial strengths of the acquiring firm
14. Broaden the customer base for existing goods and services of the acquiring company
15. Create economies of scale by relevant capacity expansion
16. Reduce risks and costs of entering a new industry
17. Expand capacity at less cost than assembling new facilities, equipment, and/or physical assets
18. Fulfil the personal ambitions, vision, or some particular goal of the acquiring acquiring company's chief executive

19. Pursue opportunities to sell stock at a profit by such acts as pressing management of the acquired firm for improved earnings
20. Utilize the acquired company's personnel, skills, or technology in other operations of the acquiring company"

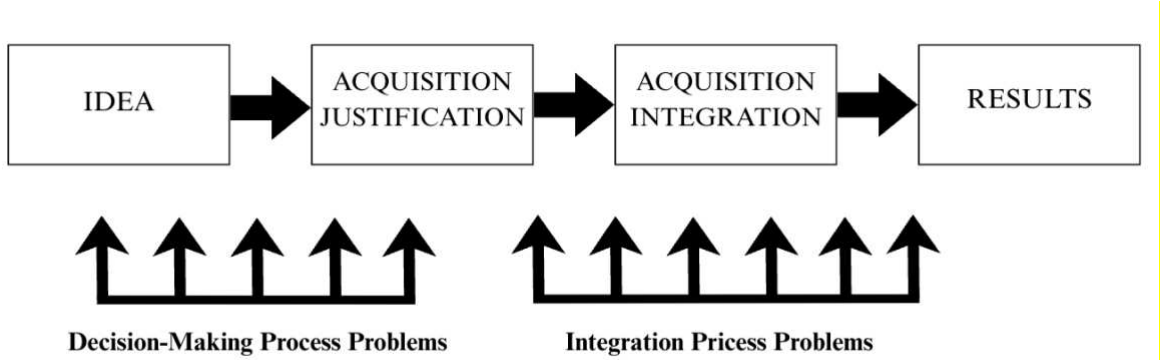
(Walter & Barney, 1990: 80).

Effective post-merger integration also depends critically on cultural convergence, by aligning the two firms' values, assumptions, and routines helps to enable clear communication and collaboration (Sarala & Vaara, 2010). When carried out effectively, acquisitions can accelerate corporate renewal far more rapidly than internal development, importing capabilities that are hard to build or amplifying existing strengths into substantially larger market positions (Haspeslagh & Jemison, 1991).

2.2 Main Phases of M&A Process

In an acquisition, the decision-making and the integration process plays an important role on the integration approach and the final outcome, as the interdependence of those factors decides if value eventually is created (see Figure 1) (Haspeslagh & Jemison, 1991). In the process perspective, the process that is more focused on the drivers of the results rather than on the results themselves, the Idea stage, the strategic logic is explained by managers, linking the deal to capability gaps, market repositioning, or portfolio renewal. In Justification, risks, options, and synergies are analyzed and organizational commitment is secured, with early integration scenarios already beginning to build the business case. In Integration, intention is made operating reality by aligning scope and mode to the level of strategic interdependence required and the autonomy to protect distinctive capabilities. Finally, Results verify whether synergies and capability flows have been achieved and produce learning feed-through to follow-on transactions (Haspeslagh & Jemison, 1991).

Figure 1: "How the acquisition Process affects Results"



(Haspeslagh & Jemison, 1991: 12)

Focusing on this process approach deflects attention from headline results to the managerial drivers that create them: capability transfer, learning, and disciplined execution after signing. Therefore, acquisitions are not isolated, price-based phenomena but corporate renewal devices whose reward is dependent on what occurs subsequent to the agreement (Haspeslagh & Jemison, 1991). Decision making (Idea and Justification) and integration (Integration and Results) pose unique challenges and possibilities but are closely dependent upon each other and need to be designed concurrently. Rather than a single best way, the evidence supports a contingency approach that begins with the strategic task of the specific deal and the level of integration that it implies, being responsive to the organizational need for autonomy where it is at the very center of the acquisition purpose (Haspeslagh & Jemison, 1991). Formulating idea as treatment → Justifying → Integrating → Results as an integrated process, and synchronizing the decision and integration processes from the start, is essential to turn acquisition intent into realized value.

This contrasts with the conventional method, wherein all acquisitions are considered individual, price-based deals, wherein segmented and clearly financial decision-making sequence is

assumed, and value is assumed at signing to be quantifiable; the essential elements of such conventional method are depicted in Figure 2 (Haspeslagh & Jemison, 1991).

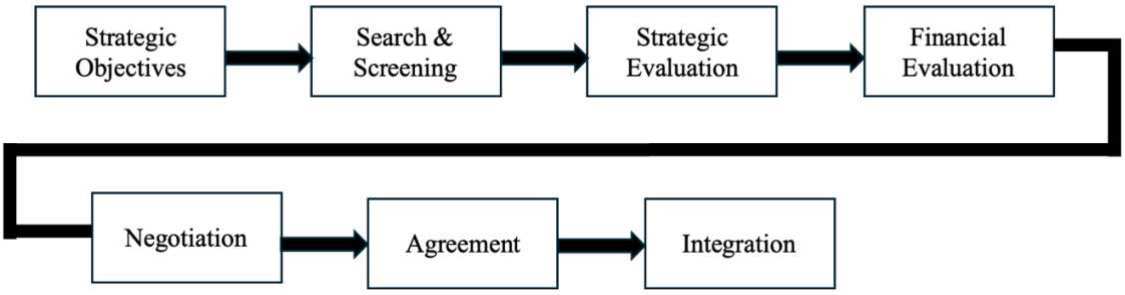


Figure 2: "Conventional View of Acquisitions"

(Haspeslagh & Jemison, 1991: 13)

2.3 Post-Merger Integration: A strategic driver of value creation

Post-merger integration (PMI) represents the pivotal stage in which the strategic logic of a merger or acquisition is converted into measurable performance gains (Thomas et al., 2023). It is framed as a dynamic, multi-phase process that guides the partners from initial autonomy toward increasing organisational unity (Safavi, 2021). Yet the realised outcomes often lag expectations, underscoring the difficulties inherent to PMI (Thomas et al., 2023).

Speed is questioned and, integration speed is widely regarded as a critical driver of success. Advocates of swift action argue that rapid consolidation reduce uncertainty for customers and employees, sustains market confidence, and accelerates financial payoffs (Thomas & Louisgrand, 2022; Bauer et al., 2018). Others contend that a gradual cadence builds trust, facilitates knowledge transfer, and creates time to address cultural differences (Thomas & Louisgrand, 2022). Finally, optimal integration speed is contingent on relatedness: rapid integration tends to work best when internal operations are similar but customer bases differ,

whereas substantial external divergence combined with limited internal similarity may call for a more deliberate pace to avoid strategic misalignment (Homburg & Bucerius, 2006).

Organisational culture, therefore, is pivotal. Cultural compatibility reduces resistance and enables deeper, faster integration, whereas misfit amplifies identity loss and obstructs synergy realisation (Safavi, 2021; Sarala & Vaara, 2010; Bauer & Matzler, 2014; Bauer et al., 2018). Yet when skilfully managed, cultural distance can also promote learning and innovation that enhance value creation (Bauer et al., 2018). Effective cultural integration thus requires not only aligning practices and values but also putting in place clear structural, procedural, and human mechanisms that support mutual adaptation (Sarala & Vaara, 2010). Because Post merger integration involves restructuring, divestments, and redeployment of resources, it is fundamentally an organisational-design endeavour that must connect strategic intent with internal readiness (Bodner & Capron, 2018). A central tension concerns balancing integration, which fosters coordination, shared capabilities, and efficiency, with autonomy, that preserves knowledge, stimulates innovation, and retains key talent (Zaheer et al., 2013). Recent research indicates these aims are not mutually exclusive: hybrid designs that integrate complementary capabilities while protecting distinctive assets often outperform alternatives (Zaheer et al., 2013). L'Oréal's 2006 acquisition of The Body Shop illustrates such selectivity; The Body Shop's ethical branding and direct-to-consumer expertise were maintained through partial autonomy while joint initiatives captured scale economies (Zaheer et al., 2013).

Ultimately, synergies, derived from cost reduction, market expansion, capability enhancement, or innovation, emerge only when integration choices are tailored to context, sensitive to culture, and aligned with strategy. Value lies less in the mere acquisition of assets than in recombining them into configurations that confer competitive advantage (Sirmon et al., 2025).

Managers frequently perceive integration as the most unsettling component of an acquisition: it is time-consuming, uncertain, and beset with setbacks (Haspeslagh & Jemison, 1991). Some reduce the task by simply "make them like us" or "change nothing", while others treat integration as an opaque "black box" (Haspeslagh & Jemison, 1991). Such ambiguity impedes purposeful action and obscures the deal's guiding rationale (Haspeslagh & Jemison, 1991). Every acquisition disrupts established routines, triggering uncertainty, fear, and self-protection among employees; as individuals perceive their personal value to be diminished, their willingness to engage in capability transfer declines, thereby weakening shareholder value (Haspeslagh & Jemison, 1991). Comparative evidence indicates that, beyond strategic fit, disciplined management of the integration process is the decisive driver of acquisition performance (Haspeslagh & Jemison, 1991).

After closing, a transitional or "stage-setting" period precedes operational integration (Haspeslagh & Jemison, 1991). Although this interval may seem to defer synergies, it is essential for stabilising the acquired unit for clarifying roles, and readying both organisations for capability transfer (Haspeslagh & Jemison, 1991). Its length depends on the chosen integration approach, which is brief in absorption designs, and more extensive in symbiotic arrangements, and on the acquired firm's condition, which may require stand-alone turnaround actions before integration commences (Haspeslagh & Jemison, 1991).

2.4 Integration Models and Core Dimensions

In the post-acquisition process, post-merger integration (PMI) is one of the drivers of total deal success, as the manner in which acquirer and target are combined affects their long-term competitive position (Bauer et al., 2018). At the beginning, knowledge flows tend to be one way—from acquirer to target on a logic of absorption—but can become two-way exchanges as the organizations begin to cohere, tending towards a symbiotic pattern (Safavi, 2021). Deep

integration may require simultaneous change on multiple levels, such as sociocultural, structural, market-facing, and systems. Although in practice, technical harmonization such as accounting alignment precede full sociocultural convergence (Bauer et al., 2018).

A well-known two-dimensional typology plots the degree of strategic interdependence required to create value against the degree of autonomy required to preserve the target's competences, yielding four generic modes of integration (Malik, Sinha, Budhwar, Pereira, 2023; Haspeslagh & Jemison, 1991). Absorption combines high interdependence and low autonomy, incorporating the target rapidly into the acquirer's structures. Preservation retains low interdependence and high autonomy, sheltering the target to retain distinctive resources. Symbiosis entails high interdependence and high autonomy, requiring close collaboration but safeguarding identities. A holding-company structure arises when interdependence and autonomy needs are both low, requiring minimal integration and minimal mutual adjustment

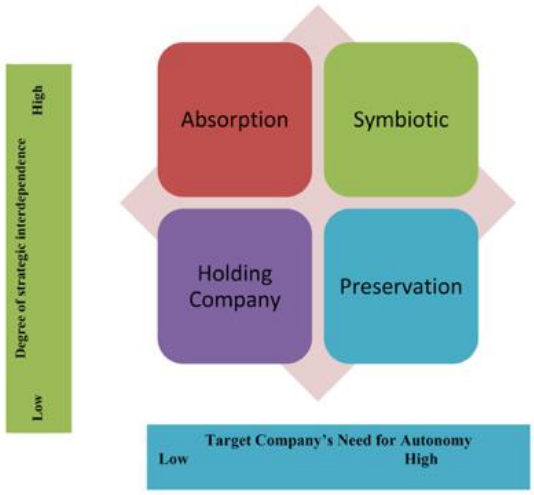


Figure 3: "Typical integration options in M&As"

(Malik et al., 2023: 4150)

Managers tend to favour absorption, the most prevalent mode, based on the premise that tight operational coupling is where synergies arise when the target's autonomy is not essential (Haspeslagh & Jemison, 1991). By contrast, preservation fits situations in which the acquirer

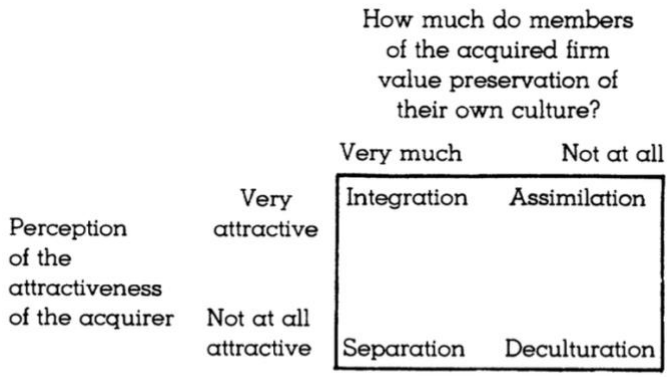
seeks resources that would be weakened by intensive organisational contact (Haspeslagh & Jemison, 1991). Symbiosis is the most demanding option, requiring leaders to balance close collaboration with protecting cultural distinctiveness (Haspeslagh & Jemison, 1991). Misjudgements occur at both extremes: excessive caution can leave valuable resources stuck within an insulated target (a failed preservation), whereas overly forceful restructuring can dismantle the very capabilities that justified paying a premium (a failed absorption) (Bodner & Capron, 2018).

PMI unfolds across three interconnected layers—procedural, physical, and managerial–sociocultural. The last of these, which encompasses leadership styles, norms, and values, typically imposes the greatest adjustment burden on the acquired organisation because its employees must adapt to the acquirer's dominant systems (Haspeslagh & Jemison, 1991). The cultural encounter between the firms—acculturation—can follow four paths:

- Integration—the target maintains its cultural identity while cooperating extensively with the acquirer (Nahavandi & Malekzadeh, 1988).
- Assimilation—the target voluntarily adopts the acquirer's culture when its own practices are viewed as inferior (Nahavandi & Malekzadeh, 1988).
- Separation—both sides preserve their cultures and keep interaction to a minimum (Nahavandi & Malekzadeh, 1988).
- Deculturation—the target rejects both its original culture and that of the acquirer, leading to organisational disorientation (Nahavandi & Malekzadeh, 1988).

From the target's perspective, the strategy chosen relies on two dimensions: how much members wish to preserve their own cultural customs and practices, and how willing they are to adopt those of the acquirer (see Figure 4).

Figure 4:"Acquired firm's modes of acculturation"



(Nahavandi & Malekzadeh, 1998: 83)

Since the acquirer's diversification objectives and openness to multiculturalism shape cultural outcomes, these factors ultimately decide whether synergy or conflict will prevail (Nahavandi and Malekzadeh, 1988).

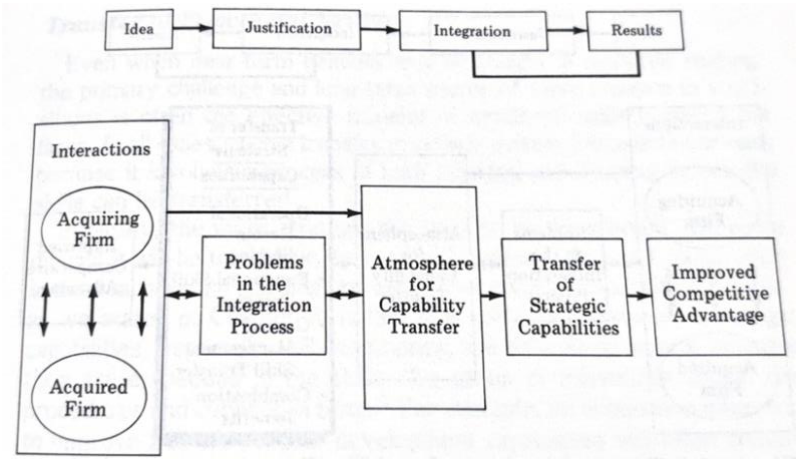
Despite acknowledging PMI's importance, pre-deal negotiators frequently sideline integration planning due to complexity, time pressure, and uncertainty (Haspeslagh & Jemison, 1991). The literature consistently highlights a core sequence in the integration process—idea, justification, integration, and results (see Figure 1)—whose effectiveness is mediated by the quality of interactions between acquirer and target personnel (Haspeslagh & Jemison, 1991). Successful knowledge transfer depends less on the mechanics of must be deliberately fostered to prevent erosion by process frictions (Haspeslagh & Jemison, 1991).

Although managers recognize the significance of the integration phase, negotiators avoid the discussion of specific details during the negotiation due to uncertainty, complexity, and concurrent pressures. The type of integration varies based on the nature of the acquisition, the parties involved, and the capabilities to be transferred. Although certain transactions have limited integration only, other transactions have full-scale absorption, and still others require a

more subtle mix of autonomy and integration. Despite this diversity, research has indicated that there are some core elements of the process of integration that transcend acquisition types. Figure 5 illustrates the dynamics propelling the integration journey.

Integration has to be perceived as an interactive incremental process in which organisational members learn how to cooperate and to facilitate the transfer of strategic capabilities. Challenges of integration extend beyond technical issues of transferring resources; the key challenge is creating an environment through which such transfer becomes possible. Developing that environment is compounded, because the same issues that plague integration can hinder its development. To avoid these risks and achieve successful integration, the acquirer must pay systematic attention to how it structures the interactions between the two firms, for the interactions form the foundation for capability transfer as well as overall success in integration (Haspeslagh & Jemison, 1991).

Figure 5: "The Acquisition Integration Process"

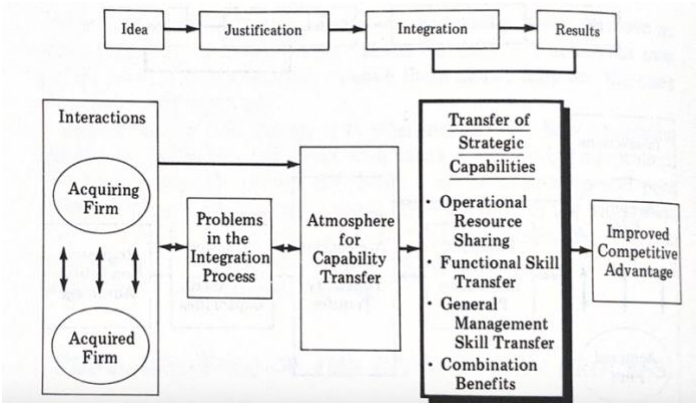


(Haspeslagh & Jemison, 1991: 107)

Central to this environment is the transfer of strategic capabilities—achieved through operational resource sharing, functional skill transfer, or the transfer of general management

skills—each of which entails distinct organisational challenges (Haspeslagh & Jemison, 1991). As has been discussed previously, the essence of integration lies in the deployment of strategic expertise. Such expertise may be passed on between corporations in various ways: they may be allocated directly to the acquiring division, provided for common use, or imparted by learning and instruction across company lines. Haspeslagh and Jemison (1991) distinguish between three main types of capability transfer: "operational resource sharing, functional expertise transfer, and general managerial skill transfer" (Haspeslagh & Jemison, 1991: 107). All three modes entail varying organisational challenges (see Figure 6).

Figure 6: "Types of strategic capability transfer"



(Haspeslagh & Jemison, 1991: 108)

Ultimately, the chosen integration path reflects managerial assessments of the level of strategic interdependence necessary for transferring capabilities and the degree of organisational autonomy required to safeguard them. Considering these two dimensions together clarifies the absorption, preservation, symbiosis, and holding-company options and provides managers with practical decision rules for tailoring PMI to the specific strategic rationale of each transaction (Haspeslagh & Jemison, 1991).

2.5 Critical success and failure factors in M&A

Empirical research indicates that deal outcomes hinge less on a transaction's financial or strategic rationale than on the calibre of post-merger integration itself (Bauer et al., 2018). Among PMI's many pitfalls, organisational misfit, in particularly cultural incompatibility, can infiltrate managerial styles, work routines, administrative systems, and decision structures, thereby jeopardising synergy creation across virtually all organisational domains (Bauer et al., 2018; Zaheer et al., 2013).

Recent evidence further shows that organisational culture more strongly shapes sociocultural integration, synergy realisation, and ultimately shareholder value than national cultural differences do (Bauer et al., 2018; Zaheer et al., 2013). Whereas early scholarship idealised cultural similarity, contemporary work stresses cultural fit, the deliberate alignment of complementary yet compatible cultural differences to catalyse value creation (Bauer & Matzler, 2014; Zaheer et al., 2013). When managed well, such complementarities can enhance learning and synergy rather than hinder them (Zaheer et al., 2013).

The persistence of high failure rates, despite acquisitions' ongoing popularity as a growth vehicle, reveals a gap between optimistic projections and the operational realities of integration (Zaheer et al., 2013). Recurring obstacles include organisational incompatibility, operational disruption, and inadequate integration procedures (Zaheer et al., 2013). A particularly pervasive failure mode is an imbalance between power and autonomy: acquirers often impose unilateral, absorptive practices that overlook path-dependent strengths conducive to reciprocal learning (Safavi, 2021). Feelings of superiority can obscure complementarities and, when combined with disparities in tacit knowledge, foster mistrust and resistance (Safavi, 2021).

Integration speed is a questioned variable in the literature. Although rapid consolidation can accelerate cost and revenue synergies, gradual integration has been found to yield better results

where organisational learning and cultural adaptation are required (Bauer et al., 2018). Success therefore arises not from a single lever but from an interdependent set of factors, such as leadership alignment, high-quality communication, rigorous integration planning, and deliberate capability management, whose joint presence determines PMI effectiveness (Bauer & Matzler, 2014; Bauer et al., 2018).

Even when acquirers obtain the desired technologies or human capital, poor integration of those resources often triggers talent loss, strategic drift, or managerial distraction. Reliance on formulaic playbooks from prior deals frequently misaligns integration tactics with a new target's idiosyncrasies; capabilities must therefore be incorporated through customised, strategy-led planning immediately after closing (Sirmon et al., 2025).

Cross-border transactions then amplify complexity of post-merger integration, due to the language barriers that may impede smooth communication, organisational and national cultural incongruence can derail collaboration and trust building leading to the failure of the merger. To mitigate these risks, acquirers should craft explicit integration roadmaps, specify measurable checkpoints, and adopt context-specific language and communication strategies (Malik et al., 2023).

Strategic relatedness also conditions outcomes: same-industry or otherwise related acquisitions are more likely to integrate smoothly and realise synergies than unrelated diversifications (Trautwein, 1990; Weber et al., 1996).

In cross-border settings, national culture is a stronger predictor of post-merger stress, attitudinal change, and cooperation levels than corporate culture alone, underscoring the need to evaluate cultural fit as rigorously as financial or strategic criteria during screening and integration (Weber et al., 1996). Paradoxically, greater cultural distance between countries can at times

facilitate knowledge transfer by exposing firms to novel routines and problem-solving logics (Sarala & Vaara, 2010). By contrast, organisational cultural disparities in beliefs and values tend to induce acculturative stress, resistance, and mistrust as in-groups construe one another as outsiders (Sarala & Vaara, 2010).

According to longitudinal field evidence, value is ultimately realised only when personnel from both organisations collaborate to transfer and mobilise capabilities (Haspeslagh & Jemison, 1991). According to Haspeslagh & Jemison (1991), the key integration challenges include:

- adjusting pre-acquisition assumptions to post-acquisition realities,
- cultivating an atmosphere conducive to capability transfer,
- articulating a unifying strategic vision, and deliberately managing inter-firm interactions

There are anyway three recurring process-based problems that can undermine that atmosphere (Haspeslagh & Jemison, 1991):

1. Determinism: the propensity to cling to the initial deal rationale even when market or organisational conditions have shifted.

2. Value destruction: the adverse effects of integration on individual managers and employees

3. Leadership vacuum: the lack of leaders capable of articulating a shared purpose for the combined organisation

Effective acquirers anticipate these dynamics and intervene early, whereas ineffective ones allow them to harden into rigid patterns that obstruct capability transfer (Haspeslagh & Jemison, 1991). A deterministic mindset is especially pernicious: as external shocks mount, managers

cling to the deal's original logic as a psychological anchor, creating a recurring cycle of confusion and frustration when expectations confront operational realities (Haspeslagh & Jemison, 1991).

2.6 Summary

This chapter argued that mergers and acquisitions remain central to corporate growth yet are risky, with outcomes driven less by deal logic than by the quality of post-merger integration (PMI) (Bauer et al., 2018; Haspeslagh & Jemison, 1991). Adopting a process view (Idea, Justification, Integration, Results) foregrounds managerial actions that transfer and recombine capabilities into advantaged configurations (Haspeslagh & Jemison, 1991). PMI effectiveness relies on (i) cultural fit (Bauer et al., 2018; Zaheer et al., 2013), (ii) the chosen integration architecture balancing strategic interdependence and autonomy across absorption, preservation, symbiosis, and holding (Malik et al., 2023; Bodner & Capron, 2018), and (iii) pacing, where optimal speed is contingent on relatedness and learning needs (Homburg & Bucerius, 2006; Thomas & Louisgrand, 2022). Cross-border deals amplify complexity and require explicit communication and knowledge-sharing climates; when firms acquire targets in countries that are culturally distant, the likelihood increases that acquirer and target will possess different routines and repertoires, and thus divergent knowledge stocks (Sarala & Vaara, 2010; Haspeslagh & Jemison, 1991).

3 Methodology

As prior research on how integration architecture, leadership decisions, and cultural safeguards combine to impact post-merger success was fragmented, the thesis conducts an inductive, multiple-case study to build new theory (Edmondson & McManus, 2007). The utilization of comparative success and failure cases enabled comparative pattern matching and explanation

building, enhancing the analytical generalizability of our results beyond that of a single case (Eisenhardt & Graebner, 2007).

This study is phenomenon-driven: it queries how and why PMI design (scope, speed, coverage) creates value in large cross-border M&As via inductive multiple-case data to reveal mechanisms and boundary conditions.

3.1 Research setting

We examine four large cross-border M&As completed between 1998 and 2006 in sectors experiencing rapid technological, regulatory, and cultural change—media/animation (Disney–Pixar), European mobile telephony (Vodafone–Mannesmann), autos (Daimler–Chrysler), and values-led beauty retail (L'Oréal–The Body Shop). In animation, Computer Generated Imagery (CGI) and production pipeline innovation enabled small creative studios to achieve disproportionate cultural influence; Disney's 2006 all-stock acquisition was driven by the desire for creative renaissance while maintaining Pixar's distinctive identity and creative habits through governance safeguards and an expressly gradual integration process (Barthélemy, 2011; DP02; DP06; DP07; DP08). In European telecommunications, EU liberalization and mass mobile take-up drove continental scale consolidation: the Vodafone–Mannesmann merger created a pan-European operator spanning across multiple EU Member States and over 40 million customers, which occurred under intense regulatory and stakeholder scrutiny (Höpner & Jackson, 2006; VM01; VM02; VM05). In cars, Daimler–Chrysler uncovered deep process and identity legacies: despite a compelling strategic storyline, early power asymmetries and an assertive PMI master plan (problem-solving teams, tight deadlines) exacerbated cultural tensions and constrained the speed and sequencing of integration (DC3; DC5). In beauty retailing, L'Oréal's acquisition of The Body Shop pitted global channels and R&D against a purpose-driven brand; here PMI challenge was values alignment and legitimacy rather than

systems interoperability (Capron et al., 2022; LB1; LB4). Across these settings—marked by technological discontinuities, deregulation, and powerful brands—the ex-ante optimum integration architecture was uncertain; the cases therefore offer variation in integration extent and speed, leadership architecture, identity protections, and sequencing for cross-case comparison. Those 4 cases were chosen according to the important relevance they had, Daimler- Chrysler has become a major case when talking about a failed merger due to its big relevance; Disney-Pixar instead shows how good is when two different knowledges are combined; L'Oréal- The Body Shop is an emblematic case of two entities trying to merge but the vision of the firm is different; lastly, Vodafone-Mannesmann is considered to be the largest acquisition in history.

3.2 Data sample

A theoretical sample of four large, cross-border M&As—Disney–Pixar, Vodafone–Mannesmann, Daimler–Chrysler, and L'Oréal–The Body Shop—was constructed. Four transactions in samples allowed for the gathering of rich longitudinal evidence typical in single- or two-case studies as well as for enabling comparison between cases with a multiple-case logic (Eisenhardt & Graebner, 2007). Case selection balanced comparability demands against the aim to optimize potential to find variation in accordance with theoretical sampling principles (Eisenhardt, 1989).

All four deals were revealed and completed during 1998-2006 within industries that were vulnerable to disruption (media/animation, European telecoms, autos, and value-driven beauty retailing) and provide rich archival records (quality press, corporate announcements, and regulatory filings) along with observable post-merger integration choices. Fundamental differences include: the nature of value-creating assets (creative competences and IP; network assets and portfolios; modular product architectures and manufacturing systems; brand/ethos and store formats), leadership provenance and governance structures, cultural distance

(company and, in some instances, national), regulatory oversight, and the speed and degree of integration vary systematically across cases. The sample is also heterogeneous on outcomes—two deals classically linked to positive post-merger paths and two with severe integration challenges—so that comparisons highlight when and how integration mode, leadership design, identity protection, and sequencing collectively influence outcomes (Eisenhardt & Graebner, 2007).

Table 1 provides an overview of the firms' background characteristics.

Table 1: Summary of Case Sample

Firm	Sector	Announcement year	Location	CEOs	Value	Mode	Success	Failure
Disney-Pixar	Media/Animation	2006	US	Disney: Robert Iger Pixar: Steve Jobs	US$7.4bn	Selective, identity-preserving integration with reverse integration (PMR)	X	
Vodafone-Mannesmann	Telecommunications	2000	UK/DE	Vodafone: Chris Gent. Mannesmann: Klaus Esser	US$180.95 bn	High-integration across network/brand/ processes following hostile bid and EU remedies	X	
L'Oreal-The Body Shop	Beauty/Retail	2006	UK/DE	L'Oréal: Jean-Paul Agon. The Beauty Shop: Anita Roddick (founder)	£652.3m	Stand-alone/identity-preserving set-up (brand preserved; independent management)		X
Daimler-Chrysler	Automotive	1998	DE/US	Daimler-Benz: Jürgen E. Schrempp Chrysler: Robert Eaton	US$35-36bn	Adversial, over-absorption with rigid PMI cadence		X

Source: "own representation"

Case selection maximized comparability (large, cross-border transactions of 1998–2006 with rich archival traces) and theoretical variety along dimensions most critical to PMI (type of value-creating assets; leadership/governance; cultural distance; regulation; speed extent of integration), as would be done in theoretical sampling (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). Each event of focus was backed by at least 2 independent sources (quality press, official filings/regulatory rulings, company materials, or academic sources), and all claims were linked to evidence through case codes, thereby improving reliability and transparency.

3.3 Data sources

The thesis gathered a comprehensive evidence on the relevant industries, the four focal mergers (Disney–Pixar, Vodafone–Mannesmann, L'Oréal–The Body Shop, Daimler–Chrysler), and the leadership teams at announcement/closing, covering the period from 1998 through 2009. Evidence was drawn from three tiers: (1) peer-reviewed scholarship used to ground constructs and theory; (2) high-reliability press, consulting, and official/regulatory documents used to reconstruct events and decisions; and (3) company materials used to capture disclosed facts and integration intentions. The four case studies were retained because they best approximated the criteria of (i) strategic significance and size, (ii) good-quality, triangulable archival data, (iii) clear and traceable post-merger integration decisions, and (iv) outcome variation (two time-honored successes, two failures). Other possible choices were eliminated due to shallow data depth, structural break contamination episodes, or non-availability of similar post-merger observation horizons.

For the literature, only scholarly articles published in journals listed in the VHB- Ranking with a rating of B or higher were included. The study, gathered 51 articles in total, 32 for cases (out of which 27 are non-scholarly sources) and 19 for theory. The use of articles published by famous journal allowed to track the development of the firm's in real time, avoiding made it possible to trace the development of the firms in real time, thereby avoiding retrospective bias. For the cases, evidence was drawn primarily from major newspapers and outlets—The Wall Street Journal, the Financial Times, The New York Times, The Economist, BBC, The Guardian, The Times, analyses from the Boston Consulting Group, official European documents, and firms' own websites (see Tables 2-5). Table 6 reports, for each case, the number of sources by category—archival press/news, official filings and regulators, company materials, and case-specific scholarly items

Where these sources did not fully cover a focal event or mechanism, the search was deepened with additional peer-reviewed articles meeting the VHB ≥ B criterion (See Figure 7).

Academic articles were identified on major databases such as Google Scholar, JSTOR, Wiley Online Library, EBSCOhost, ResearchGate, and ScienceDirect. Initial screening was done through keywords and it primarily relied on titles and abstracts to verify topical fit with the thesis' construct space (post-merger integration; integration modes; cultural/organizational dynamics; leadership and governance; pacing/sequence; success and failure mechanisms). After confirming the VHB ≥ B status, full texts were read and relevant parts for the dissertation were extracted to clarify definitions, mechanisms, and boundary conditions about the topic of M&A and find the relation with the cases. Additionally, two books were used (Kumar, 2019 and Haspeslagh & Jemison 1991) in order to deepen the knowledge about specific cases and the theoretical background, respectively.

Data gathering progressed in three phases. First, academic literature was obtained in VHB-rated journals (B or above) by means of database searching (e.g., Business Source/EBSCO, JSTOR, ScienceDirect) and backward/forward snowballing; inclusion criteria were peer-review, direct relevance to PMI scope/speed/safeguards, and conceptual fit; opinion pieces and practitioner press were excluded.

Second, non-academic archival data were gathered via systematic searches of key sources and repositories (e.g., Financial Times, Wall Street Journal, New York Times, The Guardian, The Economist, BBC; corporate press centers; European Commission/EUR-Lex). Coverage was temporal-limited to activity between 1998–2006 (with a ±24-month window to include antecedents and early post-merger progress).

Third, all of it was recorded in an evidence register with double coding: F00X for scholarly sources and DP/VM/DC/LB for case-specific archival documents. Each focal event was supplemented by ≥2 independent sources (press, filings/regulators, company documents, or scholarly), enabling traceability from assertion to evidence.

Once an article was founded to be relevant for the study, it was categorised in an Excel file, according author, title, year, journal/publisher, VHB rating, chapter, and a code that was given for commodity and later changed. The code looked like this: F001, F002….

This register was used exclusively for academic papers; case-level evidence from newspapers, company disclosures, and official documents was tracked separately in a case-evidence log using outlet-specific codes. For the cases, the same principle of coding was used, but the codification was different: e.g., for Daimler-Chrysler the code DC1 was given; L'Oréal the Body Shop, used the code LB1; Vodafone- Mannesmann with the code VM01; Disney-Pixar used DP01.

Keyword for initial research used included: post-merger integration; PMI strategies; mergers and acquisitions/M&A; integration models (absorption, preservation, symbiosis, holding); merger failure; merger success factors; critical success factors in M&A; best practices in PMI; and case-specific keywords such as "PMI case study Disney Pixar" or "PMI case study Daimler Chrysler." Boolean combinations ensured site-specific searches, for example: "post-merger integration" AND "value creation"; "PMI strategy" AND "synergy realization"; "merger failure" AND "cultural fit"; "mergers and acquisitions" AND "integration models"; "successful post-merger integration" AND "best practices"; "post-merger integration" AND "organizational culture"; "resource-based view" AND "mergers and acquisitions." For the cases, searches were run directly on the official websites of target outlets (e.g., wsj.com, ft.com) and then complemented with documents retrieved via Google Scholar and the academic

databases to close gaps and triangulate claims. Resources for the cases, were founded on major journals, with the creation of accounts where subscription was required.

The following tables detail the mapping of each code to its respective online source.

Resources for Disney-Pixar:

Table 2: Websites for Disney-Pixar

Code	Link
DP01	https://www.ft.com/content/3c946d16-8cde-11da-9daf-0000779e2340
DP02	https://thewaltdisneycompany.com/disney-to-acquire-pixar/
DP03	https://www.nytimes.com/2006/01/25/business/disney-agrees-to-acquire-pixar-in-a-74-billion-deal.html
DP04	https://archive.nytimes.com/dealbook.nytimes.com/2008/06/02/disney-and-pixar-the-power-of-the-prenup/
DP05	https://d23.com/disney-history/
DP06	https://www.pixar.com/our-story
DP07	https://www.bcg.com/publications/2016/postmerger-rejuvenation
DP08	https://www.wsj.com/articles/SB113813745654455127

Source: “own representation”

Resources for Vodafone-Mannesmann:

Table 3: Websites for Vodafone-Mannesmann

Code	Link
VM01	https://www.eurofound.europa.eu/en/resources/article/1999/vodafones-hostile-takeover-bid-mannesmann-highlights-debate-german

VM02	https://www.wsj.com/articles/SB949581016407171705
VM03	https://archive.nytimes.com/www.nytimes.com/library/financial/013100mannesmann-vodafone.html
VM04	https://www.wsj.com/articles/SB955560462953845934
VM05	https://eurlex.europa.eu/legalcontent/HR/TXT/?uri=CELEX%3A32000M1795&utm

Source: "own representation"

Resources for Daimler-Chrysler:

Table 4: Websites for Daimler-Chrysler

Code	Link
DC1	https://group.mercedes-benz.com/company/tradition/company-history/1995-2007.html
DC2	https://www.ft.com/content/18c69fe0-337e-11de-8f1b-00144feabdc0
DC3	https://www.nytimes.com/2001/08/12/business/daimlerbenz-to-buy-chrysler-in-36-billion-deal.html
DC4	https://www.theguardian.com/business/2007/may/14/motoring.lifeandhealth
DC5	https://time.com/archive/6735428/daimler-benz-chrysler-worldwide-fender-blender/
DC6	https://www.economist.com/business/2007/05/17/divorced
DC7	https://group.mercedes-benz.com/company/at-a-glance.html
DC8	https://content.time.com/time/specials/packages/article/0,28804,1894731_1894734_1894722,00.html
DC9	https://www.chrysler.ca/en/innovation/car-history

Source: "own representation"

Resources for L'Oréal- The Body Shop:

Table 5: Websites for L'Oréal-The Body Shop

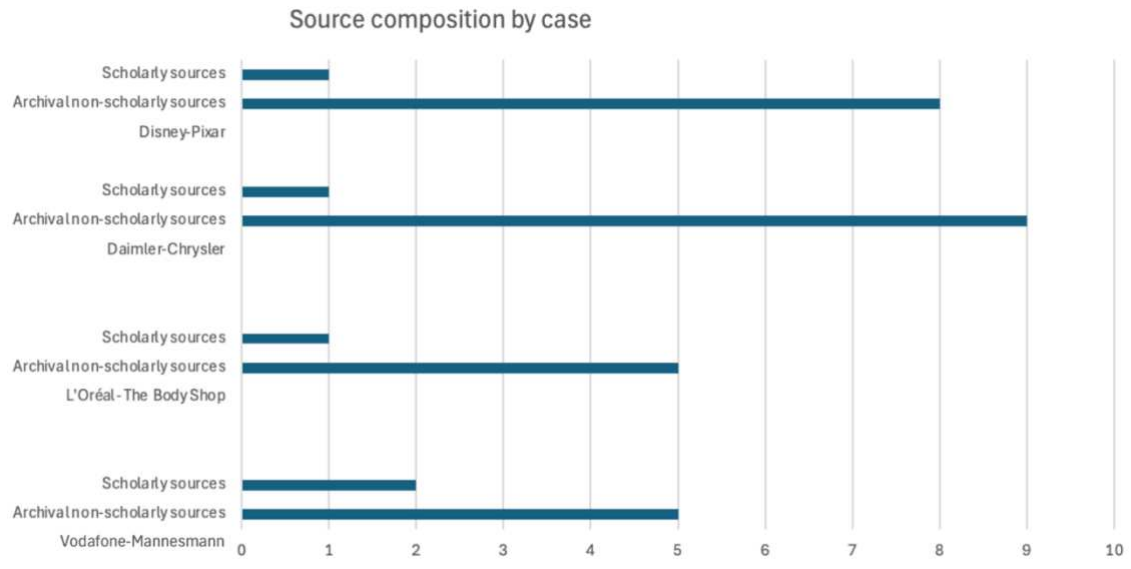
Code	Link

LB1	https://www.loreal-finance.com/eng/news-release/loreal-and-natura-enter-exclusive-discussions-regarding-body-shop
LB2	https://www.theguardian.com/business/2006/mar/17/retail.money
LB3	https://www.bbc.com/news/business-38905530
LB4	https://www.ft.com/content/09bd4432-ef9f-11e6-930f-061b01e23655
LB5	https://www.ft.com/content/b24e1608-523e-11db-bce6-0000779e2340

Source: "own representation"

Only online articles are reported in the tables; all documents used that were published in VHB-ranked journals or books are listed conventionally in the bibliography. Figure 7 distinguishes between the number of *scholarly sources* (e.g., books or academic websites) and *archival non-scholarly sources* (e.g., online journalistic outlets).

Figure 7:Source composition by case



Source: "own representation"

Table 6: Case-Level Source Coverage by Type

Case	Press	Company materials	Scholarly	Regulators
Disney-Pixar	5	3	1	
Vodafone-Mannesmann	3		2	2
Daimler-Chrysler	6	3	1	
L'Oréal-The Beauty Shop	4	1	1	

Source: "own representation"

3.4 Data analysis

The thesis presented the findings of the data in stages, following the established procedure for theory building from cases (Eisenhardt & Graebner, 2007). First, an extensive theoretical background on Mergers and Acquisitions (M&A) was developed in order to determine why there is a necessity for an efficient and well-operationalised Post-Merger Integration (PMI).

Subsequently, data on the strategic rationale for each merger were gathered, as well as firm-level information on four case studies: Disney–Pixar, Vodafone–Mannesmann, Daimler–Chrysler, and L'Oréal–The Body Shop. Each case was tracked through its PMI process, starting with a background of the merging companies and reasons for the merger. Subsequently moving to the integration plan, evolution path, announced synergies, capability transfers, and significant organizational changes.

Taking an inductive approach, the cases were compared and contrasted to identify recurring patterns. For instance, some integrations exhibited flexibility and adaptive cultural blending (e.g., Disney–Pixar), while others exhibited rigidity and misalignment (e.g., Daimler–Chrysler).

The analysis sought to understand which factors—ranging from strategic intent, cultural distance, governance decisions, to pacing of integration—could explain these different outcomes. The data also captured how each company communicated its strategic identity following the merger. This included how firms framed the acquisition in corporate communication (synergy-driven, market expansion, cultural fit), and how external stakeholders (press, analysts, consultants) perceived the PMI process (integration successful vs. synergy realization unsuccessful). These two perspectives allowed for triangulation between internal intentions and external evaluations.

Finally, patterns across the four cases were compared in line with replication logic (Eisenhardt & Graebner, 2007), comparing findings in one case with those in another to develop causal mechanisms. The back-and-forth process between data and theory highlighted how integration design choices (e.g., autonomy vs. absorption, cultural acculturation strategies, speed of integration) affected the likelihood of value creation versus value destruction. Analysis was concluded when theoretical saturation had been reached and no additional themes emerged from the cross-case comparison.

3.5 Limitations

This study is subject to some limitations. Open access to first-rate press archives (e.g., Financial Times, Wall Street Journal, New York Times) was hindered by paywalls and incomplete institutional coverage that can have resulted in an unbalanced press history and underrepresentation of some events. These limitations were addressed by cross-checking with open-access news stories, official filings and regulatory rulings, company reports, and high-quality industry analyses, which provided complementary perspectives and enhanced the robustness of the evidence; nevertheless, some gaps may remain.

Another constraint concerns measurement by proxy: core concepts—i.e., cultural fit, capability transfer, pacing integration, and governance—were inferred from publicly disclosed documentation and may not fully reflect micro-level processes. Further, with four theoretically sampled cases, findings are amenable to analytical rather than statistical generalization; their transferability depends on contextual similarity.

Finally, source-selection criteria constrained the academic corpus to journals graded B or higher on VHB. While this enhanced the comparability and quality of the literature base, it did have the effect of somewhat diminishing the range of scholarship addressed and possibly introducing insightful views from adjacent outlets or practitioner sources.

Grounding on this methodological foundation, Chapter 4 opens with four within-case narratives tracking the PMI process and design choices in each transaction. These narratives establish the empirical foundation for follow-up cross-case comparison, wherein patterns across integration scope and pacing, leadership architecture, identity protection mechanisms, and sequencing are examined to uncover boundary conditions and value creation mechanisms (Eisenhardt & Graebner, 2007; AMJ three-level heading convention).

4. Case Studies of Successful Mergers

This chapter examines two emblematic cases of successful mergers, namely the integration of Disney and Pixar in 2006 and the Vodafone–Mannesmann merger in 2000. These examples illustrate how strategic alignment, cultural sensitivity, and carefully designed integration processes can foster long-term value creation. The analysis highlights the mechanisms through which both companies managed to capture synergies, preserve organizational strengths, and enhance their market positions. By focusing on the drivers of success, this chapter provides a

useful counterpoint to the subsequent discussion of failed mergers, thereby offering a balanced understanding of the critical factors that shape post-merger outcomes.

4.1 Disney–Pixar

This case shows a clear example of how a smart strategy after a merger can lead to big results. In 2005, Walt Disney was facing challenges with its animation process and box-office performance. To address this, Disney acquired Pixar, a smaller but fast-growing studio. Instead of blending Pixar into Disney's existing system, the company used Pixar as a way to bring in new ideas and improve their creative process. The goal was to create fresh approaches to work, not to follow old practices (DP07). At the time, Ed Catmull, who was Pixar's CEO, explained that Pixar's culture of teamwork and creativity had its beginnings in Disney Animation. He pointed out that their storytelling and production methods were based on the same principles that made Disney's classic films so successful. Catmull also stressed that Pixar's movies, like Disney's, were made for families around the world and, more importantly, for the child in every person. He finished by saying that nothing would make them happier than continuing to create great films with Disney (DP08).

4.1.1 Background of the companies

The Walt Disney Company began in 1923 when Walt and Roy Disney started the Disney Brothers Cartoon Studio, which was later renamed the Walt Disney Studio. They introduced Mickey Mouse, whose popularity led to a series of cartoon shorts that won many Academy Awards during the 1930s (DP05). This success helped Disney start a new business model by selling merchandise featuring their characters. In 1937, they released "Snow White and the Seven Dwarfs," which became the highest-grossing film at that time (DP05). Over the following years, they continued to innovate, including the opening of Disneyland in 1955 and the expansion of theme parks worldwide. The release of "The Lion King" in 1994 marked another

major achievement in their film production, solidifying their position as a leading entertainment company (DP05). By the early 1990s, Disney had grown into a diverse business that included theme parks, television, publishing, film production, and a wide range of consumer products. They made money from their characters through over 150 different types of merchandise, including "The Lion King" (Barthélemy, 2011).

Pixar was founded in 1986 when Steve Jobs purchased the computer-animation division of Lucasfilm and created an independent company focused on developing new computer-generated imagery (CGI) technology (Barthélemy, 2011). In 1991, a partnership with Disney led to the production of "Toy Story" in 1995, which was the first full-length computer-animated movie and a huge success both critically and commercially (DP08). This success continued with a 1997 agreement that led to the production of five more films: "A Bug's Life" (1998), "Monsters, Inc." (2001), "Finding Nemo" (2003), "The Incredibles" (2004), and "Cars" (2006). These films helped establish Pixar as a leader in both technology and storytelling (DP06; Barthélemy, 2011). From 1995 to 2005, these films generated over $3 billion in global box office revenue (Barthélemy, 2011). Despite this financial success, there were problems between the companies. Disagreements between Steve Jobs, the leader of Pixar, and Michael Eisner, the then CEO of Disney, made the relationship tense, leading Jobs to pause talks about renewing the partnership in 2004 (DP04). Internally, Disney Animation was struggling, as shown by a $98 million loss and the need to improve their creative output (DP04). When Bob Iger became the CEO of Disney in 2005, the company made a big move by buying Pixar for $7.4 billion in 2006 through an all-stock deal (DP07).

This acquisition brought together Pixar's creative and technical talents, who had won 20 Academy Awards, with Disney's strong brand identity, theme parks, and distribution system. This merger gave Disney the potential to create new content and explore new ways to make

money from their properties (DP08). Early doubts from investors about whether the two companies would work well together and whether the price was right soon disappeared as the plan looked promising for new creative ideas and technological progress (DP07). Under the agreement, Ed Catmull and John Lasseter assumed leadership roles at Walt Disney Animation Studios, with the aim of bringing Pixar's innovative culture into alignment with Disney's extensive entertainment ecosystem (DP06).

4.1.2 Strategic motivations behind the merger, structure of the deal

By 2005, The Walt Disney Company faced mounting scepticism about its creative direction: total shareholder return had averaged –3 percent over the prior five years, and advances in both 2-D and 3-D animation were modest while competitors such as Pixar and DreamWorks were redefining the genre with titles like Monsters, Inc. and Shrek (DP07). Within this context, Robert Iger (CEO of Disney) underscored that the contemplated deal would welcome and embrace Pixar's unique culture, which for two decades has fostered some of the most innovative and successful films in history, "adding that the addition of Pixar significantly enhances Disney animation, which is a critical creative engine for driving growth across our businesses" (DP08).

Accordingly, in January 2006 Disney announced an all-stock purchase of Pixar, exchanging 2.3 Disney shares for each Pixar share and implying consideration of approximately US $7.4 billion. The merger aimed to fuse Pixar's creative and technological strengths with Disney's broad portfolio of characters, franchises, and distribution assets, thereby expanding capacity for high-quality content and technological innovation while supporting sustained international growth (DP02). Pixar—already recognised for outstanding animation coupled with compelling stories and enduring characters that have captivated audiences of all ages worldwide—was expected to preserve its distinctive culture after closing. Governance choices reflected this intent: Ed Catmull became President of the combined animation studios, John Lasseter was

named Chief Creative Officer and Principal Creative Advisor to Walt Disney Imagineering, and Steve Jobs joined Disney's board, bringing the tally of independent directors to eleven out of fourteen. Importantly, both studios would continue operating from their existing sites, a point Steve Jobs emphasised when he noted that the combination removed "the barriers that come from two different companies with two different sets of shareholders," allowing both teams to concentrate on "creating innovative stories, characters and films that delight millions of people around the world" (DP08).

The strategic rationale drew on Pixar's two-decade record of critical and commercial hits—among them Toy Story, A Bug's Life, Monsters, Inc., Finding Nemo, and The Incredibles—and on Disney's capacity to leverage such properties across theme parks, consumer products, and emerging digital platforms (DP02). More broadly, Iger conceived the transaction as a catalyst for a "post-merger rejuvenation" of Disney's own animation capabilities: rather than fully absorbing Pixar, Disney positioned the studio as a source of learning and creative renewal, an approach that later contributed to projects such as Frozen (DP07).

Historical experience also clarifies why fully integration became appropriate. In 1991 Disney had outsourced 3-D production to Pixar because the technology's commercial potential was uncertain and Pixar was unlikely to behave opportunistically. By 2006, however, 3-D capability had become essential, uncertainty had receded, and Pixar's bargaining power had risen; vertical integration therefore offered Disney both technological expertise and renewed creative impetus (Barthélemy, 2011).

4.1.3 Integration Process

To safeguard Pixar's distinctive creative environment, Robert Iger negotiated a codified set of protections. These measures preserved employees' generous health-care benefits, removed mandatory employment contracts, and even ensured the original "Pixar" signage at the

Emeryville campus would remain, signalling credibility where post-merger assurances are often broken (DP04).

Departing from standard M&A playbooks, Iger explicitly rejected fast, top-down absorption, noting that in the corporate world there is often an assumption that integration must happen swiftly, whereas his own philosophy was the opposite—emphasizing the need to be respectful and patient (DP07). Integration therefore advanced in a targeted manner:

• Cost synergies were realised by consolidating marketing, distribution, and other lower-value production functions, alongside limited outsourcing of animation work to India—a Disney cost-saving method that had initially encountered pushback within Pixar (DP07).

• Revenue synergies followed from adopting Disney's sequel and direct-to-video strategies and by amplifying Pixar characters across Disney's established theme-park and merchandising platforms (DP07).

• Vitality synergies—the core of the program—were pursued via reverse integration: Pixar's senior creatives were tasked with rebooting Disney Animation. As Iger explained, when a company acquires expertise, the newly purchased experts should be dispatched into other parts of the organization to apply their skills. A "do-not-change list" protected salient identity markers—e-mail formats, logos, contracts, and benefits—providing psychological safety while the two studios cross-pollinated (DP07).

Governance mirrored these priorities. Ed Catmull became president of both Pixar and Walt Disney Animation Studios, reporting to Iger and studio chairman Dick Cook; John Lasseter assumed the role of chief creative officer for the combined animation group and principal creative advisor to Walt Disney Imagineering; and Steve Jobs joined Disney's board as a non-independent director, leaving eleven of fourteen directors independent. The agreement also

allowed Disney to terminate the deal and claim US $210 million if either Catmull or Lasseter resigned before closing, while Jobs emerged as Disney's largest individual shareholder with a 6.5 percent stake (DP08).

Organizationally, Pixar and Disney Animation maintained separate sites and reporting lines. The merger contract barred replacing the "Pixar Animation" logo in Emeryville with a joint brand, underscoring management's commitment to cultural preservation (Barthélemy, 2011). Consistent with a competitive-advantage lens, Disney had initially outsourced 3-D production to Pixar when commercial potential was uncertain, then moved to vertical integration once those capabilities became strategically indispensable (Barthélemy, 2011).

4.1.4 Key factors for success

The way Disney and Pixar have managed the integration offers practical guidance for executives confronting the delicate task of joining two distinct cultures. What stands out is how smoothly the process has unfolded. In a sector where corporate combinations frequently deteriorate into internal conflict and where many media acquisitions end up destroying rather than creating value, this merger has proved an exception (DP04).

Disney–Pixar's post-merger programme rested on an explicit charter engineered to protect Pixar's creative environment. Robert Iger authorised a set of guarantees that preserved employees' generous health benefits, dispensed with compulsory employment contracts, and even stipulated that the Emeryville gate sign would remain, all intended to build credibility in a context where merger assurances are often unreliable (DP04). Although capital markets initially worried about reconciling two divergent cultures at a price of US$7.4 billion, Iger distanced himself from the conventional model of rapid integration, pointing out that the corporate world often assumes such processes should be carried out swiftly. Instead, he

emphasized the importance of respect and patience, stressing the need for a gradual transition that would safeguard cultural balance (DP04).

Consistent with this stance, Disney confined full-scale integration to areas with low creative salience—marketing, distribution, and other lower-value production activities—capturing cost synergies while leaving Pixar's artistic processes intact (DP07). In parallel, it pursued revenue synergies by encouraging Pixar to adopt Disney's established playbook on sequels and direct-to-DVD releases and by extending Pixar characters across Disney's merchandising and theme-park channels (DP07). The most consequential gains were "vitality synergies" created through reverse integration: Ed Catmull assumed the presidency of both studios, John Lasseter became chief creative officer and principal creative advisor at Imagineering, and Steve Jobs joined Disney's board—moves that revitalised Disney Animation without diluting Pixar's autonomy (DP08). A formal "do-not-change list" preserved visible identity markers—e-mail domains, logos, employment contracts, and benefits—providing psychological safety as cross-pollination between the studios unfolded (DP07).

This architecture corresponds to the Post-Merger Rejuvenation (PMR) model described by the Boston Consulting Group. Rather than the conventional Post-Merger Integration focus on rapid streamlining for cost takeout, PMR seeks to expand the organisation's exploratory capacity. Leaders set explicit cost, revenue, and vitality targets; separate activities to be integrated, reverse-integrated, or purposefully left non-aligned; and use cross-pollination to amplify, not suppress, cultural variety (DP07). The legal framework reinforced this orientation: Disney retained the right to cancel the deal and claim US$210 million if Catmull or Lasseter departed before closing, and Jobs became the company's largest individual shareholder with a 6.5 percent stake—devices that embedded Pixar's leadership at the centre of the combined enterprise (Barthélemy, 2011).

As Jobs pointed out, Disney and Pixar were now able to collaborate without the barriers typically created by being two separate companies with distinct shareholders. This arrangement, he noted, both safeguarded Pixar's creative identity and expanded the commercial potential of its franchises across digital platforms, consumer products, and theme parks (DP08).

4.1.5 Results and long-term impact

Strategically, Disney chose to position Pixar as a catalyst for organizational learning rather than to subsume it outright. That stance required both the conviction to preserve structural autonomy where warranted and the judgment to graft Pixar practices selectively onto Disney's legacy animation unit. By giving Pixar's leadership operational command over Disney Animation, the company achieved what the Boston Consulting Group terms "post-merger rejuvenation," delivering an annualized total shareholder return of roughly 22 percent and a run of blockbuster releases culminating in Frozen (DP07).

Operational indicators reinforce the durability of these gains. Since 2006, the combined entity has sustained an annualized Total Shareholder Return (TSR) of 22 percent while maintaining an unusually high capacity for exploration for a company of Disney's maturity (DP07). The acquisition also locked in a pipeline of creative talent behind Pixar's seminal titles—Toy Story, Toy Story 2, A Bug's Life, Monsters, Inc., Finding Nemo, and The Incredibles—who now guide sequels and new intellectual properties for Disney's worldwide platforms (DP07).

Reflecting on this continuity, John Lasseter noted that Pixar's two-decade commitment to , great stories and characters in an environment made richer by technical advances" was rooted in Walt Disney's own standards, and that the renewed partnership makes it possible to "continue in this tradition with Disney, the studio that started it all" (DP08). Richard Cook likewise stressed that the strengthened animation unit "provides a strong foundation that embodies our

collective spirit of creativity and imagination" and positions the organization "to grow and flourish" over time (DP08).

4.2 Vodafone-Mannesmann

The second case of a successful acquisition is the one with the British company Vodafone and the German one Mannesmann, which constituted a successful hostile takeover executed on the open market (Höpner & Jackson, 2006). On 13 November 1999, UK-based Vodafone AirTouch—then the world's largest mobile-phone group—launched a share-exchange proposal for Mannesmann AG, which the executive board immediately dismissed as an "inferior offer" and "extremely unattractive for Mannesmann shareholders," (VM01), with the works-council president declaring that the workforce would do everything possible to block a takeover (VM01), arguing that an acquisition lacked strategic rationale given the firms' divergent structures and trajectories—Vodafone concentrated on mobile telephony, whereas Mannesmann was diversified across engineering, automotive, telecommunications, and tubes (VM01). On 19 November, the Mannesmann's supervisory board endorsed management's position; Vodafone then returned with an enhanced bid directed straight to shareholders at an exchange ratio of 53.7 Vodafone AirTouch shares per Mannesmann share, thereby mounting the largest unsolicited offer ever attempted (VM01). In legal terms, the transaction involved Vodafone AirTouch acquiring sole control of Mannesmann via a public bid announced on 20 December 1999; the all-stock offer was accepted by 98,62% of Mannesmann shareholders by the 27 March 2000 close (VM05). After a three-month struggle, Mannesmann consented to a friendly merger valued at $180.95 billion with Vodafone AirTouch—the biggest deal at the time, surpassing AOL Inc.'s planned $131 billion acquisition of Time Warner Inc.—creating the world's largest mobile operator with 42.3 million customers across Britain, the U.S., Germany, Italy, France, and other markets, amid expectations of rival consolidation, falling wireless prices, and faster arrival of truly global handsets (VM02).

4.2.1 Background of the companies

Mannesmann began as a maker of seamless tubes in 1980 (Höpner & Jackson, 2006), with Deutsche Bank playing a decisive role in displacing the founding family from control in 1893 (Höpner & Jackson, 2006). During the early twentieth century the group diversified into coal and steel, and in the 1970s and 1980s it further broadened into machine tools and automotive products (Höpner & Jackson, 2006). Following liberalisation of Germany's telecommunications market in the 1990s, Mannesmann launched the D2 mobile network, directed roughly two-thirds of total investment toward telecommunications so that it became the largest segment, and expanded across Europe by acquiring foreign firms (Höpner & Jackson, 2006). Although Mannesmann's stock performance was strong, it traded at a discount to its British rival Vodafone: the share price climbed nearly ninefold from 34 euros in 1996 to 300 euros by February 2000, beating the DAX-30, whereas Vodafone's rose sevenfold from 49 to 343 pounds over the same interval; Mannesmann's price-to-book ratio moved from 1.4 in 1992 to 10.2 in 1999, while Vodafone's increased from 7.7 to about 125.5 in 1999 (Höpner & Jackson, 2006).

Mannesmann is likewise portrayed as a German engineering concern founded in 1890 that, after the Second World War, moved from steel and coal into a diversified conglomerate spanning automotive components, information technology, and plastics, with major businesses in telecommunications, engineering, and automotive; by the 1990s it had become Europe's largest mobile-phone operator (Kumar, 2019). In line with this profile, Mannesmann's core telecommunications activities covered both mobile and fixed-line telephony, with joint ventures in France and Austria and operations in Germany, Italy, the United Kingdom, and the United States; Orange—focused on running the UK network and marketing services domestically and abroad—held joint ventures in Austria, Belgium, and Switzerland and acted as a service

provider in France and Germany, and on 21 December 1999 the European Commission cleared Mannesmann's acquisition of Orange subject to divestment of Orange's stake in Connect Austria (VM05).

Vodafone AirTouch plc, for its part, was a UK-based operator of mobile networks—principally the Vodafone Limited cellular networks in the United Kingdom—with interests spanning 24 countries including the United States, listings in London and New York, holdings in mobile firms across 10 EU Member States, majority positions in the United Kingdom, the Netherlands, Sweden, Portugal, and Greece, and minority stakes in Belgium, France, Germany, Italy, and Spain (VM05). By contrast, Vodafone pursued growth via alliances and acquisitions, completing a 1999 merger with AirTouch Communications to form Vodafone AirTouch in a $60 billion transaction aimed at global leadership in wireless communications (Kumar, 2019).

4.2.2 Strategic motivations behind the merger, structure of the deal

Up to the autumn of 1999, Vodafone and Mannesmann operated as alliance partners: Vodafone concentrated on mobile networks with numerous minority holdings in 13 European and 10 non-European markets; the firms jointly owned E-Plus and Vodafone held 34.8% of Mannesmann Mobilfunk, while Mannesmann pursued a dual path spanning both mobile and fixed-line communications (Höpner & Jackson, 2006). In 1999, Mannesmann's roughly €30 billion move on Orange threatened Vodafone's home turf and led Chris Gent (former CEO of Vodafone), on 14 November, to table a friendly share swap of 43.7 Vodafone shares per Mannesmann share, followed on 23 November by a public bid at 53.7 shares per share; this lifted the implied consideration from about €100 billion to €124 billion and was justified by economies of scale across 25 countries and a customer base of 42.4 million (Höpner & Jackson, 2006). The articulated strategic aims were to create the world's dominant wireless carrier, capture major savings and synergies, and speed the roll-out of high-speed data technologies, with Vodafone

stressing an industrial rather than purely financial rationale; for Mannesmann, an integrated mobile–fixed–Internet strategy targeted higher customer loyalty, greater sales per customer, and lower churn (VM03; VM02; Höpner & Jackson, 2006). Recognising that hostile takeovers were widely deemed morally objectionable in Germany, Gent positioned Vodafone as the aggrieved party, promised no site closures or redundancies, and pledged adherence to Germany's voluntary takeover code which—unlike the British code—allowed subsequent bid improvements and all-stock offers with no cash element (Höpner & Jackson, 2006; VM03). Mannesmann's response, unusually for German practice, neither questioned the legitimacy of hostile bids nor invoked the stakeholder model; management instead branded Vodafone's proposal value-destroying for shareholders and, with supervisory board backing from banks and unions, reiterated the integrated strategy to boost loyalty and revenue per customer, warning that a successful takeover would see Mannesmann removed from the DAX and Euro-Stoxx, forcing index-fund disposals and depressing the share price (Höpner & Jackson, 2006). An agreement was reached on 3 February 2000 for an improved all-stock offer allocating 50.5% to Vodafone and 49.5% to Mannesmann in the merged entity (Höpner & Jackson, 2006; ML4). The final terms set an exchange of 58.96 Vodafone shares per Mannesmann share, valuing Mannesmann at €353 ($349.61) per share, with Mannesmann investors owning 49.5% and Vodafone shareholders 50.5% of the combined company; at the Düsseldorf announcement both CEOs adopted a conciliatory tone—Gent stating "we are both winners," and Esser explaining that Vodafone's rising stock price had pushed the offer above his €350 target and by more than 90%, and that many shareholders favoured a recommended deal after he had initially turned down a friendly €240-per-share approach triggered by the Orange move (VM02). Structurally, the merged group would control mobile operators in eight EU Member States (Austria, Germany, Greece, Italy, the Netherlands, Portugal, Sweden, and the United Kingdom), hold joint control in Belgium, France, and Spain, serve more than 40 million subscribers, and face

principal competitors including Telecom Italia, Deutsche Telekom, British Telecom, and France Télécom (VM05). Although Mannesmann was larger by sales and headcount, Vodafone was more profitable due to its focus on mobile, commanding a higher market valuation relative to its underlying scale and even a slightly larger market capitalisation despite a smaller base of real economic activity; in a share-swap structure this valuation gap strengthened Vodafone's leverage over Mannesmann and raises questions about whether such divergent valuations reflect institutional differences between the British and German economies. Despite favourable investor-relations assessments, Mannesmann appeared less capital-market-oriented than its size, internationalisation, diversification, and ownership structure would suggest, having neither adopted IAS/US-GAAP nor sought a New York Stock Exchange listing (Höpner & Jackson, 2006).

4.2.3 Integration process

Integration proceeded through a mix of divestments, governance design, operating choices, and regulatory remedies, with several of Vodafone's early undertakings only partially fulfilled (Höpner & Jackson, 2006). On the portfolio side, Vodafone raised more than €14 billion by selling Mannesmann units—among them Orange to France Télécom and the legacy tubes business to Salzgitter for €1—while Atecs was transferred to Siemens AG and Robert Bosch GmbH rather than floated as originally promised; conversely, the fixed-line operator Arcor was retained within the group. Headcount in Germany stood at 10,124 across subsidiaries in 2006, compared with 14,778 telecommunications employees at Mannesmann in 1998 (Höpner & Jackson, 2006). To accommodate codetermination and cultural issues, Vodafone AirTouch pledged continuity with existing governance principles, established an integration committee with representation from both companies, and configured a 19-member board that included five Mannesmann appointees (one executive and four non-executives). Dr. Klaus Esser joined as an

executive director while continuing as Mannesmann's CEO, led the separation of the industrial businesses, and, after completing that task, relinquished executive responsibilities to serve as non-executive deputy chairman of Vodafone AirTouch (Kumar, 2019). In line with these arrangements, the combined group's 19-strong board included five Mannesmann representatives, Düsseldorf was designated one of two European telecommunications headquarters, and Vodafone undertook not to dispose of Mannesmann's interests in the Arcor and Infostrada fixed-line operations (VM02). Operationally, Vodafone AirTouch pursued development of Mannesmann's wireless Internet activities, set the integration and expansion of tele-commerce as a strategic objective, decided to retain facilities and activities in the Düsseldorf area with an emphasis on building out data products and services there, focused on repositioning the tubes businesses, and secured removal of the 5% voting cap from Mannesmann's articles of association (Kumar, 2019). At the regulatory level, the European Commission identified overlaps in the UK and Belgian mobile markets and mandated the de-merger of Orange as a stand-alone entity immediately after clearance; it also recognised that the enlarged group's pan-European footprint would enable seamless services to corporate customers that rivals could not easily match, and therefore accepted substantial undertakings granting other operators access to the integrated network for advanced services, time-limited to three years in view of rapid sector evolution (VM04). Together with commitments to continue Mannesmann's integrated telecommunications strategy and to relocate all fixed-line and Internet activities to Düsseldorf; meanwhile, both sides remained cautious on control: Esser noted Vodafone had rejected his request for Mannesmann to take a meaningful stake in the UK operation, while Gent argued the merger would instantly create the global leader, deliver substantial savings, and accelerate data technologies (Höpner & Jackson, 2006; VM03).

4.2.4 Key factors for success

The Mannesmann takeover's success rested, first, on the gradual reconfiguration of institutional arrangements, business practices, and prevailing ideas that let actors reinterpret existing rules to a bidder's advantage (Höpner & Jackson, 2006); second, on legal reforms that aided at the margins—most notably the 1998 one share–one vote principle—even though the late-1999 German takeover code itself remained less bidder-friendly than the regime introduced later (Höpner & Jackson, 2006); third, on a highly dispersed ownership base with substantial institutional and foreign holdings that increased exposure to a market for corporate control (Höpner & Jackson, 2006); fourth, on the retreat of traditional bank "shielding," as major banks leveraged central network positions and pursued investment-banking credentials rather than mounting defensive interventions (Höpner & Jackson, 2006); fifth, on a legitimacy drive prompted by public and political backlash, in which Vodafone's open letter pledged no additional job losses, recognition of employee/union/works-council rights, continuity of a co-determined supervisory board, improved telecommunications employment prospects in favour of Düsseldorf, a separate stock company for the traditional industrial divisions, and an independent fixed-line unit within the combined corporation (VM01).

Taken together, these dynamics show how incremental, complementary adjustments—some seemingly distant from M&A, such as codetermination—can yield a hybrid configuration that joins social-market features with the possibility of hostile takeovers, shifting incentives toward stock-price competition and underscoring the value of an actor-centred perspective because institutions admit multiple uses in practice (Höpner & Jackson, 2006).

4.2.5 Results and long-term impact

The Mannesmann contest implies that structural barriers to hostile acquisitions were either missing or not binding (Höpner & Jackson, 2006). Even so, scholars caution that this single case does not, by itself, establish the presence of a German market for corporate control (Höpner

& Jackson, 2006). Two observations justify this restraint: first, compared with other countries, Germany's core constraints remained largely intact—ownership concentration stayed high, close ties between banks and firms persisted, codetermination endured, and legal reforms did not impose a UK-style rule of strict board neutrality (Höpner & Jackson, 2006); second, the frequency of hostile offers in Germany failed to converge toward British or U.S. levels (Höpner & Jackson, 2006). Before the Vodafone–Mannesmann confrontation, no actor could reliably anticipate how managers, works councils, unions, policymakers, or public opinion would respond, leaving open whether economic culture had shifted enough to permit a foreign hostile bid for a national champion (Höpner & Jackson, 2006). The case's main significance, therefore, lies less in immediate institutional change than in what it discloses about the prevailing economic culture—the interplay of institutions, ideologies, and practices that confer legitimacy on corporate behaviour—indicating that traditional depictions of German capitalism no longer fully apply (Höpner & Jackson, 2006). At the same time, the surrounding public debate may signal employees' declining willingness to accept a simple neo-liberal injunction to keep politics out of economic decisions, reasserting claims to job protection and participation rights that often come under pressure in mergers and acquisitions and framing the episode as a prompt to reopen discussion of the social dimension of international economic relations, at least at the European level (VM01).

5. Case Studies of Failed Mergers

This chapter examines two emblematic cases of failed mergers in order to highlight the strategic, organizational, and cultural factors that contributed to their unsuccessful outcomes. Specifically, the analysis will focus on the Daimler–Chrysler merger of 1998 and the attempted merger between L'Oréal and The Body Shop in 2006. By investigating these cases, the chapter aims to provide insights into the underlying reasons for failure and to illustrate how misaligned

objectives, cultural differences, and integration challenges can undermine the intended synergies of cross-border mergers and acquisitions.

5.1 Daimler–Chrysler

Valued at $35 billion, the 1998 Daimler–Chrysler combination was the largest industrial merger on record (DC4). It joined a German automaker whose Mercedes badge was synonymous with premium quality and a U.S. manufacturer whose Dodge and Jeep lines had helped it secure about a quarter of the American market. Presented as a “merger of equals,” the transaction aimed to bolster the partners against more efficient Japanese competitors, shield them from persistent overcapacity, and equip them to address environmental pressures confronting the entire automotive industry (DC4).

5.1.1 Background of the companies

Daimler AG is among the world’s foremost automotive groups (DC7). Established in 1886 by Gottlieb Daimler and Carl Benz (DC7), the German company is the largest producer of commercial vehicles and a leading manufacturer of premium passenger cars (DC7). Its principal divisions comprise Mercedes-Benz Cars, Daimler Trucks, Mercedes-Benz Vans, Daimler Buses, and Daimler Financial Services (DC7). The latter provides financing and leasing, fleet management, insurance, investment products, credit cards, and a range of innovative mobility solutions (DC7). Mercedes-Benz markets vehicles and services in virtually every country and maintains production sites across Europe, North and Latin America, Asia, and Africa (DC7). In 2024 it generated €145.8 billion in revenue and employed 175,000 people as of December 31, 2024; unit sales in 2024 totalled 2,289,000 vehicles (DC7). Chrysler Corporation, founded in 1925 by Walter Chrysler, quickly defined the Chrysler brand’s proposition by offering affordable “luxury” models distinguished by advanced, high-quality engineering (DC9).

In 1995, the newly appointed chairman of Mercedes' Board of Management, Jürgen E. Schrempp, launched a strategic realignment in response to several business units' weak competitive positions. The portfolio was refocused by divesting Fokker, selling Dornier Luftfahrt GmbH, and dissolving AEG (Allgemeine Elektricitäts-Gesellschaft). Together with broader competitiveness initiatives, this pivot aimed to strengthen earnings by concentrating on automotive mobility, transportation, and related services (DC1). Extending core businesses, supplementing them with new products and services, and reinforcing Daimler's global competitive standing were prioritised over diversifying into unrelated fields (DC1).

Despite their shared identity as automakers, the two companies differed markedly. Headquartered in Auburn Hills, Michigan, Chrysler was essentially middle-market and Midwestern, deriving roughly 70 percent of sales from Jeeps, vans, and pickup trucks, and it had only a minimal European footprint (DC3). Daimler-Benz, by contrast, was elite and European in orientation: most Mercedes passenger cars were priced between $30,000 and well over $100,000, and the bulk of sales accrued in Europe (DC3). Even with a 65 percent increase in U.S. deliveries in the preceding year, Mercedes still represented under 1 percent of the American market (DC3). Chrysler, which had sold off its overseas subsidiaries in the late 1970s as a condition of federal assistance, lagged Ford and General Motors in capitalising on emerging demand in markets such as Brazil and Argentina; although a Jeep plant was under construction in Argentina, the firm was still playing catch-up. Meanwhile, Daimler-Benz's reliance on high-priced models produced at comparatively low volumes—only 726,000 vehicles in the prior year versus Chrysler's 2.3 million—limited its ability to achieve the economies of scale typical of more mass-market producers. Industry observers argued that a combination could address these issues by leveraging complementary strengths (DC3). Yet the organisational culture Chrysler developed in the 1990s was notably ill-suited to a European managerial template (DC5). Alongside pioneering the minivan and the sport-utility vehicle—both significant profit

engines—Chrysler's design teams demonstrated with the Viper and the Prowler that automobiles did not have to conform to convention (DC5). By 1997, Chrysler had established itself as a global leader in low-cost, high-volume production, further shaping expectations about the potential gains from a merger (DC5).

5.1.2 Strategic motivations behind the merger, structure of the deal

Announced in 1998, the merger with Chrysler Corporation to form DaimlerChrysler AG was framed as a vehicle for safeguarding both companies' long-run competitiveness (DC1). On 7 May 1998, Daimler-Benz Aktiengesellschaft and Chrysler Corporation executed a merger agreement valued at $36 billion, with contemporaneous coverage describing the transaction as Daimler-Benz's acquisition of Chrysler for roughly $36 billion (DC1; DC3). In October 2007, an extraordinary general meeting authorised changing the corporate name from DaimlerChrysler AG to Daimler AG, with about 99% of the approximately 5,000 shareholders voting in favour to draw a clear line between the entities (DC1). Daimler embarked on this transatlantic expansion in 1998 with ambitious expectations of broadening beyond the Mercedes brand into the volume segment, yet the relationship concluded with Chrysler in acute financial distress and allegations that the German partner had contributed to that outcome (DC2). More generally, large-scale automotive mergers had a poor performance record, and these two firms were widely perceived as deeply different in culture and product emphasis (DC3).

While managements were likely to market the deal to investors as a merger of equals, expectations were that Daimler-Benz would be the dominant side thereafter; the new company—DaimlerChrysler—would be incorporated in Germany with dual headquarters in Michigan and Stuttgart, and Daimler-Benz shareholders would hold a majority stake (DC3). The disappearance of Chrysler as an independent automaker marked a striking reversal for a

firm that had lurched through crises in the 1970s, nearly collapsed, received government aid, and then re-emerged as an agile, low-cost producer and design leader that invented the minivan; for Daimler-Benz—long seen as ponderous, slow-moving, and highly conservative—the tie-up promised immediate access to the North American mass market without diluting Mercedes-Benz's carefully cultivated premium image, production capacity outside Germany where labour costs are among the world's highest, and an opportunity to learn from Chrysler's admired ability to make decisions quickly and launch new models rapidly (DC3). Over the longer horizon the combination could make strategic sense; by joining with Chrysler, Mercedes would gain a large U.S. position almost overnight—supported by Chrysler's expansive dealer network and intimate understanding of how to design and sell vehicles—and the transaction was unlikely to encounter antitrust objections on either side of the Atlantic (DC3). The structure was expected to be a pooling of interests in which Chrysler and Daimler-Benz shareholders would swap their holdings for DaimlerChrysler shares: Daimler-Benz investors receiving one share of the new entity per Daimler-Benz share, and Chrysler investors about 0.55 of a DaimlerChrysler share per Chrysler share, with later adjustment anticipated (DC3). The deal was unusual in bringing together two companies that both enjoyed strong profits and growth yet lacked key elements for full global reach—neither had a significant footprint in Latin America or Asia, where demand was strongest for smaller, more modestly priced vehicles (DC3). It would constitute the largest industrial takeover in history and the biggest acquisition of a U.S. company by a foreign buyer, reshaping the American auto industry by uniting the nation's third-largest carmaker with Germany's renowned producer of luxury cars and heavy trucks, while also carrying material risks (DC3). The enterprise was to be jointly led for several years by Daimler-Benz chief executive Jürgen Schrempp and Chrysler chief executive Robert Eaton, with the expectation that Schrempp could assume control after their joint term; DaimlerChrysler would rank fifth among global automakers behind General Motors, Ford, Toyota, and Volkswagen

(DC3). Marketers Holden and Zetsche maintained that brand identities and marketing would remain separate; nevertheless, it was expected that Mercedes engineering would enhance Chrysler reliability, Chrysler's bold styling would make Mercedes less staid, the cross-pollination would have required American patience and flexibility, and, reciprocally, the Germans had begun to listen (DC5).

5.1.3 Integration process

Integration was conditioned by early power imbalances and a deliberately combative blueprint: Eaton—the executive who had overseen Chrysler's rise into America's hottest car company—relinquished too much authority too soon, handing the Germans an edge in the high-stakes game of musical chairs that follows the union of two giants (DC5). That Schrempp (Daimler-Benz's CEO) would be in charge was unsurprising; what stood out, however, was his approach to integrating the two organisations. Instead of seeking a superficial consensus, he explained that most mergers suffered from a misplaced "wish for harmony" and that Daimler had deliberately chosen to confront the most challenging issues from the outset (DC5). This strategy of addressing potential conflicts head-on translated into direct confrontations with Chrysler executives designated to assume leadership roles, thereby intensifying cultural frictions within the new entity.

Although Chrysler generated higher profits, Daimler-Benz was the larger entity; and while the Americans wanted the combined company based in the United States, German law made that impractical and costly, so a German-registered firm was all but certain to be dominated by German managers (DC5).

Almost as soon as the deal was unveiled the previous May, Schrempp's cadre of strategists began issuing stacks of organisational charts—replete with "synergy tracking" headings—and

assigning weekly meeting cadences with deadlines for each integration phase (DC5). For the German side, on-time delivery against those schedules became the primary yardstick of success; accordingly, Schrempp installed a “post-merger integration” (PMI) architecture in which 12 “issue-resolution teams” were tasked with pushing and cajoling counterparts to combine everything from sourcing to R&D, with any dispute freezing that team’s integration until resolved, and progress monitored from an office at the imposed headquarters in Stuttgart (DC5).

The combination yielded tangible production changes as well: in Graz, Austria, Mercedes and Chrysler vehicles began coming off the same assembly line—an achievement in auto manufacturing likened to walking on water. The plant had originally built the Jeep Grand Cherokee, but once merger talks started, Mercedes car chief Jürgen Hubbert spotted a chance to expand M-class SUV output without funding a new factory; in an unusual twist, Mercedes saved more than $70 million by shipping components from its Tuscaloosa, Ala., facility back to Europe for assembly alongside the Jeep. “There was the distinct opinion on the Mercedes side that we would never build a Mercedes under a Chrysler roof,” said Schrempp—yet they were already doing so (DC5).

In parallel, the merged firms set up an automotive-strategy group that quickly produced product decisions: plans for a Mercedes minivan were cancelled; the group commissioned at least one minivan-like vehicle, probably to be built by Mercedes, and a Chrysler model aimed at Europe to compete with Volkswagen’s Golf—both developed with input from Stuttgart and Auburn Hills. Marketers Holden and Zetsche continued to insist that brand identities and marketing would remain separate; nevertheless, the expectation was that Mercedes engineering would make Chrysler products more reliable, while Chrysler’s flamboyant design language would make Mercedes less staid (DC5).

5.1.4 Key factors for failure

The Daimler–Chrysler combination is frequently cited as a paradigmatic case of why cross-border mergers in the auto industry often unravel (DC2). From the outset, significant asymmetries existed: the partners diverged sharply in corporate culture and market positioning (DC3). Having been compelled in the late 1970s to dispose of its overseas units as a condition of federal aid, Chrysler later lagged Ford and General Motors in tapping the demand boom in Brazil and Argentina (DC3). Daimler-Benz, by contrast, relied on high-priced, relatively low-volume models, constraining scale economies; analysts nevertheless argued that, at least in principle, such complementary strengths could be combined through merger, even as the cultural gap between a Detroit Big Three member and Germany's largest industrial group—and the unpredictable record of transatlantic auto tie-ups—flagged substantial risk (DC3). Thus, a union that married an emblematic American turnaround story to a formidable yet stodgy German heavyweight was widely recognised as risky from day one (DC3). Early integration bore out those concerns: despite intensive post-merger meetings and seminars intended to knit the organisation together, accounts from former employees reported enduring culture clashes (DC4). Status dynamics aggravated matters: Mercedes pride generated resentment among Chrysler staff who felt their products were treated as inferior, some Mercedes-Benz dealers reportedly balked at carrying Dodge and Jeep, and synergy hopes were undermined by Mercedes's reluctance to rely on Chrysler production lines and quality systems (DC4). Though styled a merger, the reality looked more like a takeover: Bob Eaton nominally served as co-CEO with Jürgen Schrempp, yet the two were said to communicate infrequently; some observers claimed Schrempp avoided direct engagement with U.S. operations, while others suggested Eaton grew detached from the company he had once led energetically (DC4). Leadership choices deepened the imbalance: Eaton surrendered substantial authority early, advantaging the German side in the inevitable power struggles of large combinations (DC5). Structural constraints mattered as well: although the American contingent wanted a U.S.

domicile, German law made that impractical and expensive, effectively ensuring a German-registered firm dominated by German managers (DC5). The cultural gap then shaped everyday integration: almost immediately after announcement, a German planning ethos yielded volumes of organisational charts, weekly timetables, and rigid milestones, leaving Chrysler managers—accustomed to spotting openings and moving quickly—complaining of Stuttgart's "planning hell," encapsulated by a senior Chrysler executive's quip that he was "having a bad PMI day" (DC5).

Methodological divisions were stark: German teams prioritised analytical research and formal plans, while American teams set bold targets and iterated to deliver them; the split was evident when U.S. executives persuaded Schrempp to drop a long-standing bid for Nissan, a pursuit he had advanced with a distressed Japanese counterpart but that would have saddled the Americans with a complex turnaround they opposed from the start (DC5). Remedial measures followed—meeting calendars were revised and shifted from Stuttgart to New York to ease travel burdens, and the corporate-communications unit, having lost senior staff to cross-cultural friction and internal rivalry, engaged an external facilitator to improve internal dialogue (DC5).

Strategic misalignment endured: anchored in luxury marques and affluent clientele, Daimler failed to internalise the U.S. unit's price-sensitive realities and, fearing brand dilution, terminated a parts-sharing pact just as Chrysler began to feel the U.S. market downturn (DC8). In short, smooth integration remained out of reach: the firms never truly fused, promised synergies failed to materialise, the vaunted "merger of equals" operated as a de facto Daimler takeover, and cultural divides proved unbridgeable; achieving the intended brand-architecture and platform synergies would have required much deeper integration than actually occurred (Kumar, 2019). Ultimately, the putative global champion delivered a major let-down: cultural

incompatibilities were identified as central drivers of failure, and Daimler, despite its luxury pedigree, misread the explicit concerns of U.S. automakers (Kumar, 2019).

5.1.5 Results and long-term impact

Daimler ultimately drew a line under its turbulent 11-year tie-up with Chrysler by agreeing to forgo repayment of $1.9 billion in loans to the embattled Detroit automaker and to contribute several hundred million dollars to its pension plan (DC2). With hindsight, DaimlerChrysler stands out as one of the most unsuccessful mergers of the contemporary era (DC4). Originally marketed as a “merger of equals,” the alliance unraveled: in May 2007 Daimler announced the dissolution of DaimlerChrysler—formed in 1998—and the sale of 80.1% of Chrysler to private equity firm Cerberus Capital Management for $7.4 billion (DC6), and, seeking better long-term prospects, it also disposed of majority stakes in the Chrysler Group and the related North American financial-services unit in 2007 (DC1). The much-heralded global champion instead proved disappointing: cultural frictions surfaced quickly as Daimler—identified with luxury marques and affluent clientele—failed to grasp Chrysler’s price-sensitive context; fearing erosion of Mercedes brand equity, the German side terminated a parts-sharing arrangement just as Chrysler was entering the U.S. auto downturn, with shareholders branding Chrysler an “affliction” (DC8). Performance metrics reinforced this judgment: by 2001 the combined firm’s value had fallen to roughly the level of Daimler-Benz alone prior to the merger, Chrysler’s U.S. market share slid to 14%, and the group’s failure to shift toward smaller, more efficient vehicles—rather than sport-utility vehicles and pickups—hurt results as the U.S. economy softened (DC4). The overarching lesson is clear: cultural compatibility is indispensable—the American–German differences were central to the difficulties, and anticipating as well as planning for such gaps is critical to long-run merger outcomes.

5.2 L’Oréal-The Body shop

5.2.1 Background of the companies

The Body Shop—a British icon acquired by L'Oréal in 2006—positions itself around innovative, nature-inspired products (LB1). Founded in 1976 by Anita Roddick in Brighton, England, it evolved into a global standard-bearer for ethical and natural beauty, grounded in the conviction that business can serve as a force for good (LB1). By 2016 the company operated across more than 60 countries through multiple channels, including 3,000+ points of sale and e-commerce, reporting retail sales of about €1.5 billion and net sales of €921 million (LB1). A vigorous campaigner for fair trade and sustainable development, Roddick—together with her husband—stepped back from day-to-day management in 2002 while retaining an 18% holding and serving as a non-executive director (LB2). Drawing on youthful travels in the South Pacific and Africa and on traditional beauty practices observed there, she launched a shop offering "alternative" cosmetics built on natural ingredients at a time when the sector largely relied on synthetic formulas (Capron et al., 2022). In 1998, the firm entered the $12 billion U.S. cosmetics market in an effort to transplant its model, but progress was difficult because environmental concerns were less salient, consumer values and demand were more heterogeneous, and the brand's aversion to advertising hindered entry (Capron et al., 2022). Known for exotic ingredients, social activism, and environmental conscience, the chain also maintained practices that appeared uneconomic, such as refilling bottles for white musk moisturiser and banana hair conditioner (LB4).

By contrast, L'Oréal has been dedicated to beauty for over a century, overseeing a distinctive international portfolio of 34 complementary brands; in 2016 the Group generated €25.8 billion in sales and employed 89,300 people worldwide, operating across mass market, department stores, pharmacies and drugstores, hair salons, travel retail, branded retail, and e-commerce, with Research and Innovation central to strategy and the "Sharing Beauty With All" 2020 programme setting ambitious sustainability goals across the value chain (LB1).

L’Oréal was the world’s largest cosmetics company, owning 19 international brands that spanned mass through luxury; it sold makeup, perfume, hair, and skincare products in more than 150 countries and, founded in 1907 by French chemist Eugène Schueller—who marketed patented hair dyes and toiletries under the L’Oréal name—it had a long record of acquiring and successfully integrating brands, beginning with major French names such as Lancôme, Vichy, and Garnier (Capron et al., 2022). The firm ended animal testing on finished products in 1989, while still using some ingredients tested on animals, and at the same time committed to developing alternative methods (Capron et al., 2022).

5.2.2 Strategic motivations behind the merger, structure of the deal

The deal was explicitly structured as a takeover: The Body Shop agreed to be acquired by L’Oréal for £652.3m, with founder Anita Roddick expected to realise £130m from selling a retail chain built around natural products and opposition to animal testing (LB2). L’Oréal framed the purchase as consistent with “authentic” advocacy of The Body Shop’s values, presenting the target as a “sizeable and complimentary brand” active in 54 countries that generated £419m of revenues in 2005, and as a way to deepen exposure to the “masstige” segment that The Body Shop had pursued intensively over the prior four years (LB2). The strategic rationale emphasised combination effects: marrying L’Oréal’s international market expertise with The Body Shop’s distinctive sustainable culture and values to produce mutual gains (LB2). At the same time, The Body Shop’s identity drew on early leadership in the use of natural ingredients (LB3), even as concerns persisted that some ingredients employed by L’Oréal at the time had been tested on animals, in tension with The Body Shop’s public stance against animal testing (LB3).

Pre-transaction performance dynamics also shaped the case. During the 1990s, The Body Shop experienced slowing sales and declining per-store results; the offer was perceived as low-end

yet priced at a premium; and newly appointed CEO Patrik Gournay reoriented the firm by exiting manufacturing and wholesaling to refocus on retail. Tentative discussions about a sale either fell through or drew bids regarded as too low, after which Peter Saunders—formerly head of U.S. operations—took charge in 1998, halted sale plans, and repositioned the brand toward the "masstige" consumer with price points between mid-market and super-premium (Capron et al., 2022). By 2002, revenues, operating profits, and net profits had recovered and Body Shop at Home was thriving, which made it surprising to some observers when shareholders accepted L'Oréal's March 2006 offer of £652 million—L'Oréal's first major strategic move under incoming CEO Jean-Paul Agon, previously head of the Group's U.S. business (Capron et al., 2022). The capabilities story anticipated reciprocal benefits: L'Oréal would tap The Body Shop's sourcing of raw materials and cruelty-free ingredients, while The Body Shop would draw on L'Oréal's product-development know-how (Capron et al., 2022). Even so, analysts highlighted a potential cultural-fit problem: The Body Shop, one of Britain's largest cosmetics retailers precisely because of its habit of "thinking small," might sit uneasily within a multi-brand French cosmetics conglomerate (LB4). Finally, L'Oréal's March announcement of a £652m ($1.2bn) takeover explicitly cast the acquisition as a response to rising demand for natural cosmetics (LB5).

5.2.3 Integration process

At the point of integration, L'Oréal confirmed that The Body Shop brand would be preserved and that the company would remain UK-based with independent management (LB2). At the same time, Iain McGlinn—an early investor and close friend of the founder of the Body Shop—was poised to realise roughly £140m from his 21% holding, and the Board urged other stakeholders to back the transaction (LB2). Strategically, L'Oréal argued the brand would complement its portfolio by extending reach in the "masstige" segment—mass market

combined with prestige—though GlobalData Retail analysts later concluded that the business had “slightly lost its way” under L’Oréal’s ownership (LB3).

To protect identity and reassure consumers, L’Oréal said The Body Shop would operate as a standalone entity, with Anita Roddick continuing as a consultant and taking on a Group-wide advisory role for community trade (Capron et al., 2022). Management further stressed that it would remain a wholly separate business—described as the crucial organising principle—and that L’Oréal did not intend to distribute its own brands through The Body Shop stores (Capron et al., 2022). Internally, the brand was characterised as very strong and “beautiful,” with the view that L’Oréal’s global perspective could help elevate performance, particularly in markets where The Body Shop was still a challenger (Capron et al., 2022). Externally, L’Oréal also adapted its core values and marketing communications to reflect the growing consumer demand for natural cosmetics (LB5).

5.2.4 Key factors for failure

Although once a standard-bearer for ethical retail, The Body Shop delivered subdued performance through the decade after its acquisition by L’Oréal (Capron et al., 2022). Rising consumer anxiety about the adverse effects of synthetic and chemical ingredients, together with closer scrutiny of sourcing and processing, expanded the green beauty category while simultaneously intensifying competition from premium ethical brands (Capron et al., 2022). Within L’Oréal’s portfolio, the brand became one of the Group’s weakest performers; in February 2017 L’Oréal reported an EBITDA margin of 8.8% for The Body Shop versus the Group’s 23%, and—after a strategic options review—decided to place the asset up for auction (Capron et al., 2022). Responding to perceptions about the original match, Mr Agon argued it was unfair for some to see L’Oréal as an unworthy acquirer of a company that, under Dame Anita, had pioneered “ethical” business (LB5). Even so, analysts long warned of a cultural-fit

problem: The Body Shop, one of Britain's largest cosmetics retailers precisely because of its tendency to "think small," might not sit comfortably within a multi-brand French cosmetics conglomerate (LB4). In line with that view, GlobalData Retail later concluded the firm had "slightly lost its way" during L'Oréal's ownership (LB3). Why value creation did not materialize. The key value-creating resources were brand ethos and legitimacy with ethically minded consumers. This identity-wealth, implicit asset-based foundation spawned four frictions: (i) authenticity dilution tension between activist past and mainstream portfolio; (ii) format/channel economics constricting operating leverage from L'Oréal's scale; (iii) safeguards-capabilities trade-off—governance choices defending identity at the expense of diminishing deep capability transfer (e.g., R&D and procurement practices); (iv) persistent stakeholder doubt (NGOs, consumers) extracting legitimacy costs. Combining these frictions generated moderate synergies and resulting strategic re-evaluation, in line with case facts (LB1; LB4).

5.2.5 Results and long-term impact

Given the brand's sustained underperformance within L'Oréal's portfolio—evidenced by pressure from a fast-expanding green beauty segment, fiercer competition from premium ethical rivals, and profitability below the Group's level (Capron et al., 2022)—together with ongoing questions about strategic fit during L'Oréal's tenure (LB3), the most credible route to revitalisation was a purchaser whose ethos and product philosophy closely matched The Body Shop's identity.

Natura was positioned as exactly such an owner, with public statements casting it as the ideal new "home" to protect naturality and ethics while advancing long-term development and stakeholder commitments (LB1; Capron et al., 2022; LB5). In line with this narrative, L'Oréal's Chairman & CEO Jean-Paul Agon stated that Natura would best nurture the brand's DNA and

thanked The Body Shop's global employees and partners, voicing confidence in the brand's prospects under the incoming owner (LB1). Likewise, The Body Shop's Chairman & CEO Jeremy Schwartz argued that customers, employees, franchisees, and stakeholders would welcome L'Oréal's decision to enter exclusive talks with Natura, whose ethical values and capabilities made it the "perfect new owner" to accelerate rejuvenation and future growth (LB1).

Operationally, L'Oréal announced in June 2017 the sale of The Body Shop to Natura Cosméticos at an enterprise value of roughly £875m, underscoring the firms' close alignment in cosmetic vision and advocacy of natural ingredients (Capron et al., 2022). Following completion, Natura would obtain 54% of its sales from outside Brazil—principally Latin America, the UK, and the US—while The Body Shop would be able to draw on Natura's strengths in categories where it had previously been absent, such as products for babies and children (Capron et al., 2022).

6 Comparative Analysis of Successful and Failed Mergers

6.1 Comparison across all cases

The cross-case analysis strictly applies the conceptual framework's shared coding grid—nature of value-creating assets; integration mode, scope, and speed; leadership and governance; cultural/identity distance; regulatory salience; synergy type. All case stories explicitly speak to these dimensions, making systematic comparison and cumulative inference easier.

This thesis has examined two cases of emblematic success (Disney–Pixar and Vodafone–Mannesmann) and two of failure (Daimler–Chrysler and L'Oréal–The Body Shop) and it shows how strategic intent, identity/legitimacy management, leadership design, and integration architecture can produce durable results (DP07; DP08; DP04; VM01). Disney–Pixar illustrates

post-merger rejuvenation: selective integration, reverse integration of creative routines into Disney Animation, and governance that embedded Pixar leaders, alongside sustained performance improvements (DP02; Barthélemy, 2011; DP07). Vodafone–Mannesmann, by contrast, succeeded because a clear industrial thesis—EU-wide expansion, cost savings, and accelerated data rollout—was executed through a disciplined all-share path to control and an actor-centred legitimacy strategy (public commitments on codetermination, employment, governance continuity, and location), culminating in 98.62% acceptances and EU approval, which enabled integration across operators in eight EU Member States, with joint control in Belgium, France, and Spain (VM01; VM02; VM03; VM04; VM07).

In what follows, Section 6.1 develops the analysis of the successful cases, while Section 6.2 addresses the failed ones; together they compare the cases in a structured manner and distil the cross-case drivers strictly from the reported evidence, maintaining focus on the mechanisms actually observed.

6.1.1 Cross-case comparison of successful mergers

The two successful deals worked for the same fundamental reason: each translated strategic intent into an integration architecture that safeguarded the assets that created value, channelled capabilities to where they would matter most, and secured the stakeholder legitimacy needed to execute. In Disney–Pixar, success followed from a design explicitly oriented to creative rejuvenation rather than scale: Disney integrated only non-creative functions (marketing, distribution, shared services) and installed identity safeguards—including a "do-not-change list" covering benefits, contracts, Barthélemy, 2011and signage—that reduced identity threats and preserved Pixar's core routines (DP07; Barthélemy, 2011). This protection then enabled capability diffusion via reverse integration, with Pixar leaders embedded at the system's core—Ed Catmull as president of both studios, John Lasseter as chief creative officer, and Steve Jobs

on the board—while the deliberately paced process converted cultural complementarity into durable performance and a renewed blockbuster pipeline, including an annualised TSR of roughly 22% (DP02; DP08; DP04; DP07).

Vodafone–Mannesmann succeeded for parallel, context-specific reasons: a scale- and technology-driven industrial thesis—leading wireless scale, major savings, faster data—was matched by disciplined offer/governance design, namely an all-share path to control that won 98.62% acceptances (VM01; VM07). Legitimacy was secured through public commitments on codetermination, employment, supervisory-board continuity, and location (notably Düsseldorf), which rendered a hostile bid politically and socially acceptable (VM02; VM01). Regulatory fit then completed the mechanism: EU approval with remedies—most notably the Orange de-merger and time-limited network-access undertakings—enabled execution across operators in eight EU Member States, with joint control in Belgium, France, and Spain, while addressing competition concerns (VM06; VM07; Kumar, 2019). In comparative terms, Disney–Pixar's outcome turned on selective integration plus leadership-as-system-design that channelled the target's creative routines into the acquirer without eroding identity (DP07; Barthélemy, 2011; DP08), whereas Vodafone–Mannesmann's outcome turned on offer structure, governance, and stakeholder commitments that converted a hostile bid into an acceptable transaction and created stable control for execution (VM01; VM02). What they share—and what sets them apart from failed mergers—is the consistent matching of strategy to integration mechanics: integrate only where synergies are clear, protect the organisational identity that generates value, embed capability carriers to diffuse what is being bought, and align with institutional and regulatory expectations so the design can be executed at scale (DP07; VM06).

6.1.2 Cross-case comparison of failed mergers

Failure in both cases reflects the opposite configuration of the successful pair: strategic intent was not matched by an integration architecture capable of protecting value-creating capabilities, transferring them credibly, and sustaining stakeholder support. In Daimler–Chrysler, the causal chain ran through a combative PMI that concentrated authority on the German side and imposed Stuttgart-centred structures—headquarters, timetables, issue-resolution teams—policing progress through dense schedules that Chrysler managers described as "planning hell" (DC5). Rather than reducing acculturation frictions, this design amplified status tensions (Mercedes pride vs. perceived Chrysler inferiority), fostered reluctance to rely on Chrysler lines and quality systems, and even met dealer pushback on Dodge and Jeep; a nominal "merger of equals" drifted into a de facto takeover as co-CEOs communicated infrequently, eroding trust needed for capability transfer (DC4). Strategic misfit compounded the mechanism: anchored in luxury, Daimler misread the U.S. unit's price-sensitive realities and, fearing dilution, ended parts-sharing just as the downturn hit, after which value fell toward Daimler's pre-merger level, market share eroded, and the group exited via the Cerberus sale with loan waivers and pension support (DC8; DC4; DC6; DC2).

L'Oréal–The Body Shop failed through the inverse error: autonomy without traction. Although autonomy was promised—brand retained, UK base, standalone governance, and no routing of Group brands through Body Shop stores—this setup did not convert the target's ethical/natural identity into portfolio performance as the "green beauty" segment expanded and premium ethical rivals intensified (LB2; Capron et al., 2022). Analysts had already flagged a cultural-fit risk for a retailer successful precisely by "thinking small" inside a multi-brand conglomerate, and later judged the brand had "slightly lost its way" under L'Oréal, signalling that identity preservation without a mechanism for capability leverage and market repositioning can drift (LB4; LB3). Performance evidence made the causality visible: EBITDA of 8.8% versus the

Group's 23% triggered a strategic review, auction, and ultimately a sale to Natura as the owner most aligned with the brand's ethos (Capron et al., 2022; LB1; LB5).

Comparatively, Daimler–Chrysler succumbed to adversarial absorption that magnified cultural distance, while L'Oréal–The Body Shop preserved identity without embedding capability carriers or re-positioning the business; in both, leadership and governance choices failed to create the conditions for capability diffusion, and weak alignment with contextual constraints (price sensitivity, category shifts) led to value destruction and exit (DC5; DC4; Capron et al., 2022). Table 7 summarizes the success and failure factors of the selected cases.

Table 7: summary of success & failure factors

Case	Success factor	Failure factor
Disney-Pixar	- Selective hybrid: integrate non-creative; preserve creative core (Bauer et al., 2018; DP07) - Identity safeguards; "do-not-change" perimeter; symbols kept (Weber et al., 1996; Barthélemy, 2011; DP04) - Reverse integration - Pixar leaders embedded	

	- Cross-pollination interfaces (Safavi, 2021; DP02; DP08) - Fast on systems; gradual on creative (Sarala & Vaara, 2010; DP04). - Cost/revenue/vitality synergies (Appelbaum et al., 2000; DP07)	
Vodafone-Mannesmann	- Industrial-thesis operator/Network integration (F004; Höpner & Jackson, 2006; Kumar, 2019) - Co-determination jobs, location commitments (Höpner & Jackson, 2006; VM01) - EU remedies; Orange de-merger; access undertakings (VM04;VM05;VM02)	

	- Sequenced milestones and divestitures (Sarala & Vaara, 2010; Höpner & Jackson, 2006) - Scale/savings	
Daimler-Chrysler		- Over-absorption; German dominance on PMI (Bauer et al., 2018;DC5) - Assimilation tendencies; "planning hell"; status tensions (Weber et al., 1996; DC5) - Co-CEO dysfunction; Stuttgart control (DC4; DC5) - Uniform speed; rigid milestones; cultural whiplash

		(Sarala & Vaara, 2010; DC5) - Parts-sharing terminated; learning blocked (Safavi, 2021; DC8) - Promised platform synergies unrealised (Appelbaum et al., 2000; DC4)
L'Oréal-The Body Shop		- Insufficient interfaces; limited capability transfer (Safavi, 2021; Capron et al., 2022) - Gradual pacing without traction (Sarala & Vaara, 2010; Capron et al., 2022)

Table 8: Success and failure factors

7 Critical Discussion and Managerial Implications

7.1 Theoretical Implications

Across the four cases, a quick summary clarify why certain integrations created value and others did not. Disney–Pixar retained creative autonomy while integrating support functions such as distribution and merchandising for long-term value creation (DP01; DP02; DP07; DP08). Vodafone–Mannesmann turned a hostile bid into the world's largest mobile operator at the time, then dealt with cross-border governance and regulatory restrictions through sequential integration of networks, brands, and processes (VM01; VM02; VM05). L'Oréal–The Body Shop manifested identity and mission incompatibility that complicated synergy realization and prompted strategic rethinking and divestment talks (LB1; LB2; LB3; LB4). Daimler–Chrysler suffered from deep cultural and governance strains that irritated capability transfer and synergy realization and ended in failure (DC1; DC2; DC4; DC6).

Above all, the harmony of integration mode with the compound need for strategic interdependence and target autonomy remains fundamental. According to the traditional two-dimensional lens, absorption, retention, symbiosis, and holding are contingent options that should accommodate the value logic of a deal (Haspeslagh & Jemison, 1991; Malik et al., 2023). Disney–Pixar approximated a selective, symbiotic pattern—close coupling where scale mattered, autonomy where identity was central—while Daimler–Chrysler tended towards absorption without retaining distinct routines, destroying the very capabilities the deal was valuable for (DP07; DP08; DC1; DC4). This metaphor argues that there is value destruction through mis-matching mode to task, whereas mode–task fit facilitates capability flows (Haspeslagh & Jemison, 1991; Bodner & Capron, 2018).

Second, value capture is achieved through the orchestration of capabilities rather than ownership itself. Integration success is dependent on exploiting operational resource sharing, functional knowledge, and general managerial capabilities across firm boundaries (Haspeslagh

& Jemison, 1991; Sirmon et al., 2025). Disney pursued reverse integration—placing Pixar executives in Disney Animation—to infuse legacy capabilities with new life, while limiting full absorption to low-salience activities (DP07; DP08). By contrast, Daimler–Chrysler's governance and process conflicts hindered knowledge exchange and joint problem solving (DC1; DC4; DC6). These patterns support the view that acquisitions create value when capability transfer processes and the design of integration cohere (Bodner & Capron, 2018; Sirmon et al., 2025).

Third, sociocultural integration and hence synergy realization are shaped by identity and cultural dynamics. Cultural fit—understood as complementary but compatible values and practices—facilitates collaboration and learning; misfit enhances acculturative stress and resistance (Sarala & Vaara, 2010; Bauer & Matzler, 2014; Bauer et al., 2018; Zaheer et al., 2013). The Body Shop's ethical identity was awkwardly placed in L'Oréal's corporate structure, rendering integration decision-making more difficult despite superficial brand synergies (LB2; LB3; LB4), whereas Disney–Pixar upheld salient identity markers and used boundary spanners to connect creative communities (DP04; DP07). This evidence nuances the "similarity is always better" view in emphasizing managerial design of complementarities (Zaheer et al., 2013; Bauer et al., 2018).

Fourth, pacing and sequencing of integration are mechanism-critical. Literature shows that optimum speed is contingent on relatedness and learning needs: faster where operations are similar and uncertainty reduction dominates, slower where knowledge transfer and cultural adaptation take centre stage (Homburg & Bucerius, 2006; Thomas & Louisgrand, 2022; Thomas et al., 2023). Disney staged integration by function and salience, actively avoiding rapid assimilation of creative routines (DP07), while Vodafone faced staged harmonization under regulatory duress (VM02; VM05). Conversely, Daimler–Chrysler's attempts to drive

through standard processes met the resistance of incumbent routines, revealing the risk of imposing sociocultural change too early (DC1; DC4). Taken together, these results confirm a contingency view of speed in PMI (Homburg & Bucerius, 2006; Thomas et al., 2023).

Fifth, governance and decision rights guide capability flows. Effective acquirers establish decision rights, interfaces, and KPIs early, aligning governance with the chosen mode and the locus of distinctive capabilities (Haspeslagh & Jemison, 1991; Bodner & Capron, 2018). Disney created formal leadership roles in both studios, and penned a "do-not-change" list to safeguard identity in integrating enablers (DP04; DP08). Daimler–Chrysler illustrates how ambiguous authority and incompatible systems impede coordination and annihilate value (DC1; DC4; DC6).

Finally, boundary conditions—industry clockspeed, regulation, national and organizational culture—moderate all prior mechanisms (Trautwein, 1990; Weber et al., 1996; Malik et al., 2023). Vodafone–Mannesmann occurred under EU merger control and telecom liberalization, which determined the feasible integration trajectory (VM05). L'Oréal–The Body Shop represents identity-sensitive retail environments in which stakeholder legitimacy constrains integration levers (LB1; LB2; LB3). These contingencies explain cross-case variation despite similar high-level rationales.

7.2 Practical recommendations for effective PMI management

Successful post-merger integration is more a managerial philosophy than a checklist of tasks, an approach that combines the integration design with the specific strategic objectives and organizational characteristics of each transaction. At its core is the matching of integration mode and the reciprocal requirements of resource interdependence and target autonomy: absorption, preservation, symbiosis, and holding are not standard patterns but variable choices

that must be justified by the value rationale of the transaction (Haspeslagh & Jemison, 1991). When the acquirer maintains the target's distinctive practices while intergrating scale-related functions, value capture becomes possible, as shown by Disney-Pixar (DP01). By contrast, forcing uniform processes onto compatible organizational systems, as in Daimler-Chrysler, undermines and disperses the very advantages the merger was intended to create (DM1).

Creating synergies thus depends on capability management more than on ownership per se. It involves facilitating targeted knowledge exchange through carefully designed roles, intermediaries, and clearly defined organizational interfaces, while at the same time safeguarding the routines that are critical to the acquired firm's identity (Haspeslagh & Jemison, 1991; Bodner & Capron, 2018). The Body Shop evolution under L'Oréal illustrates how low integration architecture/mission/identity alignment limits the knowledge gains that could be achieved, even though the brands appear complementary (LB1), whilst selective reverse integration of innovative leadership triggered renewal in Disney animation assets (DP01). This suggests that capability transfer mechanism must be planned just as carefully as the formal architecture that supports them.

Identity processes and cultural processes are not secondary issues but fundamental mechanisms that determine whether performance actually results from operational integration. If complementarity between two firms does exist but is undermined by deep incompatibilities (L'Oréal – The Body Shop), integration will more likely generate acculturative stress than value. Successful integration therefore requires a balance: culture needs to be compatible enough to cooperate, but complementary enough to provide room for opportunities of mutual learning and value creation (Sarala & Vaara, 2010; Zaheer et al., 2013). The Body Shop case shows a highly visible, stakeholder-oriented identity can restrict the possible forms and speed of integration (LB1), while Disney–Pixar shows that protecting the firm's core identity by integrating only

distribution, finance, and other enablers, can sustain long-term value creation (DP01). For leaders, the message is to think about sociocultural design as an initial strategic choice—what will remain the same, what might change, and in what sequence—rather than as a downstream communications process (Bauer et al., 2018).

Integration speed and order of integration should be tailored to the degree of task relatedness and the specific learning needs, rather than being treated as a single speed setting in all cases. The literature shows that rapid consolidation reduces uncertainty when the activities are similar, while slower integration allows for knowledge transfer and trust when routines are dissimilar or identiy-based (Homburg & Bucerius, 2006; Thomas & Louisgrand, 2022; Thomas et al., 2023). Within cross-border, regulated contexts such as Vodafone–Mannesmann, the order of integration steps had to be guided by market factors and external approvals (VM01); in contrast, Disney–Pixar creative functions were specifically shielded from advance standardisation in order to protect discovery but enable exploitation in collaborative functions (DP01).

Finally, governance choices steer all earlier mechanisms. Establishing decision rights, coordination mechanisms, and performance measures from the beginning helps in developing strategy into integration outcomes (Bodner & Capron, 2018). Wherever systems are incompatible or authority remains ambiguous, as in the example of Daimler–Chrysler, coordination failures accumulate even as declared strategy (DM1). Conversely, governance deeply rooted in the selected mode—light where autonomy is important, strong where interdependence is high—enables structured implementation and retains the adaptability to regulate speed as it develops (Malik et al., 2023). External conditions such as industry clockspeed, regulatory frameworks, and stakeholder legitimacy expectations shape how these recommendations work in practice. They also explain why integration models that appear similar may lead to very different outcomes across contexts (Trautwein, 1990).

7.3 Limitation and Future research

Even effective PMI is constrained by structural limits that cannot be fully removed. When interdependence and required autonomy are misjudged, the selected integration mode will not fit the deal's value (Haspeslagh & Jemison, 1991). Value is realised when task fit is right, and destroyed when it is wrong. Capability stickiness also inhibits transfer: distinctive habits are tacit and identity-laden, and without trusted intermediaries and fixed points of reference, flows of knowledge become partial and returns on learning decrease (Zaheer & al., 2013; Sarala & Vaara, 2010). Furthermore, pacing is constrained by industry clockspeed, regulation, and legacy systems; when the managers want to differ in speed by function, even then the order of the steps is governed by third-party approvals and market timing (Homburg & Bucerius, 2006; Thomas & Louisgrand, 2022; Thomas et al., 2023). Furthermore, governance complexity—unambiguous decision rights and incompatible systems—can suffocate capability flows regardless of strategy (Bodner & Capron, 2018).

Future research should reflect on how integration modes are reconstructed as information changes and boundary conditions vary, and enumerate when adaptation increases performance and when it is just noise (Haspeslagh & Jemison, 1991; Homburg & Bucerius, 2006; Thomas et al., 2023; DP01; VM01). It would also be helpful to shed light on the micro-foundations of capability transfer by studying the function exercised by liaison positions, boundary spanning, and identity work in identity-sensitive environments (Sarala & Vaara, 2010; Zaheer et al., 2013; LB1). Finally, the performance–governance nexus is worthy of systematic tests bridging specific assignments of decision rights and coordination mechanism design with value capture across different regulatory and industry contexts (Bodner & Capron, 2018; DM1). Collectively, these streams establish that similar integration blueprints shift asymmetrically across contexts and further reinforce the case for adaptive, context-sensitive PMI.

8 Conclusion

Acquisitions are more than a route to scale; over time they reshape how firms decide, learn, and lead. By importing new capabilities and exposing units to unfamiliar markets and routines, they oblige senior managers to test different managerial logics—making visible, in the frictions of combination, the quality of leadership and decision making (Haspeslagh & Jemison, 1991).

This thesis investigated whether adopted post-merger integration (PMI) strategy has an impact on value creation in M&A. The answer is yes: results in the four cases are dependent on strategic interdependence necessary design equated with freedom to preserve capabilities, demarcating how capabilities will actually move, protecting identity where value is implicit, speed of phases to the organization's learning burden, and garnered stakeholder legitimacy (Malik et al., 2023; Bodner & Capron, 2018; Bauer et al., 2018; Homburg & Bucerius, 2006; Zaheer et al., 2013; Sarala & Vaara, 2010). All in all, PMI is a learning process that is sensitive to process, not a how-to guide.

The examples demonstrate. Disney–Pixar succeeded by organizing low-salience scale layers and preserving the creative core, using reverse integration to smoothen capabilities; Vodafone–Mannesmann paired an implicit industrial thesis with early legitimacy-building to render a hostile bid possible. On the other hand, Daimler–Chrysler overextended with imposed assimilation in a culturally diverse couple, while L'Oréal–The Body Shop sustained identity without creating carriers and interfaces to translate ethos into performance (Bauer et al., 2018; Bodner & Capron, 2018; Homburg & Bucerius, 2006; Zaheer et al., 2013).

Managerially, the proposition is to connect only where there is value, preserve identity-rich spaces, tag credible carriers across boundaries, design the interfaces by and through which

knowledge will move, and chart a legitimacy trajectory from day one (Bauer et al., 2018; Sirmon et al., 2025; Zaheer et al., 2013). These results are statistical, not analytical, and are limited by secondary source dependence and sectoral and institutional context (Eisenhardt & Graebner, 2007; Bauer et al., 2018). Typically, post-acquisition value does not occur through "more integration," but by integrating precisely and in the right order and protecting the identity that makes capability transfer possible (Homburg & Bucerius, 2006; Sarala & Vaara, 2010).

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