Tampere University of Applied Sciences

Recommended model for pre-deal phase based on findings from executed Mergers & Acquisitions

Case: Finnish IT consulting company

Praveen Panicker

MASTER'S THESIS
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21YIBM: International Business Management Programme
Growth Makers

ABSTRACT

Tampereen ammattikorkeakoulu
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The success of M&As across the corporate world has been an enigma due to its poor success rates across multiple different businesses. This thesis research aimed to identify how to model the pre-deal phase to secure the post-deal phase business for at least the first 365 days. This approach was inspired by the commissioner's wish based on their practical, real-world need. The commissioner was planning their second wave of acquisitions towards inorganic growth and needed a practical model on "how-to" organize the pre-deal phase for better effectiveness. The objective of the exercise was to identify all the good and ineffective factors in conducted M&As.

Lessons learned would pave the path towards identifying the model for organizing the pre-deal phase. The method utilized for data collection occurred via empirical research with qualitative data research utilizing a case study model. The research approach was inspired by constructive research approach. Questions for data collection were based on the theoretical framework/literature review conducted. The research was conducted for five different cases with 16 interviewees finally participating for data gathering. The data analysis for the collected data followed the "Within-Cases" analysis and "Cross-Cases" pattern using divergent techniques. All confidential information was filtered to ensure the wishes of the interviewees.

The result of the data analysis was based on the essential findings and lessons learned. Many findings agreed with the performed literature review, but at the same time, there were many new findings and some contradictions from the literature review. Based on this, the author was able to recommend a model how to organize and perform the pre-deal phase of the acquisition. It also indicated components not found in the study but were strongly recommended by the literature review, for instance, the focus on cultural due diligence.

Based on the recommended model of how to organize the pre-deal phase of an M&A, few conclusions were drawn. Besides them, critical success factors were also added to converge focus in the future to make the M&As more effective by prioritising key areas when executing the pre-deal phase.

Key words: acquisitions, due diligence, M&A model, degree of integration, pre-deal, communication, culture, synergy realisation, integration pre-planning.

CONTENTS

ABBREVIATIONS AND TERMS

AdTech	Advertising Technology
Bn	Billion
CEO	Chief Executive Officer
CIS	Commonwealth of Independent States
CSF	Critical Success Factor
COVID-19	Corona Virus Disease in 2019
DD	Due Diligence
HR	Human Resources
HRM	Human Resource Management
IPR	Intellectual Property Rights
IT	Information Technology
KT	Knowledge Transfer
M&A	Mergers & Acquisitions
NDA	Non-Disclosure Agreement
PE	Private Equity
PM	Project Manager
PDF	Portable Document Format
PwC	Price Waterhouse Coopers
R&D	Research & Development
TAMK	Tampere Ammattikorkeakoulu / Tampere University of Applied Sciences
TMT	Technology, Media, and Telecom
USD	United States Dollar
USP	Unique Selling Proposition
21YIBM	Year 2021 of International Business Management

PREFACE

My first experience with M&A was in 2011, when my global organisation where work was done for eight years, was acquired by a competitor as part of global IT outsourcing deal. The firm that acquired us had a history of growth strategy based on acquisitions and mergers. The experience living through the merger was not entirely pleasant, but it generated a trigger to follow this topic sub-consciously for years to come.

When I had the opportunity to work on pre-task for the enrolment for my masters' programme, M&A was used as the focus to complete the criteria for the pre-task towards admission to my masters' degree. This was used as an inspiration when it was time to decide the topic for my masters' thesis since my motivation to work and gain further insights and experience on M&A as a topic was rather high.

The hope through this work is that the published thesis report will reach at least some of the M&A enthusiasts who could utilise my exploration of existing literature review, the work done here on getting a good structure for research and/or the findings from this research.

I would like to start by thanking my wife, Heidi Panicker for inspiring me to venture into further studies to my second masters' degree. Without her own drive, commitment, and enthusiasm towards her studies, I would not have even remotely considered doing another degree program during the end of my prime of my career. I would like to thank our TAMK program director, Sven Rassl for encouraging on trusting myself in the push to deciding the thesis topic on M&A. I would like to also thank my supervisor of my thesis, Jari Ruokolainen for continued support and my commissioner of the thesis for this opportunity. Lastly, I would like to thank my professional contacts for supporting me and providing me leads for interview for data collection and volunteering for interviews and other professional acquaintances for pre-discussions before the start of my data collection efforts. Without your support, the result of this work would not have been what it is now.

Praveen Panicker
22.10.2022

1 INTRODUCTION

For markets, such as in Finland, which is rather insignificant compared to some of the other economic behemoths in Europe, stagnation, and lack of opportunities to grow locally, could lead to search for newer avenues and excitement to add to its product/service portfolio quickly or then to look outside its borders to internationalize (Shimizu, Hitt, Vaidyanath & Pisano 2004, 308). Firms look to acquisitions when they have exhausted their internal growth prospects (Moeller, Schlingemann & Stulz 2004, 203; Caiazza & Volpe 2015, 206). One way to do this, is by buying an already existing firm instead of creating/growing one from scratch (Caiazza & Volpe 2015, 208). Cross-border mergers and acquisitions (henceforth referred to as M&As) have been a strategy for internationalisation for firms for an exceptionally long time. This has become a very necessary alternative to respond swiftly to various challenges occurring in this fast-changing global business environment (Caiazza & Volpe 2015, 206.) When comparing other external growth opportunities like strategic alliances, joint ventures, or franchising, they are still lagging way behind M&As as a strategic alternative path (Schade 2014, 1).

For decades, M&A has been used as a motive and a favoured tool to enter new markets, gain new and scarce resources, achieve synergies (Finkelstein & Cooper 2010, 1), market power, achieving economies of scale and scope, acquire complementary resources and capabilities (Caiazza & Volpe 2015, 208) strategic and product expansions to enhance their competitive advantage. One of the most important reasons for this is that M&As provide a swifter path to enter new markets and to make operations more seamless (Schade 2014, 1.) Five main reasons for undertaking an M&A are: growth; synergy; diversification; integration; deal doing (Cameron & Green 2009, 253). With so many criteria, the expectations have made it virtually impossible in the global setup for corporates to compete with the competition without utilising mergers or acquisitions to grow and expand (Bansal 2017, 417). M&As continue to become a huge phenomenon in the corporate world and their numbers are growing on an epic scale throughout the world (Cooper & Finkelstein 1, 2010). In a study conducted by McKinsey on how CEOs can boost their odds of success (Birshan, Meakin, & Strovink 2016, 3), M&A is mentioned as the second most important strategic move of newly appointed CEOs after reshuffling of management (Venzin et al. 2018, 12).

There is a fundamental question around the differences between mergers and acquisitions. The extant literature tends to treat both interchangeably despite their clear differences in their approach and management themselves. (Faulkner, Teerikangas & Joseph 2012, 366.) Just to get the definitions cleared, while acquisition is defined as a purchase of a company, a part of a company, majority- or minority ownerships, a merger on the other hand is about consolidation of two or more independent companies, where at least one party loses its autonomy (Schade 2014, 4).

Studies have shown that success in M&As is rather challenging. Success rates in them are not very encouraging. Especially during post-acquisition phase, cross-border M&As pose immense challenges (Child, Falkner & Pitkethly 2001, 1). At best one-quarter of M&As achieve their planned financial objectives (Finkelstein & Cooper 2010, 2; Howson 2003, 4; Schuler & Jackson 2001, 241; Bruner 2001, 2; Shrivastava 1986, 66). A study by KPMG found that approximately only 17 percent of cross-border acquisitions create shareholder value, while 53 percent destroyed it (Bansal 2017, 417). There are many motives for these failures: cultural clashes, incompatible market positions, wrong assessment of the value of the synergies, sloppy due diligence, or hostile reaction of existing customers (Venzin, Vizzaccaro & Rutschmann 2018, 3) or because acquiring firms playdown psychological, cultural and people issues (Rees & Edwards 2009, 25). Recent research has showed that when it comes to mergers and acquisitions, five golden rules must be followed: communicate constantly; get the structure right; tackle the cultural issues; keep customers on board; use a clear overall process (Cameron & Green 2009, 253).

1.1 Case company

This research is being conducted for a Finnish case company that is privately owned and into Technology and IT consulting practices. It was founded in early 2000s and it has presence in Denmark, Finland, Hungary and Sweden. The company provides services – expertise in digitalisation consulting, strategy transformations, technology solutions and management power for its customers. The company has very steep growth targets. Its goal is to become Northern Europe’s leading IT management company with a revenue of 500 million euros by 2025. As part of the company's growth strategy, M&A is considered as one of the key strategic initiatives in its journey towards inorganic growth and market expansion. Notable among strategies is the acquisitions of small technology-based firms by large and established firms (Granstrand & Sjölander 1990, 369). In the past, the company managed to successfully execute a few M&As before the onset of COVID-19 pandemic.

1.2 M&A activity trends and some numbers

Activities and volumes in cross-border M&As have significantly accelerated over the past decade in developed countries, developing countries and transition economies of southeast Europe and the CIS (Caiazza & Volpe 2015, 206). M&A activity in whole of year 2021 ended up considerably higher than 2020 and considerably beyond the pre-pandemic levels as well. These heightened levels of M&A activity provide more evidence in the TMT sector especially in the technology department. Megadeals need special mention since they have relentlessly heightened the overall deal values. Megadeals are those deals that exceed values above USD 5bn. Deal volumes and their values have significantly increased between 2020 and 2021 by 32% and 48% respectively. We anticipate similar momentum also to continue forward into 2022 fuelled by the availability of vast capital and investor interest in content, crypto, digital assets and anything related to technology. However, principal areas to watch very closely in this changing business environment that could hamper M&A activity are rising interest rates, tightening of regulatory environment (PwC.), rising inflation and war in Ukraine.

The role of private equity has grown dramatically, expanding from 4 percent of the global M&A market in 2000 to 30 percent in 2013 (Caiazza & Volpe 2015, 206). PE firms are increasingly captivated with technology sector targets especially those that are focussed on IT services, cloud migration and AdTech (PwC).

Figures 1 – 3 show some trends in M&A in technology companies and application software areas.

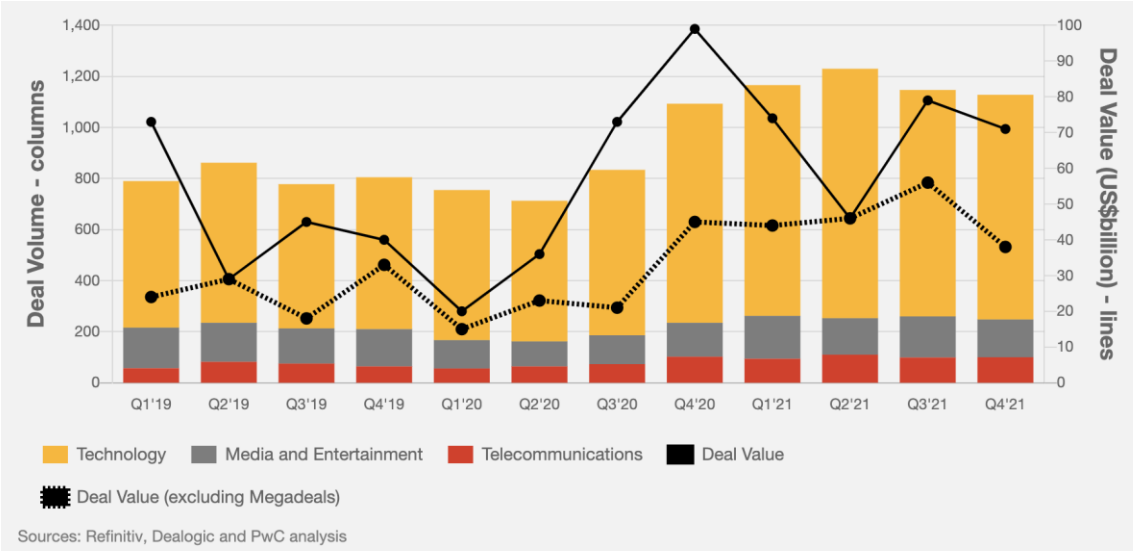

FIGURE 1. Technology, media and telecommunications deal volumes and values, 2019 – 2011 (Source: PwC)

In figure 1, while share of telecommunications M&A is rather stable over the period, Technology's share is increasing steadily during the same period. Overall deal values have also increased over the corresponding previous quarters.

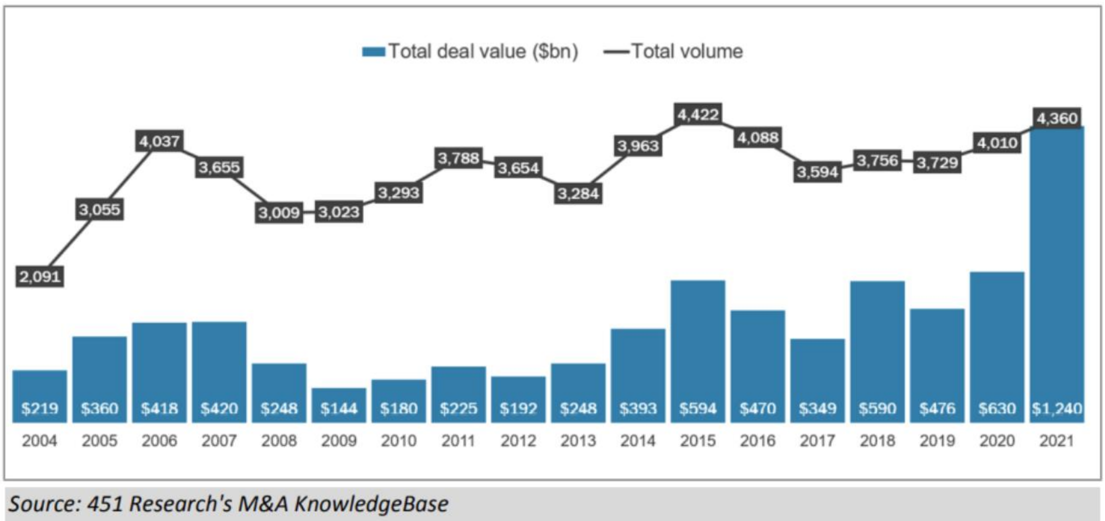

FIGURE 2. Recent annual technology M&A activity (Source: Tech M&A Outlook 2022)

Although volumes referring to figure 2 have been increasing at a slower pace, total deal value in 2021 compared to 2020 has taken a quantum leap, showing the significance of M&A then. Mirroring the trend for technology M&A, M&As in application software has been seeing a similar uptick in 2021 compared to 2020 volumes as illustrated in figure 3.

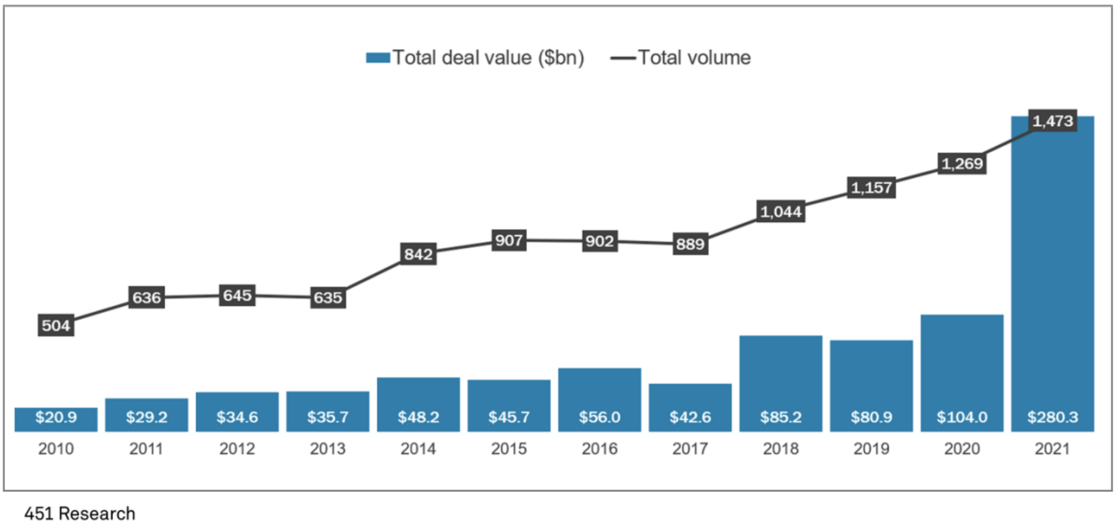

FIGURE 3. Application software M&A activity since 2010 (Source: Tech M&A Outlook 2022)

These figures clearly show the increasing trend of M&A activity as a strategic path for many firms to foster their growth journey. The amount of volume of the activity around high-technology area in terms of acquisitions indicates it as a mechanism to access newer technologies (Ahuja & Katila 2001, 216).

1.3 Objectives and scope

Due to high rates of failures in M&As in general, the author will focus on case company's previous acquisitions and couple of others in the IT industry and consolidate the reflections from them. This will be done with solid theoretical framework in perspective. According to case company's M&A target framework, there are four different target categories: Significant merger, strengthening current businesses, expansion to new business areas and competence acquisition. The scope of this thesis will primarily focus on significant merger. Additionally, the research is focusing on the pre-planning of integration prior to closing the deal from the viewpoint of how to secure the first one year of post-merger period to secure the business case. Success in M&As is one of the most cumbersome topics in research in the recent past. Prior to closing, how to apply systematic

M&A process to minimize risk in the post integration phase, to increase success rates, maximise the business opportunity as well as prepare a solid platform for post-acquisition integration phase. When evaluating acquisitions based on various parameters, hinging them on mere financial performances only, may not be do any justice (Ahuja & Katila 2001, 216). Hence, scope here must be to focus on non-financial part of pre-merger activities (Gomes, Angwin, Weber & Tarba 2013, 14).

While this research will follow the whole chain of activities within the M&A process, focus and recommendations will be limited to pre-merger phase. Within the pre-merger phase, only area that will be exempted from the study focus would be the financial part within M&A. This would also imply that the scope will exclude integration process and activities around the post-merger phase of M&A.

1.4 Research topic and research question

The author's commissioner had conducted five M&As in the past facing a lot of challenges in the post integration scenario. Focus has been primarily on the financial due diligence. Expected business benefits were not realized in the post-acquisition phase. After COVID hiccups, it is once again on an inorganic expansion path where M&A is the key strategic tool to make this growth possible. This study will assist my case company to realise the lessons learnt and prepare on how to approach and structure the pre-M&A phase more effectively to increase the success rates of future acquisitions without compromising on the business benefits. One of the most prominent factors determining this success rate will be how effectively the business is secured in the first one year of post-deal scenario.

After reviewing the literature for this thesis, there were research gaps identified and they are discussed in sub-section 2.6. The research question for this thesis is: What are the major factors contributing to unsuccessful company acquisition and loss of business opportunity in the post-merged scenario as a result of poor pre-merger preparations?

1.5 Structure of the thesis

The body of this study includes six subsequent chapters. In chapter two, the author attempts to perform theoretical analysis of studies and research conducted in the past, in M&A from both pre-merger and post-merger perspective to capture the essence of the dynamics of various parameters that contribute to the success/failure of these M&A initiatives.

Chapter three is dedicated to the methodology of data collection and the process involved in the accumulation and storage of data required for analysis. This will be followed by data analysis of the data collected in the previous section in the fourth chapter. Chapter five is dedicated for the findings from the analysis. Analysed data will be then eventually summarised and put forth as recommendation in chapter six. This recommendation will directly address the research question described in the introduction chapter.

2 LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

Mergers and acquisitions have been studied in the past through numerous theoretical lenses (Larsson & Finkelstein 1999, 2). This chapter attempts to defines key concepts and discusses relevant theories based on existing literature reviews on M&A. The intention of this section is to provide as comprehensive overview of the theoretical framework as possible. Hence, the author did not limit the literature to just one or two recent decades but to include as wide an array of timeframe as possible so as to not miss important articles from not so recent past. This section has six sub-sections; first one, explaining M&A from a process perspective; then explaining the key elements on the two major phases within the process namely: pre-acquisition phase and post-acquisition phase in next two sub-sections; link between these two phases, a sub-section dedicated for other topics and finally ending with conclusion on the literature review itself.

2.1 M&A Process

A lot of literature points to M&A transactions viewed as a process. In the history books, firms that did not foresee this transaction as a process have often faced more risks with the transaction and faced higher tendency to failures (Bhagwan, Grobbelaar & Bam 2018, 218.)

Based on the milestone of transfer of ownership, which is enshrined in law, the M&A process can be separated into two major parts: the pre-acquisition phase and post-acquisition phase. Although there have been instances where the distinction between the two major phases is blurred, the reality is that without accomplishing the ownership, post-acquisition phase cannot start. (Gomes et al. 2013, 16.) Breaking the integration process into several phases, helps in the purpose of focussing on the planning of key goals and tasks of each phase. This also will assist the management in splitting the responsibilities, measure and follow-up on results and success in a more structured manner (Erkkilä & Valpola 2011, 51.)

According to Erkkilä & Valpola 2011, figure 4 attempts to depict a pictorial representation of a typical M&A process. Vision of the firm motivates it to venture in the path of M&A to its strategic goals. The process of M&A is primarily split into two phases: pre-acquisition phase and post-acquisition phase. DD, Negotiations, activities revolving around competitive authorities and integration pre-planning are part of the pre-acquisition phase.

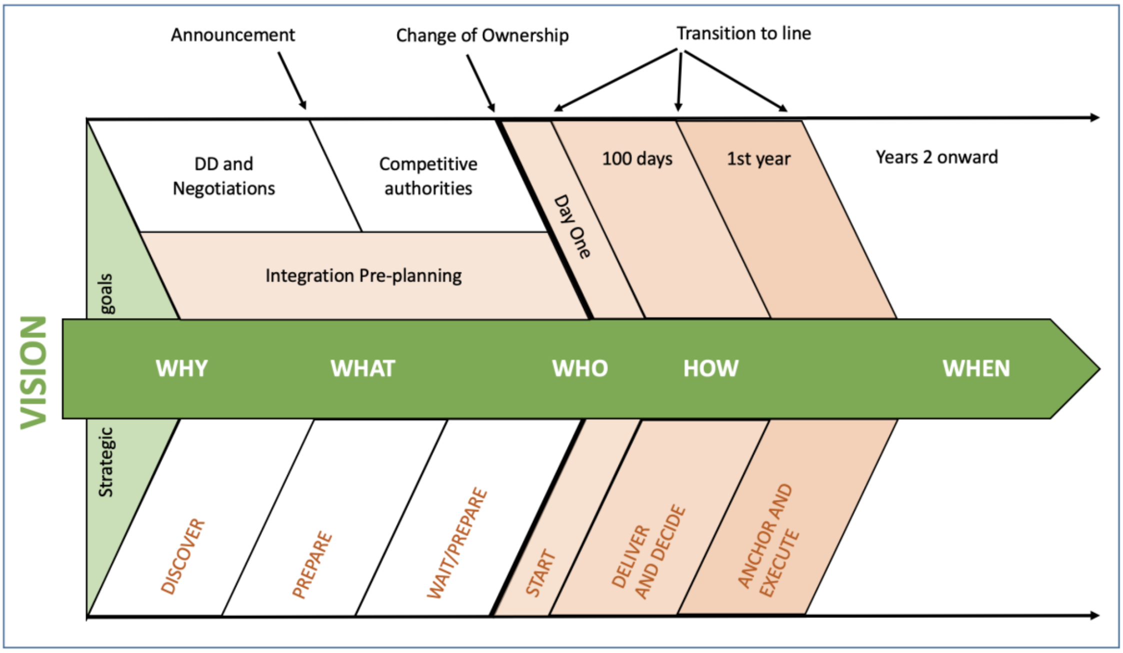

FIGURE 4. M&A Process. (Source Erkkilä & Valpola 2011, 16)

In this pre-acquisition phase, discovery, prepare and wait/prepare are the main activities to complete them. First step in this process, is for the acquiring firm to choose a partner based on its strengths and weaknesses (Angwin 2001, 34–35) for fulfilling its strategic goals (Schweiger, Csiszar & Napier 1993, 54). M&A process starts with the process of due diligence that must be based on multiple levels of analysis for identifying risks and opportunities of markets, industry characteristics and positioning of target's competition (Caiassa & Volpe 2015, 207). During due-diligence, other factors like future investment requirements, quality of the target company management team, implementation barriers like cultural differences and human resource ramifications like resource turnover (Angwin 2001, 35; Lubatkin, Schweiger & Weber 1999, 57; Mirvis & Marks 1992, 76; Pritchett, Robinson & Clarkson 1997; Schweiger & Weber 1989, 70; Weber, Shenkar & Raveh 1996, 1215) must be assessed thoroughly (Boyle & Winter 2010, 57). Most of the information gathering that takes place is during the period prior to closing and it mostly involves valuation, due diligence, and negotiations (Lubatkin et al. 1999, 54). Once the deal is signed and the change of ownership occurs, transition starts where process of integration starts, or then as-is phase continues to operate without any integrations as will be discussed in sub-chapter 2.2.4.

2.2 Pre-acquisition phase

Pre-acquisition phase within M&A process is defined as the period of a business transaction that happens before the final closure of the deal. In this phase, critical decisions are made regarding whether to proceed with the deal, i.e., which company to buy, and how much to pay (Welch, Pavićević, Keil & Laamanen 2020, 844.) Although some seeds of success or failure of the M&A are already sown in the pre-acquisition stage (Schuler & Jackson 2001, 244), scholars have not done sufficient justice to this phase (Gomes, Angwin, Peter & Mellahi 2012, 2876). Several challenges that emerge during the post-merger phase can be tracked back to mistakes/overlooking during the pre-deal phase (Haspeslagh & Jemison 1991, 157). Thus, by developing a better understanding within the pre-deal phase in the M&A process is important (Welch, Pavićević, Keil & Laamanen 2020, 844).

In this section, we will focus on the topics that are closely related to this research and explore various angles from the existing literature. The following areas were synthesised based on the topics discussed in various published research papers for pre-acquisition and post-acquisition phases.(Angwin, 2001; Bowyer, 2001; Inkpen et al., 2000; Schweiger & Weber, 1989; Buono & Bowditch, 1989; Pablo, 1994; Shrivastava, 1986; Howson, 2003; Napier, 1989; Gomes et al., 2013; Larsson & Finkelstein, 1999; Kitching, 1967; Colombo, 2007; Jemison & Sitkin, 1986; Hunt, 1990).

2.2.1 Due diligence

We are unable to talk about M&As without mentioning due diligence (Angwin 2001, 33). This is a stage of the process within M&A transaction, where its critically evaluated whether to proceed with the deal or not (Bhagwan et al. 2018, 217). Due diligence is essentially the process of conducting research on a firm (Bhagwan et al. 2018, 223). M&A process starts with the process of due diligence that must be based on multiple levels of analysis for identifying risks and opportunities of markets, industry characteristics and positioning of target's competition (Caiassa & Volpe 2015, 207).

It is widely believed that due diligence enables acquirers to make better acquisition decisions (Lajoux & Elson, 2000). This process step will provide the acquiring company with a more detailed and informed assessment of the expected costs, benefits and associated risks from the acquisition and presents one last opportunity to renegotiate or then terminate the whole transaction (Wangerin 2019, 2344). Due diligence also offers one last opportunity to discover "red flags" that might otherwise lead to unanticipated problems to be discovered post-acquisition (Deloitte, 2016). Once the parties have signed the confidentiality agreement, the due diligence review can begin. Here, the mannerism of the due diligence process switches to include acquisition of confidential information and its verification. This allows the acquirer with access to confidential information that leads to the valuation of the target firm, risks it carries and the expected synergies from undergoing the acquisition (Wangerin 2019, 2346.) The due diligence´s objective is to allow more serious reflection to the possible benefits of an acquisition, and if the parties agree to move forwards with the deal, negotiate the terms and conditions of the deal agreement (Wangerin 2019, 2349).

One of the main objectives of the due diligence is to prevent or reduce asymmetries between the acquiring and target firm and ease frictions that may arise during the negotiations on the transaction price and other terms and conditions of the acquisition agreement (Wangerin 2019, 2345). Acquirers reduce the uncertainties of the deal by assessing the costs and benefits of a proposed acquisition by making inquiries into all relevant aspects of the past, present, and predictable future of the business to be purchased during due diligence (Lajoux & Elson 2000, 5). Conventional due diligence has focussed mainly on strategic and financial areas while ignoring cultural and human resource considerations (Horwitz, Anderssen, Bezuidenhout, Cohen, Firsten, Mosoeunyane, Smith, Thole & van Heerden 2002, 1). Due diligence must include areas, but not limited to, legal, accounting, taxation, information technology, risk and insurance, environment, market presence and sales, operations, real and personal property, intellectual and intangible assets, finance, cross-border issues, organization and human resources, culture and ethics (Bhagwan, et al. 2018, 223).

Research conducted by KPMG in 1999 found three hard keys and three soft keys to acquisition success as depicted in figure 6. This research attempted to pinpoint the factors which provides deals with a better chance of success than what is the industry average (Howson 2003, 5.)

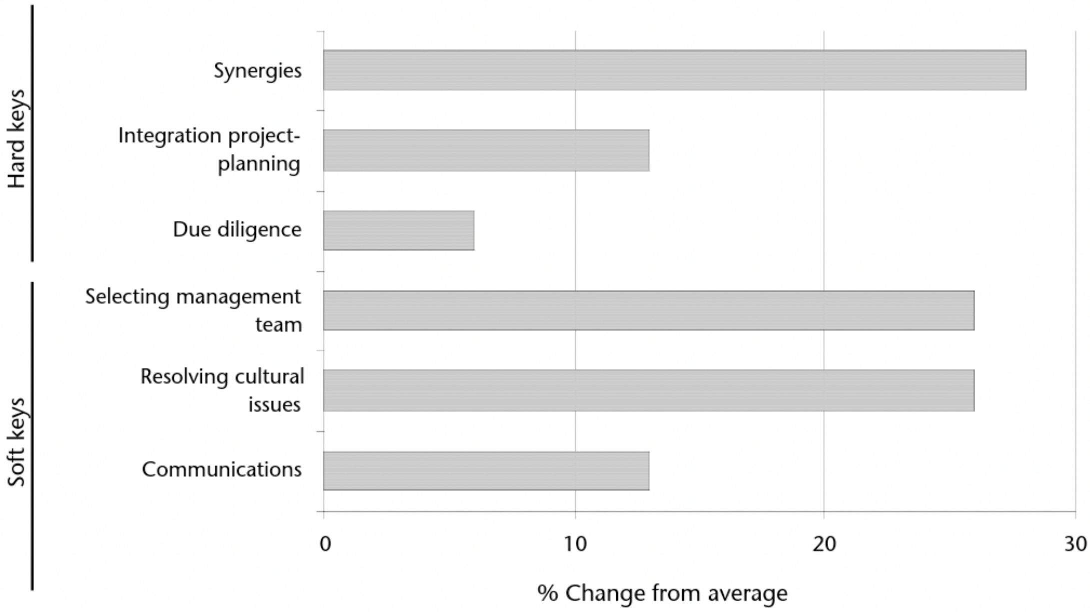

FIGURE 5. Pre-deal activities and increased chance of deal success. (Source: Howson 2003, 5)

Shorter due diligence is usually associated with several unfavourable post-acquisition outcomes. When acquirers cut the due diligence process short, unanticipated future costs that can corrode these benefits are more likely to occur. (Wangerin 2019, 2346.) Conversely, a lengthy due diligence process could cause delays in the firm’s growth realization and other benefits such as cost savings, internationalization et cetera (Wangerin 2019, 2345).

One of the targets of due diligence is to discover whether there are any major cultural discrepancies within the target firm and whether they could cause any major differences or losses of productivity (Bhagwan et al. 2018, 223). Effective due diligence must uncover issues and risks which might wreck negotiations or could lead to acquisition failures during the post-deal integration (Angwin 2001, 35).

2.2.2 Strategic intent

Bowyer (2001) points out link between the strategic intent behind a deal and the implications for due diligence. According to Howson (2003, 16), who has mapped M&A type against strategic objectives and due diligence focus, for a market extension type of M&A where strategic objective of the acquirer is to extend a firm's international presence, due diligence focus must be on cultural and systems integration to strengthen their product/service against the existing geographical competition. Various examples are provided below in table 1.

M&A type	Strategic objectives	Due diligence focus
The overcapacity M&A	Eliminate overcapacity, gain market share, achieve scale economies	Retain market share, rationalisation costs - mainly HR and IT
The geographical roll-up M&A	While operating units remain local, the successful firm expands geographically	Retains customes, strength of product and service remain competitive in relation to competition
Product or market expansion	Purpose of M&A is to extend firm's product line or services or its international coverage scope	Cultural and systems integration, strength of product/services in relation to the competition
M&A as R&D	Instead of creating an in-house R&D, acquisitions used to buid a market position swiftly	Technical and intellectual due diligence, identification and retention of critical and key resources
Industry convergence M&A	A firm bets on an emergence of new industry and attempts to establish a unique position by evicting resources from current industry whose fences are quickly degrading	Commercial due diligence, technical due diligence, retention of critical and key resources

Figure 6. Due diligence focus based on strategic objectives (Source: Howson 2003, 16)

2.2.3 Communication

Communication plays a pivotal part in the M&A process. It is a variable that is one of the most important factors throughout the whole M&A process (Appelbaum, Gandell, Yortis, Proper & Jobin 2000, 649). In every acquisition story, communication is a key factor to ensure that target firm's employees understand the justification and motivation behind the acquisition as well as communication of future vision of the acquired firm (Inkpen, Sundaram & Rockwood 2000, 59). Based on figure 6, communication falls in the top 3 soft keys for the enhanced chances of deal success. Especially during the pre-acquisition phase, firms need to establish special focus and effort into adequate communication to employees to prevent uncertainties and scepticism among its employees (Gomes, Angwin, Peter & Mellahi 2012, 2883). The manner in which the acquiring firm communicates with its acquired firm regarding its future intentions, is an important criterion in stakeholder expectations management (Gomes et al. 2013, 21).

Greater size and success of the firm being acquired tended to make communications between the two firms more strenuous. This dwindling communication appeared in reducing the chances of establishing a conducive environment for acquisition and reduced the opportunities for effective transfer of technologies and capabilities between both firms (Ranft & Lord 2002, 433.)

Poor communication can considerably impair the acquisition process (Angwin 2001, 36; Inkpen et al. 2000, 59), as lack of certainty in its absence can culminate to loss of confidence among key stakeholders (Gomes et al. 2013, 21). Most immediate drawback of not communicating expectations to the acquired firm leads to an atmosphere of uncertainty that results in key employees leaving the firm (Inkpen et al. 2000, 59).

2.2.4 Synergy

A survey that included 61 case studies of M&A indicated that utilising strategic potential to combine and effectively integrate organisations in order to realise significant synergies with the lack of employee resistance is being studied by a growing number of firms (Larsson & Finkelstein 1999, 1). In order to improve the competitive position and performance of the combining firms, creating synergy (strategic and operational advantages that neither firms can achieve independently) is the most imperative strategy underlying many M&As (Schweiger & Weber 1989, 69). Fundamental drivers for enhancing post-acquisition profitability are synergies and operating efficiencies (Wangerin 2019, 2346). One of the main impediments from gaining operating synergies during acquisitions is the fact that firms solely focus on financials instead of operational integrations to achieve the stated goals (Jemison & Sitkin 1986, 148).

According to figure 5, pre-deal evaluation of synergies appeared as the main hard key to success. Acquirers who carried this out well in this phase appeared to have a 28 per cent better than average chance in the overall success of the deal. Through this exercise early on, in the acquisition phase, acquiring firms can confirm not only the robustness of synergy assumptions but also their deliverability in the post-acquisition phase (Howson 2003, 5.)

Quote on synergies by Larsson & Finkelstein (1999, 6) :

> "Synergies can be achieved through both "economies of sameness" (from accumulating similar operations) and "economies of fitness" (from combining different, but complementary, operations). We therefore conceptualize the combination potential of M&As in terms of both the strategic similarity and the strategic complementarity of operations of the joining firms."

According to organizational and HRM researchers, strategic combinational potential of the firms involved in M&A does not realise by itself, rather, the extent of realisation of the synergy depends on how the new organisation is managed after the closure of the M&A deal (Datta 1991, 291; Hunt, 1990; Schweiger, Ivancevich & Power 1987, 132-135). The probability of acquisitions' success increases the synergy realization when there is a presence of complementary operations between the two merging firms (Larsson & Finkelstein 1999, 15; Weber & Fried 2011a, 566). Studies also suggest that in M&As, it may not be sufficient for realizing synergies to just have potential synergies to employ, rather structural and processual changes are also required to be undertaken for its success (Larsson & Finkelstein 1999, 16).

2.2.5 Degree of integration

Organisational integration between the acquiring firm and the acquired firm is defined as the degree of interaction and coordination between them is commonly cited as an important factor in the merger process (Buono & Bowditch 1989, 12; Pablo 1994, 805; Shrivastava 1986, 73). A key question in the argumentation on integration strategies has revolved around whether to integrate or provide autonomy (Graebner 2004, 751; Puranam et al. 2006, 263). The strategy would vary according to the strategic interdependence between the two companies and the autonomy of the target company (Haspeslagh & Jemison 1991, 13). The right choice based on which integration approach is decided must be based on balancing each acquisition's needs for interdependence and for autonomy (Haspeslagh & Jemison 1991, 168). Researchers who inspect the implementation of acquisitions describe the choices between complete absorption of acquired firms to preservation of autonomy as initial decision as part of post-merger strategy. (Haspeslagh & Jemison 1991, 145; Pablo 1994, 806; Ranft & Lord 2002, 424). According to Ranft & Lord (2000, 302), in high-technology firm acquisitions, autonomy conceded to acquired companies corresponds to high employee retention.

According to Haspeslagh and Jemison (1991, 145), a much-quoted approach for integration is the typology where they identified four integration strategies for the post-deal situation: absorption, symbiosis, preservation and holding as depicted in figure 7.

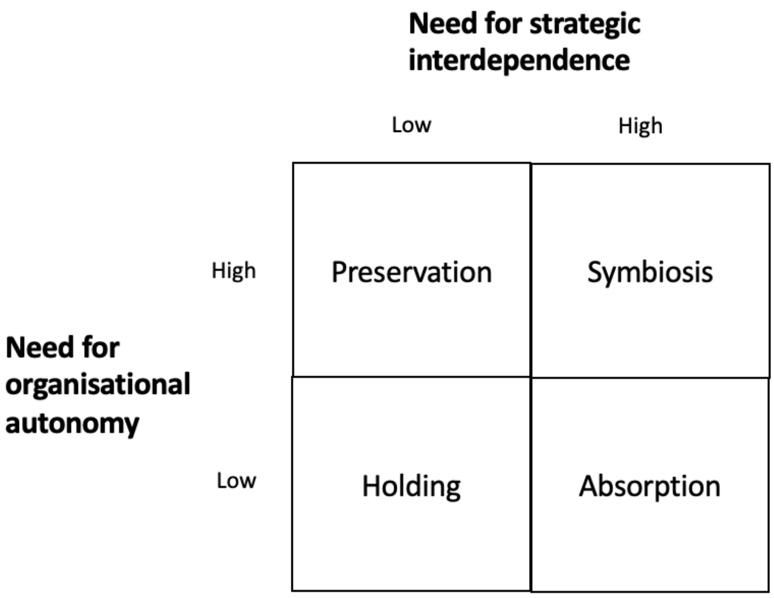

FIGURE 7. Types of acquisition integration approaches (Source: Haspeslagh & Jemison 1991, 145)

In absorption phase, the transition from deal-signing to integration will be as short as possible but for symbiosis, a thorough investment during transition might be required which would be pre-requisite to ensure the quality of value creation process in the later stage of the post-acquisition phase (Haspeslagh & Jemison 1991, 169).

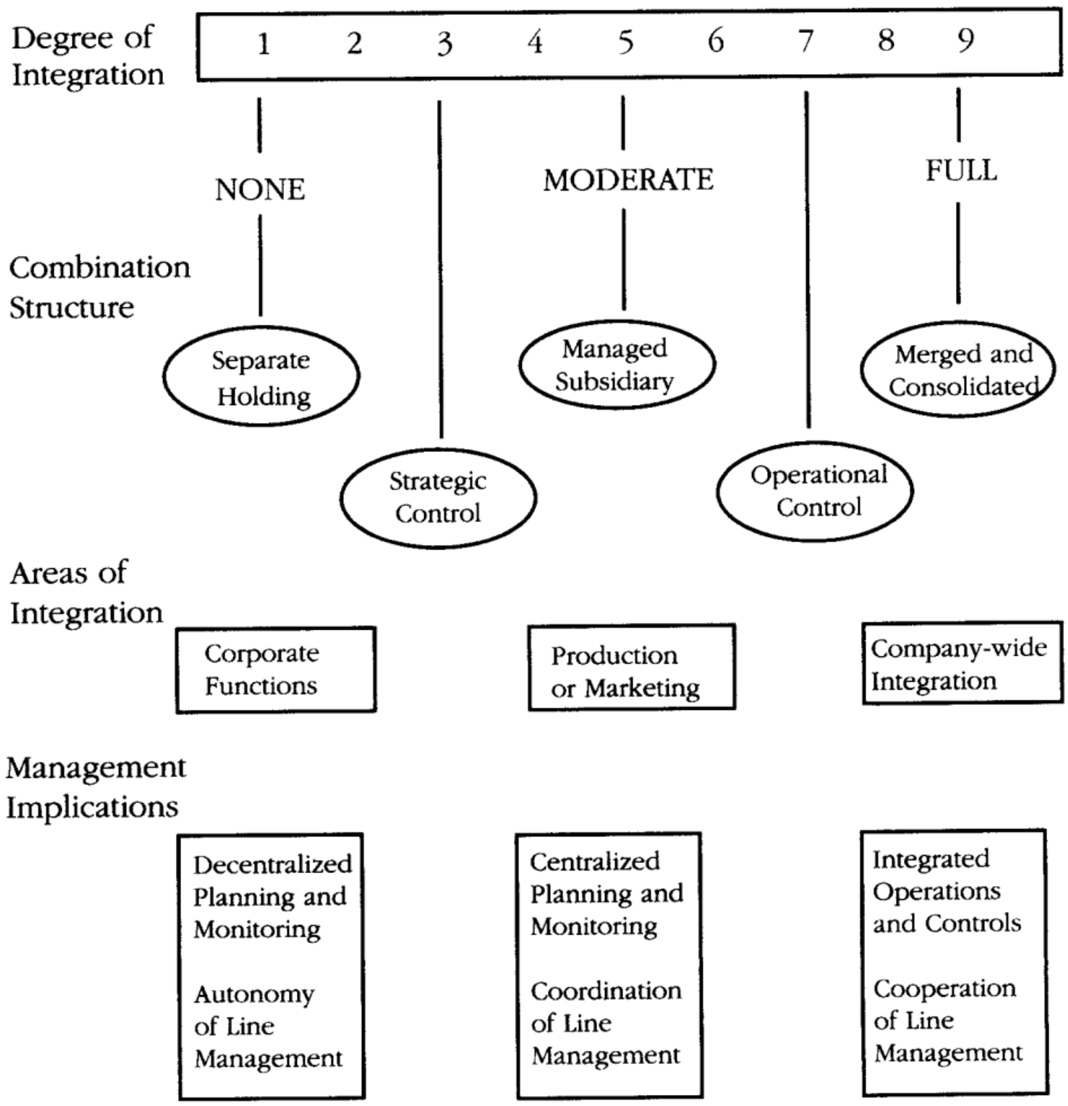

FIGURE 8. Degree of integration between firms (Source. Mirvis & Marks 1993, 80)

Figure 8 provides a pictorial representation of various degrees of integrations. This guideline can help on how to perform integration pre-planning as discussed in the next sub-chapter.

Acquiring firms must integrate the acquired firms before they could commercialise their technologies in a seamless manner but at the same time, they must also ensure to preserve organisational autonomy. This balancing act is required for the acquired firm from disrupting their capacity and capability towards continued innovation (Haspeslagh & Jemison 1991, 142; Ranft & Lord 2002, 424.)

Firms that acquire small technology-based firms for their technological proficiency very often recognize that post-merger integration could maim the very innovative capabilities that made the acquired firm attractive in the first place. Structural integration can be viewed as a mechanism to attain coordination between both firms. This explains why structural integration may be necessary on one hand in spite of the disruptions it may impose and also the conditions under which it may deem less necessary to do so (Puranam et al. 2009, 313.) Despite its disruptive consequences, structural integration brings about a powerful coordination effect between acquirer and target firms, which is particularly valuable in the presence of significant interdependence between them. Value is generated in acquisitions by linking the acquirer's and target's capabilities in some form (Puranam et al. 2009, 314.) Interdependence between acquiring and target organizations determine how value will be created from the acquisition—not how much (Haspeslagh & Jemison 1991, 139–142). If considerable commonalities are found to exist between acquiring and target firm personnel at the time of the acquisition, it may be sufficient to coordinate interdependence, making structural integration less necessary and thereby avoiding its disruptive consequences. Thus, the existence of commonalities should abate the tendency toward structurally integrating technology acquisitions (Puranam et al. 2009, 314.)

Alternative to structural integration is structural separation, whereby activities in both firms remains organizationally distinct although both firms are under the same ownership (Puranam et al. 2009, 314). Structural integration can rattle the target firm's innovative capabilities since this integration ends the firm's autonomy. Loss of autonomy effect could lead to a possibility where motivation and productivity of employees are lowered and possibly leave the firm after the completion of the integration process (Puranam et al. 2009, 315.) Based on interviews with managers, they pointed out that the relative larger size and greater success of the acquired firms created pressure to the acquiring firm in providing more autonomy and retain more employees (Ranft & Lord 2002, 433).

2.2.6 Integration pre-planning

One of the most cited reasons why M&As fail is attributed to inadequate planning for post-acquisition integration. This becomes even more aggravated in a cross-border setup (Inkpen et al. 2000, 52.) According to figure 6, integration project-planning is the next most important hard key. This is the mechanics of the 'how'. According to KPMG, the survey confirms, that the chances of merger success are increased if the process of working out 'how' is started well before the completion of the deal (Howson 2003, 5.) This would be a good stage to address the degree of integration as discussed in earlier sub-chapter 2.2.5.

Weber et al. (2011, 17) have detailed out the degree of integration and approach in a very pragmatic way:

> "The choices to be made are both integration approach and level of integration to be adopted for the chosen integration approach, for a specific synergy potential and cultural difference, and dimension. This is because an inappropriate level of integration, over or under, for each preferred integration approach, may be detrimental to performance. An M&A that approximates its ideal types of integration approach and level of integration is hypothesized to be more effective than other M&As."

One of the key recommendations for managing harmonious acquisitions is to postpone the integration process. This will provide a window of opportunity for mutual learning and in establishing trust between the two firms before actual integration can start. Delayed interaction between the acquirer and acquiree could lead to postponement in the realization of these synergies (Graebner 2004, 752.) This could be kept in mind already during the pre-acquisition phase.

2.2.7 Human resource management

Advancement in managing M&A processes cannot be accomplished without enhancing our understanding of the human side of M&A (Seo & Hill 2005, 440). One of the keys to successful M&As during the post-deal integration process is the human resource management, which is usually not the focus for the acquirer (Napier 1989, 272). The resistance and support of people in the integration of two previously independent firms play a key role in their success or failure (Larsson, Driver, Holmqvist & Sweet 2001, 609).

Potential leadership challenges and loss of key talent can erode the value of the deal in the integration stages (Larsson & Finkelstein 1999, 16). To avoid these risks, foreign companies that operate in these countries need to study management styles of the acquiring company, identify differences in compensation, benefits, accounting standards, regulatory environments, and business norms, develop a communication plan, identify the business values and clarify reciprocal expectations (Caiassa & Volpe 2015, 211).

Executives must exhibit a clear understanding of the M&A process and the logic behind diverse types of deals. They must define a people strategy that supports the deal structure and creates an atmosphere supportive to knowledge transfer. A sense of shared identity and positive attitudes toward the new organization create a supportive atmosphere (Caiassa & Volpe 2015, 211.)

Another reason M&As ruin its value is the departure rate of highly qualified executives during the transaction/post-transaction (Venzin, Vizzaccaro & Rutschmann 2018, 9) Several of the analysis revealed that managers from the target companies who left the firm early were the ones with the best performance histories (Walsh & Ellwood 1991, 215) who could be the most prepared or qualified to see through with the post-acquisition transition (Venzin et al. 2018, 10). This makes it a priority to assess the target firm's management to identify and secure critical and key resources. Ideally, the top positions of the post-deal firm should be discussed and assigned before the signing of the deal (Venzin et al. 2018, 10.)

As Horwitz, Anderssen, Bezuidenhout, Cohen, Firsten, Mosoeunyane, Smith, Thole & van Heerden (2002, 2) have observed, neglecting human resource and cultural issues during the pre-deal phase will accumulate long-term hidden costs. Throughout the M&A process as acquiring firm’s management face different challenges at different stages, HRM should be studied separately (Appelbaum et al. 2000, 649; Schuler & Jackson 2001, 239).

2.2.8 Relative size of merging firms

According to findings from some research, there is an indication that suggests the relative organisational size plays a significant role in choosing the right partners during M&A (Gomes et al. 2013, 20; Larsson & Finkelstein 1999, 17; Kitching 1967, 92). Empirical evidence indicates that acquiring firms buying a much smaller firm can result in sub-optimised outcomes. Similar inference was also drawn from the evidence that same is also true when acquirer acquires a firm that is much larger than its own will also end in under-performance (Kitching 1967, 92; Moeller, Schlingemann & Stulz 2004, 212; Hunt 1990, 71) But according to another study which contradicts this, smaller firms acquiring larger firms also may contribute to better performance in the acquisitions (Tuch & O´Sullivan 2007, 158). In addition to that Bruner (2002, 6) states that the there is a likelihood of a strong impact on the post-deal performance of the combined firm due to the greater economic impact of acquiring a larger target. According to Larsson & Finkelstein (1999, 17) the target firm must be of significant size when compared to the acquiring firm in order to generate substantial combination potential which is one of the prime components contributing to synergy realisation suggesting that bigger firm acquisition has greater synergy potential.

Complementing with some numbers, based on findings by Asquith, Bruner & Mullins (1983), successful bids made for targets that were half the bidder’s size resulted in 1.8% greater returns than a bid for a target firm that was one-tenth the bidder’s size. According to the research by Kitching (1967, 86) of 181 companies in acquisitions, due to large size mismatch between the merging firms, 84% of the acquisitions ended in failures.

It takes longer for completing an acquisition process for larger firms compared to smaller ones (Moeller et al. 2004, 208). This must be considered when planning the duration of due diligence phase of the process described in section 2.2.1.

2.2.9 Courtship

Courtship period is defined as time used by firms to get to know each other before they decide to merge (Colombo 2007, 203; Jemison & Sitkin 1986, 149; Kitching

1967, 100; Hunt 1990, 74). Relationship with the target firm in terms of governance and equity may prove to be relevant as it provides broad knowledge of relevant areas of the firm, gives a good opportunity to access inside information and also provides better awareness of the firm’s climate (Colombo 2007, 205). This experience can be well utilised to also identify key resources within the target firm (Colombo 2007, 215).

This form of courtship may vary from a former formal arrangement like a joint venture working on a special project to a relationship with an arm's-length relationship like trading partners to board interlocks (Stuart & Yim 2010, 181-182), or then with active shareholder with board representations. This form of business engagement allows these partners to have a better understanding of each other and improve mutual knowledge thus reducing the issue of information asymmetry, and instead assists in nurturing mutual trust and confidence in each other. This can facilitate the creation of positive chemistry between parties especially during the pre-merger negotiation process. (Wangerin 2019, 2345.)

2.3 Post-acquisition phase

Post-deal integration is an adaptive process that happens via interaction between firms that come together in an atmosphere that is fit for capability transfer (Haspeslagh & Jemison 1991, 103). One argumentation that acquisitions fall short of their expected goals is ineffectual post-deal implementation (Jemison & Sitkin 1986, 148; Larsson & Finkelstein 1999, 3; Ranft & Lord 2000, 296; Ranft & Lord 2002, 421). In this section we focus on some of the elements that are important for the success of post-acquisition phase.

2.3.1 Management practices

More acquisitions fail due to shortcomings at the post-acquisition implementation stage rather than at the pre-acquisition investigation stage. According to one piece of research, there is 83 per cent inter-relationship between implementation success and its overall success. This may be due to the fact, that pre-deal due diligence was carried out so well that risky deals will never lead to acquisitions (Howson 2003, 5.)

Why do acquirers integrate such acquisitions, despite the well-known disruptive effects of post-merger integration? Under what circumstances can they avoid integrating them while accessing their innovative capabilities? Answers to these questions are relevant not only in the context of acquisitions, but also for other formats for combining capabilities across organizations for instance, in alliances and joint ventures (Puranam, Singh & Chaudhuri 2009, 313.)

Three distinct management practices were identified in the qualitative data during the post-merger integration process: selection of a new management team; use of financial incentives and affirmation of corporate backing and commitment towards the acquisition process by the acquirer. Including personnel from both firms into the new management setup encouraged frequent and healthy communication across the firms' boundaries. Domination of acquiring firm in the management team not only risks the reduction of acquired firm's autonomy but also endanger the retention of key employees. Promoting key individuals to management team gives a positive indication, promotes trust, and positively influences the retention of important employees (Ranft & Lord 2002, 434.)

Financial incentives were another mechanism employed by acquirers to retain inhouse knowledge during the transition phase by increasing the chances of retaining key resources from acquired firm. These incentives assist in binding the key employees’ self-interest in staying with the firm. Incentives could include variable pay such as stay-put bonuses, long-term contracts, stock options or increased base salaries (Ranft & Lord 2002, 435.)

Indications of commitment from corporate management through visible gestures sends a powerful message that can enhance both retention of key employees and foster communication between two firms. These visible gestures could include generating media about role of acquired firm in new merged scenario, frequent visits by top executives to acquired firms' facilities, support visit by acquired firms' managers to visit parent firm's facilities, commitments to investing in training and development of acquired organisation etc (Ranft & Lord 2002, 435–436.) Another view from HR practices as an enabler for success of M&As by Weber & Fried, (2011a, 567) state that:

> “To develop the requisite knowledge and capability for improving the management of M&As, it is necessary to focus on the HR practices that can be useful in dealing with HR challenges following a merger or acquisition to integrate the two firms and successfully transfer assets and skills to and from the acquired firm”

2.3.2 Employee retention

One of the important determination factors of poor post-acquisition performance is linked to the early departure of acquired firms’ top talent consequently leading to the loss of knowledge and skills and their retention is an important factor in post-acquisition performance (Cannella & Hambrick 1993, 137). In the study what emerged as one of the key and important dimensions in the acquisition implementation process was the retention of key employees. Managers frequently stressed the importance of retaining critical resources since the acquired firms' technologies and capabilities depended heavily on their expertise and skillsets. Some of the roles of these critical resources include professional and technical employees like development personnel, engineers, programmers, sales and customer relations personnel (Ranft & Lord 2002, 432.) During post-deal implementations, retention of critical resources from the acquired firms facilitates the safeguarding of the firm's technology and capabilities which are based on tacit and socially complex knowledge (Ranft & Lord 2002, 433).

2.3.3 Post-deal Culture

Another factor contributing to the loss of value in M&As is culture (Weber & Fried 2011a, 568; Venzin et al. 2018, 10). Factors around culture and cultural differences in M&As hinges around the urgency to find crossroads between potentially vastly different personal and managerial styles in both firms (Venzin et al. 2018, 10.) A shared background or common cognitive background between the firms could facilitate better coordination (Puranam, Singh, & Chaudhuri 2009, 314).

Cultural differences existing between the merged firms were found by many studies in the past two decades as evidence for being detrimental to M&A performance (Chatterjee, Lubatkin, Schweiger, & Weber 1992, 321). Similar study also indicates that cultural differences can have both negative as well as positive impact on the performance of M&A (Ahammad & Glaister, 2011; Junni & Sarala 2011, 21). Organisational fit between both firms involved in the M&A is one of the main factors in the post-deal scenario for overall M&A performance (Weber & Fried 2011a, 565). Ignoring organisational culture differences during M&As may incur high long-term hidden costs (Horwitz et al. 2002, 2).

Starting from the cultural gap-analysis between merged firms, the integration process must solve problems arising from conflicting business values and communicating styles for building new ways of working and capabilities while preserving existing ones (Caiassa & Volpe 2015, 210). Lower level of post-acquisition integration appeared to have resulted in higher productivity growth a year after the completion of the deal were found in highly individualistic societies according to Morosini & Singh (1994, 398).

2.4 Relationship between pre- and post-acquisition phases

Recently, evidence has shown that connecting pre-merger phase with and post-merger phase may result in better M&A performance in general (Weber, Tarba & Rozen Bachar 2011, 388). Findings highlight the fact that due diligence is a principal factor in the performance of post-acquisition integration process (Wangerin 2019, 2344). According to most studies done in various literatures, the most implicit assumptions made in them is that the actions and decisions done during the pre-acquisition phase determines how value-add is realized within M&As (Weber & Fried 2011, 566).

Acquirers that perform less due diligence tend to experience lower performance during post-acquisition situations (Wangerin 2019, 2346). Acquiring companies that perform less due diligence tend to demonstrate lower post-acquisition operating profit margins. Less due diligence correlates to lower post-acquisition profitability, a higher probability of acquisition linked goodwill impairments and poorer quality of valuation estimations of the acquired assets and liabilities. At instances where the acquiring firm has to cut short the duration of the due diligence process, there is a growing risk that they will stall at obtaining relevant information on the target firm that may be useful during the negotiations. This may lead to hypotheses that could lead to the prediction that lesser due diligence is directly related to the number of detrimental outcomes during the post-acquisition phase (Wangerin 2019, 2346.)

Studies have found that if both strategic fit (synergy potential) and organizational fit factors (cultural differences and national culture of the acquiring company) are known before the merger and are taken into account in the choice of integration approach post-merger, M&A performance is superior to those deals that did not consider pre-merger factors for post-merger decisions (Gomes et al. 2013, 15).

Besides the choice and evaluation of strategic partners at the pre-acquisition stage, acquiring firms must also consider the integration strategy (e.g., integration approach) to be implemented during the post-acquisition stage already at the pre-acquisition phase. This links the pre-acquisition phase with the post-acquisition phase very closely. This decision-making at the pre-acquisition phase has immense potential for a more successful M&A experience (Weber, Tarba & Reichel 2011, 16.)

Human resource management and culture have a relationship between pre-acquisition and post-acquisition phase. Human aspect in the pre-deal phase may influence the eventual management of people in the post-acquisition phase of the M&A (Horwitz et al. 2002, 7; Aguilera & Dencker 2004, 1356.)

Figure 9 below examines the links between identified critical success factors between the pre-acquisition and post-acquisition phases (Gomes et al. 2013, 28). While rare, these studies are important in revealing the greater explanatory power of using more than one critical success factor in order to understand acquisition performance and that many of the relationships between critical success factors are nonlinear (Ahuja & Katila 2001, 217).

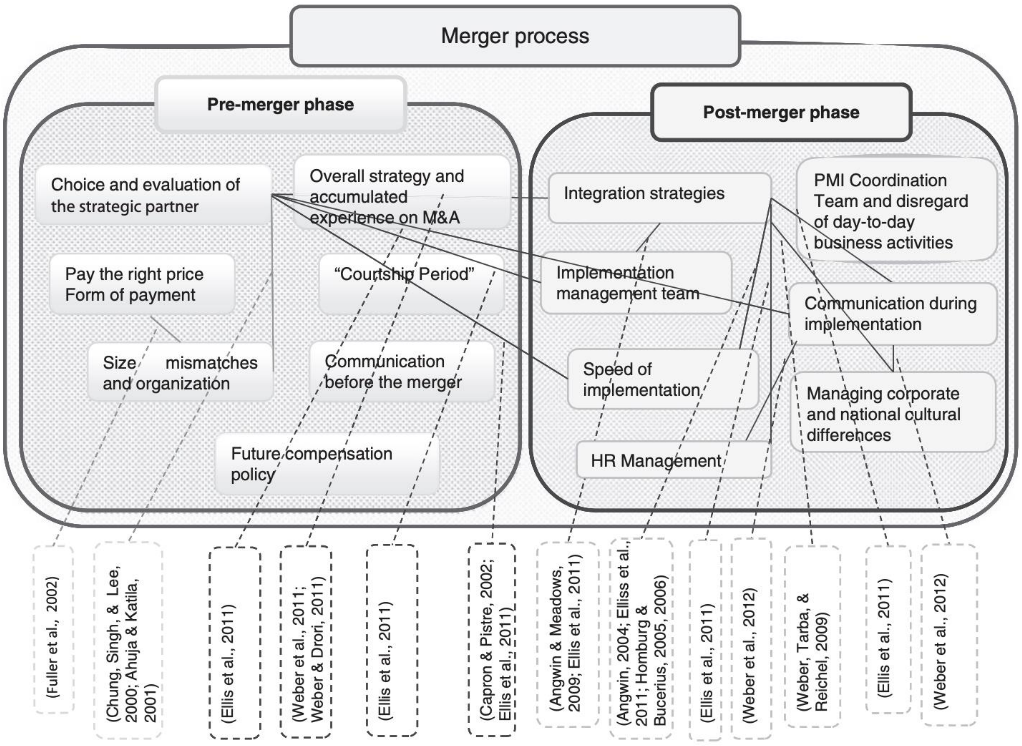

FIGURE 9. Summary of pre-acquisition and post-acquisition phase interrelationship (Source: Gomes et al. 2013, 28)

Horwitz et al. (2002, 8) proposes a model for cultural and human resource management as depicted in figure 10.

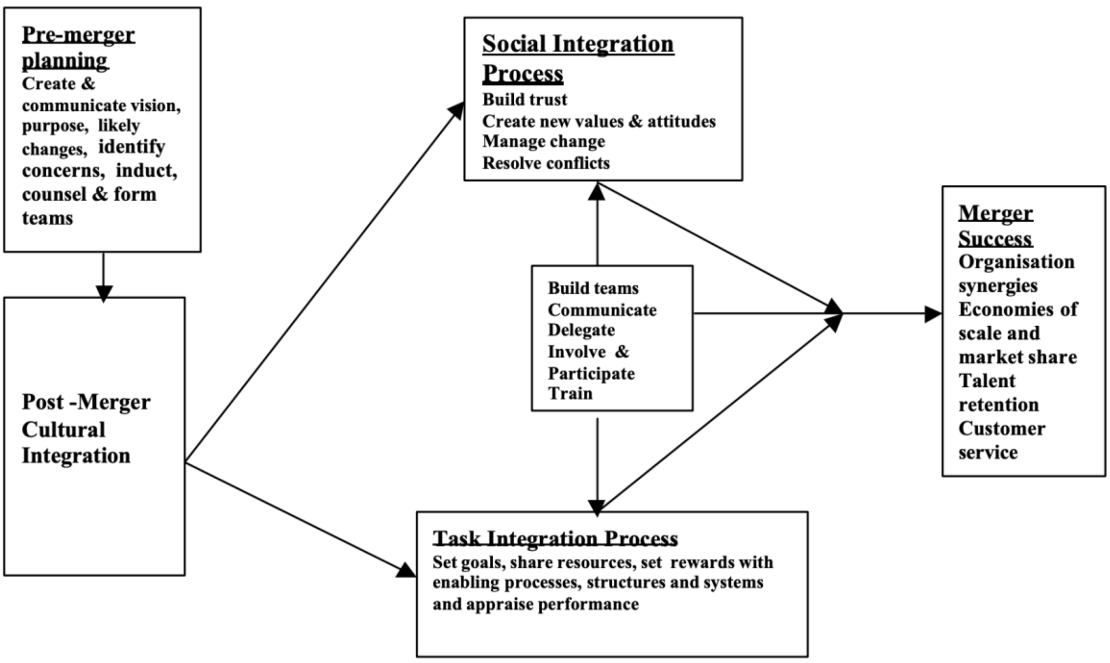

FIGURE 10. HR and cultural integration framework before and after merger (Source. Horwitz et al. 2002, 8)

2.5 Other findings

Consolidated stream of literature exists, that indicates that increasing amount of experience in M&A has negative impact on M&A success. One of the reasons for this is that firms tend to employ universal methods and practices to varying nature of different deals. Instead, if firms start with recognizing that every deal is different in nature, approaching them with M&A playbook based on past M&A experiences could actually be favourable in M&A success (Venzin, Vizzaccaro & Rutschmann 2018, 3.)

Moeller et al. (2004, 211) add that:

> "Earlier research shows that equity offers for the acquisition of public firms have lower returns. In contrast, equity offers for the acquisition of private firms have higher abnormal returns. However, hostile offers have lower abnormal returns. Small firms are more likely to make diversifying acquisitions than are large firms."

Before the deal is signed, things to consider within the target form must consider other non-financial aspects like the firm’s history with collaboration, quality of internal communication, level of firm’s multiculturalism as well as cultural distance, trust components as well as socio-cultural integration results like commitment, customer and employee satisfaction, cooperation etc (Weber & Fried 2011a, 568). Managers' empire building, self-interest combined with their compensation model could lead to shorter time horizons for M&As (Walsh & Ellwood 1991, 202), hence shorter due diligence.

2.6 Conclusion from the literature review

One cannot ignore the elements impacting post-acquisition performance when studying the M&A process on how pre-acquisition phase can be done more effectively and efficiently. Communication and HR aspects are just few such elements. Thus, the argument is that only by examining both pre- and post- stages of M&A process can we see how the whole process works out (Gomes et al. 2012, 2876).

Based on various parameters discussed in the above sub-section, figure 11 gives a good conclusion from a quantitative study on the dynamics of these parameters and their inter-relationships in impacting each other both positively as well as negatively. This is one of the most comprehensive models tested to show the inter-relationships between various components on synergy realisation (Larsson & Finkelstein 1999, 12).

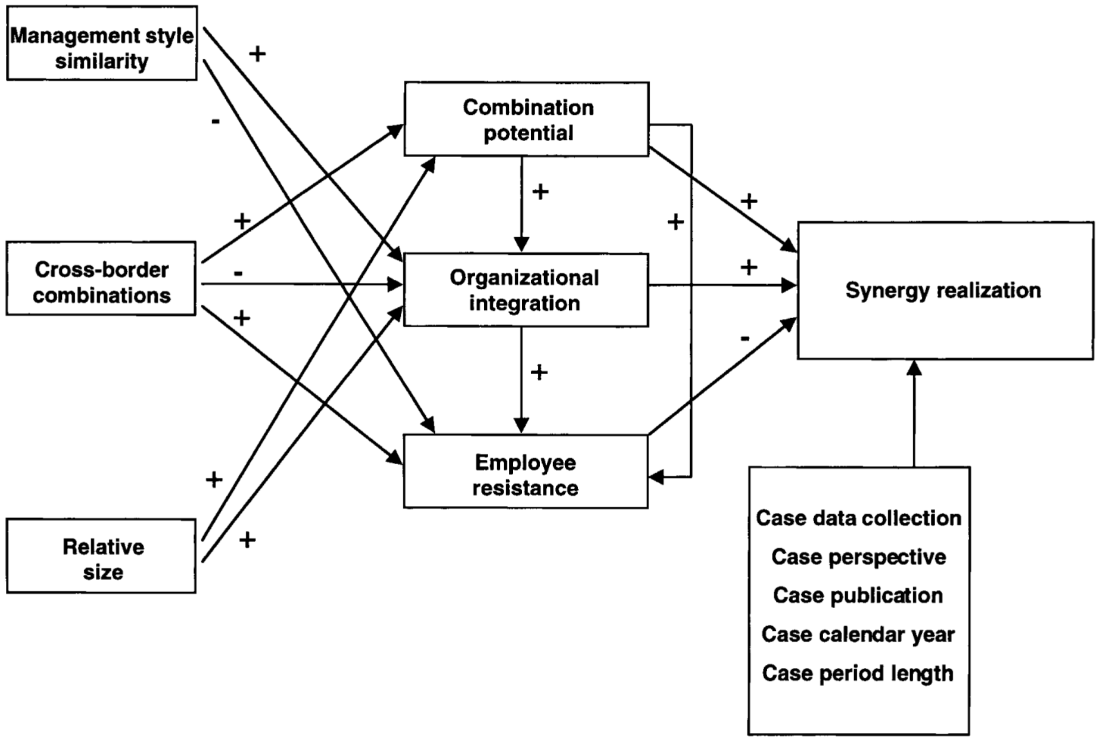

FIGURE 11. Relationship between parameters impacting M&A performance (Source. Larsson & Finkelstein 1999, 13)

Although the research question focuses on the pre-deal phase, the literature review done here indicates that the relationship between pre-acquisition phase and post-acquisition phase must be taking into consideration to focus on key areas for research.

Despite commonalities across multiple literatures reviewed in terms of focussing DD based on synergy, cultural focus, organisational fit, HR focus on employees et. cetera, there are also visible contradictions in various views like impact on effectiveness of M&A based on relative size (refer to sub-section 2.2.8). There are also multiple management styles and cultures as well which guides research which are not implicit within the reviewed literature.

Studies on M&A for specifically to Finland is relatively rare and its references could not be found during the literature review. This gives ample room and doubt on the adaptability of these findings to countries that do not find their practices researched in such studies.

Over many decades, international research has delivered vast knowledge on mergers and acquisitions for large publicly listed companies in European, Asian and American market. Literature review in this section has primarily focused on large companies excluding Finnish market. Additionally, there is limited research on mergers and acquisitions on Finnish IT consulting companies primarily who are not publicly listed companies. Also, what needs to be considered is that the case company in this case is privately funded. Based on the literature review thus far, answers cannot be sought for the defined research question from secondary sources.

This is the empirical setting and compelling argument for this research. Hence, this research needs to go ahead and seek answers via data collection from primary sources. Aim of the research is to identify the factors that cause the success/failures due to the pre-deal phase steps and how to correct the course to secure business case in the first one year of post-deal phase.

3 METHODOLOGY AND DATA

This chapter describes in detail the methodological approach towards the research and related data collection methodology. Along with this, there will backing of theoretical framework as well.

3.1. Research approach

Approach for this research is qualitative empirical research using constructive case study methodology. Constructive approach is a good means to managerial problem-solving using diagrams, plans, organisations or construction of procedures or models. This mode of research is often used in operations analysis (Kasanen, Lukka & Siitonen 1993, 245.) It may be also seen as a category within applied studies (Kasanen et al. 1993, 252). Constructive approach, thus, is a research procedure useful for delivering constructions. Construction here refers to an entity that can provide solutions to specific existing problems. (Kasanen et al. 1993, 244). By developing and delivering a construction, it creates something that differentiates from something that already exists, hence creating a new reality (Järvinen, 1988). One of the characteristics of constructions is the relevance of its useability which can be exhibited through its implementation (Kasanen et al. 1993, 244).

One of the attributes of qualitative research is collection of empirical data directly from the field either via interview or/and via observations (Kasanen et al. 1993, 254). The definitive feature of field studies is the shorter distance between the researcher and his/her research object (Kasanen et al. 1993, 255).

As depicted in figure 12, fundamental factor in constructive approach is about linking the problems with its solutions using the collected theoretical knowledge base. Research process for the constructive approach is dividing into the following phases: find a practical problem which is relevant in the current terms and has potential for research; gather a broad and exhaustive knowledge on the topic; construct an idea for the problem's solution; demonstrate the entirety of the working of the solution; display the theoretical framework connections and the research contributions to the solution; explore the applicability scope of the solution (Kasanen et al. 1993, 246.)

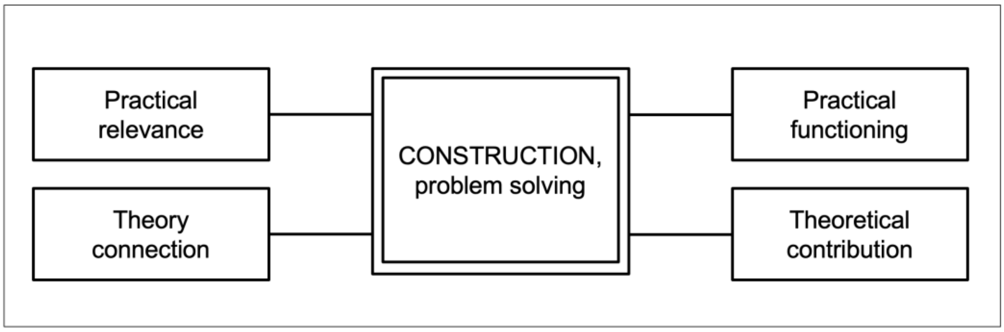

FIGURE 12. Elements of Constructive Research (Source: Kasanen et al. 1993, 246)

Case study is a specific form of empirical inquiry (Yin 2009, 14) that examines present-day phenomenon in detail and within its real-life background when the borderline between the phenomenon and background are not evidently distinct (Yin 2009, 18). Eisenhardt (1989, 534) defines case study as:

> "Case study is a research strategy which focuses on understanding the dynamics present within single setting".

Case studies within research have multiple advantages. For instance, case studies could cover multiple cases but then could lead to a single set of cross-case conclusions (Yin 2009, 20). The case study inspection strives with technically distinctive situation where there are many more variables of interest than mere data points and one result many depend on multiple sources of evidence with data needing to merge which can guide the data collection and analysis. In short, the above two distinct definitions demonstrate how case study research constitutes an all-encompassing method that addresses the logic of design, data collection techniques and distinct approaches to data analysis (Yin 2009, 18.)

The figure 13 describes the approach to performing case study-based research. It starts with planning phase. Next phase is to design the case study itself. Based on the design, one prepares the case study for data collection. Collected data is then analysed and results finally shared with the key stakeholders of the research or via a detailed research report.

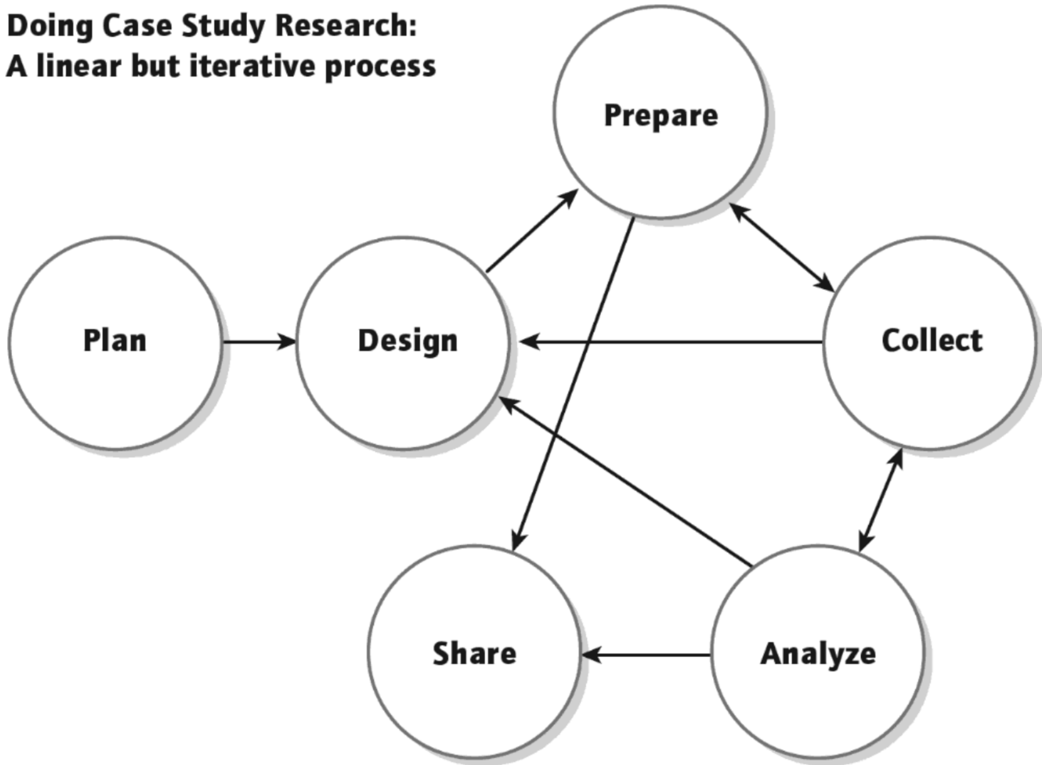

FIGURE 13. Case study process (Source: Yin 2009, 1).

3.2. Data preparation

As a preparation for data collection, the author used his professional contacts to reach out the right persons to get leads and insights into the right persons for interviews. Aim was to identify persons who could provide interviews in English. Reason for this is that the Thesis was to be submitted in English, author had limited working knowledge in Finnish. It was planned to utilise Microsoft Teams for recording and collecting data while remotely participating, but also for face-to-face interviews, Teams was used for both audio recording and transcriptions. One additional advantage with this approach is the audit trail with verifying the timestamp of the interviews against the information provided in table 2. All data was secured in TAMK specific Microsoft cloud and also local copy of the same on a password protected MacBook Pro.

For ensuring data quality, all teams events were executed without video since it was noticed that in the early phase of the data collection, audio froze and only way to interpret data was using the transcript file auto generated from Teams meeting. Video review was used to check, verify and correct the transcripts since there were mistakes in the transcripts due to the use of Finnish English not completely interpreted by Teams' voice recognition algorithm.

3.3. Data collection methodology

By way of factoring multiple case studies, it leads to a more robust ground for theory building and thus yield more solid, sustainable, and reliable information. With such an approach of multiple case study samples, the probability of better pre-requisites for identifying common cause-and-effect relationships is higher which then can lead to a higher degree of research outcomes being at a more general level (Glowik 2016, 7.)

3.3.1 Research group

For the purpose of data collection, five different M&A cases were selected for the study. Based on the discussions and agreements with the supervisor of the thesis and case company, we agreed to include three past M&A cases of the case company and two external technology firms involved in M&A. All these five M&As have occurred within the past five years. Additionally, it was agreed to collect data from external independent consultants not involved in the above M&A cases for expanding the sphere of knowledge and experience. All the five cases were in the Information Technology area with varying organisation sizes. In all of them, the acquirers or the acquiree were based out of Finland. The names of the firms contributing to this study has been withheld in order to protect their interests, confidence and confidentiality. Instead, they are designated by initial. For ease, Firm A is a Finnish company buying a Finnish based firm, Firm B is an American firm buying a Finnish firm, Firm C is a Finnish firm buying an American firm and Firm D is a Finnish firm buying a Finnish firm, Firm E is a Finnish firm buying both Finnish and Swedish divisions of the acquiree. The choice of either an acquirer or an acquiree being a domestic firm was a requirement for the case company's benefit.

3.3.2 Pre-discussions

Based on the backing of literature review, planning of questionnaire was performed during the pre-discussions to verify validity of the questionnaire and to fine-tune them for each of the defined roles planned for the interview. Based on the pre-discussions, having a 360-degree view of acquisitions brought in more accurate interpretation from the case studies. Hence the interviewee profiles were formed as follows: Acquiring Management, Acquired Management, Acquired employees and M&A Consultants.

3.3.3 Interviews

Data gathering will be performed via semi-structured deep diving interviews. By not having closed specific questions during the interviews, it will present an opportunity for the respondents a degree of flexibility to discuss based on their experience and relevance on the topic. This flexibility assists in capturing a more detailed opinion of the respondents.

Four unique profiles are selected for the interview sessions namely: acquirer firm’s top management involved in acquisition, acquiree firm’s top management involved in acquisition, employee(s) from the acquiree firm and M&A consultants. By targeting these wide-ranging profiles, the intention is to reduce bias based on position as much as possible and consider the experience of acquisitions from all possible angles. This will assist in data collections which is more unbiased and will lead to a more unified recommendation of a model for the case company.

Guiding factors for interview

The interview questions were sectioned into five main parts: background information, the pre-deal phase, effectiveness of the process, post-deal phase & criteria and lessons learnt. These sections are explained in more detail below.

<u>Background Information:</u> Nature of experience in M&A process, with core experience in specific phases, number of M&As and main roles in them were captured to understand the expertise and experience of the interviewee in the area of M&A.

Pre-deal process: Questions were formed based on the literature review, pre-discussions, pilot, author's own experience and the relevance towards the objective of research question i.e., building a model for conducting the pre-deal phase.

Effectiveness of the process and criteria: How the team was organised, how they communicated, how well they coordinated during the phase etc was discussed.

Post-deal phase: Questions asked were mainly those which had a strong link to pre-deal phase preparation, but the impact could be felt in the post-deal phase only. Idea of the questions was to reflect on what could have been done better already in the pre-deal phase.

Lessons learned: Although parts of this were covered in the effectiveness of the process, but special emphasis was given to the execution of the runbook, how they were tweaked based on situation and how lessons learnt were captured and updated at the end of each phase of M&A.

The interview contained roughly 20 specific prepared questions with a few side questions based on interviewee response and at the end of the interview, the interviewees were given an opportunity to provide free comments on the topic and to bring up topics not covered in the interview questions. A total of 18 requests were sent out for interview out of which 16 responded and were interviewed. Due to the nature of confidentiality of two cases, only the acquirer or the acquiree were available for the interview. In other two cases, the author was able to get all three roles i.e., the acquirer, the acquiree and acquiree employee for the data collection. Interview email invitation can be found in the Appendix 1 and the interview questions for the afore-mentioned profiles can be found from Appendices 4 and 5 respectively. Below table 2 provides details of the interviews conducted for this research.

TABLE 1. Interview details

Interviewee	Title/Role of Interviewee	Date and place of Interview	Duration of interview
1	Country Head of acquiree, Case E	30.8.2022 08:30 EEST, Espoo	63 mins
2	Managing Director of acquiree, Case D	6.9.2022 10:00 EEST, Teams, Espoo	55 mins
3	Management Consultant	8.9.2022 14:00 EEST, Espoo	79 mins
4	Vice President, M&A of acquirer, Case C	9.9.2022 10:00 EEST, Espoo Teams	59 mins
5	Management Consultant	12.9.2022 14:00 EEST, Espoo	35 mins
6	Management Consultant specialised in M&A	13.9.2022 09:30 EEST, Teams Espoo	69 mins
7	Team lead/partner of acquiree, Case D	16.9.2022 10:00 EEST, Teams Espoo	56 mins
8	Employee of acquiree, Case E	21.9.2022 15:00 EEST, Teams Espoo	37 mins
9	Employee of acquiree, Case A	23.9.2022 12:00 EEST, Teams Espoo	42 mins
10	CEO of acquiree, Case B	23.9.2022 16:00 EEST, Helsinki	59 mins
11	CEO of acquiree, Case A	27.9.2022 11:00 EEST 4.10.2022 10:30 EEST, Teams	43 mins 56 mins
12	Senior Vice President of acquirer, Case D	29.9.2022 12:30 EEST, Teams Espoo	61 mins
13	Senior Vice President of acquirer, Case A	30.9.2022 12:00 EEST, Teams Espoo	44 mins
14	Employee of acquiree, Case E	7.10.2022 18:30 EEST, Teams Vantaa	62 mins
15	Employee of acquiree, Case D	5.10.2022 10:00 EEST, Teams, Espoo	43 mins
16	Employee of acquiree, Case E	10.10.2022 10:00 EEST, Teams, Espoo	43 mins

Both pre-deal phase and post-deal phase were used for grouping questions to the interviewees and questions were inspired from the literature review performed in chapter 2. Goal was to understand the interdependencies between pre-deal and post-deal and their inter-relationship as identified also in the literature review.

Appendices 4 and 5 detail the formulated questions, their purpose and the source for these questions. Additionally, some of the selected data has been quoted in Appendix 6.

3.4. Analysis methodology

Data analysis of collected date during the interviews will be performed via "Within-Case" analysis and "Cross-Case" pattern search using divergent techniques. Using within-case analysis, one can get familiarised with data and can perform preliminary theory generation while cross-case analysis presses the researchers to look beyond initial impressions and visualise evidence through multiple angles. This way of theory building is an enticing research approach (Eisenhardt 1989, 533–534.)

4 DATA ANALYSIS

This chapter analyses the collected data. The collected data was analysed and consolidated to Microsoft Excel in a format that could be used to analyse within-case and later cross-case to identify patterns and similarities. Split of themes/areas for analysis were based on the broad areas identified during the literature review. This was then later used, for theory generation and plotting patterns towards proposing recommendation for modelling pre-acquisition phase based on the analysed data.

Amount of data to analyse in this phase was lesser since one of the profiles interviewed: the acquiree employee, did not have experience in the pre-acquisition phase due to the nature of this phase where pre-deal is conducted in secrecy. Hence there were additional questions developed from author's own experience and from pre-discussions that covered additional topics not experienced by the top management of both the acquirer and acquiree. Most of the questions to the acquiree employee was around this post-deal phase. Number of questions on post-acquisition phase was more limited with all other profiles interviewed. In within-case analysis and cross-case analysis, case companies A to E were analysed. Description of these cases A to E can be found from section 3.3.1 above.

4.1 Within-Case analysis

For each of the case studies, below is the conclusion from each one of the case firms based on the questions answered by the interviewee during the data collection phase of this research.

4.1.1 Case A analysis

Acquirer was clear on the strategic intent and purpose for utilising M&A to fulfil its objectives. This is a logical start as recommended in the literature review. Strategic direction was also communicated to the acquiree during the initial phase. Both firms shared the idea of strategic roadmap for growth. Although acquirer initiated the deal, the acquiree was fully active in seeking partner for the same purpose.

Due diligence topics included customers, employees, and verification of acquiree customer needs for transformation.

During this initial phase, there was good communication between both firms with good and open discussions. As stated by Appelbaum et al. (2000), this is essential for healthy collaboration during the negotiation process. Both firms found the rationale for going forward with the deal plans. During this due diligence, HR conducted competence and capability analysis including compensation model. Key resources were identified, and retention plans were also created. There was no decision on future compensation model though and hence was left open, post-acquisition it was agreed and implemented.

Pre-deal phase was about synergy and how to organise and structure the new firm under the acquiree brand. Synergy seeking as a focus during pre-deal reflected well with the findings by Larsson & Finkelstein (1999). There was no detailed integration pre-planning performed during this phase. Pre-deal phase was very formal and most of the communication occurred via email exchanges and there were very few counts of on-premises meetings held.

There was no due diligence on culture, as acquiree management did not find it relevant, but the importance of culture for the acquiree employees was high and they felt it was very relevant in this situation. Larsson et al. (2001) emphasised its importance very clearly in the literature review. There was some struggle among employees to fit to the big company culture. Communication from acquiree during post-deal period was very limited. Employees from the acquiree did not fit well to big company culture as most were used to work for small company. This is an indication of symptoms based on the relative size difference between firms as indicated by Gomes et al. (2013), Larsson & Finkelstein (1999) and Kitching (1967).

Sales focus for new business was lacking. Acquirer's new branding campaign was not planned well. This is due to failure in combination potential as stated by Larsson & Finkelstein (1999) in figure 11 of the literature review. Acquirer's customers were very confused with the acquirer's new identity. There was an immense delay in approaching their existing customers with the newly acquired portfolio. Growth strategy discussed in the pre-deal phase was not executed properly. During the post-deal phase, there were no efforts to utilise the synergy in sales efforts. After a year of the acquisition, several key resources quit the firm.

4.1.2 Case B analysis

Acquirer initiated the acquisition but did not clearly state the strategic intention for the acquisition. This is not a contradiction from literature review since acquirer must have had the strategy for taking the M&A path which was entering new technology market in Europe. There was a press release released earlier regarding their strategic intent. Both acquirer and the acquiree were searching for a partnership in the market. Due diligence in this case, primarily comprised of investigating contracts, customers, cohorts of customers, services, sales pipeline, repeat customers, IT environment and IPR. It was imperative for the acquiree to consider cultural fit with the seeker although culture was not important for the acquirer. HR acted as a separate stream for people topic, certifications, compensation model etc. Identification of key resources occurred late in the due diligence phase. This was well supported in the literature review as stated by Larsson & Finkelstein (1999).

Acquiree employees were sceptical and worried of the acquisition at first, but constant communication spread over few months calmed the situation down. Decision of autonomy of the acquiree also helped the situation. Acquirer provided a multi-tiered retention model for key identified employees for ensuring business continuity. This is in line with literature review where Ranft & Lord (2002) stated compensation model for key resource retention. As a result, no significant loss of employees out of the ordinary happened. During the communication efforts, there was no involvement from the acquirer. Duration of due diligence was short as the acquirer rushed with the deal as they suspected that acquiree was considering other options. Due to the nature of their business, acquiree was able to explore and realise new business from acquirer’s existing customers. Reverse cross-selling in this case was not possible.

Mode of integration was simple as the acquirer had decided upon retaining the acquiree with fully autonomy without any rebranding. Hence there was no integration pre-planning performed during the pre-deal phase of the acquisition. Acquiree customer forbid the acquiree from sharing the customer information with the acquirer. Post-acquisition, as an independent entity, acquiree exceeded the growth targets that was mutually agreed with the acquirer as part of the growth plan.

4.1.3 Case C analysis

Process of M&A for this acquiree always started with a well-defined strategic purpose. They had so far, a history of conducting over ten acquisitions. In this particular case, the acquirer was seeking to get into a new niche business in order to enhance their portfolio. Business acquisition instead of building in-house from scratch was their “go to” strategy. This was in-line with the strategic intent that was investigated during the literature review phase. The opportunity deal was offered to them by an investment agency. Due diligence in this case lasted for four months. Due diligence included technology platform and related services, data, customers, business model, customer interview to identify USP, acquiree sales methods & tools and cultural fit. Scope of due diligence was very well in line with the literature review based on Horwitz et al. (2002). During the pre-deal phase, the acquirer conducted several calls to gather, gain and retain trust and build the relationship. Acquirer was prepared to absorb some of the acquiree culture to the new business unit. This was not observed during the literature review and will be noted as a new finding in the following section. During this phase, one of the customers of the acquiree was identified as direct competitor and marked this finding as part of integration pre-planning activities. No cost synergies were identified. During the pre-deal phase, growth synergy was discussed and identified but it was not planned in greater detail.

HR conducted their due diligence and met with all key resources and performed cultural DD as well. Two of the key founders were identified as critical and were contractually secured. Agreement with them was a model based on future growth and success. The founders ensured that other key resources for business continuity were secured too. High level integration plan was formulated and agreed with the acquiree already in the pre-deal phase. This is well supported in the literature review identified in the papers by Caiassa & Volpe (2015).

Acquiree was provided with autonomy. Business during the post-deal as non-rebranded firm continued to grow and additionally few employees needed to be hired. Acquiree’s ability to perform sales was more agile and quicker than acquirer’s own. There was no impact to its existing customers due to the acquisition. After a stabilisation period of six months, cross-selling was kicked-off. Cross-selling was slow to start off with, but eventually it had a very positive impact on synergy realisation. This relates very well with synergy realisation in the post-deal phase as indicated by Jemison & Sitkin (1986) in the conducted literature review.

4.1.4 Case D analysis

Acquirer had clear growth strategies and arguments why M&A is the right approach for achieving them. Scaling up the volume of previously acquired business was seen as essential for fulfilling the post-merger integration plan implementation. This approach is strongly supported by Howson (2003) in the literature review. Corporate finance firm performed the matchmaking between the acquirer and acquiree, hence both firms had common interests and goals to cooperate during pre-deal phase. In this phase, it was agreed to have an integration stabilisation period before planning synergy and growth plans. Also, it was agreed who from the owners will need to leave and that there will be no redundancies of the acquiree employees. Due diligence duration was 3 months.

Focus of DD was heavily on people and business. Customer contracts were scanned with intention of identifying short-term to long-term business opportunities. Key customers and key sub-contractors were interviewed as part of the pre-deal phase. As part of the deal, few co-owners were asked to leave immediately after the transaction to prevent redundancies post-merger. Firm was to integrate to acquirer’s IT systems but be retained as a separate business unit. HR involvement was limited to focus on compensation model and talents. Key resources were identified to retain post-transaction including team leads and key customer contacts/sales. Acquiree owners ensured that all the key resources required for business continuity will be retained in the post-merger scenario and targets were created towards it. Acquiree did not have a dedicated HR function.

In the post-merger phase, acquiree existed with another acquired firm in a separate business unit, but there were silos even between them. There were no common processes or ways of working agreed between them until a year after the integration. This acquisition was to complement a previous acquisition to enhance volume. Synergy realisation did not occur as per the pre-deal discussions. Business continued as-is but some of the prospective customer cases were lost due to loss of acquiree CEO. Common processes were created within the business unit one year after the merger. Less than 10% of acquiree employees left the firm in the first one year but none left within first six months of the post-deal. The importance of knowledge and skills retention in the post-deal performance was stated by Cannella & Hambrick (1993).

During the initial days of onboarding after the transaction was completed, there wasn’t much communication from the acquirer after initial mandatory onboarding. Communication on what acquiree employees need to do and when, was not very clear. Acquiree had to organise additional onboarding and the team leads needed to do additional planning including fitting into the new business unit culture. Harmonisation of compensation model occurred after eight months but it had minimal impact from the previous model. Administrative processes were being formulated based on acquirer guidelines. Commonly decided business language could have retained some of the acquiree employees. Many employees failed to understand what the acquirer business model was or how their culture differed from the acquiree business unit. Acquiree struggled to understand the capabilities of the rest of the acquirer unit to increase sales and business. Operational integration was identified as a key differentiator for acquisition success by Jemison & Sitkin (1986).

4.1.5 Case E analysis

Strategic intent was clear as it was the first acquisition for growth. This acquisition and learnings were to be utilised for future short-term M&As. This step was utilised as per the literature review. Candidate for acquisition was very small and within the same business to minimise risks of failure. Due diligence was short, simple, and basic as the acquiree was very small. This was contrary to literature review where Horwitz et al. (2002) suggested to extend beyond traditional DD topics. DD was limited to employee skills, compensation model and customer contracts. Acquiree during the pre-deal was struggling to grow but this was not considered during the due diligence. Identifying key resources was not part of the due diligence. Literature review on human resources strongly suggests performing this DD for business continuity. There was minimal integration pre-planning performed since the acquiree was planned to be fully absorbed into the acquiree organisation. Integration of the firm was quick as noted by Moeller et al. (2004). This was primarily due to similarity with acquiree's business model as well as due to firms' large size differences.

Onboarding was short and basic as employees were integrated fast. Employees were forced to accept new compensation model which led to attrition of few key resources including the leader of the acquiree. Cultural fit was not addressed during the initial days of integration. Literature review on Venzin (2018) and Puranam et al. (2009) pointed the relevance of cultural fit during the post-deal phase. Some of acquiree's best practices were adapted and adopted by the acquirer as part of service offerings. Work utilisation of the acquiree employees increased during the first year of integration and job satisfaction among them also increased. There were no further attritions for a few years post-deal.

4.2 Cross-Case analysis

Standard list of interview questions (See Appendix 4 and 5) delivered different responses from different interviewees. In some cases, the interviewees strayed from the questions, and some were not able to clearly remember the specifics during the acquisition period. This led to mapping challenges when performing cross-case analysis. In this section, case companies A to E are mentioned. Description of these cases A to E can be found from sub-section 3.3.1 above. Sub-sections until 4.2.10 are related to the pre-deal phase of the M&A while the remaining subsections belong to post-deal phase of the transactions.

4.2.1 Strategic intent

In all five cases, strategy was the driver for pursuing acquisitions. In four of the cases (case A, case B, case C & case D), acquirer decided to acquire newer businesses while one case involved acquiring the competitor. Strategic intent was used in same four cases to identify common grounds and common purpose for the activity. This also bolstered cooperation and relationship between the two firms during the pre-deal phase and were able to identify common synergies. The case study results from this research supports the findings by Howson (2003).

4.2.2 Due diligence focus

Due diligence duration for the cases ranged between 2 months to 5 months. Based on the detailed analysis of all cases, cultural focus came up only in two cases one of which was acquiree for case B. It was important for the firm to have a good cultural fit even before engaging into first discussions. Lack of cultural focus in DDs is in contrast to the literature review. As standard, all case studies focussed on people (compensation model, skills, and key resources) and business (Contracts, customers, sales pipeline etc). HR had a big role for people-focussed due diligence. HR focus during pre-deal is very much encouraged by Caiassa & Volpe (2015).

Two cases (case B & case C) focussed on technology and IT including data. In four cases, acquirer also met some of acquiree's key customers as part of due diligence process for short-term to long-term business visibility and for verification process. In case D, it was identified that the acquirer must have more thoroughly scrutinised one of the customer contracts during this phase.

4.2.3 Communication

Level of cooperation between firms in all cases were healthy. Most data collection and clarifications were performed offline using emails and portals and were very formal. Only in one case (case C) did the acquiree make more efforts to meet the acquiree and their key resources despite COVID-19 restrictions in place. Four out of five cases discussed on synergy and organisational fit as supported by Wangerin (2019) within the literature review.

In all five cases, pre-deal was run as a project with gates and PM to manage them. Management of the acquiree identified key resources for business continuity and communicated to ensure they stayed after the transaction was completed. In case of Case B, after the acquisition news, management made constant communication over first two months to calm the situation down.

4.2.4 Culture during pre-deal

Although HR was part of the DD phase, culture was not studied in detail to discover commonalities or to explore cultural fit. This was evident from the interviews with employees of acquirees (case A, case D & case E). Importance of culture was emphasised by Chatterjee et al. (1992) for the success of M&As. In the other remaining cases, where autonomy was planned for the initial period, culture was used as one of the criteria for proceeding with the transaction. This was mainly to identify cultural fit and cultural similarities for ease of integration during the future. Detailed cultural due diligence was missing from all the case studies. This finding contrasts with the literature review of Horwitz et al. (2002) which emphasised the importance of culture in the success of M&A deals.

4.2.5 Synergy

All five cases discussed on synergy. Since four of the five cases focused on new businesses, synergy on growth was more relevant than case E where synergy was dependent on unique consulting concepts. Case B discussed on value creation vs profitability while case E discussed on synergy for common customers based on different consulting approaches. Since all acquirees were much smaller in scale and volumes compared to the respective acquirers, they sought synergy from increased volume and size in the post-deal scenario. Schweiger & Weber (1989) and Wangerin (2019) supported the synergy topic in the success of M&As.

4.2.6 Degree of integration

In two of the cases (case B & case C) where a new technology was acquired, the firms existed as autonomous by retaining their pre-merger name for more than seven months and eighteen months respectively (time when the interview occurred). In the other two cases (case A & case D) where technology was common between them, they both were merged into a separate business unit without full integration. Varying degrees of integration is well supported by model by Mirvis & Marks (1993). Case E was a competitor acquisition in nature and was fully integrated to the acquirer organisation already at the start of the post-deal phase. As confirmed by Moeller et al. (2004), it is quick to integrate very small firms.

4.2.7 Integration pre-planning

In both case B and case C, since it was decided that the acquirees were to be provided autonomy, no pre-planning was discussed or performed due to obvious reason, but in other three cases, there was no evidence of performing any actual integration pre-planning. This was evident from the data collected from acquiree employees in the post-deal phase as well as from the sales roles regarding lack of pre-planning. This was also evident in case A and case D where cross-selling efforts during post-deal phase, were significantly delayed due to lack of detailed plans. Idea was supported by Haspeslagh & Jemison (1991), Pablo (1994) and Ranft & Lord (2002).

Some of the processes in cases for A and D had to redesigned after integration which could have been prepared better with pre-planning activities. Synergy and business model after the transaction was discussed but no concrete action plan was formulated during the pre-deal phase.

4.2.8 Human resources focus

In all cases, HR was involved during the pre-deal phase for performing due diligence primarily involved around competence model check and resource skill check including technical certifications. In three of the cases (case A, D & E), acquiree did not have a dedicated HR function which might have created unsystematic collection of data by the acquirer HR. However, this was not clearly evident from the performed data collection. In case E, key resources were not identified clearly in the pre-deal phase and 10% of key resource attrition occurred during the first six months post-transaction. In all other cases, attrition level was in accordance with the normal acquiree attrition numbers. As reflected in the literature review Caiassa & Volpe (2015), role of HR is crucial in employee retention and hence success of acquisitions in the post-deal scenario.

4.2.9 Relative size of merging firms

In all five case studies, the size difference between the acquirer and the acquiree were quite significant. This is a coincidence as this was never a criterion when selecting cases for this data collection exercise. This huge gap in relative sizes also creates concerns within employees from the acquiree firm to feel insecure about the bureaucracy syndrome typically found in larger firms and the lack of agility in operational processes. Contrary to the literature review Kitching (1967), this huge size difference did not pose a major risk for the success of M&A.

4.2.10 Courtship

In none of the case studies that were reviewed, was there an attempt at courtship type of an approach in getting to know each other before deciding on a relationship. Benefits of courtship was clearly identified from the work done by Wangerin (2019). In cases B and C, since acquirer planned to continue running acquiree business independently, this was not even part of their consideration. One of the analyses revealed that courtship is used in cases of mergers of firms in overlapping business or complementary businesses.

4.2.11 Management practices

For leaders from acquiree in the post-deal phase of case C, they were given added earn-outs for additional growth as part of the transaction. This was in line with recommendations by Ranft & Lord (2002). In case E, the management of acquiree was replaced with acquirer employee which culturally did not fit with the acquiree employees. Based on the analysis of data from case D and case E, acquiree management was required to be made leaner as part of the transaction scope to prevent redundancies post-deal.

4.2.12 Employee retention

In all five cases, the acquirer managed well to secure key resources identified in the pre-deal phase for at least the first six month from the close of the transaction. Employee attrition after 12 months was higher than normal due to various other reasons. Although cultural due diligence was lacking in many cases, this did not seem to impact the employee retention.

Acquirer of case B identified and categorised key resources into three groups and incentivising their stay in the post-deal scenario in three different retention plans. They were also offered and encouraged to continue their employment, if possible, even at the end of the retention plan. At the end of 18 months, most key employees stayed at the acquiree. Most of the key employees in case E, managed to get quality assignments which encouraged their employment and stay with their new firm. Replacement of leader in case D witnessed non-realisation of ongoing customer cases. Cultural impact on employee retention is contradicted in this study as indicated by Chatterjee et al. (1992) and Horwitz et al. (2002), but the need to secure key resources for the success of M&As during the initial days is validated as per Ranft & Lord (2002).

4.2.13 Customer status

In all cases, no key customer loss was identified or reported. However, when it came to new customer creation, case A and case D struggled to develop insights into acquiree or acquirer customer base to explore and realise new business opportunities. In both cases, the duration of this situation lasted over one year from the transaction date. In all cases, business of the acquiree did not decline in the first one year. Customers of both acquirer and acquiree for the above cases were unaware of the newly acquired capabilities. In case B, business of acquiree grew significantly as they were able to open sales opportunities of the acquirer customers early on.

4.2.14 Post-deal culture

Cultural topic was rated as one of the most important parameters of the post-acquisition environment. In case C, use of right business language was considered as an important factor to feel inclusion within the acquired scenario. In case B and case C, culture did not play a major factor due to the autonomy provided as part of the integration pre-planning decisions. Least impact on culture was identified in case E since both firms were from the same business practice but difference in compensation model led to some employee attrition. Although literature from Puranam et al. (2009), Chatterjee et al. (1992) and Horwitz et al. (2002) rates culture as one of the most contributing factors for the success of M&A, cross-analysis did not reveal this relevance.

4.2.15 Communication

There was a big gap in the relevance of communication between acquiree management and acquiree employees in both case A and D. Based on acquiree employees experience, there was insufficient communication during the initial phase of post-deal. Presence of acquirer was almost invisible since the end of the mandatory onboarding process. This gap impacted some of the employees to feel disconnected and isolated from the acquirer during the initial months of the M&A transaction. Preventing uncertainties and scepticism among employees during acquisitions using effective communication was clearly stated by Gomes et al. (2013).

4.2.16 Other analyses

Acquirees from case A, case C, case D and case E emphasised on the recognition, retention, and adoption of acquiree best practices as part of the due diligence and integration pre-planning process. Acquirer of case A and case E acknowledged and provide examples on how acquiree best practices were retained as part of post-deal situation.

Due to delays in cross-selling and synergy realisation in cases A and D, acquiree felt that the transition period was too long. During this period acquirees continued to work in isolation.

Duration of DD in case B was too short for the size of acquired business and seemed like the acquirer was in a rush to close the deal. Choice of integration allowed the acquirer to manage to close the deal in such short pre-deal cycles. There was a noticeable urgency to close case D as well, in order to align with their previously performed acquisition to create size and volume for their new business identity.

5 FINDINGS FROM THE ANALYSIS

This chapter details the findings from the data analysis performed in the previous chapter. Findings are based on the research conducted towards the research question:

> What are the major factors contributing to unsuccessful company acquisition and loss of business opportunity in the post-merged scenario as a result of poor pre-merger preparations?

5.1 Participants' background

To ensure a good number of samples, a total of 16 interviews were held. This provided the needed breadth and depth of varying experiences and roles in multiple executed mergers and acquisitions in varying roles. Average years of experience of the interviewed was roughly 24 years. There was a total experience of 69 counts as an acquiree and 28 counts as an acquiree.

TABLE 2. Interviewee profile

Interviewee	Role	Years of IT Experience	# of M&As as acquirer	# Of M&As as acquiree
1	Country Head of acquiree, Case E	33	4	3
2	Managing Director of acquiree, Case D	26	3	1
3	Management Consultant	25	5	0
4	Vice President, M&A of acquirer, Case C	23	16	4
5	Management Consultant	25	2	0
6	Management Consultant specialised in M&A	10	2	2
7	Team lead/partner of acquiree, Case D	22	1	1
8	Employee of acquiree, Case E	30	2	2

9	Employee of acquiree, Case A	22	0	1
10	CEO of acquiree, Case B	27	1	4
11	CEO of acquiree, Case A	25	4	1
12	Senior Vice President of acquirer, Case D	27	10	3
13	Senior Vice President of acquirer, Case A	27	10	3
14	Employee of acquiree, Case E	7	0	1
15	Employee of acquiree, Case D	21	0	1
16	Employee of acquiree, Case E	27	9	1

5.2 Summary of key findings

Results of the research analysis is mapped to the structure presented in the theoretical framework and data analysis. This approach ensures that the flow is aligned to the theoretical framework. Same approach was applied also for creating the questionnaire utilised for data collection, data analysis and research findings.

All cases were different from each other from strategic purpose and type of assimilation of the acquired firm. Two firms were absorbed and rebranded to the acquirer's name but provided with an independent business unit while the other two were provided with full autonomy and independence and continued as-is when the data collection occurred. One firm was fully integrated to the acquirer firm.

5.2.1 Strategic intent

It was identified in the five cases that, inputs for strategic intent and drivers were derived from different sources. Some had inputs from the market conditions while some had inputs from their strategic partner. Deriving at a logical strategic intention is very essential in providing the M&A deal team with the right message. The team can draw inspiration from right strategic drivers leading to a quality pre-deal efforts as pointed out in the literature review by Bowyer (2001). Strategic drivers provide the acquisition team with the direction on what and how to get the pre-deal phase organized, structured, and delivered.

5.2.2 Due diligence team

Team comprises of permanent and non-permanent members. Key is to educate and guide the M&A deal team based on the strategic drivers. This provides direction and objectives for them on how to and where to focus during the due diligence. Other key finding is the need for accountability in the execution of integration plan after the completion of the transaction. For this to happen, its essential to include in the team those key stakeholders who will be needed to carry the integration work in the post-deal phase. This is an essential factor for synergy realisation. This is a new finding as it was not captured from the conducted literature review.

5.2.3 Communication

It was identified during the data analysis that effective communication from the acquiree leaders towards its key resources was critical in securing those resources throughout the transaction. This action was essential to ensure business continuity for the post-deal scenario. This is a new finding and not observed during the literature review, although effective communication to stakeholders was highlighted by Angwin (2001); Inkpen et al. (2000) and Gomes et al. (2013).

Interpretation of the need for communication varied between acquirer management, acquiree management, and acquiree employees. Based on the cross-analysis of employees, there was not sufficient communication from the acquirer post-deal. Additionally, there was a gap in communicating the new ways of working from the acquirer organisation. Need for more regular, repeated communication using multiple communication channels was sought especially during and after the onboarding period. Emails were not seen as a good channel in such situations. Support via regular communication from the acquirer was perceived as a sign of strength and confidence towards the newly acquired employees.

5.2.4 Degree of integration

This section has a very strong relationship with integration pre-planning and cultural due diligence. In cases, where autonomy is already decided as the way forward by the acquirer post transaction, degree of integration pre-planning and the need to conduct cultural DD is less. With decreasing level of integration, there is also a decreasing level of risks realising during the post-deal phase. In cases where high level of integration is planned, more efforts, details and focus must be dedicated to integration pre-planning. Degree of integration also has a strong impact on synergy realisation. In two of the cases, degree of integration was moderate, but the acquirer failed to integrate the sales function during post-deal phase as per the literature review as depicted in figure 8. These findings are in line with the literature review as pointed out by Haspeslagh & Jemison (1991) and by Mirvis & Marks (1993).

5.2.5 Integration pre-planning

It was noticed that the amount and details of integration pre-planning depended on the extent of integration. Those cases where autonomy was planned, due diligence was shorter and pre-planning was also bare minimum. In cases of acquisitions involving diversification of business portfolio, concept creation must be part of integration pre-planning before the closure of the transaction. This will provide the much-needed focus and attention during the first days of post-deal situation.

Synergy seeking and recognition during the DD phase is just the first step. It is imperative to follow this up to create a synergy realisation plan already during the pre-deal phase. This will act as a platform during the post-deal phase to plan next level of details to bolster the business development growth plan implementation. This is also essential to ensure that key resources are part of the growth and ensure long-term key resource retention. Delayed interaction between the acquirer and acquiree led to delays in synergy realisation as pointed out in the literature review by Graebner (2004).

5.2.6 Business due diligence

In all cases, major and key acquiree customer retention was successful. One of the key factors for this high success rate was the direct engagement of acquirer and acquiree with the key customers during the pre-deal phase. Few of the key customers were glad to be part of the communication during the due diligence phase regarding the strategic partnership plans and provided them confidence on the future of the business relationship. This is a new finding as this focus during literature review was not observed.

5.2.7 Others

Two of the acquirees intended to check the potential acquirer's M&A process, their M&A best practices, the lessons learnt and experience of acquirers next time they were on the acquiree side of M&A discussion. This will provide them confidence on which offers to pursue and which ones to abandon. This is a new finding not observed during the literature review.

Role of acquiree leaders during the pre-deal phase is very critical in securing business continuity in the post-deal scenario. Identifying own key resources and ensuring their retention is more effective when performed by acquiree leaders instead of acquirer. This is also a new finding not identified during the literature review.

When acquirers are engaged in big development initiatives or still dealing with previously conducted M&A acquisition activities, it is not recommended to start with new M&A initiatives. One of the reasons is that the M&A team requires to borrow resources from such critical projects which impacts those development initiatives. This is also a new finding which is identified as a critical success factor in terms of timing of such M&A initiatives.

Identifying acquiree best practices and retaining and incorporating them in the post-deal scenario was noticed. Benefits of retaining these best practices assisted in retaining cultural part of the old firm. This helped employees to relate with their old firm hence helping in employee retention. This was not found during the literature review.

5.3 Lessons learned

This sub-section summarises the lessons learned based on the key findings against the analysis conducted and studies against the literature reviews. They have been categorised in the following sections.

5.3.1 Organising due diligence

There must be very strong inputs on reasons for performing the M&A and clear objectives and guidelines on the ways of working and scope for due diligence. This can be effectively delivered by proper training on each specific M&A cases. These inputs provide the platform for expectation management from each member of the due diligence team member. Inputs can be drawn directly from the strategic intent of the firm. When selecting the team for due diligence, care must be taken to select members based on the scope and objectives of the acquisition. This may demand organising resources from ongoing strategic projects or from previously conducted M&A initiatives which still has work to be done. That is the reason why timing of the M&A needs to be in line with other ongoing strategic initiatives.

5.3.2 Integration pre-planning

This is one of the most decisive actions required to be performed in the pre-deal phase of any acquisition. This is an area that has not been given enough prominence. Repercussions of not performing this in the pre-deal phase has been very evident and has been tagged as essential part in ensuring synergy realisation in the post-deal phase of the M&A initiative. It is imperative to perform a solid and valid plan on how to perform integration in the post-deal scenario. Inputs for this phase must be taken from the decision on how the integration is planned. Based on that decision, must the integration pre-planning be conducted.

5.3.3 Human-centric factors

Avoiding cultural due diligence did not have a detrimental impact on the post-deal situation from employee retention in cases where autonomy was not considered. This is somewhat deviating from the literature review. However, based on the literature review and data analysis, human factors are paramount in any M&A case and must be secured to ensure business continuity. Key resource identification and cultural fit, including implementation of best practices from acquiree and good induction planning are critical in employee retention.

5.3.4 Critical Success Factors

Based on the conducted research, the following CSFs were identified which needs strong considerations depending on the M&A scenario. Focus on these areas will assist in enhancing the success in M&A cases.

TABLE 3. Critical Success Factors for successful M&A

CSF	Description
Level of integration	Decide whether to keep the firm autonomous and independent or merge. One of the factors to determine this is based on the firm's strategic intent. If the strategic intent is to kill competition or acquire for growth by staying in same business and market, integration is the answer. But if intention is to acquire new technology or enter new market, autonomy must be strongly considered. Autonomy and synergy are not complementary; hence this must be considered in the degree of autonomy.
Integration pre-planning	This depends on what is decided in the previous topic. No detailed plans are required at the start of the day 1 if autonomy is provided, but if integration is needed, due diligence must be thorough to cover culture, organisational fit and how to generate synergy from day 1 of the acquisition.

Depth and width of due diligence	This depends on the level of integration planned for the acquiree. Cases where autonomy is planned, due diligence of shorter duration is sufficient, but when planning for integrations, a more thorough due diligence is required to gather data on employees, culture, communication plan and associated areas to build trust and alleviate anxiety among employees for securing business in the first 365 days.
Onboarding and communication	Well planned onboarding assists in creating an atmosphere of trust and setting expectations for acquiree employees on how to settle in, into the new organisation. This will also impact the cultural aspect in employee retention. Communication factors in the needed glue for employee retention.
Implementation of integration pre-planning	More focus and attention is required towards the implementation of the pre-planning performed during pre-deal phase. Success of this implementation defines the realisation of the synergy identified during the pre-deal phase. Synergy realisation is crucial for the long-term retention of key employees.
Timing of M&As	Acquisitions during times of development plan implementations or when struggling with previously performed acquisitions is not wise. This puts pressure on common key resources and impacts the results of implementation programs and new acquisition efforts.

6 PRE-DEAL MODEL

Key findings and the analysis have been the foundations for developing a recommended model for structuring and conducting a pre-deal phase of an M&A. Findings from the analysis and detailed exploration of the data were used as an inspiration to develop this model in an iterative manner.

Inputs and outputs are the most critical part of any model. Inputs in the model are key drivers for formulating the purpose, objective and the team that will execute the due diligence. Outputs are the key deliverables from the pre-deal phase which paves the way for the implementation of the post-deal phase to achieve the desired and intended objectives of the exercise. These act as inputs for final refinement during the first days of post-deal phase. Based on the analysed data, it was found that the decision on the level of integration was a key milestone for planning the details for integration. Outputs of due diligence must be identified as key inputs for this decision. Level of integration defines the final outputs of the pre-deal phase of the M&A.

As described in figure 14 below, there are two critical factors when deciding on an M&A team. Including future stakeholders in the pre-deal team helps to see through the implementation in the post-deal phase Secondly, the strategic M&A objectives assists in providing the pre-deal team with direction and objectives during the M&A. Training the team with these objectives keeps them focused during the pre-deal phase. This ensures that during the post-deal phase, the outputs of the pre-deal phase will be implemented by these identified resources. This is vital in ensuring continuity in the post-deal implementation that contributes towards synergy realisation.

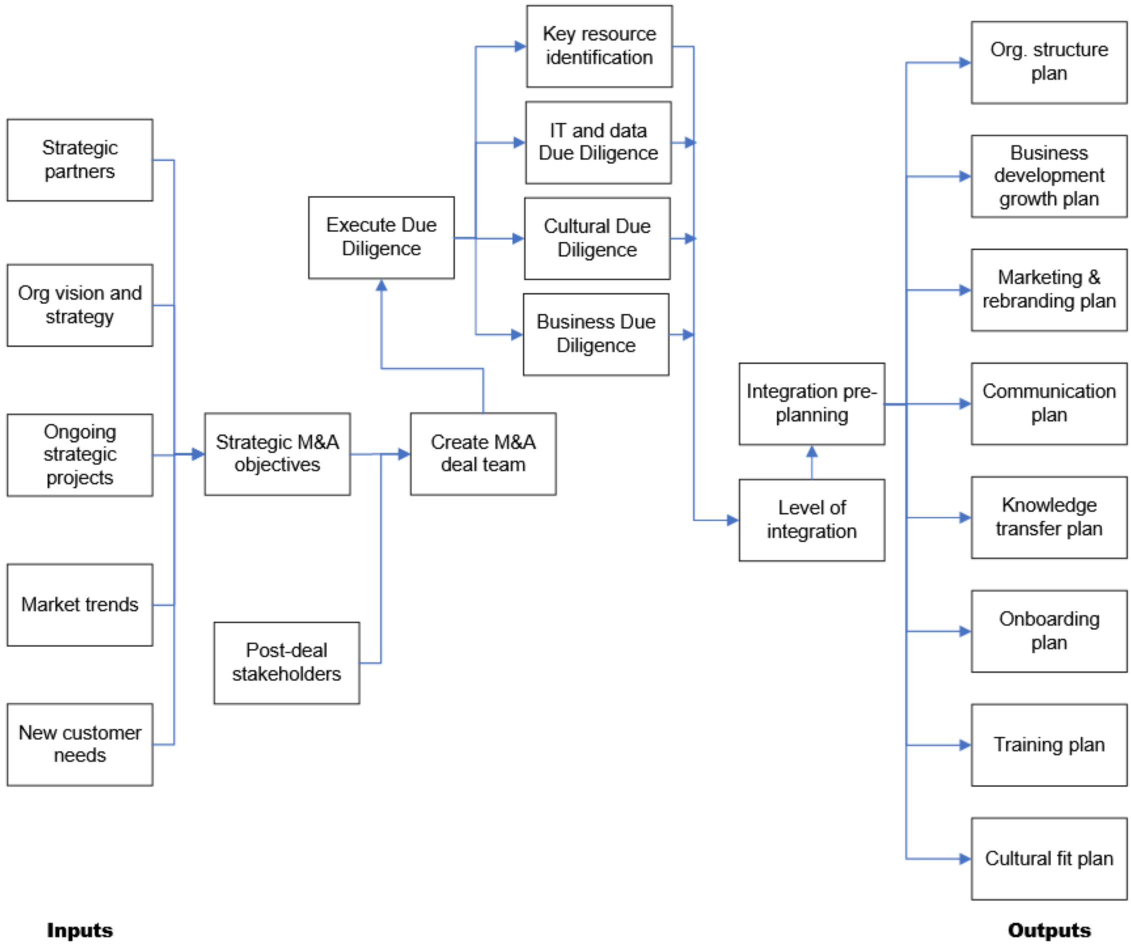

FIGURE 14. Recommended pre-deal model

Execution of the due diligence must identify key resources, perform due diligence in areas like IT and data, culture and business. Although it was one of the key findings that lack of cultural due diligence did not have an impact on retaining key resources, it is still recommended to perform cultural due diligence due to the literature review recommendations. These are key factors in understanding the as-is state of the acquiree and are critical inputs for determining the level of integration in the post-deal scenario.

Outputs in the model provides the acquirer at the end of M&A pre-deal phase with knowledge and plan required to implement the acquisition more successfully as pointed out by Graebner (2004). Although this is an ideal scenario, depending on the nature and status of firms involved in M&A, some of the outputs will take more priority than others. This means that not all the output items need to be worked on during the integration preplanning.

7 MANAGERIAL RECOMMENDATIONS

This chapter provides the recommendation based on the combination of analysis work and the existing literature review against the research question formulated for this research work. The method to reach this model was based on the constructive research approach as described in section 3.1. In this final chapter of the thesis, it draws recommendations from the data analysis against the reviewed literature and theoretical framework based on the key findings. The aim of this research was to address the research question:

> What are the major factors contributing to unsuccessful company acquisition and loss of business opportunity in the post-merged scenario as a result of poor pre-merger preparations?

Based on the work done in the preceding 5 chapters, recommendations are structured in the following sub-sections:

7.1 Recommendation 1: Use of pre-deal model

It is highly recommended to managers involved in M&A to consider using the pre-deal model in figure 14 for organising future M&A pre-deal phase. By utilising various input elements, strategic M&A objectives can be formed more comprehensively. This can be used to coach the M&A deal team. This will help the deal team with clear boundaries and expectations from the execution of the pre-deal phase. Although the model recommends eight different outputs, actual scope of the outputs will vary across different cases and will depend on the nature of each M&A case by case.

7.2 Recommendation 2: Involve post-deal stakeholders

Failure to realise synergies during post-deal phase leads to poor performance from these acquisitions. One of the ways to ensure that work on synergy realisation happens is by involving related stakeholders early. By involving them as part of the pre-deal phase will facilitate in this purpose. By ensuring their early involvement, work continues also in the post-deal phase after the M&A team disappears post-transaction. Accountability in the post-deal phase ensure these stakeholders to plan the pre-deal in a way to secure structures for the realisation of synergies identified and planned in the pre-deal phase.

7.3 Recommendation 3: Integration pre-planning based on level of integration

Integration pre-planning has a very strong relationship to the level of planned integration with the acquiree. It is important to use the plans for the integration strategy as the basis while performing the integration pre-planning. With lesser need for integrating the acquiree, there is relatively lesser planning required for the integration planning. If the acquirer plans to fully integrate the acquiree, the planning required for integration is bigger and the recommended outputs in the recommended pre-deal model in figure 14 must be considered and planned accordingly.

7.4 Limitations of research

One of the limitations with empirical case study based open ended questionnaire is that it takes enormous amount of time for data collection, second one with this approach is the non-standard way of response for each of the questions by the interviewee and third being that the data when being cross-referenced between different case studies are often dissimilar in nature hence difficult to compare.

The model recommended in this research is based on data collected in the field of IT within Finland. Applying the recommended model in other fields of business or firm outside Finland involved in M&A might have varying degree of effectiveness.

7.5 Quality of research

Quality of this research can be evaluated against the eight “big-tent” categories proposed by Tracy (2010). This eight-point qualifying criteria provides a useful pedagogical model for qualitative best practices. The eight “big-tent” markers highlighted are (a) worthy topic, (b) rich rigor, (c) sincerity, (d) credibility, (e) resonance, (f) significant contribution, (g) ethics, and (h) meaningful coherence (Tracy 2010, 837.)

Topic of research is worthy(a) as there was no evidence of a model based on literature review which could indicate how pre-deal phase of M&A could be structured. Various models exist but are detailed on specific sub-areas of pre-deal phase, hence this research provides value in modelling the whole pre-deal phase. Hence this is also a significant contribution(f) to M&A in showing the broader picture of the pre-deal phase. By signing with the interviewees, the participant consent form (refer to Appendix 2), we are bringing in the ethics(g) and sincerity(c) to the data collection for this research. The author chose to interview subjects with good overall years of experience and rich exposure to the topic (refer table 2), hence ensuring that the data collection performed had a credible(d) platform.

By interviewing different profiles based on their involvement in M&A and choosing five cases, rich rigorousness(b) was achieved. The significance(f) of the study's result was demonstrated with the recommended model in sub-section 6.1. Since the data analysis was compared against the conducted literature review, it has demonstrated meaningful coherence(h). When discussing with the interviewees and during sparring sessions during pre-discussions, most of them resonated(e) to the idea of missing the model on how to conduct and structure the pre-deal phase.

7.6 Suggestions for further development

This empirical study produced recommendations and results which is based on study conducted for mid-sized IT companies in Finland. The results and adaptability of these recommendations may vary across different industries and in other countries within Nordics. Hence suggestion is to review the findings and recommendation based on this industry and firm size. Further studies in this area can reconfirm the findings or add additional dimensions to this topic bringing in enhanced depth and different angles to the pre-deal model.

Since the research focus was a bit broader, it does not do justice in ways of working for a particular topic within the pre-deal phase. For instance, the scope for further development on how to conduct an IT and data due diligence could be taken for future considerations.

There was no indication that large difference in the relative size of merging firms can adversely impact the effectiveness of M&A success. This is a deviation from the findings from research by Kitching (1967), Moeller et al. (2004) and Hunt (1990). As quantitative research is more comprehensive compared to qualitative study, deeper quantitative research must be conducted.

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APPENDICES

Appendix 1. Interview invitation

The following email was sent to participants inviting for an interview.

Dear Prospective Participant,

I sincerely request your participation to the research-based interview as part of case study. This is a part of the requirements for the formal completion of my master's degree in International Business Management studies from Tampere University of Applied Sciences (TAMK). The goal of this interview is to deep-dive into the pre-merger phase of acquisition that you have been involved in, in the past. Focus here is the non-financial part of pre-merger phase. This part of the research involves interviewing people who are key players in M&A activities. For that I have chosen to interview 12-15 representatives of companies that are direct/indirect acquirers, employees, and consultants. For this reason, I have invited You to take part.

If you would be interested in contributing to this study, please respond back via this email expressing your willingness and let us agree on practicalities on when to organise the interview session. This would be an online video interview lasting a maximum of 60 – 75 minutes. With your permission, I would like to record the interview and take notes for later analysis.

Your participation to this interview is in a key role and particularly important in the data gathering process which is the foundation for analysis toward the research questions, goals and related objectives. Your participation is entirely voluntary. You can choose not to answer any questions and you are free to withdraw from the study at any time.

The data will be kept securely and destroyed after the completion of the project. At every stage your identity will remain confidential. Your name and identifying information will not be included in the final report. The identity of your organisation will not be included in the final report, unless you deliberately permit. The results of this interview will be utilised anonymously. You have the right to decline the interview at any time without questions and forbid using the interview material if you choose to do so. Interviews will be recorded until the thesis is accepted. Until then, it will not be reproduced without filtering out all confidential data. The only ones who will have access to your information is the interviewer and my thesis supervisor, Professor Jari Ruokolainen.

I am attaching the Participant Consent Form. Please read it and reply that you accept the terms. If you have any questions regarding this interview, please do not hesitate to contact me via email or phone. Could you suggest a few slots in the following weeks to setup the interview?

With kind regards,

Praveen Panicker

Appendix 2. Participant Consent Form

The following consent form as pdf attachment was sent to prospective interviewees in the invitation email.

Title of research: Recommended model based on findings from executed M&As in pre-merger phase
Purpose of research: Research purpose is based on research question: What are the major factors contributing to unsuccessful company acquisition and loss of business opportunity in the post-merged scenario as a result of poor pre-merger preparations?

Consent to take part in research

- I voluntarily agree to participate in this research study
- I understand that even if I agree to participate now, I can withdraw my participation at any time or refuse to answer any question without any consequences of any nature.
- I understand that I can withdraw permission to use data from my interview within two weeks after the interview, in which case the material will be deleted or not used for this research.
- I have had the purpose and nature of the study explained to me in writing and I have had the opportunity to ask questions about the study.
- I understand that participation involves discussions on the research topic and research question(s)
- I understand that I will not benefit directly from participating in this research.
- I agree to my interview being digitally recorded.
- I understand that all information I provide for this study will be treated with confidentiality.
- I understand that in any report on the results of this research my identity will remain anonymous. This will be done by changing my name and disguising any details of my interview which may reveal my identity or the identity of people I speak about or the organisation I represent, or I am/was involved with.

- I understand that disguised extracts from my interview may be quoted in the final thesis.
- I understand that if I inform the researcher that myself or someone else is at risk of harm, they may have to report this to the relevant authorities - they will discuss this with me first but may be required to report with or without my permission.
- I understand that signed consent forms and original audio recordings will be retained in the TAMK university drive until the thesis is accepted officially by Tampere University of Applied Sciences.
- I understand that a transcript of my interview in which all identifying information has been removed will be retained for six months.
- I understand that under freedom of information legalisation I am entitled to access the information I have provided at any time while it is in storage as specified above.
- I understand that I am free to contact any of the people involved in the research to seek further clarification and information.

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Signature of research participant

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Signature of participant Date

Appendix 3. Interview structure

Introduction

Firstly, thank you very much for volunteering for this interview. Thank you very much for signing and returning the consent form. I am Praveen Panicker doing my Master's thesis from Tampere University of Applied Sciences (TAMK).

I hope you are aware of the research topic, scope as well as the objectives of the interview. I would like to remind that this discussion is confidential, meaning that both the individual names and your organisations will remain anonymous. Do you have any questions before jumping straight into the interview?

I will start the recording now.

Title of research: Recommended model for pre-merger phase based on findings from executed M&As.

Purpose of research: Research purpose is based on research question: What are the major factors contributing to unsuccessful company acquisition and loss of business opportunity in the post-merged scenario as a result of poor pre-merger preparations?

Name of Participant:
Title:
Organisation represented:
# of M&As involved in as acquirer and acquiree:
Have you been part of mergers/divestments?
Roles in past M&As:

I will be asking roughly 15 - 20 questions on this topic. Goal with these questions is to gather views, experiences and learnings based on your participation in executed M&As from the past that will assist in analysing them for my research. Please stick to one scenario to have consistency in thought-process.

For details of the questions asked based on the role, please refer to Appendix 4 and Appendix 5.

Is there anything else you would like to add still?

Would it be ok if I have any follow-up questions at any point of my thesis work?

Thank you very much for your time and for volunteering to my research's data collection.

Appendix 4. Interview questions, purpose, and its source: acquirer management, acquiree management and M&A consultants

Interview question	Purpose	Source
PRE-DEAL		
Was the strategic purpose of the deal known before the start of M&A Process? (Diversification into new business vs concentration within same business) or Horizontal (Same business but different market) vs concentric (Different technology but same market)	Link between strategic purpose and decision for M&A and its clarity within the firm before its decision to take this path of growth	Hunt, 1990; Howson, 2003; Bowyer, 2001.
Who initiated the deal? Was the bid amicable?	Amicable deals lead to commitments that could end with successful mergers, otherwise lacks commitment	Hunt, 1990.
What was the duration of due diligence?	Duration of due diligence is linked to success of M&As	Moeller et al., 2004; Wangerin, 2019.
Topics apart from financial part covered during pre-deal phase?	Due diligence must consider other factors like HR, culture, synergy etc for increasing the probability of success in M&As	Caiassa & Volpe, 2015; Wangerin, 2019; Lajoux & Elson, 2000; Bhagwan, et al., 2018; Angwin, 2001; Weber & Fried, 2011a.
Was HR part of pre-deal team? Please describe their role.	HR aspect is very important during M&A discussions in order to incorporate human aspects	Horwitz et al., 2002; Weber & Fried, 2011a.
How was communication around M&A performed during this phase? How was it managed as a team?	Keeping all stakeholders informed is essential in ensuring success of M&As	Weber & Fried, 2011a.

Relationship of top management between the two firms?	This leads to level of cooperation vs resistance. It has a direct impact on quality of information provided/shared	Appelbaum et al., 2000; Schuler & Jackson, 2001; Ranft & Lord, 2002.
Relative size of acquired firm compared to the acquiring?	Research shows that success of M&As also depend on the relative size of acquiring and acquired firms	Gomes et al., 2013; Larsson & Finkelstein, 1999; Kitching, 1967; Tuch & O´Sullivan, 2007.
Was the deal rushed? Were there internal or external pressures to complete the deal quickly?	Rushed deals have less likelihood for success as they tend to have less thorough due diligence	Walsh & Ellwood, 1991; Wangerin, 2019; Howson, 2003.
How was the organisational fit and synergy seen during these discussions?	This is an important aspect in the success of M&A	Bhagwan et al., 2018; Graebner, 2004.
Did you have any planning for post-deal integration (integration pre-planning)?	This step is important preparation for day1 of merger and forward	Angwin, 2001; Bhagwan et al., 2018; Lajoux & Elson, 2000; Wangerin, 2019; Inkpen et al., 2000; Howson, 2003; Weber et al., 2011 .
Did you have an M&A runbook? How was it utilised for different M&As and how was the updation process managed?	Lessons learnt from executing the process and adapting to different acquisition situation is vital in the success of M&As. Same set of due diligence cannot be applied to every M&A as they are all different.	Based on pre-discussions

Would you have done something differently in your approach or structure in this phase next time you are in a similar situation?	Lessons learnt is very vital for success of next attempt at M&A	Based on pre-discussion
POST-DEAL		
What was the role of acquired leaders in post-deal? Did they have an active role in the operational duties?	Identify the level of engagement and commitment from both the merging firms. This gives a positive message to employees of the acquired firm	Ranft & Lord, 2002.
Could you comment on what was the performance of the acquired firm relative to expected value/business case? How was synergy realised?	How the preparation during pre-deal phase has had an impact during the initial days of operations of the acquired firm during post-deal phase. Synergy realisation.	Weber & Fried, 2011; Larsson & Finkelstein, 1999; Graebner, 2004.
Did you witness any attrition of key employees? Could you elaborate on reasons/observations?	These symptoms are based on integration pre-planning preparations	Venzin et al. 2018; Ranft & Lord, 2002; Venzin et al., 2018.
Did you manage to find some best practices from the acquired firm? What happened to them?	Imbibing best practices for enhanced post integration performance is key to growing firms	Based on pre-discussion with subject matter experts
How was the situation with customers after deal signatures: Retention, relationship, and customer satisfaction?	Relevant to the research question	Based on pre-discussion with subject matter experts
Did the post deal integration have any effect on functioning of the acquiring firm?	Relevant to the research question	Howson, 2003.

Appendix 5. Interview questions, purpose, and its source: Acquired employees

Interview question	Purpose	Source
PRE-DEAL		
Were your customers aware of this deal? How did your customer(s) take this news?	Customer communication creates a circle of trust for future transactions	Based on pre-discussions
Did you have any involvement during the pre-merger phase? What was your role?	Role clarification and awareness of NDA activities	Based on pre-discussions
Was there a rumour about an acquisition? How did you find it out? How did it impact your colleagues? Was there any attempt at contacting HR? How was it handled?	Role clarification and awareness of NDA activities	Based on own experience
Did you hear from any customer if there is any strategic relationship building happening?	Communication nurtures trust in customer engagement sphere	Weber & Fried, 2011a.
POST-DEAL		
How did company do business-wise normal operations during the initial days? How did your team lead support you? How did all the hassles impact your normal daily operations?	Effectiveness of integration and post-deal setup, has relevance to pre integration planning during pre-deal phase	Inkpen et al., 2000; Howson, 2003; Weber et al., 2011.
How did your colleagues feel about the first initial days? Did many key people leave? At what point?	Security through communication is key for employee retention during post-merger times.	Venzin et al., 2018.
Were you worried about your salary model after the merger? How did you manage it? What was the process with communication on this topic? How did your salary model finally evolve? Were you happy?	Security is key for employee retention, how communication plays a key factor determines the result	Based on pre-discussions

Did you have a fear that you might lose your job? Why did you think that way?	Job security and employee retention is crucial in the post-deal phase of any M&A	Based on own experience
Did you lose customers during the first 3-6 months? How was their satisfaction level? Did they notice the transition? In what way?	Customer journey during critical phases like M&A is essential to capture to identify its effectiveness	Based on pre-discussions
How was the onboarding organised? What was the duration? Was it sufficient?	Onboarding is an essential component in new employee retention.	Based on pre-discussions
What was your customer reaction to the acquisition? Were they concerned? Happy?	Communication is key to customer expectations management and good governance practices	Weber & Fried, 2011a.
How was the communication from the acquirer during the post deal time?	Communication is key towards integration efforts	Weber & Fried, 2011a.
Did you have trust from your supervisor? Was he/she from own company? How was the communication?	Communication is key towards integration efforts	Weber & Fried, 2011a.
What happened to HR from your original company? How about other support people like Finance? How did you feel about that?	What happens to employees of the acquiree has a very deep psychological impact on the state of mind of other employees.	Horwitz et al., 2002; Cannella & Hambrick, 1993; Ranft & Lord, 2002; Appelbaum et al., 2000; Schuler & Jackson, 2001; Weber & Fried, 2011a.
How was the topic of culture impacting you during post deal phase? How did your colleagues manage the transition? Is Culture ignored during such events? Do you think the acquired did some cultural due diligence before acquiring your firm?	Cultural impact is critical after the transaction of an M&A in employee retention.	Weber & Fried, 2011a; Venzin et al., 2018; Puranam et al., 2009, Junni & Sarala, 2011.

Did the acquirer give you autonomy and breathing space after the acquisition, so you could evolve and stabilise?	Employee freedom is seen as a key component in post-merger scenario in employee retention.	Buono & Bowditch, 1989; Pablo, 1994; Shrivastava, 1986; Haspeslagh & Jemison, 1991; Ranft and Lord, 2000.
How did the Sales function happen after the deal? Was there any change in the way of working from their side?	Mostly ignored function, their attrition could lead to loss of critical customer knowledge and relationship	Based on own experience
Do you think you were able to reach out to acquirer customer to sell your solutions?	This provides insights into synergy exploration and realisation after M&A.	Gomes et al., 2013; Cameron & Green, 2009; Schweiger & Weber, 1989; Jemison & Sitkin, 1986; Howson, 2003.
How do you see growth of your business area after the acquisition? How did you see the future in the company?	This provides insights into synergy exploration and realisation after M&A.	Gomes et al., 2013; Cameron & Green, 2009; Schweiger & Weber, 1989; Jemison & Sitkin, 1986; Howson, 2003.
Do you know your best practices? How did it end up after the merger?	Retention of best practices from the acquiree was identified as a key component in retaining trust and employee retention	Based on own experience
Do you think some of this could have been avoided earlier by doing something differently?	It is important to reflect on the past and identify lessons learnt.	Based on own experience

Appendix 6. Some sample data quotations collected from the interviews

Select few quotes are consolidated in this appendix:

Due Diligence

Interviewee #11, CEO of acquiree (Case A) on the content on due diligence:

> *"quite a lot was discussed about the customer base and sales pipeline. Then we discussed quite a lot about the culture and employee contracts."*

On due diligence, interviewee #12 stated:

> *"One of the conditions we had was that we wanted to discuss with their key customers before making a decision to go forward with the deal….again regarding the business development and growth plan this kind of ideas for development... So it was merely was very good thing from that part the customers respected that they get the insight that they got this inside information as part of the process, the key customers, they they respected this very heavily. And secondly, I think that they gave us very valuable information about how to develop ourselves and our services going forward."*

According to Interviewee #3, Management consultant on IT due diligence said:

> *"And this is now from IT point of view. Umm and there has been a big change how IT is valued in these cases and that's something that I have said for the past maybe 15 years uh, that IT needs to be taken into account in the very early stages of M&A planning."*

Culture

Cultural importance from acquiree perspective as stated by interviewee #10:

> *"I would have needed or wanted to have better understanding what kind of company we will actually create together culturally."*

“Cultural angle has been ignored in many cases. And the cultural themes and that's sometimes they are maybe a bit overlooked that they are if the company called those are very different how do you the thing.”

From an acquiree perspective, below statement on culture during post-deal integration according to interviewee #11:

“The acquirer presented their culture, and it was up to our key resources to think about that and then they maybe try to reflect and understand that what our key persons thought about that. The discussion was not that collaborative and that deep…”

Strategic fit

Acquirees sometimes see things beyond the financial part, to think of greater things in the interest of the future of business when engaged in acquisition decision-making and the below quote is evidence of that from interviewee #11:

“Offer was seen as a positive thing but others like cultural things and some other I think that the strategic fit was certainly something in that sense that we believed. That the acquirer was trying to create really something new into the market. So that was inspiring. “

Strategic intent provided the DD team with good platform based on which to plan the pre-deal as stated by interviewee #3:

“Strategic drivers have been clear and something that then gives input/guidance to the workstreams for pre-deal planning.”

Relative size of firms

Quote from interviewee #9:

“my feeling is that no, too much bureaucratic and that that's my feeling. The processes, running the processes, it's much more simpler, that's why we know it's, it was agile. Yeah, it will get freedom for the employees”

Synergy

A lot of discussions had good perspective on synergy, and they varied from person to person, here are a few:

Quote from interviewee #3:

> *"To me it's all about synergies really, I have lived through two of them. In terms of IT, its cost cutting, no overlapping applications or technology and IT architecture can merge. In in my case is the synergy targets have been enormous. For IT, that means to my experience, that always means cost cutting. I mean that that your contracts are in line with the new situation, you don't have any overlapping things in your IT architecture, no overlapping applications or technology or or anything like that and everything is looked at. That you don't have too many people to do it, so remove redundancies which is duplicate"*

Synergy leading to employees' interest and retention according to interviewee #11:

> *"Looking for a firm that can really take care of our people and new kind of opportunities for the employees as well. That was acquirer's brand image being one of the factors for the decision..."*

Yet another quote to illustrate synergy echo from interviewee #2 on how they perceived synergy during the pre-deal negotiation phase:

> *"Yeah, from the portfolio and offering perspective, it was that I think from the acquirer perspective and from the seller perspective, it was getting uh, more larger shoulders and wider offering for the customers that they were already existing and for the prospective customers."*

Degree of integration

According to interviewee #9:

> *"Possibility to sell to customers might have been more if we had continued with the old name instead…."*

Management practices

There were some unpleasantries around the management replacement by the acquirer that was not well received during the initial period of the post-merger phase expressed as below by interviewee #1:

> *"...the horror stories from the military guy in Sweden hassling around everywhere. Quite bad."*
>
> *"There was no respect for the opinions or the knowledge on the local level I remember. And there was the advice that if you do this and that, it will not succeed, at this the response from the Finnish management was… NN… You are wrong."*

Employee retention

This is how one of the management team members, interviewee #11 who were to integrate into the acquirer organisation acted in order to guarantee and secure the business continuity, post-acquisition:

> *"I analyzed that who are the key persons. And we also studied really soon to discuss with those key persons to get them involved into this process so that they also felt that they were able to get the commitment that they will, they will follow, follow through this, this transaction, our joint target and approach"*

According to interviewee #1:

> *"Arrogance on… our setup is better than yours… doesn't really work with employees who are trying to get their bearings right after the acquisition. You should be humble when you take over someone, make them feel better than you are..."*