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THE EFFECT OF CULTURAL INTEGRATION ON FINANCIAL PERFORMANCE POST-MERGER

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ABSTRACT

This research study examined the effects of combining unlike corporate cultures. We analyzed both successful and unsuccessful mergers measured by post-merger performance indicators for the year before and after the merger. Our null hypothesis states that the success or failure of organizations in combining their respective corporate cultures is directly proportional to their financial performance, measured by the aforementioned indicators of Stock Price, Net Income, and Earnings per Share both before and after the merger. Our alternative hypothesis states that there is an inversely proportional relationship for financial performance after a merger. The results conclude that the probability of an improvement or decline of financial performance after a merger is 0.5 depending on the success or failure in combining corporate cultures. The study shows that five subjects accepted the null hypothesis, two subjects accepted the alternative, and three subjects rejected both the null hypotheses and the alternative hypotheses.

JEL: F0, G0

KEYWORDS: Corporate Culture; Merger; Post-Merger Performance

INTRODUCTION

In this study, we observe the effect that a successful merger between two corporate cultures has on the financial success of the merger. We examine different successful and unsuccessful corporate culture mergers and how this relates to the post-merger performance by looking at Stock Price, Net Income and Earnings per Share before and after the merge. In order to have a clear understanding of the research findings and to facilitate a clear path through our thought process, we first explain the notion of corporate culture and how does corporate culture affect companies' performance, through a brief literature review. Next, we explore prior research that suggests a relationship between corporate culture and companies' performance after mergers. A recent study by Professor Christa H.S. Bouwman, an Associate Professor of Banking and Finance at Case Western Reserve University and a Fellow at the Wharton Financial Institutions Center, suggested that future research on corporate culture and M&A should address how combining two corporate cultures affect post-merger performance. That is the central question that this study addresses. Although, different published research provides insights on how management should support the integration between corporate cultures in an M&A, no research has provided quantitative data on how performance varies depending on how successful the two corporate cultures were combined. The focus of this study is to provide a quantitative analysis to reveal a cause and effect relationship between corporate culture, M&A, and financial performance.

Afterwards, by conducting thorough research on several mergers that had corporate culture influence at their roots, we examine their performance prior to and after the merger. In conclusion, this study should be able to determine whether there is a relationship between corporate culture and performance of a company after a merger. This paper is structured in the following order: literature review, data and methodology, research findings, results and discussion, and conclusion. The literature review discloses

the prior research regarding mergers and acquisitions, their financial impact, and the outcomes of those business combinations. The data and methodology sections explain our research design and data collection methods for the analysis of post-merger financial performance. The consequences of these mergers or acquisitions are discussed in the results and discussion section. Finally the conclusion presents the findings of the study and suggests areas of future research.

LITERATURE REVIEW

For the purposes of this study we define corporate culture based on precedents provided by several research studies and books, such as "Matching Corporate Culture and Business Strategy" by Schwartz and Davis and "Organizational Cultures: Types and Transformations by Pheysey. While it could be inferred that corporate culture is a subjective term that can be interpreted in various ways, these works have definitions that are somewhat similar. Below is a small sample of how researchers define corporate culture. In their research about Matching Corporate Culture and Business Strategy, Howard Schwartz and Stanley M. Davis (1981) define culture as "a pattern of beliefs and expectations shared by the organization's members. These beliefs and expectations produce norms that powerfully shape the behavior of individuals and groups in the organization." They also refer to Anthropologist C. S. Ford, 1939, who defined culture as "composed of responses which have been accepted because they have met with success." Also, the culture of an organization is invented, developed and/or discovered by the members of that organization (Schwartz and Davis, 1981). Schein (1985) also explains the three major levels of organizational culture: Artifacts and Creations, Values, and Basic Assumptions; ranked from most to least visible. The relationship between these three levels can be described by the Iceberg model, where most of the iceberg is underneath the surface where it can't be seen and only a fraction visible above water. In this case, the Values and Basic Assumptions are the most valuable features of corporate culture, but they are, unfortunately, below the surface and can't be readily observed.

The Artifacts and Creations, however, only constitute a fraction of the equation, but they are the most visible characteristics of corporate culture. Corporate culture is the dominant values adopted by an organization or a set of values and assumptions that underlie the statement: "this is how we do things around here" (Deal and Kennedy, 1982; Quinn and Rohrbaugh, 1983). Further, corporate culture can be looked at as a cognitive map that influences the way in which the context is defined, because it helps select mechanisms or norms and values which people use to navigate events (Jones, 1983). Corporate culture also refers to a pattern of beliefs, symbols, rituals, myths, and practices that have evolved over time in an organization (Pheysey, 1993). After examining how different researchers defined corporate cultures, it is important to dig deeper and define the relationship between corporate culture and performance. Previous research has linked cultural success to positive financial performance; below is a sample of these findings. Sadri and Lees (2001) have concluded that: on one hand, a positive corporate culture could provide significant benefits to the organization, and give it a leading competitive edge over other firms in the industry. On the other hand, an unconstructive culture could impact the organization negatively and affect its performance as it could prevent firms from adopting the necessary strategic or tactical changes that help achieve the anticipated results (Jopson, 2013).

Moreover, it has been found that when employees adapt to a culture and positively perceive it, performance will increase. However, if they don't adopt to the culture, the climate they're working in is perceived to be poor and that lowers motivation, which in turn negatively affects performance (Schwartz and Davis, 1981). A recent research by Simoneaux and Stroud (2014) concluded that firms with strong positive cultures experience many benefits including having happy employees, who make happy customers. Not to mention that successful culture initiates higher productivity that translates into higher profits (Simoneaux and Stroud, 2014). In his research, "The Drivers of Success in Post-Merger Integration", Epstein (2004) concluded that: "When the company cultures are not well integrated, the results are often disastrous." He analyzed the Daimler-Chrysler merger and blamed Chairman, Jurgen

Schrempp, for not focusing on the importance of company culture, which led to financial losses (Epstein, 2004). In another research, Innovative HR strategies for post-merger performance –issue and concerns, Jayesh (2013) states that: "cultural incompatibility is increasingly becoming acknowledged as a source of merger problems, which ultimately affects the financial performance of the acquiring firm."

In their 2008 paper Martynova and Renneboog survey and review of many academic works that address several key questions about Merger and acquisition cycles and their effect on the market for corporate control. An important finding of this survey is that there are distinct patterns that are cyclical in nature and are characterized an ebb and flow of M & A activity. The paper identifies these periods such as the 1960's when conglomerates became more common and the 1980's into the 90's when this trend diminished. The authors also pinpoint some of the factors that lead to the ebbs of M&A activity. These include being preceded by industrial developments and/or technological innovations. Also these are times of credit expansion and stock market growth. The authors indicate that the takeovers at the ends of high M&A activity may be less rational and thus less economically justifiable (Martynova and Renneboog, 2008). The main focus of a work by Hackbarth and Morellec (2008) is the development by the authors of a model which examines the dynamics of stock returns in firms involved in mergers and acquisitions. The methodology employed here samples takeover activity between 1985 and 2002 of 1,086 publicly traded U.S. firms. A key finding here is that this model generates new predictions regarding the dynamics of firm-level betas for the time period surrounding control transactions (Hackbarth and Morellec, 2008).

The central thesis of this paper is that when highly valued firms acquire other firms using their equity as currency, they do indeed create value for the acquiring firm. The authors observe that in the acquisition wave of the late 1990's many of these were consummated with equity of the firm rather than with cash. The equity of the acquiring firm was sometimes inflated by historically high stock valuation. The authors also propose that a reason for these acquirements were that these stock-financed acquisitions were effectively a means to obtain hard assets at a discount. This discount they note, came at the expense of the long-term shareholders of the acquired companies (Savor and Lu, 2009). The authors Morellec and Zhdanov explore takeovers (mergers and acquisitions) by presenting a model that uses the market value of the merging firms as well as other factors to make predictions about stock performance. The model assumes competition and imperfect information and the authors state the model yields predictions for stockholders that are effectively compatible with available information. The model is a means of evaluating the benefits of the takeover (Morellec and Zhdanov, 2005).

In conclusion, past research has proved that there is, in fact, a direct relationship between culture and performance; however, this research only investigated qualitative data and ignored the fact that cultural success, qualitatively, is a subjective matter. Later in this research, we attempt to determine if cultural success translates into economic profits. After establishing, through research findings, that there is a correlation between successful corporate cultures and positive financial performance, discussed below are research findings that relate successful corporate culture integration and successful mergers. In a recent survey by McKinsey and the Conference Board, 50 percent said that "cultural fit" lies at the heart of a value-enhancing merger, and 25 percent called its absence the key reason a merger had failed (McKensey & Company, 2010). Further, in an attempt to discover the impact of culture on Mergers and Acquisitions, Mohibullah (2009) discussed that it is undisputable that some mergers fail because of unforeseen economic factors; however, in order for a merger to succeed, economic elements alone are insufficient. These research findings also concluded that most merger failures are attributed to a clash between the organizations' two corporate cultures (Mohibullah, 2009). Additionally, Recklies' work attributed the success of a merger to the creation of a unified culture that integrates the two organization's cultures into one and concluded that the success of the whole merger is largely dependent on this successful cultural merge. He claims that it is necessary for employees from both organizations to collaborate in order to reach a meeting point where the optimum practices are adopted from both cultures to create a new culture that achieves the best possible results (Recklies, 2001). In their respective papers about the M&A process

and the use of corporate culture analysis, Yaakov Weber and Shlomo Yedidia Tarba (2012) both quoted that corporate culture, especially cross-cultural management is a key factor in the successful integration of two organizations. In conclusion, this literature review introduced the concept of corporate culture, and supported the hypothesis that successful corporate cultures affect companies' performance, and the success of mergers and acquisitions does not depend solely on financial factors, but on cultural integration as well.

DATA AND METHODOLOGY

Research Design

In order to create feasible criteria to produce effective results, we chose to focus our research on public mergers since most of the data needed to test this hypothesis would be more readily available. To properly test our hypothesis, the scope included ten mergers/acquisitions. Testing the financial success of a merger based on its ability to successfully combine different cultures is no easy task since quantifying the concept of synergy, which mergers are based on, is difficult. However, it can be inferred, from previous research, that financial success of a merger could be used as an indicator that a merger was successful in achieving this synergy. In turn, achieving optimum synergy can't be effectively achieved without successfully combining the corporate cultures of the combining corporations. For purposes of our research, our *null* hypothesis states that: success or failure of organizations to combine their respective corporate cultures in a merger/ acquisition has a directly proportional relationship to their financial performance, measured by comparing Stock Price, Net Income, and Earnings per Share, before and after the merger. In return, the *alternative* hypothesis states that: success or failure of organizations to combine their respective corporate cultures in a merger/acquisition has no proportionate relationship to their financial performance.

Data Collection

For purposes of this study and in order to have a clear picture, we examined ten mergers with corporate cultures at the core of their deals. In order to prevent any industry biases, the companies chosen were from a variety of diverse and vital industries including: the retailing industry, the food and beverages industry, the tech industry and a few others. Some of the mergers discussed are International mergers; these types of merges broaden perspective on the research. Further, the mergers were chosen to represent several time spans in order to eliminate a bias based on a particular era or time frame. The companies were chosen based on expert belief that cultural integration played a significant role in saving, or drowning, a merger. Financial data presented in this study are collected from official 10-Ks, Google Finance, Yahoo Finance, and the NASDAQ website.

Research Findings

Below is a collection of articles that explain and support why there were either reassurance that cultural integration was going to produce desirable results, or warnings that cultural clashes are going to present challenges for the merged entities. The companies are numbered from one to ten, with no favorable order.

Anheuser-Busch- InBev: The article, In Pursuit of Global Greatness, discusses the degree of difficulty that is faced by major companies trying to integrate their operations after a merger. De Haro tries to present a solution to the struggle by discussing the Anheuser-Busch and InBev merger where a source inside InBev explained how the two companies successfully merged their corporate cultures. He explained that it is important to disregard the origin and nationality of the companies and focus on the skills and competencies of key leadership personnel. De Haro also quotes Tony Milikin, the chief procurement officer from Anheuser-Busch InBev, admitting that, "One key to the success of a merger is the degree to

which the two corporate cultures mesh." (A.T.Kearney, 2010). Both companies were a perfect match because they both strongly focused on cost management.

Google-Motorola: Google's acquisition of Motorola in 2011 was a gamble, as believed by financial analysts that is uncertain to pay off. According to, Indu Perepu, the author of the case "Google's Acquisition of Motorola Mobility", the analysts were concerned about the acquisition because both companies had very different cultures, belonged to different eras and dealt in different industries. Ed Zander, the CEO of Motorola, is quoted as saying that: "the hardest thing he had faced in his working career was to change the culture of Motorola." Not to mention, Henry Boldget, from Business Insider, was quoted saying that: "Successfully integrating Motorola- and making the merger work- would require a world class integration team." (Perepu, 2013).

Disney-Pixar: Even though a lot of people were betting on the failure of the Disney-Pixar deal because of the apparent lack of cultural fit, integrating the two corporate cultures was a success. "How Disney and Pixar are making the integration work holds lessons for other executives faced with the delicate task of uniting two cultures." (Barnes, 2008). The fear was because "Sometimes, entrepreneurial and creative types [from Pixar] have a hard time fitting into a corporate culture, especially one as traditional as Disney," says Fred Lipman of the law firm Blank Rome in Philadelphia (Monitor, 2006).

AOL-Time Warner: The AOL-Time Warner merger was speculated to be a disaster from the beginning due to the completely different cultures of both companies. In the article, AOL Time Warner Marches On, Gabriel Snyder describes that the AOL culture is not exactly meshing with Time Warner's way of life (Snyder, 2001). Later in 2004, Kara Swisher wrote a book that explained why the merger had failed, and explained that Time Warner was not pleased that it was taken over by a mere Internet company which "helped fuel a celebrated clash of corporate culture." (Swisher, 2003).

Amazon-Zappos: In the article, Jungle Survival, Ed Frauenheim (2009) described the culture of Zappos as its biggest asset. The company's culture is built on ten core values that encourage uniqueness, amusement, and transparency, while at the same time maintain results and encourage growth. On the other hand, amazon's culture is more about convenience with a disregard to human interactions, which costs money but keeps the customers coming back. Even though there are major cultural differences between the two companies, they were able to focus on the similarities that can initiate compatibility. Amazon framed the merger as "the perfect match of like-minded companies. Both firms, Amazon said, are innovative long-term thinkers that are passionate about serving customers." (Frauenheim, 2009).

Daimler-Chrysler: When news started surfacing about the Daimler-Chrysler deal in 1998, talks about the importance of integrating the two corporate cultures began. Before the merger, Mitsubishi Motors Corp. President Katsuhiko Kawasoe said that: "Harmonization of corporate culture will be crucial for a successful merger of Daimler-[Chrysler]." (Kawasoe, 1998). After the merger, critics asserted that combining the different cultures would be a major obstacle even though the combination appeared to be a great success on paper (Krebs, 1999). This is an example of an International merger that proves that even if two companies are from the same industry, there can still be major obstacles to the mergers because of language barriers, different backgrounds, and origins.

Exxon-Mobil: In 1998, prior to the merger of the two biggest oil companies, debates arose about whether there will be any cultural clashes between the two companies. However, experts argued that the business practices of both companies were not especially different and that there is a slight chance that the culture clash would hinder the merger (ExxonMobil Company, 1998). Eight years later by 2005, the merger had been "considered one of the industry's most successful mergers." The two companies tried to merge operations in 1911 but the deal was dismantled, which raises speculations on whether the merger would have been as successful if it went through in 1911 (Reddy, 2005).

Sprint-Nextel: In 2004, Sprint and Nextel announced their $35 billion merger agreement to create "the nation's third-largest wireless company." Even though there were predictions about the merger's failure to mesh corporate cultures, Sprint's Tim Donahue was optimistic about the cultural differences of both companies and said that: "I think [Nextel's] culture stands for entrepreneurship. I think it stands for innovation, and I think it stands for a culture that likes to win. It's perfectly aligned with ours, and I think we're going to win." (McCarthy, 2004). However, three years later, and after many failed attempts to merge the two cultures, corporate clashes had hindered the growth of the new company as is stock continued to decline and it continued to lose customers (Hart, 2007).

Office Max – Office Depot: In 2013, Office Depot and Office Max announced their merger in a stock for stock deal. The CEO of office depot regarded the merger as a great opportunity to merge operations and benefit from efficiency practice; he emphasized that both companies shared the same vision and culture, which is a great advantage for both companies to move forward (Jopson, 2013). The newly merged entity hired The Boston Consulting Group to support its post-merger integration process (Office Depot Company, 2013). Furthermore, the company appointed a new CEO who "has decades of experience integrating companies and cultures" (Pounds, 2013).

Bank of America-Merrill Lynch: In 2008, Bank of America and Merrill Lynch announced their merger. Right after the merger, rumors have been surfacing about clashes in the cultures of the two financial institutions. The conflict between the two former competitors became apparent shortly after the announcement. Moynihan, BofA's president was still optimistic that Merrill lynch was going to make positive contributions to BofA's culture (Horwood, 2009). Later after the merger, it became clearer that the divergent corporate cultures were causing issues because Merrill Lynch culture leaned more towards taking risks and BofA's was the exact opposite: avoiding risks (Anonymous, 2009). Below is Table 1 that summarizes the discussion presented above.

Table 1: Selected Merged Entities

Company 1	Company 2	Type	Merged Entity	Reassurance/Warning	Merger Date
Anheuser-Bush	InBev	Merger	Anheuser-Busch InBev	Reassurance	2008
Google	Motorola	Acquisition	Google	Warning	2012
Disney	Pixar	Acquisition	Disney	Reassurance	2006
AOL	Time Warner	Acquisition	AOL	Warning	2000
Amazon	Zappos	Acquisition	Amazon	Reassurance	2009
Daimler	Chrysler	Acquisition	Daimler	Warning	1998
Exxon	Mobil	Merger	ExxonMobil	Reassurance	1998
Sprint	Nextel	Merger	Sprint	Warning	2005
Office Depot	Officemax	Merger	Office Depot	Reassurance	2013
Bank of America	Merrill Lynch	Acquisition	Bank of America	Warning	2008

This table represents the scope of the study and lists ten mergers/acquisitions that were examined. Company 1 and Company 2 in Table 1 provide the name of the companies that were merged or acquired. The Type column indicates the type of business combination, and the name of the merged or acquired of entity is shown in the Merged Entity column. The reassurance/Warning column indicates whether or not the combination of both corporate cultures was successful, and finally the Merger Date states the date of the merger or acquisition.

RESULTS AND DISCUSSION

Anheuser-Busch InBev

Anheuser-Busch InBev merged in 2008; the financial data represented in Table 2 show a declining trend from 2006 to 2008 in the stock price, but an opposite trend appeared after the merger in 2009 and continued till 2010. The Net Income and EPS data show inconsistent trends that fluctuate every year; however, the post-merger data in 2009 and 2010 show a significant increase compared with the years prior to the merger. These financial data accept the null hypothesis, and reject the alternative hypotheses,

because even though Anheuser-Bush InBev was perceived as successful in combining corporate cultures, and its financial performance improved after the merger compared with prior years (Anheuser Busch InBev Company, 2008).

Table 2: Selected Financial Data for Anheuser-Busch Inbev

Year	2006	2007	2008	2009	2010
Stock Price	$49.79*	$51.99*	$23.08*	$29.03	$51.71
Net Income, in millions	$2,805.68*	$4,450.99*	$2,921.60*	$9,649.00	$7,334.00
EPS	$3.04*	$1.88*	$3.12*	$4.16*	$3.32*

*This table shows key financial data of Anheuser-Busch InBev that includes stock price, net income in millions, and EPS in 2009 and 2010. Anheuser-Busch InBev merged in 2008 and to evaluate financial performance of the company, we examined Anheuser-Busch's stock price, net income, and EPS in 2006, 2007, and 2008 before the merger. Our analysis demonstrates the stock price had a declining trend from 2006 to 2008, but an opposite trend appeared after the merger in 2009 and continued till 2010. The Net Income and EPS data show inconsistent trends that fluctuate every year; however, the post-merger data in 2009 and 2010 show a significant increase compared with data prior to the merger. *The values were recorded based on the exchange rates of Euro to US Dollar as of the last day of December for the respective year posted on the Federal Reserve's Website https://www.federalreserve.gov/Releases/H10/Hist/dat00_eu.htm.*

Google-Motorola

Google acquired Motorola in 2012, the year-end share price, Net Income, and EPS all show a positive trend that started in 2010 and continued after the merger until 2014. These financial data accept the alternative hypothesis because even though Google and Motorola were perceived as unsuccessful in combining their corporate culture, the consolidated financial data show an upward trend that started before and continued after the merger, concluding that the hardships presented by the inability to integrate corporate cultures didn't affect Google's financial performance (Google Company, 2012).

Table 3: Selected Financial Data for Google-Motorola

Year	2010	2011	2012	2013	2014
Stock Price	$296.69	$322.63	$349.65	$560.93	$526.40
Net Income, in millions	$8,505	$9,737	$10,737	$12,920	$14,444
EPS	$13.16	$14.88	$16.16	$19.07	$21.02

This tabled displays the key financial performance data of Google in 2010 through 2014. Google acquired Motorola in 2012. Among the key financial performance data selected were: the year-end share price, Net Income, and EPS. The selected financial data show a positive trend that started in 2010 and continued after the merger up to 2014.

Disney-Pixar

Disney acquired Pixar in 2006. While there was no definitive trend in the stock price per share, the overall value of the stock increased significantly after the merger compared to prior years. The Net Income and EPS showed upward trends even before the merger, but the overall value after the merger are significantly higher than before. These financial data accept the null hypothesis because Disney and Pixar were perceived as successful in combining their corporate cultures and there has been an overall post-merger financial performance improvement (Disney Company, 2006).

Table 4: Selected Financial Data for Disney/ Pixar

Year	2004	2005	2006	2007	2008
Stock Price	$29.04	$23.93	$34.21	$35.43	$34.70
Net Income, in millions	$2,345	$2,533	$3,374	$4,687	$4,427
EPS	$1.12	$1.24	$1.64	$2.25	$2.28

This table defines Disney's financial performance from 2004 to 2008. Disney's financial performance is outlined by the year-end stock price, net income, and EPS. Disney acquired Pixar in 2006. While there was no definitive trend in the stock price per share, the overall value of the stock increased significantly after the merger compared to prior years. The Net Income and EPS showed upward trends even before the merger, but the overall value after the merger are significantly higher than before.

AOL-Time Warner

AOL acquired Time Warner in 2000. The stock price witnessed a significant increase in 1999, but started to decline in the year of the merger and the years after. The company reported income in 1998, but the losses started in 1999 and plummeted almost two folds in the year of the merger and the two years after. There was a downward trend in the company's EPS starting in 1999, but the losses were more sever after the merger in 2001 and 2002. These financial data accept the null hypothesis because AOL-Time Warner was unsuccessful in combining its corporate culture, and it reflected in its financial performance which declined after the merger compared to the prior years (AOL-Time Warner, 2000).

Table 5: Selected Financial Data for AOL - Time Warner

Year	**1998**	**1999**	**2000**	**2001**	**2002**
Stock Price	$76.75	$227.63	$104.40	$32.11	$13.10
Net Income, in millions	$168	($2,394)	($4,370)	($4,934)	($98,698)
EPS	($0.31)	$1.35	0.79	($1.11)	($22.15)

This table displays AOL's financial performance from 1998 to 2002. AOL acquired Time Warner in 2000. Based on the selected financial data, we noted the stock price significantly increased in 1999, but started to decline in the year of the merger and the years after. The company reported income in 1998, but the losses started in 1999 and plummeted almost twice as much two years after the merger. There was a downward trend in the company's EPS starting in 1999, but the losses were more sever after the merger in 2001 and 2002.

Amazon-Zappos

Amazon acquired Zappos in 2009. In terms of stock price, Amazon took a big hit in 2008 compared to 2007, but the stock value appreciated in 2009, the year of the merger, and continued the upward trend in 2010 and 2011. Amazon's Net Income and EPS show a positive trend that started from 2007 and continued till 2010, after the merger. However, in 2011, the company's Net Income and EPS dropped, but were still higher than the pre-merger values. These financial data accept the null hypothesis since the post-merger financial data shows an overall higher value than the pre-merger financial data when Amazon and Zappos were perceived as having successful post-merger cultural integration (Amazon Company, 2009).

Table 6: Selected Financial Data for Amazon – Zappos

Year	**2007**	**2008**	**2009**	**2010**	**2011**
Stock Price	$235.00	$130.00	$341.00	$456.00	$439.00
Net Income, in millions	$476	$645	$902	$1,152	$631
EPS	$1.12	$1.49	$2.04	$2.53	$1.37

This table defines Amazon's financial data from 2007 to 2011. Among the financial indicators were stock price, net income, and EPS. Amazon acquired Zappos in 2009. In terms of stock price, Amazon took a big hit in 2008 compared to 2007, but the stock value appreciated in 2009, the year of the merger, and continued the upward trend in 2010 and 2011. Amazon's Net Income and EPS show a positive trend that started from 2007 and continued until 2010, after the merger. However, in 2011, the company's Net Income and EPS dropped, but were still higher than the pre-merger values.

Daimler-Chrysler

Daimler and Chrysler merged in 1998. The stock price for Daimler decreased in 1997, compared to 1996, increased again in 1998, but decreased after the merger in 1999 and 2000. The Net Income and EPS increased in 1997, decreased in the year of the merger, but increased again afterwards. These financial data are inconsistent and they reject the null hypothesis and accept the alternative hypothesis. Daimler-Chrysler faced a lot of obstacles in combining its corporate culture, however the financial data do not present a useful trend and no proportionate relationship to their financial performance (DaimlerChrysler Company, 1998).

Table 7: Selected Financial Data for Daimler-Chrysler

Year	1996	1997	1998	1999	2000
Stock Price	$109.20*	$78.18*	$98.14*	$75.00*	$42.00*
Net Income, in millions	$5,045.60*	$7,188.61*	$5,658.20*	$5,819.55*	$7,410.89*
EPS	$5.27*	$7.44*	$5.76*	$5.76*	$7.32*

*This table shows the trend of Dalmer-Chrysler's stock price, net income, and EPS from 1996 to 2000. Daimler and Chrysler merged in 1998. The stock price for Daimler decreased in 1997, compared to 1996, increased again in 1998, but decreased after the merger in 1999 and 2000. The Net Income and EPS increased in 1997, decreased in the year of the merger, but increased again afterwards. *The values were recorded based on the exchange rates of Euro to US Dollar as of the last day of December for the respective year posted on the Federal Reserve's Website https://www.federalreserve.gov/Releases/H10/Hist/dat00_eu.htm and https://www.federalreserve.gov/Releases/H10/Hist/dat96_ec.htm*

Exxon-Mobil

Exxon Mobil merged in 1998; its stock price started an upward trend prior to the merger and after, but the post-merger stock prices are almost double the pre-merger price. The Net Income and EPS do not show a consistent trend concluding that these financial data reject the null hypothesis and accept alternative hypothesis because even though Exxon Mobil succeeded in combining its corporate culture, Net Income and EPS declined the year of the merger and the year after, but ultimately increased after two years.

Table 8: Selected Financial Data for Exxon Mobil

Year	1996	1997	1998	1999	2000
Stock Price	$24.50	$30.34	$36.56	$64.31	$69.88
Net Income, in millions	$10,474	$11,732	$8,074	$7,910	$17,720
EPS	$2.91	$3.28	$2.28	$2.25	$5.04

This table defines Exxon Mobil's financial performance from 1996 to 2000. Financial performance of the company was defined based on the stock price, net income, and EPS. Exxon Mobil merged in 1998; its stock price started an upward trend prior to the merger and after, but the post-merger stock prices are almost double the pre-merger price. The Net Income and EPS do not show a consistent trend.

Sprint-Nextel

Sprint Nextel merged in 2005; Stock Price, Net Income and EPS all show inconsistent trends: a decline before the merger, an upward trend in the merger date and another decline after the merger. These financial data reject the null hypothesis, and accept the alternative hypotheses, because even though Sprint-Nextel was regarded as an unsuccessful corporate culture merger, its financial performance was low both before and after the merger (Sprint – Nextel, 2005).

Table 9: Selected Financial Data for Sprint-Nextel

Year	2003	2004	2005	2006	2007
Stock Price	$20.67	$20.25	$23.36	$18.89	$13.13
Net Income, in millions	$1,290	($1,012)	$1,785	$1,329	($29,580)
EPS	($0.92)	($1.40)	$0.40	$0.34	($10.31)

This table represents financial data of Sprint-Nextel from 2003 to 2007. The financial data for analysis included stock price, net income, and EPS. Sprint Nextel merged in 2005. Stock Price, Net Income and EPS all show inconsistent trends: a decline before the merger, an upward trend in the merger date and another decline after the merger.

Office Max – Office Depot

Office Depot and Office Max merged in 2013; the stock price in the year of the merger and the year after increased compared to the prior years. The Net Income and EPS showed inconsistent results. These financial data reject the null hypothesis and accept the null hypotheses. Office Depot and Office Max were perceived as successfully integrating cultures, but the financial performance data were inconsistent to derive a conclusion (Office Depot Company, 2013).

Table 10: Selected Financial Data for Office Depot – Office Max

Year	2011	2012	2013	2014	2015
Stock Price	$4.27	$3.28	$5.29	$8.57	$5.64
Net Income, in millions	$728,262	($59)	$39	($519)	($69)
EPS	$0.22	($0.39)	($0.29)	($0.66)	$0.01

This table shows financial data of Office Depot from 2011 to 2015. The representatives of the company's financial performance were stock price, net income, and EPS. Office Depot and Office Max merged in 2013; the stock price in the year of the merger and the year after increased compared to the prior years. The Net Income and EPS showed inconsistent results.

Bank of America-Merrill Lynch

Bank of America acquired Merrill Lynch in 2008; Stock Price, Net Income and EPS all showed an overall negative trend from 2006 before the merger till 2010 after the merger. The financial data accept the null hypothesis because Bank of America was facing difficulties in combining its corporate culture with Merrill Lynch, and that showed on its post-merger financial performance (Bank of America, 2008).

Table 11: Selected Financial Data for Bank of America-Merrill Lynch

Year	2006	2007	2008	2009	2010
Stock Price	$53.39	$41.26	$14.08	$15.06	$13.34
Net Income, in millions	$21,133	$14,982	$4,008	$6,276	($2,238)
EPS	$4.59	$3.30	$0.55	($0.29)	($0.37)

This table defines financial performance of Bank of America from 2006 to 2010. Stock price, net income, and EPS represent the company's financial performance for five years. Bank of America acquired Merrill Lynch in 2008; Stock Price, Net Income and EPS all showed an overall negative trend from 2006 before the merger till 2010 after the merger.

CONCLUSION

This study tested the effect that merging corporate culture has on the financial performance of the organizations after mergers. The study began by examining different research that provided several definitions of corporate culture. Afterwards, the study provided a brief link between organizational corporate culture and how it affects companies' financial performance. Previous research was explored in order to preliminary determine whether there is, in fact, a relationship between merging corporate cultures and the post-merger financial performance. After conducting the research on the Mergers and Acquisitions and comparing the financial performance of the ten subjects observed, the results show that five subjects accepted the null hypothesis, two subject accepted the alternative hypotheses and three subjects rejected both, the null hypotheses and the alternative hypotheses. This leads us to conclude that: the probability that the financial performance of a merger would improve or decline depending on the success or failure to combine corporate cultures is 0.5. Additionally, the study set its *null* hypothesis as: success or failure of organizations to combine their respective corporate cultures in a merger/ acquisition has a directly proportional relationship to their financial performance, measured by comparing Stock Price, Net Income, and Earnings per Share, before and after the merger. On the other hand, the study's alternative hypothesis stated that: success or failure of organizations to combine their respective corporate cultures in a merger/acquisition has an inversely proportional relationship to their financial performance.

The subjects examined in this study were chosen so that half of the sample would be successful corporate culture integration and the other half would be an unsuccessful corporate culture integration, as perceived by scholarly sources. The successful samples were: Anheuser-Busch InBev, Disney-Pixar, Amazon-Zappos, Exxon-Mobil, and Office Depot. The unsuccessful ones were: Google-Motorola, AOL-Time Warner, Daimler-Chrysler, Sprint-Nextel, Office Depot-Office Max and Bank of America-Merrill Lynch. After observing the financial data of the subject a year prior the merger and the year of the merger, the study found that five subjects accepted the null hypothesis, two subject accepted the alternative hypotheses and three subjects rejected both the null hypotheses and the alternative hypotheses. The five

subjects that accepted the null hypotheses were: Disney-Pixar, AOL-Time Warner, Amazon-Zappos, Office Depot-Office Max and Bank of America-Merrill Lynch. The two subjects that accepted the null hypotheses were: Anheuser-Busch InBev and Sprint-Nextel. Finally the three subjects that rejected both hypotheses were: Google-Motorola, Daimler-Chrysler and Exxon-Mobil.

In conclusion, previous research has shown the importance of the notion of corporate culture and the effect that corporate culture has on the financial performance of companies in general; not to mention, the essential role that corporate culture integration plays in post-merger financial performance. The data presented in this paper conclude that there is a 0.5 probability that the financial performance of a merger would improve or decline. This value is largely dependent on the success or failure in merging corporate cultures. In other words, a company's post-merger performance is affected by whether successful cultural integration was achieved or not; however, it is not enough to determine the financial success, or failure, of a company just based on the success of cultural integration. While cultural assimilation are important, there are several other factors that also are significant in determining the post-merger financial performance of companies. Exploring these additional factors may offer areas of future research for scholarly scrutiny. Such factors as acquisitions by one firm of another in order to obtain new products or services or to gain entrée into new markets may be considered by future researchers. Other reasons for merger success may include simply increasing market share. Whatever insight sheds more light on this subject will surely benefit the entire financial community.

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