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MANAGING POST-ACQUISITION INTEGRATION IN GLOBAL INDUSTRIAL COMPANY

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ABSTRACT

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The objective of this thesis was to assess how the post-acquisition integration was managed in the case company and identify how the case company can improve their current post-acquisition integration practices. Qualitative research methodology was adopted for this thesis. First, the thesis presents frameworks for managing post-acquisition integration and individual factors that contribute to the outcome. Then, empirical data were gathered from six semi-structured interviews concerning five different acquisitions and integration projects. Additionally, materials from the projects were used as a secondary data source.

This thesis identified success factors that positively contribute to managing post-acquisition integration. In addition, different tools and templates were gathered to be used as a reference for future projects. Detailed integration process was not formulated since particular key successes and lessons learned are specific for each individual project. Therefore, it was identified that successful integration management in general requires well defined pre-integration activities and project management. The main development area identified for the case company was to include better risk identification planning in the post-acquisition integration management.

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Tämän diplomityön tavoitteena oli arvioida, miten yritysostojen jälkeistä integraatiota johdetaan kohdeyrityksessä ja tunnistaa, kuinka kohdeyritys voi parantaa nykyisiä yritysoston jälkeisiä integrointikäytäntöjä. Diplomityössä hyödynnettiin laadullisia tutkimusmenetelmiä. Ensiksi diplomityö esittelee viitekehyksiä yritysoston jälkeisen integroinnin johtamiseksi ja lopputulokseen vaikuttavia yksittäisiä tekijöitä. Seuraavaksi empiiristä dataa kerättiin kuuden puolistrukturoidun haastattelun kautta, jotka koskivat viittä eri yritysosto- ja integraatiohanketta. Lisäksi hankkeiden aikana luotuja materiaaleja käytettiin toissijaisena tietolähteenä.

Diplomityössä tunnistettiin menestystekijöitä, jotka vaikuttivat myönteisesti yritysoston jälkeisen integraation johtamiseen. Lisäksi kerättiin erilaisia työkaluja ja malleja käytettäväksi viitteenä tuleville yritysosto- ja integraatiohankkeille. Yksityiskohtaista integraatioprosessia ei luotu, koska keskeiset onnistumistekijät ja opit olivat projektikohtaisia. Siksi todettiin, että onnistunut integraation johtaminen vaatii hyvin etukäteen määritellyn integraation ja projektinhallintaa. Tärkein kohdeyritykselle tunnistettu kehitysalue oli sisällyttää parempi riskien tunnistamisen suunnittelu ostonjälkeisen integraation johtamiseen.

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1 INTRODUCTION

Mergers and acquisitions (M&A) are an essential strategy for external growth and corporate renewal (Cartwright & Schoenberg, 2006). Number and value of M&A has been increasing for decades and has been attracting the interest of academia likewise. However, M&A face a high failure rate and the reasons behind are understood poorly (Bauer & Matzler, 2013; Gomes et al., 2013). Notable body of research has identified that the post-acquisition integration phase is an important factor affecting M&A success (Angwin & Meadows, 2015; Graebner, 2004; Heimeriks et al., 2012; Larsson & Finkelstein, 1999). Currently the M&A activity remains higher than ever, resulting in around 50000 deals for 4000 billion USD in value a year for past 4 years (Institute for Mergers, Acquisitions and Alliances, 2020). The high number of M&A transfer directly to high number of post-acquisition integrations, which is in key role to make the intended value of the M&A realize (Schweiger et al., 1994).

This thesis is focusing on post-acquisition integration best practices in industrial sector. Even though companies continue to pursue external growth through M&A, their integration practices might be outdated or lacking skilled people. Companies suffer from knowledge loss as people might have changed roles and or moved on from the company. This study covers post-acquisition integration research and examines past post-acquisition integrations in the case company. The findings of the study can help companies to establish or improve their post-acquisition integration frameworks as well as help academia to understand the practicalities and operational activities of post-acquisition integration.

1.1 Background

Individual companies and the whole corporate landscape are shaped through M&A (Avinadav et al., 2017) and according Hitt et al. (2000) it is one of the key strategies for external growth. The number and value of M&As have been increasing from high cycle to high cycle (see Appendix 1.). Nearly 50000 deals worth of approximately 4000 billion USD were closed during year 2019, whereas during the latest peak on 2015 approximately 45000 deals worth of approximately 4500 billion USD were closed (Institute for Mergers, Acquisitions and Alliances, 2020). However, research on post-acquisition performance has

shown that acquisitions on average do not contribute to the acquirer's performance positively (King et al. 2004). Additionally, empirical research has not determined on a commonly agreed set of factors that would consistently explain why some companies succeed and others fail in acquisitions (Cartwright & Schoenberg, 2006; King et al., 2004).

One stream of strategic management research has focused to the before the M&A stage, including the strategic and organizational fit between the acquirer and the target when trying to explain the variance observed in the performance outcomes for M&A (Datta, 1991; Haleblian & Finkelstein, 1999; Hitt et al., 2001; Stahl & Voigt, 2008). This stream considers post-acquisition performance to depend on the evaluated fit before the closing. The degree of fit also demonstrates the maximum value potential the acquisition can generate. However, the post-acquisition integration phase is as well seen as key and where the actual value of the M&A is realized (Haspeslagh & Jemison 1991, p. 8; Larsson & Finkelstein, 1999).

Consequently, another stream of research focuses on post-M&A integration, post-merger integration, post-acquisition integration, or simply just integration. The importance of post-acquisition integration as the activity to capture the value expected from the M&A has been of discussion for decades. For example, already in 1986 Jemison & Sitkin (1986) identified that the post-acquisition integration process plays a key role in M&A success and it is the single most important factor affecting the synergy realization (Larsson & Finkelstein, 1999). Haspeslagh & Jemison (1991, p. 8) identified that one of the major challenges in the M&A process is managing the post-acquisition integration process to create the value hoped for when the acquisition was conceived. Schweiger et al. (1994) noted that any value of any merger or acquisition cannot be realized until the companies have been successfully integrated. Accenture & Economist Intelligence Unit's global M&A survey revealed that most important element for successful M&A is "orchestrating and executing the integration process" (Accenture & Economist Intelligence Unit, 2006). Christensen et al. (2011) stated that one of the main reasons why acquisitions fail is that the integration process is poorly and wrongly executed. Post-acquisition integration has been clearly noted among scholars and the research field has been growing and stressing the importance of the actions taken after the deal is closed (Teerikangas et al. 2012; Yu et al. 2005).

The post-acquisition integration research usually embraces two possible perspectives. First one is the process perspective which tries to understand the variance in the post-acquisition performance outcomes in the post-acquisition integration. The second approach neglects the process perspective to identify the effect of standalone or individual factors on performance outcomes. Post-acquisition integration process was taken into serious consideration in M&A research when Jemison & Sitkin (1986) and Haspeslagh & Jemison (1991) adopted the process perspective in their work. Later, post-integration research adopting the process perspective has studied for example levels of agreement on mode of acculturation (Nhavandi & Malekzadeh, 1988), the influence of task, political, and cultural characteristics (Pablo, 1994), emergence of organizational issues (Greenwood et al., 1994), perceptions of risk (Pablo et al., 1996), interrelationships between factors in the M&A process (Larsson & Finkelstein, 1999), integration sub-processes (Birkinshaw et al., 2000), ambiguity and cultural confusion (Vaara, 2003), distraction of management attention (Yu et al., 2005), approach to strategy and people (Zhang & Stening, 2013), and speed and degree of integration (Zaheer et al., 2013).

Recent M&A research that adopts the process perspective has also focused on trying to explain M&A performance through the impact of key factors that influence the post-acquisition process (Ai & Tan, 2017). Key factors that impact the post-acquisition process include for example corporate and national cultural differences (Stahl & Voigt, 2008; Teerikangas & Very, 2006; Sarala & Vaara, 2010; Vaara et al., 2012; Weber, 1996), the levels of trust between the companies involved in M&A activities (Stahl et al., 2011, 2012), the speed of integration implementation (Angwin, 2004; Homburg & Bucerius, 2006), the post-acquisition integration leadership and management (Kavanagh & Ashkanasy, 2006; Nemanich & Keller, 2007), human resource management practices (Ahammad et al., 2012; Weber & Fried, 2011), the post-acquisition integration approach (Almor et al., 2009; Weber et al., 2009), and knowledge transfer (Junni & Sarala, 2013; Sarala & Vaara, 2010; Vaara et al., 2012)

This study positions itself among the previous studies to a more practical approach due to the nature of the need from the case company. The cyclicality of M&A activity causes a scenario where a company might do several acquisitions in a short timeframe but then be

dormant for several years. This may result in knowledge loss and therefore as important it is to study individual success factors it is to have the tools available to manage the post-acquisition integration. So far, many scholars have tried to identify success factors based on a single variable in the post-acquisition integration process and a more holistic view is lacking. Therefore, this study utilizes more practical approach when gathering integration management office (IMO) practices and tools to manage the post-acquisition integration. This study contributes to future research by giving a chance to peek into the realities and practicalities of post-acquisition integration in the current fast paced multicultural international business environment in a global industrial company.

1.2 Research objectives and scope

This thesis aims to help the case company to gather and improve its post-acquisition integration practices. The case company is an industrial company providing equipment and services for various industries, such as resources and process industries. The case company employs over 15000 people in more than 50 countries. During recent years, many acquisitions have been made and the IMO has been managed in different parts of the organization, for example in one business area or in one market area. The objective of this thesis is to try to centralize the knowledge and practices of managing post-acquisition integration in the future. The intended outcome of this study is twofold; first, the study tries to identify if anything can be done better in terms of managing post-acquisition integration in the case company. Secondly, the study aims to collect post-acquisition integration material used in the previous post-acquisition integrations and try to identify how the process is managed currently in the company. Therefore, the research question was formed as:

How to successfully manage post-acquisition integration process from acquiring company IMO perspective?

With a sub-question

How the post-acquisition integration process is managed currently in the case company?

From empirical perspective, this study is limited to information available from the case company employees and their knowhow and files. Literature is covering the most common frameworks recognized among the scholars. The objective of the study is not to identify one correct way of doing things, but rather a set of observations which can help the case company in the future M&A endeavors.

1.3 Methodology

This thesis is carried out as a descriptive case study. Case studies examine the phenomenon by describing, understanding, controlling and/or predicting it and it is executed empirically in its real-life context (Yin, 2009, p. 18; Woodside, 2010 p. 2). Case studies benefit from and are primarily conducted through qualitative methods, which are essentially descriptive and derivative (Gillham, 2000, p. 10). Descriptive method enables the possibility for the researcher to compare the current status in real-life context with the relevant literature (Baxter & Jack, 2008). Therefore, as the objective of the thesis is to gather knowledge from current literature and benchmark the current activities in the case company against it, descriptive case study was found to be most solid approach.

The methodology for the thesis is carried out as follows: first, the literature is reviewed to get understanding of acquisitions and post-acquisition integration. Secondly, an empirical study is carried out, where several integration management office members were interviewed about five different acquisitions and post-acquisition integrations. In addition, materials prepared for the projects from those integrations are used as a secondary data source. The thesis is utilizing semi-structured interviews since they are often used part of a case study to gather qualitative data to show and interpret the “what”, “how”, and “why” of the phenomena (Saunders et al. 2009, p. 146). Lastly, the findings from literature and empirical study are analyzed.

1.4 Structure

This thesis includes six chapters and proceeds as follows. The first chapter presents the background and the objectives of the study. M&A is discussed in chapter two. It presents

the reason and motivation to participate in M&A activities in addition to defining it. Chapter three is focusing on post-acquisition activities. It describes the frameworks and process perspectives surrounding post-acquisition integration. In addition, the chapter discusses the individual factors that might affect the integration outcome. Finally, the chapter discusses how an integration is successfully managed. In chapter four the empirical study is presented. It describes five different integration projects from the case company. It is based on available materials and interviews. In chapter five, the empirical study is discussed and analyzed within the boundaries set by the theoretical part. To conclude, chapter six summarizes the results of the thesis. The structure of the thesis is illustrated in figure1 below.

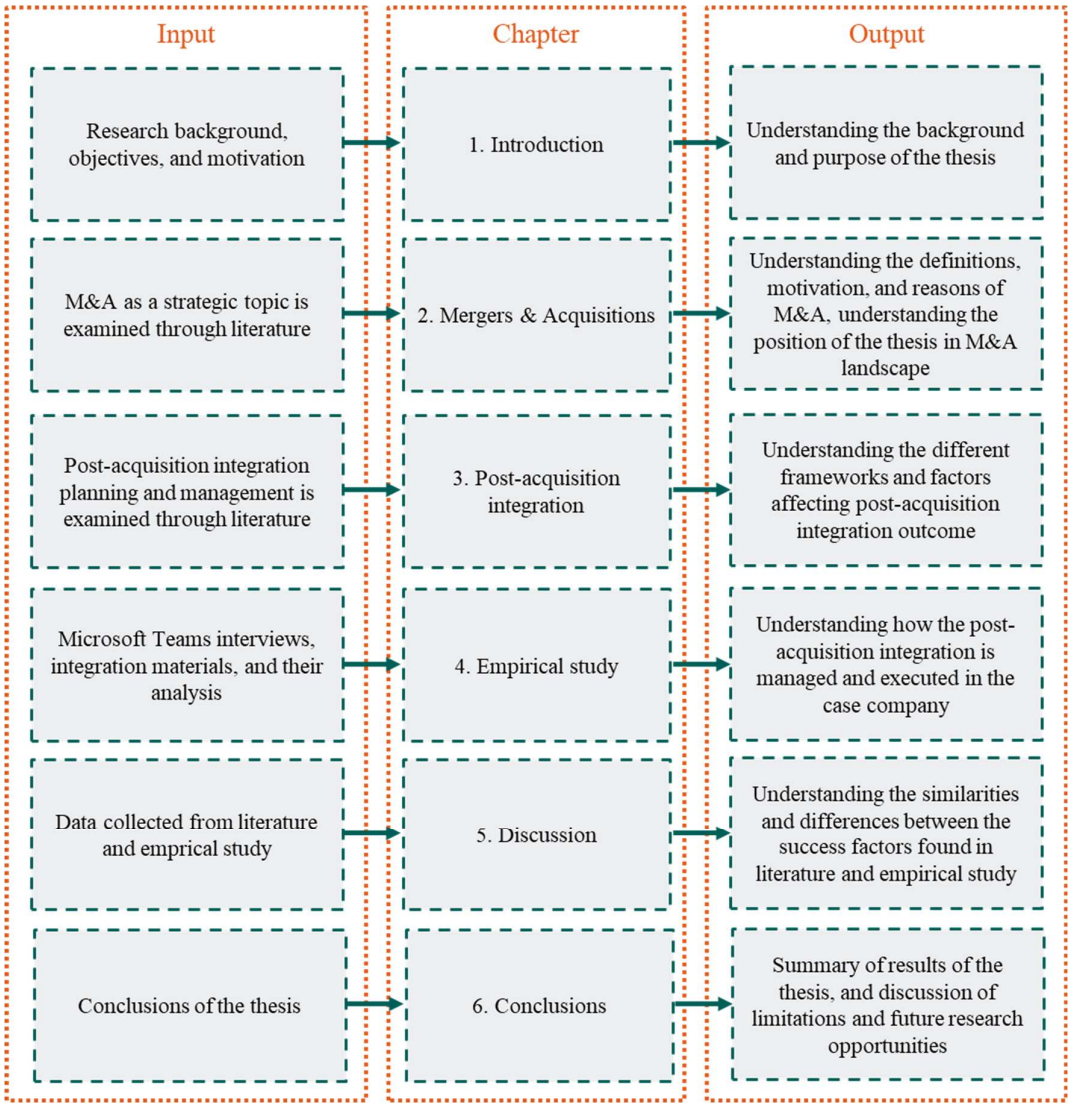


Figure 1. Structure of the thesis

2 MERGERS & ACQUISITIONS

M&A have played an important role for a long time in the growth of firms (Copeland & Weston, 1988, p. 677) and is one of the key strategies for external growth (Hitt et al., 2000). They still continue to be a common practice of business development (Cartwright & Schoenberg, 2006) and play a vital part in increasing a company's competitiveness, market power, diversification, efficiency, performance of the firm managers, expanding ownership boundaries, to achieve internationalization, and to get operational, financial and managerial synergies (Dash, 2010; Huh, 2015; Moeller & Brady, 2007; Petitt & Ferris, 2013). Sirower (1997) defined synergy as an increase in competitiveness and cash flows beyond what the merged companies are likely to achieve individually. Merger or acquisition means any transaction that forms one economic unit from two or several previous companies and represents a drastic ownership and resources change for the companies involved (Copeland & Weston, 1988, p. 677; Kiymaz & Baker, 2008). M&A have become increasingly relevant in mature sectors, since it is ever so challenging to capture the market share of competitors due to the globalization, changes in technology and competitive business environment (Meglio, 2004; Rashid & Naeem, 2016).

Even though the concept of M&A seems like a straightforward way of increasing the company performance and shareholder value, it is a broad concept that includes everything from pure mergers and acquisitions to strategic joint ventures and even divestures. The various concepts of M&A often fall interchangeably under the terms merger and acquisition. (Bösecke, 2009, pp. 6-7) However, Sherman (2015, p. 11) states that merger and acquisition in the end are a different concept and also have different objectives. The simplified difference between merger and acquisition is that in merger there is no buyer or seller, but two or more companies looking to combine their operations, whereas in acquisition, there is a buyer and seller present (Sherman, 2015, pp. 9-12). However, very small number of transactions fall under the real definition of merger and acquisition (Kusstatscher & Cooper, 2005, p. 2). This thesis focuses on acquisitions from the acquiring company's perspective.

2.1 Managerial acquisition motives

In general, acquisitions aim to increase value for the shareholders of the combined firms (Kiymaz & Baker, 2008). According to Shrivastava (1986) the managerial motives can vary from creating financial value for stockholders to a friendly saving gesture by the acquiring firm. Although typically the motives are one way, or another derived from the company's growth or diversification strategy (Shrivastava, 1986).

Acquisitions are strategic decisions that can both support and change a company's position in the market. One of the key difficulties in acquisitions is to make sure that the acquisitions support and is consistent with the company's overall strategy. Generally, each project is evaluated in the context of its contribution to a company's overall strategy. However, acquisitions are frequently considered in isolation from that strategy, despite their value and strategic importance can be greater than capital investment projects. In addition, what makes it difficult is the tradeoff of when should targets that fall outside of the strategy scope be discarded, and when should they be considered as a potential growth opportunity. Hence, individual acquisition opportunities question the acquiring company strategy as almost as often as they fit with it. (Haspeslagh & Jemison, 1991, pp. 8-9) Figure 2 below visualizes acquisitions as part of the firms overall competitive strategy.

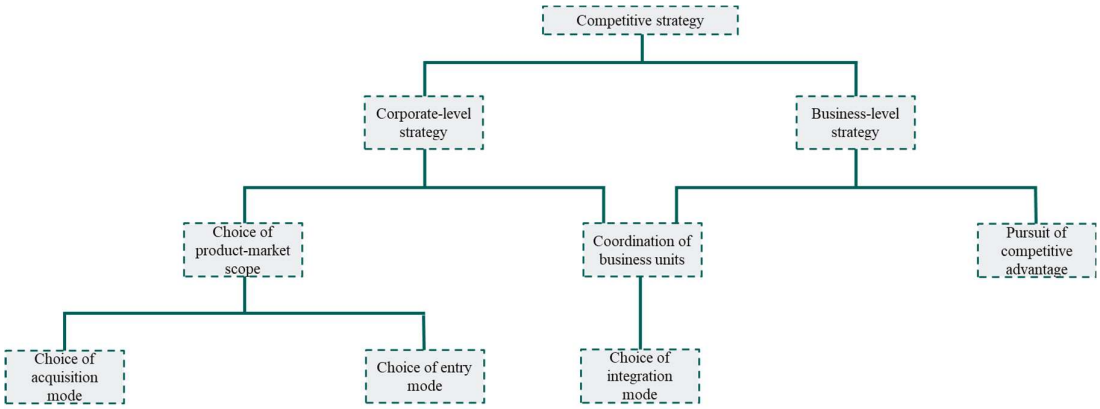


Figure 2. Acquisition as a topic in competitive strategy (Trautwein, 1990)

Corporate-level strategy and business-level strategy forms the company's overall competitive strategy. Corporate-level strategy relate to the company's product-market scope

and the interactions between the business units. Business-level strategy is about competitive environment and advantages of the individual business units with joint operations. The choice of product-market scope is again divided into decisions of who to serve and how. In acquisition strategy, it is the question of what organization to acquire (acquisition mode) and when to acquire it to gain external growth instead of growing internally (entry mode). Third question to address, is to where and how to integrate the acquired organization (integration mode). (Trautwein, 1990)

Haspeslagh & Jemison (1991, pp. 27-37) introduces three perspectives to scrutinize strategic acquisitions and distinguishes them to capability transfer, corporate strategy, and business strategy. Through the transfer of strategic capabilities (operational resource sharing, functional skill transfer, or general managerial skill transfer) value is created when the transfer results in competitive advantage therefore synergies. Morosini et al. (1998) added that acquisition can be described as a mechanism to acquire missing or different capabilities to enhance competitive advantage and performance overtime. From corporate-level strategy perspective, acquisitions have to be seen as a relation to maintain or change the balance between the company's existing line of business and renewal of its capabilities. Acquisitions can strengthen, extend, or explore the company's current line of business. Acquisition can relate to specific business strategy, which can be divided into three categories: acquiring a specific capability, acquiring a platform, or acquiring an existing business position. (Haspeslagh & Jemison, 1991, pp. 27-37)

Brouthers et al. (1998) stated that there appears to be three generally accepted categories of acquisition motives: economic, personal, and strategic motives. Berkovich & Narayanan (1993) studied three major motives for takeovers: synergy, agency, and hubris. According to Avinadav et al. (2017) companies are motivated to engage in M&A due to operational synergies, diversification, financial synergies, strategic realignment, and/or market entry. Kiymaz & Baker (2008) added that importance of the motive's changes over time. For example, companies might pursue defensive acquisitions (for example aftermarket capacity or preventing competition acquisition) when the market starts to slow down, and capital investments starts to cool down.

2.2 Acquisitions

In an acquisition, the acquiring company obtains control of the acquired company's assets. As a result, the target company loses its economic autonomy, but may keep its legal one. (Bösecke, 2009, p. 6) Acquisition does not necessarily refer to acquiring a complete company but can also refer to different types or parts of assets of a company, such as factory, business division or a subsidiary (Bösecke, 2009, p. 6; Sherman, 2015, p. 11). Acquisitions can be divided into two: acquisition of stock and acquisition of assets. In stock acquisition the acquirer obtains the target company's stock off from shareholders. In contrast, in asset acquisition the acquirer obtains the target company's assets instead of its stock. The main different between the two is that in stock acquisition, the buyer obtains the stock thereby obtaining the ownership of the seller's legal entity, whereas in asset acquisition the seller remains in possession of the legal entity. (Ross et al., 2016, pp. 880-885) The general terminology of M&A is shown in figure 3 below. For completeness of the overview of M&A, two types of mergers can be identified. One option is that an individual company transfers its assets to the buyer and then will be integrated to the acquiring company. In this case, the acquired company loses its economic and legal autonomy. This is called an absorption merger. Another option is consolidation or 1:1 merger. In this case two merging companies establish a new entity to which both parties' assets are transferred, and both formerly autonomous companies cease to exist. (Bösecke, 2009, pp. 6-7; Ross et al., 2013, pp. 880-885) This thesis solely includes perspectives from stock acquisitions due to nature of acquisitions done by the case company.

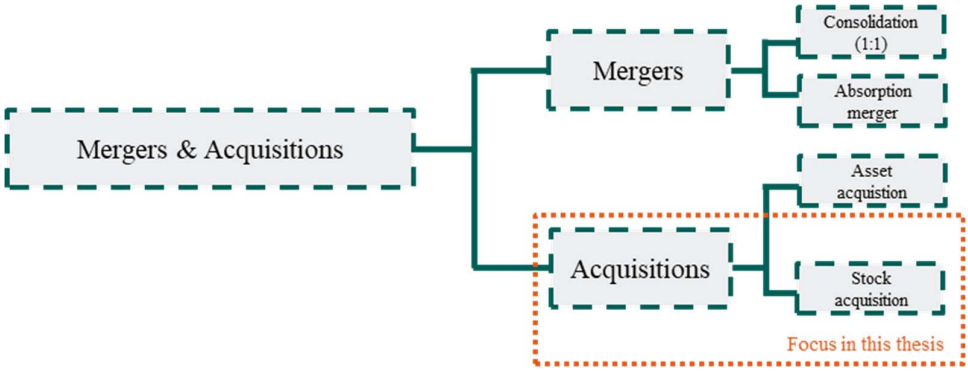


Figure 3. General M&A terminology (Bösecke, 2009, p. 6-7; Ross et al., 2016, pp. 880-885; Sherman, 2015, p. 11)

Depending on the similarities of the business activities of the acquired company and the acquirer, the types of M&A often are classified into four main types: horizontal, vertical, conglomerate and concentric (Cartwright & Cooper, 1996; Copeland & Weston, p. 678; Nahavandi & Malekzadeh, 1993; Ross et al. 2016, p. 882; Walter 1985). Horizontal acquisitions combine the operations of two similar companies that operates in a related line of business in the same industry. In this case, the acquisition can happen between direct competitors. Through horizontal acquisitions economies of scale and scope, and utilization of core competencies and resources can be achieved. (Capron, 1999) Vertical acquisitions involve companies from different stages of the value-chain, which can be referred to as organizations in a supplier-customer relationship. Vertical acquisition is expected to promote the efficiency of the supply chain and customer benefit. (Avinadav et al. 2017) Conglomerate mergers occur between distinct companies from unrelated business or industry and are often a consequence of diversification strategies (Copeland & Weston, 1988, p. 678; Kusstatscher & Cooper, 2005, pp. 12-13; Ross et al. 2016, p. 882). Three sub-types can be found under conglomerate mergers: product extension merger, geographic market extension, and a pure conglomerate merger. In product extension merger, the product lines of firms are broadened, in geographic market extension merger the operations of two firms from non-overlapping geographic areas are combined, and the pure conglomerate merger involves unrelated business activities that would not qualify as either of the previous two. (Copeland & Weston, 1988, p. 678) Concentric mergers unite organizations from various but related industries. This usually happens when acquirer is trying to expand into other fields of business operations (Kusstatscher & Cooper, 2005, pp. 12-13). The different types of M&A are summarized and illustrated below in figure 4. This thesis focuses on horizontal and vertical acquisitions due to the nature of nature of acquisitions done by the case company.

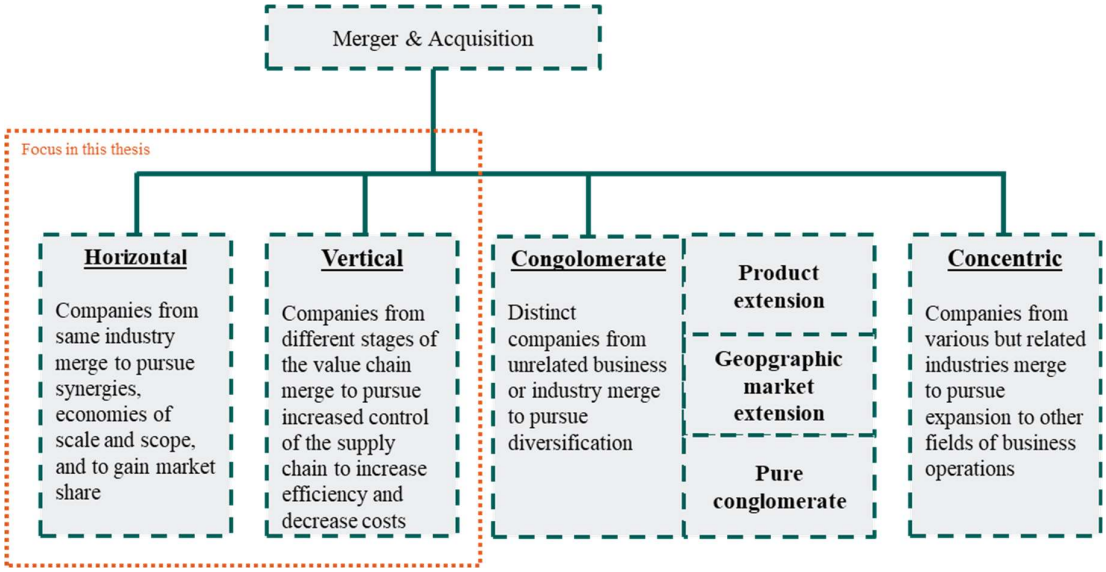


Figure 4. Types of M&A (Cartwright & Cooper, 1996; Capron, 1999; Copeland & Weston, p. 678; Nahavandi & Malekzadeh, 1993; Kusstatscher & Cooper, 2005 pp. 12-13; Ross et al. 2016, p. 882; Walter 1985)

On top of M&A being divided by different types and ways of doing a deal, the M&A process can also be divided into different stages. Larsson & Finkelstein (1999) stated that the M&A process is very complex, which can be seen also from the various approaches that scholars have taken to divide the process. For example, Boland (1970) divided the transaction to pre-acquisition and post-acquisition, and Schweiger, Weber & Power (1989) argued it to be divided to pre-acquisition and implementation. Breaking it further down, Carpenter & Sanders (2007) presented the M&A process as four phased: idea, justification (which includes due diligence and negotiation), acquisition integration, and results appraisal. In contrast, Parenteau & Weston (2003) phrased the four phased process as follows: strategy planning, candidate screening, due diligence and deal execution, and the ultimate integration phase. Furthermore, Farley & Schwallie (1982) divided the process into six phases: integration with the strategic plan, intelligent screening, evaluation of targets through creativity and analysis, understanding value and price, anticipating the post-acquisition phase, and efficient implementation. Finally, Kazmek & Grauman (1989) introduced a seven phased process: assessment, joint planning, issues analysis, structure selection, securing approvals, final planning, and implementation.

However, one of the most common approaches is to divide it into three phases: pre-acquisition, during-the-acquisition or acquisition, and post-acquisition (Appelbaum et al., 2000a, 2000b; Bösecke, 2009, p. 12; Cartwright & Cooper, 2000; McCarthy & Dolfsma, 2013, p. 200; Picot, 2002; Salus, 1989). These stages and their high-level activities can be seen in figure 5 below.

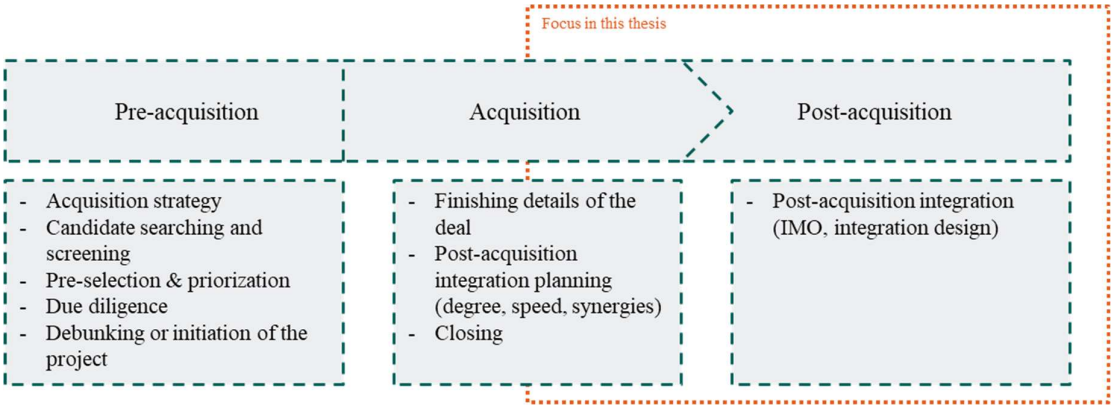


Figure 5. Acquisition process (Kustatscher & Cooper, 2005; McCarthy & Dolfsma, 2013)

Pre-acquisition phase consists of multiple decision-making, planning and positioning processes. Before anything, it is required to have the acquisition strategy in line with the strategic needs of the corporation. Then, the candidate searching, screening, preselection and prioritization based on the projected earning potential and strategic fit can be started. During the due diligence process the target is investigated in more detail, especially the legal and financial health and the potential strategic match is focused on. The pre-acquisition stage ends with initiation with one or more projects or with debunking the unsuitable candidates. In acquisition phase the last details of the deal are negotiated. Redundancies are defined and the acquisition announcement is planned and then executed. (Bösecke, 2009, p 12-13; McCarthy & Dolfsma, 2013, p. 200; Kusstatcher & Cooper, 2005, p. 15-16) Integration planning should already be on-going during this point of the acquisition process, since integration needs to be started instantly after closing the deal (Elllis at al., 2011; Ranft & Lord 2002; Schweiger & Goulet, 2000). After the deal has been closed, the acquired company must be integrated. This is called the post-acquisition phase or integration phase and it is responsible for the success or failure of the acquisition. Therefore, the anticipated value adding activities of the acquisition must be realized. (Bösecke, 2009, p 12-13;

McCarthy & Dolfsma, 2013, p. 200; Kusstatcher & Cooper, 2005, p. 15-16) This thesis focuses on the post-acquisition phase, especially integration management office activities. However, as integration planning is contributing to the integration itself, it is included as well, even though being classified to the acquisition phase.

3 POST-ACQUISITION INTEGRATION

Larsson & Finkelstein (1999) defined integration as "the degree of interaction and coordination of the two firms involved in a merger or acquisition". The integration process plays a key role in making acquisitions work. Value can only be created when the companies involved work together toward the acquisition purpose. The importance of the integration process has been recognized by the managers, yet it is found difficult, time consuming, uncertain, and risk and setback intensive. The integration is a complex process, full of nuances and difficulties, that aims to bring two organizations forward toward a common purpose, simultaneously adapting that purpose to the evolving situation. (Haspeslagh & Jemison, 1991, p. 105)

3.1 Post-acquisition integration – a process perspective

By adopting a process perspective for integration, the integration management office can shift the focus from the acquisition's results to the factors that cause those results. Process perspective does not treat acquisitions as independent, one-off deals. Instead, acquisitions are ways to achieve corporate renewal. (Jemison & Sitkin, 1986)

Jemison & Sitkin (1986) argued that generally, strategic fit is seen as necessary for the acquisition success, while organizational fit is seen as another important factor in successful acquisition. They argued that acquisition process is also a key determinant of the acquisition outcome. Haspeslagh & Jemison (1991, p. 306) added that the final acquisition outcome is affected by aspects of acquisition decision-making and integration processes. The acquisition process perspective is seen in figure 6 below.

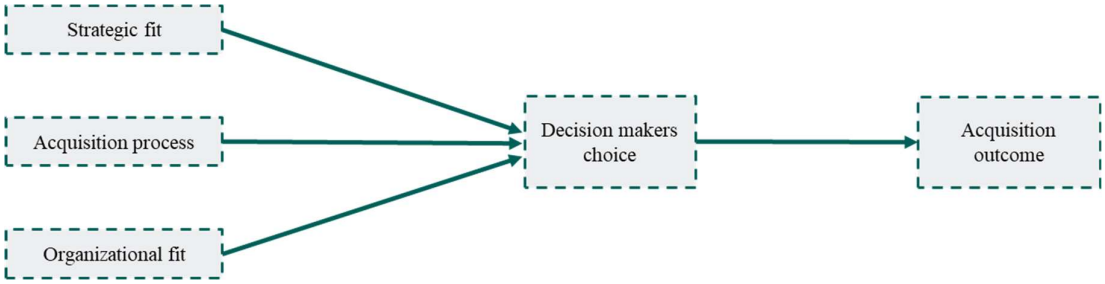


Figure 6. Acquisition process perspective (Jemison & Sitkin, 1986)

The model suggests that one cannot address the strategic fit without understanding that the process of acquisition negotiation and integration are a prerequisite of successful acquisition. The match between administrative and cultural practices, and the personnel characteristics is called organizational fit. These aspects affect how the two companies can be integrated regarding to day-to-day operations. Organizational fit and strategical fit are considered as separate factors in the model: the organizational fit of the two integrating companies can be quite different from the strategic fit driving the acquisition. Involving key people throughout the acquisition process helps to facilitate better strategic choices and foster commitment to implement the decisions after the acquisition in the integration phase. Acquisitions are also discontinuous in their nature if compared with the company's routine operations. They are also fractioned as in that many people from inside and outside the company participate in the acquisition process. (Jemison & Sitkon, 1986)

Haspeslagh & Jemison (1991, p. 12) added that the acquisition itself does not generate the expected upside, but instead, the actions and activities of the managers after the closing of the deal affect the results. The source of ideas, the quality of the justification, the integration approach, and the results are considerably impacted by the decision-making and integration processes. This is illustrated in figure 7 below.

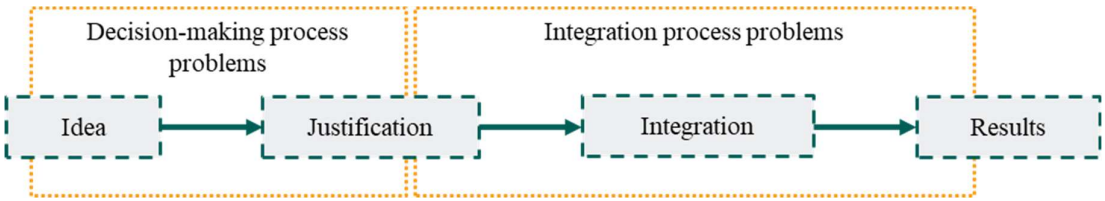


Figure 7. How the acquisition process affects results (Haspeslagh & Jemison, 1991, p.12)

Moreover, Haspeslagh & Jemison (1991, p. 106) describe post-acquisition integration as a gradual and interactive process. In that process, the employees of the two organizations adapt to work together and cooperate in order to transfer strategic capabilities. The elements of post-acquisition integration process are seen in figure 8 below. It shows the relationships of those elements during a post-acquisition integration no matter the acquisition type.

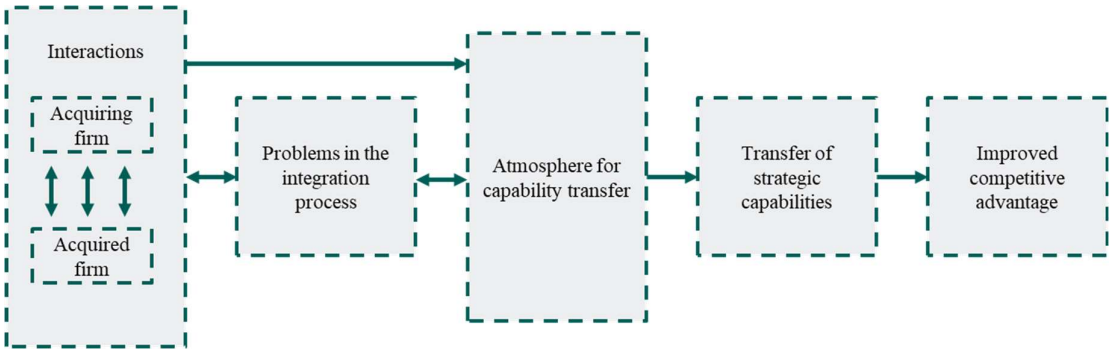


Figure 8. The post-acquisition integration process (Haspeslagh & Jemison, 1991, p. 107)

According to Haspeslagh & Jemison (1991, pp. 106-107), transfer of strategic capabilities (operational resource sharing, skill transfer, general management skill transfer) which results in synergies is not possible before right atmosphere is created. They argue that creating that atmosphere is the real challenge in the post-acquisition integration process. As seen in the figure 8 above, creating the atmosphere is specifically difficult since the problems in the integration process itself can negatively affect its creation. To counter these problems, the acquiring company should pay systematic attention to the interactions between the two companies that directly affect how the atmosphere needed for capability transfer is created and therefore leading to successful integration. (Haspeslagh & Jemison, 1991, pp. 106-107)

Recently, Steigenberger (2017) proposed a similar integration framework which consists of four groups of topics that conjointly and independently influence the integration outcome. The framework is a result of an inductive analysis on M&A integration literature. This framework is illustrated in figure 9 below.

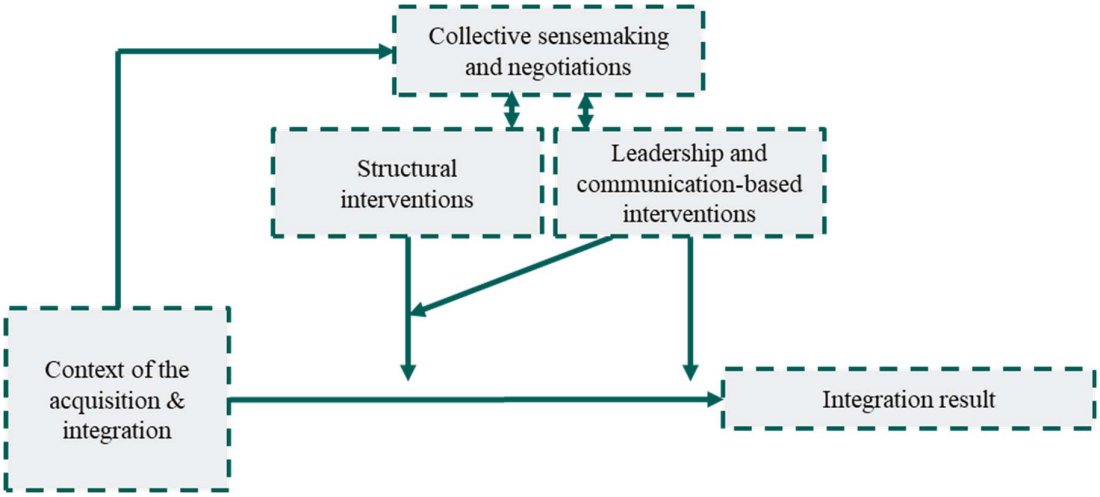


Figure 9. Integration framework (Steigenberger, 2017)

According to Steigenberger (2017) it is crucial to understand the relationship between the integration context and actions to understand integration outcome, which is a dynamic and complex change process. Context addresses the background conditions pre-integration, since the conditions pre-exists nevertheless before the integration begins. They have a direct impact on what is achievable during the integration and is the source of the main opportunities and challenges that are probably faced. These pre-existing conditions deals with the characteristics of the companies involved: integration experience, company strategy, employee willingness, and the relationship between the attributes: relatedness, relative pre-acquisition performance, and cultural distance. The actual frame for the integration is set by management decisions on structures, processes, and systems of the integration. The setup of structural interventions affects the integration performance and also dictates and depends on how everybody involved experience the integration. Structural interventions include integration depth, speed and operational integration. Leadership and communication-based interventions concern the motivation of integration stakeholders and mitigation of problems triggered by context or structural interventions. Moreover, leadership and communication play an important role in managing the interpretation of the integration process through sense giving activities. On top of the top management, integration managers, middle managers, and human resource managers have leadership responsibilities in post-acquisition integration process. (Steigenberger, 2017)

Steigenberger (2017) concludes that these strategic managerial decisions might not be the only one to steer the post-acquisition integration. It is also suggested that post-acquisition integration success is a result of negotiations, compromise and collective sensemaking. Therefore, as seen in the figure 9 above negotiations, compromises and sensemaking affect the leadership and communication decisions as well as the structures, processes and systems of the integration.

In contrast, Birkinshaw et al. (2000) in a simpler approach divided integration to two sub processes, human and task integration. They suggested that the two post-acquisition integration processes can be considered separately. They implied that the two aspects of the post-acquisition integration process might not happen to the same extent. They found out that successful post-acquisition integration was achieved through a two-phase process. In phase one, interaction between the acquirer and target company was limited in task integration. At the same time, the human integration advanced smoothly. This led to cultural integration and mutual respect. Then in phase two, a renewed task integration that was driven by the success of the human integration led to greater degree of interdependencies between the acquirer and target. (Birkinshaw et al. 2000) Figure 10 below shows the two-phase integration management framework.

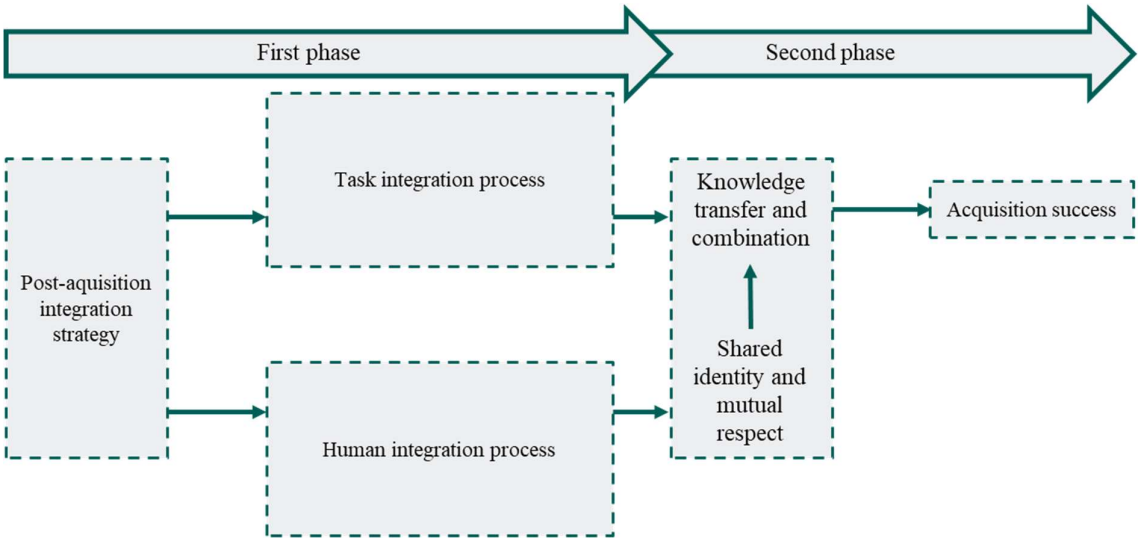


Figure 10. Integration management framework (Birkinshaw et al., 2000)

However, later Yu et al. (2005) argued that the first and second stage cannot be separated. In their study, they found out that when too much focusing on the two-phase model, the acquiring company might get stuck to the first phase trying to get the performance to an acceptable level if too hard division of phases is followed. In this case, the first phase is seen as a critical path before moving to the second phase. First phase pitfalls include for example financial performance, different interests of different system units, and hiring issues. (Yu et al. 2005)

All the processes and frameworks described above have the following elements in common: post-acquisition integration strategy and planning, divided to task and human integration. Since all of the frameworks included those four elements, those four forms the basis for further investigation in this thesis. Jemison & Sitkin (1986) highlighted the importance of acquisition process itself and decision makers choice for successful acquisition performance. The acquisition process and organizational and strategic fit were also highlighted later by Steigenberger (2017) as the context of the acquisition and how it contributes to integration performance. In addition, decision makers choice was brought up by Haspeslagh & Jemison (1991) as a determinant for acquisition and therefore integration outcome. This was defined as "post-acquisition integration strategy" by Birkinshaw et al. (2000). Defining an integration strategy can be understood as having an integration plan for the execution of the post-acquisition integration.

Birkinshaw et al. (2000) divided the integration elements to human and task integration. Those elements can be also identified in Haspeslagh & Jemisons (1991) framework. Creating an atmosphere for capability transfer is related to human integration, which enables the capabilities to be transferred referring to task integration. Both parties argue, that focusing more on human integration first will result in better task integration. Birkinshaw et al (2000) even highlighted that completing human integration first before moving to task integration would increase the value created through operational synergies, but this was argued against by Yu et al. (2005). Steigenberger (2017) also identified the importance of human integration (leadership and communication-based interventions) and task integration (structural interventions). In addition, he identified the effect of collective sensemaking and negotiation

to the process. This can be understood similarly as Haspeslagh & Jemison (1991) highlighted the fact, that integration is a gradual process.

3.1.1 Post-acquisition integration strategy

Trautwein (1990) explained that the choice of an integration strategy is related to corporate level strategy and to the business level strategy. Usually the company-wide integration strategy forms the basis for the integration. Furthermore, strategy for the combined company need to be developed. The decision here is two-fold: the acquirer should decide whether it will continue with the existing strategy or should it re-evaluate it. Naturally, the strategy has various sub-strategies, for example different products, market areas, and business areas that need to be re-assessed. (Teerikangas, 2008, p. 69)

The integration strategy should serve the purpose of the acquisition. Post-acquisition decision-making plays an important role when deciding the integration strategy and the strategy of the new combined company. (Teerikangas, 2008, p. 67) The integration strategy defines the framework for the integration: what level of change and integration is required and how the acquired company will be integrated to the acquirer's organization and business. Planning the strategy helps the project management office to project the amount of resources required and the evaluate possible upcoming challenges. (Teerikangas, 2008, p. 68) Chaudhuri & Tabrizi (1999) stated that some degree of integration is required in all acquisitions, although it varies case by case. Therefore, a well-defined integration strategy supports post-acquisition decision making and integration actions. Moreover, the more transparent the integration strategy in terms of level of integration, the better the acquirer can communicate these decisions to both organizations. (Teerikangas, 2008, p. 68)

3.1.2 Integration planning

Planning the post-acquisition integration process has a high emphasis in the M&A literature. Moreover, planning the post-acquisition integration is a challenging mission since acquisitions occur occasionally. It is also hard to get acquainted with the target and its management. In addition, lacking management resources in the acquiring company can

create challenges. Planning the integration helps to set goals and to achieve successful synergy realization, but on the other hand making too exact plans may lead to overly deterministic integration approach. (Santala, 1996, pp. 172-174) As Haspeslagh & Jemison (1991) and Steigenberger (2017) stated, integration is a gradual process.

By making too strict plans the project manager does not leave room for learning or adaptation, whereas too little planning increases uncertainty and unease in the organizations (Teerikangas, 2008, pp. 71-72). Angwin et al. (2009) added that only during the post-acquisition integration process it is unfolded which capabilities could truly be merged and how synergies could be created the best possible way. Therefore, the integration planning is based on limited information and room needs to be left for learning over time. In addition, the initial integration strategy can and should change during the first years of integration to adapt to the unfolded capabilities and synergies, that in many cases realize after the most intense stage of post-acquisition integration starts after the non-active early stage of integration. (Teerikangas, 2008, p. 69)

Post-acquisition integration process includes rejection of ideas, compromises, previously unknown opportunities, and room for mistakes. As a result, learning and adjustment does not mean completely unplanned integration approach, but Santala (1996, pp. 172-174) highlight the acquiring company's management's role to guide the general direction to keep the speed up in the integration and increase credibility of the management in the eyes of the acquired firm. In contrast, a clear well-justified strategy will increase the readiness to accept changes in the acquired company. (Santala, 1996, pp. 172-174)

Erkkilä (2001, pp. 84-88) highlights advance planning of post-acquisition integration. In the post-acquisition integration process decisions need to be quick and they are based on limited information. The main focus is to bring the two organizations together and build a steady for the new combined value adding entity. Firstly, the integration planning starts with target setting and definition of integration level. Planning eases out the implementation since integration as such and reaching the targets set are a heavy challenge. In addition when the integration is ongoing usually the intensity and workload overrides often simultaneous planning. The purpose of the planning is mainly identification of different items, evaluation

of options and definition of responsibilities. Integration management philosophy, communication and organizational changes should be considered as part of planning. (Erkkilä 2001, pp. 84-88) The following items in figure 11 below are proposed for the integration and first 100 days planning.

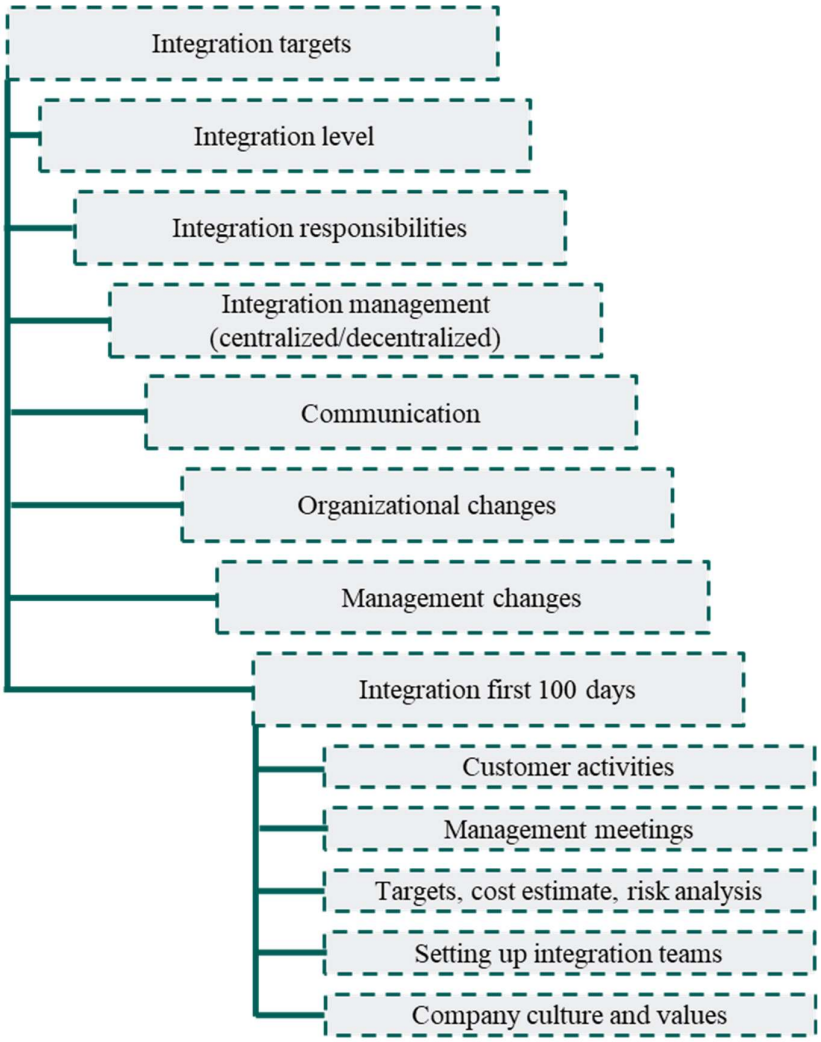


Figure 11. Scope of integration planning (Erkkilä, 2001, p. 88)

As seen in the figure 11 above, customer interface, team and meeting structures, risk analysis as well as cost estimate are items to be considered in the very early stages of post-acquisition integration. Soon after the announcement, cultural aspects and company's values should be considered. Despite when utilizing the planning approach, implementation should additionally involve unexpected events and perspectives, for example competences do not

meet the expectations or the target organization is resisting the integration. One of the greatest challenges in integration planning is to create readiness for the challenges that might occur during the process. Failing to establish readiness for unexpected events has an impact on the integration subprojects. Even though varying dynamics of integration process are identified, the importance of target setting, follow-up and availability of resources, and implementation of the integration plan prepared in advance is stressed. (Erkkilä, 2001)

3.1.3 Task integration

Managers use various criteria to consider the right degree of integration to achieve the control and coordination over the acquired company. Pablo (199) defined degree of integration as "the degree of post-acquisition change in a company's technical, administrative, and cultural configuration." Zaheer et al. (2013) stated that clearly defining the appropriate level of integration is central to realizing value from acquisitions. Shrivastava (1986) suggested that the size of the organization impacts on the degree of integration. Larger organizations have more diverse sub-units and higher degree of integration is required. Large acquisitions additionally include higher potential for gain or losses and are featured by higher level of integration and increased authority. (Pablo, 1994) Centralized acquiring organizations may seek for close co-operation and high degree of integration. If the companies are from the same industry, it is more likely that the level of autonomy is low and closer integration is higher (Teerikangas, 2008, pp. 68-69). In addition, Zaheer et al. (2013) found out that integration and autonomy are not inversely proportional. When the primary source of synergy is complementary rather than similarity, the integration and autonomy level are both high. In addition, similarity negatively affects the relationship between complementarity and autonomy when the acquired company is expected to generate synergies from both sources. (Zaheer et al., 2013)

A company may choose a partial or a low level of integration. Duncan & Mtar (2006) found out that value-creating synergies can be realized without full level integration. If the motive behind the acquisition is to enter a new line of business, Schweiger & Very (2003) propose that he acquired business should operate as separate division or as wholly owned subsidiary. The need for acquisition autonomy originates from the fact that the objective of

complementary acquisition is to access and preserve a resource, that is still not fully known by the acquirer (Zaheer et al. 2013). In contrast, Pablo (1994) argue that if the motivation of the acquisition is operational synergies, the need for interactions between the integrating organizations is high. Vice versa, if the goal is to only achieve financial synergies, the reliance is limited and therefore less interaction between the companies are required. The realization of intended synergies depends on the level of sharing or exchange of crucial skills and resources. Organizational task requirements vary depending on the target company capabilities that motivated the acquisition. If the personnel characteristics and administrative philosophy of the target gave a rationale for the acquisition, the need to preserve those aspects that fostered the capability is high. In contrast, if the advantages from the acquisition are generic and/or can be easily transferred, less organizational autonomy is required. Therefore, the degree of integration depends on the task needs that are defined by the unique and context-specific organizational capabilities. (Pablo, 1994) Greater synergies are realized when there are more interaction and coordination between the two companies to be integrated. Moreover, in high potential acquisitions, integration is almost a natural consequence. (Larsson & Finkelstein, 1999)

Considering strategic interdependence and organizational autonomy as two factors affecting integration level helps to evaluate different approaches to integration. The post-acquisition integration approach should reflect the balance of these two factors. Figure 12 below illustrates the integration approaches depending on the relationship of the two factors. Three value-centric post-acquisition integration approaches can be identified on top of holding: absorption, preservation, and symbiosis. (Haspeslagh & Jemison, 1991, pp. 145-146)

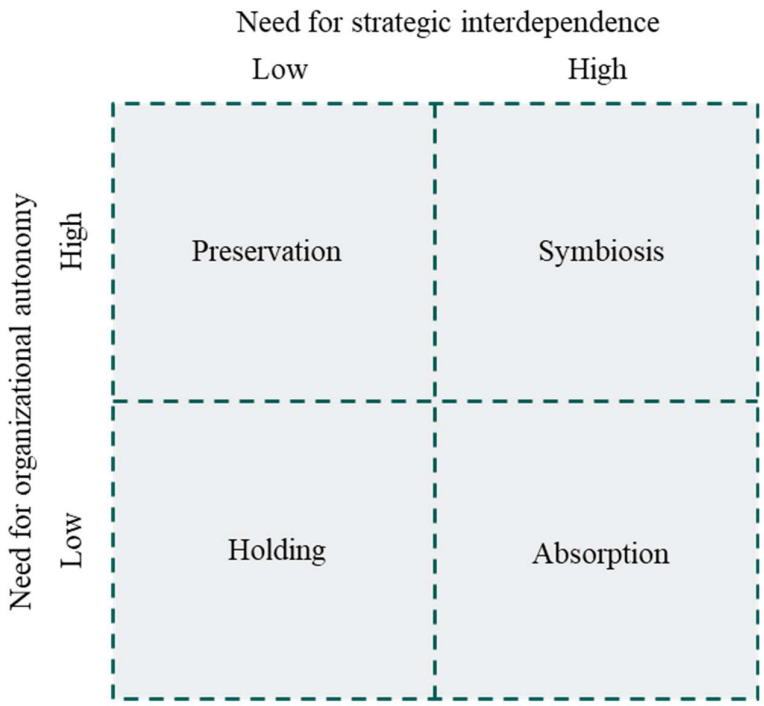


Figure 12. Types of acquisition integration approaches (Haspeslagh & Jemison, 1991)

Holding approach avoids creating value through acquisition and there is a low need for organizational autonomy and strategic interdependency. Absorption approach to integration is useful when high need for strategic interdependence and low need for organizational autonomy is required. With high need for organizational autonomy and low need for strategic interdependence the approach is called preservation. Symbiosis approach is useful when the need is high for both, organizational autonomy and strategic interdependence. In practice, the integration approach and degree of that approach depends on the decisions that the managers make about how they perceive the need for organizational autonomy and strategic interdependence. (Haspeslagh & Jemison, 1991, pp. 145-146) Weber et al. (2009) added that acquirers should not only consider the implementation difficulties due to cultural differences and synergy potential. In addition, the acquirer should evaluate its preferences for the level of integration based on the cultural issues within the integration approach that was selected for the acquisition. (Weber et al, 2009)

Almor et al. (2009) suggested that the integration outcome depends on the amount of disruptive effects caused on the target company and the degree of synergy potential capture

after closing. A high or low level of autonomy can be given to the target company. They also found out that letting the target company managers lead the integration with the managers from the acquiring company might be beneficial. In addition, it was found out that giving high degree of autonomy to the target company might lead to lower synergy realization in short-term, higher synergistic effects can be achieved by treating the integration as a long-term process. Moreover, only during the post-acquisition integration process it unfolded what could be integrated and how synergies could be created. Careful management of the post-acquisition integration process can help to lead successful acquisition, provided that management is prepared to invest the needed resources over the whole process. (Almor et al. 2009)

Angwin (2004) studied the speed of integration. Lately, the first 100 days have become one of the buzzwords in the M&A domain, with increasing number of practitioners and consultants emphasizing that the first 100 days are crucial for acquisition success. However, Angwin (2004) suggest based on an empirical evidence that the benefit of speed in post-acquisition integration should not be accepted unconditionally. He found out that the first 100 days are more of convenience rather than substance. However, a relationship between the amount of changes made in the first 100 days and acquisition success was found. Moreover, there is evidence that financial markets see the quick wins in this early period as a success. Even though the first 100 days does not guarantee acquisition success during the post-acquisition integration phase, it may be an important tool to get the integration plan going and integrate the critical units and functions. However, it should not be used as success measure. (Angwin, 2004) Homburg & Bucerius (2006) further studied the speed of integration. They found out that speed of integration is most beneficial when internal relatedness (aspects inside the companies) is high, and external relatedness (aspects outside the companies) is low. The findings show that there is no one right answer whether the post-acquisition integration should be rushed or not. Many managerial comments are too simplistic regarding the first 100 days. (Homburg & Bucerius, 2006)

3.1.4 Human integration

Kavanagh & Ashkanasy (2006) studied how leadership and change management practices affect the acceptance of cultural change of the target employees. The leaders of the post-acquisition integration decide the amount of cultural change that results from the integration, and the speed of change dictates that contributes to successful cultural integration. Therefore, the success of any acquisition depends on the individual experience of the way the process is managed and the direction in which the culture is changed. Communication and a transparent change process play a major role since this dictate how the leader is perceived and also who is perceived as a leader. The leaders who manage the post-acquisition integration need to be competent and trained in the process of transforming organizations to ensure that the members of the organization accept the changes resulted from the acquisition. (Kavanagh & Ashkanasy, 2006)

The way which the process is managed has a significant effect on the outcome. When managers driving the process are not equipped with appropriate communication or change management skills, it leads to negative perceptions by individuals about the manner in which the process is managed and about the leaders themselves. Consequently, this affects negatively to the perceptions how the members of the organization see the process and the manager. Therefore, ensuring a skilled change-management facilitator or champion to be involved in the process is key and should be involved in the integration process. In conclusion, leaders need to (i) select carefully the method or approach to be used to manage the acquisition and develop a new culture for post-acquisition (indifferent, immediate, or incremental), (ii) establish effective channels of communication which involve individuals at all levels of the organization to inform them of the stages to be followed and to outline clearly outcomes for them, (iii) select willing members first and move to more difficult members after allowing more time for consultation and justification, and (iv) lead in a positive manner, recognizing that change is an emotive process and people need to be changed with dignity by acknowledging contributions and justifying the reasons for them personally to move on. (Kavanagh & Ashkanasy, 2006)

Nemanich & Keller (2007) stated that acquisitions are a significant challenge for leadership effectiveness. However, engaging in transformational leadership behaviors is an effective way to help managers to tackle these challenges. Idealized influence, inspirational motivation, individualized consideration, and intellectual stimulation can lead to greater acceptance of the benefits of the acquisition, better performance, and increased job satisfaction. (Nemanich & Keller, 2007)

Yu et al. (2005) studied an eight-year integration process. One of the things they found out, was that management attention through the integration process was directed toward designing and planning structures and systems, and the initial purpose of the M&A, the core business did not get attention until five years in to the process. Therefore, the acquisition and post-acquisition integration process consume significant amount of managerial resources, redirecting the attention from core functions. Moreover, the core business of the acquired company is often weakened since managers tend to lose their focus on the integration tasks due to resourcing and then poorly manage it in the post-acquisition integration stage. (Yu et al., 2005)

Yu et al. (2005) observed that organizational structure strengthens the persistence of different thought processes. Highlighting incidents from executives', managers', and group managers' point of view resulted in a situation where the gap between the perspectives was not dealt with. As a result of repetitive incidents occurring enough times, each unit interpreted the situation negatively. They interpreted it as defense mechanism of isolation, projection, stereotyping, displacement, and retrospective rationalization. Moreover, the organizational structure can shift managerial attention to old ways of working, prohibiting them from developing a new management scheme. (Yu et al., 2005)

Vaara (2003) stated that social identities of decision-makers provide different frames for interpreting the integration issues. However, (Weick, 2001) argued that it is difficult to develop various frames for understanding integration problems. Employees of the organization make sense of their experiences in a specific way. Therefore, the employees are often unable to comprehend alternative clarifications for their circumstances and experiences. (Vaara, 2003)

Many studies have tried to explain post-acquisition integration challenges through rationalistic explanations. Vaara (2003) tried to explain the irrational features of post-acquisition integration through different sensemaking processes between and among the employees of the post-acquisition organization. By focusing on the sensemaking processes dealing with integration problems, four associated trends were found. These were: natural doubt regarding integration problems, confusion in social interaction and communication due to cultural differences, organizational hypocrisy in integration decision making, and politicization of integration problems. These highlight why slow progress during post-acquisition integration takes place. (Vaara, 2003)

Post-acquisition integration problems generate uncertainty. It is a central challenge natural to acquisition situations that brings employees together from multiple backgrounds and social identities. This uncertainty is many times associated with cultural confusion, devised from decision making and communication styles. Gradually, the uncertainty and cultural confusion might result in organizational hypocrisy because the integration tasks and ideas discussed in overall discussions are not aligned and executed as discussed in the various parts of the post-acquisition organization. This is more likely to occur in a situation where no exact pressure for concrete changes are experienced in some parts of the post-acquisition organization. Less likely it is to happen in conditions where organizational performance is at relatively satisfactory level. Finally, uncertainty and confusion can lead to politicization. This happens in a situation where the changes about to be executed in the post-acquisition integration are seen as politically significant. (Vaara, 2003)

3.2 Successful post-acquisition integration management

On top of the integration and acquiring company's strategy, the success of integration depends on how to post-acquisition integration is managed (Teerikangas, 2008, p. 70). Well managed post-acquisition integration decreases the amount of challenges, shortens the time required and in general the acquisition is more successful. Integration as a whole requires coordination to achieve organizational goals, controlling of activities and solving conflicts between individual interest and sub targets. (Shrivastava, 1986) Teerikangas (2008, p. 71) presents the five basic pillars for successful integration. They are shown in figure 13 below.

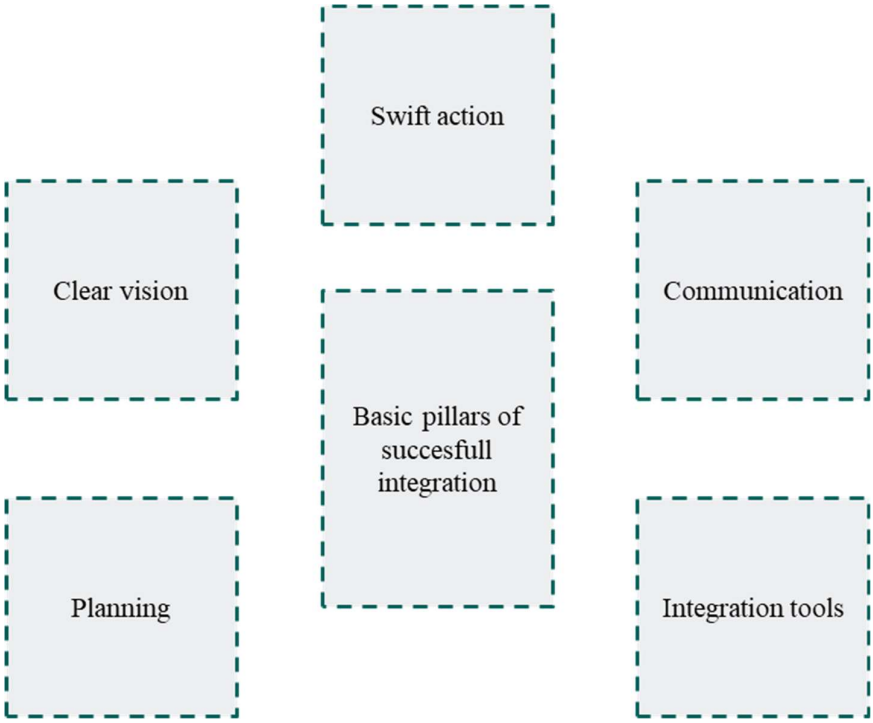


Figure 13. Basic pillars for successful integration (Teerikangas, 2008, p. 71)

First post-acquisition integration success pillar is planning. More thoroughly prepared plan usually helps the integration process to move forward. Next, swift actions can help to achieve momentum in the integration, since in the beginning of the post-acquisition integration, there is a period when the acquired company is more willing to accept changes. Successful integration also depends on a clear vision and clear targets for the future, before and after, the deal is closed. Post-closing communication is also a key success factor since role of communication always increases during times of change. Communication can be used as means to increase the trust of employees towards the acquiring company and to also reduce uncertainty. (Teerikangas, 2008, p. 71) Therefore, communication contributes to a right atmosphere for capability transfer which is required according to Haspeslagh & Jemison (1991). The right atmosphere consists according to Haspeslagh & Jemison (1991, p. 110) of

- A mutual understanding of both company's organization and culture
- The willingness to work together after the acquisition
- The capacity to transfer and receive capabilities
- Discretionary resources to advance the atmosphere needed to support the transfer
- A cause-effect understanding of the benefits expected from the acquisition

Finally, integration tools encourage the interaction and cooperation between the two firms. The integration tools can be seen in figure 14 below.

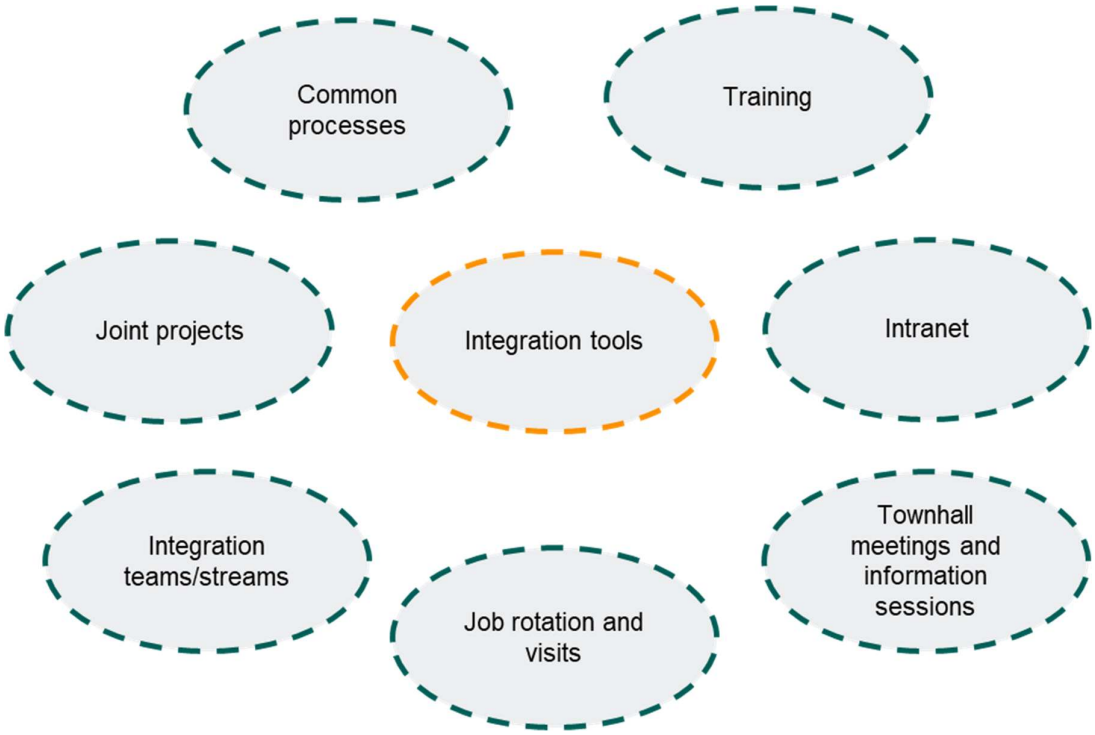


Figure 14. Integration tools (Teerikangas, 2008, p. 75)

Integration tools include common processes, trainings, intranet, information sessions, job rotation and visits, integration teams, and joint projects. They together and separately benefits exchange of ideas between the companies, learning between the two companies, and communication as well. The more the two parties are involved since the beginning, the better. (Teerikangas, 2008, pp. 74-75)

Moreover, checking every box for pillars for successful integration and having the atmosphere for capability transfer, will not automatically mean successful integration. The human and task integration targets need to be achieved. The impact of human and task integration process and their targets on the acquisition outcome is shown in figure 15 below. (Birkinshaw et al. 2000)

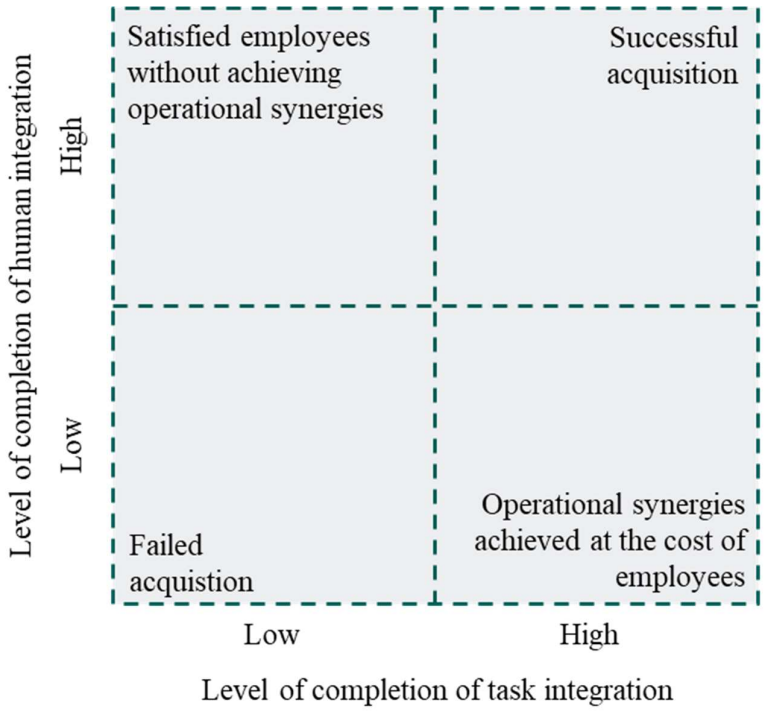


Figure 15. Impact of human and task integration on acquisition outcome (Birkinshaw et al., 2000)

While focus on human integration might result in satisfied employees without realizing the operational synergies, the focus on task integration might achieve the operational synergies but with the expense of employees and their motivation. Therefore, for the integration process to be successful, both task and human integration must be successful. However, they can occur at different speeds. Some trajectories might be more effective than others in post-acquisition integration. In theory, achieving both satisfied employees and operational synergies at the same speed and at the same time may be optimal. In practice, it was found out that the cost of first focusing in achieving operational synergies are much higher than first emphasizing into high level of human integration. The route which emphasizes human integration first was agreed to be more guaranteed route to success than the one focusing on high level integration of operational synergies in first phase. (Birkinshaw et al., 2000)

3.3 Summary of the literature review

In the first subchapter process perspective for the post-acquisition integration was presented to understand what drivers affect acquisition and thus integration outcome. Multiple

frameworks were identified. Jemison & Sitkin presented the process perspective in which decision makers choice was highlighted on top of strategic and organizational fit, and the acquisition process itself affecting the acquisition outcome. In addition, it is important to involve strategic facilitators throughout the process. Haspeslagh & Jemison's process highlighted the importance of atmosphere for capability transfer. Solving the problems in the integration process caused by interactions in the process is key for maintaining or creating the atmosphere in order to the capabilities to transfer. Steigenberger's integration framework was similar to Haspeslagh & Jemison's process. It highlighted how through planned structural decisions and leadership and communication decisions the integration result is affected. However, negotiations and collective sensemaking had an effect to how the structural decisions and leadership and communication decisions turned out during the process. Birkinshaw et al. integration management framework emphasized the importance of human integration over task integration. Through cultural convergence and mutual respect better task integration could be achieved, which lead to much greater interdependencies. Based on these frameworks, the integration process was divided into four elements which include integration strategy, planning, human, and task integration.

In strategy, it is important to decide whether to continue with the existing strategy or to re-evaluate it. Strategy should link to the purpose of the acquisition. Strategy should bring out what level of integration is required and how it is integrated. This will help planning of resources and help to evaluate possible risks and challenges.

Planning of the integration is important phase of the acquisition as a whole which contributes to the post-acquisition integration. It is challenging due it is often based on limited information and since acquisitions often occur occasionally the knowhow might not be readily available. Purpose of planning is to evaluate options and define the roles and responsibilities. In very early stages of planning the target company culture and values should be considered. Planning helps to set and reach milestones and achieve the purpose of the acquisition. Another important goal of planning is to create readiness for unexpected events that might occur during the implementation. Planning is important since it guides the general direction and maintains speed of the integration. In addition, it increases management credibility. Literature highlighted the importance of not planning too strictly,

since it may lead to overly deterministic integration approach. It was underscored that integration is a gradual process and a balance between too little and too much planning should be found. Too strict plans do not leave room for learning and adaption, and too little planning increase uncertainty and unease in the organizations.

Level of the task integration is related to the motive of the acquisition. Literature highlighted integration approach and size of company to affect to the level of task integration required. The greater the degree of integration and interaction between the combining companies, the greater the degree of synergy realization. The integration approach should reflect the balance of strategic interdependence and organizational autonomy. Four different types acquisition integration approaches were identified, which included preservation, symbiosis, holding, and absorption. In this chapter other important factors were identified as well. Letting the target company managers participate in the integration management might be beneficial. Careful monitoring and management of the process can positively affect performance. Also, an association was found between the speed of integration and acquisition success. Although some cases it may be harmful, especially when internal relatedness is low and external relatedness is high.

In order to human integration to be successful, cultural change need to be accepted by individuals. Leadership and change management are an important part of making cultural change accepted. In the literature, communication and transparency of the process was highlighted. Also, it is important that the integration project managers are competent for the process. Communication and change management methods affect the perception how the target organization see the process. It is important to select good management approaches and effective channels of communications to all levels of organization and lead in a positive manner. Integration process can take significant amount of managerial time and attention. It is important that the focus is upheld through the whole process. Organizational structure is affecting the acquisition outcome, and therefore each decision needs to be considered from both organizations point of view. Problems can be caused by ambiguity surrounding integration issues or cultural confusion that originates from differences in communication and decision making. These may lead to further problems.

The second subchapter further discussed the success factors of post-acquisition integration management. The basic pillars for successful integration are planning, clear vision, swift action, communication, and integration tools. Integration tools that were identified were common processes, training, intranet, townhall meetings and info sessions, job rotation and visits, integration teams and streams, and joint projects. These help the exchange of ideas and learning between the two companies. For the successful integration it is important that all of the four elements (strategy, planning, task integration, and human integration) are successful in order to reach the best integration outcome. In all elements it was also highlighted how mutual understanding and common decisions through negotiations and compromises are an important part of the integration success. In addition, it was recognized that not necessarily all elements occur to the same extent. It is important to notice that integration process can create negative effects to the integration process itself, and thus it is important to pay systematic attention to the interaction between the two companies.

4 EMPIRICAL STUDY

For this thesis, the empirical part of the study is conducted through the resources available at the case company. Five different acquisitions and their integration projects were identified as suitable for the purpose of the thesis. Of those integrations, six people gave their insights about how the integration process unfolded. Semi-structured interviews were used to give structure for the gathering of data. Additionally, integration materials that were prepared and used to plan the integration and manage the integration process are scrutinized and used as a secondary data to provide more understanding of how the integration process unfolded.

4.1 Research data and implementation

The research data for the empirical study was gathered from the case company. In order to qualify as a data for this thesis, the acquisition had to be closed during or after 2018. In addition, the target company needed to be already integrated. This threshold was chosen for the thesis in order to gain understanding from relevant and latest projects in the case company. The threshold resulted in five different acquisition and integration projects done by the case company. A summary of the target companies is shown in the table 1 below.

Table 1. Integration projects summarized

Integration project	Target company details	Current status of project
Project A	~300 employees, ~19m € revenue	Target company integrated
Project B	~900 employees, ~300m € revenue	Target company integrated
Project C	~1300 employees, ~60m € revenue	Target company integrated
Project D	~40 employees, ~33m € revenue	Target company integrated
Project E	~16 employees, ~6m € revenue	Target company integrated

This thesis utilizes two data sources from the integration projects. The primary data is collected through semi-structured interviews. During the integration projects a great amount of materials are prepared for planning, managing, and following the post-acquisition

integration process. These materials are used as a secondary data to help the researcher understand the practicalities of the process and to support the findings from the interviews.

Candidates selected for the semi-structured interviews had to be in a role in the IMO in which he or she had a responsibility to manage the global integration process in the five projects shown in table 1. This threshold resulted in 11 persons being qualified to interview. Of those 11 persons, six were available for the interview. However, it was made sure that at least one key person from each project is participating in the study, and it was achieved. The interviewees and their roles in the post-acquisition integration process are summarized in table 2 below.

Table 2. Summarization of interviewees and their roles

Interviewee	Role in IMO	Previous experience from acquisitions or integration	Integration project
Person 1, Senior Analyst, Business Development	Member of IMO, leading day-to-day managing	Planning and integration in IT streams in few projects	Project A
Person 2, VP, Business Development	Head of IMO	More experience in acquisitions, some integration experience inside a stream	Project A
Person 3, VP, Finance	Head of IMO	Several acquisition and integration projects	Project B
Person 4, Senior Global Projects Manager	Global IMO manager	No previous experience	Project C
Person 5, VP, Finance & Control	IMO Manager, support functions	No previous experience	Project D
Person 6, VP, Product line	Head of IMO	Some previous experience	Project E

The interviews were implemented as Microsoft Teams meetings. For each interview, a timeslot of one hour was reserved, except for Person 6, who only agreed to do a 30-minute interview. Altogether, the interviews took around 30 to 60 minutes depending on the amount of discussion and opinions by the interviewee. The themes for the interview were selected

based on the findings from literature. Especially, the planning and implementation phase were emphasized. Strategy played a more minor role since the interviewees were not involved in the discussions about which integration strategy to choose. The semi-structured interview topics and guiding questions are attached in appendix 2. Firstly, the background of the interviewee in relation to acquisitions and the integration project itself was discussed. Next, the acquisition project background was discussed in order to be able to set each project in context in relation to each other. Thirdly, the integration planning was talked through. Fourth theme was managing the integration itself. Finally, the performance and outcome of the integration project was discussed.

The semi-structured interviews were analyzed by dividing the interviews to the themes mentioned above and their sub themes. The sub themes are the topics discussed under the main theme. For example, under theme integration planning, the sub themes would be involvement in integration planning, integration planning schedule and level of detail, integration planning elements, integration plan adjustments, and finally if something would have required more planning. See appendix 2 for the other themes and sub themes. For each sub theme, the relevant comments made by the interviewee were collected. By this structured collection approach all the relevant data from the interviews could be collected.

The material selection for secondary data source was based on the integration projects and interviews. Each interviewee was asked to send all the relevant materials regarding integration plans, implementation and management during the interviews. Then the materials were used to support the analysis of the interviews and to also gather examples of tools or ways of managing the process.

4.2 Project A

In Project A the target company was a division of a larger company. It employed approximately 300 people and recorded 19 million € in revenue. The deal was made as stock deal and the target had to undergo demerger before the deal was closed. This affected the timeline of integration planning and the integration project itself. However, one could argue the effect was positive since due to delay there was more time for integration planning, and

integration project was scheduled as closing + x number of days. The acquisition itself had elements from both, horizontal and vertical acquisitions. The rationale for the project was to increase product offering, adding manufacturing footprint locally, cross-selling opportunities, and synergies in aftermarket services. From the beginning it was clear that full integration (absorption) was the objective due to the identified synergies. The integration project was managed through integration management office. From that IMO two persons were interviewed. Person 1 was a Senior Analyst, Business Development at the time of the integration, of whose responsibility was to manage the day-to-day integration activities. Person 2 was VP, Business Development at the time and was the manager of the IMO. Person 1 had some experience from her previous roles from planning integration and integration itself but only through IT stream. Person 2 had been previously more active in acquisition projects but only participating through stream work in integrations.

Planning started initially one to two months before closing, however, as said, due to delay the planning actually got to take around three to four months before starting to execute. Neither Person 1 and 2 were not involved during the earlier phases, such as initiating the project or due diligence. They got involved at the time of start of planning. However, both agreed during the interview that being involved in the due diligence would have helped them to plan and manage the integration. The integration plan was based on stream structure. The stream structure refers to splitting the integration to the functions in company and appointing stream leads who take responsibility of their respective stream. The integration management office and the stream structure for Project A is represented in figure 16 below.

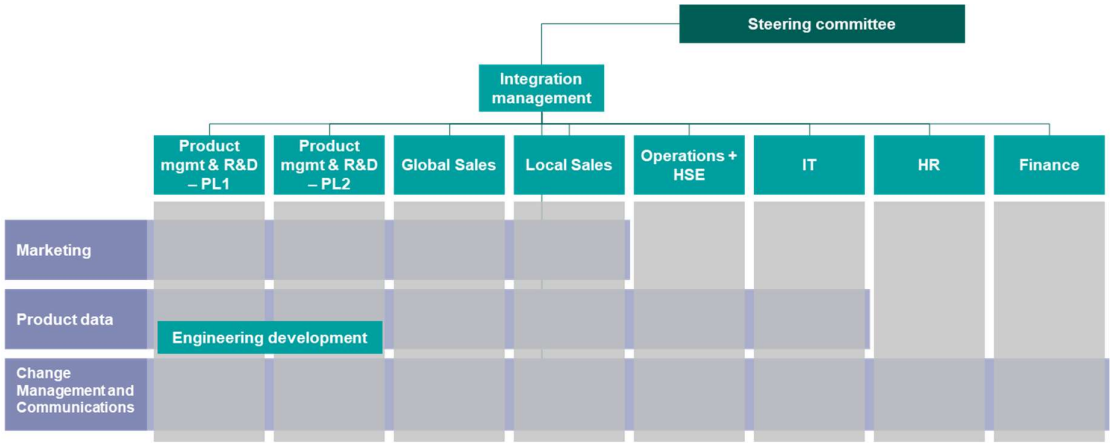


Figure 16. Project A stream structure and IMO

For the planning, both Person 1 and 2 found key to involve the people who did due diligence in the integration planning, since they are the ones already identifying what to integrate during due diligence. Based on those findings the planning itself was done. Since different people did the due diligence on different functions of the target, the integration planning requires detailed gathering of information from those people, especially since neither Person 1 nor 2 were involved in the due diligence. Therefore, to plan the integration, integration charters were used. Integration charter example from Project A can be seen below in figure 17.

Long term target / Scope of the integration stream	Team members

Dependencies/interfaces to other teams/organization	

Synergy items	Main activities needed

Processes/systems to be integrated	1-100 days	100 days-1 year	1-3 years	End game

Risks to be mitigated/issues to be fixed (from DD / other)	Main remedies

Budget 1.000 EUR	2016	2017	2018	2018	2019	2020

Detailed Integration actions	Who?	When?

Figure 17. Integration charter Project A

Based on the information identified and gathered through these integration charters, the whole integration plan was prepared. Timelines and action plans were created. An example of the one stream integration plan can be seen below in figure 18. Person 1 raised a comment that the plans were quite detailed in this integration due to aiming for absorption, and the stream structure and detailed planning worked especially well for that reason. The initial integration plan did not change too much during the integration process itself. However, some adjusting was required due to some issues that were not found during due diligence due to limitations to access all the information in target company.

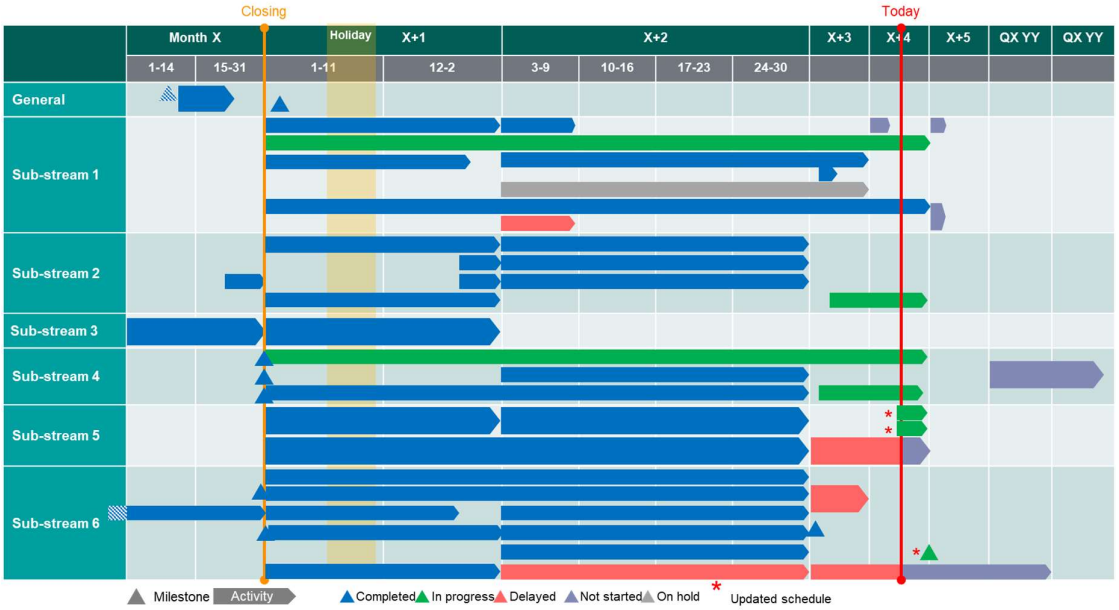


Figure 18. Project A stream integration plan and follow-up

These integration plans were used as an integration management tool as well, as can be seen from the status (color) of the activities. Integration was managed through weekly or later on biweekly follow-up meetings where the current status of the stream and any surfaced issues were brought up. The integration process itself got positive feedback from stream leads and the employees of the target company, due to its transparency. Involving key persons from the target company in the stream management was a specifically good call here, since that increased transparency. However, according to Person 2, more could have been involved, even bringing one person to the IMO would have been great. This approach works better if the target is a big company, since smaller targets might not have separate business development roles so in that case you would take someone away from their day job. However, Person 2 points out that

"You do not want any random person, you want someone who is known and respected by the people and drives outcome, if you do have that person then definitely you should involve him in managing the integration process" -Person 2

As for the stream leads from acquiring side, not all people from due diligence were involved. Person 2 especially raised the issue that if possible, they should be leading critical streams

in their respective area to have better success. However, it comes more than often down to resources:

"Not everybody can be involved through and through. The projects typically start much thinner in terms of resources, then it gets wider, the team. The thing is, that in integration, the reason you typically get different people is that it is a long-term activity and then it comes down to resources. You do not often get same people than in due diligence. In due diligence you get the experts of the experts always, and then in integration you might not get the availability of those people, which is not the best scenario obviously. It is still okay as long as those people are available to consult and in the picture. However, if they leave that gets much more problematic" -Person 2

Project A did not involve a specific first 100 days plan, but it was discussed during the interview. Speed in general was seen as a positively affecting the integration outcome. As seen in figure 18 before, the first two months after closing are very packed as opposed to the later stages. That might be also because there is more to do in the beginning but also it was a deliberate choice. Person 1 stated after asking about first 100 days and speed:

"It does not matter if it is 100, 101 or 102 days, but the first phase is important to get the buy in of people involved. It is important to have short-term and long-term targets, since deadline is the best motivation. First phase kickstarts the integration project but it is also important to keep the motivation up after the end of phase one." -Person 1

Person 2 recognized also the need for speed during early phase to get the quick fixes done in the project and to get the target operating under the new owner. He added:

"You want a running business, since you pay premium for it, so you want to make sure it is 100% on track even though you do not touch any synergies at that point. Also, to keep the energy up for the whole team to get a major push in the starting months"-Person 2

Other reasons identified for importance of speed were market expectations, stock market expectation, customer expectations, shareholder expectations and in the end, return on investment is expected.

The main focus through the integration process was twofold. Person 1 brought up the importance of human integration, since it was known that the way of working culture was very different from the acquirer. Target culture was previously very hierarchical, and the country is high on the power distance. Therefore, it was decided to go extra heavy on the communication and cultural integration. There was a huge Day 1 party to welcome the target to the company. At the same time, the integration plans and the "destiny" of the company was introduced to the key people to increase transparency. Workshops were arranged through the process to get the feeling how the target experiences the acquisition and integration. All this was very positive from the target perspective. Cultural change was a continuous process to get the people to the correct mode. Both, Person 1 and 2 also brought up the other focus which was product integration to start realizing some of the synergies already early. Task integration therefore was equally focused. However, when asking whether these could be separated, Person 2 said:

"You cannot isolate the two, since how you work is part of the culture, they go much hand in hand, so task integration comes with human integration" -Person 2

This can be interpreted as meaning that through human integration task integration happens, but obviously there needs to be targets what to integrate. Person 1 saw that the task integration was more successful because of the heavy push on human integration in the beginning of the project as opposed to not focusing to it.

The integration project management was seen as successful, since after it the feedback from people involved in the project was very positive. At the moment the target company is integrated, and business is as usual, and synergies are starting to realize. In addition, majority of what was wanted got done in good timing. Some issues in sales targets but the root causes for that were identified: delays in product side and not good enough sales planning. Person 1 brought up that in integrations where product synergies are expected that it would be very

important to be transparent also towards the acquiring company about the acquisition and integration, especially regarding product synergies. This means that new product are added to the portfolio so those need to be communicated to the sales people of the acquiring company. Especially success factors that were mentioned where the cultural integration and the very successful day one with everything working which was a good kickstart for the whole process. Some lessons learned that were highlighted were lack of resources and with slight better due diligence, the integration planning would have been better. Person 2 added:

"If we end up in a situation where too many people start to reduce their time in the process, it will delay it"

This reflects the situation where the integration activities get thinner and thinner as the process moves forward, people tend to reduce their availability to it and hop on to new projects. To summarize, Project A built its success on the planning and coordination of the integration process, with more focus on the human side. Transparency towards target, steering, streams and acquiring company were in key role. However, some things could be done better as well. These related to better due diligence, resource availability, thinking whether the same level of synergies could be achieved through lighter integration approach, setting performance baselines and having people in their future roles earlier.

4.3 Project B

Project B was an acquisition and integration of a complete target company. The target employed approximately 900 people and recorded around 300 million € in revenue. The acquisition had elements from both, horizontal and vertical types of acquisitions. The rationale for the project was to increase product offering, unlock new customer segments, balancing the current product portfolio, sourcing and cross-selling synergies, aftermarket synergies, and increased manufacturing capacity. A light integration approach was chosen for the integration approach. However, it could be identified as symbiosis since strategically the both companies are very interdependent. The project was managed through structured IMO and from that IMO, one person, the Head of Integration was interviewed. Person 3,

titled VP, Finance was the Head of Integration. He had been previously working with acquisitions and integrations and therefore had several years of experience from them.

Integration planning started the day the deal got announced, which left few months for planning before closing. Person 3 got involved in the project few months before announcement through due diligence. When the planning started, Person 3 got fully involved with the project. According to Person 3, this was found to be good level of involvement to have to be able to successfully plan and manage the integration. The integration planning was based on the stream structure. The stream and IMO structure for Project B is shown in figure 19 below.

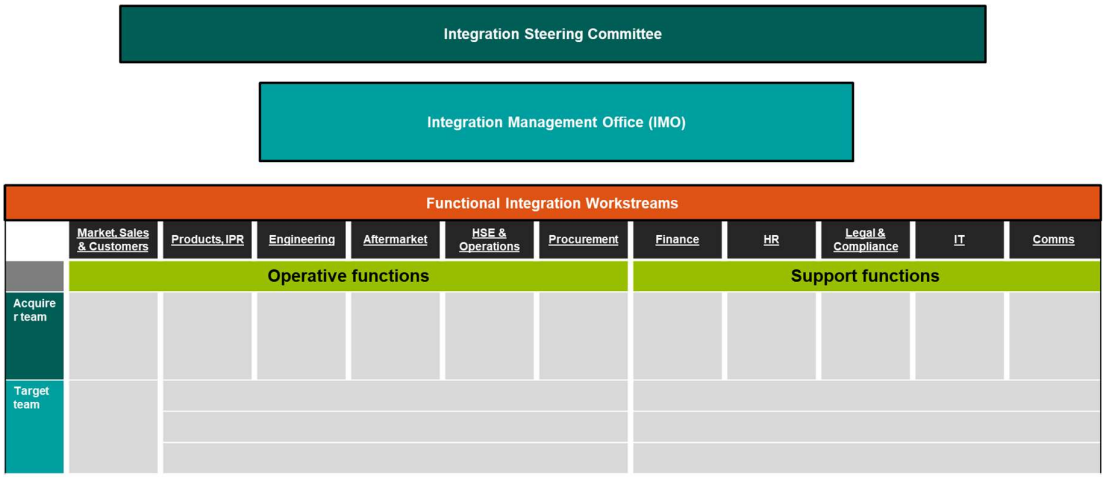


Figure 19. Project B integration stream and IMO structure

The planning was started based on the information and assumptions gathered during the due diligence phase. Therefore, the first stream and IMO structure involved people only from acquiring company due legal reasons. After closing, people from target company were involved. Then the project was organized to streams which was the basis for how the planning got initiated. Therefore, after identifying the leads for each stream and involving the people who did due diligence, integration charters were used to gather the information. Example of an integration charter from Project B is seen below in figure 20.

Long term target / Scope of the integration stream	Earn-out target / Scope	Team members

Dependencies/interfaces to other teams/organization	

Synergy items	Main activities needed

Processes/systems to be integrated	1-100 days	100 days-2 years	End state

Risks to be mitigated/issues to be fixed (from DD / other)	Main remedies

Budget 1.000 EUR	2019	2020	2021	2022	2023	2024

Other notes/comments

Figure 20. Project B integration charter

Then naturally, the information was consolidated into the integration plan. In hindsight, the planning was more identifying key synergy integration targets since there is no access to the target company before day one. Therefore, during the integration there is always something surprising that requires adaptation.

"There are always some surprises as the M&A is always to some degree about sales and marketing" -Person 3

In addition, in Project B an external partner was involved and helping to form the integration plans. Their approach was very methodological and heavy. Therefore, it was found essential to drop them out when the integration begun, when the target company people got involved. This was related to the integration approach that was chosen. The target company was very sales driven, low hierarchy with entrepreneurial culture. It was clear from the beginning that those characteristics were to be preserved. So, the plan was to only integrate the very needed things, such as reporting needs of a publicly listed company and the health, safety and environment standards of a publicly listed company. That is why, this very methodological and heavy approach would have been more harmful when the target company got involved, since they would have been overflood with meetings and follow-ups.

"When buying smaller companies with different culture, the buyer needs to be awake how much the target company is able to process." -Person 3

The integration was managed through the stream structure. It was very important, that the individual streams were able to form a natural connection to the target company counterpart to be able to successfully do the operative tasks required for integration. Also, admin meetings were left to very minimum to preserve target employee time. The process itself unfolded as expected, due to the experience of the IMO team.

"There is a hypothesis based on the planning how you start to work the integration, but then the hypothesis will evolve over the process as you get more in-depth access to the company" -Person 3

The degree of integration was realized as planned, and the reasons for the light integration was discussed earlier. However, some changes were to the plan such as identifying new sourcing possibilities or such, but the degree remained relatively light. The speed of integration was identified important for the momentum. In this case, a big corporation bought a smaller player, so the uncertainty in target is high, and therefore the communication in the beginning is very important.

"It does not matter if it is 90 or 100 days, but the speed is still important, for the momentum but also because that is the time when you can affect and give the first impression to the target organization. It is especially important when a large corporation buys smaller ones, since there will be a lot of uncertainty. Communication and transparency are key for buy in and calming effect. However, it is a two-edged sword, since you will want to have presence at the target sites, but too much presence can feel like more like avalanche of corporation people and then if you have no presence at all it is no good either. You need to find good balance" -Person 3

But then it was not found directly helpful to separate human and task integration as in need to focus first to one and then move on to another. They are more supporting each other. But

there are some tricks, for example in task integration it might be wise to pick the juiciest cases to integrate first to get motivation up. For example, best synergies or business increase cases should be focused.

Generally, Person 3 agrees that target company employees should be involved in IMO and it would contribute to successful integration. But in Project B it was discussed thoroughly, and the conclusion was that better buy in was achieved through not involving them. The reason was the target culture was so different. They would feel unconfident in IMO meetings and follow-up since they have been working their whole life in the target and the corporate ways are strange for them. This would cause a shock for them. Therefore, better solution was found which was to have a situation call with each of the target sites to have this more informal approach, and then made sure that the operational teams had everything they needed to work the integration.

The integration has been mostly completed, and the target is at business at usual mode. The integration was seen as successful overall. Enough corporate processes were integrated and the key success in that was that people also understood why compliance checks are important and why reporting needs to be up to standard. This was also one of the most important things in the integration to get these going. In addition, operational teams have found their way of working and right contacts in the parent company have been found. Learnings for the next time was that in distributor network there was a bit of an uncertainty for too long about what is going to happen to the target, but that was then fixed through good communication. Not surprisingly, IT was identified as one of the hardest to integrate, since you never know where to draw the line and that unfolds only through the process how much is actually needed.

4.4 Project C

Project C was an acquisition and integration of a division of a company. It was a stock deal and was a horizontal addition to the acquiring company. The target organization had to be carved out before the closing. The target organization employed approximately 1300 people and recorded around 60 million € in revenue. Rationale for the acquisition was to expand the product offering, gain market share and increase the size of services capabilities of the

acquirer. Person 4 was the global counterpart for the IMO. She had no previous experience from acquisitions nor integration projects.

Integration planning got kicked off after signing. Person 4 got involved in the project in the due diligence phase. However, this project had two different due diligences. The first and the initial one, after which the deal did not close. Almost a year after a second due diligence was made to investigate any changes, which then ultimately led to closing. Person 4 was involved in the second one, which was lighter than the first one. Person 4 would have found it useful to be involved in the earlier stages of the acquisition (especially the initial due diligence) in order to have more successful integration planning and integration, since being involved in the thorough due diligence gives you more better understanding what you are actually buying. The integration planning was done through stream structure, and the stream leads got involved in the project only after signing. The IMO and stream structure for Project C is shown in figure 21 below.

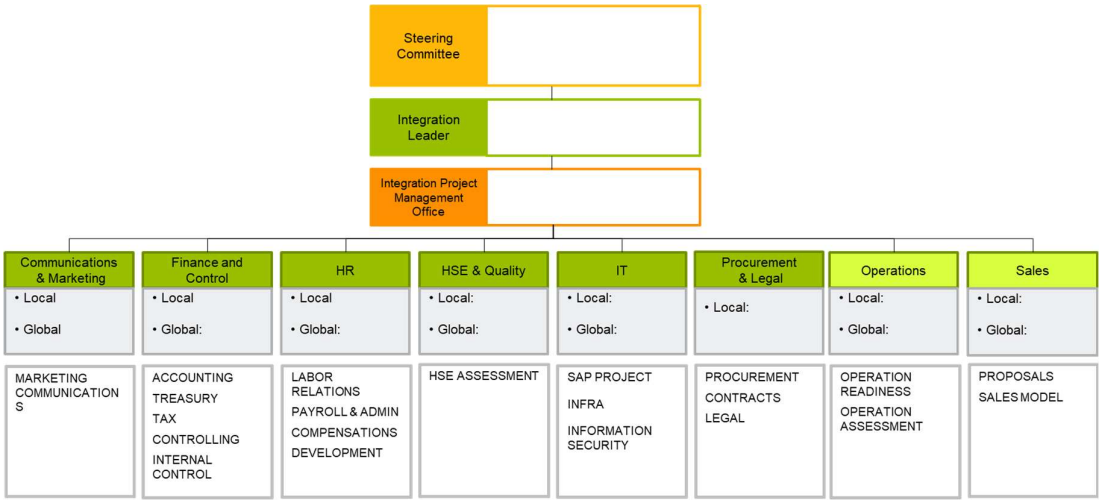


Figure 21. IMO structure and stream structure of Project C

The roles and responsibilities were deployed as follows: global and local stream leads form the team, defines how the stream works and defines the resources needed. Next, within this stream the integration plan is created by defining targets and involving key stakeholders vital to plan execution. Thirdly, the project needs to be coordinated and executed inside the stream. Then it is reported to the IMO. Fourthly, coordinating across the streams is also

needed. Finally, it is key to identify and resolve any issues that arise and then escalate if needed. IMO role was to support project planning, roll out synergy identification and tracking process, coordinate across post-acquisition integration initiatives, facilitate communication, and identify and resolve issues. The approach for the integration was planned as light as possible meaning a preservation approach. Below in figure 22 the approach is shown.

	3-6 months	6-24 months	3rd year and after
Legal structure	Existing legal structure	Existing legal structure	TBD
Brand	Current brand / co-brand	Acquirer brand	Acquirer brand
Offering	Current offering	Cross utilize service offering	Combined joint offering
Sales	Existing sales approach	Managed sales approach	Joint sales approach
Operations	Existing standard	Optimized approach	Joint operations approach
HR	Existing model – minimum Acquirer requirements	Light integration	Light integration
Finance / IT	Existing – minimum Acquirer requirements	Joint finance team, same ERP, no further integration	Joint finance team, same ERP, no further integration
Compliance	Full implementation	Full implementation	Full implementation
HSE	Acquiring company safety standards	Continuous improvement	Continuous improvement

Figure 22. Project C integration approach

In addition to the integration approach, high level integration plan was developed to support the stream planning. This can be seen below in figure 23. According to Person 4 the stream structure is solid way of approaching the integration, but it requires well defined selection of the streams based on the agreed level of integration and should always involve a content and time aspect.

Phase	People & Communications	Operations, Processes, Systems	Focus of the Integration	Business Case, Synergies
Signing	○ Press release			
Integration planning	○ Define roles and responsibilities ○ Secure key resources and integration teams	○ Define integration scope and messages ○ Set up integration PMO ○ Detailed integration plans ○ Day 1 plan	○ Planning on adequate level of detail ○ Communication message	○ Define integration KPIs ○ Synergy targets & follow-up definition
Closing / Day 1	○ Day 1 event, townhalls ○ Communications (internal, external)	○ Ensure critical systems operational ○ Ensure key processes operational	○ Consistent message ○ Operative capabilities	○ Start measuring KPIs
First 100 days	○ Securing key personnel ○ Measure stakeholder sentiments ○ Change management plan execution ○ Communicate on progress and successes	○ Execute integration plan ○ Monitor progress and react to deviations	○ Communicate and manage change ○ Stay focused: review plans and prioritize	○ Ensure and measure synergies realization
Until 1 year	○ Change management plan execution ○ Target: Normal day-to-day work life	○ Execute integration plan ○ Monitor progress and react to deviations	○ Communicate and manage change ○ Stay focused: review plans and prioritize	○ Ensure and measure synergies realization

Figure 23. Project C high level integration plan

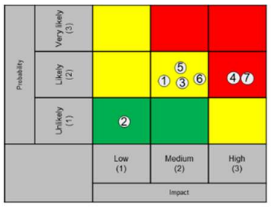
Integration process unfolded through a project planner, which was an excel having tasks and actions with their due dates visible for individual streams as well as for the IMO. Everyone had their timeline and then it was followed up on a weekly basis to see how the streams did their work.

"It was good that we as IMO defined the pace for the work through good project management" -Person 4

The integration management was done through status meetings weekly. The streams reported their progress and planned activities for the next week. Also, any issues or escalation needs were discussed. Templates shown below in figure 24 were used to do this follow up.

Figure 24. Project C status meeting template

On top of tracking how the tasks and actions planned are progressing, additional tool to manage the integration was used: risk matrix. This was done to strengthen to streams' and project's overall preparedness. Controlling the risks identified helps to keep the progress steady and maintain an even workload. Risk matrix is shown in figure 25 below.



Risk ID	Risk description	Risk mitigation plan	Risk analysis			Control	
			Risk rating	Probability	Impact	Risk status	Responsible person
1			4	Likely	Medium	Controlled	
2			2	Unlikely	Medium	Controlled	
3			4	Likely	Medium	Controlled	
4			6	Likely	High	Controlled	
5			4	Likely	Medium	Controlled	
6			4	Likely	Medium	Controlled	
7			6	Likely	Medium	Identified	

Figure 25. Project C integration risk matrix

During the integration process it was found out that defining the level of integration is very important. Not only on high level, but also inside the stream it is required to define the actual integration activities that correspond to the level of integration agreed on high level. The integration approach was defined as light in the planning. Person 4 highlighted that it would have helped greatly to know exactly what light integration actually means.

"We would have required for example a management workshop to know what actually the interpretation of light integration is. It is easy to fully integrate or not to integrate at all, but something in between is more challenging due to requiring much more detailed defining" - Person 4

As the acquisition consisted mostly about service workforce, the main focus on top of the needed task related integration (IT, Finance & health, safety, environment) was human integration. There was a welcome day for key persons which was a successful choice. Even though communication, transparency and culture were high on the list of integration, Person 4 highlights the importance of the task integration as well.

"It does not help just to be nice to people, you really need to get things done as well" - Person 4

Also speed of integration was touched as a topic. Speed was found critical. The integration utilized the threshold of first 100 days, and it was found critical by Person 4 since that is the window when the target business need to be gotten under control and the first few months are crucial as well for stabilizing the situation. Even though Person 4 highlights the importance of task integration, human integration was also found important.

"Speed is especially important for human integration. If you cannot get the target employees feel that the acquisition is a good thing, there will be people leaving" -Person 4

As a concluding statement for speed, Person 4 highlighted the problems if the integration gets delayed due to lack of speed.

"If you do not get the things done during the first months, then you will have a business that you do not understand, which does not work and then you will have people there who are not interested in to work there" -Person 4

As for involving the target people, in Project C that was not done. There were no target people involved in any of the leading roles of the IMO or streams. This was due to the higher power distance country where the acquisition happened. Person 4 explained that for Project C it would not have been either positive or negative to involve target company people in managing the integration. However, generally Person 4 believes that it could positively affect the success of the integration.

Currently the integration is mostly done, as the most intensive time is over. Currently the business is in business as usual mode and the synergies are starting to realize. The integration was found more or less successful by Person 4, but as mentioned earlier, the integration level definition would have required more attention, especially when the IMO team was more inexperienced. The main successes were the structure that the integration plan provided to the implementation, and the tools that were used during integration. Coherent managing of the process was also found contributing to success. The main lessons learned were that communication is in key role, and acquirer should involve more target people earlier to work the integration. Also, a synergy follow-up model would be essential to follow the overall performance of the acquisition.

4.5 Project D

Project D was acquisition and integration of a complete company. It was a stock deal and had elements from both, horizontal and vertical acquisition. The target company employed approximately 40 employees and recorded around 33 million € in revenue. This project was one of the first preservation integration approaches used by the case company. The main rationales for the acquisition was cost synergies through cross selling in addition to the market share increase through the acquisition. The integration was co-managed by Person 5 and another person. Person 5 had no previous experience from acquisitions nor integration

projects, but Person 6 had been involved in some projects previously. Person 5 was VP, Finance & Control at the time of the integration and was in charge of the support streams.

Integration planning was done with a rationale of "light integration" which means preservation. The identity of the target is something that acquirer wanted to preserve, so the idea was to keep it separate from acquirer. Person 5 got involved after due diligence and highlighted that being involved in earlier stages would have been helpful.

"I feel like the being involved in much earlier stages of the acquisition would have helped me a great deal. Would have been great to be involved in the due diligence so I would have been able to meet people and to got to know how things are done, meaning that planning the integration would have been easier. I feel like in general the people involved in integration should be involved in due diligence, or the other way around" -Person 5

The integration plan followed the stream structure. Streams included: pre-closing finance, treasury, IT, communications, human resources, health, safety and environment, compliance, sales, engineering, supply chain, and services. The plan was an excel file in which each stream had their own sheet to which they filled in the actions needed to be taken. Also, key activities timeline was prepared including each stream. The timeline was divided as pre-closing, 0-100 days, and post 100 days. Person 5 highlighted the importance of clear scope when preparing the integration plan. In addition, in hindsight it was identified that all the targets that the project had were achieved. The approach was more gradual because of the light integration, and the plans were not actually followed that strictly. They were more a guidance than a strict task follow-up. Person 5 explained that

"In light integration, it is more practical approach, since we try to do as less as possible to achieve the goal of the integration" -Person 5

However, after the integration, it was highlighted that majority of the people got involved only after due diligence, which was not found optimal. More planning was required to health, safety and environment structure, audits to target should have been done in earlier phase,

meaning that acquirer has the capability and resources to audit some processes, and those should have been utilized to get more clear picture of the current status of the target.

The integration process was managed through weekly meetings to see the progress and follow-up on the planned tasks. Person 5 explained how with a good process model the unfolding of the integration was very successful. He highlighted the importance of transparency and communication, so everyone involved would know the status of the process. Example template which was used to manage the process is shown in figure 26 below.

Stream	Last period	Next steps	Clarity / status	Risks / comments
Stream 1				
Stream 2				
Stream 3				
Stream 4				

Figure 26. Project D integration process management template

The degree of integration which was preservation required also a very light approach towards the target company. As it was a small family owned business, there were not extra resources to be involved in heavy integration process. Many might have generalist roles so their days are filled already, and the acquirer did not want to distract their attention from what they were good at. Therefore, no people from target company was involved in stream leads or IMO. However, sometimes the CEO was invited to join the meetings. To counter information loss towards target, acquirer people visited multiple times at the sites, and the atmosphere overall in the target and the integration project was very open, so information was shared freely during those visits. Therefore, Person 5 described Project D as “people management” integration. The approach was very informal and even the blue-collar workers were known by name in the end. This atmosphere was very much contributing to the success of the integration.

"If we would have approached this with the usual corporate mindset, it could have gone differently. The truth is, we did big impact with the groundwork at target premises, especially with drinking coffee and eating buns" -Person 5

Even with the high emphasis on the human integration, task integration cannot be forgotten. As a publicly listed company acquires a private company, the health, safety, and environment standards need to be up to standard as soon as possible after closing, similar to financial reporting. When discussing about the speed of integration, Person 5 had some contradicting comments towards the first 100 days approach, that they used.

"I do not even know why there is such a threshold as first 100 days. In reality, 100 days is way too long time to do integration for smaller acquisitions at least. The focus will simply end. Obviously I think the first weeks are very important, so all things get going and important functions are integrated, but to be honest more suitable timeframe would be 30 to 60 days to really drive the integration. It is also important to be able to give a target date for the acquired company when the integration is over so they can continue in their business in which they are good at" -Person 5

The integration was seen as successful endeavor. However, some development actions for future were recognized. According to Person 5, involvement earlier in the process would have been better. In addition, he highlights that during the due diligence it would be good to identify the organization which will lead the integration and involve them already at that point. As a closing remark, Person 5 highlighted the importance of assessing the size and culture of the target.

"When we come from big corporation, we have gotten used to the fact that we have a specialist for everything. We tend to forget that when we buy smaller companies, that there are many people who are generalists and their days are filled with various tasks. Therefore, considering this lighter approach, not in the degree of integration perspective but in terms of the workload introduced for the target, is beneficial rather than approaching the whole project with the corporation way." -Person 5

Key learnings were gathered after the project. Systematic patent and intellectual property rights review should have been done in the due diligence process. Also, each integration streams should have their separate owners. Finally, better and earlier information sharing would have been better.

4.6 Project E

Project E was an acquisition and integration of a complete company. It was a stock deal and had elements from horizontal acquisition. Project E differs the most from other projects included in this thesis, due to its size. The scope of acquisition was only 16 employees, and the company itself was not manufacturing anything. Therefore, the rationale was to purchase intellectual property rights, patents and the backlog of their business. In addition, expertise of these 16 people and the product offering they had was bought. The degree of integration was planned as absorption. As the project was quite small, the IMO was adjusted accordingly. It was managed through Person 6, who was the main contact to the target and to the acquirer. However, few people from acquirer were included in IMO as well, who were the stream leads. Person 6 who was the Head of Integration and VP, Product line at the time, had some previous experience in leading integrations before this one.

Person 6 was involved in the whole acquisition process since the initiation. The whole project was basically because of Person 6 knowing the company and then tipping off to the hierarchy at acquiring company abouts it potential. Therefore, Person 6 was also heavily involved in due diligence, meaning he had a very good grip of the target firm when starting planning. He found out it to be very helpful for the success of planning and the integration itself.

"Integration without being involved in due diligence would have been much harder" - Person 6

The integration did not have such a structural IMO as some other might have, but as the scope was much smaller this was not an issue. The integration plan and IMO consisted of streams. However, only five streams in total were needed. This means that for example

Marketing & Communications were under one stream and Finance & Admin under another. Each stream planned their integration trough scheduled plans. See below figure 27 for an example.

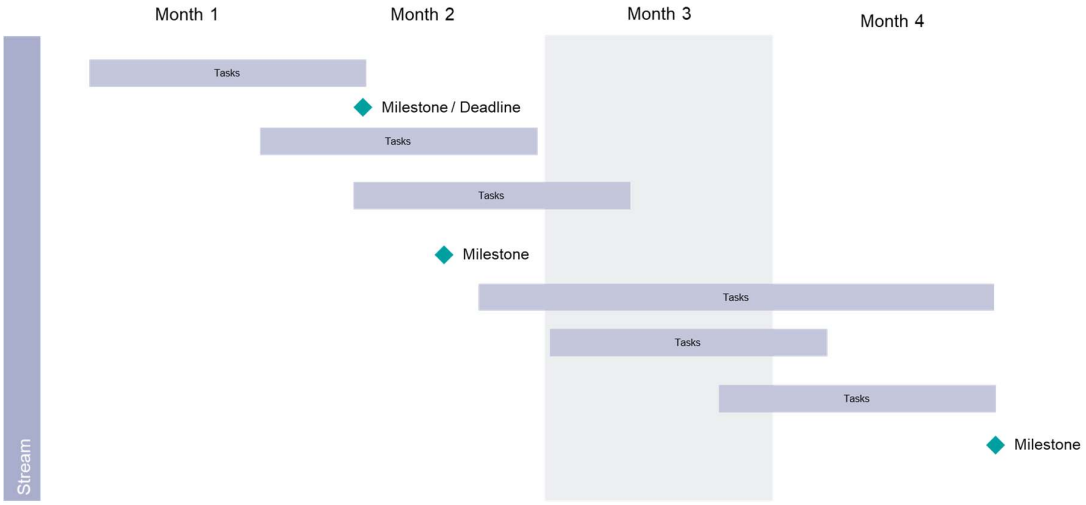


Figure 27. Project E integration plan example

In hindsight, the planning could have been more practical according to Person 6. He pointed out, that actually, what would have required more planning, was actually for example server capacity at the target. As it was quite small company, obviously their budget for IT is much less and then when rolling in all the software from the acquirer, their IT systems were at limit.

The integration process was kicked off with a get together dinner after closing. The point was to more informally introduce the team handling the integration. Next day, also what were the plans and how those plans will realize were gone through thoroughly. The integration was outlined to their management and Person 6 was the main contact person. The integration was managed through targets and follow-up meetings, which first happened at weekly basis and after that every two weeks. Tasks and activities were assigned and then followed up. This was done through the reviews. See below in figure 28 for example of a review template.

Work Stream	
Owner	

Achievements last period	Risks & Obstacles

Target for next week and beyond	Resources Required

Figure 28. Project E integration management template

During the integration, less actions were actually needed than in initially planned, so the plans needed to be adjusted during the process. As the company was small, it was seen beneficial to aim for absorption degree of integration. This realized according to plans, due to the integration being rather light workload. The speed of integration was not thought as first 100 days or such in this case. The integration itself took around eight months. The main focus in Project E was staff retention, as the company was very small, and the knowledge and expertise were in those 16 people. Therefore, human integration played a key role in this integration. Task integration followed, especially on the reporting side since after the target company was able to focus on their everyday business rather than focusing on reporting or such which they also needed to do before the integration. Other focuses were to maintain business and making them welcome to the acquirer company. For small projects, Person 6 advises:

"Be honest and transparent, and if you can, have a detailed plan and timeline. Share these plans with everyone and be prepared to discuss this openly and give people the opportunity to ask questions and understand why such things are done" -Person 6

The integration overall was successful, and the integration and business targets were met. Main success was how they got integrated to the acquiring company culture and how the acquired capabilities, expertise and the knowledge were publicized internally and externally. Main pitfall was the IT issues, target company having poor level of bandwidth and IT infrastructure.

5 DISCUSSION

Similar themes were found from both literature and empirical study. The literature on post-acquisition integration was found more strategy and planning oriented whereas in practice managing post-acquisition integration was found to focus more on the implementation and day-to-day activities and decisions. The reason might be that most interviewees were not involved in the strategy discussions and the planning was done inside the streams. Many of the activities and decisions depend highly on the target company characteristics. Literature also highlighted that acquisitions rarely are standard procedures. Based on the findings of the thesis, it is challenging to form a comprehensive process how to successfully manage post-acquisition integration. Instead, both theory and empirical part of the study emphasize importance of project management skills and experience.

A large element in the literature was planning of the integration. The purpose of the planning is to evaluate options and define the roles and responsibilities. In all the projects this was done by stream approach and using different planning and management templates. Although the templates were different for all the projects, all of them had similar components, which included actions needed, timeframe, and responsible person. Recurring meetings were used as an approach to manage to process. In all the projects, some changes to the plans were made during the integration process. However, in Projects D and E which consisted of smaller target companies, the plans were not as strictly followed, and it was found a good approach. Interestingly, persons managing Projects D and E would have wanted to have better plans for specific areas. In the literature, the aim of planning was additionally to prepare for unexpected challenges. This approach was only clearly used in Project C through the risk matrix and was found missing from the others. In the future, this should be considered during the integration planning and implementation process. As the interviewees found all the projects successful, better risk management process might have not been identified as key learning.

The degree of integration was emphasized on the literature. However, during interviews this was not covered by the interviewees. This might be because the interviewees were not in

charge of the decision making nor defining the scope and degree of integration. Figure 29 below illustrates the degree of integration in the five projects.

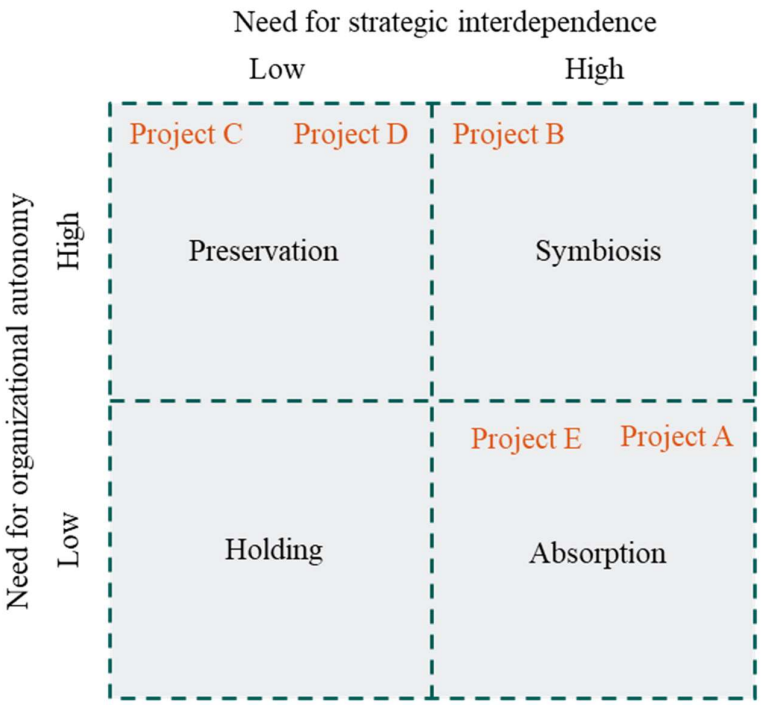


Figure 29. Integration projects in degree of integration matrix

The interviewees involved in Projects B and E were part of the acquisition process before integration planning started whereas the rest were not involved. In particular, before integration planning starts, it was found useful to be involved in due diligence to be able to plan and implement the integration successfully. Interviewees from Projects A and D who were not involved in due diligence before start of planning, would have found it useful to be involved in it to have more knowledge to plan and implement the integration. Person 2 from Project A explained that at least those people who were involved in due diligence should be available to consult the IMO if they are not able to be part of managing the project. Similar statement was found from the literature about involving key people throughout the process to foster better strategic choices and foster commitment.

In the literature it was found to be beneficial to let target company management to participate in the decision making. The interviewees consistently explained how this would also benefit

the integration outcome despite not all projects involved the target company people. The benefit was emphasized in the interviews to greater extent than in literature. In Project A, target company people were involved, and it was seen as highly beneficial. However, Person 2 highlighted how this is not automatically a good thing, but the correct persons need to be identified it to work. In addition, when the target is smaller, one should consider resource availability in the target company. In other interviews related to the other projects, similar views were expressed. In those projects, since either they were smaller target companies or culture wanted to be preserved, this approach was not directly adopted. In Projects B, D, and E the cultural difference was too substantial to push such a heavy workload towards them. However, alternative approaches were adopted to achieve similar benefits through site visits and get togethers.

Both literature and empirical part highlighted the importance of communication, transparency, cultural understanding, and creating the right atmosphere. These things originate heavily from the target company characteristics and therefore from due diligence. This also supports the findings that strategic facilitators should be involved in the integration process. Also, project managers should be acquainted with the right knowledge and skill set to manage change. Especially in Project C the lack of previous experience from acquisitions and integration projects was found challenging.

Interviewees found that task integration cannot be separated from human integration as both are interrelated to each other. In contrary, in Project E human integration was viewed as the main approach due to the different nature of the project. As the purpose of the acquisition in Project E was to gain human expertise from 16-person company, the integration relied heavily on employee retention. From the task integration two main themes were recognized: need for standards and compliance, and speed of integration. Especially for the small target companies the need for compliance and bringing reporting up to standard was brought up in the interviews. The second topic emphasized was the speed of integration. In the literature the speed of integration was found either positively or negatively affecting acquisition outcome depending on the differences of the companies whereas the interviewees found the speed affecting positively. The reasons behind the importance of speed were considering both short and long-term targets. In the short-term it is important that the target company

gets a quick and welcoming start. In the long-term it is important to keep the pace and motivation of the integration team up. A need for specific time threshold was identified, but it is not necessarily always first 100 days, but should be adjusted based on target company. The speed of integration was especially found crucial in smaller target companies, in order to reduce uncertainty for target company business.

Even though all the interviewees claimed that the integration was rather successful, several things were identified which have could gone better. These were better due diligence, resource availability, and setting performance baseline, and having people in their future roles earlier. For future projects it should be considered whether similar level of synergies could be achieved through lighter integration. Long time uncertainty should be also avoided. Synergy follow up model would be essential to follow the overall performance of the acquisition. Table 3 below summarizes the main findings of the thesis that affect the management of post-acquisition integration project from the IMO perspective.

Table 3. Factors affecting management of post-acquisition integration

Literature		Empirical study	
Positively affecting	Negatively affecting	Positively affecting	Negatively affecting
-Well-defined integration strategy -Serving the purpose of the acquisition -Clear vision and clear targets -Adjusting plans through the process if needed -Defining roles and responsibilities -Tools to cooperate between the firms -Clear definition and implementation of degree of integration -Including target company managers in IMO -Investing enough resources through the whole process	-Too strict plans -Too little planning -Failing to plan for the unexpected -Speed is less beneficial when internal relatedness is low and external relatedness is high -Manager not equipped with appropriate communication and change management skills -Uncertainty and cultural confusion	-Involving resources from due diligence throughout the process -Target company management to participate in decision making -Project management skills and experienced -Planning tools including timeframe, responsible, and actions needed -Monitoring the process -Capability to do changes to the plans -Not following plans too strictly when target is smaller company -Importance of short and long-term targets	-Involving target company when target has limited resources and/or cultural differences are too large -Lack of previous experience from acquisitions and integration projects -Uncertainty with level of integration needed -Not having enough resources through the whole process -Not measuring performance of the acquisition -Uncertainty especially with smaller companies -Uncertainty surrounding target

-Speed can help to get the integration plan ongoing and to integrate critical units and functions -Tools to cooperate between the firms -Careful monitoring -Consider target company values and culture -Leadership and change management -Competent and trained project manager -Choice of leader -Competent project manager -Communication and right atmosphere -Transparency of the process -Effective channels of communication to all levels of organization		-Pacing the integration project -Keeping the motivation up through speed of integration -Specific time threshold adjusted based target company -Communication, transparency, cultural understanding, and right atmosphere -Project management knowledge and skills	company employees' future roles

6 CONCLUSIONS

This thesis focused on post-acquisition integration best practices in industrial sector. The findings in this study can help to establish or improve the post-acquisition integration frameworks and to understand the practicalities and operational activities of post-acquisition integration. In literature, post-acquisition integration is mostly studied through individual factors affecting integration outcome. Integration is a gradual process that requires comprehensive management and joint effort. In practice, it is not possible to optimize each single factor affecting integration outcome individually, but rather the outcome is determined by successfully managing the joint effort.

Success factors identified in literature and empirical study included similar elements. Those factors included a well-defined scope, balanced planning approach depending on target company characteristics, speed of integration both in short and long-term, communication, culture, atmosphere, transparency, including key people throughout the process, and IMO skills and knowledge. All of the integration projects were seen as successful; therefore, the listed factors above can be treated as key success factors affecting integration outcome.

In order to successfully manage future post-acquisition integration projects, the case company IMO should make sure that the identified success factors are adopted. In addition, the tools and templates gathered should be made available for future reference. The particular key successes and lessons learned are specific for each project. Thus, detailed integration process cannot be formulated through a small sample. Instead, it requires well defined pre-integration activities and project management. The main general improvement suggestion for case company is including better risk identification planning. When successfully identifying risks for the project, the amount of project specific difficulties could be reduced.

There are two main limitations to the study. The interviews were conducted from only IMO perspective and they were not considered from the other perspectives whether the success factors and lessons learned are experienced similarly from for example the target company perspective. In addition, all the projects were considered as successful and the thesis lacks

experiences from unsuccessful post-acquisition integrations. Also, as the characteristics of the target company affect the decision making in planning and implementing post-acquisition integration, it should be further studied.

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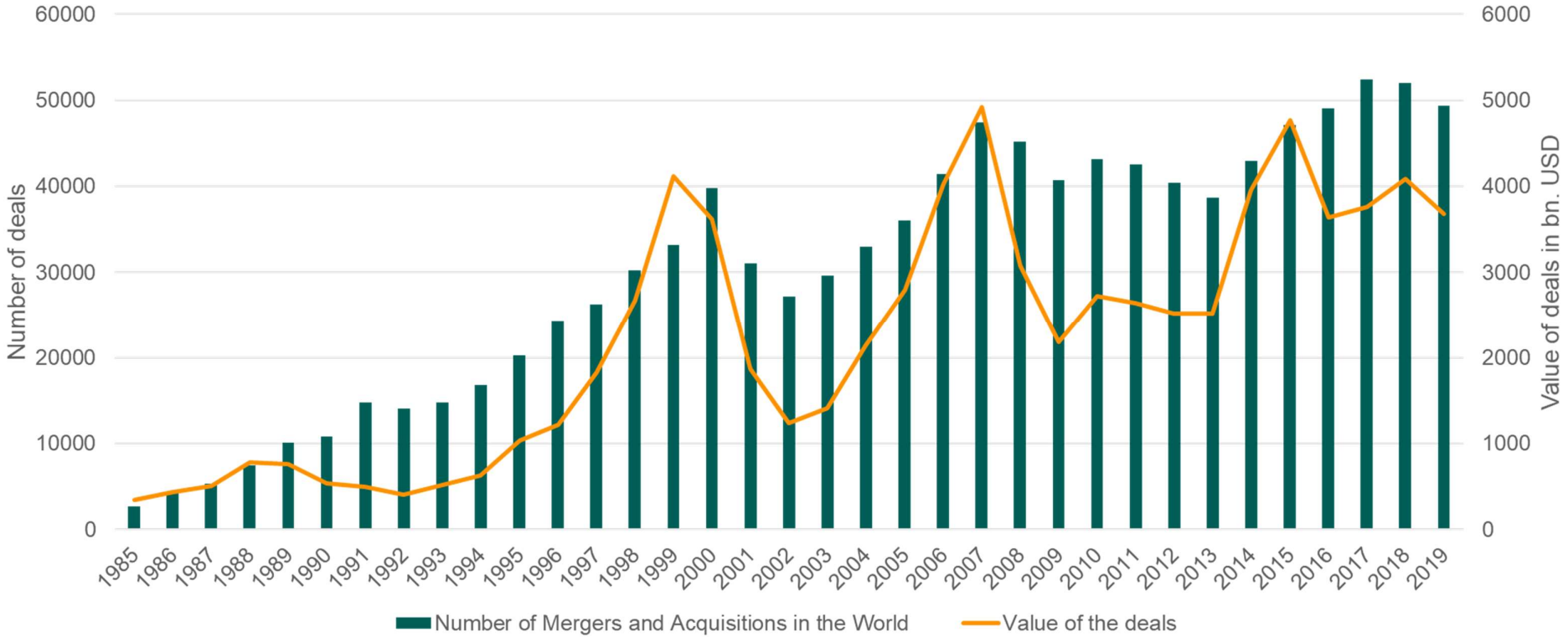
Appendix 1. Number & value of M&A globally (Institute for Mergers, Acquisitions and Alliances, 2020)



Appendix 2. Interview structure

Background

Occupancy
Your role in the integration management office
Previous experience from acquisitions and integrations

Acquisition background

Scope of the acquisition
Acquired stocks or assets? Horizontal or Vertical?
Strategic purposes of the acquisition
Synergies that motivated the acquisition

Integration planning

How involved were you in the acquisition prior to integration?
Integration planning – how detailed and when started?
What elements were part of the plan?
Did the integration go according to the plan or did it require adjusting as the process went on? How?
In hindsight, what would have required more planning?

Integration

How did the whole process unfold? What went well what could have done differently?
How did the degree of integration planned realize? Speed of integration?
Human integration? Task integration?
Main focuses and priorities, and why?

Performance

Do you consider the acquisition and integration successful overall?
What was specifically very successful? Why?
What were the main pitfalls and lessons learned?
Any other relevant comments?