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Acquisitions, Organizational Culture and Performance: Empirical Evidence from Acquired Company in Serbia

──────── **Abstract:** ────────

Research question: The purpose of this paper is twofold: first, to examine the effects of acquisitions on organizational culture in terms of the degree of change in certain organizational culture dimensions, and second, to examine effects of organizational culture differences on the acquired company's performance. **Motivation:** Although many studies have examined the relationships among acquisitions, organizational culture and performance, especially the relationship between organizational culture differences and company performance in developed economies (Chatterjee et al., 1992; Weber & Camerer, 2003; Krishnan et al., 1997), little attention has been paid to the research into these relationships in the emerging economies. Understanding the cultural issues in the context of acquisition in the emerging economy will contribute to the literature and enable comparison of research results with results obtained in developed economies. **Idea:** The core idea of this paper was to empirically evaluate the relationship among acquisitions, organizational culture and performance on the example of an acquired company in the Republic of Serbia, as the emerging economy**.** The paper focuses on exploring the employees' perceptions of organizational culture change in the period after the acquisition, as well as managers' perceptions of the acquired company's performance. **Data:** The survey was conducted in the company operating in the Republic of Serbia which was the subject of cross-border acquisition. The sample consists of 344 respondents (managers and employees) from the acquired company. **Tools:** Descriptive statistical analysis, Mann-Whitney U-test and regression analysis were applied in the study. **Findings:** The results of the research demonstrate that innovation as a dimension of organizational culture has changed to a greatest extent. Further, the results show that there are no statistically significant differences in the ways of how managers and employees perceive changes in organizational culture. Additionally, the results of the research show that organizational cultural differences have a positive influence on performance of the acquired company. **Contribution**: This paper contributes to a better understanding of the significance of organizational culture changes in an acquired company in the emerging economy and formulates practical suggestions for the managers in future acquisitions.

Keywords: acquisitions, organizational culture, innovation, emerging economy

JEL classification: G34, M14, L25, O30

1. Introduction

Acquisitions are the most popular internationalization and growth strategies in developed economies. Recent years record increasingly intense acquisition trend in emerging economies as well, where these transactions are perceived as a powerful and important mechanism in the development of markets and local companies. Given that emerging economies are characterized by an obsolete socialist administrative heritage, inefficient human resources, obsolete management practices, and poor company performance (Bogicevic Milikic & Janicijevic, 2009), the transition of these economies means changes in the institutional and economic environment, as well as changes in the way companies operate. The acquisition of companies that do not use their potential requires the acquiring company to implement radical changes, in order to improve the acquired companies' performance, which, among other things, includes changes in organizational culture. Organizational culture, as a complex organizational phenomenon, affects the sharing of common values, assumptions and norms, employee behaviour trend, as well as various management aspects. Hence, the

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change in organizational culture in the post-acquisition period aims to improve the performance of the acquired company.

Studies in developed economies see changes in the acquired company's organizational culture after the acquisition and the imposition of the acquiring company's organizational culture as a source of conflict that can lead to no benefit from integration. A large number of studies highlight the negative effects of organizational culture differences on the acquisition performance, which arise as a result of conflict (Chatterjee et al., 1992; Datta, 1991; Weber & Camerer, 2003). However, some studies (Krishnan et al., 1997) emphasize the positive effect of organizational culture differences, especially in situations where prior to the acquisitions, the system of values, beliefs and behaviours of employees in the companies did not contribute to achieving a satisfactory level of business performance (Savovic, 2017). In such circumstances, the transfer of potentially good practices to the acquired companies improves post-acquisition performance.

The study of organizational culture in the context of acquisitions in emerging economies is a significant research area. The paper analyses the effects of acquisitions on the change of organizational culture. Information on acquisition effects on change in organizational culture, especially in the context of emerging economies, is especially important as it helps understand the possibilities for improving the acquired companies' performance. Empirical research was conducted on the example of a company in the Republic of Serbia that was the subject of the cross-border acquisition. The purpose of this paper is twofold: first, to examine the effects of acquisitions on organizational culture in terms of the degree of change in certain organizational culture dimensions, and second, to examine the effects of organizational culture differences on the acquired company's performance. In accordance with the research purpose, the paper covers the following research questions:

Q1: To what extent has organizational culture in the acquired company changed?
Q2: Do managers and employees perceive differently the degree of change in organizational culture in the acquired company?
Q3: What is the impact of organizational cultural differences on the acquired company's performance?

The paper structure includes four sections. The introduction is followed by literature overview, to explain different dimensions of organizational culture and highlight the importance of organizational culture in the acquisition processes in emerging economies. The third section explains the research methodology and research results. The final section presents concluding remarks, research contribution, limitations and future directions.

2. Literature Overview

2.1. The importance and dimensions of organizational culture

Literature offers numerous definitions of organizational culture to help understanding the concept and contents of organizational culture. Schein (1996) gives one of the generally accepted definitions of organizational culture as "a pattern of basic assumptions by a certain group, which is invented, discovered and developed in the learning process, in order to solve the problem of external adaptation and internal integration". It follows that organizational culture arises from the common experience of the organization's members gained by solving everyday problems, which is why it is seen as an important group characteristic. Organizational culture is of great importance because it represents a "powerful and invisible force" that directs individual and collective behaviour in an organization. Organizational culture is understood as a shared social understanding, resulting in common assumptions and worldviews of the organization's members (Weber & Camerer, 2003). It can also be defined as a system of norms, habits, assumptions and beliefs shared by members in an organization, reflecting a common perception of everyday customs and generally determining "the way things are done within an organization" (Cartwright & Cooper, 1993; Weber, 1996). Organizational culture represents the values, beliefs, and knowledge acquired through social interactions that serve to define and predict acceptable organizational behaviour (Elsass & Veiga, 1994).

This implies that all members of an organization interpret the reality that surrounds them in the same or similar way and behave in a similar way in such a reality, which is reflected in organizational goals and practice. Organizational culture contains the meanings of phenomena and events related to the way the organization works and can influence decision making in different ways: it provides a basis for identifying problems, setting goals, considering alternatives, their assessment and selection (Zlatanovic, 2020).
In accordance with the values and norms that permeate the organization, managers formulate strategies, design organizational structure and shape management style. In fact, organizational structure and strategy, leadership style, rewards and motivation derive precisely from the way managers and employees understand organizational reality and behave in it, which depends on a certain form of organizational culture. This means that organizational culture, through its impact on the behaviour of organization's members, has an important

role in shaping other organizational and management components (Janicijevic, 2012). This indicates that, in the process of strategic decision making, managers rely on the cultural values adopted, and apply the appropriate managerial style accordingly. Managers' beliefs and basic assumptions are subjective and can relate to various organizational aspects.

In line with the conceptual understanding of organizational culture, its significance and the numerous elements that shape it, the important question is how to measure it. Some studies confirm that the dominant assumptions and beliefs that characterize organizational culture can be isolated and measured with great reliability and validity if the key dimensions that shape organizational culture are identified (Chatterjee et al., 1992; Weber, 1996; Weber et al., 1996; Weber & Tarba, 2011). Literature offers various approaches to identifying key dimensions of organizational culture. With reference to different approaches to identifying dimensions of organizational culture, it is desirable to select research-specific dimensions, which requires taking certain steps (Ginevicius & Vaitkunaite, 2006): identify all dimensions available in different theoretical and empirical research; group and sort the dimensions according to the appropriate characteristics and select the dimensions considered to have the greatest study impact.

Quinn and Rohrbaugh (1983) develop a typology of organizational culture based on two key dimensions identified in search for answers on how flexible the organization is and whether the organization is oriented inwardly or outwardly (as cited in Schein, 2009). Goffee and Jones (1998) develop a typology of organizational culture based on sociality and solidarity within the organization itself as two key dimensions (as cited in Schein, 2009). Denison and Mishra (1995) find four dimensions of organizational culture: adaptability, mission, employee involvement, and consistency. Chatterjee et al. (1992) assess differences in organizational cultures based on five dimensions: innovation, top management communication with employees, autonomy and decision-making, reward system, and performance orientation. In the analysis of organizational culture, Cudanov et al. (2017) use The Hofstede's Multi Focus model that gives the overview of six dimensions of organizational culture: means-oriented vs. goal-oriented, internally vs. externally driven, easy going work discipline vs. strict work discipline, local vs. professional, open system vs. closed system, employee-oriented vs. work oriented.

In addition to these, a large number of authors identify different dimensions of organizational culture, which is why it is desirable to systematize research and highlight the following key dimensions of organizational culture (as cited in Spasojevic Brkic et al., 2019): risk taking in the organization; the speed of organization's response; the way of communication in the organization; the organization's focus on goals or results; the degree of formalization in the organization; the reward system in the organization; the control mechanism in the organization; the attitude of the organization towards conflict; employee knowledge and competence; employee progress and development; the primary orientation of the organization. Within the stated dimensions, Weber and Tarba (2012) believe that different beliefs and assumptions can be classified into the following seven areas, which they single out as basic dimensions of organizational culture:
- *Level of innovation* – managers with a strong focus on innovation and dynamic activities encourage a quick response to changes in the external environment and the reactions of competition. Nikolic et al. (2018) point out that an innovatively oriented organizational culture should have the following characteristics: openness and flexibility, open internal communication, competencies and professionalism, inter-functional cooperation, employee responsibility and risk-taking.
- *Risk taking* – management philosophies and beliefs regarding risk taking are one of the main factors of differentiation between organizations. Risk taking influences many decisions such as investment in new projects, acquisitions, investment in equipment and technology production, investment in research and development and the like;
- *Horizontal relationship, i.e. horizontal communication flows* – managers have different perceptions about the importance of cooperation and connections between different organizational units in terms of achieving organizational goals, as well as encouraging competition between organizational units to increase employee motivation and their effort;
- *Vertical-hierarchical relationship, i.e. vertical communication flows* – this dimension refers to the management attitude to subordinates, such as support, understanding and encouragement. Managers differ in the degree to which they encourage subordinates to create new ideas, be creative, and take risks, in the same way they differ in enabling employees to openly express their opinions and to criticize;
- *Degree of autonomy and decision-making process* – this dimension shows the level of autonomy and responsibility that should be delegated in making important decisions, which determines the form of organizational structure, assigning roles and responsibilities to employees, and respecting procedures within the organization;
- *Performance orientation* – managers' requirements in terms of performance and continuous improvement are important aspects of organizational culture and managerial style. Management differs in its views on the requirements for continuous improvement and achievement of challenging goals;

- *Reward system* – organizational culture can also be linked to the way employees are rewarded. Management's approaches to the reward system are linked to their beliefs about the need to reward fairly and to link rewards to performance.

The analysed dimensions predominantly rely on the classification given by Chatterjee et al. (1992), where the way of communication in the organization is analysed in more detail through horizontal and vertical communication flows, and the degree of innovation is related to the degree of risk taking. Also, based on the previously implemented systematization of different approaches to identifying organizational culture dimensions, we see that some of the Chatterjee et al. (1992) dimensions appear in a number of studies. At the same time, it should be noted that numerous empirical studies rely on their dimensions, which is why they represent the theoretical basis for studying the relationship between acquisitions and organizational culture changes.

2.2 Organizational culture and acquisitions in emerging economies

The importance of organizational culture in the context of acquisitions stems from its impact on the way companies operate and perform in the post-acquisition period. As the two companies participating in the acquisition process have different organizational cultures, in the post-acquisition period it is necessary to carry out the process of harmonizing organizational cultures. Nahavandi and Malekzadeh (1988) conducted initial research in this area by developing a conceptual model of the process of harmonization of cultures consisting of four approaches: *integration* (a process characterized by structural equalization of two cultures and preserving the identity of both organizations), *assimilation* (a unilateral process in which the acquired company is ready to give up on its culture and identity and adapt to the culture of the acquiring company), *separation* (where minimal changes are required in the acquiring company and the acquired company, ensuring that both cultures remain completely separate) and *deculturation* (a process in which the acquired company loses its cultural identity but refuses to adapt to the culture of the acquiring company). Cartwright and Cooper (1993) also analyse acquisitions depending on the extent to which organizational culture needs to change and integrate, to identify the following three situations that may arise in the post-acquisition period (as cited in Chmielecki & Sulkowski, 2016): collaborative acquisitions – the success of acquisitions depends on the ability to merge two cultures and create a unique culture that has elements of both cultures, thus creating a "win/win" scenario; extension acquisitions – differences in culture between companies are considered insignificant and it is not necessary to harmonize organizational cultures; redesign acquisitions – the most common type of acquisitions in which the acquiring company has a dominant role and replaces the culture of a smaller or less successful company.

The influence of organizational culture differences has long been the study subject in the scientific and professional community. However, the research results are contradictory, as certain studies highlight the negative impact of organizational culture differences (Chatterjee et al., 1992; Datta, 1991; Weber & Camerer, 2003), while some studies find a positive impact (Krishnan et al., 1997; Savovic, 2017). The negative impact of organizational culture differences is due to a conflict of cultures that occurs when the acquiring company imposes its organizational culture on the acquired company, where employees resist change. The conflict of cultures can lower employee commitment to goals and make them leave the organization. This has been the reason for the failure of a large number of acquisitions, especially in situations of intense differences in organizational cultures due to differences in national cultures.

On the other hand, some studies show a positive impact of organizational culture differences on the acquisition performance, pointing out that when the two companies' top management teams have different abilities and skills, the weaknesses of one management team can be offset by the strengths of another team, thus leading to positive effects on acquisition performance. The positive impact of organizational culture differences is particularly possible in emerging economies. After the acquisition in emerging economies, acquiring companies face the need to implement radical changes in the acquired companies, especially in those that were state-owned. An integral part of the process of change in these companies involves a change in organizational culture. Obsolete managerial practices in state-owned companies, conflicting non-market goals, non-involvement of employees in the process of sharing information and decision-making, employee non-focus on challenging goals are essential characteristics of the organizational culture of many state-owned companies. Companies with such an organizational culture do not realize their full potential, and, therefore, the need to redefine the organizational culture emerges as a necessity.

Hence, upon acquisitions in emerging economies, the change of organizational culture implies a process that takes place in three phases (Markovic, 2017): 1) break with the past; 2) exploitation and 3) development and innovation. In the first phase, the company employees should face the fact that the existing way of doing business is no longer applicable. Obsolete management practices and managers with no entrepreneurial

spirit and vision lead to a transfer of managerial knowledge from the acquiring company that is in many cases a foreign one. In order to break with the existing business model and create conditions for the adoption of a new organizational culture, an authoritative management style is applied. In the second phase, two management styles are combined: authoritarian (applied in parts of the company resisting change) and democratic (in parts of the company interested in adopting a new organizational culture). Since the exploitation of a foreign company's knowledge and experience is not enough to achieve a long-term competitive advantage, the third phase requires developing innovation in the acquired company. Management style is more democratically oriented, as employees should be stimulated and encouraged to develop creativity and innovation and actively seek different ways to solve business problems. In this context, it is crucial to change one of the key dimensions of organizational culture – innovation. The importance of developing employees' inclination towards innovative behaviour is reflected in the fact that the generation and application of new ideas and knowledge are fundamental preconditions for the development of a sustainable competitive advantage (Duksaite & Tamosiuniene, 2009, Eric Nielsen, 2020). The ability to generate new ideas and develop new innovative solutions is crucial to achieving long-term profitability. Innovation allows an organization to increase its efficiency through the improvement of internal processes, on the one hand, and by networking with external stakeholders, on the other hand. Therefore, organizational innovativeness is seen as a necessary precondition for profitability, company growth as well as competitive advantages, i.e. for long-term sustainability (Aleksic Miric et al., 2019).

3. Methodology and Results of Empirical Research

The research focuses on the example of a company that was the subject of an international acquisition carried out in 2011 by a Belgian company, which is one of the world's leading companies in retail industry. In analysing this acquisition, we used quantitative and qualitative data. The primary source of data for conducting quantitative research was questionnaire. In qualitative research we used annual business reports of the acquired company, information gathered from the acquired company's web site, as well as information from business magazines. Quantitative research, in combination with qualitative data, can have an important role in better understanding relationships among acquisition, organizational culture and performance.

Prior to conducting the survey, we contacted the company management to explain the objectives of the survey and obtain approval to distribute the questionnaire to employees. We ensured the representativeness of the sample by the distribution of questionnaires in all parts of the Republic of Serbia in which the company operates. The company has 6356 employees, and the survey focused on a sample of 344 employees, which represents 5.41% of the total number of employees. The characteristics of the sample are shown in Table 1.

Table 1: Sample's characteristics

Variable	Frequency	% of total
Gender		
Male	97	28.2
Female	194	56.4
No response	53	15.4
Age distribution (years)		
18-25	20	5.8
26-35	114	33.1
36-45	106	30.8
46-55	54	15.7
>55	9	2.6
No response	1	11.9
Years of work experience		
<5	70	20.4
6-10	72	20.9
11-15	68	19.8
16-25	43	12.5
>25	52	15.1
No response	39	11.3
Position		
Managerial positions (top, middle and operative management)	43	12.5
Operating positions	221	64.2
No response	80	23.3

We analyse data using the Statistical Package for Social Sciences: SPSS 20.0 (Coakes, 2012). The reliability and internal consistency of variables are measured using the Cronbach's Alpha coefficient. Descriptive statistics is used to measure central tendency (arithmetic mean) and to measure variability (standard deviation). Testing the significance of differences between subsamples is performed using the Mann-Whitney U-test. In order to investigate the effects of acquisition on organizational culture, we measure organizational culture differences through employee perceptions of the degree of change in organizational culture after the acquisition compared to the period before the acquisition. Organizational culture differences are measured by using items adopted from Chatterjee et al. (1992) and later studies (Weber, 1996; Weber et al., 1996; Lubatkin et al., 1998; Weber & Tarba, 2012). The five analysed dimensions were: innovation, communication of top management with employees, autonomy and decision making, reward system and performance orientation. Respondents are asked about the degree of cultural differences before and after the acquisition.

The acquired company's performance is measured on the basis of the managers' subjective perceptions. While all respondents answered questions related to the evaluation of organizational culture differences (n=344), only the respondents holding managerial positions answered questions related to the evaluation of performance (n=43). The performance of the acquired company was measured by items related to financial and non-financial indicators which refer to revenue growth, cost reduction, improved customer base and more. Examples of items are: "Revenue growth is higher than prior to the acquisition" and "The customer base has expanded after the acquisition". A five-point Likert scale is used to measure both variables, indicating the degree of managers' agreement with the views expressed. Respondents can choose between answers from 1 – *I do not agree* to 5 – *I fully agree*.

Accordingly, preliminary analyses come first: testing the reliability of the measuring scale, as well as testing the normality of distribution. The reliability of the measuring scale is measured by Cronbach's Alpha coefficient. Reliability is measured to check the degree to which variables are consistent with what they are supposed to measure. The value of Cronbach's Alpha coefficient for *Organizational culture differences* is 0.902, and for *Performance of acquired company* is 0.958, which means that the items through which independent and dependent variables are measured have a high level of internal consistency, given that acceptable values of this coefficient are above 0.7 (Nunnally, 1978). Data analysis requires checking the normality of distribution of the research variables used. Normality is confirmed by a statistically insignificant (random) deviation from normality, i.e. if the value of $p > 0.05$. In this case, the significance level of the Kolmogoro Smirnov test is $p=0.00$, which shows that normality of distribution has not been confirmed. This is the reason why a non-parametric test – the Mann-Whitney U-test – will be used in data processing. Regression analysis is used to test the impact of organizational culture differences on the performance of the acquired company.

Table 2 presents the value of arithmetic mean of organizational culture differences, a variable that measures the perceived degree of differences in organizational cultures before and after the acquisition. The value of arithmetic mean of organizational culture differences (mean=2.99) is above 2.5, which means that respondents perceive that organizational culture has changed to a certain extent.

Table 2: The mean and standard deviation of organizational culture differences variable

Variable	N	AS	SD
Organizational cultural differences	333	2.99	1.05160

Given the importance of the analysed organizational culture dimensions for identifying a certain type of organizational culture, it is necessary to determine which dimensions of organizational culture have changed and to what extent. Table 3 presents the items through which the organizational culture differences are measured, as well as the values of arithmetic mean of the perceived differences. The research results show that innovation, as a dimension of organizational culture, has changed to a greatest extent, since the respondents agree most with the item "After the acquisition, there were changes in the company's attitude towards innovation and creativity" (mean=3.13). The next dimension where change is seen is the performance orientation. This dimension is measured through the item "After the acquisition there were changes in the degree to which the company impacts on employees to improve their performance" and the value of arithmetic mean is above 3 (mean=3.01). With other items, the value of arithmetic mean is lower than 3. The dimension of organizational culture that least changes is the reward system, i.e. respondents agree least with the item "After the acquisition there were changes in ways of rewarding and encouraging employees" (mean=2.66).

Table 3: Items for measuring organizational culture differences – the mean and standard deviation

Items	N	Mean	SD
After the acquisition there were changes in the attitude of the company towards innovation and creativity	338	3.13	1.195
After the acquisition there were changes in the degree to which the company impacts on employees to improve their performance	342	3.01	1.219
After the acquisition there were changes in the communication of managers towards employees	340	2.93	1.347
After the acquisition there were changes in the degree to which managers provide employees with opportunity to participate in decision making	342	2.84	1.205
After the acquisition there were changes in the ways of rewarding and encouraging employees	341	2.66	1.331

The obtained result can be related to the view that acquisitions, as comprehensive organizational phenomena, imply a certain degree of change in the company subject to acquisition. The changes that occur as a result of the acquisitions can be of different scope, and most often include a change in organizational culture. After the acquisition process, the top management team changes and the management style changes (as part of the organizational culture), which should lead to a greater degree of innovation, as the obtained results confirm. In fact, in order to achieve the positive effects of the acquisition, it is necessary to change the existing system of values, beliefs and behaviour of employees in the acquired company, so as to promote and encourage their proactive action, as well as commitment toward achieving better performance.

As the retail industry is one of the most dynamic and fastest growing industries, innovation is essential for the survival and development of the companies. After the acquisition, the acquiring company paid great attention to building organizational culture that stimulates creativity and innovation. By encouraging innovative thinking among employees, encouraging employees to make suggestions and actively seek different solutions that will meet the needs of consumers in the best way, the company has transformed the organizational culture, emphasizing innovation as its key dimension. The company fosters a value system which encourages learning and knowledge sharing. The training of employees is continuously organized, in terms of improving their knowledge, but also special education when it comes to introducing innovations in business. The company introduced e-learning as a new learning modality with the aim of making education more accessible to all employees. As stated in the Annual Business Report, emphasis on employee education has resulted in an evident increase in the quality of service and revenue generation in retail stores.

In the post-acquisition period, the company focused on research and development activities with the aim of increasing the level of knowledge and designing new applications of that knowledge, such as improving existing and developing new products, services and processes, including research for new software development. The company's efforts to strengthen innovation have led to a number of quality changes. In 2014 the SAP Retail module was implemented which sought to create higher value for consumers, as well as for employees in the company through improved processes and more efficient daily work. The application of SAP Retail solutions has provided a competitive advantage in the management of the range, prices and promotions.

As speed is one of the key aspects that must be paid special attention to in the retail sector, the company focused on improving the logistics system. A centralized distribution centre has been opened, which is one of the most modern logistic centres, built in accordance with modern technological solutions that enable higher efficiency, preservation of product quality and reduction of costs and stocks in the entire supply chain. Although it is one of the most modern facilities, the company continues to introduce new technological innovations. For example, preparations were made for the implementation of Pick by Voice in the distribution centre, for advanced voice commissioning in order to increase productivity. These are some of the examples that show how building a culture that encourages innovation has resulted in a number of qualitative changes which should lead to better performance.

In addition to the analysed differences in terms of changing certain dimensions of organizational culture, differences in employees' and managers' perceptions of changes in organizational culture are examined. The results of the Mann-Whitney U test are shown in Table 4. The analysis shows that there are no statistically

significant differences in the perception of organizational culture differences between employees and managers. This result confirms that the hierarchical structure does not play a crucial role in the perception of the implemented changes. Organizational culture is a complex phenomenon that permeates the entire organization, which suggests that all employees, as members of the organization, in accordance with the roles they perform, perceive changes in organizational culture in a similar way.

Table 4: Significance testing for differences in employees' and managers' perceptions of changes in organizational culture

	Position	N	Mean Rank	Mann-Whitney U	p
After the acquisition there were changes in the ways of rewarding and encouraging employees	Managerial positions	43	134.72	4613.00	0.792
	Operating positions	220	131.47		
After the acquisition there were changes in the communication of managers towards employees	Managerial positions	43	117.38	4101.50	0.186
	Operating positions	218	133.69		
After the acquisition there were changes in the degree to which the company impacts on employees to improve their performance	Managerial positions	42	122.90	4259.00	0.489
	Operating positions	217	131.37		
After the acquisition there were changes in the attitude of the company towards innovation and creativity	Managerial positions	43	129.42	4619.00	0.802
	Operating positions	220	132.50		
After the acquisition there were changes in the degree to which managers provide employees with opportunity to participate in decision making	Managerial positions	43	126.67	4501.00	0.573
	Operating positions	221	133.63		

In order to answer the research question on the impact of organizational culture differences on the performance of acquired company, a regression analysis is performed. The results of the regression analysis are presented in Table 5.

Table 5: Results of regression analysis

	Performance of acquired company		
	B	SE	β
Organizational culture differences	0.787	0.091	0.814**
R2			0.814
Adjusted R2			0.654
F			74.589**

Unstandardized (b) and standardized (β) regression coefficients are shown. *$p < 0.05$

The results show that the model is statistically significant (F=74.589; p=0.00) and explains 65.4% of variance of the dependent variable (adjusted R2=0.654). The results of regression analysis show that organizational culture differences positively and significantly affect the performance of the acquired company (β=0.814; p=0.00).

Conclusion and Implications

Acquisitions in emerging economies are in many cases motivated by the efforts of acquiring companies to enhance the untapped potential of acquired companies. After the acquisition, the acquiring company must implement changes in the acquired company, which usually includes change in the organizational culture. In the acquired companies, the existing system of values, beliefs and behaviours promote inertia, inactivity and low employee commitment to achieving challenging goals (Savovic, 2017). The organizational culture of such companies usually does not contain a strategic and proactive component. Changing the organizational culture in the acquired companies aims to build a proactive organizational culture.

In terms of changes in the organizational culture of the acquired company, changes in the following key dimensions of organizational culture are of particular importance: innovation, top management communication with employees, autonomy and decision-making, reward system and performance orientation. Regarding these dimensions, it can be concluded that the company will create the basis for achieving sustainable competitive advantage and performance in the long term if it adopts values that promote innovation, stimulation and encouragement of employees and their involvement in the decision-making process. At the same time, the company should set clear performance and continuous improvement requirements, as well as a clear and fair system of employee incentives and rewards.

The research results show that the acquired company changed all analysed dimensions of organizational culture, with the greatest degree of change in the dimension of innovation. Changing the organizational culture after the acquisition and building a new proactive organizational culture is important for the future development and performance improvement of the acquired company. Of particular importance is the change of the dimension of innovation, bearing in mind that the organizational culture that stimulates and encourages the development of new ideas and innovative solutions is of fundamental importance for achieving long-term profitability. In addition, the results of the study show that all members of the organization, regardless of their position and the role they perform, have the same perceptions of changing organizational culture. The change in organizational culture means the change in common values and beliefs after the acquisition in the same way, regardless of the hierarchical structure. Hence, it can be concluded that both managers and employees have embraced the new cultural patterns that the multinational acquiring company has sought to implement in the acquired company in order to improve business and performance in the long term.

The research results show that organizational culture differences positively and significantly affect the performance of the acquired company. This is consistent with the results of studies that confirm a positive impact of differences in organizational cultures on acquisition performance (Krishnan et al., 1997; Savovic, 2017). In this way, the example of the analysed company confirms that changes in the existing organizational culture and adapting it to the organizational culture of a successful multinational acquiring company brings positive effects and performance improvement.

4.1 Theoretical and managerial implications

The research results provide certain theoretical and practical contributions. As previous research of the relationships among acquisitions, organizational culture and performance in emerging economies is limited, these research results contribute to a better understanding of the significance of changes in different dimensions of organizational culture in acquired companies, particularly in the emerging economy. In this way, the study contributes to literature in the field of acquisitions and organizational behaviour. The research conducted emphasizes that if the existing organizational culture is not proactive and does not contribute to achieving good business results, it is necessary to adopt a new organizational culture. In cross-border acquisitions, where the acquiring company is a foreign company, the transfer of modern management practices is of special importance, since management in emerging economies must develop its capabilities and adopt new knowledge and skills from the current paradigm of change management. The results of the study also have certain practical implications. In this sense, the contribution of the paper lies in the implications that can be an important guideline for companies in future acquisition processes. An important implication for managers, who will be involved in the process of changing organizational culture, is to especially understand the importance of changing innovation as a dimension of organizational culture, in order to ensure orientation towards achieving good performance in the long term.

4.2 Research limitations and suggestions for further research

The key limitation of the paper is reflected in the fact that the research subject is one acquired company in the Republic of Serbia and, hence, the results of the study cannot be generalized. However, observing one case of acquisition provides a good basis for conducting a deeper analysis of the effects of acquisitions on the change in organizational culture. Consequently, within the framework of future research, it is necessary to conduct a more extensive research into a larger number of acquired companies in the Republic of Serbia, but also countries in the region, in order to enable a more general conclusion about the effects of acquisitions on organizational culture changes. It would be important to analyse whether

there are differences in changes in organizational cultures in the context of domestic vs. cross-border acquisitions. Additionally, it would be important to explore the impact of organizational cultural differences on the acquired companies' performance. It is expected that the results of future research, which will include a larger number of acquired companies, will confirm the positive effect of organizational cultural differences on acquisition performance. Regarding expected results, we particularly want to emphasize the relevance of context in which acquisitions occur, i.e. context of emerging economies. As mentioned above, acquisitions in emerging economies, usually require radical changes, due to outdated managerial practices in acquired companies, non-involvement of employees in the process of information sharing, etc. Among other things, such changes imply redefining the organizational culture in these companies. Therefore, new organizational culture creates potential to develop richer knowledge structures and contributes to improving creativity and innovation of employees. Given the small number of studies in emerging economies that focus on this issue, this would provide a significant contribution to the literature and allow comparison of the effects of acquisitions in emerging economies with research results in developed economies. The conclusions drawn may be significant in terms of identifying possible ways to enhance the effects of acquisitions in emerging economies.

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