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SUCCESS AND FAILURE IN MERGERS AND ACQUISITIONS (M&A)

A RESEARCH REVIEW FOR MIDAGON

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Executive summary

Mergers and Acquisitions ("M&A'')[1] are of great importance in empirical terms; as a very long lived phenomena extending back centuries; in scope, as they are now pervasive across the world; and in terms of volume, with trillions of dollars of deals transacted annually. Apart from longevity, scope and scale, M&A can have enormous positive and negative impacts on businesses as well as broader economies, society, institutions, industries, markets, communities, and a range of other stakeholders including employees. For these reasons M&A have attracted a lot of academic and consultant attention to determine the causes of success and failure. This report shows that there are very few factors that can be identified to reliably influence the success or failure of all M&A, as individual deals vary dramatically in nature and the M&A process itself confounds simple correlations between pre-deal characteristics and post deal outcomes. However, the following maybe regarded as general 'rules of thumb':

- Don't pay too much
- Pay with cash
- Avoid hubristic CEOs
- Avoid glamour acquirers
- Avoid contested bids
- Complementary deals perform better
- Improve pre and post deal communications
- Strategic due diligence reduces integration risks
- Pre-deal courtship improves outcomes
- Timely integration planning is beneficial
- Manage cultural differences carefully
- Ensure strategic consistency throughout the whole process
- Build up M&A capabilities through prior M&A experience and use of a dedicated M&A team.

[1] The terms mergers and acquisitions are often used interchangeably in the literature, although most deals are acquisitions. Therefore, in this report the terms mergers and acquisitions will be used interchangeably.

The lack of simple relationships between pre-acquisition characteristics and post-acquisition outcomes has been blamed primarily on the post-acquisition phase, where there are quite different integration types. However, methodological problems, and different disciplinary emphases, have impaired systematic evaluations of performance effects across the entire M&A process. Although recent research has begun to find ways to address this issue, and there is also now greater awareness of other mitigating factors, such as the influence of external contexts on the M&A process, there are few simple success factors that apply to all M&A. Overall this paper does identify many factors that play a role in M&A performance outcomes but also highlights that these factors need to be treated with care due to the wide variety of M&A that exist.

1. Aim and scope

The aim of this report is to provide an authoritative review of the factors relating to the success and failure in large-scale mergers and acquisitions (“M&A”), including their interaction and their relative importance. The scope is on M&A’s involving major integrative processes or carve-outs. Included in this report is consideration of the phases that constitute an M&A process. These include phases such as 1) strategic planning, including due diligence and strategy alignment, 2) M&A implementation planning and 3) implementation itself. The report focuses upon all of the factors relating to these phases.

2. Data

The data being reviewed is research-based articles identified in high quality, peer reviewed, academic journals, that are deemed to have performance effects on M&A, including ICT issues when relevant and appropriate. These journals are widely accepted as the best quality research publications in the world, and are listed as 3* and 4* in management journal rankings such as ABS and AJG. The research presented in those journals have been peer reviewed intensively, so the findings can be deemed robust and reliable. In addition to those insights, a certain amount of other literature, such as books, lesser quality articles and consultancy reports are drawn upon to extend discussion in key areas or to identify topics that may not have yet been researched exhaustively in the top journals. This includes case studies in Finland where relevant. The report also includes a small amount of current research that is ongoing, relevant to the theme. The Report identifies clearly that these sources do not have the same status or reliability as the 3* and 4* journal articles, as some may rest on partial data or be more speculative in nature, and so should be treated with care. The report is therefore shaped and determined by the main foci of top rated academic research into understanding M&A performance, although there will also be acknowledgement of recent research insights that have not yet been published at a high level. The end of the report highlights 15 key articles on the topic of M&A performance. The final references list contains details of all the papers mentioned in the report, so that readers can consult these further if needs be.

3. Overview of M&A performance

The topic of M&A success and failure has been the focus of academic research for a very long time, with early studies dating back to the 1960s. However, despite hundreds of empirical studies, average reported failure rates are broadly consistent over time, with failure rates ranging from 40% to 60% (Hitt, Harrison, & Ireland, 2001; Cartwright and Schoenberg, 2006). However, it is worth noting that there are several outlier studies suggesting that failure rates may be as high as 80% (Marks & Mirvis, 2001; Tetenbaum, 1999). There are many examples of significant failures including; Microsoft/Nokia (2014; $7.9bn v. $7,6bn write off and 15,000 redundancies); Google/Nest (2014 price $3.2bn v. no new products); Yahoo!/tumblr (2013; price $1.1bn v. write off $0.7bn); HP/Autonomy (2011; Price $11.1bn v. $9bn write off); AOL/Time Warner (Price $164bn v. $45bn write off + huge losses and ultimate disposal). Most of the analysis of success and failure has been in developed economies, but similar results are also emerging for countries such as China and India (Reddy et al. 2019).

The most frequently used approach to assess M&A performance is an event study method which measures abnormal stock market returns around the moment that an acquisition is announced. If an acquirer's share price rises more than expected[2], then this gain can be attributed to the acquisition announcement. The main advantage of this method over others, is that it assesses share price movements over a short period of time, thus eliminating confounding effects of other events that could affect share price. Using this method, studies show that acquirers do not enhance their firm value, either breaking even or making small losses (around -1%-3%). This is more marked for larger deals. However, target company shareholders benefit to around +20% - + 30% on average. In other words, there is a wealth transfer effect from the acquirer to the target, a 'premium for control', that takes place. Combining both sets of returns shows that M&A produce positive combined returns, but when this figure is decomposed, targets account for most of the gains, rather than acquirers. Also examining acquirer performance over the longer term, on average there is an erosion of acquiring firm value and also more volatile market

[2] The expected return for the acquirer's share price is calculated using the capital asset pricing model (CAPM). It is based on the risk-free rate of return, beta and expected market return. The Beta (systematic risk) is estimated by looking at the historical relationship between the acquirer's stock pre-deal and market returns). If the actual return at the time of the merger exceeds this normal return, this excess is termed 'abnormal return' and is the measure of the impact of the deal on shareholder's stock. Often researchers will use cumulated abnormal returns (CAR) in order to estimate total impact on shareholder returns. The accuracy of the method is affected by length of event window, so shorter windows are more accurate as there are less confounding effects (see Sudarsanam 2010 for a fuller explanation of formulas and performance studies).

returns (Halebian et al. 2009). Reasons for this might be over-estimation of synergies at deal announcement that takes time to be undone. However, it is worth noting that a recent study (Alexandridis et al. 2017) suggests that returns to acquirers in mega deals (over $500m) are seeing more positive returns. It is hard to know whether this will be sustained over time or just reflects a particular moment in the markets.

Other methods that look over a longer period than event windows, and don't rely on stock market data are also used to determine acquirer performance[3]. Studies that focus on reported financial performance, such as return on assets (ROA), return on sales (ROS), pre-tax operating cash flow, earnings before interest, tax, depreciation and amortization (EBITDA) tend to show that acquirer performance post deal was slightly worse than various benchmarks[4], but not statistically significant. Studies focusing on gaining market share show a decline in acquirer market share rather than increase.

Finance and accounting academics have attempted to find whether specific financial characteristics influence M&A outcome. One of the more pervasive findings is that paying with stock tends to result in more negative returns (-1.2%-1.9%) than paying with cash (+1%) (Savor and Lu, 2009). This may be due to managers tending to issue stock at high points in the stock market. Also, if the cash is funded by debt, then the markets value the monitoring role of banks. Another finding is that cash rich firms using excess cash to make acquisitions generally destroy value. Also, firms that over pay for acquisitions destroy value as it is very difficult to achieve an adequate return (Sirower 1997). This may happen due to behavioural biases such as overconfidence (hubris and narcissism) inflating anticipated synergy gains. This can be exacerbated for cross-border deals where for instance European companies buying US firms in Silicon Valley generally pay higher premiums that US acquirers (Inkpen et al. 2000). Studies show that CEO overconfidence is linked with lower acquirer returns (Hayward and Hambrick, 1997; Malmendier and Tate, 2008). Entrenched CEOs, and acquirers with anti-takeover provisions are more likely to make decisions detrimental to their shareholders and there is strong evidence that higher entrenchment[5] leads to lower returns. Finance scholars have also looked at firm ownership as a form of control and monitoring of top management and find that

[3] It is important to note that these methods assessing operating performance are subject to measurement problems including the uses of different accounting rules, they are vulnerable to manipulation and discretionary choices, it is hard to disentangle the effect of the acquisition from other corporate decisions, the benchmark for performance comparison is ambiguous, the appropriate time lag to assess performance improvement is unclear.

[4] Benchmarks are various, including matched non-merging firms (often same industry), industry average, average pre-merger performance of acquirer (different periods)

[5] Entrenchment means managerial power that generally leads to higher remuneration and the ability to use the firm to further the CEO's own interests rather than those of the firm's shareholders.

shareholder intervention through voting or activism improves both short and long term returns and operating performance.

The timing of M&A also matters so that acquiring towards the end of an M&A boom is associated with far worse performance short and long term and in operating performance than at other times, as acquirers are using over-valued stock and ‘following the herd’ of other managers making deals. However, the market is positive towards M&A taking place within an acquisition wave.

In summary, the overall success rates of M&A are disillusioning and present a paradox for researchers, that they still persist at high levels whilst evidence suggests most fail. In order to unpack this issue, researchers have realized that single variable explanations of success and failure are not sufficient to really understand performance. Therefore, considerable attention has been paid to investigating whether average findings conceal important performance variations, such as different acquirer characteristics for instance. This has been investigated by strategy researchers.

4. M&A strategy

Strategy researchers recognise the general poor performance of M&A and try to find out whether variations in firm characteristics influence success and failure. This section identifies firm characteristics widely regarded as influencing acquisition performance outcome but also recognises that there are difficulties in finding clear correlations, with mixed results often being reported.

4.1 Relative size

There is some evidence that buying firms that are very small in relation to the size of the acquirer, tends to lead to underperformance (Moeller et al. 2004). The reasons are that they either receive insufficient attention post deal (because they are relatively small), or too much attention (because they are novel and new) which is then resented by other parts of the acquirer’s business. There is also some evidence that buying firms that are large in relation to the acquirer can also be problematic due to political in-fighting for dominance (Moeller et al. 2004). Where acquirer and target are of a similar size and in related industries, then there is evidence to suggest higher announcement returns (Finkelstein and Haleblian 2002). Where small public acquirers buy large public targets, there are low returns to the bidder. However, if the target is a private firm, then the returns are higher (Capron and Shen 2007). This is probably due to private targets having lower bargaining power, meaning lower premiums and risk for the acquirer.

4.2 Strategic fit

Strategists argue that strategic fit, meaning related or similar businesses sharing similar management styles, organisational culture and administrative processes, enables acquirers to effectively leverage their resources to achieve synergy gains (Homburg and Bucerius, 2006; King et al., 2004). Here the emphasis is upon efficiency gains of scale and scope; where high fit increases market power and productivity. This is sometimes described as the 'market-based' view. The main method for assessing strategic fit is the use of Standard Industrial Classification Codes (SIC). Whilst strategic fit in these terms gives great opportunities for synergy gain through efficiencies, it has been difficult for researchers to demonstrate conclusively that related acquisitions outperform less related ones (Bauer et al. 2014). Indeed, there is evidence that expansion into less closely related businesses (limited diversification[6]) is a good thing. However, there is significant evidence that related deals outperform unrelated diversification[7] deals (in terms of ROA, ROS, Total Factor Productivity (TFP) and sales growth) in developed countries (Renneboog and Vansteenkiste (2019)[8]. In developing countries there are significant benefits accruing to acquirers that diversify widely due to institutional weakness and voids. Acquirers diversify in these contexts in order to compensate for institutional weaknesses.

However, a further extension to the relatedness factor is that '*complementary*' firms allow both efficiency and value creating gains – where combining firms can create competencies that neither could achieve on their own prior to the deal. This is an extension to the relatedness concept above, that focuses just on similarity or difference, as complementarity focuses on both the similarities and opportunities for further synergy gains.[9] These complementarities can be in top management teams, technologies, markets and products. Here the emphasis during integration would be about resource redeployment and exploitation. Using SIC codes is not an effective method for assessing complementarity and so other, more finely tuned indicators are used, such as top management team complementarity, R&D and marketing (King et al. 2008), product market, resource related and value chain variables (Bauer et al. 2014). An example is

[6] This is when less than 70% of revenue comes from the dominant business and all businesses share product, technological and distribution linkages
[7] Unrelated diversification is when less than 70% of revenue comes from the dominant business and there are no common links between businesses.
[8] These studies examine just related and unrelated diversification deals, and remove limited diversification deals as they confound results.
[9] This is similar to the idea of limited diversification, but the latter is only assessed in terms of the proportion of fit between two firms and ignores the synergies that might be possible through close linkages. Sometimes this difference is explained as moving from "economies of sameness" to "economies of fitness", where focus is more in terms of resource redeployment and exploitation (see Bauer et al. 2014).

Makri et al's (2010) study that tested technology complementarity with a sample of 96 high technology M&As, by measuring technology complementarity as the overlap in patents in the same subcategory, but in a different class. Their findings are in line with many others, that strategic complementarity has a positive impact on M&A success (Bauer et al. 2014).

4.3 Culture difference

Many M&A cite organisational culture clash as a major cause of failure (Buono et al. 1985; Weber and Camerer, 2003; Vaara et al. 2009). However, this generally manifests itself in the post-acquisition period and the likelihood of this occurring is hard to research during the pre-acquisition period. Some researchers have used proxies such as acquirer's focus on Corporate Social Responsibility ('CSR') and social policies as reflections of firm's shared values and beliefs and reputation in keeping to stakeholder commitments[10]. Evidence from the US suggests high CSR firms earn higher short and long stock returns and have better long run profitability relative to firms with low CSR (Deng et al. 2013). A rare case-based analysis[11] that focuses on Nordic acquisitions, including Finnish acquirers, notes that culture clash doesn't always happen post deal and this can be substantially influenced by pre-deal factors. Specifically these include i) the degree of acquired firm managerial involvement in the pre-deal phase and whether ii) the acquisition is perceived as an opportunity by those being acquired (Teerikangas 201).

4.4 Cross border deals

The proportion of cross border deals has increased substantially in the last decade to around 45% of all deals worldwide. Returns are affected by the countries involved, but as cultural distance increases (measured by Geert Hofstede's dimensions[12]), acquirer announcement returns decline. This is more pronounced long term. However, where acquirers are high tech firms, or firms with high levels of intangible assets, returns are positive due to sharing of knowledge opportunities (Steigner and Sutton 2011).

[10] It is very difficult to assess firm's culture directly on a significant scale for statistical testing, so proxies are used such as CSR for which data is more easily available on databases. The idea here is that a firm's position on CSR indicates some shared values and attitudes across the firm, and these might indicate an underlying culture.

11 This is rare as case studies on culture clash tend to focus on post-acquisition issues, and do not consider pre-deal aspects as contributors of post deal integration outcomes.

12 Geert Hofstede is world famous for establishing originally four and latterly six different dimensions for distinguishing national cultures apart from one another, based on a large study of IBM executives across many countries. Although his work has had many critics, it is still widely used in culture research. His seminal work is Hofstede, G. (1980) Culture's Consequences: International Differences in Work-Related Values, Sage. It has been reprinted and updated numerous times.

4.5 Corporate governance

Where there are cross border differences in governance standards, the acquirers benefit if their governance standards are stricter (more shareholder oriented) than those of the targets. The reason is that the target's focus is shifted towards shareholder value creation rather than private managerial rewards. This positive effect is evidence in both short- and long-term operating performance (Martynova and Renneboog 2008). This effect is also seen in reverse, in that target companies with higher employee rights protection than acquirers, reduce acquirer returns (Dessaint et al. 2017). The reason is that the protection reduces the level of target restructuring and resource deployment that is possible.

4.6 National politics

This can affect M&A through government interventions and regulation and also top management political connections. The effects on acquirer performance depend on the strength and sophistication of the legal system. In countries with weaker legal systems, governmental and local political influence may have a negative effect on returns due to political empire building of managers who may be more inclined to engage in M&A even if the deals result in lower announcement returns. This has been confirmed for politically connected CEOs in firms in China (Schweizer et al. 2019). The effect of political connections of managers may, however, be positive in countries with stronger institutions, as they can then reduce regulatory barriers and provide better information (Ferris et al. 2016). An example of national politics influencing M&A outcome, through influencing senior management, is the failed merger between Finnish telecom company Telia and Norwegian telecom company Telenor.

4.7 'Glamour' versus 'value' acquirers

Glamour' acquirers (those with low book-to -market ratio) have negative long-run performance (-17% over 3 years) as they are initially overvalued, whereas 'Value acquirers' (those with high book to market ratio) show positive returns (7.6%) (Rau and Vermaelen 1998).

4.8 Avoid contested bids

Several studies have found that returns to acquirers are negatively correlated with the number of bidders. The reason is that more bidders tends to raise the price that is ultimately paid as it becomes a contest, where human characteristics of competitiveness and ego can distort value perceptions (Morck et al. 1990; Datta et al. 1992).

4.9 Experience (serial acquirers)

Serial acquirers are acquirers that continuously engage in a significant number of acquisitions over time. They make up around one third of all M&A deals. There is as significant stream of research that suggests that an overall M&A strategy and experience of M&A has a positive effect upon M&A outcome (Barkema and Schijven 2008). By following a continuous learning approach, these acquirers gain specific executive capabilities that are critical to the M&A process and are able to codify knowledge and meticulously manage the process. This effect may also be achieved through hiring external consultants and having dedicated M&A teams internally (Trichterborn et al. 2010). The positive effect of experience seems most evident in acquirers acquiring similar target companies.

However, the link between M&A experience and performance is not a straightforward one as there is consensus that the performance of serially or frequently acquiring firms declines on average from deal to deal in both US and UK public companies, both in short- and long-term stock returns and in terms of operating performance. This may be due to increasingly complex target integration processes (Li et al. 2018), and the exhaustion of appropriate takeover opportunities which leads to diversification. This effect is compounded where there is a narcissistic /hubristic CEO. However, where CEOs have a track record of successful deals in the past, they are more likely to achieve higher returns than those who have prior track record of value destroying deals. This may be due organizational specific knowledge or internal M&A teams. So M&A experience generally helps, both in terms of organisational and CEO experience, but its effect can be muted over time as types of deals change due to lack of availability of similar takeover targets and contexts change. This diminishing of returns to learning has led to a model suggesting that the link between acquisition experience and acquisition performance is U-shaped and not linear (Haleblian and Finkelstein, 1999).

4.10 Buying distressed companies

The attraction of these sorts of acquisitions is that they can be purchased as bargains and subsequently restructured or divested. Evidence suggests that there are short term returns through buying ‘cheap’ but there is no long-term evidence that there are positive returns to acquirers (see Renneboog and Vansteenkiste 2019 for discussion).

4.11 Pre-acquisition communications

This can be beneficial if appropriate levels of expectation are established amongst both workforces (Weber et al 2014). Indeed the acquiring firm’s communications can have a positive effect on both workforces if deployed in a positive and timely way (see Angwin et al., 2016; Teerikangas, 2012).

4.12 Compensation

Top managers may engage in opportunistic behaviour regarding M&A if there are non-pecuniary rewards, such as prestige, reputation and media attention (Devers et al. 2007). They might also be incentivised to make M&A by their compensation structure. There is European evidence that higher levels of equity-based compensation for acquiring CEOs are associated with the payment of lower premiums for targets and higher short run announcement returns (Feito-Ruiz and Renneboog 2017). However, there is some evidence that these CEOs might also be more likely to engage in more risky acquisitions. Therefore, some research has investigated the effects of using debt-based compensation and this does seem to reduce the riskiness of the acquisitions they make (Phan 2014). A stronger incentive for acquiring CEOs to make value adding M&A is the possibility of being subsequently fired. (Lehn and Zhao 2006).

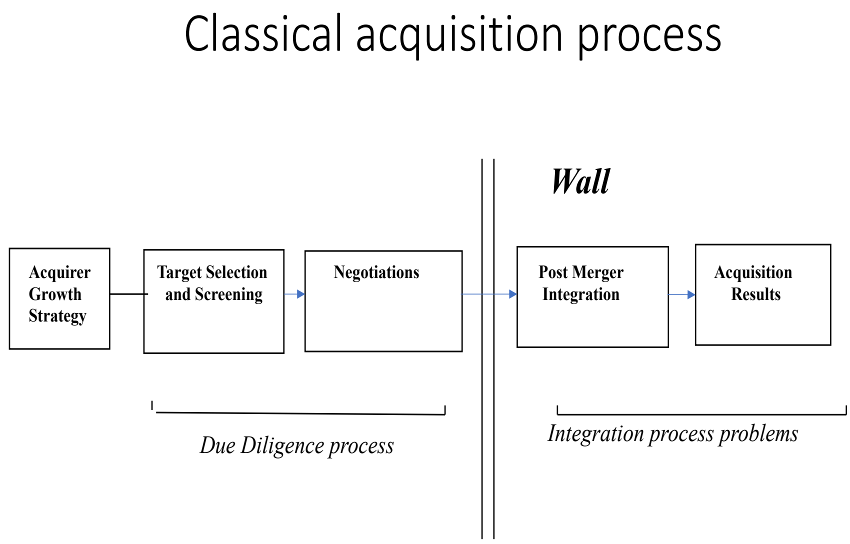
4.13 Divestitures

Large portions of acquired target firms are subsequently divested (27%- 40%) (Ravenscraft and Scherer 1987; Porter 1987; Maksimovic et al. 2011; Netter et al. 2011). This doesn't necessarily mean that they were failed acquisitions. Indeed, the market reacts positively to divestment with short term returns for US acquirers of between 2%-4% (Netter et al. 2011). There is also evidence that the retained plants in the acquirer also improve their productivity and reduced their costs more than those in the divested company (Maksimovic et al. 2011).

In summary, the strategy studies that focus upon different firm level characteristics as antecedents of M&A success show a lot of conflicted evidence. Even where there are findings that relate to success, the variation between firms only explains a small amount of variance (King et al. 2004). For this reason, there are clearly other aspects to M&A that are interfering with the simple relationship between pre-acquisition factors and M&A outcomes; that it is not just about firm characteristics but processes (Golubov et al. 2015).

5. M&A process

Due to the limited power of pre-deal firm characteristics to explain M&A performance, research attention has focused upon the role of the process that connects pre-deal to M&A outcome. There are various process models but essentially the classic process is as follows:



Source: Adapted from Angwin (2000) Implementing successful post acquisition management, Financial Times / Prentice Hall.

The classic article that argues for the importance of the acquisition process interfering in the simple relationship between pre-acquisition characteristics and post-acquisition outcome is by Jemison and Sitkin (1986). Their contribution is to highlight the process itself as a problem and they highlight the issues of 'momentum' and 'fragmentation' which will be commented on below. However, it is worth noting that over time the M&A process has been depicted in ever greater number of phases, particularly amongst practitioners. For instance, the Corporate Finance Institute has a 10-step process[13] where planning is step 4 and relates mostly to pre-deal target selection and due diligence. In their figure, only step 10 is related to post-acquisition integration, where there is also no mention of integration planning. There are many examples which either ignore planning or think of it as a target selection process.[14]

The process figure also highlights an impediment, a wall, which will be dealt with in barriers to knowledge transfer below.

[13] https://corporatefinanceinstitute.com/resources/knowledge/deals/acquisitions-acquisitions-ma-process/
[14] https://www.slideshare.net/BySlidebooks/acquisition-and-acquisition-ma-toolkit

6. M&A Due diligence

The purpose of due diligence is to reduce information asymmetry between the acquirer and target company to 'de-risk' the acquisition. The more due diligence is conducted in depth, the greater the likelihood of a realistic appraisal of the deal by the acquirer. However, there are limits to the extent to which this can occur, due to cost and sensitivity constraints. Ways in which a standard due diligence investigation can be improved are as follows.

6.1 Courtship

A period pre-deal where the acquirer and target get to know each other can be positive to M&A outcome (Gomes et al. 2013) as it reduces information asymmetry and helps to build trust which is helpful both in negotiations and post-acquisition management. A more realistic appraisal of each others' capabilities and cultures may help reduce subsequent integration difficulties. Courtship may take many forms such as prior project or joint ventures, but could also be a 'toehold' (less than 5% of total equity), or minority equity stake in the target prior to a bid. A minority equity stake that turns into an acquisition can lead to higher long run operating performance (Renneboog and Vansteenkiste, 2019), although the acquirer generally pays more for acquiring a majority stake (Hirshleifer and Titman 1990). Toeholds and equity stakes allow far better understanding of the target company, faster completion and reduces acquisition risk.

6.2 Due diligence scope

Conventionally due diligence has been the territory of accountants, lawyers and bankers. Whilst they are generally very thorough in their appraisals, they can be narrow in their investigation of target companies, prioritising financial and legal issues over other, or using financial proxies for non-financial issues, and this may be to overlook other business critical elements such as cultural differences (see below). For this reason, some consultancy studies (Speer 2019) advocate considering due diligence from the acquirer's perspective that prioritises key aspects of that business, determined by strategic needs (rather than just focusing on narrow professional concerns of accountants and lawyers), and recognising that it should help to ensure consistency between strategy and integration actions (Harvey and Lusch 1998). This broader scope has been termed 'strategic due diligence'. This should involve key functional executives, such as operations, IT, HR but also focus on other issues that might not relate to a specific functional area such as environmental concerns, cultural issues etc. There are many examples of M&A that fail due to not consulting key executives properly. Acquirers should also fully understand how corporate culture underpins organisational success. There are several assessment techniques and tools that can be used for this purpose (see Yates et al's Grant Thornton 2018 report for examples).

6.3 Fragmentation

Jemison and Sitkin's (1986) classic article argues that the complexity of due diligence, often being carried out under time pressure, means that specific aspects tend to receive a great deal of specialist investigation but these pieces are often not well connected together and also little attention is paid to the comprehensiveness of information overall. Therefore, fragmentation can result in a poor understanding of the target company.

6.4 Clean teams

These occur in several forms but essentially are a way to obtain high quality information on the target. One method is to employ consultants to gain access to the target company to fully assess and plan for integration before purchase. This information would only be released to the acquirer upon successful acquisition. The advantage for the acquirer is receiving accurate integration information day 1 of the takeover, thus saving significant time and reducing integration risks. The downside is failure to close the deal, which means the clean team would legally be unable to part with the information acquired about the target company to the acquirer. So whilst clean teams may help to reduce the risks of subsequent integration, they also come with significant challenges.

6.5 Social and professional connections

These connections between acquirer and potential target companies allow easier and less costly access to information to improve target search, information quality and improve decision making. CEOs' educational ties, such as the networking effects from shared university backgrounds, and social links, such as club memberships for instance, matter, and can help with target acquisition and achieve higher short term (not long term) stock market returns, due to an informational advantage. However, social ties may have a negative effect if it leads to inefficient retention of target firm management – as friendships between acquirer and target managers may result in poor performing target managers being retained (Ishii and Xuan, 2014).

7. M&A negotiation

There is very little research on M&A negotiation due to the sensitivity of transactions. However, one study describes why deals may fail to close due to the disruption of the key authorisation routine (Angwin et al. 2015). This routine occurs when the due diligence procedure has concluded the acquisition target is satisfactory and authorisation is required to proceed to negotiation and deal closure. The paper also highlights the reflexive nature of the classical M&A process shown above, so that there are various feedback loops that can play an important role in crafting a deal.

There are other factors that do play an important role in negotiations such as style and professionalism, experience and time, but these have not been researched in an M&A context due to the sensitivities surrounding the process. However there has been some attention to CEOs as drivers of outcome:

7.1 Target CEO compensation

In some deal negotiations, acquirers attempt to reduce the risk and uncertainty surrounding the acquisition by deferring part of the consideration to the target CEO's compensation. This is then paid when the mutually agreed performance objectives for the target company are met. This mechanism is termed an 'earn -out', and often consists of several payments with a defined end date. Findings about the effectiveness of this mechanism are mixed as in some instances post deal performance is improved by acquired CEOs managing their business effectively, so they personally benefit financially, but sometimes there is a negative effect as the acquired CEO is incentivised to distort acquired company performance by distorting sales and under investing for the future, for instance.

7.2 CEO narcissism and hubris

This is negatively related to acquisition announcement returns but positively related to deal completion probability, and negatively related to the length of the takeover process. As a study, by consultants Faeste et al (2019) of Boston Consulting Group, show, there are advantages to using bold CEOs when there is a need to acquire a business in order to turn it around.

7.3 Momentum

This is often necessary to close a deal and advisors often create pressure on negotiators, over and above legal deadlines, for this purpose (Jemison and Sitkin 1986). This momentum can lead to focus on certain deal issues, represented by key advisors in the room, and for other issues that may be of great importance post-acquisition, to be minimised or overlooked altogether i.e. cultural differences (Angwin 2001).

7.4 Number of negotiators

The number of negotiators in the room, and their consistency, can create problems in building trust and achieving coherence of purpose. Although not examining M&A transactions, cultural studies, such as those by Hofstede (2001) and Trompenaars and

Hampden-Turner (2004) show how national cultural differences can be reflected in the size and shape of negotiation teams, so that Asian cultures have preferences for larger teams whilst the US prefers much smaller ones for instance.

8. M&A post-acquisition integration

8.1 Main reasons affecting success and failure

Since research efforts have focused upon the M&A process as a whole, a great deal of attention has been paid to the post-acquisition integration phase as high failure rates, observed in section 1 above, are frequently attributed to the inability to create value during the post-acquisition phase (e.g. Appelbaum et al., 2000 ; Cartwright, 2005; Christensen et al., 2011 ; King et al., 2004 ; Meglio et al., 2015 ; Haleblian et al. 2009; Graebner et al. 2017). Research into the post-acquisition integration phase is therefore focused on finding the conditions to not only realize intended synergies but also to avoid destroying both organizations' core competences and capabilities.

8.1.1 Post-acquisition leadership

There is consensus that top management change is a major feature of the post-acquisition phase with estimates of 16% higher levels of turnover than normal[15] (Krug, 2003). Researchers also agree that the amount of subsequent organisational change in the target company is associated with the use of Outsiders (new CEOs those drawn from outside the target company) rather than Insiders, especially as Outsiders are associated with more radical, strategic change, whilst Insiders tend to make more conservative incremental alternations. However, there are differences of opinion about whether top executive turnover is good, or not, for subsequent company performance. The issue seems to be getting the right CEO and leadership team for the type of integration intended (Angwin and Meadows 2009). Gomes et al. (2013) suggest some important top team characteristics for consideration and it seems that well trained implementation teams can help performance (see KPMG 2015 report).

8.1.2 Communication

Communication is necessary to realise coordination and synergies during integration. It is frequently cited as the most important factor for successful post-acquisition integration. It is central to conveying the purpose of the integration and for giving clear direction about change to stakeholders. There are two important field studies that provide strong support for the influence of effective post-acquisition integration: i) Schweiger and DeNisi (1991)

[15] Normal means the level of top manager turnover in other companies at the same time that are not going through an acquisition.

were able to actually test out the effects of communication in the field in real time (a rarity in post-acquisition integration (PMI)[16] research) by controlling events at a US acquisition; ii) Angwin et al. (2016) were able to examine the effects of strategic communication across an entire industry, banking in Nigeria, linking effective strategy communications to positive organisational outcomes. At a more micro level there are studies that have looked at the frequency and intensity (face-to-face) of communications, as well as electronic communications between R&D units, and found higher knowledge transfer as a result. Studies that have examined organisational members communicating across former company boundaries through a variety of means such as memos, reports, email, telephone conversations and meetings have found positive effects on acquisition performance assessed in terms of organisational profitability, market share, sales volume and new product development (Reus and Lamont, 2009).

There is agreement that immediate, deliberate and interactive communication greatly helps the integration process (Allatta and Singh, 2011; Weber et al., 2012), and it is vitally important to be sensitive to the channels through which communications are delivered. Also, most damaging, is the effect of lack of communication, or blurred messaging, as this leads to high levels of uncertainty (Bastien, 1987). This leads to rumours that are highly corrosive of morale amongst affected employees and the wider stakeholder community (Cartwright and Cooper, 1992). Bad communications can lead to employee defections and worse, negative behaviours such as passive resistance, active resistance (strikes) and in the worse cases, deliberate sabotage (Angwin et al., 2016), although these worst extremes are almost certainly linked with other difficulties such as culture clash.

While communications are generally held up to be of vital importance in post -acquisition integration, and a recent study by KPMG (Amiri et al., 2017) shows that 84% of Finnish companies would improve their internal communications in future M&A deals, they are just one part of coordination activities. Other aspects include using integration teams, transition teams and the use of temporary / rotating personnel. Also beneficial to coordination are induction programmes, training, socials (get-togethers), rituals and events, as these promote social acculturation.

8.1.3 Cultural differences

These are the most often cited reasons why acquisitions fail and refer to differences in values, attitudes, beliefs and practices. For instance, an acquisition often cited as the worst M&A failure in history, AOL-Time Warner, experienced severe cultural clash as a slow moving bureaucratic organisation was acquired by a fast moving, youthful internet pioneer. Another example was the brutal merger between Daimler and Chrysler, described

[16] Somewhat confusingly, researchers tend to use the abbreviation PMI, which stands for Post Merger Integration, to describe all post deal integration – even though the vast majority of deals are acquisitions.

as a blood bath, where German and US cultural differences were often blamed for preventing successful operational integration; a similar European story was played out in the acquisition and subsequent divestment of the Rover Car company by BMW. Although cultural differences themselves are probably not the whole reason for these failures, they do can play a vital role, and as a Grant Thornton report (Yates et al. 2018) argues, cultural integration is a key barrier in 85% of deals. Their data indicates that 58% of companies do not have a specific approach to culture assessment and integration. Indeed, they cite a study that cultural incompatibility is rated by CEOs and CFOs as the single biggest barrier to successful integration.

Cultural differences occur at multiple levels: national, regional, industry, organisation, professional groups, unionised versus non-unionised groups and each can result in failed integration. However cultural differences do not always result in negative outcomes, depending upon the ways in which they are integrated (see Stahl et al. 2008). Also integrating two businesses can result in multiple layers of cultural differences so it is not always clear which one is having most effect. However, the cultural difference that attracts most attention is organisational cultural clash.

Organisational culture underpins the way in which companies operate and compete, so attempts to adjust the latter threatens the former.

Case: Culture clash at Amazon

In 2017, Amazon acquired Whole Foods in order to extend its e-commerce business to selling groceries in stores whilst lowering the costs of products. Scorecards were employed to measure employee compliance with a new inventory system, resulting in punishments and even layoffs. Angry employees explored unionisation, as a way to increase their bargaining power over management, and customers also experienced poorly stocked stores. The unrest was due to culture clashes where the Amazon culture was one of efficiency and rigidity, with top down leadership, tightly enforced rules and strong monitoring of targets and goals, whereas Whole Foods was one of greater openness, creativity and adaptability with looser egalitarian structures and greater collaboration, allowing employees significant autonomy and decision-making authority. The Whole Foods culture had led to innovations and unorthodox methods, but also may have led to company-wide inefficiencies that drove up prices (Gelfand et al. 2018)

Gelfand et al. (2018) in a Harvard Business School article, defines the cultural differences illustrated in the case above, as ‘loose- tight’ and investigated whether this made a different to M&A performance in 4,500 international acquisitions from 32 different countries. They found that acquisitions with more-pronounced loose-tight divides performed worse overall. On average, the acquiring companies in acquisitions with loose-tight differences saw their return on assets decrease by 0.6 percentage points three years after the acquisition, or $200 million in net income per year. Those with especially large cultural mismatches saw their yearly net income drop by over $600 million. Recent research by KPMG of Finnish acquirers (Amiri et al. 2017) found that 81% would put more focus on cultural integration in the future.

Gelfrand et al. (2018) makes the following recommendations to handle cultural differences which echo much of the research literature:

- Prepare to negotiate culture: Conduct a cultural assessment to understand how people, practices, and management reflect tightness or looseness in both companies. They should determine the pros and cons of their current levels of tight-loose, as well as the opportunities and threats posed by merging cultures. Where could there be compromises (*flexible tightness* and *structured looseness*)?
- Construct a prenuptial agreement: Develop a cultural integration plan that articulates which domains will be loose and which will be tight. Mutual input about how each company will change — and a formal contract documenting those changes — can help ensure long-term success.
- Get buy-in: Everyone across both organizations needs to be informed about the integration plan and understand *why* the intended changes will be implemented. Communicating openly and gaining broad acceptance for changes will help minimize the threat people feel from new ways of doing business.
- Embrace trial and error: Organizations need to be prepared to re-evaluate their original integration strategy. No matter how fool proof the plan may seem, issues are bound to arise. Although the Amazon Whole Foods takeover had positive business outcomes, Whole Foods culture suffered and there could be longer term consequences such as loss of innovation.

So far this review of culture has treated it as a 'realist' phenomena, meaning that cultures are existing systems of beliefs and practices, with artefacts, values and assumptions that characterise the behaviours of particular groups of people. Hofstede (2001) adopts this approach. This research stream shows how cultural differences may create problems because of incompatibility of beliefs and values, differences in national institutional systems and processes and stresses of acculturation[17]. A more recent perspective is a 'social constructionist' one, where people engage in ongoing processes of constructing their culture through interpretation, or that culture only exists when they become conscious of differences through social interaction.

A study by Vaara (2000) focuses upon eight cases of Finnish-Swedish acquisitions and identifies three concurrent cultural sensemaking processes that top decision makers in PMI make sense of, and enact. These are i) searching for rational understanding of cultural characteristics and differences ii) suppressing emotional identification with either merging side iii) socio-political manipulation of cultural conceptions. These cases show that PMI is not just about 'real' cultural differences, but also the products of complex cognitive, emotional and political processes (Vaara 2000).

Vaara's (2000) study also shows that problematic PMI is associated with clear conceptions of cultural differences or incompatibility, whereas less problematic ones are less associated with cultural conceptions. Indeed, the fear of change, anger and negative emotions are likely to lead to cultural confrontation whereas positive emotions are likely to link to cultural attachment. The study also shows how cultural differences may be used as a political tool in promoting or resisting change. For instance, in terms of the Finnish-Swedish acquisitions, Finns may suffer from a "little brother" or inferiority complex vis-à-vis the Swedes, while the Swedes may easily see themselves as "big brothers" or undermine the value of the Finnish beliefs and practices. These syndromes may be myths, but they are easily evoked in situations of internal turmoil (Vaara 2000). This study therefore shows why cultural differences may be associated with failure but not associated with success – as it may be a convenient issue to blame. This means that, whilst cultural differences are often blamed for M&A failure, it can also be a convenient scapegoat for other issues and so should be treated with caution.

8.1.5 Lack of planning

The importance of post-acquisition planning appears frequently in M&A research, with comments such as 'Day one of the integration is too late' (Angwin 2001). However, it does not appear at a specific point in the M&A process, and often planning is taken to mean pre-acquisition planning, to get a deal done. Often attention to post-acquisition planning is not given a lot of priority due to the uncertainty of actually closing a transaction. So, although post-acquisition integration planning may occur before closure (often recommended), it may be more likely to happen intensively once an acquisition is completed. Indeed, planning may also evolve whilst an integration proceeds, as unanticipated issues are uncovered or unexpected events occur (see Rouzies et al. 2018).

[17] The research on acculturation shows how some cultural differences are easier to assimilate and / or adjust than others. A classic work on this is by Nahavandi and Malekzadeh (1988).

There is no doubt though that managers believe better planning helps as KPMG's survey of Finnish companies shows (Amir et al. 2017).

The extent and depth of planning is contingent on the type of integration pursued with extensive, comprehensive and detailed integration plans required for full integration for instance, and very limited integration if the acquisition is just a 'bolt on', or held for subsequent resale. Also, time pressures for planning vary depending on the condition of the target, so that an acquisition in poor financial and strategic condition may require rapid intervention, whereas a high-quality company may need a more careful and delicate treatment, to avoid damaging the business.

The basis for planning can vary depending upon how companies view their acquisitions. For instance, a common method used by consultants tends to focus on value drivers, with integration efforts focused on those aspects of businesses where greatest value can be extracted. Common methods for prioritising and synchronising actions are Gantt charts and critical path methodologies (see Angwin 2001 for example). Instead of a financial prioritisation based on value, some companies focus more on the strategic imperative of the deal to improve acquirer competitive advantage. So, for instance, once a company is acquired, perhaps for research and development synergies, there is a real danger that this strategic motivation may be damaged by a subsequent push to achieve promised synergy gains, resulting in extensive cost cutting that may damage target company capabilities. Imposing strong financial imperatives has been blamed for large company problems in integrating successful start-up companies. Sometimes called the 'corporate immune system' (Angwin 2001), there can be a problem of large acquirers imposing their own systems upon high tech start-ups so that the target's business model is damaged (Christensen et al. 2011).

In terms of empirical research, whilst many proclaim the importance of planning, and there are several famous case examples, such as GE (Arkansas et al. 1998), it has not been systematically tested, probably due to the difficulties of getting comparable evidence across companies. However, researchers have used 'experience' as a proxy for planning, meaning that companies that frequently transact M&A are likely to have built up skills and capabilities that are systematised in planning for deals, and this can result in improved performance. However, sustained performance seems hard to find (see Section 2: M&A strategy) as acquisitions come in many and varied types, meaning systematised learning (planning), from successful deals may not work so well for subsequent deals, particularly if those deals are very different in nature to previous ones. Nonetheless there is consensus that planning for integration is a useful discipline for getting organised, gathering resources and capabilities and being prepared for making changes.

8.1.6 Barriers to knowledge transfer

Knowledge transfer can create value during M&A, when it is recombination into novel forms for instance. However, it may also disrupt tacit routines. There can be many barriers to knowledge transfer such as inadequate communication, loss of key employees, reduction in employee morale. As the process figure above shows, there can also be 'a wall' between negotiating the deal and the beginning of integration, as those negotiating the deal in the acquirer team, such the CEO and finance director, may well not be involved in subsequent integration, resulting in loss of communication, lack of continuity and the undermining trust between organisations.

One study that examined knowledge transfer in three professional services firms found that different levels of codified versus tacit knowledge led employees to fail to appreciate one another's expertise (Empson, 2001). For instance, a firm with high levels of tacit knowledge tended to view another firm with high levels of codified knowledge as rather simplistic, and firms with high levels of codified knowledge regarded firms with high levels of tacit knowledge as being rather insubstantial or unreal. The barriers between these firms are 'fear of exploitation' and 'fear of contamination', meaning that acquired company employees in particular, may fear that their knowledge may be exploited, thus reducing their value to the acquirer. Also, both acquiring and acquired employees may fear that their knowledge and ways of doing things may be diminished or even corrupted by those of the other organisation.

One way of overcoming these sorts of barriers is through using acquired leaders who have a deep understanding of their firm's knowledge, being given cross organisational responsibilities in the combined organisation.

8.1.7 Speed of integration

Consultants have popularised the notion of speed being associated with post-acquisition success and have focused on the first 90 days of integration (c.f. Angwin and Ernst & Young, 1997) or the first 100 days (Feldman and Spratt, 1999). There is no doubt that speed of integration has advantages such as giving competitors less time to respond, preventing post-acquisition drift, reducing levels of uncertainty, improving levels of employee retention (Schweizer and Patzelt, 2012) and achieving quicker financial returns (Angwin 2004). However, Angwin (2004) also points out that speed has disadvantages, including increased employee perceptions of injustice and dissatisfaction and loss of motivation. For this reason, subsequent empirical studies show mixed results for speed of integration influencing performance outcome. Again, the value of speed seems to be contingent upon the type of integration being chosen, so that where there is high internal relatedness (strategic orientation and management style) and low external relatedness (customers and geographical markets) between acquirer and acquired companies, then speed of integration is beneficial. However, where there was low internal relatedness and high external relatedness, speed of integration led to negative performance outcomes (Homburg and Bucerius, 2005). Further empirical research into 116 acquisitions in Central Europe also found that the relationships of speed with integration performance is complex (Bauer et al. 2016), with *human integration* (including management practices, cultures and values to create positive attitudes) and *task integration* (including identifying and realising operational synergies and coordinating practices and systems) often happening at different rates. Bauer et al. find that that faster task integration has a negative effect on integration performance whilst faster human integration has a beneficial effect on performance outcome. They recognise however that the interplay of human and task integration, in affecting acquisition performance, is moderated by acquirer experience of previous deals and the degree of cultural fit between the firms, so that faster operational integration can be beneficial when an acquirer has relevant experience and the combining firms display cultural fit.

8.1.8 IT integration

The general emphasis in the research literature is that alignment of IT systems is a key aspect of acquisition integration in order to achieve acquirer strategic goals. Integrating IT can be a major difficulty in the PMI phase due to complexity and incompatibility. For instance, when United Airlines joined Continental Airlines the merged reservation system failed twice causing delays and flight cancellations. In the Delta Northwest Airline acquisition, 1,200 computer systems needed to be consolidated to 600 (see Lohrke et al. 2016). Banco Sabadell's acquisition of TSB[18] in 2015 proved very problematic. Despite providing a fund of £450-million for a three-year project to move 1 billion TSB's customers records to Sabadell's Proteo system, with the intention to save around £160 million p.a., there were a host of problems. Customers were locked out of their accounts or saw other customer accounts. It cost an additional £176m to solve the problem through extra resources, compensation payments and loss of income such as fees and charges. In a recent survey of Finnish acquisitions by KPMG (Amiri et al., 2017), IT systems alignment was a top ten target for acquirers and scored similarly to cultural integration in terms of success. However successful IT combination can enable coordination of cross business knowledge resources and reduce potential delays and disruptions of major business operations (Homburg and Bucerius, 2006). A McKinsey study by Sarrazin & West (2011), suggests that half the benefits of acquisitions may be IT related, such as lower IT infrastructure costs, reduced IT head count, increased volume discounts for IT procurement, integrating functional systems (reducing finance and HR costs), optimising routes (to lower logisitics costs), integrating customer data for better cross-selling

[18] A large UK Bank

revenue. However, they also say that IT integration did not receive sufficient attention in the pre-acquisition due diligence or during the early stages of post- integration planning.

Often IT integration is only properly considered once the deal has been done. Indeed, there is some evidence to suggest that just 24% of acquirers involve their IT executives in pre M&A planning (cited in Chang et al. 2014). Therefore, many recommendations to help improve IT integration focus on considering IT more fully earlier in the M&A process. These include:

- *Involve CIOs early on*. This is particularly important if the IT is key to the companies' competitive advantage. However, a CIO might not be consulted where IT is a small capital expenditure relative to other resources and capabilities, and also where there is fear that too many people would be involved in planning and negotiating the acquisition leading to increased risk of information leakage (Mehta and Hirschheim, 2007). Nonetheless, just as acquirers focus on financial and economic imperatives of acquisitions, they should consider whether the IT can be leveraged to add value or reduce costs, and this requires an expert to focus on and interpret target company data before acquisition i.e. is the IT scalable; is it compatible? There is evidence that top management team (TMT) commitment to IT integration during acquisition improves PMI performance (Chang et al. 2013; Lohrke et al. 2016).
- *Plan extent of IT integration before the acquisition*: There are three levels of IT integration: i) *complete* (highest potential benefits but also highest challenges particularly in large companies with complex IT systems*), ii) partial* (combine IT systems where there are cost savings or improved information quality synergies) or iii) *co-existence (run IT systems separately, only combining data where absolutely necessary*: lowest risk but also lowest potential benefits*)* (Lohrke et al. 2016). The extent of integration is likely to be determined by extent of centralisation of processing and software standardisation (Lohrke et al. 2016). One problem may be that the acquirer doesn't have a standardised IT system of its own, meaning it may have to organise itself first. The widespread use of cloud computing may enable simpler integration where firms may be able to employ standardized software packages – although this may also mean less distinctiveness in terms of strategic benefits.
- *IT security*: Acquisitions may lead to greater rates of data breaches as employees involved in talks may be vulnerable to phishing attacks. Also, more people gaining access to IT systems during due diligence can lead to data loss. Therefore, a recommendation is to quickly align IT security policies and assign IT personnel to

monitor systems for potential vulnerabilities; re-examine company wi-fi policies; alert employees to heightened security threats (Lohrke et al. 2016). Linked to this is the importance of educating top management about the threat and necessary actions needed as buying a company is both "buying its data and its security problems". An example is the data security breach at JP Morgan due to a neglect computer server in its huge computer network assembled through multiple acquisitions (cited in Lohrke et al. 2016).

- *Experience:* There is some evidence that repeated experience at IT integration has long run performance benefits (Tanriverdi & Uysal, 2011). A case study by Chang et al. (2013) uses a five-dimensional framework[19] of integration to analyse the integration of two high tech companies. Interestingly the study points to the key role played by cultural differences between companies, as IS is embedded in organisational culture, and cultural conflicts can impede integration. It also points to the key issue of the strategy driving the M&A in the first place which should determine the key core competencies necessary and the extent of their integration, rather than just looking for IT integration opportunities in abstraction.
- *Manage the dilemma:* Merging proprietary systems may provide stronger competitive advantage to the acquirer than standardised systems but increases greatly the integration difficulties (Wijnhoven et al. 2006). Therefore there needs to be a decision about the strategic role that IT plays in the acquisition (Lohrke et al. 2016).

Case study: Two online retailers merge successfully[20]

Both companies had successful e-commerce websites and before the merger, were in direct competition with each other.

Rationale: Amalgamation would bring economies of scale in terms of enhanced market share and also efficiencies in supply chain.

IT issues: Website, finance, procurement, supplier base, warehouse rationalisations for synergy gains

[19] The five dimensions are i) IT infrastructures ii) IT applications and data (including employee skills and expertise, product designs and best practices iii) IT HR management processes iv) IT vendor management processes v) IT strategy making processes (Tanriverdi & Uysal, 2011).
[20] Based on a conversation with an IT consultant who recently finished this merger. The names of the retailers are confidential.

PMI actions: Close one warehouse and put product through the newer acquirer warehouse which has additional capacity; consolidate logistics to one warehouse to simplify IT; keep websites separate as brands important in the market; Acquirer had better optimisation system so transfer acquirer data (suppliers, customers) across to its system

Key integration tasks: Cleaning and improving acquired company data; migrate data to parent system; use parent cloud software

IT project timescale: 9 months

***Reasons for success*:**

Pre-deal preparation: The acquirer had grown through multiple acquisitions before the current one and each acquired business had its own system. Therefore prior to the current acquisition, they spent 1.5 years moving to a single new IT system for standard processes in finance, procurement, HR. This required a project team which consisted of internal experts and external consultants. This exercise was finished just as the acquisition happened, and so the team was kept to roll out the new system to the acquired company. The external consultants were kept on as there was not enough internal experts.

Planning integration: Some time was spent pre-deal guessing about competitor systems, but as direct competitors, they were able to work on some high-level concepts and think about data consolidation. Also considered whether there might be different IT hardware.

Phased changes: The first thing to be integrated was finance followed by indirect procurement, then direct procurement so that all suppliers don't have to be dealt with at one go. This helped reduce integration risk.

Investment in staff: Training provided to help staff with new systems.

Don't worry the customers[21]: The two websites were not touched – emphasis was on back end.

[21] This phrase meant that IT integration was focused on non-customer facing activities, as there was a huge concern that business would be damaged if customers detected any changes.

Case study: Problematic integration at Hungarian bank Takarek

Loss making Savings and Loans group aims to create a universal bank through integrating its 1140 branches to save around $100m over five years.

Rationale: Integrating 19,000 products from 200 former institutions it had previously acquired in order to achieve efficiency gains.

IT issues: Focus on account management, internet banking, card, sms sending systems, branch front end, data warehouse, general ledger module etc. This affected 1.2 million customers.

PMI actions: Integrating core account management system and internet banking on 31st October 2019.

Key integration tasks: cleaning and improving acquired companies' data; migrate data to parent system

Problems: lots of customer complaints in branches about not being able to access their accounts and systems failures.

***Explanations*:**

- Shifting goals from the outset, then pressure to get results.
- Strong regulatory pressure on multiple issues distorted the integration process.
- Problems in getting sufficient expertise to help with the integration.
- Problems with data cleaning as data was entered in the right format but was not correct information; two customers with the same username in different systems but with different passwords. It seems that live data migration was not tested in a test environment, where 10% - 20% of migrated data must be randomly checked before live migration. In terms of using cash cards, there should have been a shadow account in operation whilst migration takes place. In addition, customers couldn't access accounts which might have been due to problems with changing passwords. Also, there was extra load on digital channels, which the majority of customers were using. There should have been extra server capacity, a help line with supporting call centres and a separate information channel for customers to persuade them not to switch banks.

https://index.hu/gazdasag/2019/11/14/takarekbank_takarek_bank__informatikai_atallas_botrany_balhe/

Although the problems are being fixed this had led to dissatisfied premium customers and significant costs in terms of downtime and compensation payments. It will take 3-4 months to fully understand the direct effects and up to one and half years for the migration effects to completely subside.

The issues in the case study of a problematic integration are echoed in the highly publicised IT problems that occurred when Banco Sabadell took over the TSB Bank in the UK (2017). Although the TSB has not said what went wrong, it sounds as though there was a faulty data migration process, where proper tests were not carried out.[22] Although not an acquisition, the article also mention that on April 22nd 2018, TSB carried out another data migration from legacy systems to a new systems which resulted in massive failure with 1.3 billion customer records affected, and huge problems at branches with cash shortages and customers complaining they couldn't pay bills, access their accounts, and often accessing other peoples' accounts. They were also vulnerable to fraudsters. Details of a legal investigation into the causes are contained in the footnote.[23]

8.1.9 Institutional context

This can play an important role in affecting the ability of merging firms to realise IT integration synergies within a specific timeframe. This is illustrated in the case study above, of the on-going merger between Hungarian Banks. In another context, the pressure of an acquirer being listed on Wall Street can mean that meeting stated synergy targets, in terms of financial performance, becomes more important than achieving intended strategic synergies goals early post-acquisition.

8.1.10 Digital acquisitions

Acquisitions of digital companies still remain a relatively small percentage of all M&A deals at the moment, although some estimate they amounted to as much as 24% of the total M&A market in 2017 (Boote et al. 2019). They are attracting attention due to their potential to completely change the business models of acquirers (for instance restructuring at German industrial giant Siemens, which has spent $10bn on software companies since 2007, and in 2014 Publicis Groupe acquired Sapient for $3.7 billion to spur a digital transformation of its core business. Publicis now achieves 50% of its revenue from digital (Leroi et al. 2017)). Digital deals come in three types i) buying analytics, skills and software to improve how products are made; ii) buying smart sensors, or IoT applications to put into existing products to improve value; iii) reacting to industry disruption i.e. traditional companies buying digital companies in order to adjust their business model.

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[22] (see https://www.wired.co.uk/article/tsb-crisis-it-issues-online-banking-problems-ibm-paul-pester-compensation).
[23] https://www.tsb.co.uk/news-releases/slaughter-and-may/

Although many acquirers have bought digital companies as 'bolt-ons' to their businesses, especially as these acquisitions are generally small in size, many acquirers have realised that the value of the acquisition has come from deploying digital capabilities across the whole company, resulting in a complete change of the acquirer's business model. This appears to be happening at Siemens for instance. This is a more extensive set of changes than listed above for IT PMI. Also, it is unlikely that one digital acquisition will result in changes, so acquiring several digital companies may be necessary and this gives rise to coordination costs. Difficulties that can arise include significant cultural resistance in the parent company as vested interests are threatened by substantial reorientation of the business. Also, unlike other M&A where synergies have to outpace implementation costs, the parent will need to invest to utilise the newly acquired digital capabilities (Boote et al. 2019).

8.1.11 Recent research

One recent strand of research is into the role that routines play post-acquisition (Angwin and Urs, 2014). There is growing awareness that planning integration, relying on broad categories such as amalgamating two processes, overlooks the underlying complexity of constituting routines that are embedded in other routines. For instance, whilst at a high level, the amalgamation of two hiring routines for gaining new employees, may seem straightforward, in practice it may prove very problematic indeed depending upon how the routines and sub-routines are connected to their ecosystems of routines. These ecosystems of sub-routines may reinforce the nature of the routines that the integration seeks to change, thus presenting an integration barrier.

8.2 A contingency approach to integration

The factors identified in section 8.1 are those that have been associated with success and failure in post-acquisition integration. However, in the same way that pre-acquisition factors rarely find a direct and robust correlation with overall acquisition success, the same can be said of the integration factors in 8.1, e.g. speed of integration can influence overall acquisition performance, but it depends on the integration type (Homburg and Bucerius, 2006). For this reason, researchers have focused upon a contingency perspective to integration, focusing on specific integration strategies, in order to more closely associate different types of integration with overall acquisition performance. The main methodological approach to identifying different integration types has been to focus upon the levels of structural integration and acquired company autonomy. As the next paragraphs show, whilst there is some association in general between structural integration and post-acquisition performance, and between acquired company autonomy and post-acquisition performance, in combination they allow the identification of 5 distinctive integration types that have very different implications for post-acquisition management and outcome.

Structural integration: Increasing structural integration (the integration of an organisation's functional activities[24]) is associated with greater harmonisation and efficiency synergies but can also lead to reduction in target company innovation and distinctiveness. Specifically, increased structural integration allows the acquiring firm to leverage the target's existing knowledge (measured by pre-existing patents of acquired company) by using the acquired firms' existing knowledge as an input to their own innovation processes. However, this also decreases leveraging targets' innovative capabilities (subsequent new patents) (Puranam and Srikanth 2007). Structural integration harms patenting activity for inventors in target who lost status as a result (Paruchuri et al. 2006), particularly the more socially embedded they were before acquisition.

Acquired company autonomy: This is the extent to which the acquired company has decision making autonomy (Angwin and Meadows 2015). There is some evidence that acquired company returns are positively associated with higher levels of autonomy (Reus 2016), particularly when the acquired company is in a sector unrelated to the acquirer. Higher levels of acquired company autonomy generally result in less cooperation with the acquirer and have the benefit of there being less stress amongst acquired company employees for domestic acquisitions. However higher levels of autonomy may also be problematic in international M&A, with consistently worse employee attitudes and behaviours, probably due to higher levels of uncertainty. Greater autonomy can also reduce beneficial knowledge transfer. However direct organisational performance results with the level of autonomy of the acquired company are not clear. For this reason, attention has focused upon a contingency approach to PMI.

8.2.1 Structural types

The lack of clear and consistent results between pre-acquisition factors and post-acquisition performance has resulted in researchers focusing upon different post-acquisition strategies. This 'contingency' approach identifies different strategies for integrating targets into parent companies. One typology that has received significant empirical support (Angwin and Meadows 2015), identifies five distinct post-acquisition integration types that have important variations for how target companies maybe integrated.

The types are determined by the extent to which there is i) *strategic interdependence* and ii) the *need for organisational autonomy* between parent and acquired company. *Strategic interdependence* of the acquired company is largely determined by the strategic rationale

[24] Common examples of functions are marketing, sales, finance, HR, operations, logistics, IT.

of the acquirer[25] and this indicates the extent to which there should be transfers of knowledge, resources (i.e. technology, facilities) and capabilities (skills, processes, routines), and people. High levels of strategic interdependence allow for the highest levels of synergy gains through de-duplication of activities and resources as well as positive synergies allowing both companies to achieve things that neither could on its own. The need for autonomy relates to the importance of cultural differences between the companies, geographical distance, professional profiles. Again, this is largely determined by the acquirer and high levels of autonomy are necessary if the competitive advantage of the target company is highly dependent upon a cultural configuration very different from the parent company. Low levels of autonomy are generally set where cultural differences are small or relatively unimportant. The five integration strategies (Angwin and Meadows 2015) are

i) *Absorption,*

ii) *Preservation*

iii) *Symbiosis*

iv) *Intensive Care*

v) *Reorientation*

Each has its own integration requirements and profile:

i. *Absorption:* High strategic interdependence to maximise synergy gain and low target autonomy, to reduce barriers to integration.

a. *Synergy type*: Generally increased efficiencies through reducing duplications, greater bargaining power over suppliers and greater market power.

b. *Integration management*: based on UK data (Angwin 2001), there is normally a period of 6 weeks to understand acquired company, using many joint teams. This is followed by rapid action generally focusing on adjusting the acquired company strategies, structures and resources as well as culture if necessary. Often there is restructuring and significant levels of redundancy. Restructuring is often applied across the entire enlarged acquirer so that organisational

[25] In most acquisitions the acquirer has the power to determine the levels of strategic interdependence and autonomy of the target company. However, depending on the nature of the acquisition, this will be negotiated to a greater or lesser extent with the target company management.

change is felt in all functional areas and not just in the acquired company as there are often competitions between both sets of employees for the same job.

c. *Acquired company CEO*: He/she is often let go quickly as he/she represents the previous strategy and would be an obstacle to change. A new CEO is appointed.

d. *Duration*: This depends on size and complexity of the companies involved but in the UK many aim for 18 months integration.

ii. *Preservation*: Low strategic interdependence in order to protect the sources of value in the acquired company and high autonomy to allow the acquired company to continue to perform at a high level.

a. *Synergy type*: The aim is generally to protect the existing activities of the acquired company so they continue to deliver. However, over time the aim is for the acquirer to try to learn from the acquired company. This may be problematic is cultures and structures are very different.

b. *Integration management*: The aim is to protect the acquired company so changes are generally minimal and piecemeal so the acquired business is not damaged or impaired.

c. *Acquired company CEO*: He or she is retained as they are often key to the success of the acquired company both in terms of internal culture and attitudes but also in terms of markets and other stakeholders

d. *Duration*: Based on UK data (Angwin 2001), changes can continue for as long as three years. It is possible over that time that the acquirer decides to adjust the approach to integration through jointly creating a new organisation (see Symbiotic below).

iii. *Symbiotic*: High strategic interdependence in order to achieve substantial synergy gain between acquired and acquiring companies, and high autonomy to protect the organisation and culture of the acquired company so it continues to perform at a high level.

a. *Synergy type*: Initially the aim is to protect the existing activities of the acquired company so they continue to deliver. However over time both companies work collaboratively in order to find new ways of working together. These ways would have been unachievable for each company on its own previously. This is the classic 2+2 = 5 type of synergy.

b. *Integration management*: Initially the aim is to protect the acquired company so changes are minimal at first, but over time changes occur sequentially and may be of significant scale. Due to long time scales, integration can proceed at a cautious pace, and the nature of changes may vary over time.

c. *Acquired company CEO*: He or she is retained at first as they are often key to the success of the acquired company. However it is common after a couple of years for the CEO to be replaced from someone outside of the acquired company.

d. *Duration*: Based on UK data (Angwin 2001), changes can continue for very long periods of time, such as 7 to 9 years.

iv. *Intensive Care*: Low strategic interdependence to avoid contamination of the parent by the activities of the acquired company, and low autonomy so the parent can impose necessary remedial changes – often to save the acquired company business.

a. *Synergy type*: Often these acquired companies are in poor condition and require turning around. Synergy gain is from buying the company at a bargain price and fixing its problems, rather than integrating with the parent. Often these companies are later sold, but occasionally if they are restored to full health they might be retained.

b. *Integration management:* Here specific and aggressive changes are imposed on the acquired company in order to return it to health. These often focus heavily on improving financial performance.

c. *Acquired company CEO*: Somewhat counter intuitively, the acquired CEO is kept as they have the ability to make rapid changes to their own business, and this speed of action is necessary due to the poor condition of the acquired company. However, they may be removed if they persist with sub-optimal strategies or attitude problems.

d. *Duration:* Based on UK data (Angwin 2001), changes in these acquisitions occurs very rapidly indeed, over 60-90 days.

v. *Reorientation*: Medium strategic interdependence and medium autonomy as the acquired company is generally in good condition and well run.

a. *Synergy type*: Here the acquired company is often well run but needs better external traction in markets. Therefore, attention is towards how the parent can help the target expand its presence in existing markets or get into new markets, rather than making internal changes to operations. There may be some supply chain consolidation.

b. *Integration management*: Here there are focused changes on marketing and sales operations as well as financial harmonisation. Other distinctive aspects of the target company are generally unaffected.

c. *Acquired company CEO:* Generally the acquired CEO is let go and an outsider is put in place in order to improve interaction between acquired and acquiring companies. Often the acquired company CEO is promoted to a board seat in the acquirer.

d. *Duration:* Based on UK data (Angwin 2001), changes in these acquisitions are focused and fairly rapid taking around 6 – 9 months.

The five styles have been tested empirically and found to be robust (Angwin and Meadows 2015). The results have been corroborated in a current piece of research on UK companies being carried out by the author of this report for the Institute of Chartered Accountants in the UK, which is due to be published in 2020. There is some evidence to suggest that a coherent and consistent approach to any one of these integration types is likely to result in better performance than to mix between them (with the exception of integrations that begin as preservation integrations and become symbiotic ones).

9. Integrating M&A process with performance

Despite the important work by Jemison and Sitkin (1986) identifying the importance of the whole M&A process to organisational outcomes, it wasn't until Gomes et al.'s (2013) important paper, that attempts were made to understand the performance implications across the whole process i.e. explicitly looking for key linkages between key success factors at different stages of the M&A process. It is clear from the table below that little had been done to associate pre-acquisition success factors with post-acquisition integration ones (although the paper does indicate how many factors in each phase are related to each other in the same phase).

Table: Key success factors pre- and post-acquisition

Pre-acquisition	*Positive linkages*	Post-acquisition
Choice and evaluation of strategic partner		Integration strategies
Pay the right price		Implementation team
Size mismatches		Speed of implementation
Overall strategy and accumulated experience		HR management
Courtship		PMI coordination
Communications		Communications
Future compensation		Managing cultural differences

Adapted from Gomes et al. (2013)

Two major reasons for a lack of research into the performance effects of linking pre and post success factors are i) disciplinary silos ii) methodological challenges. In terms of disciplinary silos, different academic foci rest on different sets of assumptions and priorities that often are not compatible with other disciplines, meaning there is very little cross fertilisation i.e. studies only focus on variables of interest to specific disciplines. In terms of methodological challenges, most pre-acquisition studies rest on large-scale quantitative assessment (of high-level variables) which are easily accessible in large databases, such as Thomson Reuters. However similar databases of post-acquisition integration variables do not exist, due to the difficulties in accessing this information, which is why there are very few large-scale quantitative studies of post-acquisition integration. This is why it is far more common to find case studies (a suitable technique for capturing complex data) when examining the post-acquisition integration phase. However, the limitation with these studies is that they are mostly single company focused, meaning that they cannot generalise to the acquisition population as a whole. Nonetheless there are some studies that have been carried out at a higher, less granular, level to find whether consistency[26] across the M&A process improves performance outcomes. For instance, Bauer et al. (2018) find a positive correlation between pre-acquisition strategy orientation and improvement in aligned post-acquisition integration approach (i.e. an exploitation pre-acquisition strategy being followed by improved post-acquisition exploitation actions). They also find a positive correlation between the post-acquisition integration approach and overall performance[27]. From this they conclude that pre-acquisition exploitation strategy (aiming to exploit product – market efficiencies through standardisation and enhancing productivity)[28] correlates positively with post-acquisition exploitation integration improvement[29] and overall M&A performance, assessed by managerial perceptions. Similarly, pre-acquisition exploration strategy (entering new produce -markets and learning through experimentation and new knowledge creation)[30] correlates positively with post-acquisition exploration integration and improvement (in terms of more coherent and focused actions, and reduced risk of potential conflicts between firms), and perceptions of overall performance.[31] They also find that acquirers attempting to engage in an ambidextrous approach to post acquisition integration i.e. employing both exploitation and exploration actions, no matter the pre acquisition strategy, experience a significant reduction in overall acquisition performance. It is interesting therefore that consultants find that acquirers often do not have good alignment between strategy and integration (Deloitte 2015).

[26] Consistency means that the pre-acquisition strategy is pursued continuously through the post-acquisition phase, without engaging in different aspects of another strategy. For instance, if the strategy is to acquire a company explicitly to gain market share, this does not then mean a substantial engagement in cost cutting across the target company.
[27] Bauer et al. (2018) use managerial self-perceptions of performance on a seven point Likert scale. There are studies that show a high degree of correlation between managerial self-perceptions measures of success and objective measures (Homburg and Bucerius, 2005).
[28] This generally means refining and extending the acquirer's skills, routines and capabilities, based on existing knowledge and experience, in order to increase efficiency, decrease variance and discipline problem-solving activities.
[29] Post-acquisition integration performance improvement was assessed by using managerial self-assessed measures of improvement (Bauer et al. 2018).
[30] With exploration, new knowledge is generated by discovering new ways to achieve above average returns, even though there may be greater risk (Angwin 2007). The approach is more time consuming than exploitation but can yield product improvements and innovations
[31] The importance of this finding is that it is linking pre-acquisition strategy to post-acquisition integration approach and then performance whereas earlier work (discussed in section 2 "M&A Strategy") simply attempted to correlate pre-acquisition strategy (i.e. related versus unrelated deals) with performance and found mixed results. Whilst Bauer et al. (2018) are using different strategies, such as exploitation and exploration, their results are taking into account the moderating effect of post-acquisition integration actions.

Interestingly Bauer et al. (2018) find that combining exploration and exploitation is a very risky strategy for the small and medium sized businesses ('SMEs') they studied as this negatively effects performance. Perhaps in smaller companies it is just too much to try and manage internal ambiguities of exploration, which focuses attention on efficiencies and rationalisation, and exploitation which is about experimentation, as these different emphases will 'invariably cause organisational conflicts and, in turn, over extension' (Bauer et al. (2018). For this reason, they suggest that a Reorientation strategy, which seeks to combine exploitation and exploration integration actions is risky for SMEs. They also note that experience has a moderating effect[32] on their results such that it improves overall performance where the acquirer is consistent in pursuing the same pre-acquisition strategy as post-acquisition integration, but it has a negative influence if there is inconsistency between pre-acquisition strategy and post-acquisition integration strategy. The implications are that experience can help improve acquisition success if the acquirer is consistent in their approach to M&A strategy and integration.

10. The M&A process in context

Most of the observations made so far about factors influencing M&A outcome have ignored the broader contexts within which deals are made. The M&A process is surrounded on multiple levels by layers of context that include different industries, geographic regions and countries that have different norms and values. For instance, in large acquiring companies, an M&A deal may only concern part of the organisation, leading to stresses and strains at the intersections (see Rouzies et al. 2018). Surrounding the organisations are geographic layers of context such as regional variations (Angwin et al. 2012: Angwin et al. 2016) and national differences (Gomes et al. 2013). These present political, socio-cultural and economic challenges, some of which may be tangible, such as different regulatory environments and some intangible such as different cultural and social norms[33]. The success and failure of cross border acquisitions has received a great deal of attention that attempts to find associations between various types of distance between the acquirer and the acquired company, such as geographic, institutional, cultural. Claims are made for each being important, but again, there are no simple prescriptions for what works, as they are moderated by, and also moderate, the types of deal strategies and integration approaches that are followed. For instance, at a national level, cross border deals may be affected by different national regulations, so affecting the ways in which an acquirer may be able to integrate an acquired company (Lebedev et al. 2015). At a regional level, local cultural differences may affect employee willingness to integrate (see

[32] A moderating effect can be both positive or negative

[33] This means that the underlying aspects of culture and social behaviour are not observable, consisting of shared meanings and beliefs that are not articulated.

Angwin 2001 for examples). At the industry level, there may be different levels of competition from one industry to another, affecting the timing of integration changes (Stobl et al. 2018).

Another type of context in which M&A is transacted, is the temporal context. This means that there may be good or bad times when to make an acquisition. There is some consensus that it is better to buy in an economic downturn (Kengelbach et al. 2019), than a boom, as this tends to avoid overpayment, although it is hard to find consistent supporting evidence to this effect (Haleblian et al. 2009; Thanos et al. forthcoming in 2020). However, at a more micro level that examines different phases of an industry lifecycle, higher amounts of integration[34] are beneficial during the maturity phase, where there is time to carry out full integration,[35] but not during fast growth and decline phases (Bauer et al. 2017). The former would mean tying up a lot of resources for a significant period, that are necessary for competing in the markets, and during the latter, the high coordination costs and disruptions are not easily sustained when the parent is unstable. For fast growth industries, organisations are having to adapt continuously and so long-term plans are harder to realise. It would be better to use informal coordination, such as senior team social integration, cross functional boundary spanning communications and employee networking, rather than formal ones which would destroy the 'momentum' of growth (Bauer et al. 2017). Again, these sorts of qualifications underline the importance of the message that there is no 'one size that fits all' in PMI, but a more sensitive approach to acquisition differences is necessary to understand performance outcomes.

11. Conclusion

Finding specific variables correlating with acquisition performance under all circumstances for all types of deal is problematic. There are some broad practices, or 'rules of thumb' that might be deemed prudent for M&A, such as the following:

- Don't pay too much
- Pay with cash
- Avoid hubristic CEOs

[34] These are assessed on four dimensions of integration of employees, production, marketing and systems, with 11 indicators measured on a 7 point scale ranging from 1 = no integration to 7 = complete integration.

[35] This means that the industry is not evolving as quickly as in other phases, so there is greater stability allowing for more consistent actions.

- Avoid glamour acquirers.
- Avoid contested bids.
- Complementary deals perform better.
- Improve pre and post deal communications.
- Strategic due diligence reduces integration risks.
- Pre-deal courtship improves outcomes.
- Timely integration planning is beneficial.
- Manage cultural differences carefully.
- Ensure strategic consistency throughout the whole process.
- Build up M&A capabilities through prior M&A experience and use of a dedicated M&A team.

However, the wide variation in deal types that exist and the varied contexts, both geographic and temporal, play significant confounding roles in deal outcome. For these reasons more nuanced explanations of M&A performance are required and therefore this report stresses the importance of contingency explanations that are closer to different deal types. By identifying different integration strategies of *i) Absorption, ii) Preservation, iii) Symbiosis, iv) Intensive Care, v) Reorientation*, acquirers can carefully link their pre-acquisition strategy with an appropriate post acquisition integration strategy. This should lead to consistency in key integration variables, discussed in Section 6 'M&A post-acquisition integration', such as depth of integration, speed of change, degree of synergy gains, timing of integration benefits, importance of acquired company top management, employee retention, the value of prior experience, how to manage cultural differences and the extent of integration risks.

15 Key Articles

1. Performance

i. King, D. R., Dalton, D. R., Daily, C. M., and Covin, J. G. (2004) Meta-analyses of post-acquisition performance: indications of unidentified moderators, *Strategic Management Journal*, 25: 187-200.

ii. Golubov, A., Yawson, A., and Zhang, H. (2015) Extraordinary acquirers, *Journal of Financial Economics*, 115 (2): 314-330.

2. Strategy

i. Bauer, F., and Matzler, K. (2014) Antecedants of M&A success: the role of strategic complementarity, cultural fit and degree and speed of integration, *Strategic Management Journal,* 35: 269-291.

3. Process

i. Angwin, D. N., Paroutis, S., and Connell, R. (2015) Why Good Things Don't Happen: The Micro-foundations of Routines in the M&A Process, *Journal of Business Research*, 68 (6):1367 – 1381.

4. Post-acquisition Integration

a. Communications

i. Angwin, D.N., Mellahi, K. Gomes, E., and Peters, E. (2016) How communication approaches impact acquisitions and acquisitions outcomes, *International Journal of Human Resource Management,* 27 (19-20): 2370-2397.

b. PMI Speed

i. Angwin, D. N. (2004) Speed in M&A integration: the first 100 days, *European Management Journal*, 22 (4): 418-430.

ii. Bauer, F., King, D., and Matzler, K. (2016) Speed of acquisition integration: Separating the role of human and task integration, *Scandinavian Journal of Management*, 32:150-165.

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c. **Cultural integration**

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ii. Vaara, E. (2000) Constructions of cultural differences in post-acquisition change processes: a sensemaking perspective on Finnish-Swedish Case studies, *M@n@gement*, 3 (3): 81-110

d. IS integration

i. Chang, S-I, Chang, I-C, and Wang, T. (2014) Information systems integration after merger and acquisition, *Industrial Management & Data Systems*, 114 (1): 37-52

e. Structural integration

i. Angwin, D. N., and Meadows, M. (2015) New integration strategies for post-acquisition management, *Long Range Planning*, 48(4): 235-251, August. DOI: 10.1016/j.lrp.2014.04.001.

5. Linking success factors

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ii. Haleblian, J., Devers, C. E., McNamara, G., Carpenter, M. A., and Davidson, R. B. (2009) Taking stock of what we know about acquisitions and acquisitions: a review and research agenda. *Journal of Management,* 35: 469-502

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