Management De

From play to pay: A multifunctional approach to the role of culture in post-merger integration

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ABSTRACT:

the literature on Mergers and Acquisitions (M&A), cultural differences between organizations have frequently been identified as one of the main challenges in the process of post-merger integration (PMI). Existing research has explored a broad variety of cultural differences in perceptions, such as those relating to expectations, norms, values, and beliefs within the respective organizations, and how these affect the process and success of PMI. However, less attention has been paid to the relevance of the macro-societal context to PMI. The ambition of this article is, therefore, to advance our understanding of how macro-level societal factors define organizational cultures and affect the success of PMI.

We draw on social systems theory as devised by Niklas Luhmann, assuming that organizations are always embedded in the macro-level societal context of distinctive realms of social realityâ€"such as the economy, politics, religion, and the artsâ€"that make up the so-called â€œfunction systemsâ€. Looking at the case of the integration of a Brazilian technology start-up into a market-leading corporation, we analyze the dominant orientations towards these function systems, and the changes in these orientations over time.

The results suggest that differences in organizational culture in PMI can be partly explained by differences in orientations to the function systems. Moreover, forcing dramatic changes of orientations towards the function systems within a merged entity can severely damage its raison dâ€™etre in the first place, potentially leading to, in some sense, an account of 'culture murder'.

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This article is unique in demonstrating that organizations are multifunctional systems whose culture is defined by the highly specific and potentially varying degrees of importance they place on individual function systems and that knowledge or neglect of these functional profiles may seriously affect the success of post-merger integration. Against this backdrop, the article presents a multifunctional profiling method that may easily translate into PMI management tools.

From play to pay: A multifunctional approach to the role of culture in post-merger integration

Abstract:

Purpose: In the literature on Mergers and Acquisitions (M&A), cultural differences between organizations have frequently been identified as one of the main challenges in the process of post-merger integration (PMI). Existing research has explored a broad variety of cultural differences in perceptions, such as those relating to expectations, norms, values, and beliefs within the respective organizations, and how these affect the process and success of PMI. However, less attention has been paid to the relevance of the macro-societal context to PMI. The ambition of this article is, therefore, to advance our understanding of how macro-level societal factors define organizational cultures and affect the success of PMI.

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Findings: The results suggest that differences in organizational culture in PMI can be partly explained by differences in orientations to the function systems. Moreover, forcing dramatic changes of orientations towards the function systems within a merged entity can severely damage its *raison d'être* in the first place, potentially leading to, in some sense, an account of "culture murder".

Originality/value: This article is unique in demonstrating that organizations are multifunctional systems whose culture is defined by the highly specific and potentially varying degrees of

importance they place on individual function systems and that knowledge or neglect of these functional profiles may seriously affect the success of post-merger integration. Against this backdrop, the article presents a multifunctional profiling method that may easily translate into PMI management tools.

Keywords: Mergers and acquisitions; post-merger integration; multifunctional analysis; organizational culture; functional differentiation, Niklas Luhmann.

Introduction

Mergers and acquisitions (M&A) are an important instrument for companies to enter new markets, gather vital skills, knowledge, and other resources, or scale up and diversify their business (Haleblian et al., 2009; Steigenberger, 2017; Yue et al., 2021). They have significant consequences for the involved organizations — both the acquirers and the acquired — as well as their respective members (Appelbaum et al., 2000a, 2000b; Avetisyan et al., 2020; Bauer and Matzler, 2014; Cartwright and Schoenberg, 2006; Graebner et al., 2017; Meyer and Altenborg, 2007; Tetenbaum, 1999).

Often, M&A fail or take unexpected turns during the process of post-merger integration (PMI) (Lucia-Casademunt et al., 2018). Hence, understanding the process of PMI, and identifying the driving factors of failure and success in the process, have been an important research topic in organization and management research in recent decades (Graebner et al., 2017; Steigenberger, 2017). Extant research has looked at aspects such as interaction, communication and connectivity (e.g. Angwin and Vaara, 2005; Larsson and Lubatkin, 2001), the effects of media depiction and discourses (e.g. Halsall, 2008; Hellgren et al., 2002; Kuronen et al., 2005; Vaara and Tienari, 2002), the achievement of alignment and structural integration

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(e.g. Puranam et al., 2006; Zollo and Singh, 2004), the quality of human resource management (Avetisyan et al., 2020), as well as internal restructuration and resource reconfiguration (e.g. Barkema and Schijven, 2008; Capron et al., 1998). Moreover, researchers have increasingly turned their attention to sociocultural variables that have an impact on the success or failure of M&As in general and the PMI process in particular (Buono et al., 1985; Cartwright and Schoenberg, 2006; Dackert et al., 2003; Halsall, 2008; Tetenbaum, 1999; Vaara, 2000; Stahl et al., 2011; Stahl and Voigt, 2008; Khan et al., 2020; van den Steen, 2010). Hence, cultural integration and compatibility, as well as the process of acculturation, have been identified as crucial factors for understanding the outcomes of M&A (Qi et al., 2021; Larsson and Lubatkin, 2001; van den Steen, 2010; Stahl and Voigt, 2008; Cartwright and Schoenberg, 2006; Weber, 1996). Existing research generally suggests that cultural differences between acquirer and acquired tend to produce negative effects on the PMI process, and scholars have explored the nature and characteristics of these differences on multiple cultural levels (Graebner et al., 2017). Following this line of inquiry, scholars have mainly looked at the differences in perceptions, expectations, norms, values, and beliefs as such, how these affect identities, trust, knowledge transfer, and integration (e.g. Azambuja and Islam, 2019; Bartels et al., 2006; Dackert et al., 2003; Edwards et al., 2017; Giessner, 2011; Pina e Cunha et al., 2019; Stahl et al., 2011; Stahl and Voigt, 2008; van den Steen, 2010; van Marrewijk, 2016; Veiga et al., 2000), and the more or less successful strategies of coping with the differences (e.g. Edwards and Edwards, 2015; Larsson and Lubatkin, 2001; van Dick et al., 2006; Thelisson et al., 2019).

However, less attention has been paid to the societal context that shapes these internal organizational cultures, their norms, values and world views. Several works on PMI have taken a look at the relevance of media discourse (e.g. Halsall, 2008; Hellgren et al., 2002; Kuronen et al., 2005; Vaara and Tienari, 2002), political ideologies (Chow et al., 2021), and differing national cultures (see Avetisyan et al., 2020; Fehrenbacher et al., 2018; Meyer and Altenborg,

2007; Halsall, 2008; Morosini et al., 1998; Qi et al., 2021; Vaara et al., 2003), but, apart from these narrow or nationally-focused perspectives, we know surprisingly little about how macro-level societal factors and their interplay affect organizational cultures in the context of PMI. As such, despite the richness of research on PMI, there is a pressing need to employ alternative theoretical frameworks, conceptualizations and methods, and to avoid conducting research work in the field in silos of increasing specialization.

Against this backdrop, we argue that the understanding of the process of PMI and its relevant factors can be advanced if research on M&A takes into account an important—yet so far virtually ignored—insight from sociological theory, i.e. that organizations are always embedded in a macro-level societal context of specific socio-cultural formations that take the form of factually distinctive realms of social reality (Apelt et al., 2017; Luhmann, 2018; Abrutyn and Turner, 2011; Seidl and Becker, 2006; Sundgren aand Styhre, 2006). Different approaches within sociological theory have referred to these realms with terms like "value spheres" (Weber, 1946), "social fields" (Bourdieu, 1988), "institutional domains" (Turner, 2010), "social worlds" (Guston, 2001), or "function systems" (Luhmann, 2013). However, despite the use of differing terms, all these theories of societal differentiation agree on the utmost significance of factually distinctive sociocultural formations on the macro-level of society (such as politics, the economy, science, art, religion) for all aspects of social life in general, and for organizations in particular (Abrutyn and Turner, 2011; Apelt et al., 2017; Ghauri and Rosendo-Rios, 2016; Turner, 2010). These macro-level formations constitute important points of reference for an organization, shaping its culture, identity, and structures, and orienting its internal processes and external relations (Luhmann, 1977, 2013). Organizations can differ considerably in their orientations towards the differing macro-level formations, and, hence, in the effects that these formations have on their culture and identity. We assert that, without acknowledging the factual macro-differentiation of society and its

relevance for organizations and organizational cultures existing in its context, we cannot properly understand the challenges and consequences this societal context creates for M&A, and the process of PMI in particular. Hence, we ask the following question:

From a multifunctional perspective, how do differences between acquirer and acquired function systems orientation influence PMIs?

To answer this question, we draw on social systems theory as devised by Niklas Luhmann (1994, 2012, 2013, 2018). Luhmann's theory has received considerable attention from organization and management scholars in recent years (e.g., Cooren and Seidl, 2020; Czarniawska, 2017; Deroy and Clegg, 2015; Mohe and Seidl, 2011; Schneider et al., 2017; Schoeneborn et al., 2014; Seidl and Becker, 2006, Sundgren and Styhre, 2006). Among the aforementioned frameworks of the factual differentiation of society, the Luhmannian framework is the only one that offers an integrated theory of organizations *and* societal macro-differentiation in combination with an established and well-elaborated canon of macro-level systems—termed "function systems" (Roth and Valentinov, 2020; Seidl and Becker, 2006).

According to the Luhmannian framework, organizations are always oriented towards a variety of macro-level function systems, with the dominant points of reference varying in each organization. Thereby, each organization features its own unique set of function-systemic orientations, constituting an important ground for its overall culture. The priorities that organizations and their members give to the different functions systems are crucial in shaping how they observe and construct the world they operate in.

The PMI process always implies a degree of acculturation as a response to an initial state of cultural dissonance. In this respect, mergers can reach a crisis state of deculturation in which one culture disintegrates in the face of the other (Nahavandi and Malekzadeh, 1988). We assert that organizational orientations towards different function systems are particularly

relevant in this respect. In a merger, it might happen that very different macro-societal reference cultures come together in a potentially conflictive manner, with ensuing negative effects. Recent big data research in macro-societal trends, for example, shows that the relative importance given to different function systems not only changes significantly over time, but also exhibits considerable differences across language areas (Roth et al., 2017; 2019). The core insight of the current study is therefore that macro-societal points of reference should be considered as an important facet of organizational cultures, and, hence, as a factor that needs to be considered for the trajectory and success of PMI.

We draw on a qualitative case study in which we combined an innovative mapping approach to visualize function system references with interviews and observational data. We present a vignette in which we accompany one founder and CEO of a start-up acquired by, and integrated into, another organization to showcase the significant effects of differing macro-level orientations for the process of PMI. Our results demonstrate that differing macro-level orientations between the acquired and the acquiring organization can cause significant challenges for the process of PMI.

This article responds to the as-yet largely unanswered calls for theoretical and methodological innovation in M&A research (Cartwright et al., 2012; Teerikangas and Colman, 2020). Specifically, our study makes three contributions to the existing literature. First, we introduce an important insight from sociological macro-level theory to the debate on PMI by adding the new and relevant aspect of the functional differentiation of society to the existing insights on socio-cultural factors (Jørgensen et al., 2012). Second, we shed more light on the components of organizational culture and how these affect PMI. Finally, by introducing points of reference to function systems as one significant source for cultural differences, we add to the academic understanding of the factors that shape post-merger acculturation. On a practical note,

our article outlines a multifunctional profiling method that may easily translate into PMI management tools.

Literature review: The role of culture in PMI

Traditionally, scholars have examined PMI by looking at strategies and outcomes, and how they influence each other. In a recent paper, Brueller et al. (2018) identified three different categories of integration strategies—annex & assimilate; harvest & protect; link & promote—which correspond with three categories of intended outcomes of a merger—absorption; preservation; symbiosis (see also Haspeslagh and Jemison, 1991). *Absorption* refers to situations in which one firm is completely assimilated into the other firm, losing its original characteristics. *Preservation* describes cases where boundaries are preserved and both firms continue to operate independently, so that their respective functioning, culture and other key aspects remain unharmed. Finally, in *symbiosis,* both firms are gradually blended together, retaining their leading work practices. Viewed in this way, Brueller et al. (2018) considers that *absorption* is most suitable when acquirer-acquired interdependence is high, degree of relatedness is low, and the acquired's assets are not negatively affected by complete assimilation. On the contrary, acquirers should pursue *preservation* when acquirer-target interdependence is low, but the acquired's autonomy is critical (e.g., in order to preserve capabilities). *Symbiosis* is advised when both acquirer-acquired interdependence and the acquired organization's autonomy are high. However, in practice, keeping the balance between control and autonomy or freedom is precarious or paradoxical task (Thelission et al., 2019; Tabesh and Vera, 2020). Thus, PMI is a complicated process, which tends to develop its own trajectory and often leads to very different outcomes than those intended – even, in the worst case, to the complete failure of a merger (Edwards and Edwards, 2015; Graebner et al., 2017;

Meyer and Altenborg, 2007; Pina e Cunha et al., 2019; Sales and Zanini, 2017). In this context, organizational culture has been identified as a major factor in the development of the PMI process.

Organizational cultures can be understood as the specific way an organization and its members observe the world and construct it as meaningful (Vaara, 2000). As such, differing organizational cultures imply different world views, values, norms, and beliefs (Alvesson, 1995; Schein, 1985; Roux-Rosier et al., 2018). Such cultures are not fixed but develop over time, affecting and transforming each other (Engelke, 2017). In M&A, cultural differences across organizations are of particular relevance, given that, in any such situation, one organization with a unique culture is integrated into another organization with another culture.

In recent decades, researchers have looked at the relevance of cultural similarities and differences between organizations for the PMI process (Buono et al., 1985; Stahl and Voigt, 2008; van den Steen, 2010; Weber, 1996). In general, existing research shows a tendency towards rather positive outcomes in cases in which acquirer and acquired are culturally relatively similar (van den Steen, 2010; Weber, 1996), while greater cultural differences tend to be related to rather negative outcomes (Stahl and Voigt, 2008), often leading to severe "cultural clashes" with potentially devastating effects (Buono et al., 1985; Veiga et al., 2000; Larsson and Lubatkin, 2001; Van den Steen, 2010).

In a seminal paper, Nahavandi and Malekzadeh (1988) identified four modes of acculturation that can take place in PMI: assimilation; integration; separation; deculturation. *Assimilation* describes the process by which one side willingly adopts the culture of the other, implying a cultural absorption of one organization into the other. *Integration* describes a state in which a structural merging of the organizations takes place, but without one organization being entirely culturally assimilated into the other. *Separation* refers to cases in which the acquired organization retains a high degree of cultural autonomy, so that organizations remain

largely distinct. PMI can also lead to *deculturation,* in which one culture more or less disintegrates in the face of the other. Research based on this framework continues to confirm that cultural similarity between acquired and acquirer leads to better acquisition outcomes (Grabner et al., 2017; Chow et al., 2021; Doukas and Zhang, 2021).

In terms of the characteristics of cultural similarities and differences, a number of aspects have been identified as relevant. Scholars have, for instance, documented the relevance of trust dynamics (Stahl et al., 2011), value orientations (van Marrewijk, 2016), discursive formations, frames, and narratives (Riad, 2005; Vaara, 2002; Zueva-Owens et al., 2012), actors' expectations and perceptions (Dackert et al., 2003; Edwards and Edwards, 2015; Giessner, 2011), and organizational members' identifications (van Dick et al., 2006; Bartels et al., 2006; Giessner, 2011; Edwards et al., 2017; Pina e Cunha et al., 2019) in shaping organizational culture; by implication, divergences in any of these between different organizations will present challenges in the PMI process. Attention has also been paid to the effects of differences in nationality and industry between acquirer and acquired (Halsall, 2008; Larsson and Lubatkin, 2001; Morosini et al., 1998; Vaara et al., 2003; Veiga et al., 2000).

To summarize, then, existing studies on the role of culture in PMI have focused on the internal norms and values of the organizations affected (e.g. Larsson and Lubatkin, 2001; van Marrewijk, 2016), members' perceptions (e.g. Edwards and Edwards, 2015; Giessner, 2011), the relevance of differing national cultures (e.g. Avetisyan et al., 2020; Halsall, 2008; Meyer and Altenborg, 2007; Morosini et al., 1998; Vaara et al., 2003), and which strategies of coping with the differences can be successful (Edwards and Edwards, 2015; Larsson and Lubatkin, 2001; van Dick et al., 2006). However, less attention has been paid to the macro-societal context that is just as crucial in shaping organizational cultures. Apart from the mentioned nationality-focused works, we know surprisingly little about the macro-level factors that affect

organizational cultures in the context of PMI. To address this shortcoming, we mobilize Niklas

Luhmann's theory of social systems, which we will outline in the next section.

Theoretical framework: Applying social systems theory to the process of PMI

In recent years, Niklas Luhmann's (1994, 2012, 2013, 2018) theory of social systems

has gained considerable attention in organization and management research (Cooren and Seidl,

2020; Czarniawska, 2017; Deroy and Clegg, 2015; Roth, 2021; Schneider et al., 2017;

Schoeneborn et al., 2014; Seidl and Becker, 2006, Sundgren and Styhre, 2006; Valentinov,

2021; Valentinov and Pérez-Valls, 2021). In this paper, we draw in particular on contributions

to organization theory founded on Luhmann's integration of theories of communication,

functional differentiation, and organizational decision-making (see Ahrne et al., 2016; Apelt et

al., 2017; Besio and Pronzini, 2014; Gregory, 2006; Grothe-Hammer, 2017, 2019, 2020;

Martens, 2006; Schoeneborn et al., 2014; Roth and Valentinov, 2020; Seidl and Becker, 2016;

Thompson and Valentinov, 2017; Valentinov and Thompson, 2019; Valentinov et al., 2020;

Will et al., 2018). In line with many other sociologists (e.g. Abrutyn and Turner, 2011;

Bourdieu, 1988; Weber, 1946; see Turner, 2010 for a review), Luhmann (2012, 2013) argued

that contemporary society is primarily differentiated into factually distinct realms of social

reality. Luhmann called these realms "subsystems of society" (Luhmann, 1994) and more

specifically "function systems" (Luhmann, 2013), each of which fulfils eminent functions that

are vital for the continuance of modern society. These function systems include politics,

economics, justice, medicine, science, education, mass media, art, religion, sports (Roth and

Schütz, 2015), and perhaps a few more (Apelt et al., 2017; Luhmann, 2012). Each function

system follows a unique logic in the form of a specific thematic orientation that is distinct from

those that shape other function systems (see Table 1). For instance, the political system is concerned with aspects of power and the making of collectively binding decisions, while the scientific system is concerned with the creation of knowledge, and the economic system is concerned with distribution and exchange of money, goods, and property (Luhmann 1989). These function systems are considered systems because they are constituted of interconnected networks of highly specific activities that are thematically distinct from the activities making up other function systems.

Each function system observes and constructs social reality through its own specific lens (Schirmer and Michailakis, 2016; Apelt et al., 2017). For instance, the economic system looks at all other systems from the economic lens, and interprets society as a whole from this perspective. The same objects and events will have different meanings if observed from the perspective of the legal or religious system. Think of a simple example like a car. It is possible to observe the car through the logic of each function system. One can discuss the car's price and running costs (economic system), assess the aesthetic value of its design (art system), use it as a racing device (sports system), admire its engineering efficiency (scientific system), and so on. This also means that the activities and products of one function system may have a different meaning to another function system. Laws and political regulations may have an economic meaning within the economic system, for example, while economic considerations may be relevant for education and medical issues, and so on.

--INSERT TABLE 1 HERE—

Organizations play a crucial role in this concept of society. Following the classical works of March and Simon (1993), Luhmann (2018) defined organizations as social systems in which most important operations take the form of decisions (see also Cooren and Seidl, 2020; Nassehi, 2005; Ahrne et al., 2016). Organizations can be understood as processual entities that

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reproduce themselves by constantly making decisions that build on previous decisions and establish the ground for further decisions. As such, organizations achieve a precarious state of contingent stability that is constantly being adapted.

Function systems are linked to organizations but not confined to them, and vice versa. For instance, political decisions are typically made in organizations such as parliaments or parties, economic activities take place in firms, and educational activities take place in schools and universities. Consequently, decisions taken within these organizations are important for the re-specification of the differing functional logics of their respective systems (Besio and Meyer, 2015). This might lead us to think that many organizations are dedicated to one certain function system—e.g. economic organizations to the economic system (for this argument see Martens, 2006)—but it is a crucial insight of Luhmann's that organizations are traversed by all function systems (Luhmann, 2018; Roth et al., 2020). An organization is part of society, and, as such, part of every function system constituting that society (Schoeneborn et al., 2014). Hence, a society's function systems structure certain ideologies, norms, values, and other expectations that organizations within that society are subject to (cf. Abrutyn and Turner, 2011). Economic factors, law, political decisions, health issues, and so on always have relevance for organizations, and influence the decisions that are made within them. Economic organizations, for example, are not only concerned with business; they also educate their members, conduct scientific research, or provide spaces for religious practices and health promotion. There are economic decisions in hospitals as much as there are health-related decisions outside of them, and there is bureaucracy – and, hence, politics – in institutions of higher education (see e.g., Jemielniak and Greenwood, 2015). In a functionally differentiated society, organizations are, therefore, said to be always "multi-referential" (Apelt et al., 2017) or "multifunctional" (Roth et al., 2020; Will et al., 2018), as they relate to a variety of function systems simultaneously, and at different levels of intensity over time.

The logics, values and norms of society's function systems serve as points of reference for organizations to orient their operations, structures and culture (Luhmann, 2013). In each organization, different function systems are granted differing levels of importance, with each organization considering certain function systems as being particularly dominant (Roth et al., 2020). In this respect, we argue that the unique orientation to certain function system constitutes an important facet of what can be considered an organization's culture.

Luhmann (2018) conceptualized organizational culture as the nexus of undecided structural elements that serve as premises for the organization's decisions (see also Seidl and Becker, 2006; Roth, 2021). While organizations, of course, feature a multiplicity of decided structures – such as official rules and hierarchies – to guide their decisions, these very structures are themselves shaped by specific organizational cultures as well. Organizational culture takes the form of a shared set of abstract values, ambiguous norms, leadership styles, and cognitive skills. These values, norms and skills lead to certain ways of observing and constructing the world, and of assessing what is and is not considered to be important (Besio and Pronzini, 2014). Therefore, function systems serve as important points of reference for organizational cultures, shaping organizational decisions. Of course, organizations can differ considerably in their orientations to the differing function systems, and the function system alignment of an organization is an important aspect of its identity. For instance, it makes a fundamental difference to an organization's culture if it is oriented towards the function systems of economy and science instead of sports and religion. These aspects are of particular importance in the PMI process because, in this process, one organization is integrated into another one, implying challenges in terms of macro-level points of reference and the perceived fit of cultures and identities.

In the following, we present the design and results of an empirically-driven Luhmannian multifunctional analysis which, by focusing mainly on organizational culture aspects,

demonstrates the effects stemming from differing orientations to function systems on a PMI process.

Case description and context

The first author observed the PMI process following the acquistion of the Brazilian technology start-up Byround[1] by the Brazilian market leader in retail technology solutions, and compulsive acquirer, Ringx. Incumbent firms often struggle to rely solely on internal resources to maintain their competitive advantage and, therefore, are often forced to resort to M&A as a means of accessing and integrating external technologies, methods, or talent pools, particularly by acquiring creative and entrepreneurial start-ups. Ringx is one of the leading retail management software firms in Brazil, and, since 2008, has been pursuing an inorganic growth strategy to expand its services into areas such as e-commerce, the consumer shopping experience, omnichannel offerings, payment solutions, cloud management, consulting services, and online advertising. In 2017, after the acquisition of 25 firms, Ringx approached Byround with an investment thesis to shift its business model away from offline retail software solutions in favour of pursuing a leading online position in the field. Byround was a start-up business operating in the native online media platform space, uniting merchants, brands, and consumers. Byround allowed its customers to advertise on the top e-commerce sites in different formats and segmentations, thus offering transparency regarding return on investment in online advertising campaigns.

By acquiring technology start-up firms, Ringx aims to purchase the capacity to articulate within, communicate within, and take part in the start-up innovation ecosystem, which they believe to be paramount to their future. Ringx makes visible to the outside world

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[1] All names, including those of the firms, are pseudonyms.

that, at the organization level, a decision was made to pursue inorganic growth with a view to equip the company with the competencies required to compete in the online space.

In December 2017, the acquisition took place, and the process of integrating Byround into Ringx began. From this time onwards, the first author started the data collection. Over a period of 16 months (December 2017 to April 2019), he followed the PMI of Byround through recurrent visits to the start-up, during which he conducted a series of both unstructured and semi-structured interviews[2]. The decision was taken to focus the investigation on the privileged perspective of its founder and CEO, Mr. Sun. The importance of Mr. Sun within Byround cannot be overstated – he gave birth to the start-up, served as its walking representation for the market, and shaped its "startup culture" and function system orientation. After the merger, Mr. Sun's position as rainmaker remained virtually unchanged, and he was the focal point of the PMI from Byround's side, being appointed as the executive responsible for implementing a chain of decisions made by the acquirer in relation to the acquired firm. Our case descriptions were mainly derived from repeated interaction between Mr. Sun and the first author. Moreover, the first author also interviewed Mr. Sun's right-hand man (Mr. Rock) and the members of his team, as well as conducting on-site observations. These additional interviews served to triangulate the information obtained from Mr. Sun. The main tool used to document Byround's shift from its original systems of preference was a multifunctional questionnaire (Table 2) featuring statements mirroring typical behavioural expectations according to the existing literature. We recorded Mr. Sun's answers before and after the PMI, twelve months later.

Identifying points of reference to function systems: Applying a multifunctional approach

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[2] All interviews were conducted in Portuguese language and quotes translated and included in this paper were reviewed by the interviewees for accuracy purposes.

The research methodology followed the idea that, as indicated above, organizations may be characterized, compared and contrasted in terms of the importance they give to different function systems. As it is easy to imagine that the PMI of Byround into Ringx would pose a challenge for organizational culture and change management, it was the ambition of the authors to identify Byround's pre-merger function system orientations, so as to have a baseline against which to measure potential changes in orientation along the course of the merger and PMI processes.

To identify Byround's function system references, we deployed a multi-stage approach. As a starting point, the first author introduced the concept of functional differentiation to Mr. Sun by following the *multifunctional structural constellations* approach as outlined by Roth (2019). Mr. Sun was given a set of wooden tokens, each of which represented one of the following ten function systems: politics, economics, justice, medicine, science, education, mass media, art, religion, sports. Moreover, one additional token was provided for cases in which Mr. Sun found that another function system than the identified ten was important (which was notably not the case). At the same time, the first author explained the foundations of functional differentiation to Mr. Sun, focusing on the ten systems (Roth and Schütz, 2015) and highlighting their respective thematic orientations (Table 1). This exercise took approximately 60 minutes, after which Mr. Sun was asked to begin by choosing the function system token that in his opinion represented Byround's most important macro-societal orientation and placing it in the centre of a demarcated field. Next, Mr. Sun was asked to place the other tokens one after the other around the first one according to their orientational importance in decreasing order. The purpose of this exercise was, first, to allow Mr. Sun to achieve a more intense familiarization with the interview topic; second, to facilitate the interview using a game-like tool; and, third, to gain initial insights into the function system preference structure of Mr. Sun and Byround.

The second part of the exercise was designed to document Byround's systems of preference before and after the PMI. Mr. Sun was then asked to fill in a questionnaire to identify Byround's preferences for each of the ten listed function systems. This questionnaire featured statements mirroring prevalent behavioural expectations that can be seen as typical for each function system. We derived these statements from the existing literature on the peculiarities of the specific function systems (Luhmann, 1989, 2012, 2013; Roth and Schütz, 2015; Baraldi and Corsi, 2017; King and Thornhill, 2013; Stichweh, 2013). For each function system we formulated three statements, accumulating to a total of 30 statements that are listed in Table 2.

--INSERT TABLE 2 HERE—

Mr. Sun was then asked to express his agreement with each of the statements, ranging from 0 (no affirmation at all) to 10 (full affirmation). The questions were randomized and submitted using a tablet during a mutual discussion. The result of the questionnaire was then discussed and adapted if Mr. Sun felt that a result did not adequately capture Byround's function system references. After this second round of discussion, the results were then tabulated in a spider-web diagram to allow for a better visualization of Byround's function system orientations.

The discussion took about two hours. The first author then agreed with Mr. Sun that they would repeat the questionnaire one year later, to see if, and how, the organization's function system preferences would have changed as a result of the merger. This questionnaire, allowed us to document Byround's systems preference configuration at the start and twelve months later at end of the PMI process. It also helped us to visualize better the transformation of Byround's function system preferences as well as to understand the intended and unintended consequences for the PMI process. To provide a better understanding of the whole process that

underlies the derived function system preferences, we embedded the visualizations into a chronological case description.

Additionally, Mr. Sun agreed to allow visits to Byround offices from the first author over the intervening period, during which he would collect his impressions about the PMI and the decisions impacting the business and the overall culture of Byround, as well as hold unstructured interviews with him. The unstructured interviews and site visits allowed us to witness the process and capture Mr. Sun's impressions about the PMI, illustrating vividly the impact of Ringx on Byround's systems of preference. The following vignette is the result of this approach.

Vignette: The PMI of Byround

The starting point of the PMI

In 2017, Mr. Sun and his founding partner, Mr. Rock, agreed to sell 100% of Byround's shares and join Ringx with their team under certain conditions: 2/3rds of the price was to be paid upfront at the closing of the transaction, with the remaining 1/3rd to be paid in three years according to an "earn-out" clause that determined some financial and operational KPIs to be met during that time. The contract also confirmed that Mr. Sun would remain as CEO of Byround and his right-hand man Mr. Rock would take the position of Commercial Director, binding the two team leaders to retain their position for at least three years.

> *"They said to us: - you are going to be independent. You can stay in Rio and we are not changing anything. We won't touch you. We don't want to disturb your business. We'll only support your growth."*

At this point, then, the strategy of maintaining Byround's business running independently was consistent with the aforementioned idea of "preservation" in the PMI literature. Byround was supposed to remain largely autonomous, with selective areas of interdependence between it and Ringx and opportunities for knowledge transfer and cultural learning experiences. Ringx indicated to Byround that nothing would change after the

acquisition. The business would remain independent and undisturbed, with Byround's solutions being offered to Ringx's large existing customer base, just as Ringx would have access to Byround's customers. They would also go to market together in order to win potential new prospects for both sides. The newly acquired firm would also benefit from networking with all of Ringx's previously acquired start-ups, as well as with any future acquisitions, which would give Byround access to the resources to develop new products and continue pursuing the path of innovation. Ringx had a strong balance sheet to fund Byround's activities during this period.

Similar to many early-stage businesses, Byround was not profitable at the time of the takeover. Mr. Sun and his team had other priorities ahead of making a profit. Byround was guided by a "winner takes all" approach, common to many tech start-ups, based on the conventional business wisdom in technology-oriented markets that virtual monopoly should be the ultimate objective of any business (see for an example Thiel and Masters, 2014). Backed by Ringx, Byround could now fuel its business to fight its direct and indirect competitors.

> *"We were megalomaniacs. We wanted to be leaders in Brazil. In one year, we had 85% of the online in our base. In six months, we decided to expand across Latin America, and we were able to close contracts in Colombia, Argentina and Chile. We had gigantic clients. Our objective was to be big. When we were approached by Ringx, we were at the stage of raising funds to invest in the business, expand and acquire more clients. We were not making profits yet… The priority was to increase scale… In the future, we would figure the profit equation out…"*

The first visit to the Byround offices was intriguing. The firm operated in a garage turned into a co-working space in an upper middle-class neighbourhood in Rio de Janeiro. The team was excited about the merger, as the business had been running for no longer than 18 months (12 months with the product in the market), and yet it was already the object of desire of a big player, receiving an unrefusable offer accompanied by assurances of promising careers for everybody and a bright future for the firm. The team members were mostly dressed

informally, wearing shorts, t-shirts and football jerseys. Mr. Sun gave orders from the middle of the rectangular room, while the team listened attentively. Byround had a total workforce of 12 professionals (including six sales specialists located in São Paulo). By contrast, Ringx had 3,000 employees and was based in São Paulo, 400 kilometres from Rio. It was agreed that Mr. Sun and his team would stay in Rio de Janeiro following the merger.

During this first visit, the first author interviewed Mr. Sun and administered the questionnaire according to the procedure described above. The resulting figure 1 shows Byround's function system references as identified in the questionnaire and discussion with Mr. Sun. The importance of the function system increases from the center (0 = total disaffirmation in the interview and thus low importance) to the outer edges of the spider-web diagram (10 = total affirmation in the interview and thus high importance).

--INSERT FIGURE 1 HERE—

The results obtained in this first round of our multifunctional analysis clearly indicated that Byround was *not* a profit-driven organization (economy). It did not care much about norms, contracts and regulations (legal) and gave no importance to corporate or other forms of politics:

> *"Profit was not important for us. In terms of priority, it was close to zero. To acquire more ad space, we understood that we had to subsidize certain contracts [with publishers]. ...We had zero concerns for contracts and formalization of contracts."*

Instead, the firm was obsessed with pure competition (sports), had something of an artistic disposition manifested in its drive to produce novelty with a view to disrupting the (corporate) establishment (arts), and was somewhat religious in the way team members believed themselves to be predestined to change the landscape of the market in which they operated (religious):

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"For us, Ringx represented a challenge! The other offer we received [from another potential buyer] was much better economically speaking. More money upfront and we had only to transfer the know-how and technology to get the earn-out… But they offered no challenge. It was too easy. We wanted to stay in the game… We had no budget, no budget meetings, only a daily cash flow to monitor the money we had and how much more we needed … And we wanted our clients to also meet their targets… to make them happy… so they became loyal to us…"

Finally, Byround communicated to the market that its solutions were open to scrutiny, and that its approach was scientific and based on testable hypotheses (science):

"We were funding clients and suppliers to prove our product, our hypothesis… we were testing a hypothesis…, we were always trying to prove a hypothesis, a theory, a thesis".

Six months after: the consolidation decision

Mr. Sun and the first author agreed to see each other again in six months. In the meantime, they exchanged phone calls and text messages, and met twice informally in São Paulo. Before the end of the six-month period, Byround was informed that a decision was made to transfer the entire team, including Mr. Sun, to São Paulo. They would move into a brand-new space in Ringx headquarters that was especially designed to accommodate all start-ups acquired by the company. The objective of this initiative, as communicated by Ringx, was to foster cross-fertilization amongst the start-ups and with Ringx itself.

The consolidation of start-ups in Ringx headquarters was a mild surprise for the team, but not to any great degree. São Paulo is the business capital of Brazil, and, hence, Mr. Sun and his team accepted the decision, maintaining high expectations about the relocation. Just a few days before the move, the first author again visited Mr. Sun in Rio de Janeiro. Mr. Sun reported that things were going well, and that the first six months had been a sort of honeymoon from his perspective. Apart from one or two changes that had to be implemented (e.g. Byround had to adopt Ringx standard contracts with its clients), the team had continued to operate independently. In general, everyone seemed relatively motivated.

In the first weeks after the move, the first author visited the new office. It was colorful, open, with catchy phrases and statements on boards and walls, balloons and neon. The start-ups' floor was decorated very differently from the rest of the Ringx headquarters building. It also had beverages (including beer), games and toys. On the administrative side, Ringx agreed to maintain flexible time for employees and to accept casual dress.

"The new place is wonderful! Parties, free beer, everyone wearing shorts and t-shirts! Personally, I don't care about the decoration. These people think that start-up teams and entrepreneurs need colorful walls, graffiti and ping-pong tables…What is important is that things work properly here.".

Nine months after: increasing interference from Ringx

When the first author met Mr. Sun for an update nine months after the acquisition, things were starting to go sour. He reported that, over the preceding three months, after moving into Ringx headquarters, gradual changes were imposed on Byround. It was like every week a new decision was made by Ringx regarding Byround.

"We were in the new space for a month and they decided to put access control turnstiles to monitor the time people arrive and leave… They said: - It was decided that this floor will also have to respect the same rules as the other floors… Well, with the access controls, more rules followed…"

Apparently, the start-ups' floor did not survive for more than a month. First, Ringx introduced turnstiles to control employee attendance, arrival and departure times. Free drinks were rationed to once a month and floor parties were discontinued.

On the administrative side, in addition to turnstiles, Ringx pushed down to Byround the decision to align roles and competencies to mirror the firm's bureaucratic hierarchies.

"The following month, they said all roles need to be formalized. We were forced to adjust the Byround team to the hierarchies of Ringx. That was complicated. We had no sense of hierarchy. We had a flat structure. Now, we had to adjust and conform to categories such as 'Manager'… We needed no manager…".

And then, one week later, Ringx decided to renegotiate the Byround team's salaries and benefits to align these with Ringx employees. "Equal pay for equal work" was the premise.

"If they changed the way we do business, the way we are organized, they are interfering in my business model, so we are not talking about mere administrative decisions only".

On the financial side, Mr. Sun was invited to participate in the monthly Directors' Meeting. In these meetings, the executives discussed numbers, financial targets and quarterly results. Mr. Sun did not have not much to show at this point, given that, as we have observed, Byround's game was to win the market, betting on the long term.

10-12 months after: "Ringx-zation"

"My biggest concern was the Ringx effect: to retain my team. After six months, I was different already. I was seeing myself talking to my folks differently. I was representing the new organization. My mindset was changed. It had to be that way".

In October 2018, Ringx announced it would be replacing its Vice President of Business Development, who was responsible for the start-ups and had originally developed the strategy of acquiring start-ups to build a new online business. The new Vice President, Mr. Hans, called a meeting with the leadership of all start-ups and assured them he wanted to continue the work of his predecessor. Again, the message was that "nothing is going to change." The meeting was scheduled to take place in a fancy hotel and all founders, CEOs and heads of products were invited to explain their solutions. During the meeting, Mr. Hans confirmed the plan to create a 'New Ringx,' which had been already discussed by his predecessor with the start-ups' CEOs. All start-ups would function under the *new* 'Ringx Digital' umbrella brand. Mr. Sun and his team were very upset:

"Ringx Digital? Man, that was awful. I looked around and everyone was like… fuck! It's game over… It is so cliché, so unimaginative, so lazy…"

2

The next day, Mr. Hans said that he was slightly disappointed that nobody had presented a business plan. Accordingly, the new administration decided that Byround needed to prepare a budget for the next year.

> *"'Where is the business plan?' The killer of start-ups? Is this what you want? Based on what? Do you want us to innovate, create new solutions and at the same time think about how much revenue it would generate? Budget for next year?"*

Because Byround was not profitable, the result of this new policy was that all investments were frozen, the development of new products not authorized, and the scope of innovation limited. Lastly, financial targets were dictated by Ringx. Mr. Hans said in a meeting that the new businesses acquired were not making enough money to pay for their bills.

At this point, Mr. Sun questioned the extent to which Ringx was honoring the agreement to keep his organization preserved and undisturbed. Mr. Hans replied to the effect that the agreement had not been infringed upon – Mr. Sun was still responsible for Byround's business decisions, and all the changes that had been implemented were merely administrative. Mr. Sun realized it was a good time to renegotiate his contract with Ringx and prepare a graceful exit.

> *"It was October and I said to my partner Mr. Rock: 'I think I got an idea'. He replied: 'Me too'. Then I thought to myself. 'We are not here anymore. We are out!' We were already thinking about our next move, our next venture… Let's move on. We will lose money… but it was never about the money."*

These chains of decisions were particularly costly for Byround, putting at risk the membership bond of its founders and staff. Mr. Sun called for a meeting with Mr. Hans to discuss their immediate exit. Ringx, however, did not accept the two founders resigning at the same time. At the end, they agreed and decided to let Mr. Rock leave in December (2018), with Mr. Sun agreeing to stay on for one more year (instead of two). As mentioned above, originally, they were both supposed to stay a three-year minimum period with Byround after the merger.

> *"We lost our freedom to create, to improvise, to go against the status quo. We represent the status quo now... Perhaps we were naïve to believe things could be just the opposite…"*

As agreed with Mr. Sun, the first author re-ran the function systems preferences assessment of Byround 12 months after the acquisition (see Figure 2).

--INSERT FIGURE 2 HERE—

Strikingly, Byround's function system references are now extremely different from the assessment 12 months before. Byround's points of reference were changed by the chain of decisions imposed in a top-down manner by the acquirer, which had the (direct or indirect) aim of aligning Byround's culture to its own dominant preferences. The dominant function systems prevailing at Byround are now the economic, legal, and political systems:

"Now [this new Byround] is all about money. About the next quarter, about profit, revenue recognition… to meet the financial challenges."

In January, the decision was made that Mr. Sun would not be required to actively participate in business decisions. His obligations were now to take part in the monthly Directors' meeting, hear the reports about Byround and provide the specific inputs of a specialist.

"One day I looked around and no one was wearing shorts or jerseys. All my team was dressed like Ringx employees. The thing is… if you don't conform, people look at you with disapproving eyes. I realized my team looked bored. They were not [operating] the same."

Accordingly, Byround's senior team of developers wanted to resign as well. To convince them to stay, Mr. Sun decided to communicate to them in the "old" Byround manner. He made it a competition – a sport – by setting them a new challenge. The last one:

"To keep the remaining team, I said to them: folks, there is little time left… We are nearly there… You just need to stay till the end of the year."

Discussion

Our empirical material shows a case of PMI in which the achievement of initial reorganization goals failed, leading to abrupt changes in the post-merger strategy of the acquirer from "preservation" to full "absorption" with a complete consolidation (see Haspeslagh and Jemison, 1991; Brueller et al., 2018). In terms of organizational culture, an almost complete deculturation of the acquired firm seems to have happened within the course of a few months. While the original culture seems to have largely disappeared, the founders and members appear hesitant to adopt the acquirer's cultural expectations. In our case, the founders as well as the original personnel of the acquired organization left or wanted to leave around one year after acquisition, indicating significant challenges for the originally intended knowledge and culture transfer.

Our analysis indicates the presence of a multiplicity of factors that led to problems in this PMI process, such as enforcement of structural integration including the adoption of hierarchies and strict rules (cf. Graebner et al., 2017), faulty communication between Ringx and Byround (cf. Bartels et al., 2006), problematic perceptions of each other's cultures (cf. Giessner, 2011), and a lack of effective coordination (cf. Puranam et al., 2006). Moreover, a variety of internal cultural facets—like group norms, dress codes, communication and leadership styles—seem to play a significant role. Finally, we can also identify a massive shift of function system references over the course of the PMI.

Before its acquisition, Byround, although it was certainly a business enterprise, was not defined primarily by the codes of the economic system. Instead, the organizational culture was shaped by a strong competitive drive (sports), a hypothesis-testing approach (science), the attempt to convince their customers to believe in Byround in an almost religious fashion (religion), and a rather artistic approach to producing novelty for the world (arts). Conversely, Byround gave almost no importance to economic, legal, and political norms and values.

After the acquisition, the decisions shaping Byround as an organization shifted progressively within a period of months from its original systems of reference (sports, religion, arts, science) to fundamentally different ones. By the end of the period, Byround's culture was strongly oriented towards economic, legal, and political logics, while the importance of a scientific approach had been relegated to a secondary role, and its once-eminent orientations to religion, sports, and arts had been almost completely abandoned (see Figure 3). It did not matter anymore whether or not, in the long run, Byround could win the race to monopoly. It was now important for the new Byround to be profitable and legally fail-safe, and to properly acknowledge power structures and hierarchies.

--INSERT FIGURE 3 HERE—

When acquired, Byround, its founders and team members were formally forced into Ringx ecosystem by a collective membership bond. Although initially both organizations agreed to a preservation strategy (Haspeslagh and Jemison, 1991; Vieru and Rivard, 2014; Brueller et al., 2018), the merger indirectly exposed Byround to Ringx's systems of preference. Accordingly, the differing function system orientations became apparent in the organizations' day-to-day practice. Byround was unable to understand the demands of the economic systems as manifested in the form of internal communication with Ringx, while Ringx was unable to learn and interpret the demands of the sports systems that required Byround to compete at all costs, including the sacrifice of immediate profit. Moreover, from one day to another, Byround was confronted with the burdens of the legal system, materialized by Ringx bureaucracy (e.g. the mandatory use of standard contracts) and other formalities. Subsequently, the imposition of structures of power relations, hierarches and office politics had a tremendous impact on Byround, which was exacerbated the relocation to Ringx headquarters in order to be better

monitored by the acquirer. Command and control were something utterly alien to Byround, an organization that disregarded the idea of formalized power relations (politics) when we first assessed its systems of reference. Members of Byround felt that their core organization values, practices and, ultimately, culture were endangered by the PMI process, and the chain of top-down decisions from Ringx jeopardized their sense of membership in the organization (Vieru and Rivard, 2014).

Against this backdrop, we assert that the differing function system preferences of the organizations had a tremendous impact on shaping the cultural encounter between the two organizations. We conclude that the merger and the related PMI process failed to accomplish the strategic objectives *because*—among other things—Ringx failed to understand and recognize that Byround in general, and its leadership in particular, had function system preferences that were fundamentally different to their own. As our case illustrates, business organizations can give significantly different degrees of importance to particular function system, which implies elemental differences between the organizations' cultures. This leads us to the following proposition:

Proposition 1: The cultural differences between organizations that manifest in PMI processes can be partly explained by differences in orientations to the function systems of society.

In our case, the diametrically opposed macro-level orientations of the organizations led to a severe "cultural clash" (Buono et al., 1985; Veiga et al., 2000; Larsson and Lubatkin, 2001; Van den Steen, 2010). Hence, we find a novel form of cultural clashes in PMI that has not been identified in the existing literature. Research has generally shown that even organizations operating in the same business branch can experience massive cultural clashes in case of a merger (Buono et al. 1985) if they feature differing values and beliefs (Van den Steen, 2010) or if they have different national backgrounds (Lee et al. 2015; Veiga at al. 2000). To these

existing insights, we add macro-societal orientations as a new but relevant facet. Specifically, we argue that, in PMI, the differences in function system preferences bear the potential for substantial cultural dissonance, which can lead to widespread deculturation through absorption by the acquirer (Nahavandi and Malekzadeh, 1988) even if cultural integration via strategic preservation is the stated goal (Haspeslagh and Jemison, 1991; Brueller et al., 2018). To formulate this as our second proposition:

Proposition 2: The greater the difference between the acquirer and the acquired in terms of their function system orientations, the greater the cultural dissonances will be.

As we have seen, these cultural differences between the acquirer and the acquired make it hard for them to understand each other. Each function system reference provides a highly specific mode of observing, interpreting, and constructing the world (Schirmer and Michailakis, 2016; Apelt et al., 2017). Each organization has its own way of combining several of these world constructions to create a specific and unique world view (Will et al., 2018). In this respect, we conclude that the distance between the orientations to function systems matters significantly. The greater the divergence in function system references between two organizations, the greater the difference in how these organizations observe and construct the world around them. Therefore, we derive our final proposition:

Proposition 3: The greater the difference in function system orientations , the greater the challenge to translate norms, values, and beliefs derived from one functional logic into another.

Managerial implications

There are several potential applications of social theory, particularly functional differentiation, in management practice. In this article, we illustrated the use of functional differentiation in understanding the challenges posed by PMI. We believe a similar framework

could be tailored for conceptualizing M&A strategy, including an assessment of 'strategic fit' between merging entities. Outside M&A, we can identify additional potential use cases in fields such as human resources or career development (Roth, Sales, et al., 2017), stakeholder management (Valentinov et al., 2019; Valentinov and Hadju, 2019), risk analysis, strategic planning and risk analysis, or ESG (environmental, social and governance) evaluation (Roth and Valentinov, 2020). The last case appears particularly well-suited to such an approach, given that political orientations seem to have a profound impact on organizational CSR performance. While there has been some clear indication that politics matters in M&A (Jeong and Kim, 2019; Chow et al., 2021), our research finds the same to be true for a broader set of function systems. Managers will, therefore, need to challenge the narrow foci on political, economic, and environmental factors suggested by established tools or frameworks and account for a broader spectrum of factors and functions that impact the outcome of M&As in general and the success of PMI management in particular.

Limitations and future research

Our single case study has, of course, certain limitations. Although we derive our case description from observations and multiple interviews, we mainly present the function system references of Byround as they are derived from interactions between the founder/CEO of Byround and one of the researchers. Moreover, existing research indicates that failure narratives produced in the aftermath of a merger tend to depict the PMI in an overly pessimistic manner (Vaara, 2002). Such an effect might also play a role in our case, and might explain the perception of such an extreme shift of function system references in our findings. However, our triangulation with observational and interview data suggests that the general tendency we have identified remains plausible.

Although we argue that this approach was sufficient for deriving the rather general insights in our paper, we believe that this multi-functional analysis should be further developed in future research, especially towards the possible consideration of multiple levels and perspectives within the affected organizations. Different departments or teams within organizations might feature different function system orientations, adding more complexity to the socio-cultural aspects of PMI (cf. Luhmann, 2018; van Marrewijk, 2016). Our multi-functional analysis could, therefore, also develop into a valuable qualitative tool for practitioners in better preparing M&A and understanding the cultural differences between acquirers and acquired. Moreover, our approach could also be combined with big data technologies, as it is easy to imagine systematic scans of organizational databases or -lakes run to identify and compare organizational decision-making processes for preferences for particular (sets of) function systems.

Given the general significance that trends in functional differentiation have for organizational theory and practice (Roth et al., 2020), we therefore conclude that the importance that different organizations place on different function systems should as a matter of course be systematically analyzed in future M&A processes so as to avoid the issues Ringx had with its misunderstood inhouse start-up. Conversely, purposeful disregard of the different functional profile of one's acquisition might also be a very effective strategy for expelling key personnel from the formerly independent organization. In both cases, a multifunctional approach to M&A, particularly when designing the PMI process, can bear fruits for acquirers.

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#	Statements (0-10)	System
1	You need to be an "artist" to work at Byround	Arts
2	It is part of our mission to challenge the status-quo (artistically speaking)	Arts
3	Aesthetics is in everything we do	Arts
4	We do anything for money	Economy
5	There is limited space for activities that do not involve money	Economy
6	The main objective of our organization is economic; in other words, to make profit	Economy
7	We are concerned about the training and education of our people	Education
8	For Byround, it is important to build a good curriculum for the team	Education
9	We are concerned about transferring knowledge	Education
10	We care about the corporate health of our clients, suppliers and stakeholders	Health
11	We diagnose and prescribe "medicine" to our clients	Health
12	We care about the physical and mental integrity of our members	Health
13	There is no space for breaking rules, informalities and improvisation	Legal
14	Everything we do is regulated (there are clear norms, procedures and policies)	Legal
15	Relationships with suppliers, clients and workers are always formalized with contracts	Legal
16	It is easy to follow Byround in the press and social media	Mass Media

17	Our wins and accomplishments are shared in the social media	Mass Media
18	Byround is media focussed	Mass Media
19	We believe in command and control	Political
20	You need to know how to navigate the internal politics of the organization to be successful	Political
21	Power relations need to be monitored	Political
22	We have faith in Byround	Religion
23	Work at Byround is transcendental (out of this world!)	Religion
24	To be part of Byround is like a religion	Religion
25	It is important to prove everything we do with numbers or facts (we are open to be scrutinized)	Science
26	Byround searches for new theories and truths is to be shared with society	Science
27	We can say Byround is scientifically driven	Science
28	We believe in "winner takes all"	Sports
29	We are in the game to win. Everyone is motivated by goals, targets and missions to be accomplished.	Sports
30	Fair play is part of Byround's values	Sports

Table 2: Multifunctional questionnaire (own Table).

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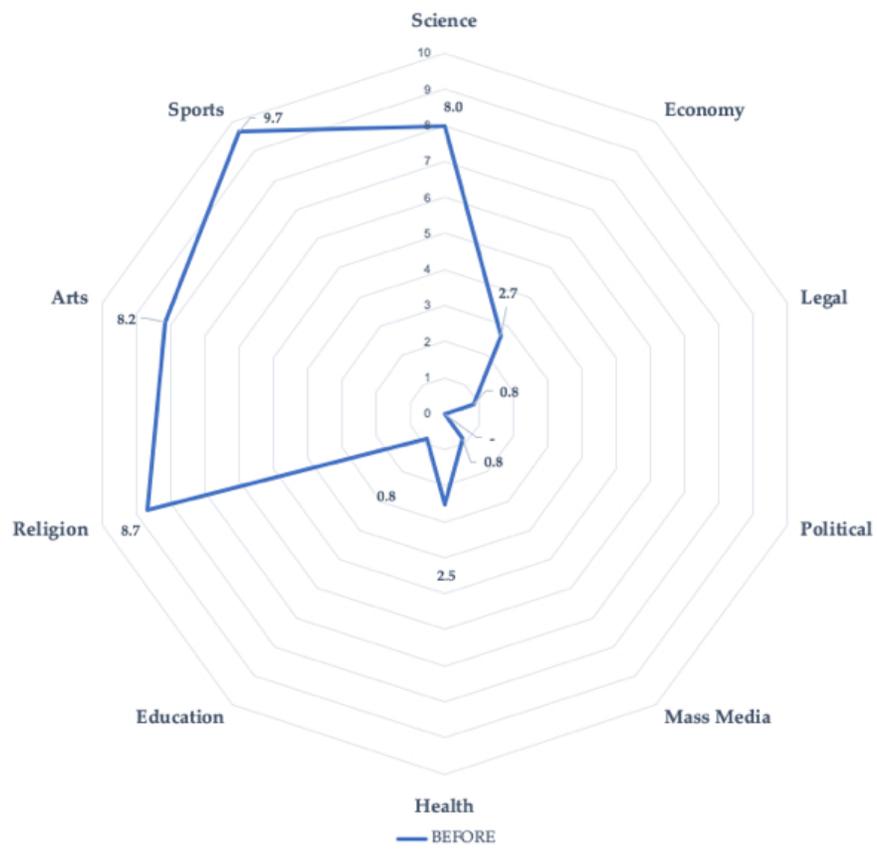41
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Figure 1: Byround's original primary systems of reference

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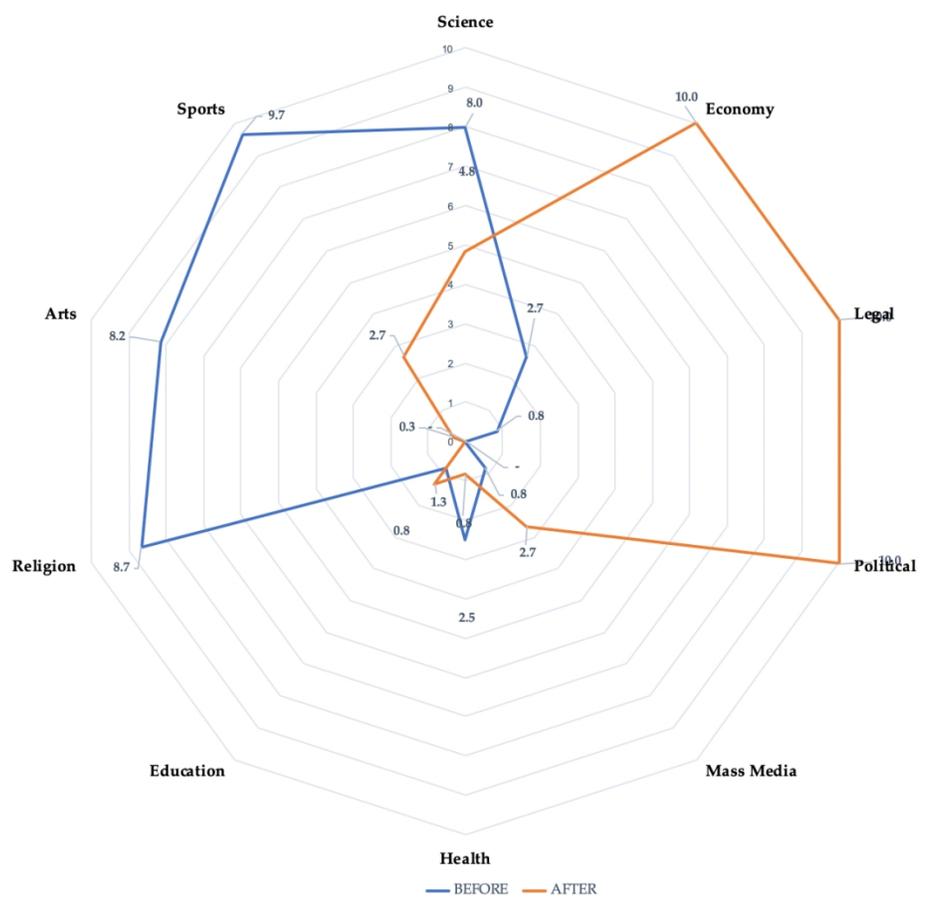55
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Figure 2: Byround's changed, post-merger systems of reference

441x358mm (38 x 38 DPI)

Figure 3: Combination of Byround's primary systems preferences: Original (blue) vs. Changed, post-merger (orange)

606x557mm (57 x 57 DPI)

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Table 1: Function Systems with thematic orientations

Function System	Thematic Orientation
Art	Creativity; production of innovative creations that are experienced as aesthetic or as a novel way of observing and interpreting reality. Produces accounts of alternative realities.
Economy	Money; revenues and expenses; profit and loss; distribution of scarce resources.
Education	Impartation of knowledge, qualifications and skills, norms and values. Decisions on educational contents. Premise for the placement of individuals to particular positions in society.
Judiciary	Laws and regulations; determines and decides what is right and wrong behaviour.
Mass Media	Informativity; determines what contents are relevant/informative for the "masses". Creates these contents through observation of the world and distributes these via media.
Medicine	Health and Illness; Determines what is treated as healthy or ill and provides treatment.
Politics	Power; collectively binding decision-making.
Religion	Faith; creates spirituality and constructions of transcendence; "proselytizes" people to believe in a higher purpose, goal, or cause.
Science	Truth; produces and makes use of theories and methods to create verified knowledge. Tests, verifies, questions, and adapts hypothesis and theories based on evidence and plausibility.
Sports	Competition; oriented to winning and losing; concerned with how to "beat" the other and win the "game". Gathering of achievements.

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