Strategic Management – Master Thesis

Title:

Merging decisions: How acquiring firms decide on Post-Acquisition Integration

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1 INTRODUCTION

1.1 INTRODUCTION

This study project investigates the decision-making processes on post-acquisition integration. The post-acquisition integration decision making processes of 5 acquisition cases have been studied. This study supports earlier research on the theory that, when an acquisition is made for synergistic gains, the acquisition motive dictates the post-acquisition integration decision. It also shows, that the post-acquisition integration itself can be part of a strategy. Further, this study shows that business similarity is an important moderating factor in the decision process on integrating a target organization. It shows that a smaller target can be integrated faster, but that its size can have other issues to be dealt with before the acquisition. Also, contextual elements have been found to influence post-acquisition integration, of which time can be considered of great importance, because it can positively influence the execution of post-acquisition integration by revealing uncertainties, which cannot be assessed prior to the acquisition. Postponing an integration decision to gather more information can be of great importance. Other influencing contextual elements found in this study, are the influence of overzealous staff departments, organizational structure and ICT systems support on post-acquisition integration. Finally, this study has revealed interesting findings, which were not focused on, but emerged during the research, about the motive for acquisitions and emotional elements influencing acquisition behaviour. The main contribution of this research is that it supports earlier theory, that it reveals new interesting subjects for further study and that it hands some useful best practice methods for decision-making on both post-acquisition integration and acquisitions as a whole.

1.2 RESEARCH SUBJECT AND CONTEXT

Acquisitions play an increasingly common and important role in business strategies for growth and value creation. Global investments in acquisitions are unprecedented and surpass trillions of US dollars (Pablo, 1994, 1995; Sudarsanam, 2003; King et al., 2004, 2008; Cartwright & Schoenberg, 2006; Haleblian et al., 2009). They realize business growth through absorbsion of resources and capabilities and they create value, through synergistic gains, or market transactions. When an acquisition is made for synergistic gains, the *potential* of synergies is a result of strategic and organizational compatibility and the *realization* of those synergies is considered a result of the ability of the management to manage the integration process. (Haspeslagh and Jemison, 1987, 1991; Teece, 1992; Larsson & Finkelstein, 1999; Sudarsanam, 2003).

Despite the fact that acquisitions have been studied for decades, the failure rate is still very high (fifty to sixty percent), and in the majority of the acquisitions value creation is low or even negative (Bleeke & Ernst, 1995; Weber et al., 1996; Cartwright & Schoenberg, 2006; Schenk, 2007). Although the reasons for acquisition failure are illusive, since they are only identified in retrospect (after the failure) and they are mostly inconclusive due to the many aspects of an acquisition (e.g. strategy, due diligence investigation, management, culture, processes, etc.), many researchers argue that the post-acquisition integration process can be considered a major determinant of the success (or failure) of an acquisition in creating value (Seth, 1990; Haspeslagh and Jemison, 1991; Datta, 1991; Teece, 1992; Pablo, 1994; Larsson & Finkelstein, 1999; Birkinshaw et al., 2000; Sudarsanam, 2003).

Post-acquisition integration is a money and time-consuming business (Schenk, 2007), which, when performed poorly, or unnecessarily, can have serious consequences. Not only direct financial investments run the risk of being lost, but also the people within the organizations involved might not withstand the impact of the change process following an acquisition (Pablo, 1994). If integration is executed when not necessary, or required, the value loss caused by investments in the integration process and the possible loss of key personnel, will outflank the expected benefits of an acquisition. On the other hand, not integrating when it is needed might have a very negative influence on the expected synergy gains of an acquisition (Pablo, 1994; Schenk, 2007). Before an acquisition is made, there should therefore be careful consideration on whether integration of (parts of) an acquired party is needed, and/or, if so, to what extent (Haspeslagh and Jemison, 1987; Pablo, 1994). This research will contribute to the overall knowledge of the post acquisition integration decision-making process, and it sheds light on subjects which deserve further research. This research may help managers of acquiring firms to more fully understand the way the post-acquisition integration decisions are made and how they and their results might be influenced by contextual elements. This will enable managers to make better judgments on the necessity of integration and reduce acquisition failure.

1.3 PROBLEM DEFINITION

Although the importance of post-acquisition integration is stressed by many scholars, and it has been shown that at least task, cultural and political features play a role in managers' post-acquisition integration design decisions (Pablo 1994), there is still very much unclear on how managers determine whether to integrate a target or not. To further explore this decision-making process, this study focuses on the way the post-acquisition integration decisions are made. The central research question of this study is: *How do acquiring firms decide what to integrate after an acquisition?* After deciding on what to integrate, the next logical research question in this study is: *How do acquiring firms decide on the degree of integration after an acquisition?* Since there has been extensive earlier research on acquisitions, earlier theory forms the basis from which this research continues. The paths, which serve as a starting point and which are further explored are the influence of acquisition motive on the types of post-acquisition, the influence firm characteristics of buyer and target, and the influence contextual elements on post acquisition integration. Many research has focused on the economic factors of post-acquisition integration. The purpose of this study is to explore the complex phenomenon of decision-making that determines the outcomes of post-acquisition integration.

1.4 BRIEF LITERARY OVERVIEW

Earlier research on post-acquisition integration has stressed its importance for acquisition success (Seth, 1990; Haspeslagh and Jemison, 1991; Datta, 1991; Teece, 1992; Pablo, 1994; Larsson & Finkelstein, 1999; Birkinshaw et al., 2000; Sudarsanam, 2003). Several scholars have focused on types of integration influenced by the need for strategic interdependence and the need for organizational autonomy (Haspeslagh and Jemison, 1991; Marks et al., 2001; Schweiger and Very, 2003), or relatedness (Zaheer et al., 2011). Others have focused on the process of integration itself (Shrivastava, 1986; Larsson & Finkelstein, 1999; Birkinshaw et al., 2000; Sudarsanam, 2003) and argue that post-acquisition integration consists of the alignment of the organizational ‘hard’ side of strategy and structure, and the alignment of the ‘soft’ side of organizational culture and behaviour. Also, *organizational characteristics* of both the acquirer and acquiree (Datta, 1991; Chatterjee et al., 1992; Pablo, 1994), and cultural fit may influence the integration decisions (Nahavandi and Malekzadeh, 1988; Cartwright and Cooper, 1993). To understand integration design decisions, regarding the type and level of integration, the *motive* for an acquisition must first be understood (Pablo, 1994), and striking the right balance between the level of integration and minimizing disruptions affects the success of the integration process (Zollo and Singh, 2004). Other integration decision-making influencing elements are *contextual*, e.g. environmental uncertainty, or regulatory actions (Haleblian et al., 2009).

Post-acquisition integration is *the making of changes in the functional activity arrangements, organizational structures and systems, and cultures of combining organizations to facilitate their consolidation into a functioning whole* (Pablo, 1994). Better understanding of the decision on what to integrate, to what level after an acquisition, will enrich existing literature and invite other researchers to explore new research territory.

1.5 Data and Method

The purpose of this research is to gain better understanding on how managers of acquiring firms decide what to integrate, to what extent after an acquisition and on how both decision processes are influenced by contextual elements. This has been studied at five organizations with 300+ employees, from different industries. Significant actors from these organizations, who were involved in acquisitions, have been interviewed and relevant documents have been studied. The research method used, is a multiple case study, which is an effective method to obtain a full, and in-depth knowledge of the complex phenomenon of post-acquisition integration decision-making. This method is very suited to explore phenomena in their real life context and allows the researcher to obtain a vision of the way the management behaviour, and the consequences of that behaviour, take place. By using more or less identical methods on two or more contrasting cases, differences and/or similarities in post-acquisition integration design decisions, could be identified.

1.6 Thesis outline

In the next chapter, a model of decision making is proposed and earlier research on post-acquisition integration, and post-acquisition integration influencing factors are reviewed, leading up to this study's research questions. Then, in chapter three, the used research methods are discussed, the research design and the validity and reliability of this study is discussed. In chapter 4, the results from the empirical study are reviewed. In the final chapter, the contributions and the limitations of this study are discussed, as well as the managerial implications.

2 LITERATURE

2.1 INTRODUCTION

As mentioned earlier, the post-acquisition integration process can be considered a major determinant of the success (or failure) of an acquisition in creating value. To understand why it can be necessary for acquirers to integrate (parts of) a target after an acquisition, it is important to review what earlier research has revealed on the subject. Further, since poor decision-making in the post-acquisition integration process may cause incomplete analysis and premature solutions with respect to both strategic and implementation issues, the decision-making process itself is a potentially important determinant of acquisition activities and outcomes, as it may affect both the degree of strategic fit and the quality of the post merger implementation (Olie, 1994). In this chapter the process of decision-making will be reviewed and a model for decision making is proposed. Then, to clarify the subject of post-acquisition integration, a definition will be posited and theory on different types, elements and levels of post-acquisition integration will be reviewed. Finally, the factors that influence the decision to integrate a target, are reviewed. What is unknown, or unclear from earlier research, is distilled into the research objective of this study.

2.2 DECISION MAKING

The decision-making process can be broken down into four main elements (Russo and Schoemaker, 1989). These elements are:

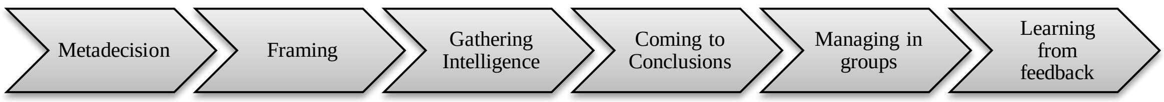
1. *Framing*: Structuring the question by defining what must be decided and determining in a preliminary way what criteria would cause one to prefer one option over another.
2. *Gathering intelligence*: Seeking both the normal facts and the reasonable estimates of ‘unknowables’ that are needed to make the decision.
3. *Coming to conclusions*: A systematic approach which forces one to examine many aspects.
4. *Learning from feedback*: Establishing a system for learning from the results of past decisions.

Before this decision-making process starts, choices are to be made about decision process itself. Russo and Schoemaker call these choices the ‘metadecision’. The metadecision involves asking questions like what is the crux of this issue? How should decisions like this one be made? How much time should be spent on each phase? The metadecision should be distinct from the actual framing of the decision, and is about the general nature of the decision at hand.

Post-acquisition integration decisions are often group decisions, with several stakeholders. Russo and Schoemaker argue that groups are likely to outperform individuals only to the extent that productive conflict arises among their members and such conflicts are resolved through balanced debate and careful intelligence gathering. They state that successful group deliberation depends on the skilful management of conflict and dissent.

When all elements are put together, a decision-making model can be formed (figure 1).

FIGURE 1. A DECISION MAKING MODEL (RUSSO AND SCHOEMAKER, 1989)



2.3 Post-Acquisition Integration

To realize the potential value of synergies after an acquisition, the acquiring and the acquired organizations must be effectively integrated (Seth, 1990; Haspeslagh and Jemison, 1991; Datta, 1991; Teece, 1992; Pablo, 1994; Larsson & Finkelstein, 1999; Birkinshaw et al., 2000; Sudarsanam, 2003; Zollo and Singh, 2004). Sudarsanam (2003) argues that: ‘integration of two organizations is not a matter of just changing the organization structure and establishing a new hierarchy of authority. It involves integration of systems, processes, procedures, strategy, reporting systems, etc. above all, it involves integration of people’.

2.3.1 Definition of Post-Acquisition Integration

Olie (1994) defines integration as ‘the combination of firms into a single unity or group, generating joint efforts to fulfill the goals of the new organization’.

As mentioned earlier in the previous chapter, Pablo (1994) defines post-acquisition integration as ‘the making of changes in the functional activity arrangements, organizational structures and systems, and cultures of combining organizations to facilitate their consolidation into a functioning whole’. In this definition *Functional activity arrangements* are value-generating activities to realize technical synergies, *Organizational administration* consists of a firm's bureaucratic mechanisms of authority and control to ensure internal coherence, and *Organizational Culture* consists of the systems of values, beliefs, and practices to create congruent organizational frames of reference.

Since both definitions consist of roughly the same idea, but the latter is slightly more detailed, the definition of Pablo will be used in this thesis.

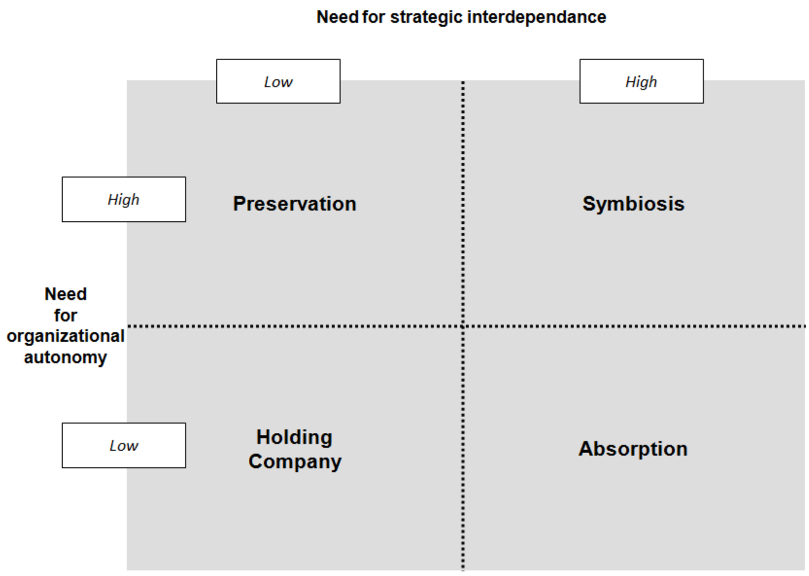
2.3.2 Types of Post-Acquisition integration

Many scholars have defined types of integration. An important initial decision, that 'shapes further fine-grained integration actions' is the choice between complete absorption and preservation of autonomous organizational status (Puranam et al., 2011). The integration type chosen determines the extent to which alignment of strategy, structure and culture is needed (Sudarsanam, 2003). Puranam et al. (2011) argue that post acquisition integration decisions consist of *discrete decisions*, about moving units together with, organisational boundaries, which are different from, and precede *non-discrete decisions* about the use of linking mechanisms between organisation units (e.g. the alignment and standardisation of processes and systems, common a hierarchical control, cross unit teams and integrating managers) A number of scholars have focused on the desired *end state* of the new organization (discrete integration decisions). Others have focused on *the process* of the integration (non-discrete). The different approaches and theories are reviewed.

2.3.2.1 End State

Haspeslagh and Jemison (1991) define four types of integration, based on Strategic interdependence and organizational autonomy. They argue that the success of an acquisition depends on the managers ability to reconcile the need for *strategic interdependence* that is required to transfer strategic capabilities between two firms, and the need for *organizational autonomy* of the acquired firm that is required to preserve the acquired strategic capabilities. In their argumentation the strategic value creation motive for the acquisition dictates the extent to which the two firms needs to be integrated. They model the trade-off between the need for strategic interdependence and the need for autonomy for the acquired firm, and suggest four types of post-acquisition integration: complete absorption (full integration) and complete preservation (minimal integration) as the two extremes, and symbiosis and portfolio management as in between mixture of interdependence and autonomy. This theory is represented by figure 2. In case of *absorption*, there is a full integration of operations organization and culture of both companies. Operational resources need to be pooled to eliminate duplication and realize synergies. In *preservation* there is great need for autonomy of the target. The targets capabilities must be nurtured by the acquirer, with only limited intervention, such as financial control, while allowing the acquired firm to remain autonomous in operations, organization and culture. In a *symbiosis* approach, the two firms initially coexist, but gradually become interdependent. In a *holding company* relationship, the acquisition is motivated by risk reduction. It is more financial portfolio motivated, and there is hardly any integration.

FIGURE 2.STRATEGIC INTERDEPENDANCE VS. AUTONOMY IN INTEGRATION (HASPESLAGH & JEMISON, 1991)



Marks et al.(2001) have a similar theory, and argue that integration ranges from full consolidation to near separation. They define five integration approaches:

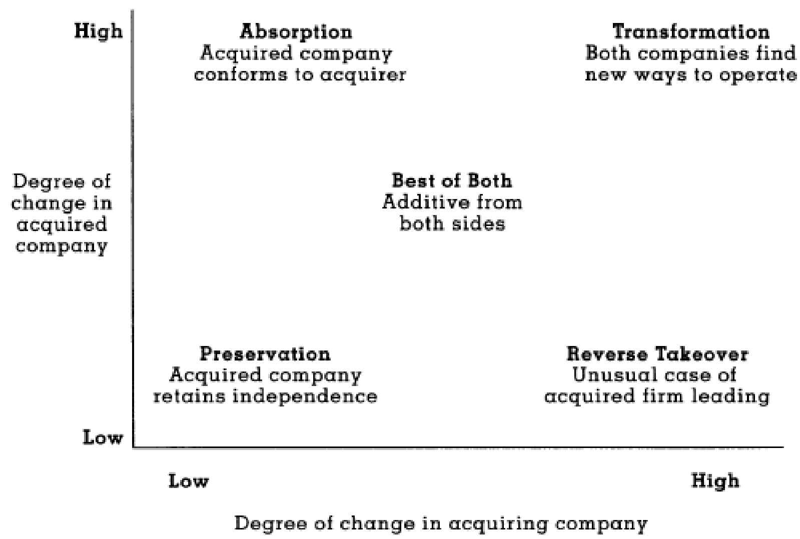
1. *Preservation*, where the acquired company faces a moderate degree of integration and retains its ways of doing business.
2. *Absorption*, where the acquired company is absorbed by a parent and assimilated into its culture.
3. *Reverse Takeover*, where the acquired company dictates the terms of the combination and effects cultural change in the lead company.
4. *Best of both*, the achieving of synergy between companies through their partial to full integration. Financial and operational synergies are achieved by consolidation, and the

upper lot result is full cultural integration (the blending of both companies' policies and practices)

5. *Transformation*, when both companies undergo fundamental change following their combination, synergies, do not simply come from reorganization, but from reinventing the company.

Marks et al. argue that, what appears to yield strong financial and strategic synergy between two organizations, may not be realizable because of incompatible structures and systems or sharp differences in cultures. In order to help executives think through their options and clarify their intentions on how the post-combination organization will be structured, they suggest a grid of different types of post-combination change (Figure 3).

FIGURE 3. GRID OF DIFFERENT TYPES OF POST-COMBINATION CHANGE (MARKS AND MIRVIS, 2001)



An approach proposed by Schweiger and Very (2003), is similar to the forenamed theories, but it recognizes that within an acquisition different approaches can be used, based on functions, geographical areas and product lines. They define four different types of integration approaches:

1. *Consolidation*, the extent to which the functions and activities of both firms in an acquisition are physically consolidated into one.
2. *Standardization*, the extent to which the separate functions and activities of both firms are standardized and formalized, but not physically consolidated.
3. *Coordination*, the extent to which functions and activities of both firms are co-ordinated.

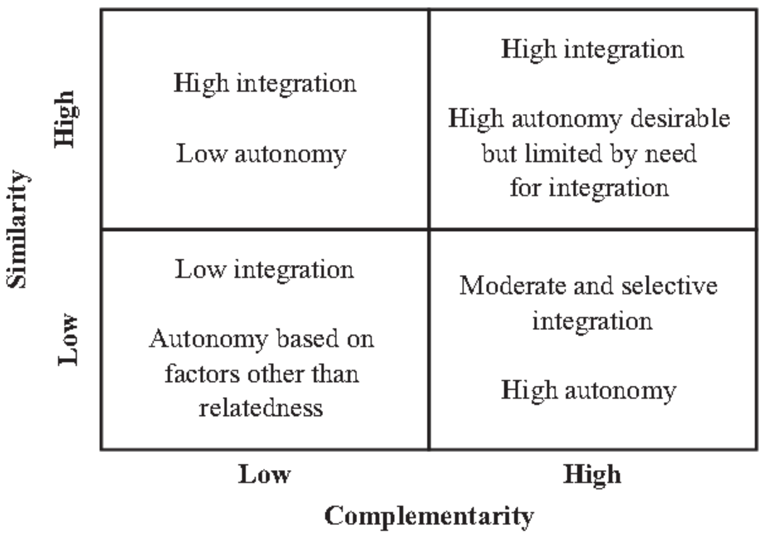
4. *Intervention*, the extent to which interventions are made in an acquired firm to turnaround poor cash operating profits.

Schweiger and Very link these types of integration to strategic objectives, which will be further explained later.

Zaheer et al. (2011) build upon the theory of strategic interdependence and autonomy, but they argue that when a target brings to the acquirer and unfamiliar element that suggests the need for autonomy, the need for integration may exist as well. They argue that acquisition implementation entails at least two separate decisions regarding the levels of integration and target autonomy, and that target autonomy can be granted even when there is structural unification of a department, or division under an individual executive. They suggest *relatedness* as a predictor of acquisition implementation, where the dimensions of relatedness are similarity, and complementarity. *Similarity* is the extent to which two firms have a high degree of overlap in their technologies, operations, products, customers, or distribution channels. *Complementarity* in acquisitions occurs when components of the target 'round out' (enrich) those of the acquirer to achieve joint value creation through coordinated management. They propose that acquisitions may entail either dimension of relatedness alone, both, or neither. This theory results in a taxonomy of implementation strategy, as depicted in figure 4.

FIGURE 4.

TAXONOMY OF IMPLEMENTATION STRATEGY BASED ON RELATEDNESS IN M&A'S (ZAHEER ET AL.,2011)



2.3.3 ELEMENTS OF POST-ACQUISITION INTEGRATION

Other scholars have focused on the process of integration itself. The 'further fine-grained integration actions'.

Sudarsanam (2003) argues, that the post-acquisition integration entails not only the alignment of the organizational 'hard' side of strategy and structure but also the alignment of the 'soft' side of organizational culture and behavior. The alignment of the *hard side* involves integration of systems, processes, procedures, strategy, reporting systems, etc. Alignment of the *soft side* involves the integration of people, changing their mindset, cultures and behaviors. Larsson and Finkelstein (1999) conceptually divide organizational integration into (1) the *degree of interaction* between the joining firms through, for instance, restructuring and material flows and (2) the extent of *effort to improve the quality of that interaction* through special integrators, transition teams, preplanning and/or other means. Birkinshaw et al (2000) expressed these concepts as two (conceptually) distinct dimensions of Task integration and Human integration.

Task Integration is the identification and realization of operational synergies. It has strong similarities with the 'hard' side and the degree of interaction. It has a focus on the effective and efficient alignment of systems, processes and procedures. (Birkinshaw et al., 2000).

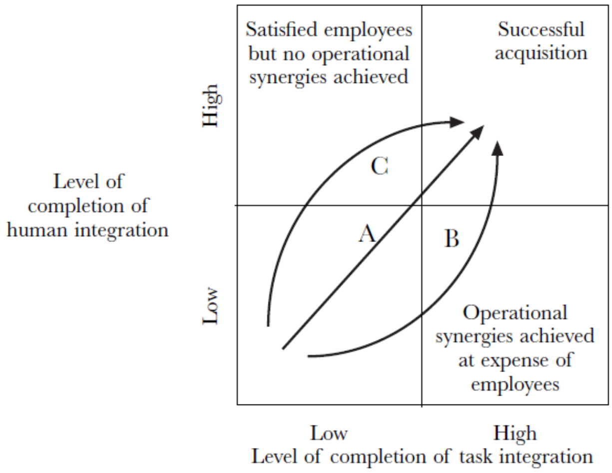
Human Integration resembles the 'soft' side of Sudarsanam (2003) and the 'effort to improve the quality of interaction' of Larsson and Finkelstein (1999). It is the creation of positive commitment towards the integration (Pablo, 1994; Larsson and Finkelstein, 1999; Birkinshaw et al., 2000; Sudarsanam 2003). It has a focus on creating shared visions and a shared identity among the employees of acquisition partners.

Haspeslagh and Jemison (1987) emphasize that in acquisitions there is an important difference between *economic value*, which can be thought of as benefits that ultimately accrue to the shareholders via the stock price and *noneconomic value,* which represents nonmonetary benefits (e.g. job security, career development opportunities, etc.) that accrue to other stakeholders (e.g. managers, employees and communities) in an acquisition. They state that acquisitions often destroy noneconomic value for those who are asked to create economic value after the transaction is made. That could result in reluctant, or uncooperative operating-level managers of both firms, who are exactly the ones needed to realize the combination of the skills, resources and knowledge of the two firms (Haspeslagh and Jemison, 1987). This might imply that often task integration is emphasized in acquisitions and that human integration is underexposed, resulting in less value creation or possibly even failure of the acquisition. If acquirer and acquiree are not sufficiently integrated, systems of both organizations might fail to communicate, strategies may be counter effective, performance can be insufficient and employees of the acquired firm may leave and valuable resources (e.g. knowledge and skills) will leave with them, leaving the acquirer empty handed and the acquisition a failure (Sudarsanam, 2003).

According to Birkinshaw et al. (2000), the post-acquisition integration process goes through phases in which task and human integration coincide, or take turn, and they are interdependent (for example if employees have a positive attitude towards the integration, they are more likely to be less reluctant in sharing knowledge and skills). In the first phase of post-acquisition integration, managers in acquiring and acquired organizations tend to only strive for a minimum of task integration. Their aim seems to be to just keep things running. Bad, or failing communication between operating systems, overlap, or gaps in the work processes and possibly conflicting procedures can be disastrous for an organization because the expensive workforce (wages of employees are the highest costs in a business) will not be able to produce value. This means that in short term, just after an acquisition, managers often go for risk evasion and will not ‘bother’ operations with the extra effort of task integration, to ensure continuation after an acquisition.

Parallel to not integrating tasks too soon within the first phase after an acquisition, it is important to start integrating the human factor, to ensure the retainment of people (knowledge) and to smoothen the cooperation of the people involved. After a certain level of human integration has been achieved a second phase of post-acquisition integration starts and with the help of the shared identity, trust and internal relationships further task integration is smoothened into place. In figure 5 this is shown by trajectory C. Birkinshaw et al. (2000) argue that trajectory A, where you integration and task integration evenly coincide, seems optimal in theory, but that the costs of ending up with trajectory B, where there is an overemphasis on task integration and less attention for human integration, were too big a risk for the managers studied. They opted to avoid confrontation the first couple of years after the acquisition, to ensure that they did not ruin the relationship with the acquired companies’ personnel.

FIGURE 5. IMPACT OF HUMAN AND TASK INTEGRATION ON ACQUISITION OUTCOME (BIRKINSHAW ET AL., 2000)



Shrivastava (1986) describes three types of post-merger integration: (1) Procedural integration, (2) Physical integration, and (3) Managerial and Sociocultural integration.

Procedural integration, which involves combining systems and procedures of the merged companies that are operating, management control, and strategic planning levels through legal and accounting integration, functional integration, and strategic business unit (SBU) integration. The objective of such integration is the homogenization and standardization of work procedures to facilitate communication between acquirer and acquiree.

Physical integration, which involves the consolidation of product lines, production technologies, e.g. R&D projects, plant and equipment, and real estate assets.

Managerial and Sociocultural integration which involves a complex combination of issues related to the selection or transfer of managers, the changes in organizational structure, the development of a consistent corporate culture, and a frame of reference to guide strategic decision-making, the gaining of commitment and motivation from personnel, and the establishment of new leadership.

Shrivastava describes several key decision areas that include elements of each of the three types of integration, that have been traditionally addressed by managers:

- Relationships between the parents and acquired businesses, particularly reporting and controlling procedures
- Consolidation of functional areas

- Roles and involvement of the acquired in the acquiring firm executives in integration activities
- The extent of centralization/autonomy to be allowed
- Compensation skills, employee benefits, and personnel policies
- Timeframes for completing integration and for changing personnel

However, he mentions that these decision areas do not cover all integration needs, and that managers are preoccupied with integration at the procedural and managerial levels. He also states that even at these levels the integration is not deep enough to include sociocultural and strategic aspects of integration, and that the issue of physical integration is mostly ignored.

2.3.3.1 CULTURE

The culture of an organization is embodied in its collective value systems, beliefs, norms, ideologies, myths and rituals. They can motivate people and can become valuable sources of efficiency and effectiveness (Sudarsanam, 2003). Cartwright and Cooper (1993) suggest four main types of organizational culture:

1. *Power*: Centralization of power – swift to react. Essentially autocratic and suppressive challenge. Emphasis on individual, rather than group decision-making.
2. *Role*: Bureaucratic and hierarchical. Emphasis on formal rules and procedures concerning the way work is to be conducted. Value is fast, efficient and standardized customer service.
3. *Task/achievement*: Emphasis on team commitment and a zealous belief in the organizations' mission. Task determines organization of work. Flexibility and worker autonomy. Creative environment.
4. *Person/support*: Emphasis on equalitarianism. Nurturing of personal growth and development of individual members.

Sudarsanam (2003) argues, based on Cartwright and Cooper's work that the following factors are likely to be important in determining merger outcomes:

- The degree of cultural fit that exists between the combining organizations, given the objectives: that is, whether the mode of acculturation is one of cultural integration, displacement or maintenance of cultural autonomy.
- The impact of the event on the individual: that is, the degree and scale of stress generated by the merger process and its duration.

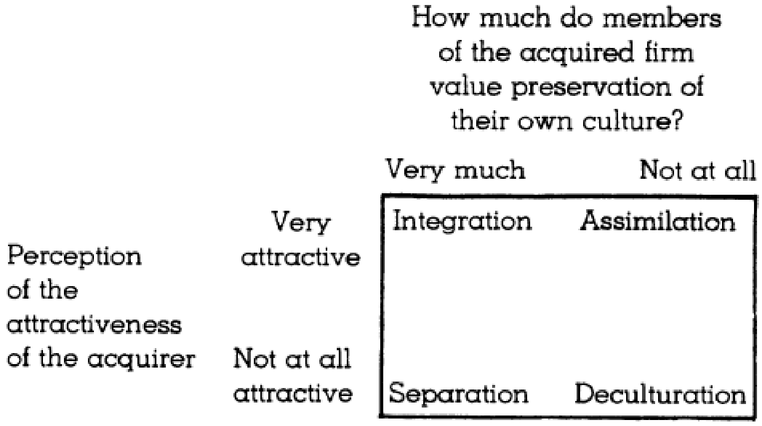
He argues that cultural dissimilarity between the combining organizations may influence the integration process as well as its effectiveness and success in value creation, and that it may be underestimated or overlooked in the pre-acquisition stages. This is consistent with the results found by Pablo (1994) which show that managers tend to focus on task interdependence in their integration decisions.

Nahavandi and Malekzedah (1988) define integration from the perspective of the acculturation. They argue that the level of acculturative stress will either facilitate or hinder the implementation of a merger, and that the degree of congruence between the acquirer and the acquired organizations' preferred modes of acculturation will affect the level of acculturative stress. They define four modes:

1. *Integration*, which is triggered when members of the acquired firm want to preserve their own culture and identity and want to remain autonomous and independent.
2. *Assimilation*, which is always a unilateral process in which one group willingly adopts the identity and culture of the other.
3. *Separation*, which involves attempting to preserve one's culture and practices by remaining separate and independent from the dominant group.
4. *Deculturation*, which involves losing cultural and psychological contact with both one's group and the other group, and it involves remaining an outcast to both.

The course of acculturation depends on the way in which the acquirer and the acquiree approached the implementation of the acquisition. They argue that ‘from the acquiree’s point of view, the degree to which members want to preserve their own culture and organizational practices, and the degree to which they are willing to adopt the acquirers culture and practices will determine their preferred mode of acculturation’ (figure 6).

FIGURE 6. ACQUIRED FIRM'S MODES OF ACCULTURATION (NAHAVANDI AND MALEKZEDAH, 1988)

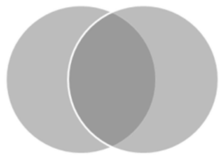


2.3.4 LEVEL OF POST-ACQUISITION INTEGRATION

Because under- or over integration can result in failure to create value, or worse yet, the destruction, achieving the right level of post-acquisition integration is an important factor in acquisition success. The required, or sufficient level of integration is dependent on the objective (or strategic intent) for which the acquisition is made (Pablo, 1994). The level of integration is the degree of post-acquisition change in an organization’s technical, administrative and cultural configuration (Pablo, 1994). Schweiger and Goulet (2000) distilled a common definition from earlier research: ‘integration is the degree of change made in either the buyer, the target, or both firms’, and Zollo and Singh (2004) define level of integration as: ‘the extent to which the functions of the acquired unit are linked to, aligned with, or centralized in, the equivalent functions of the acquiring organization’. Basically, these definitions are roughly the same. Zollo and Singh (2004) argue that striking the right balance between achieving the necessary level of organizational integration and minimizing the disruptions to the acquired firm's resources and competencies is a fundamental challenge that affects the success not only of the integration process but also of the entire acquisition. On the basis of earlier research, Pablo (1994) suggests three levels of integration:

1. <u>Low level of integration</u>: Technical and administrative changes are limited to the sharing of financial risk and resources and the standardization of basic management systems and processes to facilitate communication .

2. Moderate level of integration: Increased alterations in the "value chain" as physical and knowledge-based resources are shared or exchanged. Selective administrative modifications in reporting relationships and delegation of authority, with such structural changes necessitating reframing cultural bases of decision making.



3. High level of integration: The extensive sharing of all types of resources (financial, physical, and human), generalized adoption of the acquiring organization's operating, control, and planning systems and procedures, and complete structural and cultural absorption of the acquired firm.

In her study, Pablo (1994) focused on integration as a means for achieving post-acquisition coordination and control. The characteristics of interest in her study related to the task, cultural, and political features of acquisitions. She found that the task-related criteria were dominant in managers’ integration design decisions.

An overview of the theory is represented in table 1.

TABLE 1. OVERVIEW OF THEORY ON POST-ACQUISITION ASPECTS (CONTINUED ON NEXT PAGE)

Integration Focus	Perspective	Main Idea	Author(s)	View
End state	Integration is the degree of change made in either the buyer, the target, or in both firms	There are four types of integration, based on two dimensions: Need for Strategic Interdependence (SI) and Need for Organizational Autonomy (OA). There are four integration approaches: • Absorption (high SI, low OA) • Preservation (low SI, high OA) • Symbiosis (high SI, high OA) • Holding activity (low SI, low OA, thus: minimal integration)	Haspeslagh and Jemison (1991)	Each Acquisition represents a different type of integration
		Integration ranges from full consolidation to near separation. There are five integration approaches: • Preservation • Absorption • Reverse Takeover • Best of both • Transformation	Marks et al.(2001)	
		Based on functions, geographical areas and product lines, four different types of integration approaches can be used: • Consolidation • Standardization • Coordination • Intervention	Schweiger and Very (2003)	Within an acquisition, different types of approaches may be used
		Implementation strategy is based on the two dimensions of relatedness similarity and complementarity in Mergers and Acquisitions.	Zaheer et al. (2011)	The dimensions Strategic Interdependence and Organizational Autonomy are not mutually exclusive
Process		Post-Acquisition Integration entails the alignment of the 'soft' side of organizational culture and behavior, and the alignment of the 'hard' side of organizational strategy and structure. • The 'hard' side consists of an organizations' systems, processes, procedures, strategy, reporting systems, etc. • The 'soft' side consists of an organizations' people, their mindsets, cultures and behaviors.	Sudarsanam (2003)	
		Integration can be divided into the degree of interaction and the extend of effort to improve the quality of that interaction.	Larsson and Finkelstein (1999)	
	Process and Organizational Behavior	Integration can be divided into the conceptually distinct dimensions of Task Integration and Human Integration and the post-acquisition integration process goes through phases where both dimensions coincide, or take turn	Birkinshaw et al. (2000)	
		There are three types of post-merger integration: • Procedural integration • Physical integration • Managerial and sociocultural integration	Shrivastava (1986)	

Integration Focus	Perspective	Main Idea	Author(s)	View
Organizational Culture	Process of adaptation and acculturation	The degree of congruence between the acquirer and the acquired organizations' preferred modes of acculturation will affect the level of acculturative stress. Four modes of acculturation are mentioned: • Integration • Assimilation • Separation • Deculturation	Nahavandi and Malekzedah (1988)	The level of acculturative stress will either facilitate or hinder the implementation of a merger.
		• Power • Role • Task/achievement • Person/support	Cartwright and Cooper (1993)	
Level	Decision making	The required, or sufficient level of integration is dependent on the motive (or strategic intent) for which the acquisition is made. Conceptually levels of integration can range from low to high, and three levels of integration are suggested: • Low: Technical and administrative changes are limited • Moderate: Increased alterations in the 'value chain' • High: Extensive sharing of all types of resources	Pablo (1994)	
	Knowledge based	Striking the right balance between level of integration and minimizing disruptions to the acquired firm's resources and affects the success of the integration process.	Zollo and Singh (2004)	The fit between post acquisition decisions and the capability to perform integration increase post-acquisition performance.

2.4 POST-ACQUISITION INTEGRATION INFLUENCING FACTORS

Post-acquisition integration is dependent on several factors. In order to understand integration design, the strategic intent of an acquisition must first be understood (Pablo, 1994). The first logical step towards understanding whether integration is needed, is to examine the objectives of an acquisition. Why is another firm bought? If a firm buys another firm to grow, or to create synergies through combined resources, it seems insurmountable that a target will have to be integrated. If, on the other hand, an acquisition is made to gain profits from improving and then selling the company, then why integrate at all? The next factor, which might influence the decision whether to integrate or not, are the organizational characteristics of the buying and/or the target company. When a target company is very different from the acquiring company, because it has a different structure, culture, leadership style, etc. integration might be a very difficult task, maybe impossible, to perform. Third and more broad, there might be external factors (e.g. law restrictions) influencing the decision whether to integrate and to what extent, which will be reviewed.

2.4.1 Acquisition Objectives

The scale and scope of the post-acquisition combination is defined first and foremost by the objectives of the acquisition (Olie, 1994). The most dominant objective for acquisitions is *value creation* (Seth, 1990; Birkinshaw et al., 2000; Sudarsanam, 2003; Haleblian et al., 2009). In their meta-analysis of previous research on acquisitions Haleblian et al. (2009) found three other dominant categories of acquisition objectives, which are *managerial self-interest* (value destruction), *environmental factors* and *firm characteristics*. In addition to these objectives Seth (1990) mentions two more acquisition objectives, *coinsurance* and the *diversification of risk*, which mostly apply to conglomerate acquisitions. The forenamed acquisition objectives can roughly be divided into the three categories of (1)value creation, (2)value protection and (3)managerial self-interest (value destruction). An overview of these objectives is depicted in table 1. Besides the three forenamed acquisition objectives, there are of course other objectives, which are perhaps less dominant, but are nonetheless rationales for acquiring. These other objectives will be briefly reviewed as well.

1. Value Creation

The value of cost saving and revenue enhancement is realized through synergy gains as a result of efficient and effective post-acquisition integration. Synergies can be achieved in various areas, attributing to value creation in different ways. Synergy gains can be achieved in *economies of scale*, where fixed costs are spread over a larger production volume, *economies of learning*, sharing accumulated knowledge and experience and *economies of scope*, where multiple products benefit of shared capabilities e.g. an umbrella brand, distribution channels, costs of research and development (Sudarsanam, 2003; Schenk, 2007). Market transactions extract value through divesting some assets and or people and sometimes acquiring others (Chatterjee, 1992).

Chatterjee (1992) distinguishes two ways through which an acquisition can create value: *Organizational mechanisms*, where synergy gains can be obtained from a physical consolidation and *Market transactions*, which typically involve divesting some assets and or people and sometimes acquiring others. Such divestments can be for strategic reorientation of the firm to improve its competitiveness, or simply because the assets are worth more to someone else and the best way to create shareholder value is to sell the asset (Chatterjee, 1992).

Value creation involves taking strategic actions to make optimal use of a firm's productive resources in the presence of its environment and in the context of acquisitions, the combination of the specialized resources of the two merging firms, coupled with environmental opportunities and constraints, provides the basis for value creation (Seth, 1990; Schenk, 2007). Sudarsanam (2003) describes three broad sources of value: *Cost saving*, *Revenue enhancement* and *Real options*. Assuming the first two sources as fairly common and known, the less known concept of real options, shall be further explained: Financial theory has developed the concept of real options to conceptualize and value exploratory investments. They are options on real investments as opposed to options on financial assets (e.g. stock or currency). They represent exploratory investments on a small scale in activities that carry with them options which can be exercised in the future, e.g. a small investment in R&D of a promising new product, or acquisition of a company that can be sold off when returns turn out to be poor (Sudarsanam, 2003). Real options can be classified as market transactions.

2. Value protection

Value protection involves taking strategic actions to ensure stability and reduce risk. In the context of acquisitions this means firms acquiring other organizations to achieve these protective goals. Examples of ways to protect value through acquisitions are: coinsurance, where a merger would result in a reduced probability of bankruptcy for the combined firm, given an imperfect correlation between earnings (Seth, 1990; Schenk, 2007), or the diversification of risk, where a firm acquires another firm with a different business cycle to its own, thus stabilizing its income stream and reducing the variance of the firm's returns.

3. Managerial self-interest (value destruction)

Value destruction as a objective for acquisitions is not part of a firm's strategy, but is driven by managerial self-interest. It is possible that a manager benefits from an acquisition, because his, or her, bonus is dependent on the size of the organization. It is also possible, that a manager wishes to brush up his, or her resume by adding another acquisition to it. Haleblian et al. (2009) and Schenk (2007) also mention managerial hubris, as a source of value destruction. It involves managers who overestimate their capacities in creating value, and fail to realize the potential value coming from an acquisition. The most dominant objectives for acquisitions are shown in table 1.

TABLE 2. THE MOST DOMINANT ACQUISITION OBJECTIVES

Objective	Sub-objective	Idea
Value Creation	Market power	Having fewer firms in an industry increases firm-level pricing power (Seth, 1990; Haleblian et al., 2009)
	Efficiency	Reduce the cost side of value creation by increasing efficiency (e.g. through economies of scale) (Seth, 1990; Schenk, 2007; Haleblian et al., 2009)
	Resource redeployment	Horizontal acquisitions as a means of facilitating the redeployment of assets and competency transfers to generate economies of scope (Seth, 1990; Schenk, 2007; Haleblian et al., 2009)
	Market discipline	Protect shareholders from poor management by using acquisitions to discipline the ineffective managers of the target firms through corporate turnaround (Haleblian et al., 2009)
	Firm strategy	Companies following a multidomestic strategy exhibit higher proportions of acquisitions (Haleblian et al., 2009)
	Imitation	Firms initiated innovations that enabled them to execute mergers and, as these firms became increasingly successful, others, in turn, imitated their innovations (Haleblian et al., 2009)
	Network Ties	Managers desire to achieve peer isomorphism. They imitate the acquisition activities of firms to which they are tied through interlocking directorships (Haleblian et al., 2009)
	Acquisition experience	Acquisition experience of a particular type (e.g., horizontal, vertical, product extension) can increase the likelihood of subsequent acquisitions of the same type and, correspondingly, decrease the likelihood of acquisition of any different types (Haleblian et al., 2009)
Value Protection	Environmental uncertainty and regulation	Environmental uncertainty increases the likelihood of collaboration over acquisition and it also increases the likelihood of acquisition over licensing agreement. Increased regulatory actions (e.g. higher accounting standards and stronger shareholder protection) have a positive influence on acquisition activity (Haleblian et al., 2009)
	Resource dependence	Firms manage resource dependencies by absorbing needed resources through mergers (Haleblian et al., 2009)
	Firm position	Target firms facing “difficult strategic hurdles” (e.g. a chief executive search or an impending funding round) are more likely to be acquired than those that are not facing such hurdles (Haleblian et al., 2009)
	Coinsurance	A merger would result in a reduced probability of bankruptcy for the combined firm, given the imperfect correlation between earnings (Seth, 1990; Schenk, 2007)
	Diversification of risk	‘When a firm acquires another with a different business cycle to its own, its income stream will be stabilized and the variance of the firm’s returns reduced’ (Seth, 1990)
Managerial self-interest (Value Destruction)	Compensation	Managers acquire simply to increase their own bonus, without having concerns for the outcome (Schenk, 2007; Haleblian et al., 2009)
	Managerial hubris	An overestimate of the management**’s** own ability to generate returns on overpriced acquisitions (Schenk, 2007; Haleblian et al., 2009)
	Target defence tactics	Managers of target firms stimulate selling the firm, because their own share value will increase (Haleblian et al., 2009)

4. Other acquisitions objectives

Besides the forenamed acquisition objectives, there are other, less obvious, and less common objectives for acquiring an organisation. Other objectives can be to move quickly into new markets, or to increase flexibility of the organisation. Acquirers might want to gain a certain core competence, or to obtain talent, knowledge, or technology (Hoogendoorn, 2009).

Schweiger and Very (2003) argue that the strategic objectives driving an acquisition are related to the achievements of synergies and thus to the different approaches to integration. They posit a series of strategic objectives (which can be considered related to the forenamed overall objectives value creation and value protection):

1. Consolidate market within geographic area: To acquire competitors in the same geographic market.
2. Extend or add products, services or technologies: To increase competitive capabilities in the marketplace by acquiring new products and services, skills and technology, and access to complementary distribution.
3. Enter a new geographic market: To extend the business into geographic areas where a firm has had no presence.
4. Vertically integrate: To enter into either sources of supply or distribution.
5. Enter a new line of business: to enter businesses where the acquirer has little or no previous experience.

Schweiger and Very link acquisition strategy to levels of integration changes, which in turn are moderated by the levels of the different types of integration used to create the synergies underlying the strategic objectives. They stress that it is important to note that an acquirer may be seeking multiple strategies and synergies in a particular merger or acquisition. An overview is depicted below in table 3.

TABLE 3. ACQUISITION STRATEGY AND INTEGRATION CHANGES. (ADAPTED FROM SCHWEIGER AND VERY, 2003)

Acquisition strategy	Integration changes
Consolidate within geographic area	Strong change due to: • high level of consolidation • high level of standardization • high level of coordination
Extend or add product or service	Moderate change due to: • moderate level of consolidation • moderate level of standardization • high level of coordination
Enter new geographic market	Slight to moderate changes due to: • low level of consolidation • moderate level of standardization • high level of coordination
Vertically integrate	Slight changes due to: • low level of consolidation • low level of standardization • high level of coordination
Enter new line of business	Slight changes due to: • low level of consolidation • low level of standardization • high level of coordination

2.4.2 ORGANIZATIONAL CHARACTERISTICS

Organizational characteristics of both the acquirer and acquiree, may also influence the integration decision. Datta (1991) argues that an '*organizational fit*' can have a positive influence on the ease with which two organizations can be integrated after an acquisition. He states that, from the perspective of post-acquisition integration, differences in management styles, organizational systems (e.g. reward and evaluation systems), organizational structures, or organizational cultures may negate the potential benefits of acquisitions. His research shows that differences in management styles can result in 'conflicts, difficulties in achieving operational synergies, market share shrinkage and poor performance', even in acquisitions with low post-acquisition integration. On the other hand, this research shows that differences in rewards and evaluation systems do not have the same kind of negative impact on acquisition performance as differences in management styles.

Nahavandi and Malekzedah (1988) argue, that the choice of the degree of *relatedness* between two firms in mergers depends upon the motives behind the merger, and that if the motive is to obtain synergies, a firm must select a merger target that is in varying degrees related to its business. They argue, that depending on the type of merger and the motive, the acquiring company must decide on an implementation strategy, which in turn determines the extent to which the various systems of the two firms will be combined and the degree to which the employees of the companies will interface. Chatterjee et al. (1992) mainly focused their research on the *strategic fit* and the *cultural fit* of buying and selling firms. They argue that previous studies provide no clear resolution about the value of strategic fit in mergers and that the ways in which the interdependence of the two firms is managed is of much influence on the acquisition result. They argue that the support of the employees of the acquired firm is dependent on cultural fit, or the degree to which they perceive their culture to be compatible with that of the buying firm, and that without employee support, the expected performance from an acquisition is rarely realized. This could imply, that managers of acquiring firms might shy from integration when cultural differences are high. What complicates that matter, is that, for both legal and competitive reasons, merger negotiations are often shrouded in secrecy (Marks and Mirvis, 2001). It is therefore difficult for acquiring executives to assess a target firm. ‘Hard’ information, such as figures of revenues and profits, are usually available, but ‘soft’ information about culture and personnel issues, often remains a mystery until the deal is closed. Homburg and Brucerius (2006) argue that a slow approach towards post-acquisition integration, with a period of studying and understanding between the employees of the two companies is often needed. They argues that the appropriate speed of integration depends on the fit of the involved firms, especially on their cultural fit.

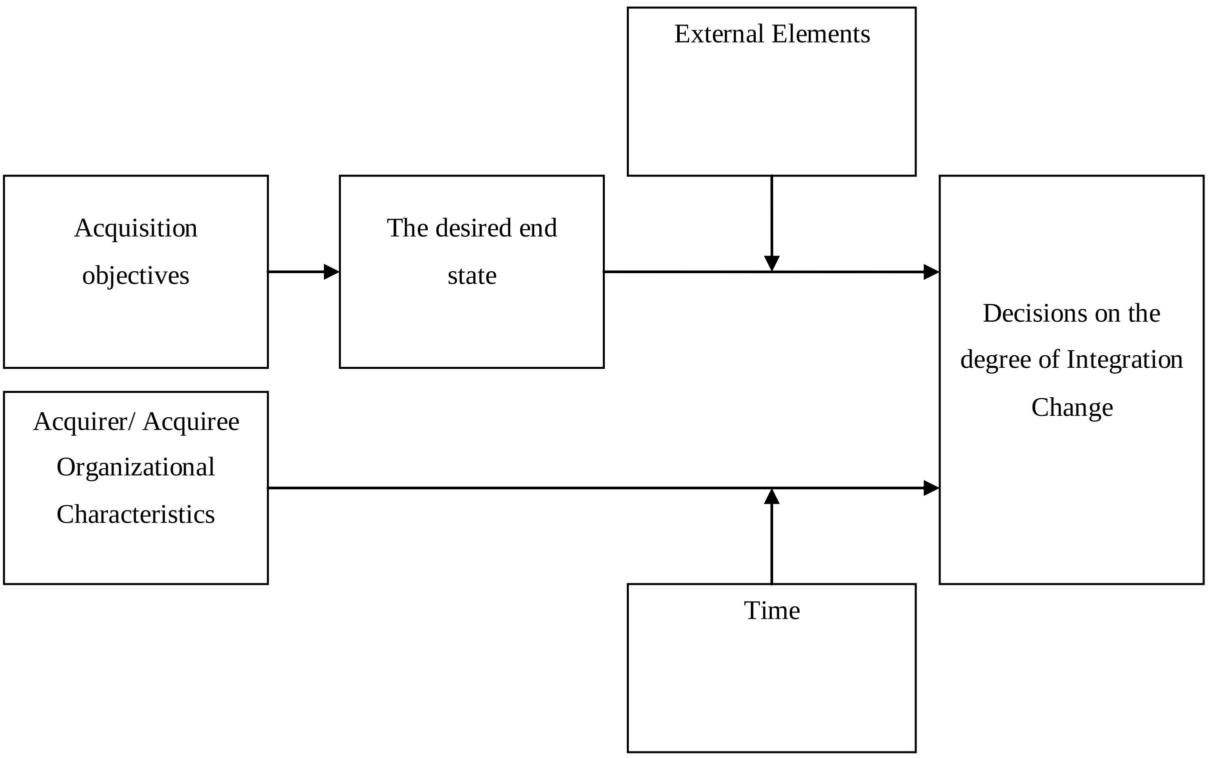
Pablo (1994) argues that the *size* of acquirer and acquiree is of influence on post-acquisition integration. She found that acquisitions that are small relative to the acquirer may remain virtually unintegrated because they do not attract a high level of management attention. However, she also has an alternative explanation for this finding, which is that ‘managers may perceive smallness in and of itself creates distinctive capabilities such as innovativeness, that would be lost through a high level of integration with a large firm’. Chatterjee et al. (1992) also mention the influence of relative organizational size. They argue that the larger the size of the acquired firm relative to the buyer firm, the more difficult it is for the buying firms managers to understand all the areas where integration is needed, and that therefore their tendency is to be reactive towards problems, rather than to plan every step. This could imply that managers of acquiring firms might be reluctant to integrate when a target firm is relatively big. Shrivastava (1986) mentions the size of merging companies as a key influence on post-merger integration needs. The larger the size, the more diverse and intensive integration problems tend to be. He too mentions the difficulties for individual managers to fathom all the areas where integration is needed, when a merged company becomes too large, and the tendency to react, when problems are encountered, rather than to plan every step.

2.4.3 External Elements

The first external factor to be mentioned here is the one found earlier amongst the value protection objective. Haleblian et al. (2009) point towards *environmental uncertainty* as a factor that influences the form of acquisitions and so is influencing the post-acquisition integration decision. They also point towards the fact that *increased regulatory actions* (e.g. higher accounting standards and stronger shareholder protection) have a positive influence on acquisition activity. Likewise it might, for instance, be possible that law restrictions (e.g. antitrust legislation) forbid the creation of a new combined organization, or other restrictions might prevent the formation of a new organization, thus influencing acquisitions and integration activity (an acquisition might still be made, but management of the acquiring firm might decide to waive integration, to bypass antitrust legislation).

2.5 SUMMARIZING MODEL

FIGURE 7. SUMMARIZING MODEL OF THEORY ON POST-ACQUISITION INTEGRATION



2.6 RESEARCH QUESTIONS

Earlier research has shown the importance of post-acquisition integration in creating value. Understanding the underlying drivers of managers integration decisions can help untangle the experienced complexity of the integration process (Pablo, 1994). This study will start with the first logical question to be answered in post-acquisition integration:

Research question 1.:	*How do acquiring firms decide what to integrate after an acquisition?*

After the decision has been made what to integrate, it is important to decide on the level of integration. This leads to the next research question:

Research question 2.:	*How do acquiring firms decide on the degree of integration after an acquisition?*

2.7 CONCLUSION

The essence of this chapter is that:

Post-acquisition integration is the making of changes in the functional activity arrangements, organizational structures and systems, and cultures of combining organizations to facilitate their consolidation into a functioning whole (Pablo, 1994). Scholars have focused integration research on:

- *The desired end state* (Haspeslagh and Jemison, 1991; Marks and Mirvis, 1998; Schweiger, 1991; Zaheer, Castañer and Souder, 2011)
- *The integration process* (Sudarsanam, 2003; Larsson and Finkelstein, 1999; Birkinshaw et al., 2000; Shrivastava, 1986)
- *The required level of integration* (Pablo, 1994, Zollo and Singh, 2004)
- *Acculturation* (Nahavandi and Malekzedah, 1988).

The scale and scope of the post-acquisition combination is defined first and foremost by the *objectives* of the acquisition. The most dominant acquisition objectives can roughly be divided into the three categories of value *creation*, value *protection* and managerial *self-interest* (value destruction).

Organizational characteristics of both the acquirer and acquiree, may also influence the integration decision. A Strategic, organizational, or cultural *'fit'* can have a positive influence on the ease with which two organizations can be integrated after an acquisition. Depending on the type of merger and the motive, the acquiring company must decide on an implementation strategy, which in turn determines the extent to which the various systems of the two firms will be combined and the degree to which the employees of the companies will interface. Also, the *size* of acquirer and acquiree is of influence on post-acquisition integration.

Finally, there can be other factors that influence the form of acquisitions and so influence the post-acquisition integration decision. These factors are contextual, such as *environmental uncertainty* and *increased regulatory actions* (e.g. higher accounting standards and stronger shareholder protection) as factors that influences the form of acquisitions and so is influencing the post-acquisition integration decision (Haleblian et al.,2009).

In the next chapter the Research methods, design, the validity and reliability and the cases studied are reviewed.

3 RESEARCH METHODS

3.1 INTRODUCTION

It is clear that acquisitions are complex phenomena, with many different angles. Amy Pablo (1994) argues that 'in order to understand variations in acquisition performance, an important first step is understanding the policies that guide managers' decisions about how to approach integrating two organizations'. She expresses a 'need for finer grained studies of how plans for integration are developed' and 'an examination of how understanding the underlying drivers of managers integration decisions can help untangle the experienced complexity of the integration process'.

To obtain a full, and in-depth knowledge of this phenomenon, a research method is needed which can be used to explore phenomena in their real life context. It must enable the researcher to obtain the vision of the way the management behavior, and the consequences of that behavior, takes place. It must be suitable to reveal a decision making process, the context which might affect the decisions, and how those decisions are implemented. Also, it must provide a base for theory building.

A research method which complies with the forenamed requirements and thus is very suitable for the purpose of this study is the case study research method. The case study research method allows investigators to retain the holistic and meaningful characteristics of real-life events (Yin, 2009). Case study research is particularly suitable for this study, because case study research (Yin, 2009):

- Is very relevant for questions which seek to explain some present circumstance, e.g. 'how' or 'why' some social phenomenon works.
- Investigates the contemporary phenomenon in-depth and within its real life context, especially when the boundaries between phenomenon and context are not clearly evident.
- Copes with the technically distinctive situation in which there will be many more variables of interest then data points, and as one result
- Relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result
- Benefits from the prior development of theoretical propositions to guide data collection and analysis.

Because case numbers are typically small, a few additional cases can significantly affect the quality of the emergent theory, thus, theory building from multiple cases typically lead yields more robust, generalizable, and testable theory then single case research (Eisenhardt and Graebner, 2007). Therefore, to be able to provide a stronger base for theory building, and to interpret the found data by comparison, multiple cases were compared. The study of multiple cases is an effective method, because it enables the collection of comparative data, which enables researchers to yield more accurate, and more generalizable theory than single cases (Yin, 2009). This research uses a comparative design, which entails the study using more or less identical methods of two or more contrasting cases (Bryman and Bell, 2007). By using the same methods of data collection in different contexts and organizations differences and/or similarities in post-acquisition integration design decisions and execution of the organizations involved, were identified. Similar cases help show whether theory can be generalized, dissimilar cases help to extend or modify any theory (Collis and Hussey, 2009).

In this chapter the methodology used to do this research, and to address the research questions is discussed. First, the definition and goals of multiple case study research are described, as well as the reason why multiple case study is the method of choice. Second, the multiple case study design and methods of data analysis and collection are discussed. Third, the use and purpose of triangulation of the gathered data is reviewed. Finally, the validity, reliability, limitations and boundaries of this study are reviewed.

3.2 RESEARCH METHOD: MULTIPLE CASE-STUDY

The suitable research design is determined by the purpose of the study. The purpose of this study is to gain better understanding of the complex phenomenon of decision-making that determines post-acquisition integration. Research questions of an explanatory nature, such as the ones in this study, are preferably tackled through three types of research methods, which are experiments, histories or case studies (Yin, 2009). The case study, which helps understand complex social phenomena and provides empirical data within its real life context, using multiple sources of evidence (Collis and Hussey, 2009; Yin, 2009), is the method of choice. It can, for example, combine the study of conversations and the study of documents (Van den Heuvel, 2009). 'The case study method allows investigators to retain a holistic and meaningful characteristics of real-life events, such as individual lifecycles, small group behavior, organizational and managerial processes, neighborhood change, school performance, international relations, and the maturation of industries' (Yin, 2009). Despite the fact that acquisitions have been studied from various viewpoints and through various methods, there is still much to learn about decision-making in acquisitions. Because there is little theory about how firms decide on post acquisition integration (Pablo, 1994; Haleblian et al., 2009), an inductive, multiple case study is conducted. Inductive studies are useful for developing theoretical insights. The central idea is to use cases as the basis from which to develop theory inductively. The theory is emergent in the sensibility is situated in and developed by recognizing that ends of relationships among constructs within and across cases and their underlying logical arguments (Eisenhardt and Graebner, 2007). Contrary to deductive studies, which test or confirm hypothesis, inductive studies investigate phenomena that have not been studied (often) before.

Building theory from case studies is a research strategy that involves using one or more cases to create theoretical constructs, propositions and/or midrange theory from case based, empirical evidence (Eisenhardt and Graebner, 2007). Case studies are rich, empirical descriptions of particular instances of a phenomenon that are typically based on a variety of data sources (Yin, 2009)

A case study is a form of qualitative research, which means, that the data collected is in a nominal form, such as words, images and so on (Collis and Hussey, 2009). A much used method in qualitative research, as in this study, is the interview. Data collection takes place by means of conversations, in which the asked questions are the same with every respondent in a semi structured interview, or are completely open in an unstructured (open) interview (Van den Heuvel, 2009).

3.3 SAMPLE: SELECTION AND SIZE

To select the possible research cases a screening of ‘candidate’ cases was performed. Through interviews acquisitions made by organizations were assessed. Cases were selected if they were of particular interest and suitable for illuminating and extending relationships and logic among constructs (Eisenhardt and Graebner, 2007). In order to build a model applicable across industries, the cases were selected from organizations which are active in different industries. Only cases in which integration took place within a period of 5 years were selected (based on the assumption that integration processes which covered a longer period are much more difficult to study due to personnel changes and personal recollection of the subjects), and only within organization with over 300 employees (based on the assumption that change in smaller organizations is very different from change in larger organizations). Interesting cases were cases where, the integration followed a different pattern than described in literature, and cases which are in contrast. To get more generalizable findings the organizations to be studied are from different industries, ensuring that any findings are not branch specific. The chosen focal organizations are shown in table 4. To ensure confidentiality, the names of the organizations are fictitious.

TABLE 4. FOCAL ORGANIZATIONS

Firm	Industry (NAICS[1])	Number of employees	Target organization	Target number of employees	Local/international acquisition
Energi	Utilities	3100	Envicon	400	Local, with a few small foreign bases
Claimco	Finance and Insurance	800	Interclaim	50	Local
Staffco Holding	Professional, Scientific, and Technical Services	25680	Powerstaff	35	Local
Estate Living	Real Estate, Rental and Leasing	367	Estacom	183	Local
Ocean Group	Transportation and Warehousing	350	Gterminal	30	International

3.4 Research Design

Yin (2009) defines a research design as 'the logical sequence that connects the empirical data to a studies initial research questions and, ultimately to its conclusions'. Or: 'a logical plan for getting from here to there, where here may be defined as the initial set of questions to be answered, and there is some set of conclusions (answers) about these questions'. He suggests five important components of a research design, which are:

1. A study's questions
2. A study's propositions, or in exploratory research, the purpose of the study
3. A study's unit(s) of analysis
4. The logic linking the data to the propositions/purpose
5. The criteria for interpreting the findings.

[1] North American Industry Classification System (http://www.census.gov, 2011)

3.4.1 This study's Questions

This study's questions are the research questions earlier mentioned: How do acquiring firms decide what to integrate after an acquisition? And, How do acquiring firms decide on the degree of integration after an acquisition?

3.4.2 This study's purpose

This study, being of an exploratory nature, did not have pre-set propositions. The purpose of this study is to gain better understanding of the complex phenomenon of decision-making that determines the execution of post-acquisition integration. To understand the rationale for deciding to integrate (parts of) a target after an acquisition.

3.4.3 Unit of analysis

The primary unit of analysis is the decision-making process in acquiring firms, from different industries and spanning over 300 employees, which leads to the decision how to integrate a target organization after an acquisition and to what level. The secondary unit of analysis is the way the integration is executed.

3.4.4 Data analysis

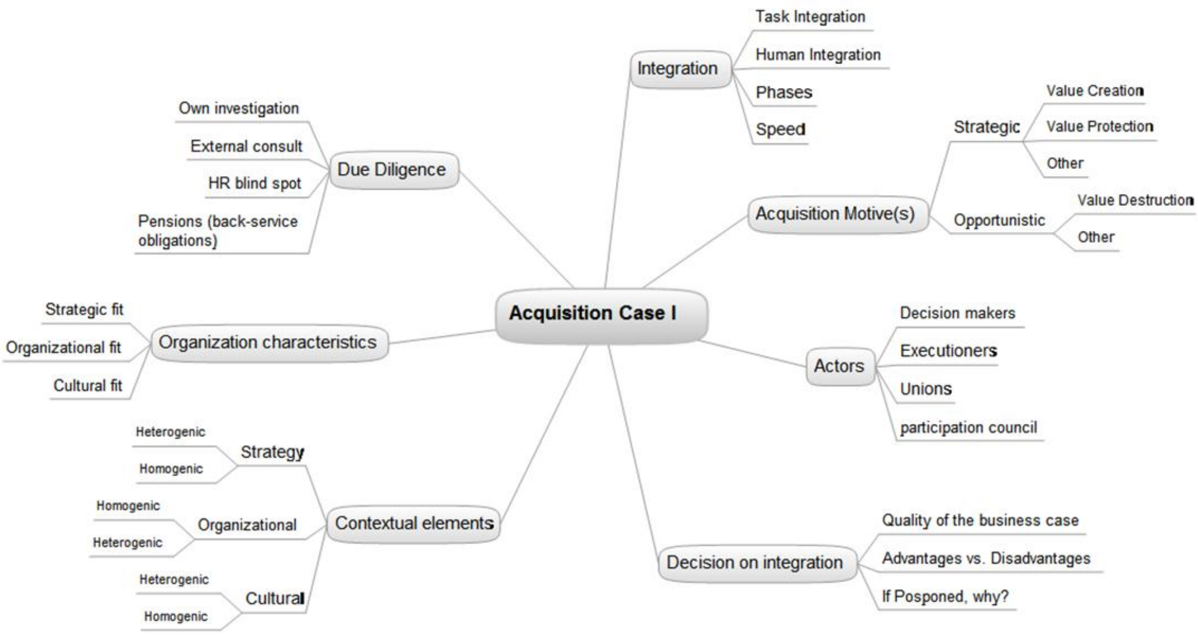
The data analysis takes place in three stages. The first stage involves the screening of several cases from several organizations. Through screening, cases that are of interest were selected. Cases of interest are cases where integration took place, and where the acquirer is from a different industry than the other cases. The second stage of data analysis involves zooming in on the selected cases through interviews with decision-makers and decision influencers, which took part in the acquisitions at hand, and the investigation of secondary information, e.g. documents, such as year reports and press releases. The third stage of the analysis is the grouping and comparing of found data, to find possible common patterns of behaviour (see table 5).

TABLE 5. STAGES, ACTIONS AND OUTCOMES OF DATA ANALYSIS

Stage	Actions	Outcome
I. Screening	a) Select organizations b) Investigate possibilities to do research c) Interviews with members of organizations to assess possible cases	• List of suitable organizations • List of accessible organizations • List of suitable cases
II. Primary case study	a) Interviews with significant actors who were involved in case study acquisitions and integration b) Secondary information on the cases under study	• Rich data from experienced experts • Extra data, enriching, refuting or confirming the interview data.
III. Grouping and comparing	a) Create maps of acquisitions b) Cross-case analysis	• An overview of all relevant information on the cases • Consistent and/or refuting patterns in post-acquisition integration decision behaviour

The research data was arranged into categories of elements of the research. This way a ‘map’ of the acquisition was created (figure 8).

FIGURE 8. EXAMPLE MAP OF AN ACQUISITION



When all the data was collected, the maps of the different acquisitions were compared (a cross-case analysis), to look for similarities and differences to identify common, or distinct patterns (e.g. what was the chain of events in one organization, compared to the same events in another organization). Table 6 shows a simplified model of the data analysis.

TABLE 6. SIMPLIFIED MODEL OF THE DATA ANALYSIS

	Acquisition Objective(s)	Post-Acquisition Integration	Integration decision	Contextual elements	Duration	Firm Characteristics
Organization A Acquisition Case I	• Objective A, B • Example • Etc	• Yes • Example • Etc	• Example • Example • Etc	• Example • Example • Etc	• 6 months • Example • Etc	• Alike • Example • Etc
Organization B Acquisition Case II	• Objective B, C • Example • Etc	• Yes • Example • Etc	• Example • Example • Etc	• Example • Example • Etc	• 18 months • Example • Etc	• Different • Example • Etc
Organization C Acquisition Case III	• Objective A,C • Example • Etc	• Yes • Example • Etc	• Example • Example • Etc	• Example • Example • Etc	• 3 months • Example • Etc	• Partly alike • Example • Etc
Organization D Acquisition Case IV	• Objective A • Example • Etc	• Yes • Example • Etc	• Example • Example • Etc	• Example • Example • Etc	• 24 Months • Example • Etc	• Different • Example • Etc

From the results gathered, a holistic understanding of the decision-making processes concerning post-acquisition integration might be formed and the answers to the research questions may be given.

3.4.5 DATA COLLECTION

From these organizations the research data was collected through documentary analysis (archive searching, annual reports, press releases, the internet, etc.) and semi-structured interviews with significant actors (people who have been actively involved in an acquisition). The evidence may be qualitative, quantitative or both.

To collect data, next to documents, significant actors (e.g. the CEO or any other Management Team (MT) member, involved in acquisitions) were interviewed. Other MT members who have been involved in one or more of the same acquisitions, being other stakeholders in the (acquiring, or acquired) organizations, were also interviewed. Table 7 shows an overview of the interviews and the subjects from the organizations. To lower the risk of leading the subjects through the interview questions, subjects were allowed to tell their own story, with as little as possible influence from myself (the researcher). The questions in the interviews only served as a guide line to provoke the subjects into describing the conditions of the acquisitions. The questions only served as a directional tool when it was necessary to steer the interviews back to the research subject. Each interview was elaborated as soon as possible, to minimize the loss of data and/or observation data.

TABLE 7. OVERVIEW OF THE INTERVIEWS AND SUBJECTS FROM THE ORGANIZATIONS

Case	**Firm**	Interviewee	Role	Date
1	Energi	A.	Manager M&A	05/09/2011
		B.	BU Director	06/04/2011
2	Claimco	C.	CEO	05/30/2011
		D.	Director of Operations	05/25/2011
3	Staffco Holding	E.	Group Controller	05/16/2011
		F.	Finance Manager Hungary	06/07/2011
4	Estate Living	G.	Consultant and interim Manager	06/21/2011
		H.	Financial Manager	06/21/2011
5	Ocean Group	I.	Manager Business Development	06/22/2011
		J.	Senior Business Controller	06/22/2011

3.5 TRIANGULATION OF RESULTS

The different data collection methods were used to triangulate, which means they were used as two or more independent sources of data-collection methods within one study in order to help ensure that the data are telling the researcher what he thinks they are telling him (Saunders et al., 2009). To triangulate the findings from the interviews with significant actors within the organizations, the interviews with other employees can function as a control mechanism, besides the documentary analysis. This is important, because it is possible that, in the perception of higher management a post-acquisition integration has gone well, while in the perception of other employees it has not. If perceptions conflict, there might be reason to cross-check with one or more other sources/stakeholders. If perceptions agree, the findings have a higher probability of being the 'collective truth'.

3.6 VALIDITY AND RELIABILITY

Validity and reliability of research are the criteria for judging the quality of research design. *Validity* refers to the issue of whether or not an indicator (or set of indicators) that is devised to gauge a concept really measures that concept and *Reliability* refers to the consistency of the measure of a concept (Bryman and Bell, 2007). To be reliable, a study must demonstrate that the operations of that study can be repeated, with the same results (Yin, 2009).

3.6.1 VALIDITY

There are three types of validity in case study research (Yin, 2009):

1. *Construct validity*: identifying correct operational measures for the concepts being studied.

2. *Internal validity*: seeking to establish a causal relationship, whereby certain conditions are believed to lead to other conditions, as distinguished from spurious relationships.
3. *External validity*: defining the domain to which the study's findings can be generalized.

In this study, construct validity is pursued by using documentary research, interviews and observations as multiple sources of evidence. Also, key informants shall be asked to review draft case study reports. Internal validity is pursued through pattern matching. The different cases were compared to see if there are differences and/or agreements. Also, when presented with rival explanations during the course of the research, issues were addressed via cross-checks with one or more other sources. External validity was pursued by using more than one case and selecting cases in organizations from different industries, ensuring that any findings are not branch specific, and thus more generalizable.

3.6.2 Reliability

To increase reliability, this study made use of a case study protocol (Yin, 2009), in which the procedures followed are documented, ensuring any replicability of the research can be executed by other researchers. The case study protocol was used with every case which contains a case study overview, containing background information on the case, gathered from secondary sources (e.g. annual reports, the Internet, news articles, etc.), field procedures on the major tasks in collecting field data (e.g. the way the information is gathered and processed), the case study questions (a set of questions reflecting the actual line of inquiry), and a guide for the case study report (a basic outline, format, etc. for the study report). The interviews were recorded and processed into literal transcriptions ensuring the possibility of quoting the interviewees instead of relying on the memory and interpretation of the researcher. The integrity and correctness of the collected interview data is ensured by having the collected data checked and approved by the interviewees. The interviews were in Dutch, and this cases is written in English, the translations of the quotes from the interviews have been checked for translation errors by a native speaking Englishman, who also speaks Dutch, and by the interviewees. The acquisition 'maps' derived from all the gathered data, can serve as a case study database, containing research data to be compared with any future research.

3.7 THE CASES

Case 1. The acquisition of Envicon by Energi.

Energi is an integrated energy company specialized in the production, trading, transmission and supply of gas, electricity and heat and related services. It has approximately 3500 employees, and 2 million business and domestic customers. Energi is one of the top 3 energy companies in the Netherlands and is also active in Belgium, Germany, France and the United Kingdom. Energi is one of the leading players in the Dutch energy market. It applies an integrated distribution strategy and specializes in the production, transmission, trading, supply and metering of energy (electricity, gas and heat) and related products and services. Energi is making a transition to becoming a sustainable energy company in the North West European market and will continue to make substantial investments in the area of sustainable energy in the coming years.

In 2009 - Energi reached an agreement with the lawyers of Envicon on the acquisition of the core parts of Envicon. Energi purchased parts of the subsidiaries BDUnit, ConsUnit, Estream and a part of the bio mass activities. This take-over would strengthen Energi's sustainability strategy. Energi had the intention to transfer over 400 employees of Envicon.

With the acquisition of Envicon in 2009 Energi expanded its sustainable energy activities in Europe.

BDUnit developed and implemented sustainable energy projects, such as wind farms at sea and on land. BDUnit's operational wind projects and project pipeline strongly contributed to the further expansion of Energi's sustainable energy production capacity.

ConsUnit had an international top reputation in research and consultancy in the areas of energy saving and sustainable energy. The activities of ConsUnit that were part of the take-over correspond to the strategy and the further development of Energi's expertise in the area of its 'decentralized-sustainable-together strategy', the development of sustainable forms of electricity production in cooperation with the customer. ConsUnit was positioned at arm's length from Energi in order to guarantee the continued independence of its advisory role in the future.

Estream specialized in solar energy and developed and supplied related systems. Estream's activities would enhance Energi's position in the area of solar energy by supplying and installing solar systems for both the BtoC and BtoB markets. The acquisition and the integration is considered a success.

Case 2. The acquisition of Interclaim by The Claimco Group.

Claimco International B.V. is based in the Netherlands, and its 41 affiliated companies in 21 countries ("Claimco group"). Claimco group's core business is the optimization of claims handling. The Claimco group offers its clients – including major international insurance companies, brokers, leasing companies and fleet owners – comprehensive solutions for domestic and international claims. It also offers clients strategic alternatives: complete claims process outsourcing, or the secondment of multi-lingual Interim Professionals such as claim adjusters and surveyors. In addition, Claimco helps corporate risk managers identify, assess and contain risks with the aim of facilitating the decision as to which preventive measures to take, and how best to control their loss burden. Claims process audits complete the service offering of the Claimco group. The Group's growth market comprises back office services on behalf of insurers. This development started in the Netherlands with the takeover of a leading insurer's private lines claims department and the setup of the claims back office for an online insurer.

In 2010 the Claimco Group and Interclaim GmbH (Stuttgart, Germany) combined their German business. To this end, a mutual holding has been incorporated: Interclaim Claimco AG. Claimco Germany AG, Interclaim GmbH and their subsidiaries became part of the new holding. Combined, the operating companies Interclaim GmbH near Stuttgart, and Claimco Germany AG of Cologne employ some 90 staff. Both companies continued to operate from their present locations. The merger has not resulted in job losses. The business activities of Claimco Germany and Interclaim were complementary. The new structure strengthened both cross border claims management – Claimco Germany's core business – and the domestic (German) market position – where Interclaim is a key player. Growth in both the international and domestic markets was a mutual strategic goal of the merger partners. The acquisition is considered a success. Only the managerial control has been integrated, further integration will take place when considered usefull.

Case 3. The acquisition of Powerstaff by Staffco Holding

Staffco Holding is one of the world's largest providers of HR services. Staffco Holding offers a broad range of HR services to their clients. It's business is matching people with companies, and matching companies with people. In addition to their temporary and permanent placement staffing services, the provision of temporary and seconded professionals and the search & selection of middle and senior managers, Staffco Holding offers specialized HR Solutions and provides dedicated onsite workforce management with in-house services. The balance in their service portfolio between general staffing and specialized professionals, and between temporary and permanent placement, is unique in the industry. Staffco Holding operates in 43 countries, representing more than 90% of the global HR services market. Staffco Holding is market leader in the Netherlands, Belgium, Luxembourg, Germany, Poland, Iberia, Canada and India. It also holds top three positions in Argentina, Chile, France, Greece, Mexico, Switzerland and the UK, together with major positions in Australia and the United States.

Budapest based Powerstaff and the Hungarian based subsidiary of the multinational Staffco Holding joined forces and created the largest recruitment firm in Hungary. After the merger, which took effect in 2010, the new company operated with a broad portfolio covering the full range of the Hungarian labor market. The general manager of the new company, which offered its services under the Randstad brand name from 2011, was the former owner and managing director of Powerstaff. All shares of Powerstaff have been fully acquired by Randstad. The new organization employs some 70 permanent staff. The merger of the number 1 and 5 (according to 2009. annual net revenue from permanent recruitment) of the 2010 BBJ (Budapest Business Journal) list would result in a strong market leader with a broad portfolio ranging from staffing, search and selection, HR solutions and executive search. With this portfolio the new recruitment firm would be able to service the full range of the labor market. The acquisition of Powerstaff gave Staffco Holding leadership in the professionals segment in Hungary. The acquisition and the integration is considered a success.

Case 4. The acquisition of Estacom by Estate Living

Estate Living and Estacom were two housing corporations in the southern Dutch region, which merged in 2011. Through the merger, Estate Living and Estacom were able to work with more money and more energy to districts with future value. Estate Living and Estacom brought their estate portfolios together, enabling them to make choices about which new areas they should (co-) develop. They strengthened their position, and would sell their property in other areas. The revenues would be invested in the remaining areas. The object for the merger of Estate Living and Estacom was to better organize their business operations. Both corporations have their own qualities with which they complement each other. Estacom worked cost conscious and effective. Estate Living had digitalized the business processes, enabling them to work more efficiently. Estacom worked with good forms of participation. Estate Living was at the cutting edge with its customer service, where tenants can arrange many affairs by themselves online, 24 hours a day. Estate Living and Estacom were determined to invest heavily in efficiency, and were to review their new combined organization very critically on this point. The new organization has a new name: UrbanPort, and employs some 530 full time equivalent staff. The acquisition considered a success and the integration is coinciding with a major reorganization for which 4 years have been planned.

Case 5. The acquisition of Gterminal by Ocean Group and Lullabi

Ocean Group is a key player on the Western European downstream oil market. The group employs some 350 staff. The company combines storage and distribution with the international trading and sale of mineral oils and biofuels. The Group's commercial divisions trade in all mainstream mineral oil products such as heavy fuel oil, automotive diesel, heating oil, marine diesel, kerosene and mogas. Over the past few years biofuels have become a key new product group for Ocean Group.

Gterminal was acquired by Ocean Group and another party, Lullabi, an operator for the inland tanker shipping and storage of edible and mineral oils and chemical products. Acquiring Bterminal allowed Lullabi and Ocean Group, to expand their activities and further strengthen their position in Switzerland, which has been defined as one of their key growth markets. Lullabi and Ocean Group have continued the terminal’s activities under the new name Gtank. The acquisition and the integration is considered a success.

In this case study, only the integration activities of Ocean Group have been studied. The activities of Lullabi were separate and concerned other parts of the acquired organization.

In the next chapter, the results will be discussed.

4 RESULTS

4.1 INTRODUCTION

As mentioned earlier the purpose of this study is to gain better understanding of the rationale for deciding to integrate a target after an acquisition, and the way the integration is executed. A number of people, who have been, or are involved in post-acquisition integration activities, have been interviewed on the subject. Also, relevant documents, such as annual reports, discussion documents, management guidelines, and other relevant information on the Internet has been studied. The gathered information has been processed into ‘maps’ of the studied cases, and a cross case analysis has led to the recognition of a number of patterns, which may explain, or help understand, why organizations decide to integrate and acquired target, or not. Also, a number of other, unexpected extra insights have emerged during this study, which might be of interest. In this chapter the findings will be presented. The order in which the results are presented follows the order in which the possible theoretical aspects have been placed in the chapter on the studied literature. First, the influence of acquisition objectives on post-acquisition integration decision is discussed, second, the influence of firm characteristics is discussed, and third the influence of contextual elements is discussed. Also, other findings which support, or refute theory, will be discussed. Then, after the results have been confronted with theory, the other findings shall be presented.

4.2 DECIDING ON INTEGRATION

In this research, decisions on integration have been differentiated as discrete decisions and non-discrete decisions. The discrete decisions were concerning moving units together with, organisational boundaries, and the non-discrete decisions were concerning the use of linking mechanisms between organisation units. Both types have been studied. The decision making model of Russo and Schoemaker, 1989 has been used to validate the strengths and weaknesses of the decision making processes used by the firms under study.

4.2.1 DECIDING ON THE INTEGRATION TYPE

An overview of the results of discrete decisions is depicted in table 8. In all cases some sort of formal, or informal decision-making model (DMM) is used, and that in case 5 almost every aspect of the Russo and Schoemaker (RS) model is used in the decision making processes.

TABLE 8. OVERVIEW OF ACTORS AND STRENGHTS AND WEAKNESSES IN DISCRETE DECISION MAKING

	Case 1	Case 2	Case 3	Case 4	Case 5
Deciders/actors	Board of directors and 3 dedicated managers of acquirer	Board of directors of acquirer and Owner/director of acquiree	Board of directors, Financial controller of acquirer and managing director of acquiree	Board of directors of acquirer and acquiree and dedicated director of acquirer	Board of directors and a business development manager of acquirer
Decision making model used?	Yes, Acquisition management guidelines to lead the decision making processes	Yes, informal but structured, based on experience of the board members	Yes, an acquisition protocol is leading the decision making processes	Yes , informal but structured, based on experience of external advisors	Yes, full decision making guidelines, including most elements of RS model
Decision Strengths	Framing,	Metadecision, Framing, Learning from feedback, Managing in groups	Metadecision, Framing,	Metadecision, Framing, Coming to conclusions, Gathering intelligence,	Metadecision, Framing, Coming to conclusions, Managing in groups, Learning from feedback
Decision Weaknesses	Metadecision, Gathering intelligence, Learning from feedback, Managing in groups	Gathering intelligence, Coming to conclusions	Learning from feedback, Managing in groups, Gathering intelligence	Managing in groups	Gathering intelligence

4.2.2 DECIDING ON THE INTEGRATION PROCESS AND LEVEL

In most cases different actors/decision makers took part in the non-discrete decision making processes on post-acquisition integration. With the exception of case 2, The higher management did not participate in the integration decision making processes of the more detailed decision making. An overview of the results of non-discrete decisions is depicted in table 9.

TABLE 9. OVERVIEW OF ACTORS AND STRENGHTS AND WEAKNESSES IN NON-DISCRETE DECISION MAKING

		Eneco	Ameyde	Randstad	Com.wonen	NSG
Deciders/actors		3 Dedicated managers of acquirer	Board of directors of acquirer and Owner/ director of acquiree	Financial controller of acquirer and managing director of acquiree	Dedicated director of acquirer and dedicated manager	Business development manager and dedicated integration team of acquirer
Decision making model used?		Yes, informal but structured, relying heavily on the experience of the senior manager	Yes, informal but structured, based on experience of the 'former' director or acquiree	Yes, an acquisition protocol is leading the decision making processes relying heavily on external advisors	Yes , informal but structured, based on experience of external advisors	Yes, full decision making guidelines, including most elements of RS model
Strengths		Metadecision, Framing, coming to conclusions and Gathering Intelligence, Managing in groups	Metadecision, Framing, Gathering Intelligence, Managing in groups, Coming to conclusions,	Metadecision, Framing, Managing in groups,	Metadecision, Framing, Gathering Intelligence	Metadecision, framing, Managing in groups, Learning from feedback,
Weaknesses		Learning from feedback	Learning from feedback	Gathering Intelligence, Learning from feedback	Managing in groups Learning from feedback	Gathering Intelligence
Procedural Integration	Legal and accounting	High	High	High	High	High
	Functional	High	Low	High	High	Low
	SBU	Low	High	Low	Low	Low
Physical integration	Product line	High	Low	High	High	Low
	Production technologies	High	Low	High	High	High
Managerial/ Sociocultural Integration	Personnel transfer and organizational structure	High	Low	Low	Low	Low
	Sociocultural integration	High	Low	High	High	High
	Gaining commitment and Motivating personnel	High	High	High	High	Low
	Establishing new strategic leadership	High	High	High	High	High
Overall level of integration		High	Moderate	High	High	High

4.3 ACQUISITION OBJECTIVES AND POST-ACQUISITION INTEGRATION

The first theoretical aspect that leads integration decisions, is the acquisition objective, or the strategic intent for an acquisition. It seemed logical that when you buy something, you should also have an idea of what you are going to do with it. In this study however, acquisition objectives, or strategic intent, could only be linked to post-acquisition integration in two situations. It appears that, acquisition objective is not per se of influence on the decision whether to integrate or not. A comparison of integration strategies, integration approaches and desired end states is depicted in table 10.

TABLE 10. COMPARISON OF INTEGRATION STRATEGIES, INTEGRATION APPROACHES AND DESIRED END STATES

	Case 1	Case 2	Case 3	Case 4	Case 5
Strategy	Extend products	Consolidate market within geographic area	Consolidate market within geographic area	Consolidate market within geographic area	Enter new geographic market
Consolidation	High	Low	High	High	High
Standardization	High	Moderate	High	High	High
Coordination	High	Low	High	High	High
Intervention	High	Low	Low	Low	Low
End state	Absorption	Preservation	Absorption	Best of Both	Absorption

4.3.1 SYNERGY GAINS

Finding is this study are consistent with theory: Acquisition objective is of influence on the integration decision, when an acquisition is made for synergy benefits.

> *'Integration is executed only for synergy gains.'. CASE 2, Interviewee* C*, 05/30/2011*

Three cases show that when an acquisition is made, to create value through scale benefits, integration will take place after the acquisition. In some cases integration was executed immediately after the acquisition. In other cases integration was executed at a later stage.

> *'The actual execution of the post-acquisition integration of course starts after the signing of the contract and the transfer of the acquisition sum.'. Case 3, Interviewee E, 05/16/2011*

> *'It sometimes happens that it is decided later to integrate. "It went well apart from each other, but now we have synergetic reasons to integrate further". Sometimes the entire company is integrated, sometimes only components are integrated. A joint purchasing department, or a joint back office, or controlling, that sort of thing.' Case 1, Interviewee A ,05/09/2011*

> *'Sometimes we acquire back offices of insurers. That is a different kind of acquisition, you take in 40 to 50 people. That is just something else. Within the Benelux we have acquired a number of such departments and we will start a large integration project. These business units are all legally separate*

units and we notice that it is becoming dysfunctional not to integrate.' Case 2, Interviewee C, 05/30/2011

'For now, we will not integrate more than the financial column, meaning our reporting structure, when we consider it useful, we will integrate further'. CASE 2, Interviewee C*, 05/30/2011*

In summary: When the objective for an acquisition is to benefit from synergy gains, a target, or the parts of a target, which will enable those synergy gains, are fully integrated.

4.3.2 EMERGING STRATEGY

From the cross-case analysis it seems that acquisitions are often opportunity driven, and that the strategy, or the rationale for the acquisition unfolds during, or after the actual transaction has taken place.

'All three parts of Envicon were a good match. With one blow we would have the sun business, we would expand the wind project portfolio considerably in manpower and with the consultancy branch, ConsUnit, we would acquired a knowledge organization, which would be autonomous, but nevertheless linked to the group. At least, that is the way we perceived it, after a while. To be honest, we bought ConsUnit (the consultancy branch), because we thought it would, and I think that to be true, increase the chance of a successful transaction.' Case 1, Interviewee A ,05/09/2011

'In Czechoslovakia the acquisition was really an unexpected opportunity.'…' There was no preset plan, or a strategy behind it (the acquisition), but it came from the market. It was presented to us by the local management. In Hungary more or less the same thing happened.'…' Our general manager of Staffco Hungary already had a good relationship with the general manager of Powerstaff. Then came the signal from the general manager of Staffco Hungary that the company could be acquired.' Case 3, Interviewee C, 05/16/2011

In summary: Acquisitions are not always part of a pre-set plan, or strategy, but they are often opportunity driven, and the strategy, or the rationale for the acquisition and the integration may unfold during, or after the actual transaction has taken place.

4.4 FIRM CHARACTERISTICS AND POST-ACQUISITION INTEGRATION

The second theoretical aspect that was treated in literature section was that of firm characteristics. The case studies have shown that firm characteristics are an important factor in post-acquisition integration. Especially similarity in business and target size have an important influence on the decision whether to integrate a target or not.

4.4.1 BUSINESS SIMILARITY

If there are strong similarities in the business of the acquirer and the target, the decision does not seem to concern whether to integrate or not, but rather: why not integrate? Several of the studied cases illustrate that, if the business of the target is very much like the business of the acquirer (e.g. a competitor in one or more fields), integration is considered a natural step.

> *'When we acquire a competitor we integrate, with all the misery that might entail. A year and a half of misery, but then it is done. It costs a lot of money, but then it is behind us and we can go on. Then (when acquiring a competitor) the business is so alike our own, it will only add transaction costs if we don't integrate.' Case 2, Interviewee C, 05/30/2011*

> *'There is no real competition and all business is alike in housing corporations. Therefore the organizations always fully integrate.' Case 4, Interviewee G, 06/21/2011*

> *'BDUnit (the business unit of wind projects of Envicon) was bought to expand the manpower of the wind project portfolio and has been completely absorbed in the business unit 'Wind'.' Case 1, Interviewee A ,05/09/2011*

If, on the other hand, the target business differs very much from the acquirers business, the target might be only partly integrated, or not at all.

> *'But if there is a different mentality in the business, another way of customer approach, or slightly different business (within the acquired organization), we might say: let's not do it (integrate).' Case 2, Interviewee C, 05/30/2011*

> *'One of the acquired business units, ConsUnit, is a consultancy unit (which is something Energi did not have before), which has been kept at a distance.'… 'On ConsUnit one might say that a kind of holding construction was chosen, in which ConsUnit remains an autonomous business unit.' Case 1, Interviewee A ,05/09/2011*

In summary: When the business of a target, or the parts of a target, is very similar to the business of the acquirer (e.g. a competitor in one or more fields), that target, or the parts of that target are more likely to be fully integrated. This evidence supports theory on relatedness as a predictor of acquisition implementation (Zaheer et al., 2011)

4.4.2 SIZE

When a target is significantly smaller than the acquirer, in some cases it seems to be more likely that the target will be integrated faster. This could imply that the decision to integrate is influenced by the target size, or the target size compared to the acquirer size. Also, size is of influence on the speed with which a target is integrated. Relatively small targets are integrated faster than relatively larger targets.

> *'We sometimes use an intermediate period during which the acquired company is slowly brought to Staffco, especially with larger acquisitions. That is mainly on the outside though, because on the inside everything is integrated.'... 'The integration of the 'soft side' can also take more time, as much as needed. In small acquisitions it can be done fairly quickly, but in larger acquisitions one has to be more careful and it will take more time.'* Case 3, Interviewee C, 05/16/2011

> *'when we integrated a small depot we acquired, with only about five employees, we sent in an integration team, and everything was integrated within two weeks. Larger acquisitions, however, take a much longer period to integrate.'* Case 5, Interviewee I, 06/22/2011

In summary: Targets which are relatively smaller than the acquirer, are likely to be integrated faster than targets which are relatively larger than the acquirer.

4.4.3 Organization structure

The way a company is organized is of influence on the way acquired organizations are integrated. In the case of Claimco, the way an organization is integrated, is largely dictated by the organizational structure.

> *'Claimco has a holding structure, with three chief executives. Those three executives control the complete holding spanning 18 countries. That means that this organization must be flat by definition, because there are just very few people controlling it.'…'The thing that is always integrated, is the control column. You will get the sauce poured over you, one way or another, there will be no discussion about that. Management authorizations, reporting obligations, budgetary obligations, the way annual reports are delivered, there will be no discussion about that. There is not a centimeter space in it, there is no other way, because otherwise the three of us can't control it.'* Case 2, Interviewee C, 05/30/2011

This might also explain the fact that the culture of local organizations of Claimco often reflect the local (country)culture. Claimco is described as a very flat organization, but it is also said that local units might be organized in a different way.

> *'That doesn't mean that units in the countries cannot be organized in a hierarchical way. For instance, when you look at England, they love middle management, they have a manager for everything. That is a reflection of their culture. We do not distribute a one size fits all culture. We are too small for that. We always adjust to a local situation.'* Case 2, Interviewee C, 05/30/2011

This way of dealing with culture is very different from the way Staffco deals with culture. Staffco has one global culture, which it projects on acquired organizations.

'The present board of directors has been active for about eight years now, and they have worked hard to perpetuate the culture and they made sure that this culture is reflected in all the countries were Staffco as activities. The values are found everywhere, not just in the Netherlands, but everywhere and in all operations. The non-stop culture is strong and is propagated by the personnel. Whether you're in Greece, or in Japan, you will find that culture everywhere.' Case 3, Interviewee C, 05/16/2011

In the case of Energi, required business units which were in Germany were not fully integrated, but left fairly autonomous. Energi is mostly active in the Netherlands and does not have an organizational structure to support activities abroad. The capacities to fully integrate foreign business units are limited.

'Ecostream, which was spread among different countries. We have left Ecostream to exist as a fairly autonomous organization, being centrally controlled from Rotterdam. This last one is under control of a business unit director, who is quite involved.' Case 1, Interviewee A ,05/09/2011

'The foreign business units have been able to operate fairly independent until now, though be it within clear specifications from Energi . That means, that for certain expenses, authorization is needed from the board of directors, when they are above a certain level.' Case 1, Interviewee A ,05/09/2011

In summary: The way organizations are integrated may be dictated by the organizational structure of the acquiring party. This is consistent with theory.

Another influence on the integration decision is the nature of available ICT systems. In the case of Claimco, the ICT systems used, make it possible for employees to work independent of location. This means they can work anywhere, as long as there is an Internet connection to which they can connect their computer. This in turn means that there is no real necessity to physically integrate acquired targets.

'Due to the nature of our ICT systems physical integration is not necessary per se.' Case 2, Interviewee C, 05/30/2011

In summary: The need for physical integration of targets can be dependent on the nature of the available ICT systems, and the way those systems facilitate location-independent work.

4.4.4 INTEGRATION OF CULTURES

Another aspect, found to be related to cultural integration, is the investment in cultural integration. Cultural integration does not always get the attention it theoretically needs, to make an acquisition work. In one case, the case of Claimco, the CEO clearly expressed a reluctance towards investing in cultural integration. He considered the potential loss of key personnel and the disturbance of the organization, collateral damage.

'We do not pay any special attention to integrating cultures. That is more of a thing for consultants. I used to be a consultant myself at KPMG and I know the way that works. It is a luxury we cannot afford ourselves. With us, people have to work; "niet lullen, maar poetsen" (a Dutch expression meaning: don't talk, just work).' Case 2, Interviewee C, 05/30/2011

'When I consider it (integration) necessary, I will do so implacable. Blood on the wall, one big drama during one and a half year, but sometimes that has to be done, because that's the only way I can get my results.' Case 2, Interviewee C, 05/30/2011

This is also, be it less explicit, the case in the acquisition of Estacom by Estate Living. There too, the aspect of culture is considered less important. However, here the reason is the difficulty to measure culture, in comparison to hard elements of integration.

'Then, there is intensive research the financial feasibility of the acquisition.'... 'Research on cultural differences is performed, but is less intensive. I guess, that it is easier to measure hard figures' Case 4, Interviewee G, 06/21/2011

Staffco Holding has a mono branding strategy. This means, that Staffco Holding, as a strategy, almost from a philosophical point of view, strives to have a single brand worldwide, with only a few exceptions. This mono branding strategy can be seen as a very strong and dominant culture, and is reflected in the way Staffco Holding treats acquired organizations. Staffco usually absorbs acquired organizations. They are almost always 100% integrated.

'Staffco normally integrates 100% of what they buy. It can be that they are only taking over a part of a business and then, of course, only that part is integrated. Then, integration is already interwoven in the purchase agreement. But when Staffco takes over a whole company, that company is fully integrated.'...'The strategy of Staffco, relative to that of, for example, Vedior, is a mono branding strategy. They try to incorporate acquired organizations as much as possible into the Staffco label. There are a few independent brands, such as Yacht, or Saphire, and Tempo-team, but the number of brands being used worldwide is fairly limited and there is a very good reasoning behind that. In terms of synergies and costs, it is a lot more attractive to use less brands.'...'When Staffco buys a company, or shares, or makes a business transfer in a country, it is automatically absorbed in Staffco. It doesn't remain an independent entity. When Staffco company takes over acquires an organization, it will be integrated in the existing organization, which Staffco holding has in that country.' Case 3, Interviewee C 05/16/2011

In summary: When an organization has a strong and dominant culture, targets, or the parts of a target, which are acquired, might be fully integrated.

An overview of the culture typologies of parent and target companies and the modes of acculturation are depicted in table 11.

TABLE 11. OVERVIEW OF PARENT/TARGET CULTURES AND MODES OF ACCULTURATION

	Case 1	Case 2	Case 3	Case 4	Case 5
Parent culture	Role	Power	Power	Role	Task/Achievement
Target culture	Task/Achievement	Task/Achievement	Task/Achievement	Role	Task/Achievement
Mode of acculturation	Assimilation	Assimilation	Assimilation	Integration	Assimilation

Due to the difficulty in accessing information on a targets culture and possible personnel issues, the subject is often left alone or it has less attention in the acquisition, and the post-acquisition integration process. Several interviewees mentioned this as a reason why there is less attention for 'soft', or cultural integration.

> *'Of course there are thoughts in advance on a cultural fit. However, it remains difficult to investigate, because you don't have access to the people. You know a little of the organization, often the people of Energi have been in contact with the people of the target company, and so you form a minimum all impression of the culture. But that is not the same as looking on a personal level whether target and acquirers cultures match.' Case 1, Interviewee A ,05/09/2011*

> *'Research on cultural differences is performed, but it is less intensive. The tendency is to focus on subjects which are easier measured' Case 4, Interviewee G, 06/21/2011*

In the Energi case, the integration of a part of Envicon, BDUnit, was integrated in a manner, consistent with the phases of integration, as mentioned by Birkinshaw et al. (2000), though be it much faster. The integration in the Birkinshaw case took place during approximately 5 years. The integration in the Energi case took place during 7 months. Nevertheless, the phases in which integration took place, followed a consistent pattern.

> *'The integration of a part of Envicon was in phases. First we integrated the hard side, but not too much, so that the going concern could be continued. After that, we focused more on integration of the soft side to be able to integrate the hard side further at a later stage.' Case 1, Interviewee A ,05/09/2011*

Another very interesting element in this case is the fact that, Energi has waited a certain period, before integrating the elements from Envicon. There were two reasons for waiting. The first reason was that, Envicon was bankrupt when it was bought and Energi wanted to make a new start with the business they had bought. The second reason for postponing integration was that, the manager in charge of the integration wanted to take a period, to get to know the new organization. He wanted to know who were the key players in the organization, so that he could use this knowledge to create a better new organization, with the right people in the right place, from Energi and Envicon.

'When you acquire an organization, you would like to know who, beside the management team, are the persons who "carry" the organization. In your own organization you know who are those people, but in an acquired organization, you don't. That is why we started managing Envicon with only three people for the first five months. To get to know the people of the organization, without changing the organization too much. After that period integration when fast and with more ease.' Case 1, Interviewee B. 06/04/2011

In summary: In post-acquisition integration there is less attention for 'soft', or cultural integration, due to the difficulty in accessing information on a targets culture and possible personnel issues. When postponing the integration, there is time to gather the required information, which is unclear before an acquisition.

4.5 CONTEXTUAL ELEMENTS AND POST-ACQUISITION INTEGRATION

The third theoretical aspect mentioned earlier, was the influence of contextual elements on the post-acquisition integration decision. A number of contextual elements have surfaced in this study, as possibly of influence on post-acquisition integration decisions.

4.5.1 TIME

In a number of cases there are indications that time, or duration, has an influence on the integration. In one case, the Staffco acquisition, it is specifically addressed, but in two other cases comparable signals have been found.

'An integration, by definition, must not take too much time, because of the risk that the people involved in the integration lose focus on the business. Often, if not always, people from the operations are involved in the integration. They have to think, cooperate, and are involved in the integration processes. If those processes take too long, it might happen that they get distracted from their daily work, which will result in deteriorating performance.' Case 3, Interviewee C , 05/16/2011

In the Claimco case, there is mention of loss of focus on the going concern during integration as well.

'Reorganizing is always trouble. It costs a lot of money, there is a great loss of focus on the daily business, and there are always people lost in the process.' Case 2, Interviewee C, 05/30/2011

In the Ocean Group case, establishing a sense of urgency is one of the key integration success factors in their guidelines the post-acquisition integration. Here too, the object is to put pressure on the integration to prevent a loss of focus on the going concern.

'As you might have seen in our guideline for post acquisition integration, it is important to create a sense of urgency among the people involved. This is to ensure that people don't linger during the

process and lose focus. The designated team to execute the integration consists of people who execute the integration besides their daily function. If they lose focus on either the integration, or their daily function, we'll get into trouble .' Case 5, Interviewee I, 06/22/2011

In summary: When a post-acquisition integration process takes too long, there is a risk of loss of focus on the day-to-day business, as well as, the integration itself, by those involved in the integration. These findings are consistent with theory.

Table 12 shows the durations of the integration periods of the cases.

TABLE 12. OVERVIEW OF DURATION PERIODS OF INTEGRATION

	Case 1	Case 2	Case 3	Case 4	Case 5
Duration of integration	5 Months of preparation, 2 months of implementation	6 Months of implementation, more time for further integration when considered useful	A transition period of 6 months, with extensive press attention	6 months, and ongoing (expected 4 years) due to additional organizational transformation after integration	12 months

4.5.2 REGULATION AND LEGISLATION

Regulation and legislation also sometimes dictates the process of post-acquisition integration, or the way it is executed. Especially larger organizations with strong market positions, or the organizations with close relationships with the government, have to deal with regulation and legislation. Estate Living is an organization which is closely tied to the government. When acquiring, all the plans, including the ones on integration, are checked and authorized by the *government.*

'There are certain procedures to follow when Estate Living wishes to acquire, or rather merge with, a target. First all the plans, including the intended plans for integration, have to go to the Netherlands Competition Authority, to get approval for the merger, then they have to go to the Ministry of Infrastructure and the Environment, to get approval from the Minister.' Case 4, Interviewee G, 06/21/2011

Staffco Holding, being one of the largest staffing organizations in the world, located in many countries, often has to take into account local legislation. As in the Netherlands, many other countries have a Competition Authority, and/or anti-trust legislation, which dictates whether acquisitions can be made, and whether it is allowed to integrate. Staffco uses advisory firms, to assist them in dealing with local legislation.

'Ernst & Young are our dedicated consultants concerning M&A, with whom we have a global contract. We also work in most countries with dedicated lawyer offices, for instance Allen & Overy. They are

often our local contact to support and consult us in the local dealings'. Case 3, Interviewee C, 05/16/2011

In summary: Regulation and legislation (e.g. regulation by a Competition Authority, and/or anti-trust legislation), may dictate whether acquisitions can be made by larger organizations with strong market positions, or the organizations with close relationships with the government, and whether it is allowed for them to grow (integrate a target).

4.6 OTHER IMPORTANT FINDINGS

During this study there have also been a number of findings which were not specifically sought for, or expected. These are findings which are considered important, and which might contribute to the knowledge on acquisitions.

4.6.1 EMOTION

An emotional factor has surfaced in this study as a potential risk for an acquisition. This is consistent with theory on *escalating momentum* (Sitkin and Jemison, 1986). Also, strategies to avert that risk have been noted. These strategies, may be of interest for acquiring firms.

'There is always a lot of time and energy in acquisitions and that means that, at any given time, those concerned will have a tendency to follow through, even though the deal gradually deteriorates. You have so much time and energy invested, that emotional components come into play. You want the deal to succeed, otherwise you would not have started it, you already have spoken with the Council of Commissioners.' Case 2, Interviewee C, 05/30/2011

'During the processes preceding the actual acquisition there is a risk of people getting over-enthusiastic. Lack of critical thought is a serious risk for acquisitions. After a lot of effort has been put into the acquisition by a lot of people, an atmosphere can arise, in which there is only room for a positive view on the acquisition.' Case 5, Interviewee I, 06/22/2011

The strategies used in practice to avert falling into this 'emotion trap', are very similar in both these cases. In both cases, though be it in a more formal way in the case of Claimco, a setting is created, where there is criticism towards the upcoming acquisition. Both approaches have very strong similarities with theory on *dialectical inquiry* and *devil's advocacy* (Schweiger et al., 1989).

'What we do, is to organize contradiction. We do a kind of role play in which someone takes on the role of an opponent. That person must especially think of reasons why we should not do it. This is to prevent that the emotional component takes the upper hand and an acquisition is made, based on wrong grounds. It sometimes happens that deals are improved as a result of these role plays. That works quite

well. Sometimes, when we suspect that a person will be difficult to work with, we change the setting and the roles. This process works fairly organic and flexible with us, also because we have done this so many times.' Case 2, Interviewee C, 05/30/2011

'We get together with the acquisition team and we challenge one another in critical way, with regards to the acquisition. We call that creating critical thought towards the deal.' Case 5, Interviewee I, 06/22/2011

4.6.2 Overzealous supportive departments

An interesting contextual aspect, which was only found in the interviews with the more bureaucratic, semi governmental organizations, is the mention of overzealous staff departments. Supportive (staff) departments, or policy units, which try to influence the outcomes of integration plans, by taking action on their own, apart from overall integration. They either moved towards acquired parties to subdue them to their 'rules', or they made integration plans of their own, trying to create a preferred situation for themselves. The motives for these actions may be from a risk management thought, but they can also be ways to secure one's own position in the new organization. It was mentioned as a risk for over-integration. Apparently, in certain organizations it is possible that supportive departments are so influential, that they try to influence the post acquisition integration process. This was found at Energi and at Estate Living, both organizations with strong ties to the government.

'But you run the risk overzealous tax managers or overzealous lawyers were overachievers controllers are trying to get a hold on the acquired company. That is something I have experienced in practice. Especially staff departments have a tendency to do so from a risk management thought.' Case 1, Interviewee A ,05/09/2011

'The staff departments, such as human resource, and communication, already have their integration plans ready, even before the overall integration has started.' Case 4, Interviewee G, 06/21/2011

Both organizations have a different approach on dealing with this phenomenon. In the Energi case, distance from headquarters is mentioned as a simple, but effective way to prevent staff interference, and an extra alertness for this phenomenon is advocated. In the case of Estate Living, there is given priority to, and a lot of emphasis on the integration of the primary processes, before integrating supportive (staff) departments..

'What helps, is geographical distance, for instance. we acquired an organization in the south of Belgium, which is slightly too far a drive for the people would try to interfere with the acquired organization and the integration. Concluding, I think that, at business unit level, there's a good sense that the newly bought organization should not be cuddled to death, but subsequently it has to be

guarded, that financial people on the lower-level will not try to expand their power.' Case 1, Interviewee A ,05/09/2011

'In integrations you have to be careful to stay focused on integrating the primary processes first.'… 'To prevent too big an influence of the staff departments on the integration, we prioritize the integration of the primary processes, that is to say, the integration of the departments, which are concerned with the primary processes. It is only after those departments have been integrated, that the staff departments will be integrated. The staff departments should serve the departments in the primary processes, and not the other way around.' Case 4, Interviewee G, 06/21/2011

This might imply that more bureaucratic, and/or perhaps non-profit, or more official organizations, need a different approach when integrating organizations.

In summary: Overzealous staff departments can cause a risk for over-integration. When staff departments are very influential, they can try to influence the post acquisition integration process.

4.6.3 TARGET SIZE AND ACQUISITION COMPLEXITY

Earlier, the size of a target was mentioned as influencing factor on the speed with which a target could be integrated, a relatively smaller size of a target, has a different influence on the processes *before* the transaction. The managers in the Staffco case showed an aspect which they encounter when they acquire a relatively smaller target. They argued that, in dealing with a smaller target, it is more difficult to assess the organization, because smaller organizations often are less transparent and often organized in a different way than larger organizations, which made it harder to compare, or to understand the financial figures. Smaller organizations, which are privately owned, do not always have to follow compliance rules, which larger, listed organizations have to follow.

'A smaller acquisition often is more complex than a larger acquisition. In smaller acquisitions, the counterpart is often less specialized. Often the process is more difficult to execute and it takes longer. When you look at a larger company, there is often quite a lot of knowledge and experience present. Especially when the company is listed, processes often work more easily. Advisory costs are often much higher in smaller acquisitions, then in larger acquisitions, and you take that into consideration.' Case 3, Interviewee C, 05/16/2011

In summary: Smaller organizations often are less transparent and often organized in a different way than larger organizations, which makes them harder to compare to larger organizations

4.7 SUMMARY OF THE RESULTS

The two research questions at the base of this study, are: 1) How do acquiring firms decide what to integrate after an acquisition? and 2) How do acquiring firms decide on the degree of integration after an acquisition? In table 13, the primary results of this study are presented and summarized.

TABLE 13. SUMMARY OF PRIMARY RESULTS (CONTINUED ON THE NEXT PAGE)

Variable	Sub variable	Results
Deciding on Integration	Use of a DMM in Discrete Decision making	In all cases some sort of formal, or informal DMM is used. In case 2,3,4, and 5 the metadecision and framing was considered appropriate/ a strength. In cas1,2,4,and 5, Gathering Information was considered difficult/ a weakness..
	Use of a DMM in Non-discrete decision making	In all cases some sort of formal, or informal DMM is used. In all cases the metadecision and framing was considered appropriate/ a strength. In case 1-4, there was little or no attention for learning from feedback.
Acquisition Objective	Synergy Gains	When the objective for an acquisition is to benefit from synergy gains, a target, or the parts of a target, which will enable those synergy gains, are fully integrated.
	Emerging Strategy	Acquisitions are not always part of a pre-set plan, or strategy, but they are often opportunity driven, and the strategy, or the rationale for the acquisition and the integration may unfold during, or after the actual transaction has taken place.
Firm Characteristics	Business Similarity	When the business of a target, or the parts of a target, is very similar to the business of the acquirer (e.g. a competitor in one or more fields), that target, or the parts of that target are more likely to be fully integrated.
	Size	Targets which are relatively smaller than the acquirer, are likely to be integrated faster than targets which are relatively larger than the acquirer.
	Organizational Structure	The way organizations are integrated may be dictated by the organizational structure of the acquiring party
	The nature of available ICT systems	The need for physical integration of targets can be dependent on the nature of the available ICT systems, and the way those systems facilitate location-independent work.
	Culture	When an organization has a strong and dominant culture, targets, or the parts of a target, which are acquired, might be fully integrated.
	Difficult access to information	In post-acquisition integration there is less attention for ‘soft’, or cultural integration, due to the difficulty in accessing information on a targets culture and possible personnel issues.

Variable	Sub variable	Results
Contextual Elements	Time	When a post-acquisition integration process takes too long, there is a risk of loss of focus on the day-to-day business, as well as, the integration itself, by those involved in the integration.
	Regulation and Legislation	Regulation and legislation (e.g. regulation by a Competition Authority, and/or anti-trust legislation), may dictate whether acquisitions can be made by larger organizations with strong market positions, or the organizations with close relationships with the government, and whether it is allowed for them to grow (integrate a target).

Besides the primary results found in this study there are also other important findings, worth mentioning. These secondary results are summarized in table 7.

TABLE 14. SUMMARY OF SECUNDARY RESULTS

Phenomenon	Findings
Emotion	consistent with theory on escalating momentum (Sitkin and Jemison, 1986), an emotional factor, over-enthusiasm for a deal, despite deteriorating circumstances, is a potential risk for an acquisition
Overzealous Supportive Departments	Overzealous staff departments can cause a risk for over-integration. When staff departments are very influential, they can try to influence the post acquisition integration process.
Target Size and Acquisition Complexity	Smaller organizations often are less transparent and often organized in a different way than larger organizations, which makes the financial data harder to compare, or to understand.

In the next and final chapter, the results and their implications are discussed and the contributions of this study are reviwed.

5 DISCUSSION AND CONCLUSION

5.1 INTRODUCTION

Acquisitions have become an important element of business strategies for growth and value creation (Pablo, 1994, 1995; Sudarsanam, 2003; King et al., 2004, 2008; Cartwright & Schoenberg, 2006; Haleblian et al., 2009). Despite over 30 years of study on the subject, more than fifty percent of the acquisitions fail (Bleeke & Ernst, 1995; Weber et al., 1996; Cartwright & Schoenberg, 2006; Schenk, 2007). One major influencing factor on acquisition success is post-acquisition integration (Seth, 1990; Haspeslagh and Jemison, 1991; Datta, 1991; Teece, 1992; Pablo, 1994; Larsson & Finkelstein, 1999; Birkinshaw et al., 2000; Sudarsanam, 2003). However, when post-acquisition integration is executed unnecessarily, or when a target is over-integrated, an acquisition might not create value, or the benefits that are expected (Pablo, 1994; Schenk, 2007). Knowing what to integrate, and to what level, can thus influence the success of an acquisition. Earlier studies mention acquisition objective (Pablo, 1994), firm characteristics (Datta, 1991; Chatterjee et al.,1992; Pablo, 1994) and contextual elements (Haleblian et al., 2009) as factors which influence the post-acquisition integration decision. This research project has focused on the question how the decision, what to integrate after an acquisition, and to what level.

5.2 CONCLUSION

Acquiring firms decide what to integrate after an acquisition through decision making models. They use some sort of formal, or informal decision-making model to decide on the type of integration (discrete decisions) and on the process, and level of integration (non-discrete decisions). In the discrete decision-making processes about the desired end state of the overall organization, often the decision is made based on the gathered 'hard' information. However this decision is not always a rational one. The decision can be based on a given situation, e.g. as an effect of an opportunistic acquisition, and then later rationalized to fit a strategic objective.

One of the difficulties encountered in the non-discrete decision-making processes, is the secrecy surrounding the acquisition process. This secrecy hinders the gathering of information, especially on a targets' cultural and personnel issues, making it harder to decide on post-acquisition integration of the concerning subjects (culture and personnel). A solution to this problem, used by some of the executives, is postponing the integration, except for management control. By postponing the integration, the new management has time to gather information on the previously invisible aspects of the newly bought organisation, to improve post-acquisition integration decision-making after this period of getting acquainted.

5.3 CONTRIBUTIONS

The goal of this study was to gain better understanding of the complex phenomenon of decision-making that determines the execution of post-acquisition integration. To understand the rationale for deciding to integrate a target after an acquisition. Although many researchers recognize the important influence of post-acquisition integration on the success or failure of acquisitions, there has not been much attention for the decision-making process leading up to the post-acquisition integration. This research tries to narrow that gap. A better understanding of the decision-making processes, leading up to an eventual post-acquisition integration, will add to the overall knowledge on acquisitions, and might spark new ideas for research on the subject.

5.3.1 THE ACQUISITION OBJECTIVE

Pablo, (1994) argued that the strategic intent of an acquisition needs to be understood before integration design can be understood. To understand why an action is taken, seems a logical, and important factor, in understanding a phenomenon. In this study however, the objective for an acquisition has been identified only in a few situations, as being of direct influence on post-acquisition integration. The influence of the objective for acquisitions of value creation through efficiencies has been recognized in this study. This means this study contributes in providing a stronger base, supporting that theory.

5.3.2 ORGANIZATIONAL CHARACTERISTICS

Several researchers have argued that the organizational, strategic, and cultural fit can have a positive influence on post- acquisition integration (Datta, 1991; Chatterjee et al., 1992;). In this study evidence of a higher probability of post-acquisition integration, when acquiring organization and acquired organization show similarity in the business, has been found in several cases. This, however, is not the same. The contribution of this study is the perception of *business similarity* as a moderating factor in the decision process on integrating a target organization or not. In this study there have been found no indications that a strategic fit contributes, or influences post-acquisition integration.

The *size* of the acquired organization, is said to be of influence on the integration. It is argued that when a target is small, it gets less attention of top management and therefore is less integrated, or not at all (Pablo, 1994). The results from this study show exactly the opposite. In several cases smaller organizations were integrated very fast. The small size of the target organizations was said to have been the main reason as to why the integration was done so quickly. The contribution of this study in this area, is that it shows, that relative size can have a positive, or a negative effect on the integration decision.

Organizational structure, or the way the company is organized, is also of influence on the decision on whether or not targets are integrated, and to what extent. In this study, evidence was found, that organizations, which are organized in a holding structure, where there is a small organization, controlling a group of organizations, there is less integration, or only integration of the financial control mechanisms. These findings support the theory of strategic interdependence and organizational autonomy (Haspeslagh and Jemison, 1991; Marks and Mirvis, 2001).

This study has found evidence, consistent with theory (Shrivastava, 1989), that *culture* sometimes is considered a less important factor in practice. The contribution of this study, if any in that area, is that the effect of culture in acquisitions might be of less importance in practice than in theory. This study shows a strong and dominant culture (flowing from a mono branding strategy) as an influencing factor on post-acquisition integration decision-making. The Mono branding strategy entails that acquired targets are fully integrated, and both 'soft', and 'hard' side of integration are executed, but in a way that the culture of the acquiring organization is projected on the target. Also in another case, culture is considered of little importance in the integration process, 'as something for consultants'. Since both the organization using the Mono branding strategy and the organization where culture is considered of little importance in the integration process are very successful, these findings question other theories, especially on the necessity of cultural two-way integration, such as the theory on the necessity of a cultural fit (Cartwright and Cooper, 1993; Sudarsanam, 2003).

An interesting contribution of this study is that it offers a practical solution for a problem: The difficulty in accessing information on a targets culture and possible personnel issues and consequently the problems with integration decisions. The contribution of this study is that it shows that integration success might be enhanced, when performed, after a certain *period of making acquaintance* between acquirer and acquiree. This might also be a solution to another contextual element, the *access to information* on a target's culture and possible personnel issues. The period of making acquaintance might reveal the information, improving the basis of post-acquisition integration decision-making, and might so be enhancing integration success.

5.3.3 CONTEXTUAL ELEMENTS

A contextual element found in this study, which is of influence on integration decisions in several ways, is the *time* factor. In one way, there is a sense of urgency and a need for a fast integration, to keep the eyes of the people involved in an integration, 'on the ball' (the integration process). It is stressed, that, since the people involved in aiding integration, beside their regular daily work, need to be focused on this integration without being distracted by the going concern. The contribution of this study is that it supports this theory.

Environmental uncertainty has been mentioned by Haleblian et al. (2009) as a factor that influences acquisitions and integration decisions. In this study, evidence, supporting this theory has been found. Environmental uncertainty, in the form of the latest financial global crisis, has been mentioned as a factor, which influenced the acquisition behaviour. The contribution of the study is that it supports this theory. Other contextual elements mentioned, were increased *regulatory actions* as a positive influence on acquisition activity. In this study we have not found evidence that supports this theory, however, evidence that acquisition behaviour is influenced by regulations and legislation has been found. Especially larger organizations, and governmental related organizations, are affected by this.

The final contextual element found in this study, which is of influence on the post-acquisition integration decision, is the practical element of *ICT Systems support*. This might be an element which will be of growing importance, since the development of new ICT-based business solutions, might change the way companies will be organized. The contribution of this study in this area, is that it signals this development as being of importance to post-acquisition integration decision making.

5.3.4 OTHER CONTRIBUTIONS

Besides the influences of several factors on the post-acquisition integration decision-making process, which was the focus of this study, there are a few other findings, which are of importance.

A contribution of this study, is the finding and recognition of an *emotion trap* in the acquisition process, before the actual transaction, consistent with theory on escalating momentum (Sitkin and Jemison, 1986). Not only is this phenomenon found in several cases, but also a solution to temper this effect has been found, which supports theory on on dialectical inquiry and devil's advocacy (Schweiger et al., 1989). This is very relevant for the decision-makers in the pre-phases of an acquisition. There, where emotion gets the upper hand, might be where a tipping point towards a failing acquisition lies.

Another element found in this study, influencing post-acquisition integration decisions in more bureaucratic and governmental related organizations, is the phenomenon of *overzealous staff* departments. The term overzealous points towards the fact, that the intentions of the discussed departments, are usually good, and then the effect is consistent with theory on escalating momentum (Sitkin and Jemison, 1986). However, the intentions may also be self-interest. It can be a way for people to secure there position in a new organization. It appears to be an automatic integration response towards a new organizational unit, or element, without consideration for the unique composition of the new element, and inconsistent with overall integration strategy. The contribution of this study is that it supports earlier studies, which stress the importance of consideration for the unique composition, and that it offers another viewpoint towards this phenomenon.

An interesting fact arose in the Staffco case. A link between *target size and acquisition complexity* was made. It was argued that acquiring a smaller target was often more complex, due to the fact that small targets often have a non-compliant administration. This means, that there are more expenses for consultants, to tackle the administrative differences. The contribution of this study, is that it shows the relevance of this phenomenon.

5.4 LIMITATIONS AND FUTURE RESEARCH

All research methods, including (multiple) case studies, have limitations. The first limitation is the fact the research has been done by one person. Although steps have been taken to prevent, or reduce bias, there is always a minimum of personal interpretation, making the interpretation of the results biased. Also, this report is written in English, which is not the mother tongue of the author. Interviews with subjects have been translated and checked by an English native speaker, and by the subjects themselves. However, there is a small chance of incorrect translation, influencing the interpretation.

The research method of case studies, makes use of interviews. Interviews often ‘provoke a “knee-jerk” reaction that the data are biased in which impression management and retro prospective sense making are deemed the prime culprits’ (Eisenhardt and Graebner, 2007). Although in this study the interviewees were all knowledgeable informants who view the studied phenomena from diverse perspectives, this effect of bias cannot be fully prevented.

Another limitation of using this research method, is that only a small number of cases are investigated. Although there is rich, in-depth information and evidence revealed in every case, the findings may not be found in other organizations, which makes the information non-generalizable. In this study in particular, where the organizations are from different industries, the evidence found in only a single case might be industry specific. This study however, since it only targeted organizations from different industries, cannot reveal industry specific phenomena.

This study leads to a number of insights with interesting paths for future research. The first interesting path for further research, is to further study the phases of integration, the way they were used in the Energi case. It might be of interest to study this method in other organizations, since it also seems to deal with a few other problems, such as insufficient knowledge of a target organization, and personnel issues, which are found in post-acquisition integration.

Another path is to further investigate the effect of the overzealous staff. This is an interesting phenomena, especially for larger more bureaucratic organizations, because it might have a high impact on the success of the post-acquisition integration. Examples given in this study by interviewees showed a very subtle qualities of and acquired target can be destroyed by this effect, causing loss of value.

5.5 Managerial implications

In addition to the forenamed limitations and suggestions for further research, this study has revealed a number of important implications for practice, concern in post-acquisition integration and acquisitions as a whole, which can serve as best practice and can be of use for managers involved in acquiring/integrating organizations.

5.5.1 Postponed integration

In this study a number of problems were mentioned by the interviewees, which were handled in a certain way in case one, which appears to be very effective. The problems mentioned, were a lack of information on a targets' culture, a lack of information on a targets' personnel issues, in short, the lack of inside information on a target before an acquisition. The best practice, stemming from this case, is for acquiring organizations to postpone integration during the first months after the actual transaction in an acquisition, to get to know the acquired organization and the people who work there. After this first period of getting acquainted, and gathering the previously unseen information, the integration should be less difficult to execute.

5.5.2 Overzealous Staff

Overzealous staff, with good intentions, can have an unwanted, smothering effect on a newly bought organization. When staff departments will try to integrate the new organization too fast, and with too little knowledge of why the target organization is structured in a particular way, there is a chance of value destruction in the form of the loss of key personnel, or other unwanted side effects. One solution for this problem, mentioned in this study, is geographical distance. However, since this is not always a possibility, the other solution, mentioned in this study, might be a very good method to handle this problem. The solution mentioned, is putting greater emphasis on integrating the primary departments, the departments which handled the primary processes, first.

5.5.3 The emotion trap

The processes, leading up to the actual transaction in an acquisition, are complex, and involve a lot of money and time-consuming efforts. In the process the people involved can develop a feeling that the acquisition must be made, no matter what. They show a tendency to close their eyes for issues and/or developments, which are unfavorable for the deal, and a determination to make the transaction, even when circumstances have deteriorated. To divert this effect, some management teams have developed a strategy, in one case, this has even become part of the acquisition routine. To counter effect the emotion trap they organize a role-play in the management team, in which one of the team members takes up the role of critic. The management team will enact the acquisition, and the critic will think of, and use counterarguments to frustrate the acquisition. This approach helps the management team to overcome the emotion trap, and keep a clear and objective view on the acquisition.

To conclude, this study contributes to the theoretical field by supporting, and so strengthening existing theory, and by adding new insights and suggestions for further research, and it contributes to the practical field by increasing knowledge on post-acquisition integration decision making and by identifying best practices, which offer practical solutions for post-acquisition integration decision making.

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