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AN ADVANTAGEOUS ALIGNMENT: THE IMPACT OF ORGANIZATIONAL CULTURE FIT ON M&A SUCCESS IN THE BANKING INDUSTRY

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ABSTRACT

Organizations seeking growth through merger and acquisition (M&A) activities conduct multi-faceted target selection analyses of many factors, yet one recent study of 40,000+ mergers and acquisitions over a 40+ year period found that 70-75% failed to meet expectations (Lev & Gu, 2025). While the cultural alignment between the acquirer and target is often the most impactful part of acquisition integration success (Bouwman, 2013; Marks & Mirvis, 2011; Stahl & Voight, 2008), cultural alignment is often relegated to a less prominent role because acquiring organizations typically cannot access the information needed to make full culture assessments until late in the due diligence stage. Using the culture frameworks of Hofstede (2005) and Trompenaars (1994), we hypothesize about the fit of four cultural dimensions between acquiring and target firms. We test these hypotheses using M&A transactions completed from 2011 to 2017 by publicly traded U.S. banks that had less than $50 billion in assets. We find evidence to support our hypothesis that similar levels of universalism or particularism of the target and acquirer are positively related to the success of an acquisition.

Keywords: Mergers and acquisitions (M&A), banking industry, organizational culture, culture fit, M&A success, cultural dimensions, cultural alignment.

INTRODUCTION

Bank M&A in the United States has experienced a resurgence in 2025, supported by market factors and more favorable regulation. July 2025 alone, had the highest monthly number of deals, the largest aggregate deal value, the largest single M&A deal value, the priciest M&A deal, and the largest asset-size bank to strike a deal – since 2021 (S&P, 2025). Prior to 2025's turnaround, post-2021 M&A activity volumes from the U.S. banking industry had dropped to between 100-150 per year from a prior historical average of 200-300 per year (Morgan Stanley, 2025). Given that the U.S. banking industry is still one of the most fragmented in the world with 4,400+ banks at year-end 2024 (Morgan Stanley, 2025), it is anticipated that M&A activity will continue over the long-run and that acquirers will seek every possible angle to be best positioned for successful integration of future targets. As a well-aligned culture continues to be a primary driving force of merger success, early insights from publicly-available data would place potential acquirers in an advantageous position from the start of the decisioning process.

Acquiring Firms Are Underperforming

Despite over 10,000 mergers and acquisitions occurring every year in the U.S. (IMMA, 2025), acquirers' stocks consistently underperform their peers for an extended period following these acquisitions. Overall, acquirers' composite shares returned 129% less than their Russell 3000 peer group from January 2001 to August 2016 (S&P Global, 2016) and long-run performance post-M&A is typically negative (Tuch & O'Sullivan, 2007). Lev & Gu (2025) examined more than 40,000 global acquisitions from 1980-2022 and found that more than 70% of the acquiring firms had below industry-average sales growth, negative stock returns, or goodwill write-offs three years post-acquisition. There is a prevalent lack of understanding for the reasons for this overall underperformance, with commonly referred to M&A conditions of conglomeration, relatedness, cash versus equity payments, and prior acquisition experience unable to be tied to post-merger performance (King, Dalton, Daily, & Covin, 2004). What is truly driving post-merger performance? Some believe the missing link is the cultural alignment between the target and acquirer (Bouwman, 2013; Marks & Mirvis, 2011; Stahl & Voight, 2008).

Although culture fit may initially appear to be a minor merger success factor, with the inability of research to firmly tie any strategic-based antecedents to merger success, cultural alignment emerges as a meaningful factor (Stahl & Voight, 2008). Poor cultural alignment is generally accepted as a reason for underperformance of merged organizations, but the resulting culture clashes remain less managed than they should be (Marks & Mirvis, 2011). Major culture clash avoidance seems widely practiced, with one comprehensive survey finding that 48% of executives would walk away from an acquisition if a misalignment of cultures was present (Graham, Harvey, Popadak, & Rajgopal, 2015). The concern appears reasonable, as unmanaged cultural differences have a significant negative impact on the stock market returns of an acquiring firm (Stahl & Voigt, 2008) and shareholder value is typically reduced even if an acquirer is able to cancel the M&A transaction once more information is obtained (Laibner & Varmaz, 2016).

Culture Fit Assessments as a Fix

Acquiring firms are overwhelmingly focused on *strategic* fit rather than *organizational culture* fit in the pre-acquisition period (Jemison & Sitkin, 1986) and assessing culture in any systematic way during pre-acquisition stages remains rare (Weber, Belkin, & Tarba, 2011; Denison & Ko, 2016). The acquisition process itself is a primary driver of success (Jemison & Sitkin, 1986) and splitting this process into two sequential stages – screening, then negotiation – is essential to managing the process effectively (Greenwood, Hinings, & Brown, 1994). Inadequate target evaluation during the screening stage is a dominant attribute of unsuccessful acquisitions (Hitt, Harrison, Ireland, & Best, 1998); and pre-merger organizational identities of the merging institutions and the subsequent management of them is a primary moderator of the merger's success (Marks & Mirvis, 2011; Weber & Drori, 2011).

Similar cultures shared by the target and acquirer often result in an elevated likelihood of successful integration, but cultural differences can also generate greater learning and a more successful integration (Stahl & Voigt, 2008). The term cultural "distance" is more aptly defined as cultural "friction" as differences can have both positive and negative results (Shenkar, 2001). All cultural differences interact with M&A elements of integration, synergy realization, and shareholder value creation in varying ways depending on the dimension being measured and the degree of difference present (Stahl & Voigt, 2008) and the differences should be considered throughout the acquisition process (Teerikangas & Very, 2006).

Although the importance of examining this cultural friction in the screening stage is well-established (Haspeslagh & Jemison, 1991; Hitt, et al., 1998; Stahl & Voight, 2008; Weber, Shenkar, & Raveh, 1996), the friction often does not become apparent until integration (Greenwood, Hinings, & Brown, 1994). Merging institutions' employees first notice cultural differences rather than similarities (Marks & Mirvis, 2011) and forcing abandonment of pre-merger identity accelerates culture clashes (Weber & Drori, 2011). If not addressed at the onset, cultures tend to ossify and require expending energy and resources to shift. Complicating matters, an organizational culture is not a single shared identity, but rather a multitude of "native" micro-cultures that need to be considered from a cultural relativist viewpoint (Gregory, 1983). Properly managing conflicting culture styles can have an immense impact on successfully combining cultures (Gelfand, Leslie, Keller, & de Dreu, 2012) through tactics such as introducing conflicting micro-culture groupings to influence desired cultural shifts with those complementary micro-cultures leading to faster integration (Groysberg, Lee, Price, & Cheng 2018). Through various strategies, new cultural end-states need to be developed by unfreezing, moving, and refreezing employee mindsets (Marks & Mirvis, 2011). Tactics like celebrations or rituals can be effective in disjointing a company culture from its past (Suddaby & Foster, 2017), but as with most unfreezing strategies requires use of significant resources. Defining the end-state upfront helps better prepare for the ensuing transition and integration stages (Denison & Ko, 2016), thereby saving organizational resources that can be more efficiently deployed to achieve synergy goals. Outlining the process and identifying culture differences during the screening stage is essential to guiding the determination of synergy potential (Denison & Ko, 2016; Weber, Belkin, & Tarba, 2011). This leads to a more accurate pricing of synergies during negotiation and a better integration plan to realize those synergies (Denison & Ko, 2016; Weber, Belkin, & Tarba, 2011).

Screening Challenges

While it is extremely valuable for acquiring firms to review potential cultural friction points as soon as possible during the acquisition evaluation process, there is frequently insufficient data to measure culture during early screening and negotiation stages (Weber, Shenkar, & Raveh, 1996). The target typically provides limited access to data and it is difficult (and sometimes illegal) to interview employees of the target institution (Denison & Ko, 2016). Acquirers are consequently forced to attempt a broader cultural assessment later in the due diligence stage after extensive resources have already been committed and when speed and secrecy are driving factors (Haspeslagh & Jemison, 1991) as deal momentum takes hold. At this point, the process is often unlikely to slow in the face of culture-issue findings with internal decision makers heavily invested (Cartwright & Cooper, 2000; Jemison & Sitkin, 1986) and under the influence of external advisors whose incentives to complete the deal may not align with the acquirer (Jemison & Sitkin, 1986).

Overall, details on cultural alignment's effects are lacking substantial persuasive empirical support (Bouwman, 2013). M&A research is well developed for connecting known dimensions of organizational relatedness and ex-post employee dispositions to integration outcomes (Steigenberger, 2017), but there remains a need for identifying how the culture differences affect outcomes and performance (Teerikangas & Very, 2006; Steigenberger, 2017). Prior research suggested pre-acquisition evaluation of cultural friction should be unobtrusive, maximizing use of existing data (Denison & Ko, 2016), and use primary or secondary sources of information from the organization (Weber & Tarba, 2012). We seek to address the empirical-testing gap via assessment of pre-acquisition cultural dimensions using publicly available data and testing how that fit impacts subsequent performance of the merged entity.

THEORY & HYPOTHESES

We develop hypotheses on how selected cultural dimensions relate to the success of the M&A transaction. Our thinking is that certain cultural dimension combinations for the target and acquirer will integrate better and have a significant positive impact on the success of the acquisition.

Cultural Dimensions

At the forefront of identifying dimensions that affect culture was Geert Hofstede, who created a four-dimension model in his 1980 book *Culture's Consequences,* later expanded to six dimensions. Fons Trompenaars followed Hofstede's base and developed an expanded and alternative seven-dimension model in the release of his 1993 book *Riding the Waves of Culture*. Five of Trompenaars' dimensions were adopted from sociologist Talcott Parsons and two others were self-developed (Trompenaars, 1994).

Kirkman, Lowe, & Gibson (2006) examined 25 years of Hofstede-based research and discovered significant evidence that cultural friction, operationalized based on Hofstede's measures, was present at group and organizational levels. Regarding merger and acquisition activity, differences between target and acquiring firms on Hofstede's dimensions reduced the likelihood of mergers, both inter-regionally and internationally (Ahern, Daminelli, & Fracassi, 2015). Therefore, we use these well-established measures of culture to measure organizational culture and attempt to better understand the impact of cultural fit on acquisition success.

Income inequality (Power Distance)

The cultural dimension of Power Distance (**PD**) is defined by Hofstede (2005) as the extent to which the less powerful members of organizations and institutions accept and expect power to be distributed unequally. In high PD societies, inequality is considered a normal part of society; but in small PD societies, inequality is seen as something that should be reduced, if possible. One consistent feature of high PD societies is more income inequality and higher centralization, while low PD societies are marked by less income inequality and more decentralization (Hofstede, 2005).

We expect target firms with a similar PD to the acquiring firm are more likely to be successfully integrated because core values of fairness are more consistent and will not need to be shifted significantly to promote acceptance of the new policies of the merged entity. The U.S. Securities and Exchange Commission's (SEC) requirement for companies to disclose CEO pay ratios provides a related example for this concept. If a firm with a CEO who earns 100 times the average employee acquires a firm whose CEO earns only 20 times as much as the average employee, employees of the target firm may have a difficult time accepting what is deemed "fair" at their new place of employment. Low morale, higher turnover, low cooperation, and other negative outcomes are more likely in such situations. Thus, we hypothesize:

Hypothesis 1: Similar power distance levels of the target and acquirer will be positively related to the success of an acquisition.

Fear of the Unknown (Uncertainty Avoidance)

Hofstede's (2005) cultural dimension of Uncertainty Avoidance (**UA**) is the extent that members of a culture feel threatened by ambiguous or unknown situations. UA is not the same as risk avoidance; instead, UA's closest parallel is anxiety (Hofstede, 2005). A culture high in UA stresses over the general unknown nature of the future, versus high-risk avoidance being driven by a specific fear (Hofstede, 2005). Merger and acquisition activity typically imposes change that employees have not chosen and for which they are often psychologically unprepared, resulting in elevated stress and anxiety (Cartwright & Cooper, 2000). If both of the organizations involved in the merger have recent experience with significant corporate change, a successful merger is more likely (Hitt, et al., 1998) as the organizations will be in a cultural state of "unfreezing" that is beneficial for moving the respective cultures to the desired end-state combination (Marks & Mirvis, 2011). Thus, we hypothesize:

Hypothesis 2: Similar uncertainty avoidance levels of the target and acquirer will be positively related to the success of an acquisition.

Conservatism vs. aggressiveness (Long-Term vs. Short-Term)

In follow-up studies to his initial four dimensions, Hofstede (2005) discovered a cultural dimension not previously considered – the long-term orientation vs. short-term orientation (**LT/ST**) of a firm. Long-term orientation in a firm is characterized by greater persistence, more funds retained in savings, and a proclivity to invest in assets such as real estate. In contrast, short-term orientation results in firms being more highly leveraged, with smaller savings, and investments in riskier asset classes (Hofstede, 2005). The right mix of LT and ST strategies may result in a greater likelihood of merger success. A ST oriented firm may benefit from the resources of a LT oriented firm and vice versa. Thus, we hypothesize that:

Hypothesis 3: Complementary levels of long-term or short-term orientation of the target and acquirer will be positively related to the success of an acquisition.

Rules or relationships (Universalism vs. Particularism)

Trompenaars' (1994) universalism vs. particularism (**U/P**) encapsulates an organizational preference for rules versus relationships. At a universalist firm, the employees will tend to apply the same rules to every situation. Companies high on universalism believe the production, management, and distribution of their products should be universal while those higher in particularism may assume a more tailored approach (Trompenaars, 1994). Under particularism, exclusive deals may be agreed upon based on existing relationships between companies. Differences in U/P between a target and acquiring firm may lead to significant behavioral, attitudinal, and personal clashes as their distinct histories drive different expectations and perceptions of fairness. Once again, low morale, higher turnover, low cooperation, and other negative outcomes are more likely in such situations. Thus, we hypothesize that:

Hypothesis 4: Similar levels of universalism or particularism of the target and acquirer will be positively related to the success of an acquisition.

RESEARCH DESIGN

Since the easing of interstate merger restrictions and other regulations in the mid-1980s, the banking industry in the U.S. has experienced an extreme amount of merger and acquisition activity (Wheelock & Wilson, 2004). Current drivers of increased bank M&A include 1) large investment requirements for technology to address customer speed/convenience and cybersecurity risk; 2) competition from fintech companies and digital deposit gatherers not tied to a brick and mortar branch network; 3) a supportive M&A approval environment from the Federal Reserve (Fed) and Office of the Comptroller of Currency (OCC); and 4) pressures to scale to certain asset thresholds to offset tiered regulatory expenses such as card interchange fees (kicking in when crossing $10B, also known as the "Durbin Amendment"). Additional management-level M&A considerations include CEOs "empire building" activities to leave a lasting legacy, baby-boomer CEOs retiring without a suitable successor, and staving off being acquired by growing and temporarily diluting book value to become less desirable.

As established in our hypotheses above, an important aspect of managing this M&A boom successfully is appropriately blending cultures. To test these hypotheses, we operationalize them using proxies based on SEC filings and utilize multiple regression analysis (using STATA) where:

$$\textit{Merged Bank Performance}_i = \beta_0 + \beta_1 x_{1i} + \ldots + \beta_{kx} k_i + u_i$$

Sample and Data

Our dataset consisted of publicly traded U.S. banks that engaged in M&A activity from 2011 – 2017, a particularly active period for M&A. The starting point of data collection was set to limit the confounding effects of the financial crisis, estimated to be mostly concluded by early 2011 (Federal Reserve Bank of St. Louis, n.d.). Sample banks were identified using transaction statistics from the S&P Global Market Intelligence platform. The complete sample criteria included: M&A announcement date between January 1, 2011 and December 31, 2017; target and acquirer both publicly traded at time of M&A announcement; U.S. transactions-only; acquisition was for the whole company; the transaction cost was $50MM or more; and the acquiring bank had an asset size of less than $50B. The $50B or less asset size filter was set due to data skew present with the "super regional banks" that have a significantly different operating model at that scale. The 2010 Dodd-Frank Act identified the $50B or greater asset size as a "Systemically Important Institution" (also known as "Too Big to Fail"), which required additional regulations. Excluding these banks avoided significant data skew and focused on the "community bank" level institutions that are often underrepresented in research.

To understand a bank's position prior to the M&A transaction, data points were collected from the SEC's EDGAR repository of filings for the fiscal year-end (FYE) that directly preceded the M&A announcement date. The Form 10-K is the annual financial report filed with the SEC and was our primary data source. Data were obtained from the 10-K's balance sheet, income statement, cash flow statement, and select additional schedules. The DEF 14A filing, commonly known as the proxy statement, is issued prior to the annual shareholders meeting and was also collected for each bank in the sample. Starting with 282 total bank transactions over $50MM that were announced between 2011-2017, the final sample resulted in 93 transactions in which all the previously noted criteria were met.

Descriptive statistics for all variables are included below in Table 1.

TABLE 1
Descriptive Statistics and Correlations*

Variable	Mean	s.d.	Min	Max	1	2	3	4	5	6	7
1. Performance	-3.24	25.66	-65.67	88.25	1.00						
2. Power Distance	10.94	11.11	.01	55.81	-.12	1.00					
3. Uncertainty Avoidance	.02	.02	.00	.07	-.16	.07	1.00				
4. Long-Term/Short-Term Orientation	.12	.11	.00	.45	.01	.16	.32	1.00			
5. Universalism vs. Particularism	.10	.08	.00	.56	.32	.01	-.03	.06	1.00		
6. Announcement-until-Close Time Gap	205.08	111.98	61.00	1161.00	-.12	.27	.14	.18	.00	1.00	
7. Prior Acquisition Count	4.28	6.68	.00	38.00	-.11	.56	.22	.18	.06	.14	1.00
8. In-State	.49	.50	.00	1.00	-.10	.23	.07	-.03	.03	.12	.25

* Coefficients greater in magnitude than .22 are significant at the .05 level.

Dependent Variable: Post-Merger Performance

The initial effects of an acquisition can negatively skew return on equity [ROE] for the first three years post-acquisition but the capital markets understand initial challenges and have a longer-term view of the impacts of the transaction (Cetorelli, Jacobides, & Stern, 2017). Another common dependent variable used to examine bank returns is a modified SHARPE ratio (i.e. ROE vs. a risk-free rate). A robustness test by DeYoung & Rice (2004a) found market-based results were consistent with SHARPE accounting-based results, with the market potentially more accurate overall considering the complexities and historical shifts of accounting rules. Comparing the acquiring bank's returns to the market return aligns with cumulative abnormal return measures used in prior studies (Bereskin, et al., 2017; Laibner & Varmaz, 2016; Stahl & Voigt, 2008). Therefore, we chose to use a market-based measure of performance.

Specifically, we compared the total shareholder return for acquiring banks two years after the merger announcement (providing time for merger synergies to be realized and integration to be more complete) to the SNL U.S. Bank index. Comparison of individual bank returns to the SNL U.S. Bank index neutralizes most banking industry-related return trends. The total return measures include dividend reinvestment, and the bank and index's returns both start at "zero" as of the merger announcement date. Because we use a two-year lagged variable, our number of observations dropped to 85.

Independent variables

CEO compensation has been used as a proxy for PD (Tosi & Greckhamer, 2004); and building on this, we created a ratio of named executive officer (NEO) compensation to non-executive officer compensation that provided an estimate of income inequality at the bank. The DEF 14A includes total compensation information for the company's NEOs -- the CEO, the CFO, and the three other most highly compensated executive officers. We use a standardized mean employee calculation with total remaining compensation (after removal of NEO total) divided by the number of employees (omitting NEO count). Our measure of PD was the absolute difference between the ratios of average NEO compensation/average non-NEO compensation at the acquiring and target banks.

The proxy we used for UA was a ratio of the goodwill reported on the bank's balance sheet to the total assets on the balance sheet. Goodwill is an intangible asset reported because of prior acquisition activity by the bank. The acquisition price paid by the acquirer primarily consists of the fair market value of the target bank and the goodwill representing the value of the synergies and growth expected from the deal (Mehran & Thakor, 2011). With most of the subject sample of transactions costing 150%-200% of target bank tangible book value, much of what is being acquired is the target's knowledge and leadership, both intangible assets encoded in the target's culture (Jones, 2008). This premium paid to acquire a bank – goodwill – is tested for impairment annually for publicly traded companies (Financial Accounting Standards Board, 2001), with impairment determined if the projected synergies are no longer expected to be realized, resulting in a write-down of the goodwill intangible asset.

The level of goodwill reported on a bank's balance sheet serves as a representation of expected change in a bank. Elevated levels of goodwill indicate increased uncertainty because of the added pressures to achieve those higher levels of synergies and growth. Pushing for higher levels of integration can result in more synergies but also increases the chances of integration failures that result in less than expected synergies (Stahl & Voight, 2008). Additionally, when firms believe their share price is overvalued, they appear to be more aggressive with paying premiums in excess of realized synergies and racking up larger amounts of goodwill, a reflection of riskier management strategies and a resulting in a higher likelihood of subsequent goodwill write-downs (Gu & Lev, 2011). Pursuit of these riskier strategies made goodwill was one of eight factors statistically associated with an increased chance of bank failure during the financial crisis (DeYoung & Torna, 2013). Banks with higher levels of goodwill have lower UA, as they have been indoctrinated to be more accepting of change, the unknown, and acclimated to the anxiety that accompanies them. Banks with lower levels of goodwill have higher UA, as there is less unknown and change present, and the employee base has historically not been threatened by change. Our measure of UA was the absolute difference between the ratios of goodwill to total assets at the acquiring and target banks.

We used the ratio of real estate loans to total loans in the bank's portfolio as a proxy for long-term vs. short-term orientation. When a bank drives generation of real estate loans in lieu of non-real estate commercial and retail loans, the strategic plan tends to focus on a lengthier business cycle. Real estate interest rates are more likely to be fixed (vs. adjustable) and loan maturity dates longer, leaving the bank to consider how long-term financial outlooks would affect its portfolio's profitability. Real estate at its core has a much longer useful life than loans financing such items as equipment, working capital, and other lines of credit. Commercial real estate [CRE] loans typically are the largest subset of the real estate loan portfolio due to the sheer size of many of the projects. Bank competition for CRE loans is present from real estate investment trusts, insurance companies, and pension funds. Also, much CRE held in the portfolio and not sold to secondary markets are more likely to have been underwritten to non-standard, riskier terms (Black, Krainer, & Nichols, 2016). These factors put extra pressure on examining the long-term viability of these loans, more so than in alternative commercial lending segments.

Real estate loans as identified in the portfolio loans addendum to the 10-K balance sheet include CRE (encompassing apartments, retail space, office, warehouses, etc.), real estate construction (financing the build-out or improvements of the CRE properties), retail real estate (mortgage loans for primary residences and vacation homes of individuals), and home equity loans (loans used for various purposes but secured by real estate). Anything not explicitly identified as real estate in the portfolio loan breakdown was assumed as non-real estate.

We argue that the higher the real estate concentration in a bank's total loan portfolio, the more long-term oriented the bank is. Employees of these banks deal with real estate loans and customers focused on real estate more often, leading the bank's culture to identify strongly with a longer-term outlook on transactions. With the multiple layers of competition and implied Government restrictions on large-scale CRE growth (Friend, Glenos & Nichols, 2013), the real estate loan portfolio held by banks is firmly tied to the long-term, established aspects sought in this proxy. Our measure of long-term vs. short-term orientation was the absolute difference between the ratios of real estate loans to total loans at the acquiring and target banks.

To measure U/P, we used a ratio of noninterest income to total revenues (also cited as total income). Bank profitability historically focused on the balance sheet items of loans and deposits, but the income statement has now been amplified with increases in noninterest income (DeYoung & Rice, 2004b). Certain banks place a greater emphasis on the amount of transactions processed versus "traditional banking," where the profitability of the financial intermediation within individual product transactions is the focus (DeYoung & Rice, 2004a). A transactional bank is less focused on making loans (a traditional banking activity) and transactional banking profits depend significantly on transaction volume (Ciarrapico & Cosci, 2011). The volume is important as banks with assets over $1B cross-subsidize lending (offering below market rates) with noninterest income (Abedifar, Molyneux & Tarazi, 2018). The cross-selling moves the bank's strategy from an individual product-oriented model to a customer-centric model (Jarrar & Neely, 2002) that involves obtaining more intimate customer information and performing repeated interactions with that established set of customers (Boot & Ratnovski, 2016).

Banks that engage fully in cross-selling are utilizing a "relationship marketing" strategy versus the "relationship lending" strategy imposed by traditional banks (Ciarrapico & Cosci, 2011). We aligned bank cultures high on particularism with "relationship marketing" and therefore transactional banks. Transactional banking can be directly identified by higher levels of noninterest income at a bank (DeYoung & Rice, 2004a). Noninterest income often consists of income streams from bank services that are unrelated to the traditional banking core services where profits are primarily made on the spread between rates on loans disbursed to borrowers and rates paid to customers on deposits.

However, one component of noninterest income is customer service charges, consisting of fees for customer actions like account overdrafts, external ATM usage, and use of other services. Customer service charges are related to traditional banking (DeYoung & Rice, 2004b) and are inherently less volatile than other noninterest income (DeYoung & Roland, 2001). The customer service fees remain a significant portion of noninterest income at most banks and we excluded it from the noninterest income in our calculations. Noninterest income is included on the income statement of the 10-K and further detail is provided on the noninterest income addendum which breaks down the income category's components. The noninterest income levels and this U/P measure are important as combining a traditional-focused bank (high universalism) with a transactional-focused bank (high particularism) can undermine synergy goals and lead to an "identity crisis" for banks (Boot & Ratnovski, 2016). Our measure of U/P was the absolute difference between the ratios of noninterest income (excluding customer service fees) to total income at the acquiring and target banks.

We also included several control variables in our regression equations. The number of days from announcement of the transaction to the closing of the transaction was used as a control variable

since lengthier regulatory approval timeframes can occur with more complex transactions. We also control for prior M&A transactions (by the acquiring bank). Companies with more M&A experience are more successful than companies that are less experienced in M&A (Gomes, Angwin, Weber, & Tarba, 2013; Steigenberger, 2017). Additionally, there have been negative relationships observed between the number of prior acquisitions and the resultant performance of the current acquisition when too much change too quickly causes chaos (Hitt, et al., 1998) and when the acquirer hasn't codified knowledge from their past M&A experience (Zollo & Singh, 2004). Finally, we control for geographical distance. In-market bank mergers tend to generate higher cost efficiencies than out-of-market bank mergers (Sapienza, 2012). Additionally, the chances of successful M&A increases in regions where significant M&A activity has recently occurred because of bank managers obtaining knowledge spillover from the prior activity in their region (DeLong & DeYoung, 2007). To encompass these geographical factors, a dummy variable was included to denote the acquisition as intrastate ("1") or interstate ("0").

RESULTS & DISCUSSION

We constructed several regression models to test our hypotheses, and the results are depicted in Table 2.

TABLE 2
Results of Regression Analysis for Post-Merger Performance[a]

	Models				
Variables	**1**	**2**	**3**	**4**	**5**
Power Distance	-.09				-.18
	(.33)				(.33)
Uncertainty Avoidance		-165.96			-170.85
		(146.00)			(149.04
Long-Term/Short-Term Orientation			9.31		11.45
			(26.91)		(27.48)
Universalism vs. Particularism				95.61*	93.14
				(31.18)	(31.61)
Announcement-until-Close Time Gap	-.02	-.02	-.02	-.06	-.05
	(.02)	(.02)	(.02)	(.05)	(.05)
Prior Acquisition Count	-.19	-.18	-.28	-.23	-.03
	(.50)	(.42)	(.42)	(.40)	(.50)
In-State	-3.01	-3.01	-3.03	-4.43	-3.26
	(5.94)	(5.82)	(5.90)	(5.58)	(5.82)
Constant	4.58	7.46	3.53	2.53	4.50
	(6.16)	(6.65)	(6.65)	(10.45)	(11.33)
R-squared	.02	.04	.03	.14	.15
Adjusted R-squared	-.02	.00	-.02	.09	.07
No. observations	85				

Standard errors are reported in parentheses.
* indicates significance at the .05 level

The first four models included the three control variables with each of the four theoretical variables by themselves. The fifth model included all seven of the independent variables (4 theoretical and 3 control). Support for our first three hypotheses was not evident in our models due to the fact that

our measures of PD, UA, and LT/ST orientation each failed to meet statistically significant levels. However, we did find support for our Universalism/Particularism hypothesis at a $p > .05$ significance level. We interpret this to mean there is evidence that the more similar an acquirer and target bank are regarding their universalism or particularism, the more successful the merger will be.

We defined a bank with a more customer relationship focus (i.e., cross-selling activities and higher number of transactions) as having a culture higher in particularism vs. a bank engaged in more traditional banking activities having a culture higher in universalism. It seems there is evidence that whether a bank leans more toward universalism or particularism, it may be more successful at integrating a target bank with a similar cultural perspective. Such a merger avoids significant behavioral, attitudinal, and personal clashes as their distinct histories have similar expectations and perceptions of fairness. Lower morale, higher turnover, lower cooperation, and other negative outcomes are more likely to be avoided in such situations leading to higher shareholder returns for the acquiring bank.

CONCLUSION

We sought to better understand the impact of organizational culture fit in M&A activities and their effects on firm performance. While several of our hypotheses were not supported by our models, we did find support that more closely aligning the universalism/particularism orientations of target and acquiring banks was associated with higher shareholder returns vs. the banking industry as a whole. We are encouraged by our findings and are hopeful that more research on culture fit for mergers in the banking sector and others will be forthcoming. As noted by Bond (2016) and (Kirkman, Lowe, & Gibson, 2006), the cultural dimensions of Hofstede are ripe for reinvention and fresh application across the organization level. We believe the theoretical components of the cultural dimensions are strong and should be applied in novel ways to test for interactions that can provide some semblance of an idea of culture fit prior to engaging in merger negotiations. Even a small piece of explanatory power could have a tremendous impact, given the wholly unexplained nature of merger performance (King, 2002; Stahl & Voight, 2008). The vast amount of resources that are expended in these failed negotiations, and sometimes failed completed acquisitions, would be of much greater benefit to society if deployed in more productive ways.

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