Master thesis Strategic Management

Performance of a merged firm during post-acquisition integration

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Name:	**Esli Wessels**
Student number:	**404059**
Date:	**October 20, 2015**
Thesis coach:	**dr. R. van Wijk** Assistant Professor at the Department of Strategy and Business Environment
Co-reader:	**dr. R. Olie** Associate Professor of International and Strategic Management at the department of Strategic Management and Entrepreneurship

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This research within the field of Strategic Management is about the establishment of synergies during the post-acquisition integration process, a challenge companies must perform when they have chosen the acquisition as a strategic option to fulfil their value propositions. The motive for this specific subject of research is my interest in strategic trajectories considered by managements in attempts to secure the fit of their company in their specific industry. New acquisition announcements are printed in the newspapers every day, representing a turbulent time for all stakeholders involved.

Coincidently the organization I am working in is also involved in an acquisition process as a target company. Also this acquisition was announced with the assumptions of sub- and super-additive synergies, which provides me a good benchmark for lessons learned out of the theory.

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I INTRODUCTION

Announcements of acquisitions can be found on a daily basis in newspaper headlines, investment reports and corporate websites.

Acquisitions are used by managers as a strategic tool to boost and reinforce the position of their company within their industry. However, acquisitions are just one tool out of a wide arsenal of strategic options managers can consider. Given the fact past research indicates a failure ratio of two-third of every acquisition the everyday appearance of acquisition announcements in newspapers is not that logical.

Exactly this contrary figures seems worthwhile the continuous efforts of scholars for knowledge building and attempts to discover new insights to fill in gaps and white spots about the acquisition phenomenon. Although the relevance of the post-acquisition integration stage is well known, the results of research are contrary in many fields. This research has the ambition to contribute to a niche in the field of acquisition knowledge, focussing on the influence of post-acquisition integration elements on realizing sub- and super-additive synergies in order to establish the value objectives management is aiming for.

1.1 Performance

In the acquisition announcement the management try to explain where the value is going to come from and present a plan how to achieve that value. Moreover, the management will emphasize the necessity for the acquisition by stating that the deal will generate earnings for the investors. In this way, the performance of the merged firm, a driver of judgements on the success rate of an acquisition, is widely measured in financial output in past research. However, by focussing on financial output other potential beneficiary aspects of the merged firm are neglected. In the end managers can have multiple motives to choose for an acquisition and these motives should be reflected by performance indicators which gives credit to these motives (Sirower, 1997; Brouthers, Van Hastenburg and Van den Ven, 1998). Acquisitions are executed with the objective to create or protect value generated by the firms' activities. Examples of these strategic intentions could be improvement of the market position and increasing the market share or a necessary disruptive switch towards another business model in order to survive. These value objectives have to be reflected by the performance of the merged firm as a result of the post-acquisition integration, but not only in a financial way.

Therefore, this research is focusing on a broader range of performance indicators of the merged firm, besides the financial indicator. To create circumstances in the research to reveal the different possible expressions of performance, a qualitative research method is used by semi-structured interviews at multiple case studies. Through semi-structured interviews the respondent(s) can be asked to clarify his opinion more detailed and the researcher can focus on aspects of interest more profound. By measuring these performance indicators in this research it is believed a judgement can be made regarding the total performance of the merged firm.

The performance indicators which are topic of this research are financial, managerial, knowledge based, market share and personnel indicators. These indicators reflect the performance of the merged firm on a broad spectrum of business aspects which indicate the condition of the firm and its position in the industry. After all, financial numbers are just a measurement at one moment in time, with limited possibilities to gain deep insight information of the company. Financial data can be 'manipulated' with the use of financial engineering to hide possible malfunctions. An overview on several indicators which covers the total company provides a better balanced 'health check' of the firm.

Off course *financial indicators* has to be present in a performance measurement as one of the tasks of a private company is to generate shareholder value and profitability in order to be able to make necessary investments. Besides these financial goals management can have the intent to execute an acquisition to shake up the positions of the management board. An acquisition provides access to this board for new managers, and might establish fruitful opportunities for high ambitious potential managers in both acquiring and target firms. If these items are objectives of the acquisition then it should be measured as a *managerial indicator*.

Also *knowledge indicators* can be measures as a performance of the merged firm, especially in acquisitions with a value creation objective whereby aims for super-additive synergies are set. If the announcement stated a desired knowledge sharing between the acquirer and the target firm, this desire must be expressed by the performance, for instance by innovative developments, goods and services.

In value protection acquisitions, an increasing market share might be established through sub-additive synergies with the intention to gain market share by acquiring a competitor. This is a measurable performance output of the merged firm as *market share indicator*.

If the aim of the acquirer is a transition of the personnel in terms of attracting 'different' employees than the existing, an acquisition might be considered as a strategic tool. These new employees and their accompanying knowledge and skills, might reveal new insights which are beneficial for the merged firm, for instance in their attempt to revitalize the business model. Acquisitions also provide new opportunities for existing personnel, for instance by promotions or function enrichment. These opportunities are examples of performance measured by *personnel indicators*.

Field of performance	Examples
Financial	e.g. increasing revenues, improved margins, improved access to capital
Knowledge	e.g. increased R&D opportunities, increased market and product knowledge, leveraging of resources between acquirer and target company
Market share	e.g. increased market share, better bargaining conditions at suppliers, economies of scale and scope
Managerial	e.g. leveraging management resources and skills between acquirer and target company, career opportunities for middle- and higher management and board members
Personnel	e.g. career opportunities for personnel, job satisfaction, job security, improved labour conditions

Table 2.1 Performance expressions as measured in this research

Moreover it is interesting to investigate if these broader performance measurements results in a different general figure regarding the success rate of a merged firm, compared with a single measurement of financial performance.

1.2 Synergies

The establishment of the forenamed value objectives, creation and protection is believed to be realizable through the establishment of sub- and super-additive synergies. Sub-additive synergies can be characterized in terms of both businesses that offer the *same* capabilities and market access. They arise by bundling goods, services and resources with similar characteristics with the aim to lower the costs per unit or increase the revenues. In this way economies of scale and scope are realized.

Super-additive synergies are established in businesses where one company has a clear advantage over the other in bringing *new, better, or non-overlapping* capabilities or market access. These synergies arise by bundling goods, services and resources of different nature to realize complementarities which were not possible to establish without an acquisition. (Sirower, 1997)

Synergies can arise as similarities or complementarities in different areas like purchasing, marketing and R&D. The various sources of synergy potential are determined by the combination potential of the acquirer and target firm. This is way acquisition announcements mentioned the high- or low potential of synergy creation between the involved firms.

It is up to the management to decide on various integrating elements during the post-acquisition integration in order to establish the aimed synergies, otherwise their acquisition ends up on the two-third side of the performance, meaning the whole acquisition appears to be a massive amount of wasted time, energy and money and stakeholders will lose their thrust in managements' capabilities. (Haspeslagh and Jemison, 1991; Pablo, 1994; Larsson and Finkelstein, 1999; Birkinshaw et al., 2000; Sudarsanam, 2003; Schweiger and Very, 2003; Homburg and Bucerius, 2006).

1.3 Integration elements

Given the relationship between aimed synergies to realize the value objectives and thus the performance of the merged firm, interest is on the post-acquisition integration process as the stage in which managements' decisions are crucial to influence forenamed relationship positively.

Prior and during this integration process management has to decide about elements which might influence the establishment of synergies. Examples of these elements are speed of integration, new policy statements, new purchasing agreements, new structural organization configuration and adjustments about procedural administration guidelines. The amount of elements are countless and often clustered by overarching themes. Decisions about structural, physical and procedural changes are clustered by 'level of integration' as they require a certain level of integration between (parts of) both firms. Another example is the cluster 'speed of integration' in which decisions regarding back- and front office integration are announced and implemented.

In this research four so called clusters are subject of research and entitled 'integration elements' as topics on which the management has to decide during post-acquisition integration.

In that way this research investigates how aimed sub- and super-additive synergies as motivation for an acquisition are influenced by integration elements during the post-acquisition integration process.

The post-acquisition integration is the moment that management has to show their capabilities in establishing the assumed synergies by making the right decisions whilst integrating acquirer and target company into a merged firm. During this integration process several elements will influence their attempts to create sub- and super-additive synergies.

In this research focus is on four integration elements which occur in every acquisition. The four elements are *speed of integration*, *relative size of the target company compared with the acquirer*, *the level of integration* and *the acquisition experience of the management and the acquiring firm*.

These elements are chosen to be subject of research because they occur in every acquisition and are all measurable by both qualitative and quantitative metrics. Moreover each element has been subject of research by several scholars, but without consistent findings. As scientific research builds on prior findings, it is worthwhile another attempt to investigate the influence of these elements in this specific setting.

Of course, the extensive research which has been executed about acquisition integration aspects serves as a basis for this qualitative empirical research. In this way new insights might occur or existing insights might be confirmed about the influence of these integration elements on each other, on establishing sub- and super-additive synergies and even on the eventual performance of the merged firm.

The influence of speed of integration on the establishment of synergies has been investigated by several scholars. It is argued that speed of integration is of relevance in external unrelated acquisitions to avoid uncertainty within the organization and at suppliers and customers. It is also known that speed of integration increases internal turbulence, especially in low internal related acquisitions. Although it seems to be a trend and preference to integrate as fast as possible, the costs and benefits of being fast has to be considered carefully by the management. (Olie, 1994; Ranft and Lord, 2002; Homburg and Bucerius, 2006).

Also the relative size of target and acquiring firm has been investigated in the past, again with contradiction in findings. Larger relative size is assumed to offer a larger possibility for synergy creation because of the higher amount of resources. However, larger targets also require more managerial attention which might be considered as an integration obstacle. On the other hand, other studies suggest smaller target acquisitions may not receive sufficient managerial attention at all to realize the aimed synergies. These mixed results illustrate that an understanding of the effect of company size is underdeveloped. Thus, the role of firm size in acquisition performance remains a fertile area for acquisition research. (Larsson and Finkelstein, 1999; Brouthers Van Hastenburg and Van den Ven, 2006; Haleblian et al, 2009).

Acquisition experience is also a topic which gains contradiction in findings. Experience is considered valuable and beneficial for the acquirer to become routinized and more efficient in acquisitions, but there is little consensus whether it also enables the acquirer to become more effectively in synergy establishment. Moreover, the topic of acquisition experience is influenced by the question if an acquisition seems to be considered as single or sequential events. Management has to deal with trade-offs between implementation of lessons learned versus unique solutions in the specific acquisition case. (Haleblian and Finkelstein, 1999; Zollo and Singh, 2004; Barkema and Schijven, 2008).

In addition these elements are inter related, which means they might influence each other. This research is also an attempt to reveal the interrelated influence between the integration elements and their combined influence on the establishment of synergies. The experience of the management for instance, may influence the decisions they made based on lessons learned during prior acquisition integration processes. And the speed of integration might be influenced by the size of the target firm.

After the post-acquisition integration phase the performance of the merged firm reflects the effects of the acquisition. It is at this moment that promises about assumed synergies come true or become broken.

1.4 Problem definition and research question

Whether the acquisition goal is value creation or value protection, the management assumes different resources than the existing will be necessary to achieve this goal, otherwise an acquisition is not the most suitable strategic tool. In other words, the management needs a target company to gain the required resources to establish the value proposition. In this way acquisitions help bridge the gaps between the firms' present resources and future expected requirements by providing excess to external resources (Hoffmann, Schaper-Rinkel, 2001). By this statement the relevance for acquisitions become clear as is the fact that acquisitions will remain a favourite strategic tool for future managers to accomplish their strategic desires.

Because of the lack of clarity of the influence of integration elements speed, size, level of integration and acquisition experience on the establishment of synergies, complementary research is necessary to gain further insights and produce fresh theory about the influence of these elements during post-acquisition integration.

This problem definition generates the leading research question:

Research question

How is the establishment of sub- and super-additive synergies influenced by integration elements and what is the accompanying impact of these elements on the performance of the merged firm?

1.5 Document outline

Chapter II provides an overview of the relevant literature about the involved aspects of acquisition objectives like the potential sub- and super-additive synergies, the value propositions and the integration elements. This literature overview serves as a fundament and provides context for the results generated with this research. Subsequently the executed research methodology is presented in Chapter III inclusive way of data collection and discussion about research validity and reliability. In Chapter IV the data analyses and results are presented and finally, in Chapter V, the contributions and limitations of this research and suggestions for future research are discussed.

II THEORETICAL BACKGROUND

2.1 Post-acquisition integration process

With industries increasingly interconnected and economic change accelerating, organizations are more than ever forced to monitor their position within this diversifying landscape. Changing legislation, technological breakthroughs and new entrants force existing companies to reconsider their market fit. There are several strategic instruments the management of a company can consider in an attempt to establish the desired fit, e.g. outsourcing, joint-ventures, mergers, greenfield's and acquisitions. In this research focus is exclusively on acquisitions which are a complex and dynamic field as described later on.

Acquisitions are a popular strategic option for organizations to gain extra resources or adept new technologies and knowledge. Through the realization of sub- and super-additive synergies they are aiming for growth and an entrance towards new resources and capabilities. In addition acquisitions are often used as a defensive strategy to hold market positions and serve as protection against competitors. The acquisition strategy has been employed by both large and small firms, whether they are established for decades or brand new in their industry. Because of their major impact on organizations, their employees and the relevant industry, acquisitions are a topic of interest for governments, industries and scientists for many decades. (Porter, 1985; Datta and Grant, 1990; Brouthers, Van Hastenburg and Van den Ven, 1998; Larsson and Finkelstein, 1999).

Focus in this research is on a specific aspect of acquisitions, namely the post-acquisition integration process. It is assumed that the realization of potential synergies, and herewith the value proposition, occurs mainly during the post-acquisition integration phase (Shrivastava, 1986; Datta, 1991; Haspeslagh and Jemison, 1991; Pablo, 1994; Larsson and Finkelstein, 1999; Birkinshaw, Bresman and Hakanson, 2000; Sudarsanam, 2003). Reviewing the existing literature about post-acquisition integration is therefore important to understand the current status of knowledge about post-acquisition integration, and especially the gaps in this knowledge, as this study is an attempt to fill in some of these gaps. The global interest and impact of acquisitions is reflected in the literature which is the result of many research executed by scholars all over the world. (Datta, 1991; Haspeslagh and Jemison, 1991; Pablo, 1994; Larsson and Finkelstein, 1999; Zollo and Singh, 2004; Hitt et al, 2009).

During post-acquisition integration management is faced with trade-offs regarding integration elements which, according to their knowledge and experience, will make sense to establish the aimed synergies. An acquisition can be presented as a repeating cycle from which the frequency is determined by the perceived fit of the organization with its industry requirements. If the management presumes a misfit, they might consider a new acquisition to recover this misfit.

Figure 2.1 represents the acquisition process presented as an abstract cycle as considered by the management. This figure emphasizes special focus for the post-acquisition integration process as subject of this research, within the context of the total acquisition process.

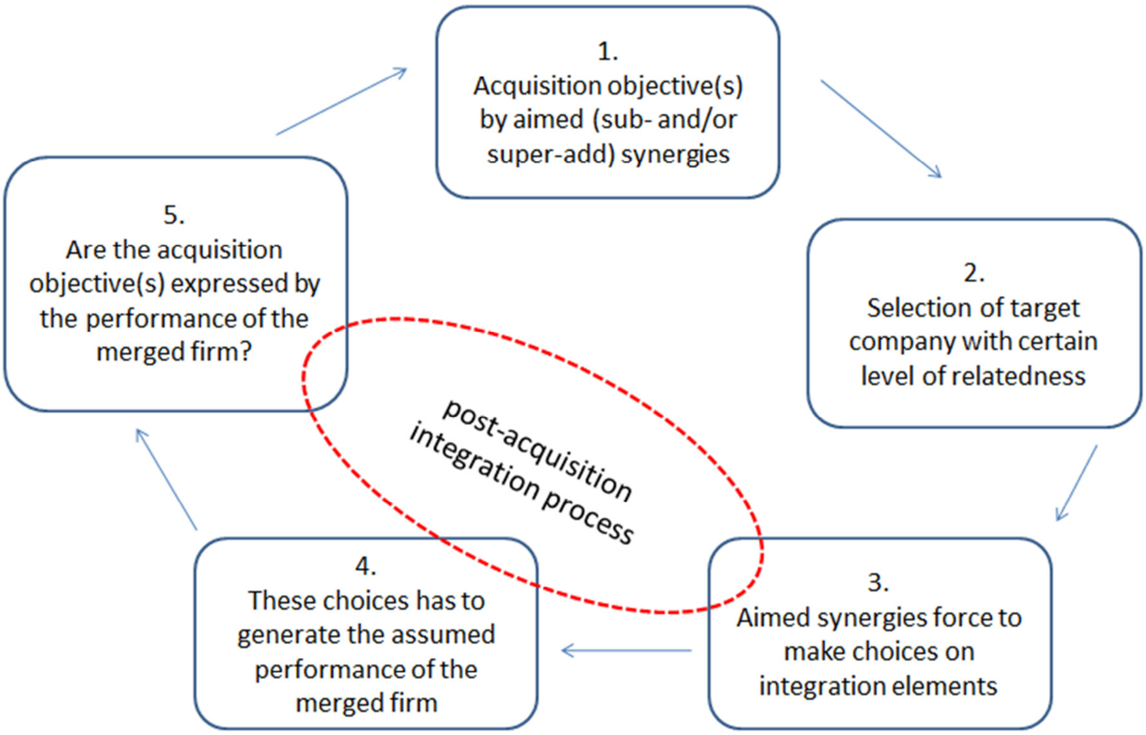

Figure 2.1 *Post-acquisition integration within the context of the acquisition process*

2.2 Performance and value propositions

The eventual goal of an acquisition is a better performance than the current one. The only question is how to measure this performance, as it can be measured in several ways.

The performance identifiers are common presented in financial data like changing share prices and profitability, EBITDA, revenues and margins per unit sold. Because focus in most research is on financial performance as a way to measure the acquisition success, non-financial performance identifiers are often less mentioned. However, management might also aim for non-financial performance expressions like gaining additional resources, new technological knowledge, new partners or extension of networks. But also unique and valuable patents, brand names, new customers or market entries can be representations of an acquisition performance. In this way the performance should be measured in accordance to the strategic intention of the management, as the motivation to execute the acquisition at all (Lubatkin, 1987; Seth, 1990; Datta, 1991; Chatterjee, 1992; Brouthers, Van Hastenburg and Van den Ven, 1998; Larsson and Finkelstein, 1999; Schoenberg, 2006).

Eventually the acquisition objective is to obtain specific resources to create synergies and establish a certain value proposition with which the management believes their organisation is better equipped (or revitalized) to sustain industry conditions for the present future. Common aimed value propositions are value creation and value protection, whilst mismanagement of an acquisition might result in value leakage (Pablo, 1994; Olie, 1994; Birkinshaw et al, 2000; Brouthers, Van Hastenburg and Van den Ven, 2006; Sudarsanam, 2003; Haleblian et al, 2009; Hitt et al, 2009)

2.2.1 Value creation

Value creation can be established by reduced costs or increased revenues through shared services as purchasing, vertical integration, production and channel bundling (sub-additive synergies) or cross-selling and knowledge building (super-additive synergies).

Examples of decreasing costs with the use of an acquisition are for instance saving costs by creating economies of scale or scope by acquiring competitors in the same business. Other possible cost savings might occur in a reduction of functionalities (because of overlap), a stronger bargaining position by suppliers and better conditions for purchasing services in marketing, HR and transportation. In the end this might result in lower costs per unit sold and an increasing margin.

An example of value creation is the acquisition of a company in the supply chain from raw material to end-user, also known as (forward or backward) vertical integration. This will lead to an increasing margin because steps are eliminated in the value chain. (Seth, 1990; Chatterjee, 1992; Birkinshaw et al., 2000; Sudarsanam, 2003; Haleblian et al., 2009; Schenk).

Acquiring promising or unique resources can result in a knowledge- or first mover advantage. If the target holds valuable patents or licences or is located in a geographic area were the firm is not present yet or not allowed to do business with from abroad, acquiring it makes sense. An acquisition might also lead to an accelerating market entry in a complete new business industry. This disruptive strategic change occurs if a firm founds itself in a position in an industry with less perspective and they decide to enter a new industry by acquisition. An acquisition might be a faster way to reach a footprint than trying to build it by starting a greenfield.

2.2.2 Value protection

Value protection occurs when an acquisition is used as a protective strategic way to secure the position in the market against competitors by acquiring one of them, resulting in a reduction of competition or even a monopolistic position. In this way the market share, and so market power, will rise and opportunities for more synergies might occur by accompanying economies of scale on purchasing, production and sales. Another motive for an acquisition with the goal of protection is to buy a competitor with valuable new innovations or patented products. This is a differentiation strategy aiming for difference in product offerings and economies of scope.

Besides being a value creation arrangement, vertically integration by acquiring a supplier or dealers can also contribute to protection of the own position.

A third reason for an acquisition from a protection point of view is the spreading of risks by acquiring a company in the same industry but in a different geographic area (Seth, 1990). Declining demands for products or services in one geographic area can be balanced by entities in other areas.
All above mentioned options have the intent to protect the market position, increase market power, spread risks or raise entry barriers for potential new competitors.

As a last, obviously not intended, result of bad acquisition strategy, the acquisition might result in a strategic misfit. Sub consequently, proposed value is not established or leaked away. This might occur due to resources with high skilled or unique knowledge leaving the company, the acquisition of a target with overestimated synergetic possibilities or implemented actions which are too late or without any impact. Literature recognises acquisition driven by personal financial incentives for managements e.g. bonus rewards, stock price, options, kickback fees, etc. Also status related initiatives are known as a bad argument for acquisitions as in managements' perception that executing an acquisition is a bucket list item for every top manager to get recognition or status among other managers. Bad luck or a lack of knowledge might result in over ambitious managers who underestimate the immense amount of work an acquisition can generate and after all appear to be incapable to manage the acquisition integration in a successful way.

2.3 Synergies

Organization can have a variety of objectives to execute an acquisition. The motivation and urgency for an acquisition will depend of the industry dynamics, company characteristics and the position of the company compared to his competitors.
The acquisition rationale is the starting point to set next steps which has to lead to the realization of the value proposition. The objectives of the acquisition will decide the scale and scope of the acquisition and in that way influences the post-acquisition integration process. It is in this stage that the management has to decide on numerous integration elements to create and establish the intended synergies (Olie, 1994).
As Pablo (1994) stated, "in order to understand integration design, the strategic intent of an acquisition must first be understood. In other words, what are the objectives of the acquisition, why is the target firm bought at all?"

As noticeable in the acquisition announcements which occur in the daily newspapers, it is believed abovementioned value propositions are realizable through sub- and super-additive synergies.
The potential synergy realisation is the most used argument for performing an acquisition. However, this is only a theoretical prediction in the pre-acquisition stadium. Management has to prove their assumptions by realizing these promised synergies during the post-acquisition integration phase.

Organizational researchers point to the implementation phase as a key factor for performance success of the merged firm. Potential synergies will result in superior performance only if these can eventually be realized through effective post-acquisition implementation.
The main thought about synergies is a creation of a whole that is greater than the sum of its parts. The difficulty with synergies is that they are hard to imitate by competitors, but even hard to reproduce by the management because there is always a combination of firm characteristics, resources and capabilities and economic circumstances which influences the degree of synergy. (Shrivastava 1986; Seth, 1990; Olie, 1994; Pablo, 1994; Sudarsanam, 2003; Zaheer et al, 2011).

There is a distinction possible between sub- and super-additive synergies.
It is relevant to clarify this distinction because of the fact that the strategic intent of the acquisition can be aimed on one of both or a combination of these types of synergies.

Sub-additive synergies refer to similarities and standardization between acquirer and target firm and causes economies of scale. Examples are shared financial and physical resources like purchasing (e.g. raw materials and insurance agreements), transportation, sharing offices, production facilities, warehouses, machines and other fixed indivisible investments, but also shared sales forces, HR, purchasing and other functional departments.
In attempts to achieve these sub-additive synergies focus is on asset improvement and asset creation.
It is assumed sub-additive synergies are especially interesting in acquisitions between companies with high relatedness because economies of scale are easier to realize in these circumstances. (Datta and Grant, 1990; Haspeslagh and Jemison, 1991; Larsson and Finkelstein, 1999; Hitt et al, 2001; Dyer, Kale and Singh, 2004; Zollo and Singh, 2004; Zaheer et al, 2011).

Super-additive synergies refers to complementarity and variety and causes economies of scope i.e. complementary in products and resources, opportunities for cross-selling and leveraging knowledge about new managerial or technical developments.
A most common example is a shared distribution network for complementary products where the convenience for the customer is in bundling his purchases. It gives them an incentive to buy from a single supplier (one-stop-shop philosophy). The keyword here is complementary products because shared distribution of unrelated products might have sub-additive effects due to economies of scale in handling the products or increased storage or display space. The super-additive effect consists in the buyer's incentive to bundle his purchases because the products are interconnected in some way.
Super-additive synergies are aiming for sustainable competitive advantage by creating processes, resources and competences which are hard to imitate by competitors. It is about creating products that are perceived as unique by most people which give the company a differentiation advantage. (Porter, 1985; Sudarsanam, 2003; Schweiger and Very 2003).

Table 2.1 provide an overview of the different disciplines and business areas influenced by possible sub- and super-additive synergies.

Discipline	Potential synergy
Managerial	opportunities for managerial specialization, leveraging of knowledge and skills and selection of the best fitted for the job
Financial	levering cash and debt numbers, revenues and cost synergies, allocation of fixed and variable investments
Sales & Marketing	shared resources for the merged firm, better allocation of employees as they become available for a larger portfolio, extended product portfolio and shared services, opportunities for cross-selling and entrance to new product-market combinations
Transportation	combining existing transportation networks, -resources and warehouses, route to market, service agreements
Intangible synergies	intangible synergies are hard to quantify because this type of synergy is about brand names, sharing know-how or intangible assets. Examples are benefits from an umbrella brand, distribution channels, sharing costs of research and development
Overhead	overlap in functions offers possibilities to select the best for the job and resigning of resources and shedding real estate and inventory properties

Table 2.1 Overview of potential synergies in different business disciplines

2.4 Relatedness

The acquisition aims (value proposition by assumed synergies) will lead to a shortlist of potential target companies whereby the inevitable question is the level of (assumed) relatedness between acquiring and target company. The degree of relatedness provides a first insight in the amount of functional overlap (similarities) between companies and the level of potential new leverage able activities (complementarities). These similarities and complementarities can occur in various forms e.g. employees, product-market combinations, soft and hard firm characteristics, geographical activities and financial metrics. During pre- and post-acquisition phase it is up to the management of the acquiring company how to deal with these issues in an attempt to reach the aimed value proposition.

The post-acquisition integration stage is a major determinant of the success of the acquisition to establish synergies. Prior research revealed a link between the level of relatedness between acquirer and target (Datta, 1991; Haspeslagh and Jemison, 1991; Chatterjee, 1992, Pablo, 1994; Birkinshaw, Bresman and Hakanson, 2000).

Relatedness is the degree in which organisations shows similarities or differences. Differences are generally seen as complementarities. A further distinction is external and internal relatedness. External relatedness refers to the merging firms' target markets and their market positioning. Internal relatedness refers to elements within each of the merging firms such as management styles, strategic orientation and job satisfaction. Internal turbulence relates to inter-firm problems such as inter organizational competition, conflicts between members of the organizations, holding back of information and coalition building (Lubatkin, 1987; Haspeslagh and Jemison, 1991; Birkinshaw, Bresman and Hakanson, 2000; Sudarsanam, 2003; Homburg and Bucerius, 2006).

Previous research on influences of relatedness on post-acquisition integration has gain inconsistent results about exact influence of relatedness between acquirer and target on potential successful synergy realisation.

Some scholars suggest realization of sub-additive synergies seems to be easier in high related firms and found beneficial influences for return on investments, easier post-acquisition integration processes and risk-reduction (Lubatkin 1987; Homburg and Bucerius, 2006). At the back office side of the organization cost-reduction and increasing efficiency are established by higher bargaining power, shared purchasing, shared transportation and administration while at the front office shared marketing and possibilities for cross-selling arise. In addition a high level of relatedness is linked to higher performance because employees do not have to adjust heavily on new structural, organizational and managerial routines, they can continue their former routines. Furthermore the post-acquisition integration faces less resistance if the targets' employees experience familiarity between their organization and the new owners.

It is also argued by Nahavandi and Malekzedah (1988) that a direct relationship between the acquisition objective and the degree of relatedness exists and Tanriverdi and Venkatraman (2005) finds synergies arising from product knowledge relatedness, customer knowledge relatedness and managerial knowledge relatedness. However, these types of synergies do not improve corporate performance on their own. Synergies arising from the complementarity of the three types of knowledge relatedness significantly improve the performance of the corporation.

On the other hand Lubatkin (1987) and Seth (1990) did not find any significant relationship between relatedness of the acquirer and target company and the performance of the merged firm.

It seems a matter of common-sense and low hanging fruit to acquire companies with a great degree of overlap. In case of acquiring related organisations who are competitors in the same product-market segment, the changes of realisation of economies of scale will be high. Overlay in functionalities can be solved by layoffs whilst costs per unit can decrease because of improved economies of scale and scope in the functions of purchasing, transportation, production and overhead administration (Seth, 1990; Lubatkin, 1987; Chatterjee 1986).

However, history teaches that all these assumed predictions and promises has yet to be proven and therefore one of the most important steps to accomplish these predictions is de post-acquisition integration phase.

Larsson and Finkelstein (1999) found relatedness to be the single most important predictor of synergy realization whilst exactly the opposite was found by Datta and Grant (1990).

The contradictions about the influence of relatedness on achieving synergies can have both positive and negative consequences. When the level of autonomy remains high an already excelling company can continue their high performance after being acquired for their performance, whilst at the same time the question is how and when knowledge sharing with the acquirer is realised? In the end the acquirer wants to benefit from the acquisition transaction. The same question rises for the target company. How can they benefit from their new owner?

With reference to this knowledge out of existing literature a further investigation towards the topic of relatedness in acquisitions seems worthwhile the efforts.

Zaheer et al (2011) suggest the relatedness as a predictor for required integration, with similarity and complementarity as dimensions. Similarity is the extent to which acquirer and target have a high degree of overlap in their resources and capabilities. Complementarity occurs when firms offer products and services, but also resources and capabilities which enrich each other.

They argue that acquisitions contain one of the dimensions similarity or complementarity, or have a combination of both. This results in a quadrant model as shown in figure 2.2. This model is useful for management to investigate the relatedness between acquirer and target, and act according to the suggested alternatives provided by the model.

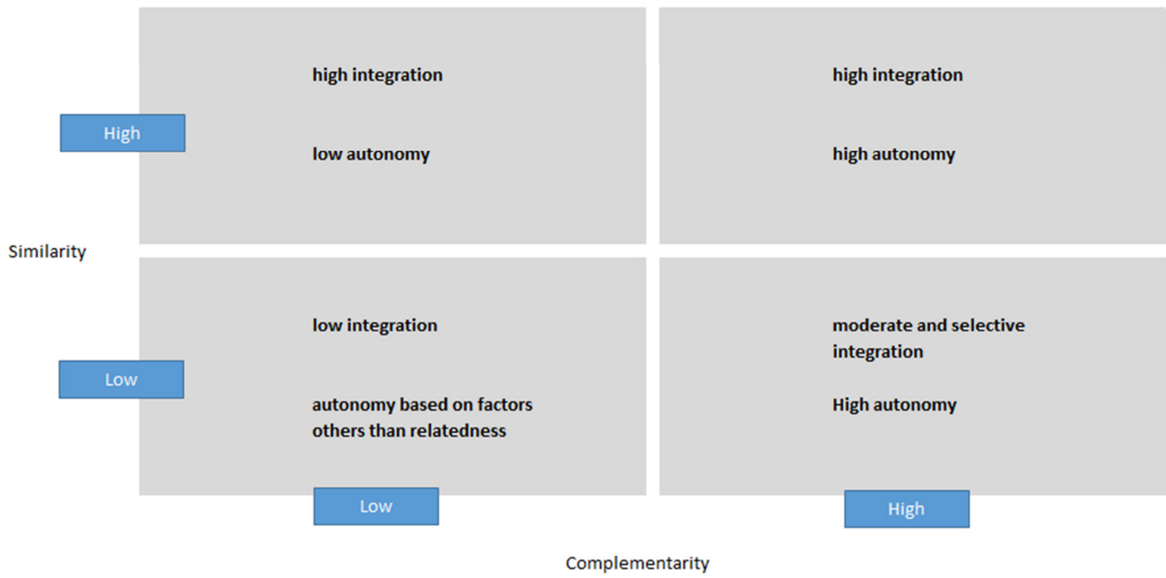

Figure 2.2 *Zaheer et al, 2011 relatedness by similarity and complementarity,*

Aforementioned literature review shows the large spread in findings in this field of research. Therefore an extra attempt to narrow this spread for at least the elements of interest in this research is useful to enrich the existing knowledge.

2.5 Types of post-acquisition integration and desired end-state

The strategic objectives driving the acquisition are related to the achievement of synergies and thus the different approaches of post-acquisition integration. Given the fact that an acquirer may be seeking multiple synergies in an acquisition the challenges to establish these synergies are different as well.
When the assumed synergies are clear and the rationale for the acquisition is on the table, the management has to create the best circumstances to transfer this potential benefits into real results.
Pablo (1994) stated: “After an acquirer selects and acquires a firm with synergistic potential, it is up to the acquirer to unlock as much of this potential as possible by building sufficient organizational fit.” Furthermore she defines post-acquisition integration as ‘the making of changes in the functional activity arrangements, organization structures and systems, and cultures of combining organizations to facilitate their consolidation into a functioning whole.’

This functioning whole which has to be designed by the management in an attempt to unlock the synergistic potential is often called the desired end-state, and ideas therefore occurs prior to or during the acquisition integration.
A crucial aspect of the integration process is the decision for the type of integration on the scale from total autonomy towards full integration (absorption). This decision will have great impact on other decisions like structural, managerial and procedural elements. Exactly these many interdependent sub activities make the post-acquisition integration phase a difficult and hardly predictable process which has to be executed in such a manner that the desired end-state is realized. (Schweiger and Very, 2003; Puranam et al, 2011; Sudarsanam, 2013).

Several scholars has researched the phenomenon of the desired end-state of the merged firm and proposed ways to integrate assets and people involved in the acquisition. Their models showing great overlap but are useful to consult by the management for the several choices they have to make during the post-acquisition integration process. (Shrivastava, 1986; Haspeslagh and Jemison, 1991; Marks and Mirvis, 2001, Schweiger, 2002)

As discussed in paragraph 2.4 about relatedness, Zaheer et al (2011) suggested an integration approach in which complementarity and similarity are distinguished as the two elements of relatedness. This is relevant because acquirers may perceive their targets as either similar or complementary or a mix. This offers the potential to realize value from both relatedness dimensions but asks for a different integration approach as suggested by their model.

Shrivastava (1986) distinguishes three territories which have to be managed during the post-acquisition integration to secure growth and performance for the long term. These territories are: 1. Coordinating activities to achieve overall organizational goals, 2. Monitoring and controlling individual departmental activities to ensure that they are complementary and are being performed at adequate levels of quality and output, and 3. Resolving conflicts between the fragmented interest of specialized departments, individuals and their inconsistent sub goals.

According to Shrivastava it is necessary to understand the different types of integration to achieve success with the integration. These three types of integration are:

1. Procedural integration – e.g. legal and accounting, functionality and transferable systems
2. Physical integration – e.g. product line, real estate like production facilities, technologies
3. Managerial and sociocultural integration – e.g. personal transfers, organization structures, gaining commitment and motivating of the personnel, establish new leadership

With his framework, Shrivastava provides a tool for managers to think about the integration needs for the merged firm, in their attempt to solve the integration challenges.

Types and territories of integration	**Coordination**	**Control**	**Conflict resolution**
Procedural	Design accounting systems and procedures	Design management controlling system	Eliminate contradictory rules and procedures rationalize systems
Physical	Encourage sharing of resources	Measure and manage the productivity of resources	Resource allocations asset redeployment
Managerial and sociocultural	Establish integrator roles change organization structure	Design compensation and reward systems allocate authority and responsibility	Stabilize power sharing

Table 2.2 Shrivastava (1986) post-acquisition integration tasks

Haspeslagh & Jemison (1991) came up with a model in which central focus is on the need for strategic interdependence versus the need for organizational autonomy. It is up to the management to decide the need for strategic interdependence between acquirer and target company that is required to leverage strategic capabilities between the two firms. On the other hand they have to decide about the need for organizational autonomy for the target company to sustain the acquired strategic capabilities.

This results in a quadrant with four options. Preservation (hardly any integration) and absorption (full integration) as opposites on the scale. In the symbiosis approach the two firms initially operating as stand-alone units and gradually become interdependent. In the holding company the acquirer and target are divided in subunits.

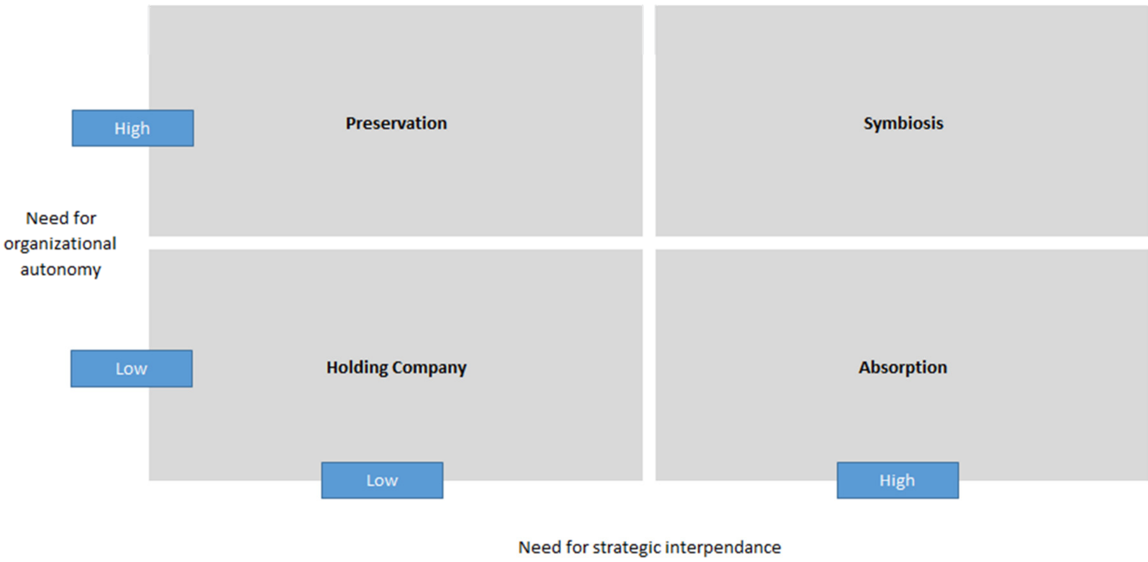

Figure 2.3 *Haspeslagh and Jemison (1991), strategic interdependence vs. autonomy*

Marks and Mirvis (2001) designed a model based on the degree of change in the acquiring and acquired company. Their model contains five integration approaches:

1. Absorption: full integration of the acquired company into the acquiring company
2. Transformation: both firms re-invent themselves in order to generate synergies
3. Reverse takeover: unusual event in which the target company is leading the post-acquisition integration process
4. Preservation: the acquired company more or less remains the same
5. Best of both: for each integration aspect the best practice from acquirer or target is chosen in order to generate synergies for the merged firm

With this model the management can decide which integration approach is the best option to realize their assumed synergies.

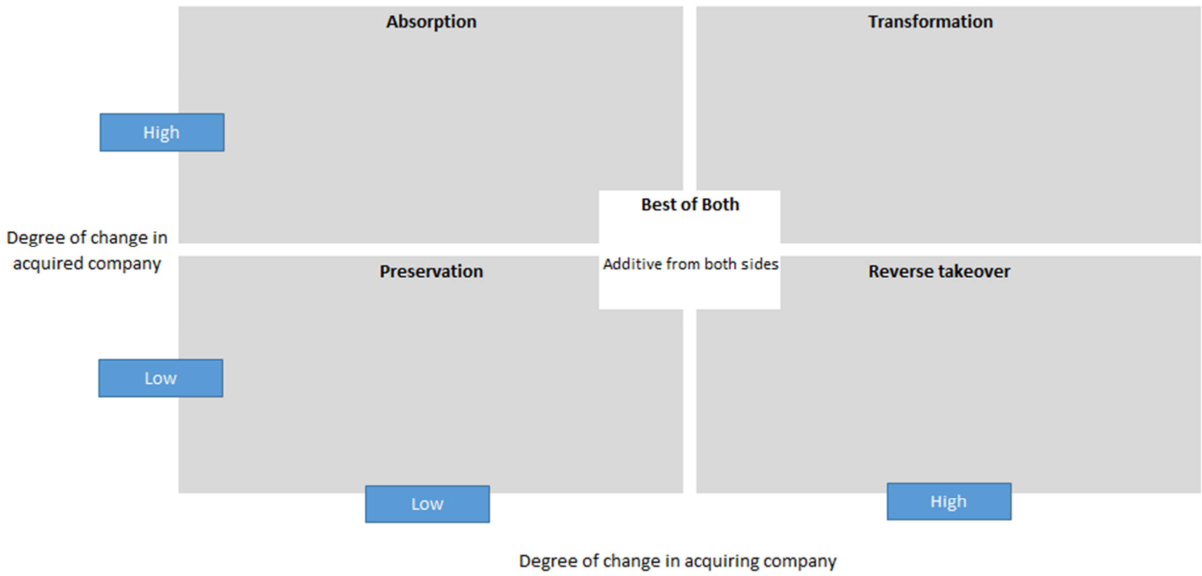

Figure 2.4 Marks and Mirvis (2001)

Schweiger and Very (2003) 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 acquisition. This results in four types of integration approaches based on functions, geographically areas and product lines.

Integration approach	Impact
Consolidation	The extent to which the separate functions and activities of both an acquirer and a target firms are physically consolidated into on
Standardization	The extent to which the separate functions and activities of both firms are standardized and formalized, but not physically consolidated
Coordination	The extent to which functions and activities of both firms are coordinated
Intervention	The extent to which interventions are made in an acquired firm to turnaround poor cash operating profits, regardless of any inherent sources of synergy

Table 2.3 types of integration approach according to Schweiger and Very (2003)

According to Schweiger and Very (2003) acquirers has to make decisions based on the strategic objective, *why is the target firm bought at all?*, which will result in a specific type of synergy.

Strategic objective why is the firm bought at all?					
	Consolidate within a geographic area	Extend or add new products, services or technologies	Enter a new market	Vertically integrate	Enter a new line of business
			Type of synergy		
Cost	High	Low	Low	Moderate	Low
Revenue	Low	High	High	Low	None
Market power	High	Moderate	Low	High	None
Intangible	Moderate	Moderate	Moderate	Low	Low

Table 2.4 Schweiger and Very (2003) linking strategic objectives and synergies

2.6 Integration elements

Paragraph 2.3 mentioned value creation or value protection objectives for an acquisition. The goal of the integration is to create a merged firm capable of achieving the strategic objectives by establishing synergies in a way which would not be able as separate organisations. These synergies and accompanied value objectives are mostly mentioned as justification for the acquisition.

In order to gain synergies acquirers has to decide about the desired end-state of the merged firm, an organization composition from which they believe both acquirer and target firm will gain advantage.
In this research four integration elements are subject of research to investigate their influence during the post-acquisition integration process and herewith on the establishment of sub- and super-additive synergies. Eventually the performance of the merged firm has to reflect the value proposition.
In every type of integration chosen, managers will face trade-offs between the various elements of integration. These elements will have their influence on (the result of) the acquisition integration both on their own as well as combined (interrelated).

Several scholars have studied a wide range of elements. There is also a distinction between so called 'soft' and 'hard' elements. Soft elements are e.g. culture, behaviours, unwritten rules and conventions and values. In this sense soft element refers towards all aspects which are important for people's wellbeing like job satisfaction, job security, career opportunities, etc. These elements are more or less intangible and have to achieve clarity for employees and commitment for decisions made by the management.
The hard elements provide information and guides employees about the organisations' applicable frameworks, guidelines and procedures, structures, systems and strategy. Integration of hard elements seems easier because management can command these top-down. In most cases the systems and

procedures of the acquiring firm will serve as the standard for the target in an attempt to have one clear way to communicate and measuring and monitor results. (Sudarsanam, 2003).

2.6.1 Integration element 1: Speed

There seems to be a lot of reasons to execute the post-acquisition integration in the shortest timespan possible. Why waiting with the post-acquisition integration as attractive synergies are presumed? And, as a change in work-related environment goes alongside with insecurity and uncertainty, why not implement these changes as soon as possible to avoid unnecessary negative emotions under the employees? This latter especially influenced by the knowledge of the high risk of losing unique and valuable employees because they do not want to wait for the verdict and make their own choices when disruptive changes are announced. Or, would it be better to integrate gradually instead of speed up things as much as possible? (Marks and Mirvis, 2001; Homburg and Bucerius, 2006; Weber and fried 2011).

It is argued that the benefits and detriments of speed of integration depend on the level of internal and external relatedness between the merging firms prior to the acquisition. According to Homburg and Bucerius (2006) speed is not always better. There is no simple answer to the question whether post-acquisition integration should take place quickly or not, it depends on the fit of the involved firms, especially on their cultural fit. Other scholars too point out the relation between a high level of relatedness and speed of integration. They argue that organizations with a high level of relatedness and large functional and geographical overlap should be able to integrate at high speed because the choices to made are relatively simple, based on rational and measurable grounds like the most logical choice concerning location of the real estate as offices and production facilities. (Ranft and Lord, 2002; Epstein, 2004; Cording, Christmann and King, 2008).

Early completion of integration can both mitigate risk and permit an earlier realization of merger benefit (Epstein, 2004). Other well-known features of high speed integration are clarity for all members involved, avoidance of a long term period of (job)uncertainty and faster creation of synergies.

In case of an acquisition which is one in a sequence and the focal acquisition is already planned, there might be several reasons to speed up and finish the current acquisition in order to prepare for the next. The most important argument for speed in this case is that such growth puts pressure on the acquiring top management to integrate the target firm faster than ever before, because new M&As are often announced while the organizations are still going through the previous integration process. (Bower, 2001; Hayward, 2002; Epstein, 20014; Weber and Fried, 2011).

Other scholars supports the theory of a more gradually approach towards post-acquisition integration with a period of studying and understanding between the employees of the two companies (Olie, 1994; Ranft and Lord, 2002).
Features of this slower integration are for instance that in the end a lot of choices should ask for adjustments which causes double work in case of a fast integration. Better choose a longer period of integration but a good one, instead of a weak attempt to hit bull's eye very fast. Moreover scholars are mentioning the fact that the pre-acquisition process is common highly discrete which hinders the acquirer to get a clear and realistic view of the target organization. Therefore it is advised to start the post-acquisition integration slowly and first try to get knowledge of the newly acquired organization to analyse which level of integration will enhance the acquisition success. (Marks and Mirvis, 2011; Haspeslagh and Jemison, 1991; Larsson & Finkelstein, 1999; Sudarsanam, 2003)
Another advantage to avoid sudden disruptive changes might be the warranty of the existing networks in the organization. Especially the networks consisting of valuable tacit knowledge and soft skills must be protected to avoid knowledge leaking. During this first period the targets' people can overcome barriers for knowledge sharing by trust building experiences with the acquiring organisation (Shrivastava, 1986; Ranft and Lord, 2002).

2.6.2 Integration element 2: Size

No matter what size the target firm is relative to its acquirer, in all cases management attention is limited so delegation is inevitable. Which elements are chosen for their attention and which elements are delegated to lower management? In general scholars agreed that a larger sized company tends to have more bureaucracy and smaller organizations are more flexible and entrepreneurial.
Larsson and Finkelstein (1999) presume that organizational size does matter but especially because of the combination potential to establish synergies than because of managerial attention. In the end significant synergies has to be established and that potential is doubtable in acquisitions of small targets.

Another opinion about the influence of relative organizational size is found in research by Chatterjee et al. (1992). They argue that it is more difficult for acquiring managers to understand the areas were integration is needed when the target organization is relative large. This causes a reactive response towards problems instead of a proactive approach.
This view is shared by Shrivastava (1986). He also found evidence for a reactive approach towards relatively large target organizations by the management of the acquirer. He believes this reluctance is caused by the more diverse and intensive integration problems such an acquisition brings.

Acquiring a bigger target firm requires a larger capacity of resources for the het post-acquisition process. Shrivastava (1986) stated: the larger the organization the greater the need for integration because larger firms possess a greater number of units or elements that need to be coordinated. Also, the subunits that need to be coordinated are often more diverse than in small organizations.
The relevant question is whether the management is capable (in terms of time, resources and knowledge) to manage the acquisition in such a timeframe which enables synergies to occur.

In contrast with this findings Pablo (1994) and Capron and Hulland (1999) found evidence for a lower level of managerial attention for small target organizations. Pablo (1994) found that acquisitions of relative small targets may remain virtually unintegrated because they do not attract a high level of management attention. According to her an explanation for this low level of managerial attention is that 'managers may perceive smallness in and of itself creates distinctive capabilities such as innovativeness, which would be lost through a high level of integration with a large firm'.
Acquiring smaller target companies is an efficient strategic option for companies to gain unfamiliar resources or knowledge. This is why start-ups in a specific niche market are often acquired when they seems to hold a unique market position. Lot of present examples are seen in the tech- and biomedical industry. A small size company however could also be hard to integrate. Due to its compact size there might be a tight culture representing a high team spirit and unique resources. This can cause difficulties in integration into the merged firm because of a we-they feeling might be an obstacle for smooth cooperation. After all the target has been acquired because of their 'uniqueness'. If the context of this unique enterprise changes dramatically, the uniqueness might be lost as well, for instances because employees do not feel at home in the merged firm and leave the company. These aspects makes it difficult to integrate a smaller target with a strong own identity into a corporate organization. (Vaccaro et al, 2012)

2.6.3 Integration element 3: Level of integration

Studies have shown that integration enhances acquisition performance. In fact, Larsson and Finkelstein (1999) found it to be the single most important predictor of synergy realization. Many scholars has emphasize that the eventual performance depends to a large extent on how effectively an acquisition is integrated, including, amongst other things, the level of integration. Zaheer et al (2011) stated that 'determining the appropriate level of integration is crucial to realizing value from acquisitions', but each acquisition asks for its own appropriate level. Several scholars have argued that autonomy and full integrations are opposite ends of a continuum making it a trade-off between one or the other but not both. (Datta & Grant, 1990; Puranam et al., 2006). However, other scholars argue that integration and autonomy are possible at the same time when conditions suggest the need for both (Haspeslagh and Jemison, 1991).

It may not be enough for an acquisition to have potential synergies to exploit; structural and processual changes must be undertaken that allow those synergies to be realized. (Shrivastava, 1986; Grant, 1988; Datta and Grant, 1990; Haspeslagh and Jemison, 1991; Teece, 1992; Pablo, 1994; Larsson and Finkelstein, 1999; Birkinshaw et al, 2000, Zollo and Singh, 2004; Zaheer et al , 2011).

The required level of integration depends on the desired target control and autonomy. The more control about the target company desired, the more integration needed. When acquiring a target with the purpose for a high level of integration (absorption) however, it is up to the management to decide about far more radical interventions as consolidate, discharge or reallocate human resources.

Another driver of level of integration is the acquisition intent. If the intent is to acquire new resources which are not present in the current company (value creation by super-additive synergies), the required level of integration must at least guarantee the sharing of this new resources into the merged firm. In the same time this might not damage the autonomy necessary for the target company to excel with this resources. As seen in paragraph 2.4 Zaheer et al (2011) build on this point stating that integrating target managers into the acquirer's reporting structure does not preclude the granting of autonomy to target managers to capitalize on their experience and understanding. Especially when the target brings complementary resources into the acquirer the need for both autonomy and integration may exist in example to secure knowledge sharing (integration) whilst maintaining the uniqueness of the target (autonomy).

Larsson and Finkelstein (1999) found organizational integration as the strongest predictor for synergy realisation in the way that the greater the degree of interaction and coordination between combining firms, the greater the degree of synergy realization

In this way the management has to consider choices regarding the trade-offs and tensions between the interests of the acquirer and those of the targets firm. If the intent is to cut costs by creating sub-additive synergies, the level of integration will be high resulting in an absorption of the target company into the acquirer. Cutting functionalities because of overlap is an easy way to generate savings and increase efficiency.

If the goal is leveraging knowledge or implementing cross functional learning the integration has to secure enough possibilities to share knowledge between employees from acquirer and target company. This can be established by uniform systems, new structures, procedures and/or interchangeable management and employees of both acquirer and target company. (Data and grant, 1990; Haspeslagh and Jemison, 1991; Birkinshaw et al., 2000; Hayward, 2002; Puranam et al., 2009).

For entering new geographical markets with existing products it might not be necessary to integrate at all. Product portfolios from both firms can be interchanged but it is not always necessary to integrate the salesforce. Only systems and back office might be integrated to monitor the sales activities and supporting measures. In addition transportation movements and warehousing might be integrated. This is an example of a mediate level of integration. Almost the same conditions count for an acquisition in which the target is just one of the daughter companies under the umbrella of a holding. In these cases focus will be on administrative integration aspects instead of physical integration of business units and employees.

A great relationship exists between the aimed type of synergy, the type of integration, the desired end-state and the level of integration needed to accomplish those aims. In fact, the amount of change required to realize the desired end-state determines the level of integration of the merged firm. Additionally, the desired end-state is achieved by a certain degree of coordination and control over the acquired company. In this way the complex and tightly woven relationships between above mentioned aspects of integration shows the difficulties management is facing during the post-acquisition integration process.
In line with the strategic intent Schweiger and Very (2003) designed a tool for the management to decide about integration options depending on the acquisition strategy.

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 change due to: • low level of consolidation • low level of standardization • high level of coordination

Table 2.5 Schweiger and Very, 2003 acquisition strategy and integration changes

Last but not least off course the organizational characteristics of the two firms will influence the decision about the level of integration. If there are significant differences between the buyer and target firm resulting in an insufficient strategic, structural and procedural fit, management has to decide which level of integration will be most appropriate to increase the change of realizing beneficial synergies.

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.

Pablo (1994) defines level of integration as ‘the degree of post inquisitional change in an organization’s technical, administrative and cultural configuration’.

- **Low level** of integration: one in which 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.
- **Moderate level** of integration: standardization and unification of reporting systems, sharing of supply chain were possible and beneficial, sharing of knowledge.
- **High level** of integration: complete absorption of the target company. Bot hard and soft elements are of subordinate importance towards standards, culture, processes and systems of the acquiring company.

Most acquisitions end up in an overall level of integration because at least checks and balances have to be integrated. In general the chances for absorption are higher for sub-additive synergy aims with a lot of similarities between the acquisition firms, where for super-additive synergies with a lot of complementarities the preference goes towards more autonomy (Sudarsanam, 2003)

Birkinshaw et al. (2000) defines human and task integration as the two main integration actions which need to be undertaken to have a successful post-acquisition integration process which eventually results in a certain level of integration. Human integration entails creation of positive attitudes towards the integration among employees on both sides and focusses in the first place to avoid any leakage of valuable resources because employees leaving the company.

Task integration focusses on identification and realization of operational synergies. These processes can occur in different speed but an emphasis on human integration may result in satisfied employees but no operational synergies (trajectory C), while an emphasis on task integration can lead to the achievement of synergies but with unsatisfied and unmotivated personnel (trajectory B). Therefore, trajectory A is the ideal scenario according to Birkinshaw et al.

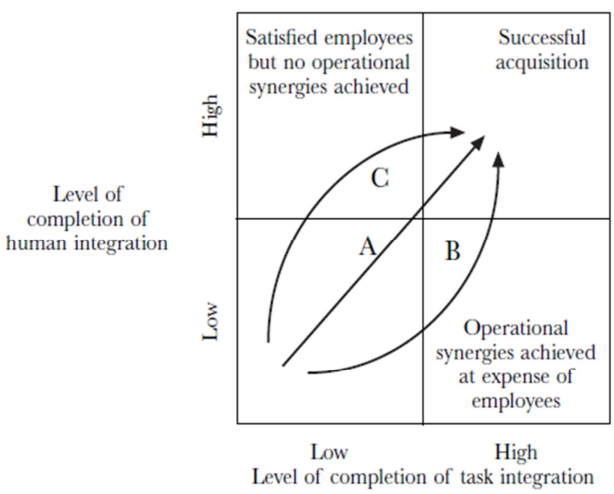

Figure 2.5 Birkinshaw, Bresman and Hakanson (2000) Impact of human and task integration on acquisition outcome

2.6.4 Integration element 4: Acquisition experience

Why should acquisition experience matter at all if the statement is true that the difficulty with synergies is that they are hard to imitate by competitors, but even hard to reproduce by the management because there is always a combination of firm characteristics, resources and capabilities and economic circumstances which influences the possible establishment of synergies? Is there a difference between the post-acquisition integration between a single-case acquisition and an acquisition as part of a sequential attempt in acquiring companies to achieve strategic goals? Does experience really matter in cases of high relatedness whereby the acquired company will be absorpted into the acquiring company? Does administrative tools and blueprints used by past acquisition integration processes really have value for future acquisitions? These are all questions which makes it valid to discuss the influence of acquisition experience of the management team of the acquiring company on post-acquisition integration.

However, as *speed*, *size* and *level of integration* are elements which occur during the acquisition, *experience* is a given fact such as the type of gender of the board members. Therefore, acquisition experience as an element is set apart from the three other integration elements to investigate the influence of this element on decisions made regarding *speed*, *size* and *level of integration*.

There are certain aspects of acquisition processes which can be considered as repeating occasions. For instance identifying and screening target organizations, negotiation the purchase and managing the post-acquisition integration are processes which occur in each acquisition. If these activities are executed by the same individuals, teams or dedicated departments they will learn from their experience gained in one case and might use their knowledge in one other. In this way organizations and their members have considerable acquisition knowledge although acquisitions itself are mostly isolated events with their own firm and industry characteristics (Haspeslagh and Jemison, 1991; Sitkin, 1992; Grant, 1996; Haleblian and Finkelstein, 1999; Hayward, 2002; Sudarsanam, 2003; Barkema and Schijven, 2008; Haleblian, 2009; Hitt et al., 2009).

This knowledge can be used for corporate strategy towards acquisition execution recognizable in dedicated teams, officers or departments with blueprints, what if scenario's and acquisition roadmaps (Barkema and Schijven, 2008). Especially in firms where acquisitions are part of the external growth strategy people should expect guidelines to execute this strategy and all this experience might be crucial for a successful acquisition.

Empirical findings on the relationships between executive experience and M&A success are contradictory. Unlike findings of abovementioned scholars other scholars has emphasized the limited learning ability for management in acquisition processes because acquisitions' occur infrequently and unpredictable. Moreover because of the heterogeneous nature of companies and their industries each post-acquisition integration process is unique and therefore a blueprint is impossible. (Bower, 2001; Hitt et al., 2001; Weber and Fried 2011).

In addition Haleblian et al. (2009) stated that 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. Managements' experiences might result in inflexibility, perseverance, biases and prejudice towards their own opinion. Because of this contradiction in findings, extra research seems necessary to fill gaps regarding the influence of acquisition experience during post-acquisition integration.

2.7 Conceptual model of this research

The literature as discussed in this chapter provides a clear view of the contrary attitudes and findings regarding the post-acquisition integration process and its complex character.

Based on the purpose of this research and the literature the following conceptual model can be distilled.

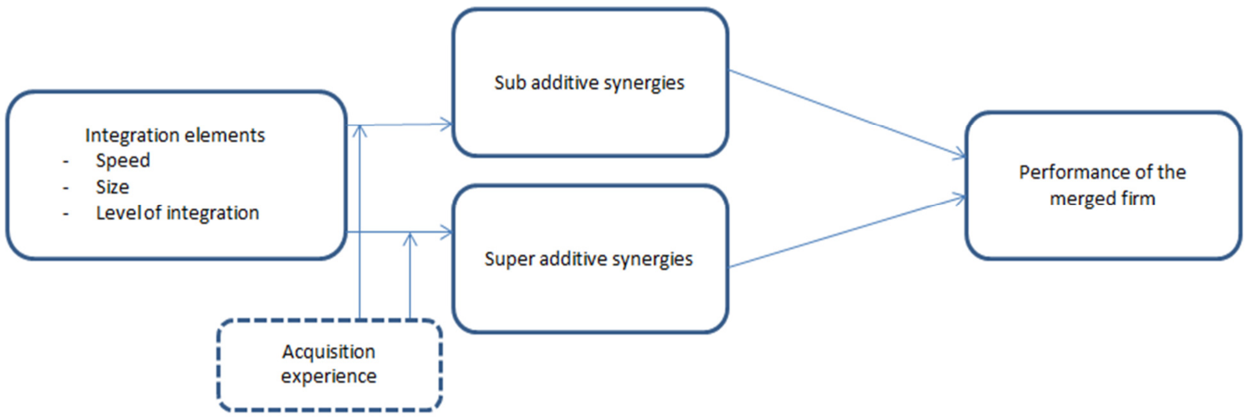

Figure 2.6 Conceptual model of this research

III METHODOLOGY

3.1 Research setting and method

The field of acquisition research is very diverse and liable to continues change. This is one of the reasons why the enormous amount of studies within the acquisition context is still growing.
Because of the complex and miscellaneous nature of acquisition processes, preference is given to qualitative research method by using semi-structured interviews in multiple case studies. This method enables to gain in-depth insights and explore processes, actors and decisions in their real-live setting, with the purpose to provide detailed insights about the way post-acquisition integration elements influences the aimed synergies.

The case study method is the chosen method, because it allows investigators to retain the holistic and meaningful characteristics of real-life events. Moreover, case study methods are relevant methods for questions which seek to explain some present circumstance, e.g. *how* or *why* some social phenomenon works. In addition case studies benefits from the prior development of theoretical propositions to guide data collection and analysis and last but not least, it provides a base for theory building (Yin 2009).

3.2 Research design

Yin (2009) defines a research design as 'the logical sequence that connects the empirical data to a study's initial research questions and, ultimately to its conclusions'.

In this research the integration elements are the constant subjects of research. The goal is to investigate the influence of these elements on the establishment of the value proposition through sub- and super-additive synergies. To match the diverse character of acquisitions in their industries cases from different industries are chosen. In this way findings are more generalizable for all industries. The use of multiple case study is relevant because this provides a way to generalize findings from several different cases in different environments as long as the subject of research is constant.

3.3 Sample selection and size

A total number of 10 cases belong to the sample, which means a multiple case study is executed. A first step taken in this research was the selection of relevant cases according to the pre-set sample criteria. These criteria are formulated to ensure equality and comparability between the cases. As a first criteria the acquisitions must took place during 2007-2014 with the target firm based in the Netherlands. This first date is chosen to avoid cases which are as long in the past that several other acquisitions have passed by and the original case is not relevant any more. The latter date is chosen to be sure the integration is at least on year old and the post-acquisition integration is already finished or at least in progress. Moreover, every decade has its own macro-economic tide which might have an influence on the acquisition intensity, the industry dynamics and the organization itself. The conditions within a seven year timespan are more or less stable. The period 2007-2014 covers the so called financial crisis and post-crises years but this fact is not integrated in the research as an element of interest.

Secondly, the requirement was set that the selected respondents were involved in the decision making process prior, during and after the integration process and thus able to answer questions regarding the purpose of the acquisition, dealing with the relevant integration elements and the performance of the merged firm.

In addition the selected firms are of different industries to secure generalizability of the findings, and exclude industry specific circumstances. Given the fact that acquisitions are a phenomenon occurring in all industries throughout the Netherlands this sample has to match this diversity characteristic. The sample includes both national and international acquisitions, however the target company is always a Dutch based company both to guarantee the comparability between cases as well for practical reasons as this research is conducted in approximately six months with only one researcher on a part-time base.

The fourth requirement is the reflection of both sub- and super-additive aimed synergies in the cases of this sample to secure both motives for acquisitions are present and possible relevant characteristics involved are noticeable.

Finally, the selected cases match the characteristics of SME's and multinational companies in their number of employees and turnover to secure diversity as readable in the newspapers. This requirement is also set to be able to investigate the relevance of the integration element size.

As a result the research sample contains ten acquisition cases of different industries, different geographical footprints and firm characteristics. Because of the diversity of the cases findings are more generalizable. In this way the sample is a reflection from the financial sections of the daily newspapers with acquisition announcements.

In every case the respondent was member of the top management and involved in the pre- and post-acquisition (integration) process. Another benefit of interviewing the top management is the fact their position provide them with a broader view of their firm and the industry. Although some of them are real specialists, being part of the top management provides them the information needed to understand and valuate the bigger picture of the firm and its (macro) environment. Table 3.1 provides an overview of the cases and respondents which produced the data for this research.

Case	Firms involved	Year of acquisition	Respon dent(s)	Position(s)	Date	Industry
1	Alpha – Bravo	2014	A	HR director	03/06/2015	Food catering
			B	Commercial director	03/06/2015	
2	Charlie – Delta	2014	C	COO	04/06/2015	Medical technology
3	Echo – Foxtrot	2007	D	BU director	05/06/2015	Consulting engineers
			E	Founder	05/06/2015	
4	India – Juliet	2014	F	CFO	08/06/2015	telecom
			G	BU director	08/06/2015	
5	Kilo – Lima	2011	H	Investment director	09/06/2015	Textiles
6	Quebec – Romeo	2012	I	CFO	11/06/2015	Transportation
7	Sierra – Tango		J	Controller	17/06/2015	Beverages
8	Uniform – Victor	2014	K	CFO	19/06/2015	Flooring industry
			L	BU director	19/06/2015	
9	Golf – X-Ray	2007	M	CEO	24/06/2015	Construction materials
10	Yankee – Zulu	2010	N	CFO/owner	29/06/2015	Flooring industry
			O	CEO/owner	29/06/2015	

Table 3.1 Overview of the cases, involved firms, industries and respondents

Out of 16 potential cases 10 cases were selected. The 6 cases dropped appears to be too small to generate data mostly because these are small or medium sized entrepreneurial firms mainly founded and managed by one strong person. With the remaining 10 cases the goal was to conduct semi structured interviews with at least one member of the top management. In some cases it was possible to interview two respondents, resulting in a total of 15 respondents. Given their position within the firm they are suitable to provide a total view of the specific case with detailed information about the subjects of interest in this research.

3.4 Data collection

Data collection existed out of two steps. The first step was collecting data available via annual- and investment reports, corporate websites and press releases of the organizations. This 'naked facts' are secondary data which gives a first impression of the organizational characteristics and its context.

Information about the performance and underlying causes for this performance was avoided as much as possible in order to prevent biases which could influence the semi-structured interviews, both in formulating the interview topics and questions, as well in interpersonal communication. Other aspects influencing the acquisitions, like environmental circumstances and organizational characteristics, were part of the brief desk research prior to select the cases involved in this study.

The second step was collecting data by conducting semi-structured interviews, which provides the advantage to dig deeper into the relevant topics and ask for clarification when needed. Furthermore the emotions of the respondent can be monitored, which provides a better understanding of the importance of the topic. In order to support the respondents to be as honest and transparent as possible and avoid diplomatic answers anonymity was promised. All respondents are relevant actors of the acquiring or target company, e.g. board members, member of the top management team and founders or major shareholders. A pre formulated topic list serves as guide during the interview to secure all topics of interest are discussed. Nevertheless, there was no pre-set sequence in discussing these topics. The respondent was free to discuss these topics whenever it was relevant, as long as all topics were discussed. This topic list helps an unexperienced researcher to avoid situations with too less or too much information. Moreover a topic list secures a structural execution of the interview as well as the possibilities to analyse the interviews in the same way and compare the major findings between the cases (pattern finding). The layout of the semi-structured interview is shown in Appendix A 'topic list semi structured interviews'.
Each interview had a timespan between 60 and 120 minutes. Initially the intend was to record each interview in order to provide the exact details when elaborated. However, as several respondents preferred an interview without recording the data collection was written only.

Each interview had to cover the same topics although the sequence of discussing slightly changed throughout the conducted interviews. First, questions about the firm's characteristics and an impression of its industry conditions at the time of the acquisition were asked. Then focus was on sub- and super-additive synergies by questioning the major reasons and aims for the acquisition. Third, each integration element was discussed on its own, and potential relations with each other, like for instance the relationship between relative size of the acquired firm and speed of integration. The final stage of the interview was about the perceived performance of the merged firm, off course in a retrospective view. Performance could occur in relation to the initial synergy aims or arise by unexpected performance expression.
Additionally every respondent was free to mention other important findings which he estimated relevant in relation of the research topics.

With the final overview of collected data from various sources triangulation could take place to strengthen the accuracy of findings. In this way the process of drawing conclusions could be started in order to strengthen the understanding of post-acquisition integration and looking for possible answers on the research question (Miles and Haberman, 1994).

3.5 Data analysis

At first the collected data was transcribed on the same day of the interview because the interview setting and respondents' expressions were fresh in mind. Each case is analysed on its own, in other words, as a single event to provide a clear overview of the relevant data for each separate acquisition. Notes and other relevant data are transformed into information for the individual case and written into a case report. These case reports are revised by the respondent(s) of the case and some respondents were followed-up to clarify some details.

Hereafter the process of pattern matching started with the aim to find similarities and differences between the cases in the sample. By using cross-case analyses technics the data of the 10 separate cases has been compared with each other to investigate if patterns occur over cases and so reveal or helps understand the influence of the abovementioned integration elements on the establishment of sub- and super-additive synergies (Miles and Haberman, 1994).

Findings of the different cases were compared using simple tables which provide a clear overview of separate elements for all 10 cases.

In this way conducting interviews with top managers from multiple cases might reveal new insights or confirm or disprove common known assumptions. Cross-case conclusions were drawn and compared with knowledge out of the literature. Because all data has been collected in an identical generalization of findings is valid within this sample.

IV RESULTS

4.1 Value proposition and type of synergy

Managers use acquisitions as a strategic tool in answer to the dynamics in the industry and their companies' current position in it, because it is assumed the desired value proposition can be realized through the establishment of synergies. The 10 cases of this research initiated their acquisition with the same assumptions. A short description of the organizations involved in the cases and the rationale for their acquisition can be found in Appendix B 'The Cases' which helps to notice the context of the acquisitions.

The answers of the respondents regarding the desired value proposition and aimed type of synergy are presented by type of synergy in tables 4.1, 4.2 and 4.3.

Acquisition objectives	
Sub-additive synergies	**Value creation** [none]
Cases 4. India - Juliet 6. Quebec - Romeo 7. Sierra - Tango 9. Golf - X-Ray 10. Yankee - Zulu	**Value protection** 4. India – Juliet: CFO Juliet , 08/06/2015 *"This acquisition is part of a sequence through whole Europe. There is overcapacity in the market which will cause a wave of acquisitions between all current competitors. The biggest question is who will have the best technical solutions, not only for now, but more for the future technical standards. We believe this new combined firm meet the demands to be ready for the future."* 6. Quebec – Romeo: CFO Romeo, 11/06/2015 *"When the founders/CEO's of both companies met each other for the first time they instantly recognised the similarities between their companies. They are both the founders of a company in the same product-market combinations, a long term vision and additionally they were of the same age."* 7. Sierra – Tango: Controller Tango, 17/06/2015 "This acquisition was just one in a sequence in order to fulfil the desire to become the largest brewery in the world." 9. Golf – X-Ray: CEO X-Ray, 24/06/2015 *"With the acquisition by Golf they get a footprint in the Dutch market. We remain autonomously in our daily business which is familiar for them. We had the knowledge about the Dutch market conditions, we knew the assortment of Golf because we had the same suppliers and there were a great amount of similarities in the way they run their business compared to us. This was a no brainer for us. Out of different options, this acquisition was the best for us to realize further expansion with a minimum of internal impact regarding our company structures, policies and management.""* 10. Yankee – Zulu: CFO Yankee, 29/06/2015 *"Zulu was struggling with their business. They were one out of many in this industry which suffered a lot by high labour costs, a declining demand and old fashion image. Although we are in the same business Yankee is a total different company. Nevertheless the strategic and economic intents were clear. These kinds of acquisitions were common business in the last two decades in which smaller (family owned) businesses didn't managed to fit toward new industry standards in Europe."*

Table 4.1 Sub-additive acquisition objectives

Acquisition objectives	
Super-additive synergies 3. Echo - Foxtrot 5. Kilo - Lima 8. Uniform - Victor	**Value creation** 5. Kilo – Lima: Investment Director Kilo, 09/06/2015 *"Although we haven't been involved in this market before, we see a lot of possibilities for a successful ownership. Lima is a well-known brand with a large history who is reinventing itself in a declining industry with a lot of competitors struggling to find a sustainable strategy to survive. One of our key criteria to participate is the knowledge and capability of the current management. We believe in their expertise and strategy."* 8. Uniform – Victor: BU director Victor, 19/06/2015 *"We are complementary at a number of area's, like productportfolio, knowledge, R&D and networks"*
	Value protection 3. Echo – Foxtrot: BU director Echo, 05/06/2015 "We met each other in a lot of projects in the past. Their services were complementary to ours in the way they had knowledge which was unfamiliar in our firm. However, they couldn't offer our services as well so we teamed up in tenders. This acquisition provides the opportunity to offer the total package of services."

Table 4.2 Super-additive acquisition objectives

Acquisition objectives	
Sub- and super-additive synergies 1. Alpha - Bravo 2. Charlie - Delta	**Value creation** 1. Alpha - Bravo: Commercial Director, Alpha, 03/06/2015 "We saw a complementary market with a similar product assortment." 2. Charlie - Delta: COO Charlie, 04/06/2015 *"This acquisition was expected for a long time. Both firms were complementary within the same industry which could create super-additive synergies. At the same time our global footprint was comparable, opening opportunities for cost savings by economies of scale. The high fit between both organizations made it much more easier to design the merged firm. Otherwise we would have faced extra difficulties in behaviour, norms and values in the target firm."*
	Value protection [none]

Table 4.3 Sub- and super-additive acquisition objectives

As shown in these tables, 60% of the cases (6 out of 10) have a value protected proposition. 5 of the 6 cases with a value protection proposition are aiming for sub-additive synergies to realize this proposition. The propositions by literature seems confirmed, stating that value protection through sub-additive synergies is preferred by companies as it is assumed sub-additive synergies are relatively easy to establish e.g. by cost cutting and (mass) layoffs.

40% (4 out of 10) has a value creation proposition divided in 2 cases aiming for super-additive synergies only and 2 cases for a combination of both sub- and super-additive synergies.

The conclusion can be drawn that sup-additive synergies are dominant in creating a value protection proposition and super-additive synergies are dominant in creating a value creation proposition.

4.2 Acquisition intents

As Pablo (1994) stated: "In order to understand integration design, the strategic intent of an acquisition must first be understood". Again, the answers of the respondents are presented in a table to look for patterns. The personal, strategic and economic intentions of the 10 cases are shown in table 4.4 and provide a good understanding of the rationale behind the acquisitions.

Case	Personal	Strategic	Economic
1	Retirement of the founder of the target company	New market entry by acquisition of target company	Cost savings and extending product portfolio
2	Improve healthcare outcomes and better healthcare in third-world countries	Complementary business models and product-, technical- and service portfolio	Cost savings and extending product portfolio
3	Founder target was familiar with board members of acquirer	Complementary knowledge in niche market of acquirers' existing portfolio	Extending product portfolio, better allocation of employees
4	No personal intents	Complementary customer proposition, products and services (target) and necessary infrastructure (acquirer) melting together	Cost savings, shareholder value, improved margins per customer, savings by cutting redundant functionalities
5	Financial incentives for participating management (both acquirer and target firm)	Complementary customer proposition, neglected brand value and product knowledge, launching innovative business model	Extending product portfolio, product leadership
6	Retirement of the founder of the target company	Geographical expansion, buying market entry	Cost savings
7	The owners of the company has the ambition to become number 1 in the world	Economies of scope and scale for production, purchasing, transportation. Adding new brand to product portfolio, bigger market share	Cost savings, aiming for increasing revenues
8	Financial incentive for shareholders to sell the target company	Complementary business opportunities by extending product portfolio	Cost savings and extending product portfolio
9	Attractive occasion for shareholders of the target company to redeem their debts	Geographical expansion	Cost savings by economies of scale
10	Management boards desire to become number 1 in the market segment	Adding valuable brand names to the product portfolio	Cost savings on production, transportation, sales and marketing

Table 4.4 Personal, strategic and economic intent in sample cases

In line with the value propositions mentioned in table 4.1, 4.2 and 4.3, the propagated intentions in table 4.4 reflects three clusters of aimed type of synergy. The first cluster with 5 cases (#4, #6, #7, #9 and #10) is aiming for sub-additive synergies which make this the most preferred type of synergy. Respondents mentioned concepts as ‘cost savings’, ‘buying market entry’ and ‘economies of scale’.
The second cluster contains two cases (#1 and #2) which are aiming for a combination of sub- and super-additive synergies, expressed by the respondents stating they are aiming for ‘cost savings and extending product portfolio’. The third clusters exist out of three cases (#3,#5 and #8) aiming for super-additive synergies, clearly mentioned with terms like ‘complementarity’ and ‘extending product portfolio’.

4.3 Size and speed

Cross case analyses is also used to discover patterns regarding the speed of integration and the relative size of the target company. Interesting aspect is to investigate whether there is a relationship between the relative size of the acquisition and the speed of integration because prior research often emphasized the relation between the size of the organizations involved in the acquisition and the speed of integration.
Size is associated with speed because a larger target requires more management attention. Overlap in functions and organizational structures will influence the time management needs to make decisions regarding post-acquisition integration elements. Also in this research respondents indeed mentioned the difficulty of integrating a relatively large target but not primarily because of a lack of management attention.

Case	Aimed speed of integration	Realized speed of integration	Relative size (target vs. acquirer)
1	24	18	0.77
2	36	18	0.78
3	12	24	0.07
4	36	36	0.08
5	6	4	40.48
6	12	6	0.45
7	3	3	0.19
8	12	12	0.09
9	3	3	0.03
10	6	12	0.2

Table 4.5 Speed of integration and relative size

Regarding speed of integration within the sample it is noticeable that the average aimed speed of integration is 15.6 months whilst the average realized speed of integration is 14.4 months. This means the average speed of post-acquisition integration is within one year and a half.
Respondents in 7 out of the 10 cases stated post-acquisition integration should be performed within a period of 12 months maximum, 6 of them succeeded in this aim.

In cases #6 and #9 the desired end-state is a holding structure. The post-acquisition integration of these companies are just limited to administrative tasks and back office activities and the target remains great autonomy. As the CEO of X-Ray stated (Case 9 24/06/2015): *"in fact nothing really changes except the legal ownership of the company and our bargaining power at suppliers. It take a few days to get used to the new CRM system, but we received great assistance from our new colleagues of the holdings' headquarter."* The integration of these targets was finished within 6 months.

Case #2 and #4 are acquisition which involves the largest companies of this sample. Because of the fine grained global networks of both acquirer and target, the integration was aimed for a period of 36 months. This time was needed for negotiations and arrangements with labour unions, industry organizations, authorities and governments which obviously is a bureaucratic and time consuming process. Dedicated integration teams were formed to guarantee the required attention. As described by the CFO of Juliet (case 4, 19/06/2015): *"We set a goal for 36 months for the total integration. Managerial integration decisions have been prepared prior to the acquisition and could be executed within 6 months. This involves decisions about the appointment and selection of the new board members and management tiers N-1 and N-2. Also technical standards have to be compatible which took several additional months. Finally, due to legislations and authorisations we are forced to take several months in which the government and responsible authorities (anti-kartell agency) has to make a decision about the influence of the merged firm on the market conditions and level of competition and consumer protection, integration we respect the guidelines for the layoff of personnel. In communication with the labour unions we planned four rounds of layoffs. This is also legally obligated."*

Respondents of these cases mentioned the speed of integration has been influenced negatively by these obligated procedures which has to be followed because of governmental or regulator decrees.
However, both companies anticipated on this fact by announcing a dedicated integration team to manage this processes. They formulated their integration goals prior to the real acquisition and set a first 100 day schedule in order to kick-start the real post-acquisition integration process.

Case 3 is an example of post-acquisition integration of a small target. The BU Director of Echo stated that it was hard to integrate this firm because of the total differences in culture and policies caused by the differences in firm size. *"Exactly because of this family wise managed business character we don't wanted to change the organization too dramatically. Decision making was a trague process because of the endless debates between us and the founders of Foxtrot.*
We are organized in business units with high autonomy for the BU-managers, while Foxtrot was managed top-down by both founders. They hadn't invested in an up-to-date CRM system or knowledge database. Acquisitions of new projects was based on the network of the management, but in those

years the market was really under pressure and governmental clients had to follow tight rules and guidelines by providing new projects. In everything, also structures and organisational design, Echo was way ahead of Foxtrot." BU Director of Echo (case 3, 05/06/2015).

There is also a pattern recognizable in the cases with high level of similarities between the acquirer and target firm. Cases #5, #6, #7 and #9 are all aiming for value protection by sub-additive synergies and share a similarity concerning the short period of post-acquisition integration being less than 6 months. Integration in these cases was a mix of high and low level of integration, all relatively easy trade-offs with well-known results as cost-cutting or economies of scale and scope. As explained by the CEO of X-Ray (case 9, 24/06/2015):
"Nothing really changes on the daily business. This is an example of back-office synergies whereby the target firm is a local representative (footprint) for the acquirer without any further physical integrations."
Also case 5 has a high speed of integration, although in this case the acquisition seems more a transfer of ownership instead of integrating company parts like organizational procedures, structures and systems.

Integration of case #2 and #8, both aiming for value creation by super-additive synergies and high internal- and external relatedness, take at least 12 months. The COO of Charlie explains (case 2, 04/06/2015): *"Most important thing for us is to avoid any agitation at our customers. Therefore we decided to remain the salesforces untouched, although these guys are visiting the same end-users and integration seems a quick win. It is important to explain the ratio of the acquisitions to the employees. In the end they have to make the integration work. Therefore our focus was on human integration first, and task integration in a later stadium. We want to avoid people starting leaving the company because it is very hard to replace them without loss of energy, time and quality. Therefore we asked for their commitment, input and trust. Unfortunately we couldn't avoid some people left when they noticed some job insecurity."*

Another interesting result is shown at case #3, #4 and #10. These are all acquisition with a value protection intend, high external relatedness and low internal relatedness. Integration of these firms took at least 12 months up to 36 months. The low internal relatedness seems to delay the speed of integration. The BU Director of Juliet explained (case 4, 08/06/2015): *"the daily business has to continue without any disturbance. Salesforce and maintenance department are responsible to run the business 24/7 and are therefore excluded from the first rounds of integration."* And *"regarding the emphasis on task and human integration it was really a parallel process. In some functionalities we want to integrate as quickly as possible and introduce the new standards. This involves functionalities and departments with highly automatized processes like finance, administration, purchasing and* *controlling. In other areas and the people involved are more sensitive for changes and we don't want to lose our best people. Therefore emphasis was more on human aspects and we asked the employees to give their input and feedback on the integration questions. Examples are R&D, technicians and sales people."*

The abovementioned findings in this research does not reveal any prove that a smaller acquisition results in a faster integration or, the other way around, that a bigger target results in a longer term of integration. The results show a wide spread in integration time no matter the relative size of the target compared to the acquirer. Size seems not of dominant influence on speed of integration on its own. Aspects as aimed synergies, the desired end-state and relatedness seem to have a higher influence. This is also acknowledged by the respondents. They emphasize the importance of an integration as fast as possible with the distinction of a difference between acquisitions aiming for sub- or super-additive synergies. In aiming for sub-additive synergies (e.g. in purchasing, production, overlay in functionalities) a fast integration may result in cost-savings or improved margins and these benefits needs to be realized on the shortest possible term. In order to set super-additive synergies like knowledge sharing, R&D and product portfolio extension, speed is less important. In those cases patience is important to avoid losses of valuable resources or customer satisfaction. Respondents point out the importance of clarification towards employees. Unpopular measures should be executed immediately in order to avoid rumours, a lack of motivation and job uncertainty.

Other influences on the speed of integration mentioned by the respondents are governmental legislations or permission terms in cases of integration with increasing footprints in one country, new market entry and mass layoffs. Other reasons for delay in the integration process might be caused by negotiations with labour unions and misfit in technologies of ICT systems necessary to generate the information management needs.

4.4 Level of integration

4.4.1 Level of integration

The total level of integration can be differentiated in several integration aspects. In order to be able to discover patterns the respondents are asked to provide their opinion regarding these aspects of level of integration. Their answers has been translated and classified as shown in table 4.6.

Case	Procedural	Physical	Managerial	Task/human	Overall
1	High	High	High	human	High
2	High	Mod	High	First human, than task	High
3	High	High	Mod	Human	Mod
4	High	High	High	Both	High
5	Low	Low	Low	Task	Low
6	High	Low	High	Task	Low
7	High	High	Low	Task	High
8	High	Low	High	First human, than task	High
9	Low	Low	Low	Task	Low
10	High	High	Low	First human, than task	High

Table 4.6 Several elements of integration

Procedural level of integration

Respondents in 8 out of the 10 cases noticed a high procedural integration. They provided examples like the integration of best practices, systems, policies of administration, procedures and guidelines from the acquiring organization into the target.

COO of Charlie (Case 2, 04/06/2015): "*Both firms had a matrix organisation, but we had to redesign this matrix in order to be able to match the demands of each separate product-market combination. The high fit between both organizations made it much easier to design the merged firm. Otherwise we would have faced extra difficulties in behaviour, norms and values in the target firm.*"

Given the high number of 80%, acquirers in these sample apply their procedures on to the target firm in order to set standardization.

Physical level of integration

The 4 cases with a low physical integration (#4, #5, #8, #9) have one thing in common which most likely and logically is the reason for this low level of physical integration. In these cases the foreign acquirer acquires a Dutch based target firm, as part of an international acquisition to get a footprint in a new geographic market. Because of the distance between the head office and the local office in the Netherlands, no physical integration took place.

CEO of X-Ray (Case 9, 24/06/2015): *"Nothing really changes on the daily business. This is an example of back-office synergies whereby the target firm is a local representative (footprint) for the acquirer without any further physical integrations."*

Managerial level of integration

In cases with high managerial integration the level of managerial attention and direct control is embedded from acquirer into the target organization. In cases #1, #2, #4 and #8 the appointment of new management was settled before post-acquisition integration started, in order to provide transparency and clarity amongst both firms.

CFO of Juliet (Case 4, 19/06/2015): *"Managerial integration decisions have been prepared prior to the acquisition and could be executed within 6 months. This involves decisions about the appointment and selection of the new board members and management tiers N-1 and N-2."*

Task and human level of integration

In most cases focus is on task integration. There seems to be a parallel with the procedural level of integration as the procedures are accompanied by associated tasks. Mostly it started with new guidelines, procedures and policies for executing existing tasks. Often mentioned is a change in the formal way of administration reporting, adjustments in accounting frequency and delegation of responsibilities.

Especially in cases with a holding construction task integration is leading. This is logical given the fact employees of the target firm do not face big changes. In most cases changes only occur in daily routines and therefore focus is on task integration. Or, formulated from another perspective, when the overall level of integration is low, focus is on task integration.

Overall level of integration

Only cases #5, #6 and #9 has a low level of overall integration. For case #5 this low level of integration is a result of the philosophy of the major shareholder. Acquirer Kilo is looking for synergies within the industry of their investment. They do have portfolios where they buy several companies within the same industry to make a combined firm with a stronger footprint and market share in their industry. This scenario is not applicable on case #5, as the Lima company was remained independent and can count on the financial investments of Kilo. This causes a low level of integration.

Cases #6 and #9 are typically examples of holding structures in which the target firm remains relatively autonomous. These companies have to try to become/remain the number one in their (geographical) market with the financial support or economies of scale and scope arising because of being part of a new group.

4.4.2 Relatedness

As mentioned in the literature the level of internal- and external relatedness has an influence on the level of integration. Table 4.7 shows these characteristics for the ten cases in the sample.

Case	External relatedness	Internal relatedness	Level of integration
1	High	Low	High
2	High	High	High
3	High	Low	Mod
4	High	Low	High
5	Low	Low	Low
6	High	High	Low
7	High	High	High
8	High	High	High
9	High	High	Low
10	High	Low	High

Table 4.7 Relatedness and level of integration

Several patterns are recognized regarding the relatedness and the level of integration.

Five cases, #2, #6, #7, #8 and #9 has a high external and high internal relatedness, which resulted in a high level of integration in cases #2, #7 and #8. In these cases major companies transformed in even bigger companies within the same industry and with existing facilities in the same countries. Therefore the high degree of relatedness and fit resulted into a high level of integration.

In case #6 and #9 the level of integration was low. In both cases Dutch based targets has been acquired by foreign companies and ended up as an autonomous daughter in a holding structure. This does not require a high level of integration. Therefore it seems valid to draw the conclusion that when both external- and internal relatedness is high, the level of integration will be high as well, except in cases of a holding as desired end-state.

Also cases #1 and #10 are identical in results and outcomes regarding level of integration. In both cases the acquirer decided to fully integrate the target company exactly because of the medium level of relatedness.

A clear pattern is recognizable regarding external relatedness of acquirer and target firm. 9 out of 10 cases contains a high external relatedness, which means that both targets and acquirers are active within (a niche of) the same industry. At least for this 9 cases high external relatedness seems to be a qualification criteria in selecting the target company. Case 5 is a different example. In this case the acquirer is a private equity firm. They are investing in several industries outside their own financial industry. This explains their low external relatedness.

Patterns showing similarities for all aspects (type of synergy, value proposition, external- and internal relatedness) are also visible. Cases #6, #7 and #9 are completely similar regarding type of synergy, value proposition and internal- and external relatedness.

Cases #2 and #8 shows a great extent of overlap between these aspects and also cases #3, #4 and #10 share the same characteristics separate from their synergy aims.

4.4.3 Fit

Another predictor of the level of integration is the fit of acquiring and target organization. A low fit is not necessarily a showstopper, but respondents stated that a high fit is desirable to create synergies. A high structural fit for instance will enable the acquirer to create sub-additive synergies by absorbing functionalities, opportunities for layoffs and cost-cutting in case overlap occurs. A high organisational fit might have a positive influence on the ability to create super-additive synergies as employees are used to the same guidelines, procedures and leadership style and so are well willing to share knowledge.

The strategic fit indicates similarities and differences between acquiring and target firm regarding the industry, segment within the market, services provided or product delivered, product leadership, operational excellence or customer intimacy.

The structural fit represents the extent to which the acquirer consolidates the functional activities of the target into its reporting hierarchy and will influence the level of autonomy of the target and its employees whereas the operational fit will influence the daily business of the merged firm.

In addition the organisational fit explains differences in leadership styles as top-down approach versus a bottom-up approach, a high degree of decentral (delegated) decision making, culture and administrative practices.

Case	Strategic	Structural	Organisational	Overall fit	Level of integration
1	High	High	Low	High	High
2	High	High	High	High	High
3	High	Low	Low	Low	Mod
4	High	High	Med	High	High
5	High	Low	Mod	Mod	Low
6	High	Low	Mod	High	Low
7	High	High	High	High	High
8	High	High	Mod	High	High
9	High	Low	High	High	Low
10	High	High	Low	Low	High

Table 4.8 Fit between the acquiring and target firm

As shown in table 4.8, the acquiring companies of all cases assumed a high strategic fit between them and their targets. This is also noticeable in their press releases (see Appendix B: The Cases) and off course necessary to clarify the ratio for the acquisition. 90% of the acquiring firms in this sample choose a target in their existing industry, nevertheless they are aiming similar or complementary businesses.

Despite the uniformity in strategic fit, the cases shows large differentiations in structural and organisational fit, as for instance mentioned by the Commercial Director of Alpha (case 1, 03/06/2015):

"Although we are in the same, very static market of catering, with familiar suppliers and business model, we were surprised to discover the differences in road to market, internal policies, acquisitions of potential customers, in fact the whole way of doing business between our company and Bravo. In that sense the fit was more external oriented instead of internal."

When the acquirer has the same organizational structure, organizational members may not experience any difficulties within the merged firm as they are used to work with similar structures. Contrary, a low fit in structures will cause a longer adaptation time for at least those employees who have to learn the new structures. This is also confirmed by the COO of Charlie (case 2, 04/06/2015): *"Both firms had a matrix organisation, but we had to redesign this matrix in order to be able to match the demands of each separate product-market combination. The high fit between both organizations made it much easier to design the merged firm. Otherwise we would have faced extra difficulties in behaviour, norms and values in the target firm."*

7 out of the 10 cases considered a high level of total overall fit between the acquirer and the target firm. Only in two cases, #3 and #10, a low level of overall fit is mentioned. In case #3 this resulted in the deconstruction of the acquisition and both companies existed separately, whereas in case #10 several functionalities were absorbed and non-useful parts of the target were sold.

Summary aspects level of integration, relatedness and fit

Case	**Level of relatedness (= combination of high internal- and high external relatedness)**	**Degree of overall fit (= combination of strategic, structural and organisational fit)**	**Level of integration**
1	Mod	Low	High
2	High	High	High
3	Mod	Low	Mod
4	Mod	High	High
5	Low	Mod	Low
6	High	High	Low
7	High	High	High
8	High	High	High
9	High	High	Low
10	Mod	Low	High

Table 4.9 Relationship between level of relatedness and degree of fit on level of integration

4.5 Desired end-state

To indicate the level of integration the respondents have been asked to point out the desired end-state of the merged firm using the models of scholars Haspeslagh and Jemison (1999), Marks and Mirvis (2001) and Zaheer et al. (2011). These models are an abstract reflection of the level of integration, the interfirm relatedness and level of autonomy versus central command.

As mentioned before, the amount of change required to fulfil the desired end-state determines the level of integration of the merged firm. Additionally, the desired end-state is achieved by a certain degree of coordination and control over the acquired company. The tighter these coordination and control, the higher the level of integration will be.

The figures 4.1, 4.2 and 4.3 show the positions of the cases in the models of Haspeslagh and Jemison (1991), Marks and Mirvis (2001) and Zaheer et al. (2011) respectively.

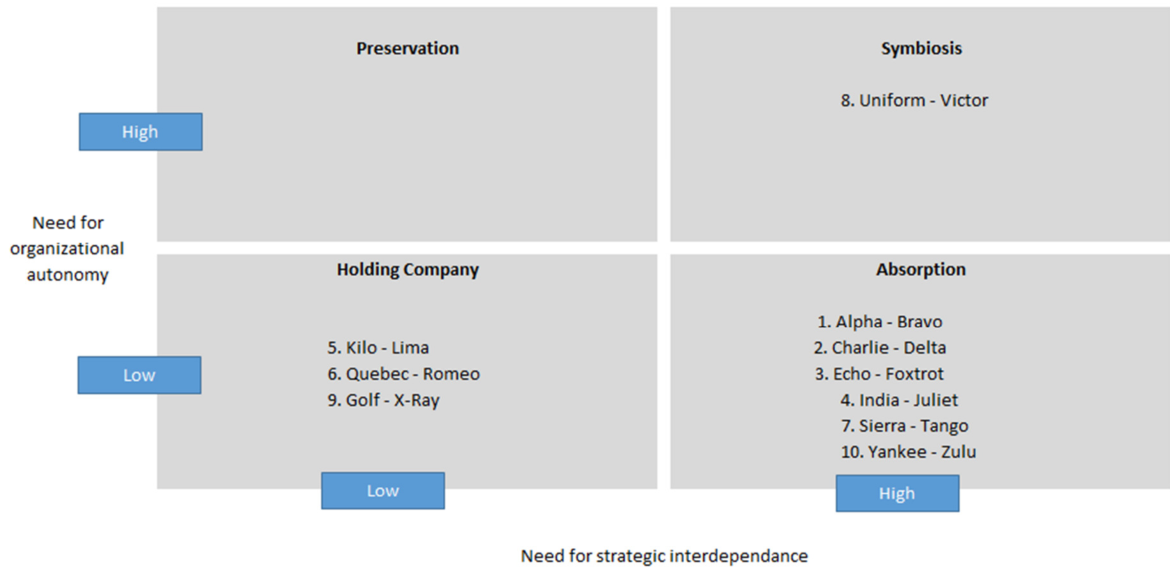

Figure 4.1 *Overview of the distribution of the cases according to the model of Haspeslagh and Jemison (1991)*

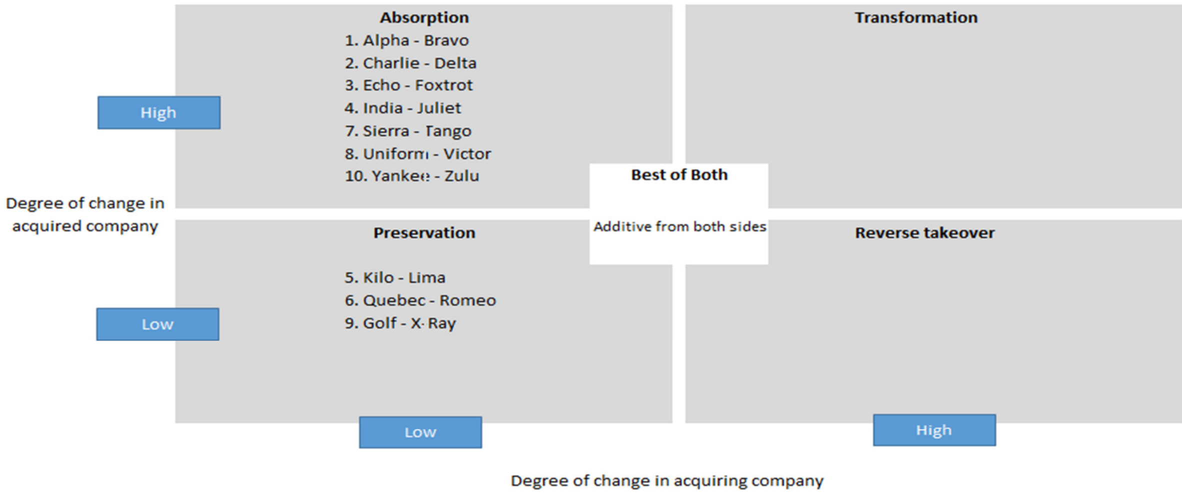

Figure 4.2 *Overview of the distribution of the cases according to the model of Marks and Mirvis (2001)*

A comparison between figures 4.1 and 4.2 shows an interesting difference in the distribution of the cases in the quadrant *absorption*. Case #8 is included in this quadrant in figure 4.2, where it is not in figure 4.1. The explanation for this difference lays in the fact that the five core markets of Victor remains unchanged whilst the rest of the global markets will be integrated in Uniform. This detailed distinction is not possible to make in the model of Marks and Mirvis.

According to Zaheer et al (2011) relatedness is a predictor of acquisition integration. They stated that when there is a high relatedness (a lot of similarities) between acquirer and target, it is more likely the target firm will be completely integrated. In line with this theory the majority of the high related acquisition out of this sample has a high level of overall integration (cases #1, #2, #7, #8 and #10), as also proved by the results presented in paragraph 4.4.1.
Moreover the cases which were presented in the absorption quadrant of figure 4.1 and 4.2 are indeed represented in the high integration quadrants of figure 4.3. This proves consistency between the answers of the respondents.

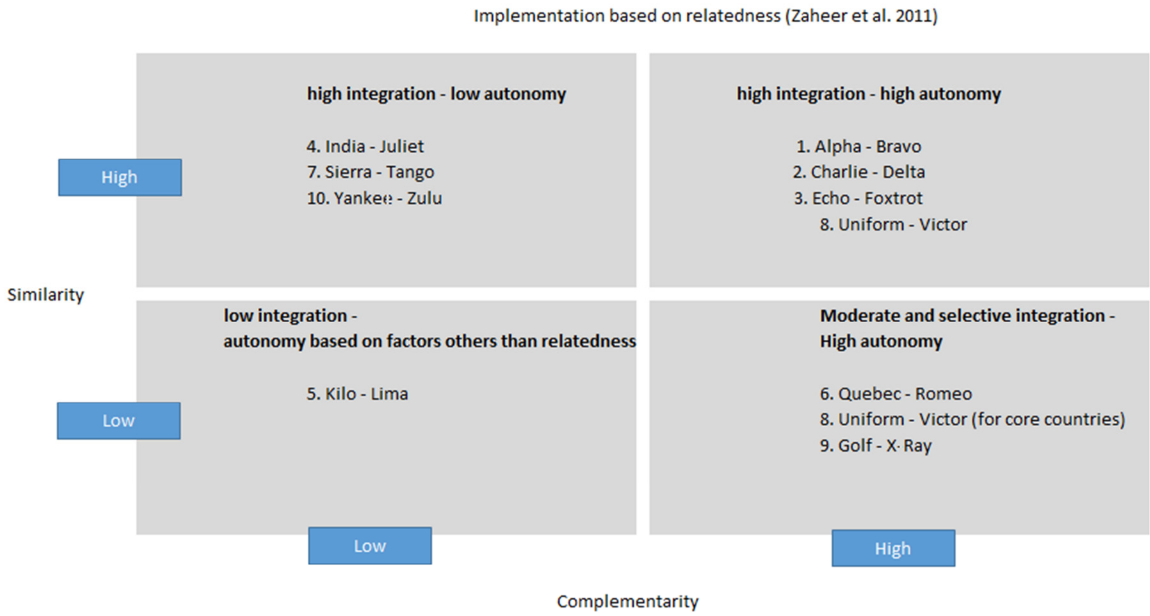

Figure 4.3 Overview of the distribution of the cases according to the model of Zaheer et al. (2011)

Figure 4.3 shows the position of the cases based on the answers of the respondents regarding the relationship between aimed synergy and level of integration. It is worthwhile to analyse if acquisitions with a sub-additive synergy aim ends up in a higher level of integration (absorption) as these synergies are often realized by economies of scope and scale caused by cost-cutting and layoffs of employees.
In 3 out of 5 cases (cases #4, #7, #10) with sub-additive synergy aims the level of integration is high. The low level of integration of case #6 and #9 is caused by the fact these target companies remain autonomous on a large scale because of the holding structure of the acquirer.

Next subject of interest is the question whether acquisitions with a super-additive synergy aim ends up in an end-state with more autonomy. There are three cases with a super-additive synergy aim being case #3, #5 and #8. Each of this three has a different level of integration in the various models. There is no consistency in this matter, so no confirmation of this assumption as well.
The two cases left, #1 and #2, has a combination of sub- and super additive synergy aims and both a high level of integration. The realisation of super-additive synergies (new goods and services, knowledge sharing) goes alongside the realization of sub-additive synergies (e.g. extending their product portfolio within the same industry).

4.6 Acquisition experience

Table 4.10 presents the acquisition experience of the management team and the acquiring firm as perceived by the respondents. The frequency of past acquisitions, involvement in past acquisition integration processes and formalization of decision making during acquisitions are expressions of experience. These expression results in a combined overall level of acquisition experience.

Case	# of acquisitions in recent past (< 5 years)*	MT experience	Blueprint, formal protocol, embedding systems, etc.	Overall level of acquisition experience
1	Low	Low. MT of both companies are inexperienced with acquisitions	Medium. Target has to adopt the systems, procedures, policies etc. of the acquirer	Low
2	High	High. Both companies has a rich history with acquisitions as external growth strategy	High. Dedicated integration team	High
3	Low	Low. Both companies had no experience with acquisitions.	Low. Because of lack of experience no decision were made at all or extremely slow	Low
4	High	High. Acquirer has a rich history with acquisitions as external growth strategy	High. Dedicated integration team	High
5	High	High. Acquisitions and majority shareholding is core business of acquirer	Medium. Mainly based on experience of board members	High
6	High	Medium	Medium. Target has to adopt the systems, procedures, policies etc. of the acquirer	Medium
7	High	High. Acquirer has a rich history with acquisitions as external growth strategy.	High. Dedicated integration team	High
8	High	High. Acquirer has a rich history with acquisitions as external growth strategy	High. Dedicated integration team	High
9	high	High. Acquirer has a rich history with acquisitions as external growth strategy	Low. Only administrative tools	High
10	Low	High. But in different industries	High. Dedicated integration team	high

Table 4.10 Acquisition experience

* low = max. 1 high = 2 of more

Although acquisitions have often been entitled as single occasions there may be similarities between them. Especially when an acquisition is one of a sequence there may be some lessons learned by the management or organization members whom they might use again for a focal acquisition in the same or another organization.

All respondents emphasized the relevance of acquisition experience. In some acquisitions the assistance of consultants was present, but also in those cases the management underlines the experience of the management to be able to judge the advices provided by these consultants and to function as a knowledgeable sparring partner.

Respondents also argued the importance of experience in relation to the speed of integration. They pointed on the pre-acquisition process as the opportunity to design the strategy for post-acquisition implementation by blueprints, protocols and guidelines. According to these respondents it is helpful to have broad experience present within the management team.

The COO of Charlie (case 2, 04/06/2015) explained:

"It is very clear (the management of) both companies are highly experienced in acquisition processes. Prior to the announcement both management teams designed a blueprint to determine a post-acquisition integration approach. The whole project was announced as Noah's Arch, emphasizing the importance of the input from both firms, although Charlie remains leading in during post-acquisition integration. A 100 men integration team was formed to execute the global integration process. Both CEO's visited all regional head offices to explain the rationale of the acquisition and announced the new top management. These decisions were already discussed in the pre-acquisition stage enabling the management board to provide clarity towards the post-acquisition process and the merged firm configuration. Best practices were shared and leveraged, choices about corporate policies and global affairs were made and the top-3 management tiers were announced. Most decisions however had a local impact or were influenced by local governmental restrictions for instance which offices remains in one country, which suppliers to continue and labour intended legislations."

And the CFO of Uniform (case 8, 19/06/2015) declared:

"The experience of people within functions on the second management level is most important because they have to make the integration happen. Uniform used some moderators in between level N-1 and the N-2 level.

The general believe within the company is that no acquisition is the same, it is always a stand-alone situation which has his own characteristics and parameters. Therefore each M&A process has to be done with the most possible attention and care. The integration team had a consultant role as well. They organised seminars for local organizations and came up with what-if scenarios. For instance, what if a customer of Victor calls a call-centre of Uniform with a request for Victor products and services? In this way they prepare the employees with possible scenarios."

The management with low acquisition experience acknowledged this lack of experience as one of the causes for delays in decision making regarding integration, misfits in integration and even a misfit in the choice of the target company. They have experienced the acquisition process as a fruitful journey which provided them wise lessons for future business. One lesson mentioned is to be more straightforward in future acquisition trajectories and less sensitive for democratic solutions.

The founder of Foxtrot (case 3, 05/06/2015) stated:

"With the knowledge of today we had to admit there wasn't really any idea or blueprint for the post-acquisition integration. It was all last minute decisions, most of the time no real decision was made because people were afraid of negative influences within the merged firm. But exactly this lack of clarity was our greatest mistake. You have to be clear about the objectives of the acquisition and most proceed in highest gear to establish the new firm."

Another lesson has been to avoid disruptions in sales areas caused by post-acquisition integration. Ambiguities regarding the merged firm made existing customers hesitate about services consequently followed by decreasing sales numbers. The lesson these executives has learned is to postpone the integration of sales to secure the running business.

The COO of Charlie (case c, 04/06/2015) mentioned:

"Most important thing for us was to avoid any agitation at our customers. Therefore we decided to remain the salesforces untouched, although these guys are visiting the same end-users and integration seems a quick win."

Also the BU Director of Juliet (case 4, 08/06/2015) noticed:

"The daily business has to continue without any disturbance. Salesforce and maintenance department are responsible to run the business 24/7 and are therefore excluded from the first rounds of integration."

However, as shown in table 4.11 acquisition experience seems no indicator for acquisition success. Some acquirers in this sample have made several prior acquisitions before the one of this research, and a couple of them became real failures despite all these lessons learned and a highly experienced management team.

Therefore the conclusion seems valid that acquisition experience can have beneficial contributions on the post-acquisition process, but is not of direct influence of acquisition success.

Case	Level of acquisition experience	Overall level of performance
1	Low	16
2	High	21
3	Low	9
4	High	20
5	High	20
6	Medium	13
7	High	17
8	High	18
9	High	19
10	high	11

Table 4.11 Influence acquisition experience on the performance of the merged firm

5 – 9 = disastrous 15 – 19 = neutral 25 = highly successful

10 – 14 = failure 20 – 24 = successful

Also no evidence was found for a faster integration of both firms when a high level of acquisition experience was present. In line with theory the speed of integration seems dependent on relatedness and fit instead of experience.

Case	Level of acquisition experience	Realized speed of integration
1	Low	18
2	High	18
3	Low	24
4	High	36
5	High	12
6	Medium	6
7	High	3
8	High	12
9	High	3
10	High	12

Table 4.12 Acquisition experience on speed of integration

4.7 Performance of the merged firm

Regarding the performance the respondents are asked to give their valuation about the performance of the merged firm after post-acquisition integration in relation with this specific acquisition. If for instance an acquisition in 2007 is followed-up by an acquisition in 2010, they were asked to focus on the performance after the first acquisition. This is to secure the acquisition is considered as a single event (although it might be part of a sequence of acquisitions).

To make a comparison between the various cases possible, a classification is used in which the performance elements are rated.

Case	Financial	Knowledge	Marketshare	Managerial	Personnel	Overall score
1	+	+	o	--	+	16
2	+	+	+	++	+	21
3	-	o	o	--	--	10
4	++	++	+	o	o	20
5	++	o	++	o	+	20
6	+	o	--	-	o	13
7	++	+	++	-	--	17
8	++	+	+	o	o	19
9	++	o	++	o	o	19
10	--	o	++	--	--	11

Table 4.13 Performance of the merged firm

Classification per element		Classification total performancebased on overall score
-- = disastrous	= 1 point	5 – 9 = disastrous
- failure	= 2 points	10 – 14 = failure
o neutral	= 3 points	15 - 19 = neutral
+ successful	= 4 points	20 - 24 = successful
++ highly successful	= 5 points	25 = highly successful

The performances of the merged firms in this research samples are judged by the respondents as:

3 out of 10 cases considered as successful

4 out of 10 cases considered as neutral

3 out of 10 cases considered as a failure

This numbers of total performance is in line with the general statement that approximately 70% of the acquisitions do not show any improvement or are considered as a failure. It does also match the statement that just 30% is successful in establishing their value propositions.

An overview of the analysis and results as discussed in this chapter are shown in table 4.14.

Element	Sub-element	Result	Literature match?
Objectives		Dominant acquisition objective is value protection with 60% of the cases.	Yes
Synergies		Sub-additive synergies are dominant in creating a value protection proposition by 50% of the relevant cases.	Yes
		Super-additive synergies are dominant in creating a value creation proposition by 30% of the relevant cases.	Yes
Relatedness		External relatedness seems to be a qualification criteria in selecting the target company	Yes
Size		Relative size seems not related to a speed of integration. The delay is caused by forced obligations because of governmental or regulator decrees, negotiations with labour unions and misfits in ICT infrastructures.	Yes
Speed	Average speed of integration in the sample	The average speed of post-acquisition integration in this sample is within one year and a half.	Not applicable
		Integration of an acquisition of a target which becomes a holding daughter company is executed faster than average post-acquisition integration processes.	Not applicable
	Speed of integration by value creation	Integration of value creation purpose with super-additive synergy aims takes longer because patience is important to avoid losses of valuable resources or customer satisfaction.	Yes
	Influencing factors	Governmental guidelines, deliberations with labour unions, ICT integration and tax and law differences are retarding factors.	Yes
Level of integration	Level of procedural, physical, managerial and task/human integration	When the overall level of integration is low, focus is on task integration. In cases with high external relatedness and low internal relatedness the level of integration is high to strengthen control over the target.	Yes

	Desired end-state	Acquisitions aiming on sub-additive synergies have a preference for a high level of integration. When both external- and internal relatedness is high, the level of integration will be high as well, except in cases of a desired holding end-state.	Yes
	Strategic, structural and organisational fit	All the acquiring firms in this sample kept close towards their existing industry as respondents agreed on the high strategic fit between acquirer and target. Despite the uniformity in strategic fit, the cases shows large differentiations in structural and organisational fit.	Not applicable
	Level of relatedness and degree of fit on level of integration	Relatedness is more important for the way how to integrate instead of a predictor for synergy establishment. Holding companies do not require a high level of integration whether they are related or not.	Yes
Acquisition experience		Acquisition experience can have beneficial contributions on the post-acquisition integration process, but is not of direct influence of synergy establishment. The respondents consider acquisitions as a single event, although they are part of a sequence of acquisitions. Respondents agree to avoid disruptions on sales during post-acquisition integration. Post-acquisition integration goals have to be determined and formulated during the pre-acquisition phase.	Yes.
Overall performance of the merged firm		The respondents opinion stated 3/10 acquisitions resulted in a failure 4/10 acquisitions had a neutral performance 3/10 acquisitions resulted in a success	Yes

Table 4.14 Overview of the findings of this research

4.8 Other important findings

The advantage of case study research by semi structural in-depth interviews is the ability to gain further insights by asking respondents more detailed information. This resulted in several aspects which did not belong to the main subjects of research but were mentioned more often by multiple respondents and so worthwhile to present.

Culture

Because of the tremendous amount of research towards the influence of organizations' cultures in post-acquisition integration processes, it is a well-considered choice to exclude the element culture from this research. However, the importance of a organizations' culture has become clear once again as several respondents noticed the culture as an important element to deal with during post-acquisition integration.

Controller of Tango, case 7, 17/06/2015

"It is impossible to command people to change 180 degrees in two minutes, you first have to explain the ratios. De human resources departments should be better prepared for cultural differences, instead of thinking from a headquarters point of view."

CFO of Uniform, case 8, 19/06/2015

"A big part of the success of an acquisition is in the pre-acquisition phase. When a big difference in culture is expected people should askes themselves if an acquisition makes sense. Management has to make the right conclusions and set realistic targets.

Another showstopper is a high need for financial restructuring, because it takes several years to do this and it is difficult work for the people involved because they have to present bad news to a lot of employees. Resistance makes people leaving."

Pre-acquisition information

Several respondents stated the difficulty to deal with a lack of transparency between the acquiring and target companies during the pre-acquisition process. This phase is characterised with a high level of secrecy because of the different interests of the stakeholders, but exactly this secrecy blocked the possibility of qualitative high level due diligence. Especially soft elements are hard to discover or experience from a distance. There are several valid reasons why a target company is not interested in a visit from a potential acquirer, but in case of a friendly acquisition this option should be well considered in order to offer the acquirer the right impression of the resources, structures, pros and cons of the target company. If not, this might cause wrong integration decisions, or at least decisions based on incorrect or insufficient information.

HR Director of Alpha, case 1, 03/06/2015

"We have learned from the poor due diligence. It was not focused on running and potential future contracts but on actual value and goodwill. We should have been focused on the potentials like revenues and margin instead of the snapshot of that time."

BU director of Echo, case 3, 05/06/2015

"Pre-acquisition knowledge about the target is power which pays off at the end."

CFO Juliet, case 4, 08/06/2015

"We have to conclude we were far too optimistic about the post-acquisition integration and underestimated the amount of resistance. We should have been more cautious and putting more efforts in the process of designing the transition matrix and the accompanying employees. We better asked them to come up with ideas because they have the knowledge. However, it is hardly impossible to share any thoughts about the post-acquisition if the acquisition itself is not announced already."

Controller of Tango, case 7, 17/06/2015

"People underestimate the amount of maintenance on machinery, inventory, knowledge, finance, etc. These items should be checked during the pre-acquisition due diligence in order to calculate the expected maintenance costs for the upcoming years."

Customer focus during post-acquisition integration

Another aspect scholars have mentioned before is the internal oriented nature of post-acquisition integration processes. In the end the customer has to see or experience the benefits of the merged firm. Also in this research respondents pointed out the importance of customers' interest and benefits as the most significant stakeholder.

COO of Charlie, case 2, 04/06/2015

"Our most important issue was how to deal with the customer during the post-acquisition process. The running business may not be influenced by inconveniences because of the internal affair of the involved companies. Forgetting the customers and neglecting each' others culture is one of the most important causes for acquisition failures. This is way preserve was on top of our blueprint!"

Controller of Tango, case 7, 17/06/2015

"Acquirers are often focused on what the target will bring for them instead of what they have to offer to the target company. Customers and suppliers are often neglected."

V CONCLUSION AND DISCUSSION

5.1 Conclusions, contributions and further research

Focus in this research is on the influence of integration elements on the establishment of synergies during the post-acquisition integration process.

The huge amount of prior research has revealed the importance of the post-acquisition integration process as the most important phase to create the value objectives for which the acquisition was performed at all. However, there still is a lot of contradiction about the influence of integration elements on the establishment of sub- and super-additive synergies. This research has contributed on the knowledge regarding this research topic for several reasons.

First, by a specific focus on the post-acquisition integration process knowledge gaps might become a bit smaller and findings contribute to existing knowledge. In addition the integration elements which are subject of research in this research occur in every acquisition which contributes to the generalizability of the findings for acquisitions in the Dutch industries. Because the simple fact these elements occur during each acquisition the findings are relevant for every manager dealing with post-acquisition integration.

Secondly, these findings provide managers beneficial insights in their efforts during a post-acquisition integration process. Especially the fact that the data is collected by interviews with managers in real life settings might be interesting and valuable for future managers dealing with post-acquisition integration processes. This means it is first-hand information from their colleagues in comparable conditions instead of research from a distance in a fictitious setting. Additionally, the use of semi-structured interviews enables the possibility to gain in-depth and rich information from each case respondent, which is not always possible by quantitative research.

A third contribution of this research is the fact that the performance of the merged firm is measured in several performance expressions, instead of a financial measurement only. For each specific case the performance has been measured by the perceived development and degree of change in financial, knowledge, market share, managerial and personal expressions of the merged firm which occurs as a result of the post-acquisition integration. With this broader scope of performance indicators the results comply with the diversity of acquisition intents expressed by the management in their acquisition announcements. In other words, all performance intents mentioned, should be measured in order to judge the capability of the management in their attempts to establish the promised synergies of the merged firm.

The strength of the sample set is a fourth contribution of this research, given the fact the cases are a reflection of the real economy as a part of the daily acquisition industry. Each privately held profit organisation is exposed to all possible options to become acquirer or target themselves, no matter their activities, industry or geographical spread. Both national and multinational companies are represented by the cases of whom some are listed, and diversity regarding size in terms of employees and financial numbers is guaranteed.

Meanwhile, this diversity also holds a limitation in it, namely the question to which extend findings are generalizable for one industry. As each case is just one example of an acquisition within that specific industry, these findings are not generalizable for that specific industry. Further research with cases of that single industry might clarify the level of generalizability within the context of that specific industry.

Another limitation is find in the sample set. Within the used research sample, case #5 was more or less an outlier, with a private equity firm as acquirer. Although financial and legal ownership of the target firm changed with this acquisition, the management of the target remains autonomously in the continuation of the strategy execution. This is a great difference compared to the other cases, in which the management of the acquirer was dominant. Moreover, case 5 was the only case in this sample with a low external relatedness between acquiring and target firm. This is logical because the acquirer is a private equity firm which means their speciality is financial engineering and investments. The majority of their investments and ownerships are outside the financial industry resulting in a low external relatedness. Given the fact that private equity firms are highly involved in the M&A industry, further investigation might reveal new knowledge about the influence of the absence of relatedness on post-acquisition integration.

The results for case 5 are often mentioned separately because of its specific characteristics. Although this does not influence the findings of the other nine cases, case 5 might have been better of outside this research. At least, findings of the other nine cases are not generalizable to this case. The characteristics of case 5 reveal aspects which might be interesting for future research.

Another limitation is the research design of conducting semi-structured interviews at multiple case studies with one or two respondents per case, viewing the specific acquisition in a retrospective paradigm. Although this way of data collection provides a lot of rich and in-depth data, it still represents the vision of just one or two persons. The question is valid to what extend these answers represents the opinion of the majority of the company members let alone the majority of the managers in similar conditions.

Furthermore it is noticeable, although not a real limitation, that all respondents are male. Apparently this is a representation of the distribution of male and female board members in these cases.

A last statement regarding the chosen language of this publication. Although English is not the native language of the researcher, this thesis is written in English. Given the fact most amount of research is published in English, and most concepts and expressions are widely known in English pronunciation this was the most logical language to really express the core concepts and findings. However this was an extra challenge by writing this thesis, it did not influence findings or causes limitations.

5.2 Discussion

This research has aimed to reveal insights on four specific integration elements which are assumed to have a direct influence on the establishment of synergies and occur during every acquisition integration. The findings concerning each element and the contribution of this findings are presented by each element on its own.

5.2.1 Integration element 1: Speed

All respondents are expressing the need for a fastest possible speed of integration. In cases were the integration was limited to administrative processes, for instance in a holding structure, the integration was completed within 6 months maximum.

Speed of integration is mainly influenced by the choices regarding systems, procedures, locations and policies. The biggest retarder for speed is the amount of regulations, systems and labour unions to comply with. This amount is bigger in larger acquisitions or when an acquisition affects several geographical areas.

The influence of speed on the establishment of sub- and super-additive synergies has not been revealed. The conclusion seems valid that synergies will arise sooner or later, but do not depend on the speed of integration.

5.2.2 Integration element 2: Size

Several scholars suggested an influence of the relative size of the target company compared to its acquirer, on the establishment of synergies.

In this research no direct influence of relative size on the establishment of synergies is measured. Size on itself is not a predictor for synergy realisation, it seems more influenced by the relatedness of the firms and the level of integration. Realizing sub-additive synergies is easier at related targets, no matter their size, although the scale and scope of the amount of sub-additive synergies might increase in larger acquisitions. The same counts for super-additive synergies in the way that more knowledge or resources will be available to contribute to the establishment of these synergies in larger acquisitions. However, establishment of synergies is also possible by acquiring small size companies as visible in case #3.

A direct influence of size on the establishment of synergies is not proven, although it seems valid that more potential synergies arise in larger acquisitions. Nevertheless, people have to be connected with each other which seems more difficult in larger organizations compared to small organisations with shorter communication lines.

5.2.3 Integration element 3: Level of integration

The main conclusion of this research can be drawn that only the integration element *level of integration* has a direct influence on the establishment of sub- and super-additive synergies. No direct influences by the other elements have been revealed.

This research revealed the importance and direct influence of the level of integration on the establishment of synergies.

A high level of integration is preferred in the cases of this sample by 7 out of the 10 cases. Respondents mentioned a high level is necessary to establish both sub- and super-additive synergies. Sub-additive synergies are established by combining functionalities and creation of economies of scale, whether super-additive synergies are created by high integration in cases with focus of knowledge sharing (R&D departments), sales of complementary goods and services and managerial expertise.

The findings are in line with Sudarsanam (2003) who stated: integration of two organisations is not a matter of just changing the organisation structure and establishing a new hierarchy of authority. It involves integration of systems, processes, strategy, reporting systems, etc. Above all, it involves integration of people. It may often involve changing the organisational culture of the merging firms, possibly to evolve a new one to deliver the strategic objectives of the merger.

An exception on above mentioned direct relation is the acquisition of a target company which will remain in high autonomy as a holding company. Especially in case of low external relatedness the establishment of synergies is difficult because hardly any functional overlap occurs.

The level of integration is of influence on the establishment of sub- and super-additive synergies. Without an appropriate level of integration for the specific integration elements, synergies might not occur.

5.2.4 Integration element 4: Acquisition experience

Acquisition experience is considered as useful by all respondents, but has no direct influence on synergy creation. Acquisition experience seems to have a direct influence on the other integration elements in the way that dedicated integration teams and collected knowledge about post-acquisition integration might guide responsible managers to their decision making. Moreover the use of a ‘first 100 days after acquisition announcement’ schedule and blueprint for integration seems helpful in fast decision making and contribute to the speed of integration. Experience might also help during the pre-acquisition phase, both at the stage of due diligence as well as during decision making regarding the design of the merged firm.

No direct influence of acquisition experience on the establishment of sub- or super-additive synergies is measured. The creation of synergies might also be established in firms with inexperienced managers.

5.2.5 Performance

Performance was measured by financial, knowledge, market share, managerial and personnel performance expressions. An interesting result occurs as the performance of the merged firms as mentioned by the respondents is in line with the general agreed distribution by literature.
A measurement of the total performance by these elements taken together seems not to make any difference than the single financial performance indicator. **Approximately 70% of the acquisitions did not result in the objected value proposition as they end up in a neutral performance or became a failure. In line with literature approximately 30% of the merged firms were mentioned as successful in their total performance.**

5.2.6 Other findings

The respondents also emphasized other important elements managers should consider during the post-acquisition integration. As a first element they should consider the culture match between acquirer and target. If there seems a lack of similarity between the firms, managers should reconsider their willingness to start the acquisition process seriously.
Another element mentioned by the respondents which can be helpful in analysing the **culture** of both firms is the availability of information during **pre-acquisition stage**. Managers can estimate requirements and start decision making regarding post-acquisition integration elements based on the information collected in this stage. In addition, by designing these items before the actual acquisition announcement, clarification to the stakeholders is provided and the speed of integration can be increased.
A last item respondents argued about is the importance of **customer focus** during post-acquisition integration. As the customers are the most important stakeholders of the merged firm, they might not notice any complications or malfunctions in performance because of the acquisition in progress.

5.3 Managerial implications

This research is especially interesting for managers working in a Dutch company already involved or planned to execute an acquisition. It shows the opinion, experience, thoughts and acting of their equals, as this data is collected by people like themselves, in comparable situations, dealing with post-acquisition integration during an acquisition in the Dutch economy.

Although the respondents underlines they experience each acquisition as a single event, they admit the integration elements discussed in this research are elements which occur during every acquisition and are applicable to different industries. This is why this research is relevant for managers to gain knowledge and insights in the influence of these elements. They should address their intention especially towards the two most important findings of this study.

The first important finding is the fact that the level of integration of the various aspects and element of both firms seems an important determinant in the establishment of synergies.

Decisions regarding the level of integration have direct impact on processes, structures and organization members and therefore are vulnerable for mistakes. Choices should be well considered and respondents stated it is helpful to consult the members involved. Besides their valuable knowledge, it will create a base for further integration implementations.

In case of aiming for sub-additive synergies by acquiring a related target firm in the same geographic market, the decisions regarding level of integration seems relatively self-evident. Overlay in functionalities can be solved and economies of scale and scope can arise at both back- and front-office side.

When aiming for super-additive synergies this decisions seems to be more complicated. Trade-offs occurs regarding the required level of integration to secure new resources and capabilities should be leveraged between both entities. However, integration should be carefully considered to avoid loss of autonomy.

A second finding refers to the pre-acquisition stage which contributes considerably towards decision making during post-acquisition integration.

By collecting sufficient information about both companies, the desired end-state can be designed to a large extend upfront. Furthermore, decisions about future leadership positions, relocation of assets and resources and strategy can be announced which will be beneficiary for the clarity provided to the stakeholders and might increase their positive opinion towards the integration.

Another important tool the respondents mentioned was a dedicated integration team or department which is fully focused on the integration of both firms. Moreover, a strict period in which the first implementations of the integration elements are set helps companies to focus and utilize the momentum to convince employees of new ideas and the necessity for change. A period of the first 100 days after acquisition announcement is mentioned by several respondents.

A third important lesson learned out of this research is the possible beneficial role of acquisition experience on decision making. Experience is not a guarantee for the establishment of synergies, but consulting experienced managers and dedicated departments in likewise conditions might reveal tips and tricks to avoid common pitfalls. It is up to managements' capabilities to establish the aimed synergies in order to create the desired value propositions. Undoubtedly, managers who have a successful track record are valuable resources to consult.

Once again, this research has proven the complex phenomenon of acquisitions. There is no golden rule or standard set of implementation prescription applicable on all acquisitions. As mentioned by the respondents, acquisitions have to be considered as single events although this do not mean it is an isolated event. There are several insights revealed in this research, which are generalizable over multiple settings, however past results are no guarantee for future success!

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APPENDIXES

APPENDIX A TOPIC LIST FOR SEMI-STURCTURED INTERVIEWS

APPENDIX B THE CASES

APPENDIX A TOPIC LIST FOR SEMI-STURCTURED INTERVIEWS

Date + location interview:
Name respondent:
M&A case:
Gender:
Nationality:
Position at time of case:
Confidential data?

General
How would you classify the industry at the time of the acquisition? (turbulent, competitive, dynamic, static, rigid)?

The acquisition purpose
What was the main reason for the acquisition?
Which intends: economic, strategic, personally
Sub-additive synergies: overcapacity in the market, market extension, economies of scale, buying market share.
Super-additive synergies: geographically roll-up, product-extension/new product markets, R&D, key resources, strategical turnaround, etc.
Similarities and differences between acquirer and target firm?
Was there a broad internal base for this acquisition?
Was your firm the only predator for this target at the time of the acquisition?
What about strategic fit, organisational and structural fit?

Speed
What was the aimed time for integration? Why this specific period? Did you manage to realize this aim? Why (not)?

Size
What was the relative size of target firm compared to the acquirer? Does relative size influence the post-acquisition integration process? Why?

Level of integration
Which part of the organizations systems, structures and procedures are integrated and why?
Which choices have been made, why and how?
Focus on human or task integration aspects?
Procedural integration (legal and accounting, functional, SBU)
Physical integration (product line, production technologies)
Managerial, sociocultural integration (personal transfer and organizational structure, sociocultural integration, gaining commitment and motivation personnel, establishing new strategic leadership)
Overall level of integration (low, moderate, high)
Desired end-state

Acquisition experience

What can you tell about the acquisition experience of the company?
Which frequency? What about procedures, guidelines, systems, blueprints, what if scenario's, etc. to manage the integration?
Which management tiers were involved during the post-acquisition integration? Why?
Did all managers remain in the merged firm? Why (not)?

Performance

What were the expectation concerning the performance of the merged firm?
In what way adds the target organization value through the existing business? Revenue, market share, knowledge, resources/value creation, protection or destruction?
How are performance indicators measured?
After which term were performance indicators consolidated?

Additional

Which elements/aspects have you considered crucial during post-acquisition integration?
Which events were accelerators or dysfunctional for the process?
Given the knowledge of today, what should you have done in the same situation?

APPENDIX B THE CASES

The cases

In the next section each case of this research will be introduced by a short description and the characteristics of the firms involved.

B.1 Case 1 Alpha acquires Bravo

Alpha is a large player on the market of catering in offices. Their core business is catering for lunches, meetings and receptions as an in-house caterer. Bravo is a medium size caterer for education organizations with locations throughout Holland.

Alpha acquirers Bravo because the founder of Bravo wants to retire and Alpha assumed possibilities for leveraging their knowhow, products and services to the market of Bravo. Sub-additive synergies are possible for the back office functionalities, purchasing (products), transportation, administration and marketing, whilst super-additive synergy aims are cross-selling of each other's product portfolio.

The leading acquisition driver is value protection by increasing the market share and margin per unit sold.

Press release:

"Through this acquisition we want to further extend our position in the catering branch, more specific in the education market."

Organization characteristics	Acquirer firm	Target firm
Name	Alpha	Bravo
Year of foundation	1978	1996
Industry	Catering (offices)	Catering (education)
Core products	Food and beverages	Food and beverages
Core markets	The Netherlands	The Netherlands
Turnover in year in acquisition	€30 mio	€15 mio

Fig. B1 Characteristics from the involved companies Alpha and Bravo

B.2 Case 2 Charlie acquires Delta

Charlie is a global market leader in medical supplies. Delta is the largest player in the same industry but a different segment. The companies provide products and services in the same supply chain. Were Charlie delivers products and services which are ‘installed’ during a surgery, Delta is a supplier of surgery tools.

Possibilities for sub-additive synergies are shared purchasing (products and services), transportation, route to market, marketing and warehousing. Super-additive possibilities are cross-selling from products of each other’s product portfolio, R&D and leveraging knowledge. The leading acquisition driver is value creation and becoming the partner and consultant of the end-users.

Press release:

Together, Charlie and Delta are better able to improve global healthcare.

The combination is expected to result in at least $850 million of annual pre-tax cost synergies by the end of fiscal year 2018. These synergies include the benefits of optimizing global back-office, manufacturing and supply-chain infrastructure, as well as the elimination of redundant public company costs [sub-additive synergies].

The estimate excludes any benefit from potential revenue synergies resulting from the combination of the two organizations [super-additive synergies].

Through this combination, Charlie is expected to generate significant free cash flow, which it will be able to deploy with greater strategic flexibility, particularly in the U.S. This transaction provides our shareholders with immediate value and the opportunity to participate in the significant upside potential of the combined organization.

[the merged firm] Creates a Medical Technology and Services Company with a Comprehensive Product Portfolio and Broad Global Reach that is Better Able to Improve Healthcare Outcomes. Meaningfully Accelerates Charlie's Core Strategies of Therapy Innovation, Globalization and Economic Value.

Once the transaction is completed, Charlie will have significantly advanced its position as the world's premier medical technology and services company. The combined company will have a comprehensive product portfolio, a diversified growth profile and broad geographic reach.

This acquisition will allow Charlie to reach more patients, in more ways and in more places. Our expertise and portfolio of services will allow us to serve our customers more efficiently and better address the demands of the current healthcare marketplace.

Organization characteristics	Acquirer firm	Target firm
Name	Charlie	Delta
Year of foundation	1949	1903
Industry	Healthcare	Healthcare
Core products	Medical technology	Medical devices and supplies
Core markets	Global	global
Turnover in year of acquisition	€17 billion	€10.2 billion

Fig. B2 Characteristics from the involved companies Charlie and Delta

B.3 Case 3 Echo acquires Foxtrot

Echo is a medium size player in the field of engineering consulting, mainly focused on the Dutch market. They are specialist in complex issues regarding acoustics, noise, legislation in engineering and construction of infrastructure, public spaces and buildings. Foxtrot is a consultant specialised in the niche market of acoustics in theatres. Echo acquirers Foxtrot to strengthen their position in these specific projects. Before the acquisition they have to hire these services as a subcontractor. Foxtrot is aiming for a bigger project portfolio. This is an example of a super-additive synergy creation with a value protection intent.

No press-release available.

Organization characteristics	Acquirer firm	Target firm
Name	Echo	Foxtrot
Year of foundation	1980	1990
Industry	Engineering consultancy	engineering
Core products	Construction, civil works, buildings, legal advices, licencing and environmental consulting	Theatre acoustics
Core markets	The Netherlands	The Netherlands
Turnover in year of industry	unknown	unknown

Fig. B3 Characteristics from the involved companies Echo and Foxtrot

B.4 Case 4 India acquires Juliet

India is one of the largest cable operators in the world as well as in The Netherlands. Juliet is one of the largest telecom providers in the Netherlands. Together they will have the biggest footprint in the Dutch market of telecom providers.

The rationale behind this acquisition is to become a one-stop-shop for the end-user. This is an acquisition with sub-additive objectives and value protection intent.

Press release:

The combined company will be a leading provider of communication services across the Netherlands.

This acquisition creates leading challenger in the mobile and enterprise businesses with the emergence of a nationwide cable operator, further ensuring sustainable competition throughout the Netherlands, benefiting the Dutch economy and society as a whole.

India continued investment and innovation to benefit Dutch consumers, as our increased scale will drive efficiencies and enhance our ability to invest in the development of cutting-edge products and services.

We foresee significant synergy opportunities as a result of scale advantages across core functional areas and leveraging India's pan-European platform, procurement and integration expertise

This acquisition generates significant revenue and operating efficiencies. We are targeting €160 million in annual run-rate synergies by 2018, which will underpin our growth profile over the next few years driven in large part by scale advantages across core functional areas and our nationwide footprint.

Organization characteristics	Acquirer firm	Target firm
Name	India	Juliet
Year of foundation	2005	2008 (after a merger of former competitors)
Industry	Cable operator	Telecom provider
Core products	Cable infrastructure	Telecom services (television, internet, telephone)
Core markets	Europe	The Netherlands
Turnover in year of industry	€18.2 billion	€1.5 billion

Fig. B4 Characteristics from the involved companies India and Juliet

B.5 Case 5 Kilo acquires Lima

Kilo is a private equity firm in the Netherlands whose strategy is to own or operate as major shareholder in companies with an operational result of maximum €50 mio. They acquired Lima with an investment horizon of 5-7 years, meaning they will restructure the business in order to be attractive for another acquirer. This requires investments in Lima to be able to realize autonomous growth and accelerate to become or strengthen their number one position in the market.

Lima was part of an investment fund, together with several other companies from other industries.

Press release:

[the CEO] continues: "Lima has been approached by Kilo, who wishes to become a shareholder and support the further development and growth of the Lima business. Next to strengthening our position as leading player in Europe we see major opportunities to grow our business in Latin-America and Asia with our strong product portfolio. We are impressed by our new partner and are convinced that Kilo will actively cooperate to further develop the profitable growth of Lima and its outstanding and highly motivated colleagues".

Kilo will invest €6-€10 mio annually in external growth.

Organization characteristics	Acquirer firm	Target firm
Name	Kilo	Lima
Year of foundation	1999	1935
Industry	Private equity	textiles
Core products	Financial investments	Carpets
Core markets	BeLux	Europe
Turnover in year of industry	€unknown	€200 mio

Fig. B5 Characteristics from the involved companies Kilo and Lima

B.6 Case 6 Quebec acquires Romeo

Quebec is a worldwide supply chain logistics provider in the Asia-Pacific area. They also have a footprint in the USA. To entry the European market they acquired the Dutch based Romeo. This is a logistics service provider with a fine grained European network. The founder of Romeo wants to retire and didn't have a successor so he was willing to sell the company. With this acquisition Quebec is aiming for sub-additive synergies in order to increase their market share and offer their global customers a global network. Because the total market remains the same, this is a value protection acquisition.

Press release:

This year Romeo's founder and CEO will reach the age of 70 years and he has no successors. That is why he has spent the last few years carefully searching for a party which can guarantee continuity, for employees as well as for customers: with the same attitude, with respect for the same core value and with a healthy and realistic vision for the future. This party has been found in Quebec.

The acquisition is a strong strategic fit for both Quebec and Romeo, and will provide an excellent platform for both companies to expand the business and service offering globally. This development will provide increasing services and opportunities to existing and future customers.

The activities will continue under the current company name [Romeo] and will not have any consequences for the employees. The structure and culture of Romeo is very similar to that of Quebec.

Key benefits for the agreement:

Establishment of a significant footprint for Quebec within Europe with a well-established, quality business, producing sound profits;

Expansion of worldwide Logistics Services for customers of Romeo;

Romeo provides opportunities to further expand Quebec's international global network enhancing European capability for its customers;

Romeo has experience and expertise in supply chain logistics which will enhance the development of Quebec's equivalent business;

Long-term strategy is guaranteed for both companies;

The structure and culture of Romeo is very similar to that of Quebec with an emphasis on customers, teamwork and quality.

Organization characteristics	Acquirer firm	Target firm
Name	Quebec	Romeo
Year of foundation	1978	1970
Industry	Transportation	Transportation
Core products	Supply chain logistics	Logistics services
Core markets	Asia-Pacific, USA	Europe
Turnover in year of acquisition	€1.37 billion	€240 mio

Fig. B6 Characteristics from the involved companies Quebec and Romeo

B.7 Case 7 Sierra acquires Tango

Sierra is one of the leading (beverages) breweries in the world, aiming for the number one position worldwide. Tango is a domestic brewery with an international footprint and expansion by cooperation with local retailers who can sell the Tango brand through licenses. Through the acquisition of Tango they are able to increase their market share and extend their product portfolio whilst sub-additive synergies occur in the fields of purchasing (raw materials), transportation, warehousing, production and marketing. Also an overlap in functionalities will create cost savings. Because of the market protection (a bigger share of the global pie) this is an example of a value protection acquisition.

Press release:

Organization characteristics	Acquirer firm	Target firm
Name	Quebec	Romeo
Year of foundation	1968 (entrance Dutch market)	1973
Industry	Breweries	Breweries
Core products	Alcoholic beverages and soft drinks	Alcoholic beverages
Core markets	Global	The Netherlands, Scandinavia, Africa
Turnover in year of acquisition	€14.4 billion	€600 mio

Fig. B7 Characteristics from the involved companies Quebec and Romeo

B.8 Case 8 Uniform acquires Victor

Uniform is a global top-3 player in the flooring industry for hard floor coverings. They have a global network and facilities in numerous countries. Victor is market leader in several European countries in textile flooring solutions and sport surfaces. The acquisition of Victor offers Uniform an extension in their product portfolio and a larger footprint in the European market. Moreover at Victor the margins per product sold are higher compared to their own products. Sub-additive synergies can be settled in the fields of purchasing, marketing, transportation and job reduction, whilst super-additive synergies can be established in the fields of cross-selling and R&D. This acquisition really is a differentiation in the product-market combination of Uniform and therefore is an example of a value creation acquisition.

Press release:

"The acquisition of Victor will enable Uniform to accelerate its profitable growth strategy by targeting the European market of added value carpet for commercial and residential use, as well as innovative sports surfaces. This move will extend our product portfolio, offering our customers complementary and cutting-edge solutions, as well as extensive design expertise" explains the CEO of Uniform. "Following the successful acquisition of Oscar in the United States, Victor will allow Uniform to provide commercial carpet solutions to all customers worldwide."

"We are very excited to join Uniform with whom we share the same vision and entrepreneurial values, as well as a strong commitment to sustainability. Within the Uniform group, we will be in a position to offer extended development opportunities to our customers and partners, with products that aim to improve people's wellbeing and ultimately their performance." comments the CEO of Victor.

Organization characteristics	Acquirer firm	Target firm
Name	Uniform	Victor
Year of foundation	1880	1930
Industry	Flooring solutions	Textile flooring and sport surfaces
Core products	PVC, Linoleum, wood	Carpets and artificial grass fibres
Core markets	Global	Europe
Turnover in year of acquisition	€2.4 billion	€225 mio

Fig. B8 Characteristics from the involved companies Uniform and Victor

B.9 Case 9 Golf acquires X-Ray

Golf is a leading B2B retailer of construction materials. X-Ray is a top 3 wholesaler in the industry of building hardware in the Netherlands. X-Ray is aiming for further expansion driven by the desire to become the number one in the Netherlands, but misses the financial power. The acquisition of X-Ray enables Golf to increases its market share in the European market. They aim to establish sub-additive synergies in the field of purchasing, warehousing and transportation. This is a value protection acquisition.

Press release:

"*X-Ray had the ambition for domestic growth but didn't get a change to execute this ambition. We strive toward a network of shops which covers the country. Through this acquisition we can accomplish this target even faster than expected. The company will benefit from the features of a large corporate whilst maintaining its own identity. Even foreign expansion becomes a possibility now.*"
[Owner of X-Ray]

Organization characteristics	Acquirer firm	Target firm
Name	Golf	X-Ray
Year of foundation	1782	1865
Industry	Building hardware's	Building hardware's
Core products	Assortment of > 100.000 products	Assortment of > 100.000 products
Core markets	Europe and the USA	The Netherlands
Turnover in year of acquisition	€2.8 billion	€70 mio

Fig. B9 Characteristics from the involved companies Golf and X-Ray

B.10 Case 10 Yankee acquires Zulu

Yankee is market leader in the Dutch textile flooring industry, whilst Zulu is a major competitor in the residential segment. The main purpose of this acquisition is the ownership of the valuable brand names, an easy entry to their fine grained dealer network and their knowledge of this specific market. With this acquisition Yankee's number one position in the market becomes even stronger, an example of value protection. Economies of scale and scope have to result in sub-additive synergies. Cost reduction is possible by reducing supernumerary jobs, production facilities and equipment, and purchasing of goods and services, whilst sales and marketing is integrated in the Yankee company.

Press release:

Organization characteristics	Acquirer firm	Target firm
Name	Yankee	Zulu
Year of foundation	1930	1985
Industry	Flooring industry	Flooring industry
Core products	Carpet tiles and broadloom carpet	Broadloom carpet
Core markets	Europe	The Netherlands
Turnover in year of acquisition	€ 188 mio	€25 mio

Fig. B10 Characteristics from the involved companies Yankee and Zulu