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BUSINESS PROCESS VIEW TO MERGERS AND ACQUISITIONS INTEGRATION: IMPROVING DEAL PERFORMANCE

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ABSTRACT

HEIKKI JAAKOLA: Business Process View to M&A Integration: Improving Deal Performance
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Mergers and acquisitions have become an important method for companies to grow and gain competitive advantage. Yet, up to 60-80% of all the acquisitions fail. In order to access value from the deal, a successful integration is required. Post-merger integration is the process where the financial and strategic value of the deal are realized. This research answers the call to create linkages between different post-merger integration critical success factors and determine factors affecting the integration speed. This study is among the first ones to adopt a cross-sectional view to post-merger integration across different business functions in a project-based organization and thus provides a new viewpoint to the mergers and acquisitions literature.

The aim of the research is to determine typical integration related problems in different business functions in a project-based organization while providing solutions to these problems with different post-merger integration best practices. As a result, the research sheds light on the determinants of integration speed and creates connections between different post-merger integration critical success factors. The research is carried out as a combination of case study and action research. A literature review is carried out to form a holistic picture of the critical success factors and best practices recognized in the literature. The empirical part of the research utilizes interview data and participant observation to surface post-merger integration problems in the case organization. This data is analyzed and reflected on the literature. As an outcome, typical post-merger integration problems in project-based organizational context are recognized and relevant best practices applied together with the interview data to address these problems. This research introduces 17 propositions addressing integration speed and deal performance hence introducing determinants of integration speed and actions improving deal performance.

The findings of the research imply that by recognizing the business function specific problems and success factors, the performance of a merger or acquisition deal can be improved. Successful post-merger integration requires the understanding of these problems as well as the capability to execute the integration in a manner addressing these problems. The 17 propositions regarding integration speed and deal performance are to guide managers to faster integration while accessing more value from the deal.

Keywords: Mergers and Acquisitions, Post-Merger Integration, Integration Speed, Deal Performance, Synergy Realization

TIIVISTELMÄ

HEIKKI JAAKOLA: Liiketoimintaprosessinäkökulma yritysintegraatioon: Yritysoston suorituskykyä parantamassa.

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Yritysostot ovat muodostuneet keskeiseksi välineeksi, jolla yritykset pyrkivät tavoittelemaan kasvua ja kilpailuetua. Kuitenkin jopa 60-80% kaikista yritysostoista epäonnistuu. Onnistunut integraatio on välttämätön yritysoston arvonluonnin kannalta, koska yritysintegraatio on prosessi, jossa tämä arvo realisoidaan. Tämä tutkimus vastaa kehotukseen tutkia linkkejä integraation kriittisten menestystekijöiden välillä sekä kehotukseen määrittää integraation nopeuteen vaikuttavia tekijöitä. Työ on eräs ensimmäisistä, joka omaksuu poikkileikkausnäkökulman yritysintegraatioon eri liiktoimintafunktioissa projektiorganisaatiokontekstissa tarjoten näin ollen uuden näkökulman yritysostoja käsittelevään kirjallisuuteen.

Tämän tutkimuksen ensisijaisena tavoitteena on määrittää tyypillisiä yritysintegraatioon liittyviä ongelmia eri liiketoimintafunktioissa projektiorganisaatiokontekstissa, sekä tarjota ratkaisuja näihin ongelmiin eri yritysintegraation parhaiden käytäntöjen avulla määrittäen samalla integraation nopeuteen vaikuttavia tekijöitä. Tutkimus on toteutettu tapaustutkimuksen ja toimintatutkimuksen yhdistelmänä. Työ perustuu kirjallisuuskatsaukseen sekä empiiriseen tutkimukseen. Kirjallisuuskatsauksen tavoitteena on luoda holistinen kuva kirjallisuudessa tunnistetuista integraation kriittisistä menestystekijöistä sekä parhaista käytännöistä. Tutkimuksen empiirinen osa hyödyntää haastatteludataa sekä osallistuvaa havainnointia tarkastelun kohteena olevan integraation ongelmien tunnistamisessa. Dataa analysoimalla tunnistetaan tyypilliset yritysintegraation haasteet projektiorganisaatiokontekstissa. Näiden ongelmien ratkaisemisessa hyödynnetään kirjallisuuskatsauksessa esiin nousseita parhaita käytäntöjä haastatteludatan lisäksi. Tutkimus esittelee 17 propositiota, joilla voidaan parantaa integraationopeutta sekä yritysoston suorituskykyä. Nämä teesit ottavat kantaa integraation nopeuteen sekä yritysostosta saatuun arvoon vaikuttaviin tekijöihin.

Tutkimuksen löydökset implikoivat, että tunnistamalla liiketoimintafunktiokohtaisia ongelmia sekä menestystekijöitä, yritysoston suorituskykyä voidaan parantaa. Onnistuneen yritysintegraation edellytyksenä on näiden ongelmien ymmärtäminen sekä kyky toteuttaa integraatio tavalla, joka ottaa nämä ongelmat huomioon. Työssä esitellyt 17 propositiota integraationopeuteen sekä yritysoston suorituskykyyn liittyen ohjaavat yrityksen johtoa saavuttamaan nopeamman integraation sekä lisäämään yrityskaupasta saadun arvon määrää.

Avainsanat: Yritysostot, yritysintegraatio, integraationopeus, yritysoston suorituskyky, synergioiden realisointi

PREFACE

This thesis project started systematically with plan formulation and execution. I was very excited and happy about the topic as I found it highly interesting and knew that I could make a positive contribution with my work. This positive contribution would reach to both the people living through post-merger integration as well as the company and its financial stakeholders due to the financial significance of the topic.

I want to give a particular thank you to Saku Mäkinen for all the guidance and the useful feedback that I received on my work. I would also like to thank the case company top management for this opportunity and for all the support that I received throughout the whole process. Lastly, I would also like to hand a big thanks to all my friends, colleagues and family for all the encouragement and support that made the occasionally long days feel enjoyable.

Munich, 19.4.2020

Heikki Jaakola

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LIST OF ABBREVIETIONS

CSF	Critical Success Factor
LBO	Leveraged Buyout
M&A	Mergers and Acquisitions
PMI	Post-Merger Integration

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"The managers we studied acknowledged the importance of the integration process. Yet integration was the part of the acquisition process with which they were least comfortable. They found it difficult, time consuming, uncertain, and fraught with risks and setbacks." -Jemison & Haspeslagh (1991, p. 105)

1. INTRODUCTION

Mergers and acquisitions (M&A) have become an increasingly popular movement for an increasing number of companies and consultants to pursue competitive advantages through synergy realization. Many researchers agree that improving the performance and value of the newly formed organization through synergy realization is the primary objective of M&A (Lubatkin 1983; Mukherjee et al. 2004; Holland & Salama 2010; Das & Kapil 2012). M&As have been reported to be excellent vehicles to achieve corporate growth, economies of scale, vertical integration and diversification (Buono et al. 1985). Indeed, M&A is a feasible market entry strategy both nationally and internationally. What is more, M&A have also proven to be an important vehicle for strategic redirection and renewal of a company (Jemison & Sitkin 1986). The global M&A volume has expressed an increasing trend over the recent decades and was valued at $4.1 trillion globally in 2018 while being the third largest year ever in regard to M&A volumes (J.P. Morgan 2019). This illustrates well the relevance of M&A today in the current global business environment. The significance of the topic for future is also supported by the overall increasing trend in global M&A activity.

It can be concluded, that the importance and popularity of M&A is undeniable. Yet, up to 60%-80% of all acquisitions fail (Bastien 1987; Tetenbaum 1999; Marks & Mirvis 2001; Vester 2002). When taking into account the financial magnitude of M&A deals, failures in the M&A integration can cause substantial damage for the overall M&A deal performance and thus result in major financial losses for the integrating company. This is supported by the findings of Adnan et al. (2017) stating, that the share value of companies announcing an M&A attempt tends to decrease in short term as a result of such news. This suggests that the investors and markets acknowledge the financial magnitude of the risk of non-successful acquisition. When looked in the light of the high failure percentages, the factors influencing the success of M&A is a promising direction for academic research (Homburg & Bucerius 2006). This is also supported by Hitt et al. (2001, pp. 92–101) who suggest that acquiring companies should knowingly study and learn from the acquisitions they have made themselves while also learning from acquisitions made by other companies. This is in line with Ashkenas et al. (1998) who emphasize the importance of continuous learning and developing acquisition integration into a core capability and competitive advantage. All these reasons suggest that it is essential for the companies to get the M&A integration process right.

Jemison & Haspeslagh (1991, p. 105) and Huang & Kleiner (2004) suggest that integration process is the key to making acquisitions work because the value of the deal is created during that process. Yet, it is also the one that causes most M&A deals to fail as a result of faulty or weak management during implementation (Pritchett 1997, p. 6). This is due to the fact that to the current day, neither scholars nor practitioners have a comprehensive understanding of M&A variables and their interrelationships (Gomes et al. 2013). These factors emphasize the gravity of the topic for companies as well as scholars who aim to gain more insight into M&A failure and discover what factors make a successful acquisition.

The M&A literature is vast and covers many different aspects of the process. However, the literature has been found to be highly fragmented and thus lacking connectedness (Gomes et al. 2013). It is also suggested that the number of interdisciplinary studies on M&A has been surprisingly small (Gomes et al. 2013) and few unifying theoretical works combining the different disciplines of the acquisition have emerged (Haleblian et al. 2009). Particularly the linkages between different critical success factors (CSF) of the implementation process have not received enough attention even though they are regarded as an essential factor affecting the M&A success (Gomes et al. 2013). The definition of a CSF in this work relies on the definition of key success factor by Ketelhöhn (1998) and is defined as a thing that needs to be executed well in order to succeed in a specific endeavor. According to many scholars, the interrelationships between different CSFs should be further studied (Homburg& Bucerius 2006; Gomes et al. 2013) to increase the connectedness of research (Angwin & Vaara 2005). Especially the determinants that influence speed of integration are broadly neglected in literature while only the effects have been studied (Bauer & Matzler 2014). It has also been stated, that every acquisition is different (Jones 2009). Therefore, by studying cases a deeper and more accurate context-related picture can be achieved hence helping to gain more accurate knowledge on post-merger integration (PMI). The literature also lacks a business process-perspective and does not systematically identify various integration related issues arising cross-sectionally at the business process level.

This research answers the call for research by Bauer & Matzler (2014), Angwin & Vaara (2005), Homburg & Bucerius (2006) and Gomes et al. (2013) to create linkages between different CSFs of the integration process and to determine factors affecting the integration speed. This research aims to fill this gap in the M&A literature by studying the speed of integration and the other integration related CSFs in a project-based organization (PBO) and this way provides insight into the interconnectedness of the success factors in a case context while answering the call of Bauer & Matzler (2014) to provide determinants of integration speed. In other words, this research aims to provide companies and managers holistic insight into how the integration can be facilitated and the deal performance increased by preventing and solving arising problems in the integration process across different business functions of a PBO. As a result, this work provides an action plan for the managers or practitioners on how to facilitate integration i.e. increase the speed of integration and to increase the deal performance based on the PMI CSFs. In addition to addressing the interlinkages, this study also aims to provide a more comprehensive understanding of the M&A variables and their interrelationships while also reducing the fragmentedness and increasing connectedness as deemed necessary by Gomes et al. (2013). This is done by taking a cross-sectional look into the integration process and the event history in order to surface the problems related to acquisition integration in different business functions and by solving these problems in PBO context with the critical success factors and best practices thus unifying the fragmented literature. This study is among the first ones to adopt the cross-sectional view across all relevant business functions in a PBO and thus provides a new viewpoint for the M&A literature. The aim is to provide understanding into the problems arising at the business functions and to identify relevant integration practices needed in different business functions hence allowing managers to better prepare for different integration issues and make more informed plans already pre-deal. In an attempt to unify the best practices of M&A integration while contributing to the interdisciplinary research of M&A, this research has a notable currency for the scientific community as well as the companies and managers engaging in M&A activity.

The objectives of this study are to identify typical integration problems of a PBO at business function level and to identify actions that could be taken to prevent the problems from taking place or to mitigate the effect of these problems in order to ensure speedy integration. In addition to the previously mentioned, one objective is to create a holistic understanding of the integration problems and solutions in a PBO at different business functional levels and establish determinants of integration speed. The business level perspective has been motivated by Angwin & Vaara (2005) who recognized a need to connect specific M&A processes and practices with other processes that take place in the merging entity and its environment. In addition to that, they argue that there is a need to connect the studies with broader theories (Angwin & Vaara 2005). Therefore, the research answers the following research questions:

1. What integration problems are typical for a PBO management, sales and operations functions and what are their effects on deal performance?
2. How can integration linked problems in different business functions be fixed with different PMI best practices in order to improve deal performance?
3. What are the determinants of integration speed i.e. what things help or prevent the integration from moving forward and that way affect deal performance?

In addition to contributing to the performance perspective of the acquisition integration, this study also has a major social contribution. M&A result in stress and issues for the people working in the acquired organizations. The high turnover of employees in M&A is an excellent indicator portraying the scope of social problems associated with the integration process. Improving the integration process results in less acculturative stress, uncertainty or negative atmosphere thus improving the life of the employees. This research carries a major social impact as the interpretivist research strategy and interviews of the employees involved in the acquisition integration allow the human side of mergers to be better linked to the PMI best practices. This social aspect to acquisition integration has often been neglected in the literature, yet it is a central target of this research.

In addition to the contribution described previously, it is essential to define the scope of the research. This research concentrates particularly on domestic acquisitions. Even though many of the findings presented in this work will be applicable also in international context, this study leaves out cross-border M&A. Due to the complex cultural factors related to cross-border M&A they do not fit within the scope and are a subject to further study. As the integration approach affects the process of integration (Jemison & Haspeslagh 1991, p. 15), this variable needs to be controlled as PMI is a path-dependent process (Gomes et al. 2013). This study concentrates on the absorption integration approach. Absorption is the type of integration, in which two organizations become one (Jemison & Haspeslagh 1991, p. 15). It is the most challenging integration approach to manage as it involves the highest degree of integration. Therefore, absorption acquisition is an excellent case to surface integration related problems and can be used to gain key takeaways that can be applied to other integrations, were similar problems to arise. What is more, the organizational type is restricted to PBOs, and the business functions studied are relevant to people intensive PBOs.

This research first discusses the deal performance and process of value creation before moving on to CSFs that have been unified based on a systematic literature review. After this, the methodology of the research is described followed by the presentation of data and findings. Finally, the results are discussed, and the findings are used to form 17 propositions for PMI success.

2. THEORETICAL BACKGROUND

2.1 Value creation in M&A: Capabilities-based view

In order to study the things that speed up integration and increase deal performance, it is essential to understand how value in M&A is created. This research adopts a capabilities-based perspective on value creation that builds on the resource-based view (RBW) of a firm. RBW suggests that the performance of a company is dependent on the resources of the firm and the firm's effectiveness to convert these resources into competitive advantages (Wernerfelt 1984; Barney 1991; Day 1994). Capabilities-based view concentrates in particular on the latter aspect of the RBW view emphasizing the firm's capability to utilize resources in the pursuit of a competitive advantage. According Trainor et al. (2014) capabilities are defined as the ability of an organization to assemble, integrate and deploy resources in order to achieve a competitive advantage. In other words, capabilities are the glue bringing the assets together and enabling them to be deployed in a manner that creates advantages for the company (Day 1994). Therefore, the flow of information, sharing of resources, learning as well as atmosphere are major tools that affect the transfer of capabilities.

According to Jemison & Haspeslagh (1991, pp. 22–23) both value capture and value creation take place in an integration. Value capture refers to the one-time transaction linked event of shifting value from the shareholders of the acquired company to the shareholders of the acquiring company. According to Wernerfelt (1984) M&A provides a vehicle to trade these usually non-marketable resources in a highly imperfect market thus allowing returns to be created. However, having these resources is not enough unless they can be utilized to promote the competitive position of the company. Therefore, the more central concept to PMI is value creation, which refers to the long-term phenomenon of synergy realization. Synergy occurs when the capabilities, that are transferred between the companies, form into a competitive advantage thus improving the competitive position of the company at the market and hence positively improving its performance. (Jemison & Haspeslagh 1991, pp. 22–23) This is in line with Day (1994) as the transfer of capabilities allows the new combined entity to more efficiently deploy assets in order to gain advantages. The capability transfer and synergy realization are therefore the very core of the capabilities-based view as the view emphasizes the firm's ability to deploy the acquired resources in the most efficient way, i.e. transfer capabilities and create synergies in order to create competitive advantages and value.

Capability transfer is a central concept when talking about PMI as integration is the source of value creation. Jemison & Haspeslagh (1991, p. 106) describe integration as the “interactive and gradual process in which individuals from the two organizations learn to work together and cooperate in the transfer of strategic capabilities”. Integration is “an adaptive process of interaction that takes place when firms come together in an atmosphere conductive to capability transfer”. The strategic capability transfer and therefore value creation are dependent on the organizational context and the ability to create an atmosphere of contextual understanding despite the problems that arise due to the PMI process. (Jemison & Haspeslagh 1991, p. 103) In other words the ultimate goal of integration is to realize synergies (Lubatkin 1983; Mukherjee et al. 2004; Holland & Salama 2010; Das & Kapil 2012) i.e. to transfer the capabilities. In other words, in order to create value and improve the deal performance, capability transfer has to take place. Actions that promote this transfer of capabilities thus improve the deal success and therefore should be the focus of the companies engaging in M&A activity.

When talking about M&A value creation, deal performance is a central concept to understand. In this work, the definition of deal performance is based on the definition of performance. However, the concept of performance can be multifaceted as described by Zollo & Meier (2008) and can include for example financial or process-related measures. However, in case of M&A the components of performance are strongly connected and therefore this research adopts a broader view on performance by defining performance as how well the M&A performs, i.e. how well it proceeds towards its predetermined goals. The central concepts regarding deal performance and the acquisition integration process illustrating the process of value creation in M&A is presented in Figure 1.

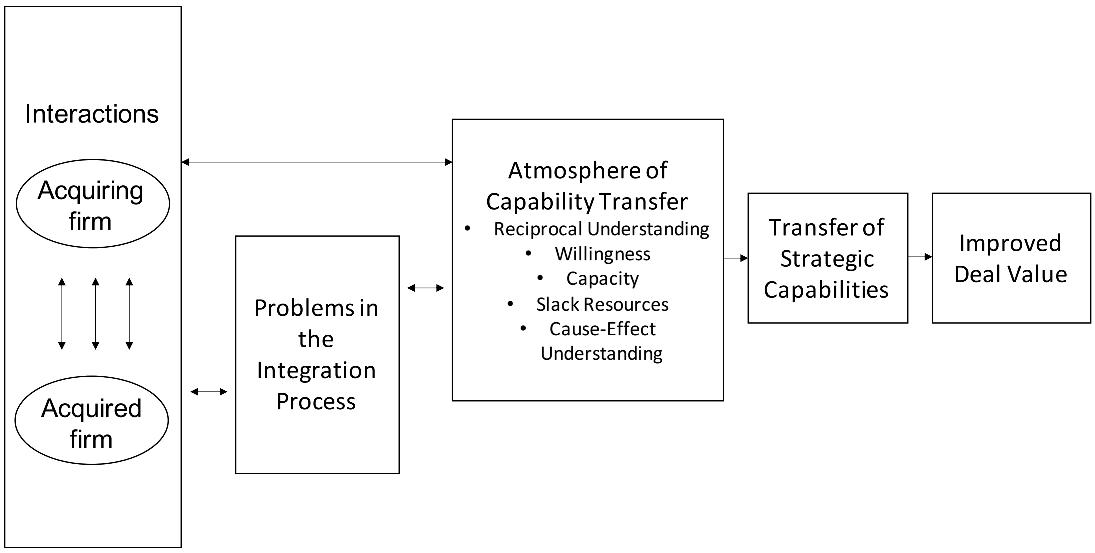

Figure 1. *Integration value creation process (Modified from Jemison & Haspeslagh 1991, p. 123)*

According to Jemison & Haspeslagh (1991, p. 110) the atmosphere of capability transfer consists of five key ingredients; reciprocal understanding, willingness, capacity, slack resources and cause-effect understanding. This view is supported by Gates and Very (2003) as well as Rumyantseva et al. (2002) who also recognize the importance of atmosphere for the transfer of strategic capabilities and M&A integration success. The atmosphere of capability transfer is crucial as it affects the information exchange and learning post-deal (Jemison & Haspeslagh 1991, p. 117). According to Kogut & Zander (1992) the creation of a supportive environment facilitates the knowledge transfer and is therefore crucial for M&A value creation. Reciprocal understanding refers to the need to understand the other company and its values, history, organizational approach, personnel makeup as well as culture. This is because sometimes the strategic capabilities are embedded in the organization or the culture of the company. Reciprocal understanding is therefore a prerequisite in order to transfer and apply these capabilities successfully. It is all about a two-phased learning process where the two organizations learn the why's and how's of the capabilities. It is important to understand why and how the capability worked in the initial context. This is particularly important for the acquirer. (Jemison & Haspeslagh 1991, pp. 111–112)

Willingness to work together on the other hand is essential as capability transfer requires people working together and transferring the capabilities from one organization to another. In case the employees are not ready to work together, this will result in problems regarding integration value creation. Typical reasons that make people not want to work together are fear of job loss, loss of power over resources, firm size, desire to hold on to old ways of working as well as reward system-based motivation**.** Also, prior experience in mergers has been found out to positively affect the willingness to work together in a company. (Jemison & Haspeslagh 1991, pp. 113–114) This view is in line with Applebaum et al. (2017) who suggest that resistance to change is normal for M&A integration. Overcoming it by the means of change management measures is the key to M&A success (Applebaum et al. 2017).

Capacity to transfer and receive a capability means that the parties must have the capacity to participate in the transfer. In other words, the capability has to exist and appropriate people in both firms must be able to transfer and receive it. This means that the acquirer must have enough resources as well as intellectual and organizational abilities in order to be able to use and apply what is acquired. (Jemison & Haspeslagh 1991, pp. 114–115) This is in line with Björkman et al. (2007) who suggest that the absorptive capacity, i.e. the organizations ability to absorb and assimilate knowledge, affects the capability transfer in the organization.

The availability of resources is an essential component shaping the acquisition behavior (Alessandri et al. 2014) and that there is often a lack of resources during PMI (Vester 2002). Slack resources are needed in order to give a basis for dealing with strategic contingencies at corporate and business levels. Having enough slack resources provides protection and room for maneuver this way preventing a premature fixation on short-term results in case the acquired unit does not immediately meet the performance expectations. Slack can also help the middle managers responsible for integration to deal with unanticipated events and problems by smoothing out arising problems. (Jemison & Haspeslagh 1991, pp. 115–116)

Lastly, cause-effect understanding is essential as capabilities transfer requires the broad purpose and vision of the acquisition to be clarified in operational terms for the middle and operating-level managers responsible for the integration (Jemison & Haspeslagh 1991, p. 116). Because these managers are the ones who need to work out the details of how to bring the two firms together, they need to understand the vision and reason of the acquisition as well as the underlying causes and effects in order to be able to transfer the capabilities and allow synergies to be realized. According to Lakshman (2011) cause-effect knowledge of the managers is an essential component of knowledge leadership. This is supported by Gates & Very (2003) who suggest that managers should identify relevant performance measurement measures and adapt the integration plan based on these measures. Jemison & Haspeslagh (1991, p. 116) suggest that managers need to understand the nature, the source, the timing and the predictability of the benefits that are expected from the acquisition. These are all included in the integration plan. If there is no precise plan and timetable of when outcomes can be expected, many problems may arise. Also overly rigid and detailed plan should be avoided but being specific is still needed. (Jemison & Haspeslagh 1991, p. 116) This is in line with Vester (2002) who also recognizes the importance of integration plan for the PMI success.

2.2 Critical success factors

2.2.1 Speed of integration

Time has traditionally been considered as an important dimension of competitive strategy in business context (Gomes et al. 2013). It has also quickly gained foothold in M&A literature by becoming one of the most crucial critical success factors related to acquisition success (Inkpen et al. 2000; Vester 2002; Gomes et al. 2013). Due to challenging and complex nature of M&A success combined with the benefits that speed can provide for the company, it is no surprise that the speed of acquisition integration has become an imperative for a growing number of practitioners and consultants working on the field (Angwin 2004).

By definition speed is regarded to be the ability to execute movements quickly (Kent 2016). This definition is based on the physical definition of speed according to which speed is the rate of change of position of a body (Rusk 2014). In M&A context, the concept of speed is twofold as it consists of the dimensions of time to completion as well as progress over a set period of time (Angwin 2014). In this study, the word speed is thus used to refer to how fast a variable under study is changing in relation to the overall time to completion. In other words, speed refers to the time it takes for the integration to proceed to completion. However, it is very difficult to define an exact time when an integration is complete. Therefore, various frameworks such as the first 100 days model have been developed. (Angwin 2004) According to Citicorp's David Franzen (1987) there is "'a window of opportunity'" of 100 days after the acquisition during which people expect change and thus the integration and change measures should be completed during that time (Buono & Bowditch 1989, p. 15).

In literature there are also studies criticizing the common and prevailing consideration of speed as an imperative by providing insight into the cons of moving fast during the PMI process. It has been discovered, that speed can for example cause discomfort and increase the risk of arising conflicts (Olie 1994). What is more, slow integration has been found to improve trust building between the employees of the merging firms (Ranft & Lord 2002). High integration speed can also be detrimental for the deal success when there is low internal relatedness and high external relatedness between the acquirer and acquired companies (Homburg & Bucerius 2006).

However, the costs of moving slowly are found to be much greater than the costs associated with moving quickly (Light 2001). However, this research concentrates on ways and benefits of increasing speed and therefore the research does not further consider the negative effects of integration speed as they have not been regarded relevant for the case acquisition. When combined with the fact that companies need to know how to move fast no matter what the integration strategy and timeframe chosen, this research provides an important new aspect to the prevalent research and complements the views by giving insight into how speed can be increased by the means of PMI CSFs. In addition, it is easier to move slow than to move fast as the speed can be reduced easily by simply postponing the schedule of different activities and milestones. Also, it is more common for companies not to be able to move fast enough due to various inabilities than it would be for them to move too fast. The role of this work is to give the management an action plan on how to move quickly, after a decision has been made based on the adequate speed principles. Therefore, this knowledge is of great value for companies and scientific literature, as it unifies the underlying literature to provide a more holistic and unified picture of the ways in which speed can be increased in the M&A integration process. As every M&A deal is different, this knowledge is to be used together with the previous research on the ideal speed of acquisition to formulate the best possible integration plan tailored specifically for the context in question. For these reasons, the negative sides of the speed in M&A integration process are not covered in this research, but instead the research solely concentrates on providing insight into how the integration speed can be increased by the means of PMI CSFs.

The need to move fast in regard to M&A integration is also linked to the change in the business environment over the years. The rate of change of the environment has increased and it has become evident, that companies that want to endure and success need to be able to answer to changes fast (Angwin 2004). According to Stalk (1988) speed can be perceived as an important competitive advantage that can help companies to compete and manage in the dynamic business environment. This need for agility has also been applied to M&A integration process and can be seen in the need of managers to integrate fast in order to keep the company moving and responsive to the changes (Angwin 2004).

The first 100 days-concept has gained momentum in literature and is described to have become something of an urban myth among managers and consultants. It is often used as a benchmark to measure the progress of integration. (Angwin 2004) Many successful companies such as GE Capital perceive the first 100 days after the deal as critical for the acquisition success (Ashkenas et al. 1998). At GE Capital the idea in having a 100-day integration plan is that as change is inevitable in case of M&A, it is best to make the changes as quickly as possible (Inkpen et al. 2000). This view is also in line with other scholars. According to Feldman & Spratt (1999, pp. 31–34) the first 100 days is when the critical actions should take place as this is the limit to employee enthusiasm and Wall Street patience. Other perks of integrating within the 100-day period works also as a motivating factor for everybody involved and can therefore improve the integration (Vester 2002). According to Angwin (2004) PriceWaterhouseCoopers suggests a 100-day schedule for the whole integration process. Also Vester (2002) suggests that the first 100 days is the time in which the integration should take place. It is evident, that the first 100-days have become a prevalent concern of the M&A integration among scholars and practitioners (Angwin 2004).

Many scholars stress the essence of moving rapidly (Ranft & Lord 2002; Vester 2002) and consistently (Vester 2002) after the deal in order to increase the success of the integration process. There seems to be a common agreement in the literature, that uncertainty is maybe the most important corrosive factor causing challenges in the integration process (Angwin 2004). Yet, by moving quickly the time of uncertainty can be reduced (Vester 2002; Angwin 2004). Vester (2002) suggests that moving quickly enables the creation of supporting organizational structures thus establishing a sensation of calm among the employees because the employees will no longer be guessing about the outcomes of the deal. If moving slowly however, uncertainty can increase (Gomes et al. 2013) thus causing the M&A integration value creation to suffer while also negatively interfering with other business functions as morale can suffer and customers get forgotten (Vester 2002). Therefore, moving rapidly helps the company to reduce uncertainty and therefore decrease the amount of negative surprises and other issues during the integration process leading to better integration results and value creation.

Maybe the most apparent advantage of integrating fast is linked to the financial side of the operations. It is typical for a M&A deal to cause a temporary dip in revenue and profitability right after the acquisition due to the fact that a part of the resources is directed to PMI instead of the core business. There are also many new issues and things that interfere with the daily operations and take time for the employees to get used to thus reducing the time used for regular business. What is more, according to Jemison & Sitkin (1986) the lack of transformational support can fuel uncertainty related to career, financial security, geographical relocation, feeling of alienation and lack of co-worker trust. This increased uncertainty often results in dissatisfaction and low productivity immediately after the acquisition announcement (Jemison & Sitkin 1986). These challenges regarding productivity, distractions in management attention, delayed decision making, dissatisfaction, commitment and motivation are referred to as post-acquisition drift (Ranft & Lord 2002). For these reasons, the productivity and profitability of company operations tend to decrease during the integration process. According to Tetenbaum (1999) post-merger drift and up to 25-50% drop in productivity can be faced when going through a large organizational change. However, rapid integration has been found to minimize the amount of post-merger drift (Ranft & Lord 2002). Therefore, reduction in the integration time and returning to the status quo or business as usual as fast as possible reduces this time of underperforming and is thus an important factor from the financial perspective.

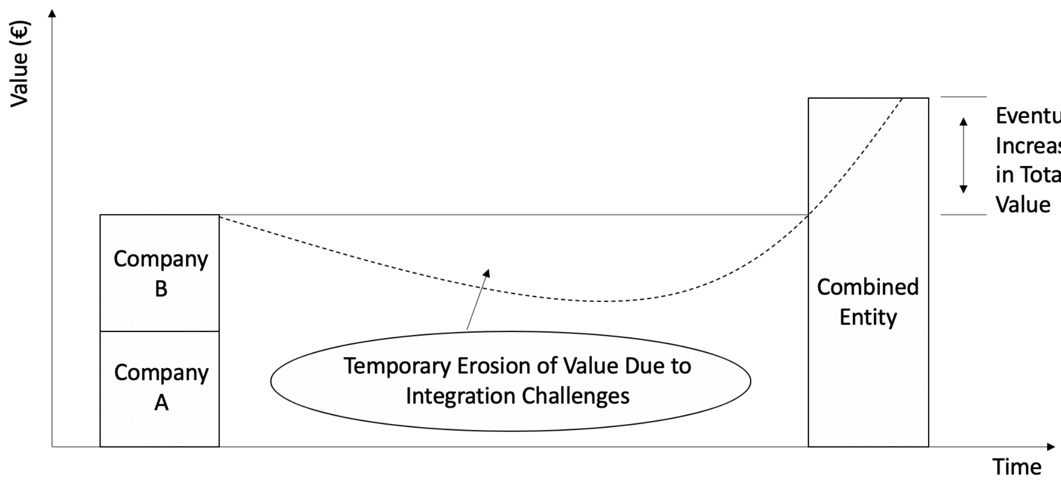

Figure 2. *The effect of integration on the revenue and company valuation (Modified from Vester 2002)*

There are many advantages of fast integration arising from the fact that it can reduce the time in which the acquired assets can be utilized. Therefore, the motives behind M&A activity can be used to explain the importance of speed when integrating. M&A is a big investment for a company, and it is made in order to access new returns for the investment. The faster the acquisition is integrated and the faster the status quo is reached, the faster the returns on the investment will be accessed (Angwin 2014). In other words, time is money for the companies. Acquisitions foster company growth due to the financial and strategic returns gained through the investment, and therefore fast integration is also an advantage from the company growth perspective. The effect of the acquisition integration speed on the value of the company due to the realization of investment returns is demonstrated in the example of two merging companies; SmithKline and Beechams. At the same time there was another merger going on by Bristol Myers Squibb. Due to the fact that the SmithKline Beechams was proceeding at a slower integration rate, they ended needing to mark down the share price. (Bauman 1997) As the value of the company reflects the expected future cash flows of the company (Kaplan & Rubak 1995), the previous example supports the view of Angwin (2004) suggesting that the companies integrating faster than competitors tend to be winners.

The investment return aspect of PMI can be understood well by taking a look at investment banks engaging in leveraged buyouts (LBO). Even though LBO’s differ from many other companies, their procedures are still worth studying when determining the PMI success factors. According to Anslinger & Copeland (1996) successful LBO firms tend to outbid the corporate buyers while creating remarkable returns even without having any synergic benefits. This suggests that the integration procedures used by the LBO are a good way to understand what makes M&A integration successful. Bruner (2002) agrees that LBOs tend to create exceptional returns to buyers and suggest that one reason for it are the incentive schemes as the net worth of the managers is closely tied to the success of the transaction. Due to the nature of LBO companies, they engage in M&A activity in order to create returns. It is also in their interest to access these returns as soon as possible. This is reflected by the fact described by Anslinger & Copeland (1996), that financial buyers tend to be less patient along the M&A process. It is also characteristic for the LBO firms to "push the pace of change" as this "disciplines managers and sharpens priorities" while giving the employees a challenge (Anslinger & Copeland 1996). Decrease in the integration time would therefore help LBO companies to access returns faster, create better return and thus work as a competitive advantage in the bidding process.

When discussing about M&A integration it is important to notice that people are in the center of the whole process. It is often the people who can make an acquisition succeed or fail. Often the legal and accounting aspects are taken care of in an exemplary fashion, but the problems arise with the people at the integration phase. This fact emphasizes the importance of people management and behavioral psychology perspective of the M&A integration process. From a behavioral psychology perspective, it can be remarkably detrimental for the post-acquisition integration in case there is a sustained uncertainty among the workforce (Buono & Bowditch 1985). As described by the chairman of former National City Corp. A. Daberko:"' The real enemy of a successful integration is uncertainty'" (Chase 1998). The employees want to know what to expect for example in terms of employee layoffs, changes in the organisation and management as well as other practical matters. They are also interested in the timetable of the changes. However, there is proof that integrating faster reduces internal uncertainty among employees. (Homburg & Bucerius 2006) One reason for this is that speed gives the employees a perception of controlled process making them feel like they are in good hands. Therefore, it is essential that the process progresses fast so that the time of uncertainty can be minimized (Homburg & Bucerius 2006). Structural integration introduces defined social structures as a result of e.g. clarified reporting structures, hierarchies and incentive schemes that increase clarity and minimize the uncertainty perceived by the employees as the uncertainty related to the expected performance and behavior in the new firm diminish (Schweizer & Patzelt 2012). The risk otherwise is that the employee retention rate will decrease, and productivity fall as a result of prevailing uncertainty. What makes the uncertainty even more detrimental is the cumulative network effect of rumour mills causing exponential effects. If the integration speed is increased, the time of uncertainty can be reduced, and the exponential effects of the rumour mills can be minimized. (Angwin 2004)

The speed of integration is also beneficial when it comes to development of social interaction patterns between both the acquiring and acquired organization's employees. The speed of integration increases also the speed at which these social interaction patterns and social structures are acknowledged and learned. By allowing people to work together at an early stage on everyday work projects and to solve everyday business problems the employees will be able to start to build up their own new common culture and understanding resulting in reduced uncertainties regarding social context and positions. This reduction in uncertainties improves the integration process and therefore increases the chances of M&A success. Established social structures are also found to be linked to an increased motivation to stay within the new combined organization. This is due to the reason that established social structures help the employees to create a sense of cohesion in the organization and increases the amount to which the employees are attracted to each other. (Schweizer & Patzelt 2012) Therefore it can be concluded, that rapid acquisition can be used to minimize the post-acquisition integration problems related to human resources (Ashkenas et al. 1998; Inkpen et al. 2000). Also employee commitment can be maintained and improved through fast integration and the probability of them staying within the firm is positively associated with integration speed (Schweizer & Patzelt 2012). These findings are in line with the studies suggesting that there is a positive relationship between post-acquisition integration speed and general M&A success (Light 2001; Vester 2002)

According to Homburg & Bucerius (2006) the speed of integration is beneficial also from the external communications point of view. The speed of integration has been found to be particularly important when the external relatedness of the merging companies is low, i.e. the target markets and market positioning of the two merging companies are very different. This causes increased uncertainty among the customers as there will more likely be changes in the product portfolio or positioning of the products as well as segmentation. All these are factors could negatively affect the customers hence making them particularly vulnerable. Therefore, the property of fast integration resulting in decreased uncertainty is particularly important in this kind of settings. (Homburg & Bucerius 2006)

Faster integration can also cause advantages regarding the marketing functions and thus increase customer satisfaction. Marketing and sales operations are essential for communicating with the customer and can be utilized to provide the customer with more information. Hence, when the sales and marketing functions are back to status quo faster, time of uncertainty for customers can be reduced to minimum. This is especially important for the business as it is a common practice for competitors to try to increase uncertainty within the customers in order to try to poach them and make them switch their provider. In addition to that, reduced uncertainty among customers decreases the amount of negative customer reactions. (Homburg & Bucerius 2005; Homburg & Bucerius 2006) It has been found out, that negative customer reactions can significantly reduce the M&A success (Morrall 1996; Urban & Pratt 2000). However, faster integration results in happier customers as these pitfalls can be avoided.

Homburg & Bucerius (2005) also found out that there is a positive link between the speed of integration and market-related performance. Market related performance is used to describe the effectiveness of marketing activities of the new combined organization and it consists of e.g. cross-selling, bundling opportunity utilization and exploitation of negotiation position. In other words, by increasing the speed of integration, the previously mentioned factors and thus the market-related performance of the company can be positively affected as the result increases the customer retention. Due to the fact that customers are cheaper to retain than to acquire completely new ones, cost savings can be generated. (Homburg & Bucerius 2005)

Recruiting new employees is expensive. If the employee retention rate could be increased, it would result in reduced expenses. As stated previously, integration speed can be used to increase employee retention. Often more important than the recruiting expenses is the knowledge capital of the people leaving the company. This cannot be stressed enough in the context of M&A integration especially in knowledge-intensive industries where employee retention is key to deal performance.

The advantages of rapid integration can also be addressed on the strategic level. The society and business environment are changing in an increasingly rapid manner meaning that also companies need to adjust to changes more rapidly in order to secure long-term success and endure in the competitive environment. Speed has become a central factor affecting long-term survival of a company as if reduces the time available for competitors to respond to changes. This can give both positional advantage and barriers to imitation thus providing the company substantial competitive advantage against its competitors. (Angwin 2004) It can be well understood how speed in M&A integration context can work as a competitive advantage when the other advantages that have been mentioned so far are considered. Let’s consider for example the value of the company and the time of integration. Slow integration can affect the value of a company negatively (Bauman 1997). Also being able to capture returns faster contributes to the net worth of the company. This net worth can be leveraged against the competitors thus increasing the company's chances to manage in the competitive environment. In addition, faster integration will make it possible to utilize the acquired capabilities or strategic advantages such as size or diversification faster and this way get access to the competitive advantages faster hence helping the company to succeed in the competitive environment.

In addition to providing advantages on a strategic level against competition, speed of integration also has advantages when it comes to managing the uncertainties of the external environment that can potentially be fatal for the success of a company. According to Angwin (2004) rapid integration reduces the exposure of the company to uncertainties related to the external environment. As stated previously, the company is in a sub-optimal condition before the integration is completed and therefore is more vulnerable to changes in the environment (Angwin 2004). Ranft & Lord (2002) suggest that as a result of post-merger drift, the management attention might be concentrated elsewhere resulting in distraction from the firm's business operations causing important decisions and investments to be delayed. This provides a good opportunity for the competitors to take advantage of the situation and use it for their advantage (Ranft & Lord 2002). However, by reducing the time of vulnerability by fast integration, the company can manage risk and minimize the chance of realization of negative outcomes.

Distraction from the business operations also causes the company to be less agile because of the slowed down rate of decision making increasing the time at which the company can respond to changes (Angwin 2004). This can be for example due to the fact that the resources are directed towards integration instead of monitoring the environment. Also, internal changes are harder to implement before the integration process is completed. The lack of ability to rapidly apply these essential change-measures decreases the company's reaction time to changes. Therefore, it is more likely that the company will face reduced effectiveness of change measures taken to address macroeconomic, political, competitive or other type of changes in the external environment (Angwin 2004). However, by reducing the time of integration, the time that the company's ability to react effectively to external changes can be minimized thus reducing the risks faced by the company during PMI. This ability to maximize the agility and ability to respond to changes as a result of fast integration is a powerful advantage that can be of great importance for the company in the long run.

In case of friendly M&A there is also the enthusiasm-principle that is related to the speed of acquisition and overall acquisition success. Both acquirers and acquirees anticipate changes and have expectations for the deal that feed enthusiasm and euphoria. According to Angwin (2004) the amount of enthusiasm decreases over time. Hence, acting rapidly takes an advantage of the enthusiasm for change and makes implementation of change measures easier thus making the integration smoother (Angwin 2004). According to Feldman & Spratt (1999, p. 32) the employees expect dramatic changes after a takeover announcement and are ready to accept them. However, if you act too slowly and miss this window, implementing the big changes will be harder. If changes were made later on, there would be less enthusiasm and readiness for change thus making the management process and implementation of changes harder and more time consuming. Therefore, acting rapidly possesses the advantage of utilizing enthusiasm in order to make change management and implementation of changes more effective this way reducing the overall time of post-acquisition integration process.

The enthusiasm can also be affected by the speed of integration. It has been found out, that early post-deal wins delay the decay of enthusiasm within the organization while helping to maintain the state of euphoria within the organization (Angwin 2004). Early wins are the first fruits of integration that aim to instill confidence and support to different stakeholders (Gomes et al. 2013). Quick results are deemed important in order to demonstrate the benefits of the integration to the employees (Ashkenas et al. 1998). It will also establish an atmosphere of success and this way helps to build up the momentum for change. In case these early victories will not take place, it can reduce the enthusiasm among the employees.

Already earlier it was stated that there tends to be a decrease in value of the combined entity during the integration process resulting from regular business being affected negatively. This negative effect is to a great extent due to the resources being allocated to the integration process instead of operations in addition to the other regular value decreasing factors related to inability to capture value. According to Angwin (2004) by integrating faster, the organization would thus spend less time in sub-optimal condition. In addition to reducing the time-related value loss due to revenue dip, it would also have other positive effects for the company. One crucial factor mentioned by Angwin (2004) is the instability of the company during the integration process. Due to internal disorder and challenges, the company is more vulnerable both in regard to internal and external threats and therefore reducing the time of this vulnerability is of great value for the company thus supporting faster integration speed. This view is also in line with other scholars (Homburg & Bucerius 2005; Homburg & Bucerius 2006). Due to reduced instability, also the amount of costly readjustments related for example to inefficient operations or poorly coordinated market interference can be avoided (Angwin 2004). This suggests that rapid integration can also be of significant value in regard to cost-savings related to the need of readjustments. What is more, Angwin (2004) suggests that the shortness of the time period of integration is also positively related to the controllability of events. Therefore, by increasing the integration speed and thus reducing the overall integration time control can be increased over the integration processes. This can be of great benefit for the company that implements critical changes requiring a high degree of control.

According to Ranft & Lord (2002) slow acquisition implementation is positively associated with the post-acquisition autonomy of the acquired firm. They suggest that this autonomy can be an issue when it comes to capturing value from the deal. It is essential to communicate with the acquired company and to integrate it to the acquiring company in order to capture synergies. If the company is given perfect autonomy with no integration at all, it is not possible to access the value that is to be created in the integration process. The knowledge-based view of a company suggests, that the critical source of competitive advantage is the integration of knowledge rather than the knowledge itself. It is not enough for the company to buy knowledge if it is not able to integrate it. (Ranft & Lord 2002) This is in line with the capabilities-based view (Day 1994). Therefore, it is essential for the company to integrate the knowledge in order to be able to use it as a competitive advantage. Ranft & Lord (2002) also propose, that there is a curvilinear relationship between the transfer of technologies and capabilities to the acquirer and the slow integration speed. These factors suggest that the speed of integration can to some extent also promote the realization of value from the deal due to its ability to prevent excessive autonomy and alienation of the acquired firm. Also this view supports the approach that fast integration can support the value creation and success of the deal.

A central concept related to M&A integration is the path-dependency of events (Gomes et al. 2013). Path dependency means that the order in which measures are implemented affect the overall outcome. When evaluating the effectiveness of actions taken, it is important to note that early actions are assumed to have bigger effects upon outcomes than later actions (Angwin 2004). This is due to the fact that the establishment of configurations and capabilities limit the ability to establish substantial difference (Angwin 2004). Therefore, companies have a limited ability to learn or anticipate from feedback that is provided later on during the post-acquisition process (Angwin 2004). In other words, moving fast maximizes the effectiveness of actions taken hence supports the overall effectiveness and success of the M&A integration.

A good example supporting the view of the benefits of quick post-acquisition integration on the overall success of the M&A can be found by studying Cisco Systems. Cisco is an experienced acquirer who is considered one of the most successful acquirers of all companies (Goldblatt 1999). Inkpen et al. (2002) describe Cisco's growth strategy to be centered around acquisitions. Cisco applies a fast post-acquisition integration strategy aiming to integrate the acquired company within 100 days (Schweizer & Patzelt 2012). One way to measure acquisition success is monitoring employee retention (Bunnell 2000, p. 73). The employee turnover rate at Cisco is extraordinarily low, just 2,1% instead of an industry average of 20% (Goldblatt 1999). Inkpen et al. (2000) brings up that the employee turnover rate in the acquired companies is actually lower than the average turnover rate among Cisco's own employees. Particular interest at Cisco is placed on communication as employees are told well in advance what the plans are because the company believes that "trust is everything" (Bunnell et al. 2000, p. 74). Also placing top people from the acquired firm into key positions in order to make them stay is a standard procedure at Cisco (Inkpen et al. 2000). As a result of fast integration and good management, the employee turnover rates at Cisco are low resulting in increased value creation while increasing the overall success rate of M&A deals. This view is aligned with the proposition of Schweizer & Patzelt (2012) stating that there is a positive relationship between the post-acquisition integration speed and employee commitment during the post-acquisition integration process. Table 1. Integration speed summarizes the benefits of fast PMI integration.

Table 1. *Integration speed best practices*

Speed of integration
Implementing changes early is easier (Angwin 2004). When integrating the acquisition within 100 days, employee enthusiasm can be leveraged to improve effectiveness of change measures (Feldman & Spratt 1999, pp. 31–34).
Integrating faster reduces the time of uncertainty and the effect of rumour mills (Angwin 2004).
Fast integration enables to better respond to the dynamic competitive environment Stalk (1988).
Fast integration reduces the time of sub-optimal operations and shortens the revenue dip time (Angwin 2004).
Benefits of the investment can be realized faster. Positively contributes to company valuation. (Bauman 1997)
Integrate fast to not give competitors a chance to poach your clients or get ahead (Homburg & Bucerius 2005; Homburg & Bucerius 2006).
Higher integration speed can reduce employee retention (Angwin 2004).
Fast integration improves client relationships and marketing function hence improving client satisfaction (Homburg & Bucerius 2005; Homburg & Bucerius 2006).
Take a look at LBO practices: Tie the net worth of managers to the success of integration (Bruner 2002), give the employees a challenge, sharpen the priorities and increase the pace of change (Anslinger & Copeland 1996) in order access the benefits of integration speed.
Balance between fast integration and the increased risk of conflicts and discomfort among the employees (Olie 1994).
Acknowledge, that slower integration improves trust building (Ranft & Lord 2002).
Low internal relatedness and high external relatedness between the acquirer and acquired companies requires slower integration speed (Homburg & Bucerius 2006).

2.2.2 Integration strategies

Adequate and effective integration is key for value to be derived from the deal as this is the stage where value is created and synergies realized (Jemison & Haspeslagh 1991, p.105; Schweiger et al. 1993; Ashkenas et al. 1998). Yet many deals do not live up to the expectations and create the synergies or financial benefits that were expected (Schweiger & Weber 1989) suggesting that a high enough degree of integration has not been achieved. While greater integration leads to greater synergy realization (Larsson & Finkelstein 1999), too much integration can result in M&A failure as the risk for detrimental cultural clashes increases (Weber & Schweiger 1992). The risk of the breakdown of the combined entity due to organizational diversity increases as the degree of integration increases (Olie 1994). Thus, it can be concluded, that integration approaches do matter and therefore adopting the right integration strategy is essential for deal performance.

The extent of integration is a central concept when talking about integration strategy. As every acquisition is unique, scholars have developed many different contingency frameworks regarding integration approaches. The appropriate extent of integration is a function of the synergy potential and the cultural fit of the deal. Howell (1970) identifies three integration approaches that are a function of the perceived synergy potential of the deal whereas Nahavandi & Malekzadeh (1988) propose an acculturative integration framework that associates the degree of integration with the cultural fit of the company. However, there are also many frameworks combining both human and task integration into a unified framework. According to Gomes et al. (2013) the best-known contingency framework combining these dimensions is the post-acquisition integration model created by Jemison & Haspeslagh (1991, pp. 145–149). The model divides integration approaches into four according to the need for strategic interdependence and need for organizational autonomy. The model is presented in Figure 3.

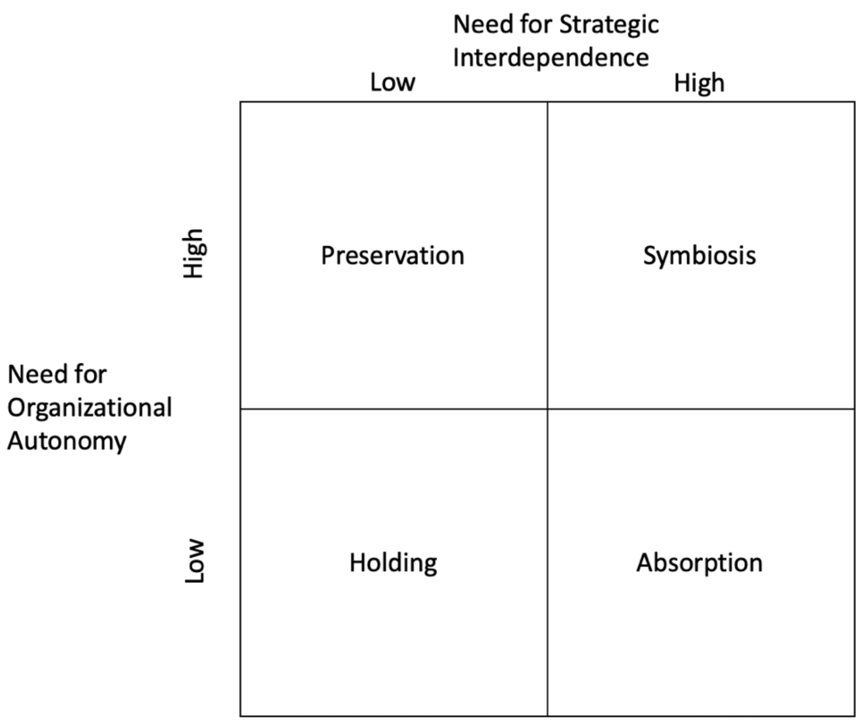

Figure 3. *Acquisition integration approaches (Modified from Jemison & Haspeslagh 1991, p. 145)*

According to Jemison & Haspeslagh (1991, p. 142) strategic capability transfer is the precursor to value creation. This is based on an assumption that the competitive advantage of one firm can be improved as a result of strategic capability transfer i.e. synergy realization (Jemison & Haspeslagh 1991, p. 28). However, the pursuit of capability transfer may lead to the destruction of the very capability that is to be transferred. This is especially the case when the capabilities that are to be transferred reside in people. Therefore, the preservation of some capabilities requires organizational autonomy. (Jemison & Haspeslagh 1991, p. 142) This is in line with other scholars, who suggest that tacit and socially complex knowledge is hard to transfer and therefore calls for a high degree of integration if the benefits are to be realized as suggested by Puranam et al. (2003). Therefore, the acquiring managers should pay close attention to where the capabilities and potential of the acquisition resides and ask whether autonomy is essential to preserve the strategic capability that was bought. If it is, the degree of allowed autonomy should be determined. It is important to also consider the specific areas where autonomy is important and thus allowed. Autonomy is deemed essential in case the survival of the strategic capability depends on it. (Jemison & Haspeslagh 1991, p. 143)

Strategic interdependence describes the strategic fit and how interdependent the two entities should be related to capability transfer and resource sharing. Low interdependence refers to value capture, which is a one-time and transaction related event in which value from previous stakeholders is shifted to the new ones. High interdependence on the other hand means that value is realized via value creation which is a long-term process taking place via the process of strategic capability transfer. (Angwin & Meadows 2009) Strategic interdependence is a central concept concerning value creation. This is due to the fact that strategic capability transfer requires managing interdependencies between the two organizations (Jemison & Haspeslagh 1991, p. 139). Therefore, the extent of interdependence is dependent on how value is created in the integration i.e. the nature of the resources and capabilities that the value is based on (Jemison & Haspeslagh 1991, p. 140; Angwin & Meadows 2009). These interdependencies disturb the boundaries of the acquired company and are likely to result in resistance due to cultural change (Jemison & Haspeslagh 1991, p. 139). This is supported by Angwin & Meadows (2009) who suggest that high strategic interdependence is related to high levels of change. Therefore, managers often shy away from the integration tasks as they are afraid of cultural differences and resistance of change (Jemison & Haspeslagh 1991, p. 139). The three types of capability transfer methods creating value are resource sharing, functional skill transfer and general management capability transfer. In addition to that there are likely to be a number of combination benefits such as excess cash, greater size or increased borrowing capacity. All those four benefits set different requirements for interdependence and therefore determine the extent of interdependence as well as the degree to which the organizational identity of the acquired company will be maintained. (Jemison & Haspeslagh 1991, p. 140-142)

Now let's move on to the different integration approaches. According to Brueller et al. (2018) the integration process differs profoundly according to the integration approach and therefore understanding these different approaches is of great importance. The M&A literature generally focuses on three different approaches: absorption, preservation and symbiosis (Weber et al. 2011; Brueller et al. 2018). Absorption is a strategy, in which there is high need for interdependence and low need for organizational autonomy to achieve the pursued value. In other words, absorption acquisitions often result in full consolidation of operations, organization and culture of both organizations. Therefore, all the differences between the two organizations are eliminated over time and the boundary between the two organizations is dissolved (Jemison & Haspeslagh 1991, p. 147-148). According to Brueller et al. (2018) absorption is to be the desired endpoint when targets assets are not possible to be digested completely. Preservation acquisition on the other hand is the very opposite. In preservation acquisition the unit is preserved, and interventions are avoided as the need for strategic interdependence is low and the need for autonomy is high. Therefore, the acquired company is nurtured, and the acquirer intends to learn from the acquired company in order for value to be created. (Jemison & Haspeslagh 1991, p. 148-149) According to Brueller et al. (2018) preservation is needed when target autonomy is critical. Symbiotic acquisitions entail high needs for both strategic interdependence and organizational autonomy (Brueller et al. 2018). Hence, they are managerially the most complex ones to integrate. It is typical that at first the two organizations coexist and gradually become more interdependent. The decrease of the need to preserve of autonomy can be decreased over time only via affecting the entity so that the acquiring organization voluntarily changes its practices to adapt to the new situation. Therefore, both organizations need to adopt some of the original qualities of the other. (Jemison & Haspeslagh 1991, p. 149) Preserving the autonomy might be especially difficult in situation where there is lack of quality in the acquired company. Especially the quality of the management is a critical factor that might be hard to address in symbiotic and preservation acquisitions. Indeed, the profitability of the acquired firm has been associated positively with acquisition success. Also, the size seems to matter, as the acquisitions of smaller companies both in organizational and market performance respect often show a higher rate of success in general. (Jemison & Haspeslagh 1991, p. 150-151)

It is also important to note, that the higher the degree of integration, the longer the integration time (Schweiger & Weber 1989). Therefore, also the situation and the competitive environment of the company might affect the integration approach that is to be utilized. Higher levels of integration can result in slower operational achievements such as speedy product launches as the time to market for the first product after acquisition is increased while resulting in richer product pipeline in the long term (Puranam et al. 2003). Table 2. Integration strategy best practicessums up all the covered integration strategy related best practices.

Table 2. *Integration strategy best practices*

Integration strategies
Define the integration strategy (absorption, preservation, symbiosis, holding) (Jemison & Haspeslagh 1991, pp. 145–149).
Determine the relevant strategic interdependence (Jemison & Haspeslagh 1991, p. 140; Angwin & Meadows 2009).
Do not shy away from integration due to a fear of cultural differences or resistance of change as too low levels of integration will result in inability to capture synergies (Jemison & Haspeslagh 1991, p. 139).
Consider the appropriate level of integration as a function of the synergy potential (Howell 1970) and cultural fit (Nahavandi & Malekzadeh 1988) (utilize frameworks as a help).
Pay attention to where the capability and potential of the deal reside. Remember, that pursuing capability transfer can lead to the destruction of the capability. (Jemison & Haspeslagh 1991, p. 142) Be careful when the capabilities reside in people (Jemison & Haspeslagh 1991, p. 142) or when the capabilities are tacit or socially complex (Puranam et al. 2003). Organizational autonomy can be used to preserve these capabilities (Jemison & Haspeslagh 1991, p. 143).
Higher degree of integration leads to higher integration time and thus requires competitive environment to be considered (Schweiger & Weber 1989).

2.2.3 Leadership

In M&A literature one of the most important and widely acknowledged key success factors of the integration process is post-acquisition leadership (Kitching 1967; Jemison & Haspeslagh 1991, pp. 132–133; Angwin & Meadows 2009). According to Kitching (1967) the quality of management immediately following the merger determines the success or failure of the venture. The importance and necessity of leadership in M&A integration is summed up well by Anslinger et al. (1996): “Don’t do the deal if you can’t find the leader”. This portraits the imperative of leadership for the success of the deal. In order for an acquisition to succeed, appropriate leadership practices are needed. This view is in line with the one of Pritchett et al. (1997, p. 6) stating that a high percentage of acquisition failures is caused by faulty management during implementation. The importance of leadership is also highlighted by Jemison & Haspeslagh (1991, p. 132) as the importance of leadership becomes evident in M&A due to the tendency for value to be destroyed and therefore institutional and interpersonal leadership are needed.

Leadership is a crucial success factor for the acquisition process management as a lack of decisive action from the top in establishing clear company direction and shortfalls in change management during the integration process will inevitably lead to failure (Kitching 1967; Hyde & Paterson 2001; Sitkin & Pablo 2005, pp. 209–210; Nemanich & Keller 2007; Angwin & Meadows 2009). Indeed, the function of leadership to establish a direction for the company is one of the most CSFs for the post-acquisition leadership. According to Olie (1994), leadership is an important integration device that should be used to propel all the heterogeneous powers in one predetermined direction. Jemison & Haspeslagh (1991, p. 132) identify leadership to be essential for the acquisition integration process and suggest that the role of the leaders is to create a situation where the members of the merging companies understand and embrace the acquisition’s purpose and recognize their own role in it. These views are in line with Olie (1994) who argues that leadership in the sense of symbolic reconstruction of new identity, superordinate goals and introducing multigroup memberships is a key to reinforcing integration. While cultural differences may decrease the extent of common identity, a common set of goals and objectives reinforce integration (Olie 1994).

The importance of the leaders to create a common direction for the company is illustrated by a concept of leadership vacuum. According to Jemison & Haspeslagh (1991, p. 122) leadership vacuum refers to “the lack of appropriate leadership to articulate a new purpose for the combined firms”. Because there is a tendency of value to be destroyed in M&A, the role of leadership becomes even more crucial post-deal when the employees of the two entities are brought together and are expected to embrace the new organization (Jemison & Haspeslagh 1991, p. 132). This is in line with Kitching (1967) who recognizes leadership as the determinant of success post-deal. Leadership vacuum that does not provide the employees with a new vision frequently limits the creation of the atmosphere for capability transfer thus negatively affecting the integration and deal value. Jemison & Haspeslagh (1991, pp. 132–135) recognize the need for both institutional and interpersonal leadership in order to create the atmosphere for capability transfer and integration. The lack of institutional leadership leads to the decrease in capability transfer as the employees tend to retreat to their former behaviour thus causing organizational disruptions due to cultural and identity clashes in addition to reducing cause-effect knowledge, the willigness to participate, organizational slack and also decreasing interacion that hinders integration (Jemison & Haspeslagh 1991, pp. 133–134). This is supported by Bligh (2006) who suggests that cultural clashes are detrimental for PMI success but can be controlled by proper leadership. In addition to the previously mentioned, the lack of institutional leadership also caused more resources to be used to solve problems that individuals face. In addition to consuming more resources, the absence of a common purpose leads to substandard performance thus potentially resulting in a situation where no additional resources can be attracted. All in all, leadership vacuum at the top management level results in misdirection in leadership both at the top and the middle management levels. When the common purpose is lacking, it tends to lead to substandard performance. Hence, leadership vacuum is a crucial concept for integration both in long and short term. (Jemison & Haspeslagh 1991, p. 135) Institutional leadership is needed to help the people from both entities develop, understand and embrace the purpose of the acquisition and to see their own role in it. Instutional leadership is the responsibility of the senior managers and they need to create a broad vision that accommodates the purpose of the acquisition, the needs of the two combined entities and results in the creation of a new identity for the new entity that is to promote the transfer of capabilities i.e. integration. However, the management attention tends to peak at the time of the deal, and once the deal has been completed, the senior management typically moves on to other pressing matters and leaves the implementation for the operational managers. (Jemison & Haspeslagh 1991, p. 132-133)

After this the senior managers in the companies where institutional leadership was missing, often solely focused on performance expectations and detached themselves from the acquisition process. They also stuck to the projections used to justify the acquisition and used those as beacons of precision that were to show people what was expected. However, this resulted in leadership vacuum as the senior managers told the appropriate managers of the two entities what the goals were but provided no plan how to get there . The managers only told them to “merge product lines” or merge “each others systems” in order to create synergies or to just “make money”. This way the employees were cast adrift and there was no real plan how to proceed with integration. (Jemison & Haspeslagh 1991, p. 133) This view is supoprted by Tetenbaum (1999) who recognizes the importance for senior management attention during PMI. Also the resolution to key questions regarding the acquisition were in many cases postponed until the last minute and delegated to the lower level managers who were not part of the negotiation process and had no deep knowledge of the situation. In addition to that, it resulted in the senior managers not developing a thorough understanding about the acquisition integration situation and therefore often resulted in having no strategy for the new company and how it could be brought together to create value. This formulation of strategy is the responsibility of the senior managers and is of great essence for the integration and value creation. (Jemison & Haspeslagh 1991, p. 134) This view is also suggested by Galpin & Herndon (2014, p. 26) who suggest that senior managers are to take care of different strategic decisions regarding the integration in order to make it successful.

According to Balogun (2003) middle managers can be a strategic asset for the company as they have the ability to affect change in the organization. The operating middle managers are the ones who often are responsible for achieving the purpose of the acquisition as interpersonal leadership is their responsibility. However, the lack of institutional leadership will result in misallocation of the middle management's time as they need to do more interpersonal leadership in order to solve personnel's problems instead of concentrating on the real purpose i.e. value-creating aspects of the integration. (Jemison & Haspeslagh 1991, p. 134-135) This describes the importance of the senior-level institutional leadership to the whole integration process.

It has been also recognized by scholars, that leaders work as an example for the employees and are thus a key source of influence for the organizational culture. This is supported by Weber (1996) who recognizes that senior managers are key influencers in the organization as their beliefs and values are deemed premate. Therefore, they are essential for the change management. It is important, as described by Gomes et al. (2013) that the managers do not just talk but also "walk the walk" i.e. set an example with their actions.

M&A literature also identifies a need for establishing clear roles and responsibilities in the acquisition integration process. Inkpen et al. (2000) suggest that decision-making as well as clearly determined structures regarding authority and responsibilities are vital for M&A integration success. Especially establishing clear relationships between the parent company management and the management of the newly acquired subsidiary is essential for successful acquisitions (Kitching 1967). According to Kitching (1967) "riding herd" and reporting procedure clarity are characteristics regarding the relationships between the management of the acquirer and acquired company that distinguish the most successful acquisitions. The parent company is to appoint a top executive immediately after the acquisition to "ride herd" the process. Second success factor is that the reporting relationships in the organization are made clear immediately and the temptation to change the reporting structures often is resisted. (Kitching 1967) According to Angwin & Meadows (2009) the use of outsider top executives to carry out this leadership function can be used to facilitate a higher degree of organizational change as they are less constrained due to not being a subject to organizational inertia caused by being embedded in the existing social system of the company. These views of Angwin & Meadows (2009) are in line with Anslinger and Copeland (1996, pp. 106–107) who state that outsiders can be used to provide an independent point of view. Angwin & Meadows (2009) propose that there seems to be a positive interrelationship between the strategic interdependence of the acquired company and the use of outsiders. Therefore, outsiders are more often used as top executives in case of absorptive integration whereas in-house managers are preferred in preservation acquisitions (Angwin & Meadows 2009).

A crucial factor contributing to the importance of the leadership is the human integration aspect of M&A. A successful acquisition integration depends on leadership that enables both organizational and cultural integration to occur as well as on the management of expectations between the two organizations (Schweiger & Weber 1989; Weber et al. 1996; Vermeulen & Barkema 2001; Angwin et al. 2004; Sitkin & Pablo 2005; Angwin & Meadows 2009; Vasilaki, 2011a, 2011b). What is more, Hyde & Paterson (2001) suggest that the leaders need to be proactive in order to manage the process of change and establish clear objectives that are aligned with the company strategy.

Kavanagh and Ashkanasy (2006) suggest that the culture of an organization and the response of the people to change is to a great extent shaped by the behavior of the leader. Therefore, organizational leaders are key influencers in regard to organizational culture (Weber 1996). This is in line with the view of Mumford et al. (2002) who suggest that the organizational climate and culture represent a collective social construction that leaders have substantial control and influence over. A key to success in the cultural integration relies on the understanding of the cultures that are to be integrated. To change a culture, one must understand it first (Kavanagh & Ashkanasy 2006).

Also, the leadership style and characteristics and their relation to M&A integration success has been studied by many scholars. According to Olie (1994) charismatic leadership is needed in organizational transformation processes. According to Waldman & Javidan (2009) “a common aspect of charismatic leadership is the articulation of vision in an attempt to integrate multiple groups and achieve consensus”. It is also known, that charismatic leadership is applicable and outperforms pragmatic leadership in an environment where different interests and unclear goals dominate and where the consensus is not evident and straight forward. These factors are characteristic for the M&A integration process. (Waldman & Javidan 2009). Therefore, it can be concluded, that charismatic leadership is a CSF of the M&A integration process. However, not all types of charismatic leadership styles are equally good. Waldman & Javidan (2009) suggest that personalized charisma will lead to resistance of change and employee turnover. However, socialized charisma will result in collaborative vision-formation and decision-making that will ultimately result in the transformation in both of the companies. What is more, it will also result in the formation of shared vision while positively contributing to information sharing within the company. Collaborative vision and decision-making as well as open information sharing in the post-M&A phase is positively associated with increased integration and therefore a collaborative integration process will lead to improved synergy capture and creation as a result of the development of a unified and strong culture in the acquired firm. (Waldman & Javidan 2009). What is more, Schweizer & Patzelt (2012) identified, that relational, contextual, inspirational, supportive and stewardship-based leadership styles are associated with a stronger positive effect of fast acquisition integration.

When talking about the leadership in M&A integration context, it is important to remember that the process deals with humans. Therefore, little things do matter (Bligh 2006). Best practices include CEO visits to the newly acquired company (Vester 2002) and talking with the employees in order to establish dialogue with all employees in addition to promoting the new vision and teamwork. It is also important to provide the employees possibilities to ask questions and share their concerns (Ashkenas et al. 1998).

M&A integration is a change management project and therefore project management at its fullest (Vester 2002). This is described by Kavanagh & Ashkanasy (2006) who describe leadership as "'the art of mobilizing others to want to struggle for shared aspirations'". The very success or failure of the integration often depends on highly disciplined project planning, plan execution and monitoring. It is not enough to just identify the problems, but also an effective integration plan is needed. Managers are responsible for creating the 100-day plan and following its execution in a disciplined manner. Discipline is also seen in the need for detail in the integration process planning and execution. (Vester 2002) Therefore, advanced change management and project management skills are required from the leader. Vester (2002) stresses the importance of following a disciplined integration programme designed based on the best practices in order to make the integration successful. As M&A integration is a project involving many changes, the leadership best practices should also consider practices involving change management. According to Bass (1985, p. 16-23) leaders can promote change by creating vision. What is more, according to Jemison & Sitkin (1986) lack of transformational support can fuel uncertainty related to career, financial security, geographical relocation, feeling of alienation and lack of co-worker trust.

An interesting dimension of the leadership best practices involves the matter of time and the capability of the leaders to deliver quickly. Hyde & Paterson (2001) suggest that the senior managers leading the acquisition should be able to deliver quickly once a need is identified because change is better addressed in advance or at the time when it takes place than after the situation has escalated. According to Ashkenas et al. (1998) there are many issues that can be anticipated before the closing of the deal and therefore it is important for the leaders to be prepared for these issues by preparing answers and solutions to them. This highlights the importance of starting the integration planning already pre-deal as starting the integration earlier results in increased effectiveness of the integration and thus starting earlier means that the integration can be carried out faster. (Ashkenas et al. 1998) Ashkenas et al. (1998) stress that integration should not be treated as a discrete phase that takes place after the closing of the deal. Rather integration is a process that begins with due diligence and runs until the two organizations are fully integrated. Therefore, the planning should already be started at the time of the very first discussions.

Another factor regarding leadership is the fact that there is a vast amount of arising issues that need the attention of the senior managers. Therefore, in addition to preparing for these issues pre-deal, also sufficient resources need to be available to address these problems. (Ashkenas et al. 1998) This means especially a sufficient number of employees available to concentrate on addressing the issues. Ashkenas et al. (1998) state that the integration manager is a key to integration and that integration management is a full-time job and is to be recognized as a distinct business function. This is supported by the view of Vester (2002) who states that there are no shortcuts to success in acquisition integration and that help with time consuming integration management is a necessity.

One crucial best practice related to PMI is linked to the decision-making process of the leaders. Ashkenas et al. (1998) suggest that critical decisions such as management structure, key roles, reporting relationships, layoffs, restructuring and other career-affecting choices should be made, announced and implemented as soon as possible, preferably within days, after signing the deal. When change is inevitable, it is important to get it over and done with. Prevailing uncertainty and anxiety drain value from the acquisition and therefore it is essential for the leaders to address this issue. (Ashkenas et al. 1998) In these situations, it is also essential for the leaders to create motivation and direction and make the people understand their role in the new organization. This way post-merger drift can be avoided, and the detrimental effects of uncertainty minimized. (Tetenbaum

1999) Difficult people decisions are essential in other situations as well. According to Anslinger & Copeland (1996, p. 101) successful acquirers do not hesitate to replace managers when financial targets are not met. Often these difficult people decisions are postponed until the last minute so that feelings will not get hurt, yet they should be made as soon as possible as everybody knows what is coming in order to reduce uncertainty and to succeed in the integration (Vester 2002). This is in line with Jemison & Haspeslagh (1991, p. 11) who suggest that "the key to integration is to obtain the participation of the people involved without compromising the strategic task". Therefore, insisting on compliance and sticking too closely to a predetermined path or avoiding changes and making decisions that would result in as little resistance and disruption as possible are issues that are an obstacle to integration and lead to inability to capture value from the deal. This is because integration is perceived as the key process of the deal for value creation and value capture as this is the stage when capability transfer and collaboration are established. (Jemison & Haspeslagh 1991, p. 11) In order for value to be created, integration should be seen as an evolutionary process of adaptation by the managers instead of a completely predetermined and predictable activity (Jemison & Haspeslagh 1991, p. 15; Gates & Very 2003).

When dealing with important employee decisions, it is important for the leaders not to fall into a trap of acting without sensitivity. It is essential to gain the trust of the remaining employees and therefore practicing sensitivity and acting in a way that maintains everybody's dignity. Gaining the trust and respect of the employees is essential as the lack of them will mean that successful integration may not be possible. Treating the people in a respectful and dignified way will in addition to being the right thing to do, also send a powerful message to the rest of the people thus helping to build positive feelings which support integration. (Ashkenas et al. 1998)

According to Olie (1994) the desire of people to preserve their previous occupational identity is a major obstacle for integration and thus the willingness of employees to fit in is compromised. This view is supported by Homburg & Bucerius (2006) who state that M&A alters social categorization process by giving the employees of the acquired company new group memberships that result in increased concerns about social identification. In case the new group is similar to the old one it is easier for the people to abandon their old social identities but in case it is very dissimilar, this is unlikely to happen and is likely to result in difficulties regarding the emergence of the new group. (Homburg & Bucerius 2006) Ashkenas et al. (1998) imply that it is the job of the managers to help the personnel overcome issues regarding security and occupational identity. As these employees are the ones that are responsible for running the daily operations, it is essential to address the issues in time in order to avoid deterioration in levels of productivity, customer service and innovation due to the employees starting to focus more on their own needs instead of the ones of the company. (Ashkenas et al. 1998) Olie (1994) states that the identification with the new organization is a product of common experiences.

Another fact related to leadership practices arises from the goal setting and group perception of individuals. Intergroup cooperation and common goal allow people to see the members of both groups as one big group thus facilitating the development of a superordinate entity and helping the integration process forward while helping to remove us and them division within the organization (Gaertner et al. 1989). Ashkenas et al. (1998) suggest, that the two groups should start to work together with common business problems as soon as possible in order to unite the groups by giving them a common problem, common enemy and common goal. This method of execution is one powerful leadership best practice that can be used to promote the integration. This view also demonstrates the importance of the leaders to create a common direction and vision for the organisation and works as a means for leaders to achieve this goal.

Working together right from the beginning is found to have other benefits for the integration process as well. Ashkenas et al. (1998) suggest that the faster the employees from both companies get opportunities to work together on daily business issues, the faster integration will occur. Focusing on the real work helps to unite the employees and to accomplishing results that could not have been accomplished before thus being a powerful method to integrate cultures (Ashkenas et al. 1998). This is in line with Gomes et al. (2013) who suggest that attaining early victories is a powerful tool to increase the confidence of the employees and other stakeholders to support the process of integration as the benefits of the acquisition can be seen in practice. While working together, people start to understand the culture, interaction patterns and practices of the company while getting to know each other better and building bonds with the employees of the acquiring company. Interaction can be a crucial tool that can be leveraged to facilitate integration. Therefore, having short-term projects that yield quick results is a powerful method for integrating cultures. (Ashkenas et al. 1998) Getting people to collaborate is essential, as value cannot be created before capabilities are transferred and people from both organizations collaborate in order to work on the expected benefits of the integration (Jemison & Haspeslagh 1991, p. 11).

One important dimension of leadership are the incentives offered to employees. According to Anslinger & Copeland (1996, p. 101) successful acquirers offer big incentives for top-level executives. Motivating the right managers is vital for the success of the integration and therefore having the right incentive programme can help to reach the integration goals. For example, making the managers owners of the company by offering them equity stakes or linking their compensation to changes in cash flow are commonly used incentives. Many successful acquirers pay the key managers an average base salary but bring a major stake of their income into changes in cash flow. The best acquirers are not afraid to make the top managers wealthy. (Anslinger & Copeland 1996, pp. 101–104) Ranft & Lord (2002) suggest that promoting managers from the acquired company can be used as an incentive to reduce the post-acquisition autonomy of the acquired firm and to reduce employee retention thus contributing to the overall integration success. Other proposed incentives are golden handcuffs, long-term contracts, bonuses and pricing the employees out of the market in various ways. According to Jemison & Haspeslagh (1991, p. 113) the incentives can affect the willingness to work together which affects the atmosphere for capability transfer and therefore affects the deal success. It is important to maintain the value for the employees as not doing so will result in people not being willing to work towards the acquisition goal (Jemison & Haspeslagh 1991, pp. 129–130)

According to Anslinger & Copeland (1996, p. 106) the best financial or corporate buyers appoint a gatekeeper to act as an interface between the owner and the operating unit manager. This person becomes closely involved in the operation related decisions of the acquired company and acts as a sounding board for management. What is more, they also suggest that the people integrating the acquisitions should be the best ones available. Therefore, hiring the best people to integrate the acquisition can be of great value for the overall acquisition success. (Anslinger & Copeland 1996, pp. 106–108)

What is more, a large majority of successful acquirers allow the top-level managers of the acquired company to have the final say on operational decisions as long as the financial targets are met. The remaining minority make these decisions jointly. It is important to note, that successful acquirers rarely overrule the decisions regarding operations made by the acquired company management in case the financial targets are met. (Anslinger & Copeland 1996, p. 106) This power to overrule should be carefully considered before it is exercised.

The role of leadership in acquisition integration is well summed by Kavanagh & Ashkanasy (2006) who suggest that leaders should carefully choose the integration approach, develop new culture, establish effective channels of communication involving employees from all levels of organization in order to inform about the stages to be followed while outlining the outcomes for the employees. In addition, the leaders should select willing partners and gradually win over the rest of the people, as well as lead in a positive manner while recognizing that change involves emotions thus requiring justification and dignity in the actions that are carried out (Kavanagh & Ashkanasy 2006).

Table 3. *Leadership best practices*

Leadership
”Don’t do the deal if you don’t find the leader” (Anslinger et al. 1996).
Ensure the commitment of key employees and leaders (Anslinger & Copeland 1996, pp. 101–104).
Express decisive action, establish clear company direction and articulate the new purpose of the combined entity (Kitching 1967; Hyde & Paterson 2001; Sitkin & Pablo 2005, pp. 209–210; Nemanich & Keller 2007; Angwin & Meadows 2009).
Make the employees understand and embrace the purpose of the acquisition (Jemison & Haspeslagh 1991, p. 132).
Little things do matter. Use symbols to reconstruct a new identity. (Olie 1994)
Establish superordinate goals (Olie 1994).
“Walk-the-walk” (Gomes et al. 2013).
Establish clear roles, responsibilities (Inkpen et al. 2000) and relationships (Kitching 1967).
Use outside executives to facilitate change and obtain an independent point of view (Angwin & Meadows 2009).
Be proactive: prepare solutions for potential problems pre-deal (Ashkenas et al. 1998).
Utilize social charismatic leadership (Olie 1994).
Pay attention to detail, CEO visits are important and express commitment (Vester 2002).
Commit sufficient resources to integration. Consider PMI a full-time job (Ashkenas et al. 1998).
Make, announce and implement critical decisions immediately (Ashkenas et al. 1998).
Act in a sensitive and dignified manner to gain trust (Ashkenas et al. 1998).
Help the personnel overcome issues regarding security and occupational identity (Ashkenas et al. 1998).
Make the employees immediately work together: Short-term projects yielding quick results facilitate integration (Ashkenas et al. 1998).
Utilize incentives: golden handcuffs, long-term contracts, bonuses, stock options (Ranft& Lord 2002).
Hire the best people to carry out PMI (Anslinger & Copeland 1996, pp. 106–108).
Allow top-level managers of the acquired company to have the final say on operational decisions as long as the financial targets are met (Anslinger & Copeland 1996, p. 106).
Establish clear channels of communication (Kavanagh & Ashkanasy 2006).

Table 4. *Responsibilities of top and operational management*

Leadership at operational and top management levels
Top-level management should create a vision for the new combined entity (Jemison & Haspeslagh 1991, p. 132-133).
Top management is responsible for institutional leadership and operational management for interpersonal leadership (Jemison & Haspeslagh 1991, pp. 132–135).
Senior management integration detachment: Do not leave integration completely to operating managers post-deal and solely concentrate on performance expectations (Jemison & Haspeslagh 1991, p. 133).
Senior manager should articulate the goals to the operational managers and employees while also providing a plan how to get there (Jemison & Haspeslagh 1991, p. 133).
Senior managers: do not postpone or delegate resolution to key questions (Jemison & Haspeslagh 1991, p. 134).

2.2.4 Post-merger integration team

In the study conducted by Anslinger & Copeland (1996) 65% of the respondents regarded managerial talent as the single most important instrument for creating value. Therefore, it is essential to ensure that there are right managers integrating the company. Kavanagh & Ashkanasy (2006) suggest that in order to have the right managers, the company should evaluate current executives, look for managers in the organization who are not yet in leadership position and hire outside industry experts. Therefore, one crucial assignment regarding acquisition integration is the creation of a leadership team capable of leading change (Kitching 1967; Gomes et al. 2013). The job of the leadership team is to rapidly identify the decisions that need to be made in order to rewire the business and surface issues that the executives must deal with (Vester 2002).

As discussed previously, integration management is a full-time job and is to be regarded as a distinct business function due to the high amount of work caused by the integration (Ashkenas et al. 1998). Due to the time-consuming nature of the acquisition process, the managers time is often allocated to the integration to a great extent. Keeping an eye on the ball is essential in order to not let the competitors take advantage of the temporary state of vulnerability (Ghemawat & Ghadar 2000). This might lead to disregard of day-to-day activities. These views are in line with Vermeulen & Barkema (2001) who conclude that funding as well as the time and attention of management might be misdirected away from the internal growth and innovation. As a result, for example R&D operations might be compromised (Hitt et al. 1991). It is essential to ensure discontinuity in the daily business and internal growth and innovation while integrating the M&A as these functions form the core of the business. There are many authors suggesting, that successful acquirers create a coordination team or top management team for the PMI phase (Schweiger et al. 1993; Ashkenas et al. 1998; Inkpen et al. 2000; Vasilaki & O'Regan 2008). These post-merger integration teams are used for example by Cisco (Inkpen et al. 2000) and GE-Capital (Ashkenas et al. 1998) to coordinate the acquisition integration process in full. The faster the PMI team is created, the higher is the chance of pinpointing strategic fits between the combining firms as the integration team can also be used as a vehicle of due diligence if formed pre-deal (Schweiger et al. 1993).

After recognizing the need for full-time employees working on integration as deemed necessary by Ashkenas et al. (1998), the next logical question is who would suit the work of an integration manager. The due diligence team often has the best understanding and deepest knowledge regarding the acquired company and therefore would know the best what integration efforts should be taken. However, after the deal the due diligence team is broken down and they return to their regular jobs. Then the responsibility for integration is often passed for the functional or business unit managers. However, the most effective integration manager would be one of the people serving in the due diligence team who has good interpersonal capabilities and who is sensitive to cultural differences. It is important to notice, that often the very position of the business leader limits his ability to facilitate business as people need a person they can freely ask "stupid questions" from. Therefore, the business leader i.e. the new boss is the last person who fits the role of integration manager as the will to impress the new boss will reduce the ability to ask questions. The employees need a person that functions as a bridge with the new organization and the acquired entity. (Ashkenas et al. 1998) What is more, the people chosen for the integration team should be highly motivated and committed to make hard decisions and to commit to the process of integration (Anslinger & Copeland 1996, pp. 101–104). This is in line with the findings of Weber (1996) who suggests that the lower the commitment of the top management team, the lower the effectiveness of the PMI process and the financial performance of the organization are. Also a sense of empathy demonstrates respect and understanding and is a characteristic that the integration manager should have (Bligh 2006).

The job of the integration team and integration manager is to build connective tissue between the two entities and keep that tissue growing. What is more, their job is to manage the integration process by facilitating and managing integration activities and by monitoring the integration process and that the integration plan is followed appropriately. This team is also important when it comes to communication, as it is responsible for creating strategies to communicate appropriate messages in a timely and quick manner to the employees. Integration manager also works as a bridge that helps the acquired business to understand the acquirer, in particular its culture, reporting structures and working principles, business practices and other things that are relevant to the work and well-being of the employees. (Ashkenas et al. 1998) Cisco has a practice to have an orientation to Cisco lasting for 30 days where the employees are told about the hiring, sales and engineering practices at the company (Inkpen et al. 2000). This process also works the other way around, as the integration team also helps the acquirer better understand the acquired organization (Ashkenas et al. 1998). These views are in line with Schweizer & Patzelt (2012) who emphasize the importance of supportive leadership in the PMI process. This educational aspect is of great importance for PMI. The role of the integration team is also described by the responsibilities of the team. At GE Capital many integration managers are not having P&L responsibility, but instead are held accountable for the creation and delivery of a disciplined integration plan and for reaching the plan's milestones because were they also responsible for the performance of the businesses, the accountability of the business leader and the leadership team would be reduced (Ashkenas et al. 1998).

The composition of the post-acquisition team has got an effect on the communication, retention and autonomy in various ways. There is proof that mixing people by involving managers from the acquired company in the integration team can be used to facilitate two-way communication. By doing this, the focus from retaining the acquired company's original executives shifted towards making employee retention within key functional areas a priority. Including managers from the acquired company was deemed one critical reason why the integrations had proceeded smoothly in the case study. (Ranft & Lord 2002) According to Lakshman (2011) involving the target personnel early in post-acquisition integration efforts can determine success and failure of the integration and this early involvement is likely to result in higher integration effectiveness.

Table 5. *PMI integration team best practices*

PMI integration team
The job of the leadership team is to rapidly identify the decisions that need to be made in order to rewire the business and surface issues that the executives must deal with (Vester 2002).
Ensure that there is no disregard to day-to-day activities, internal growth and innovation (Vermeulen & Barkema 2001).
Create a coordination team. i.e. PMI team (Schweiger et al. 1993; Ashkenas et al. 1998; Inkpen et al. 2000; Vasilaki & O'Regan 2008).
Form the PMI team asap, already pre-deal if possible (Schweiger et al. 1993).
Recognize the need for employees working full-time on PMI (Ashkenas et al. 1998).
Utilize the knowledge of the DD team. A member of this team who has good interpersonal capabilities and who is sensitive to cultural differences makes the best integration manager (Ashkenas et al. 1998).
Ensure commitment of the top management team (Weber 1996).
Orientation can be an effective way to integrate (Inkpen et al. 2000).
Integration managers should not have P&L responsibility (Ashkenas et al. 1998).
Involve individuals from the acquired entity in the PMI team (Lakshman 2011).

2.2.5 Communication

Post-acquisition communication is considered to be critical to successful integration (Schweiger & Denisi 1991; Inkpen et al. 2000; Ranft & Lord 2002; Vester 2002) because communication is considered a facilitator of knowledge transfer (Rumyantseva et al. 2002) and because communication works as means to reduce uncertainty (Ranft & Lord 2002). What is more, communication has also been recognized to work as a critical way to disseminate the acquisition purpose and inform the employees of other relevant factors regarding the acquisition (Marks & Mirvis 2010, pp. 173–174) thus creating shared understanding and thus a more favorable integration climate (Ranft & Lord 2002). This is in line with Rumyantseva et al. (2002) who suggest that effective communication reduces anxiety caused by false information as communication facilitates interaction and increases transparency of decision making. Communication is also crucial to manage the employee expectations (Hubbard & Purcell 2001). Inkpen et al. (2000) recognize communication and networking as well as socialization as critical to M&A integration success. Indeed, by facilitating the interaction between the acquirer and acquired units' knowledge transfer and this way capability transfer can be promoted (Bresman et al. 1999; Birkinshaw et al. 2000). Particularly the business case stating the reason of the deal and preview of the future with vision about the combination including potential implications for plants, products, services and people is deemed important. What is more, employees need a roadmap to integration that explains how and within what timeline combination and changes will happen thus helping them to focus on their personal significance to move the organization forward while also forming a holistic framework for integration communication and corrections. Communication is also deemed important in disseminating the ground rules guiding the integration thus allowing the employees to understand what matters in the new organization and to make them feel like the managers are in control of the game and that the employees themselves play an important role in integration. (Marks & Mirvis 2010, pp. 173–174)

Communication is also crucial in developing knowledge and capabilities through learning and teaching (Weber & Tarba 2010). This is in line with Jemison & Haspeslagh (1991, pp. 105–121) who divide communication into substantive, symbolic and administrative and suggest that via communication the atmosphere for capability transfer can be improved and this way the transfer of capabilities facilitated. In other words, communication works as a critical tool that can be used to implement the strategy and inform and influence relevant stakeholders in order to drive them to the right direction and reduce the negative effects caused by uncertainty while also improving capability transfer and make the employees understand the reason, timing and rules of the integration. One of the most crucial characteristics of the communication process is that it deals with people. Human assets are vital for the success of the M&A as the value of many companies lies on the intellect and creativity of the employees (Marks & Mirvis 1997). Therefore, communication is a key to make acquisition integration work. This is the case especially with consulting companies whose business is knowledge intensive and thus the employees form the basis of the corporate value.

In order to ensure effective communication, a communication plan should be made well before the deal is signed i.e. at the time of due diligence and negotiations. When creating the communications plan, four dimensions should be considered; audience, timing, mode and message. In addition to having these things right in the communication plan, it is also inevitable to create forums for dialogue in order to keep the communication process going and to provide a forum for dialogue that reaches over the cultural chasm and helps to integrate the two cultures together. (Ashkenas et al. 1998)

As the main rule of thumb, managers should communicate as early as possible (Schweiger & Denisi 1991) as much as possible, as often as possible, in as many ways as possible and to as many employees as possible (Vester 2002) in order to reach all the relevant employees and to get the message through to all the relevant stakeholders and individuals. It is particularly important to communicate why the deal was undertaken (Vester 2002). The same process works both for internal and external communications. An important factor of communication is the feedback received via communicating. This helps to identify crucial issues and things that need attention while forming a more holistic and informed picture about the whole integration process and its progression. This flow of information in two ways facilitates the transfer and integration of the two firms and as this flow of information is facilitated by communication, communication works as a major tool to facilitate integration. (Vester 2002) Also Ranft & Lord (2002) acknowledge the importance of communication as a facilitator of two-way flow of knowledge thus facilitating integration. This two-way flow of knowledge can be facilitated by mixing and involvement of managers from both acquired and acquiring company (Ranft & Lord 2000). The feedback and flow of knowledge received is vital for the management function to understand the situation better and understand the most important issues to the employees (Vester 2002) and therefore the feedback should be used to adjust the integration plan in order to achieve successful integration (Ashkenas et al. 1998).

The methods of communication are diverse and can differ from company to company or according to e.g. geographical location (Inkpen et al. 2000). Also the effectiveness of communications depends on the richness of the delivery method, timing and instructiveness (Gomes et al. 2013). According to Ranft & Lord (2002) open and frequent communication facilitate implementation, but the quantity and frequency of communication are not alone enough as also the richness of the communication i.e. the use of different methods is a critical component of the communication process. One best practice that has been found to be working well is the buddy programme established by Cisco. According to Papadakis (2007) Cisco has implemented a buddy system where the employees have a buddy that they can turn to during the early days of integration.

European companies tend to prefer personal contact, telephone, fax and email in the respective order from most preferred to least preferred whereas companies in Silicon Valley tend to prefer e-mail as a primary method of communication (Inkpen et al. 2000). Other viable delivery methods are e.g. company newsletters, merger newsletters, memos, telephone hotlines and bulletin boards (Schweiger et al. 1993). Any channel that is respected by employees and can delivered the message in a timely manner should be used in the communication process. Direct contact between senior managers and employees has been found to be particularly effective. (Schweiger et al. 1993) This view is also supported by Lakshman (2011) who suggests that higher levels of face-to-face knowledge sharing, or other personalized communication approaches, results in higher levels of PMI effectiveness. Also Ranft & Lord (2002) stress the importance of face-to-face meetings and being in touch with people also unexpectedly when walking on the corridors. Direct contact between senior managers and employees for example in cafeteria or other instances is an effective method of communication (Schweiger et al. 1993). Face-to-face communication can also be facilitated by creating teams containing managers from both organizations, by arranging events to get to know each other, by organizing formal and informal social events or by having individual meetings and discussions with the employees (Ranft & Lord 2002). However, it is important to notice that in some cases the managers at the middle level are more credible among the employees and might thus be used to make the communication more effective (Schweiger et al. 1993).

As an example regarding credibility of managers, after discussing with the managers of the acquired entity at GE Capital, it was decided together in a case acquisition that the integrity policy should be introduced by the managers of the acquired entity in order to make the message better absorbed as the source was perceived credible and trustworthy (Ashkenas et al. 1998). This credibility should however be assessed case by case. The messages should also be consistent across all the channels used. It is also important to pay especially close attention to communication when the cultural differences are big as they add an extra layer of challenge to the communication process. (Schweiger et al. 1993)

The importance of middle managers in communication is important to understand due to the credibility that is specific for them. The credibility arises from the fact, that middle managers can leverage informal power by utilizing friendships networks, trust networks, advice networks and communication networks (Pappas et al. 2004). What is more, communication is deemed essential for any implementation, and therefore the key to make any implementation work is to use the middle manager’s clear and compelling communication in order to spread the word and get people on board. Middle managers usually have the most extensive social networks in the organization as they have worked their way up from the bottom and therefore the value of the middle managers for communication is undeniable. (Huy 2001) In other words, middle managers are key elements in organizational communication and for distribution of information. Because the middle managers have extensive networks within the organization and as they understand and stay attuned to the emotional needs of the organization during change and thus maintain the transformation momentum while managing tensions, middle managers are vital for organizational events requiring change (Huy 2001). “’Middle managers are like the sailors in the crow's nest–sometimes they can see the icebergs and we need to rely on them to warn us and help redirect the ship through troubled waters’” (Pappas et al. 2004)

A characteristic phenomenon for M&A deal is the vast amount of questions and uncertainty that arises among the employees. Therefore, communication should focus on issues that are of particular concern to the employees during the integration such as layoffs, pension alterations, rules, compensation and other typical questions (Ivancevich et al. 1987). The typical questions are summarized in Table 6.

Table 6. *Typical integration related questions presented by the employees.*

Jemison & Haspeslagh (1991, p. 131)	-Will the president be allowed to rule? -Who will be running our show now, us or somebody else? -How will my career and personal ambitions be affected? -What effect will this have on my benefit package?
Ashkenas et al. (1998)	-Will I have a job? -Who is the acquiring company? -Can we trust what the they tell us? -Will my job be the same as before? -Why did our company decide to sell? Did we do a bad job, or did we get betrayed?
Schweizer & Patzelt (2012)	-How should we behave in the new organization? -What outcomes will my actions produce for me and the organization? -Will the leaders act in their own interest or act according to employees' interest?
Schweiger & Weber (1989)	-Who will be running different divisions? -Do I still have a job? -Who will I need to report to? -What will happen to my pension?
Papadakis (2007)	-How will the merger affect my career? -What will be my role in the new entity? -Why should I follow the new vision and strategy?

Communication in M&A integration has got a central role in reducing the uncertainty throughout the integration process, but it is particularly important right after the deal. According to Bastien (1987) communication sets the atmosphere for uncertainty or assurance. Ranft & Lord (2002) support this view by stating that communication can be used to create a more favorable climate between the entities to help create a sense of shared understanding and protect fragile knowledge. Therefore, it is thus an important part of the integration that defines the deal success. Schweiger et al. (1993) suggest that one of the most important things in the M&A integration process is to stabilize the workforce from an early stage so that the negative effects of uncertainty and insecurity, such as employee turnover and losses in productivity, can be minimized. Frequent and honest communication according to the best practices can be used to stabilize employees while not doing so will destabilize them. What is more, it also symbolizes management‘s interest in employee welfare. (Schweiger et al. 1993)

According to Schweiger et al. (1993) and Schweiger & Denisi (1991) the employee uncertainty, stress, absenteeism and employee turnover increase and employee satisfaction and loyalty will decrease as a result of the M&A deal if not managed properly. Also, the way the organization trustworthiness, honesty and caring will be perceived will decrease (Schweiger & Denisi 1991). It is important to note the nature of stress when talking about communication. According to Marks & Mirvis (1997) the stress of a situation is determined by the perception of people instead of the reality. Communication is a powerful tool to affect this perception and as suggested by Schweiger & Denisi (1991), realistic communication about the merger preview during the merger process can help the employees cope with the process and reduce employee uncertainty. Communication will also have a notable effect on the performance outcome as communication has been found to be positively related to performance (Weber et al. 2012). Therefore, it is important not to tell the acquired staff that it will be business as usual as it is clear that it will never be the same anymore (Ashkenas et al. 1998). This is supported by Bunnell (2000, p. 74) who suggests that Cisco tends to tell the acquired company realistically that they'll change everything and tell all the plans upfront as trust is everything in acquisition integration. After this the employees are made stay with compelling stock option programmes (Bunnell 2000, p. 74).

However, this realistic communication can be of challenge, as the top management often does not know what will happen at the time of the beginning of the integration but will rather get this knowledge later on during the process. Therefore, realistic communication might be difficult, and managers might prefer to communicate nothing. (Schweiger & Denisi 1991) However, this is a misjudgment, as silence is perceived as a weakness (Papadakis 2007). It is better to communicate what you know now and explain why some questions cannot be answered in addition to making sure the employees understand that they are never intentionally deceived (Schweiger & Denisi 1991). This is in line with Schweiger et al. (1993) who suggest adopting the following philosophy: “If we can tell you, we will” and “if we cannot tell you, we will tell you why” and “if we do not know we will try and find out". It is important to aim to be realistic and not speculate when communicating (Schweiger et al. 1993). Giving the employees full and complete access to information as soon as it is legally possible is essential in order to create an environment of trust (Vester 2002). This is in line with Ranft & Lord (2002) who state that rich communication can foster the building of trust and shared understanding. However, the managers should only make promises they can and intend to keep (Light 2001). In addition to that, it is crucial that the managers do not just talk, but that they also "'walk the walk'". This way the words will be validated by the employees forming the best situation. (Bastien 1987; Schweiger et al. 1993; Gomes et al. 2013) However, overcommunication should be avoided as manager should maintain a degree of ambiguity and vagueness in order to retain some room for flexibility and maneuver so that the managers can cope with unexpected events and changing circumstances (Eisenberg & Witten 1987).

What is more, information is also crucial for the spreading of rumors as rumors tend to spread fast in uninformed conditions (Marks & Mirvis 2010, p. 170). The lack of top-down communication causes rumour mills and distrust. The key challenge of communication is to address as much uncertainty as possible as fast as possible. (Applebaum et al. 2000) It is better that the information comes from the managers as the employees tend to seek the information from anywhere in case they do not receive it from them hence increasing the risk that this information is not accurate leading to inaccurate rumors (Schweiger et al. 1993). Addressing these rumors and preventing them through information shared via communication is essential. The best practices regarding addressing the rumors involve toll-free telephone hotlines where rumors can be shared as well as listing "'top-ten rumors'" regularly together with the accurate information. Particularly these upward communication channels were deemed important, but also the essence of addressing the uncertainty and rumors head-on are not to be forgotten. (Marks & Mirvis 2010, p. 170)

Also stakeholder anxieties are covered in the literature and it is suggested that the stakeholder anxieties should be addressed immediately after the deal by using all possible types of communication channels (Gomes et al. 2013). The internal uncertainty and anxiety in the company can lead to dysfunctional outcomes when stress and employee turnover increases and job satisfaction, trust and commitment to the organization decrease resulting in lowered productivity (Schweiger & Denisi 1991). However, this work does not focus on the external stakeholders in more detail.

It is also of great importance to manage the communication in order to send the right message to the acquired company. Sending right signals has been recognized to be of great essence by Perry (1986). He suggests, that the acquiring company should send positive signals in order to make the acquisition work. The four positive signals that should be communicated from the very early stage are (1.) the acquiring company is fair, (2.) we respect you, (3.) we care about you and (4.) we are in this together. (Perry 1986) The fairness perspective is supported by the finding of Lakshman (2011) who suggests that making accurate and unbiased attributions of people's key behaviors in conflict situations has a positive relationship with the increased participation of the personnel in post-acquisition integration.

Even though integration speed has been positively related to increased employee commitment due to reduced uncertainty, it is essential to acknowledge the dangers that the increase of speed possesses on the integration process. According to Schweiger & Patzelt (2012) employees need time to develop an understanding of the motivations, rules and norms that govern the behavior in the new organizational environment as not understanding these rules might create uncertainty about the expected behavior and the consequences of their current behavior. Therefore, they need to be communicated.

Another important aspect of communication is its ability to promote trust building and shared understanding (Ranft & Lord 2002). Trust is important for daily operations and change management and as Bunnell (2000, p. 74) describes, "trust is everything" in PMI context. This is in line with Vester (2002) who identifies that developing scripted answers to acquisition related questions can help to improve the environment of trust.

According to Ranft & Lord (2002) evidence of the commitment of the acquirer to the acquisition implementation is positively associated with communications. Therefore, it is essential that the acquiring company shows commitment to the acquisition in order to foster communication and this way facilitate integration. Ranft & Lord (2002) identify ways to show this corporate commitment and propose, that the acquiring company should generate positive media about the acquired company and its role in the new entity. Also, frequent visits of the top executives from the acquiring company in addition to promoting the travel of the acquired company employees to the facilities of the acquiring company in case the companies are physically dislocated can be used as a sign of corporate commitment (Ranft & Lord 2002). This is in line with Galpin & Herndon (2014 p. 71) who recognize the importance of executive visits as an incentive for employees. Also supporting the training and development in the acquired organisation as well as investing in other ways to the acquired entity can be used as signs of corporate commitment. It is all about showing and communicating the acquired entity that the acquirer is committed to make the acquisition work. (Ranft & Lord 2002)

Table 7. *Communication best practices*

Communication
Make only promises you intend to keep (Light 2001).
Make a communication plan pre-deal. Consider the audience, timing, mode and message. (Gomes et al. 2013)
Create forums for dialogue and ensure two-way flow of knowledge (Ashkenas et al. 1998).
Managers should communicate as early as possible (Schweiger & Denisi 1991), as much as possible, as often as possible, in as many ways as possible and to as many employees as possible (Vester 2002).
Communicate why the deal was made (Vester 2002).
Utilize feedback received via communication to understand the PMI issues (Vester 2002) and adapt the integration process (Ashkenas et al. 1998).
Identify the channels of communication respected by the employees (Schweiger et al. 1993).
Ensure high levels of face-to-face communication (Lakshman 2011).
Consider the credibility of managers when choosing the messenger (Ashkenas et al. 1998).
Messages should be consistent across all the channels (Schweiger et al. 1993).
Answer the questions the employees have. Prepare answers for typical questions pre-deal. (Ashkenas et al. 1998)
Stabilize the workforce from an early stage (Schweiger et al. 1993).
Communicate a realistic merger preview, avoid speculation (Schweiger et al. 1993).
“If we can tell you, we will” and “if we cannot tell you, we will tell you why” and “if we do not know we will try and find out” (Schweiger et al. 1993).
Avoid overcommunication to ensure room for maneuver (Eisenberg & Witten 1987).
It is better if the information comes from the managers than if it is found out elsewhere (Schweiger et al. 1993).
Address the rumors (Marks & Mirvis 2010, p. 170).
Send positive signals: we are fair, we respect and care about you, we are in this together (Perry 1986).
Communicate the motivations, rules and norms that govern the behavior in the new organization (Schweiger & Patzelt 2012).
Communicate commitment to the acquisition by words and actions (Ranft & Lord 2002).

2.2.6 Managing cultural differences

The importance of culture is undeniable in regard to the success of M&A integration and has been recognized by many scholars (Chatterjee et al. 1992; Weber 1996; Stahl & Voigt 2008; Marks & Mirvis 2011). Cultural issues have been recognized as one of the most common reasons for M&A failure as they possess a risk of becoming an obstacle to achieving integration benefits (Stahl & Voigt 2008). According to Weber (1996) cultural differences are negatively associated with the effectiveness of the integration process. They can induce negative effects such as acculturative stress (Very et al. 1996) resulting in e.g. lower commitment and cooperation of the acquired employees (Buono et al. 1985; Weber & Dori 2011), reduce the effectiveness of IT system integration (Weber & Pliskin 1996), negatively affect strategy realization (Very et al. 1996) as well as negatively affect postmerger stock price performance and shareholder value (Datta 1991; Chatterjee et al. 1992; Stahl & Voigt 2008). Therefore, cultural differences can be extremely detrimental from the capital markets aspect of value creation. In particular the organizational cultural differences are more negatively associated with synergy realization and shareholder value as well as sociocultural integration than national cultural differences (Stahl & Voigt 2008). Yet national cultural differences can fuel feelings of hostility and distrust in cross-border acquisitions too (Marks & Mirvis 2011). However, there are mixed findings about whether cultural differences have a positive or negative effect on the acquisition integration and business of the cultural differences particularly in regard to international acquisitions (Very et al. 1996; Morosini et al. 1998; Slangen 2006). For example, cultural differences can be seen as a source of value creation and learning and can thus be also beneficial for the company when managed well (Stahl & Voigt 2008). All in all, it can be concluded that it is of high essence that the cultural differences are managed well in order to avoid the detrimental effects and access the positive effects related to the cultural differences and their impact on the PMI performance.

After understanding the importance of culture for PMI success, it is evident that in addition to strategic fit, also the cultural fit of an acquisition should be considered thoroughly before making the deal. This is due to the fact that poor cultural fit can lead to poor integration and thus reduce the value that can be achieved from the deal. Indeed, many scholars have recognized that poor cultural fit impairs the post-acquisition performance (Chatterjee et al. 1992; Cartwright & Cooper 1993; Weber et al. 1996; Weber 1996). Cultural differences are relevant in all acquisitions, but they are particularly relevant in international acquisitions where national cultural distance potentially broadens the cultural gap between the combining organizations. The cultural differences are a major constituent of the organizational fit of the acquired company. It has been found, that especially the compatibility of management styles at the management level and top management culture in general are most critical for the acquisition success (Datta 1991; Chatterjee et al. 1992). As a result, the cultural fit should already be considered pre-deal and instead of concentrating to just treat the problems caused by the differences in culture, a more proactive stance would allow these problems to be prevented. However, there are always problems arising due to cultural fit issues. However, for example HR practices can be used to treat these problems (Marks & Mirvis 2011).

After understanding the importance and stance on cultural differences, also the nature and definition of the concept should be understood. Organizational culture is unique to a particular organization and is one of the most difficult change management objectives as culture works as a foundation of organizational life (Buono et al. 1985). This is supported by Weber & Pliskin (1996) who state that the culture is not easy to change. Therefore, it is important not to treat all acquisitions equally as the impact of cultural clash differs from time to time because acquisitions are not homogenous when it comes to culture (Weber 1996).

Organizational culture is a multifaceted concept and affects almost everything in the organization as interaction, way of working, dressing, decision-making, organizational policies and many other things are determined by this culture (Buono et al. 1985). Whether the cultural difference arises from national or corporate culture, it is inevitable to manage it (Olie 1994; Bligh 2006; Lakshman 2011). Cultural differences and cultural integration are a core concept when talking about PMI as they are an integral part of the complete integration process thus contributing to the deal success. Cultural differences often lead to cultural clashes and can therefore be detrimental for the overall deal performance as they have the potential to disrupt the functioning of the newly formed organization (Buono et al. 1985). As Buono et al. (1985) found out, whether there is an atmosphere of equalness between the two organizations, whether the new organization resembles more the acquiring or acquired organization and whether the perceived benefit for both organizations is equal have an effect on the resistance for change as well as the magnitude of cultural shock among the employees. Bligh (2006) suggests that it is important for the managers to be able to put themselves into the position of the workers in order to understand the emotional distress caused by cultural differences and this way figure out a solution for the problem. It has been stated that managerial efforts aiming to create and ensure the acceptance of strong organizational culture and unified belief system are important keys to organizational success. It is suggested in the literature, that most employees will support the change if they acknowledge the need for change. (Buono et al. 1985)

In order to effectively manage cultural differences in M&A context, it is important to understand how the cultural clash unfolds. The stages are fourfold: Perceiving the differences, magnifying differences, stereotyping and putdown resulting in we-them division and making “them” appear inferior. (Marks, Mirvis 2011) It is important to be aware of the clashes and to aim to manage them and to mitigate the negative consequences caused by them. It is stated by Marks & Mirvis (2011) that the HR function is particularly important in mitigating the negative effects of the cultural clash.

One concept central to the cultural change process is the concept of subjective cultures. Subjective cultures evolve as a result of shared experiences, and therefore the more and the faster shared experiences can be created, the faster a repertoire of symbols and shared meanings can be created helping the individuals to identify to them, thus allowing the new culture to get a hold and the integration to take place (Buono et al. 1985). This is in line with Schweizer & Patzelt (2012) and Ashkenas et al. (1998) who suggest that allowing people to work early with everyday business activities and by creating short-term projects yielding fast wins can be used to facilitate integration because the process will result in facilitated development of a common culture.

An important aspect of the cultural integration is the process of acculturation. According to Berry (1980, p. 215) acculturation is defined as "’changes induced in (two cultural) systems as a result of the diffusion of cultural elements in both directions’". A typical approach has been to expect the acquired company to adjust or adapt to the acquiring company. However, this results often in great resistance and proves that the preferences of the members of the acquired firm cannot be ignored. It is suggested, that if the organizations can agree on the modes of acculturation, problems regarding acquisition integration can be avoided. Therefore, the degree of agreement concerning the modes of acculturation is a key to successful merger integration as less organizational resistance and acculturative stress will take place. These modes are integration, separation, assimilation and deculturation and the choice of the right mode is a function of how much the members of the acquired entity value the preservation of the culture and how attractive the acquirer perceives the culture. Another option that can solve the problems of acculturation is firing the people in the team. This way there is no need for the acculturation process. However, this would mean that the human capital would be lost and therefore might not be an optimum alternative depending on the acquisition motives. (Nahavandi & Malekzadeh 1988)

According to Weber (1996) senior managers are the most important group that shape and transmit corporate culture signals and as their beliefs and values are expected to be permeate, they also influence other levels of the organization. Therefore, top management culture can be considered a manifestation of the overall culture of the organization (Weber 1996). Also, cultural differences on the top management level are most likely to affect the realization of synergy of the deal (Kitching 1967; Sales & Mirvis 1984; Weber 1996). For these reasons, managing the senior managers is an important way to affect the corporate culture and change management in other levels of the organization too.

There are many best practices recognized in the literature regarding cultural integration. Bligh (2006) recognizes the importance of cultural leadership i.e. “the process through which leadership influences cultural ideologies and expressive behaviors”. In this process it is important to attract and unite followers and to replace elements of the old culture. These can be done by recognizing the effect of history on cultural differences, promoting realistic expectations of challenges and opportunities, articulating the ideology for change, creating momentum for change process, utilizing symbols and working as a role model for commitment and change process. (Bligh 2006)

It is also important to define and clearly state the strategy and values of the new company and to make them the cultural foundation of the combined entity (Galpin & Herndon 2014, p. 296). Galpin & Herndon (2014, p. 299) introduce fourteen cultural levers that can be used to change the culture and thus promote cultural integration. These levers are strategy, values, staffing and selection, communications, training, rules and policies, goals and measures, rewards and recognition, decision-making, organization structure, physical environment, leadership behaviors, customs and norms as well as ceremonies and events. This model establishes an operational description of the culture that enables to manage it effectively. However, using one lever is not enough to induce sustainable change and cultural integration and therefore as many levers as possible should be used to achieve sustainable change and integration. (Galpin & Herndon 2014, pp. 297–301) After establishing the cultural anchors, i.e. the strategy and values, of the new organization (Galpin & Herndon 2014, p. 298), the behaviors that every value entail should be clearly articulated (Galpin & Herndon 2014, p. 303). This is in line with Marks & Mirvis (2010, pp. 173–174) who suggest that communication is a crucial factor enabling employees to understand what matters in the new organization. In addition to that the current state of the levers should be reviewed and the cultural levers should be redesigned based on the strategy of the new organization by making a plan for each lever and implementing them to induce change (Galpin & Herndon 2014, p. 301). It is also important to note, that it is of great essence to stick to the cultural integration plan that has been created as a result of identifying the strategy and values for each lever. Sticking to the plan is important, because not doing so will send a strong message to the employees that the management is not serious. (Galpin & Herndon 2014, pp. 307–308). For more detail about the levers as well as a cultural integration planning matrix, the reader is suggested to refer to the matrix presented in the work of Galpin & Herndon (2014, p. 299).

Table 8. *Managing cultural differences best practices*

Cultural differences
Acknowledge, the importance of cultural fit pre-deal (Chatterjee et al. 1992; Cartwright & Cooper 1993; Weber et al. 1996; Weber 1996) and that cultures are hard to change (Buono et al. 1985; Weber & Pliskin 1996).
Establish a willingness to fit (Olie 1994).
Making employees acknowledge the need for change will result in willingness to change (Buono et al. 1985).
Acknowledge, that cultural fit at top management level is most crucial (Datta 1991; Chatterjee et al. 1992).
Create an atmosphere of equalness (Buono et al. 1985).
Utilize shared experiences and working together from day one to integrate the cultures (Buono et al. 1985).
Create short-term projects yielding quick results (Ashkenas et al. 1998).
Seek agreement regarding the modes of acculturation (Nahavandi & Malekzadeh 1988).
Senior managers are most important in shaping and transmitting corporate culture signals (Weber 1996).
Influence ideologies and behavior through leadership (Bligh 2006).
Recognize the effect of history on cultural differences and promote realistic expectations of challenges and opportunities (Bligh 2006).
Articulate the ideology for change, create momentum for change process, utilize symbols and work as a role model for commitment and change (Bligh 2006).
Define and clearly state the strategy and values of the new company and make them the cultural foundation of the new company (Bligh 2006).
Utilize the cultural levers to affect culture (Galpin & Herndon 2014, pp. 297–301).
Stick to the cultural integration plan in order to send a message that the management is serious about it (Galpin & Herndon 2014, pp. 307–308).

2.2.7 HR management

As already recognized before, humans are the heart of integration and a reason behind why acquisitions so often fail. According to Jemison & Haspeslagh (1991, p. 11) “the key to integration is to obtain the participation of the people involved without compromising the strategic task” According to Gomes et al. (2013) human resource challenges during the integration may prevent the value from synergies to be exploited. Part of the reason is that culture clash has a direct effect on the acquired company management attitudes and behavior (Weber & Drori 2011). Mitigating cultural differences between the two entities is a key factor in creating the atmosphere for capability transfer during the integration process (Nahavandi & Malekzadeh 1988; Weber 1996). The atmosphere for capability transfer has been deemed necessary for PMI success (Jemison & Haspeslagh 1991, p. 117) and therefore HR management is of great importance in the PMI process and is a key to deal value creation and value capture. This is supported by Schmidt (2001) who recognizes that there is a link between HR involvement and M&A success. What is more, appropriate HR-practices can increase employee motivation and commitment hence supporting knowledge and resource transfer (Gomes et al. 2013). However, HR-related problems do not often receive enough attention from the integrating companies (Schweiger & Weber 1989).

There are various HR problems arising during the integration. According to Weber & Drori (2011) the level of cultural differences correlates with the severity of HR problems i.e. stress, negative attitudes, low commitment and cooperation both among the acquired managers and the employees. The severity of HR problems correlates inversely with M&A performance and positively with employee turnover during the integration process and thus cultural differences can ultimately lead to ineffective integration and lower levels of deal performance. (Weber & Drori 2011) This is supported by Weber (1996) who suggests that the higher the cultural differences in the top management teams, the lower the effectiveness of the integration and the financial performance of the acquirer are. It is important to alleviate the HR problems and make the employees and managers feel like they belong to the new company, like their input into key decisions are valued and welcomed and that they feel as little discomfort as possible in the organization. (Weber & Drori 2011) These factors should be addressed by the HR function. What is more, the organizational identification correlates with the severity of HR problems and employee turnover and is thus vital to the integration process. What is more, the negative effects of autonomy removal are inversely related to the organizational identification. Therefore, promoting the identification can promote integration as removing autonomy from the managers is found to be related to the severity of HR-problems. (Weber & Drori 2011)

This is in line with Weber et al. (2012) who state that increasing the autonomy granted to HR managers is positively associated with acquirer performance.

The HR management strategy can be defined as the establishment of policies resulting in the creation of firm-specific, inimitable assets that can be e.g. knowledge, skills and abilities embedded in the human capital of the company (Gomes et al. 2013). Weber et al. (2012) suggest that the most commonly used HR-practices are training, communication and information sharing as well as involvement in decision making autonomy. Communication will not be further discussed in this chapter as it has already been covered previously.

Training is a central tool that can be used to manage cross-cultural situations. Therefore, it can be leveraged to address conflicts and other HR problems. Training is also a prerequisite for developing integration capability. (Weber et al. 2012) These views are supported by Nikandrou & Papalexandris (2007) who suggest that the adoption of various training methods is related to higher performance in companies with M&A experience. It is essential for integration, that employees from both organizations learn to know about the other company and its assets, people, structure and culture as well as HR practices, employees' own roles in transferring and coordinating resources in addition to understanding the role of other people in this same process. Training is also needed to understand specific cultural differences between the two organizations and thus training is an important tool that can be used to manage conflict and reduce resistance to change. Trainings are needed to transform tacit knowledge into explicit knowledge and vice versa. (Weber et al. 2012) These training related factors are in line with the practices used by Cisco. As discussed earlier, Cisco has a practice to have an orientation to Cisco lasting for 30 days where the employees are told about the hiring, sales and engineering practices at the company (Inkpen et al. 2000). This is a good example of how training can be used to reduce uncertainty, promote communication and decrease resistance for change. Training works as a forum for communication thus promoting integration. What is more, training is also essential for discovering knowledge about the acquired company that had not been identified during due diligence (Weber et al. 2012). By using trainings to learn more about the acquired company, one can better cope with new challenges as new potential problems can be identified. What is more, this process develops the integration capabilities of the company thus supporting integration success. However, the effect and amount of training and the methods of training differ from country to country, and there is no quantitative consensus whether training would have a positive effect on deal performance in Finland. However, in general it can be stated, that training employees to deal with conflict and new assignments as well as by using communication to alleviate the uncertainty and stress of the human resources in addition to adjusting practices such as recruiting, reward and labor relations are HR-practices that can be used to improve the integration success. (Weber et al. 2012)

It is also important to note the importance of the learning aspect for the whole integration process and success of the company. It has been suggested, that the learning process and lessons learned from the company's previous own M&A integrations as well as benchmarks should be integrated into the HR systems and practices of the acquirer in order to achieve success (Nikandrou & Papalexandris 2007). Therefore, it is essential to study previous deals and learn from them in order to increase the likelihood of deal success and potentially turn M&A into a competitive advantage of the company.

According to Weber et al. (2012) HR managers involved in M&A need a bigger autonomy than they normally would in order to manage the new situation and the increase in uncertainty. This is in line with Grant (1996) who suggests that the hierarchies of capabilities should correspond to the firm's structure, authority, communication and decision making in order for knowledge to be integrated effectively. Therefore, HR managers should be allowed increased autonomy in particular regarding decisions how to reward people in the new organization and how to deal with salaries in order to motivate and compensate for extra work and keep employees' focus on the integration and the creation of integration capabilities. Also, autonomy regarding turnover management, recruiting and labor relation issues is needed in order to facilitate knowledge transfer. (Child et al. 2013, p. 168) What is more, by Nikandrou & Papalexandris (2007) emphasize the importance of including HR in the strategic decision-making. Autonomy has been found to be important in maintaining the enthusiasm, creativity and commitment of the employees that facilitates integration. What is more, autonomy regarding training content, timing, duration and channels of communication is needed. Increase in autonomy has been found to improve acquirer performance. (Child et al. 2013, p. 168) Also Nikandrou & Papalexandris (2007) suggest that HR is important already pre-deal in order to assess the deals feasibility from the HR point of view. However, there seem to be limitations to this generalization as certain nationalities, such as British, German and Americans tend to prefer openness, low centralization and strong vertical hierarchy (Weber et al. 2012). It is also important to understand, that as the timeline is tight and as there is a vast amount of decisions to be made (Vester 2002), HR managers autonomy could potentially promote the execution of the integration and thus allow an increase in speed. All in all, HR-function is a critical function that is integrally linked also with the other CSFs of M&A integration, especially communication.

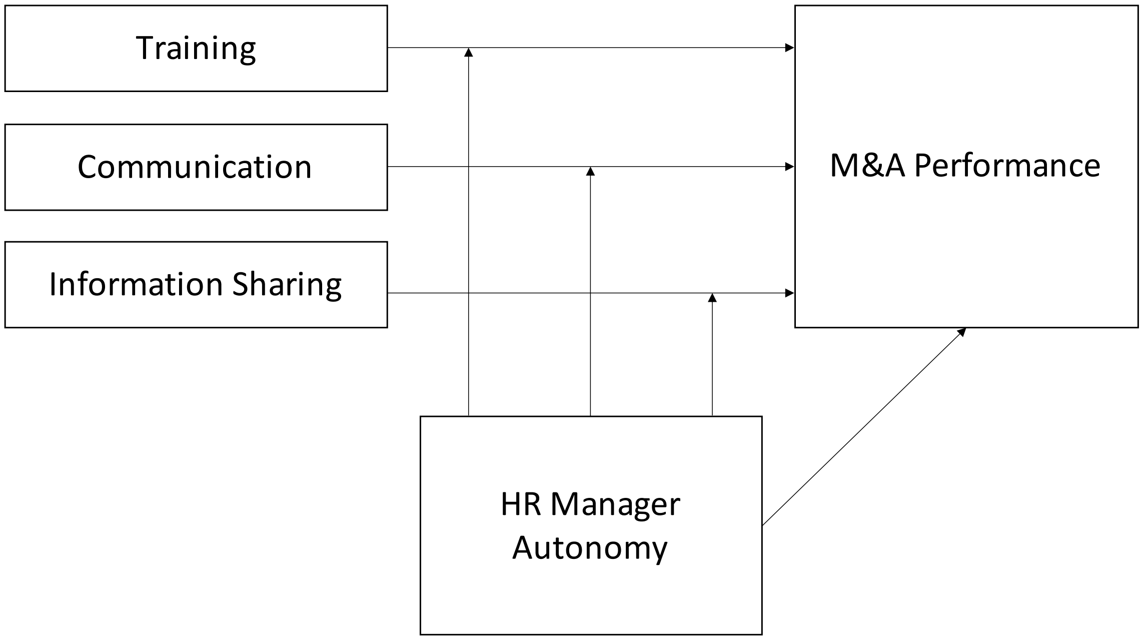

Figure 4. *The effect of HR function on the M&A Performance (Modified from Weber & Tarba 2010)*

According to Vester (2002) the M&A integration process creates a heavy burden on the HR-function of the company due to a vast amount of demands and incidents that need to be addressed by the HR personnel. Common problems include arising competition, perceiving the two organizations as co-equal, having us-them division, uncertainty, lack of information, feeling of betrayal (Buono et al. 1985) as well as behavioral problems, employee turnover and arising conflicts etc. (Weber & Drori 2011). It is suggested that HR function often a lacks resources during the acquisition integration (Vester 2002). It is a prerequisite for the integration that sufficient HR resources are available, and therefore it is essential to have enough resources allocated to the HR function.

One crucial responsibility of the HR function is to facilitate cultural integration. HR professionals should be proactive and put culture on the integration agenda early in the process by steering business partners to manage cultural differences proactively. However, the ability of HR to do this is a function of how HR is perceived in the lead organization. It is important to engage HR in the integration and bring HR function to the process already in the earliest days of planning in the premerger stage. (Marks & Mirvis 2011)

In order to excel in the cultural integration, four general stages designed to fit the needs of different companies and different integrations have been identified by Marks & Mirvis (2011). These sequential tasks are as follows: define desired cultural endstate, deepen cross-cultural learning, drive the combination toward the desired end and reinforce the emerging culture through substance and symbolism. The cultural endstates presented are cultural pluralism (where the cultures coexist), cultural integration (where the cultures are blended together), cultural assimilation (in which the other company absorbs the other) and cultural transformation (in which both partner companies abandon key elements of their original cultures and create new values and norms) (Marks & Mirvis 2010, p. 15; Marks & Mirvis 2011). Deepening the cross-cultural learning can be used to unfreeze the mind-sets of the people and facilitate change in the organization and values. Therefore, devoting time and resources to deep-cultural learning right after getting legal approval to the deal is the best way to go. Deep learning can take place e.g. by raising awareness of emerging cultural perceptions and stereotypes and to generate dialogue on the cultural endstate. It is important to figure out, how we see our own culture, how we see the other parties' culture and how we think the other side perceives our culture. (Marks & Mirvis 2011)

Table 9. *HR-practices for each cultural endstate (Modified from Marks & Mirvis 2011)*

Cultural integration	**Cultural assimilation**	**Cultural transformation**
Educate employees about cultural clash.	Work with the business partners to adopt effective change management principles.	HR interventions to help people find fault in their old cultures.
Clarify values for the new entity.	For effective change management, over communicate the benefits. Why the deal was made? Why the culture of the lead company is relevant for the combined entity? It is good to emphasize how the solution will address weaknesses in the acquired company's operations.	Help people get over their old identities and cope with the loss.
Incorporate culture into the PMI decision-making process.	Participate people in decision making as this breeds support for decisions.	Promote dialogue about the future identity.
Create new values and norms in cooperation with the management team.	HR is responsible for preserving the forces for change.	-

In short, cultural change can be achieved by determining the desired endstate, unfreezing the mindsets of the employees, using interventions to get to the desired direction and finally freeze the achieved cultural norms and values. HR-function has an important role in keeping culture on the table in addition to pressing cultural interventions. What is more, HR-function is to help executives articulate their desired cultural endstate for the combination. It is evident that HR function is an important factor in reducing the negative effects of the inevitable cultural clash by addressing these clashes via different ways, such as training programmes and workshops. (Marks & Mirvis 2011) This is in line with Zhang et al. (2015) who suggest that HR function is tightly linked to talent retention.

It is also important to notice, that the different business functions might have different degrees of integration and therefore also different degrees of cultural integration affecting the cultural endstate (Marks & Mirvis 2011). Higher degree of integration is needed especially when there is a need to transfer tacit and socially complex knowledge (Puranam et al. 2003). Therefore, executives must make a case for combining cultures for each business function. HR function is needed in this process to make explicit what has been implicit in the thinking processes (Marks & Mirvis 2011).

Table 10. *HR management best practices*

HR management
Obtain the participation of people (Jemison & Haspeslagh 1991, p. 11) and create an atmosphere that supports capability transfer (Jemison & Haspeslagh 1991, p. 117).
Mitigate cultural differences (Nahavandi & Malekzadeh 1988; Weber 1996).
Make the employees and managers feel like they belong to the new company (Weber & Drori 2011).
Make the acquired managers feel that their input in key decisions is valued and welcomed (Weber & Drori 2011).
Mitigate the feelings of discomfort (Weber & Drori 2011).
Use training, communication and information sharing as tools to integration (Weber et al. 2012).
Include HR in decision making and planning (Nikandrou & Papalexandris 2007; Weber et al. 2012).
Use training to reduce uncertainty, promote communication and decrease resistance for change (Inkpen et al. 2000).
Use HR to learn about the acquired company (Weber et al. 2012).
Train people to deal with conflict (Weber et al. 2012).
Integrate PMI lessons learned into the HR function (Nikandrou & Papalexandris 2007).
Allow HR personnel increased autonomy especially regarding reward practices, recruiting, labor management and motivating (Child et al. 2013, p. 168).
Allocate enough resources for HR personnel (Vester 2002).
Put culture on the integration agenda early. HR should be proactive (Marks & Mirvis 2011).
It is important to engage HR in the integration function and bring HR function to the process in the earliest days of planning in the premerger stage (Marks & Mirvis 2011).
Comply with the following procedure (Marks & Mirvis 2011): 1. Define desired cultural endstate. 2. Deepen cross-cultural learning. 3. Drive the combination toward the desired end. 4. Reinforce the emerging culture through substance and symbolism.
Promote deep cultural learning: deep learning can take place e.g. by raising awareness of emerging cultural perceptions and stereotypes and can generate dialogue on the cultural endstate (Marks & Mirvis 2011).
Define the cultural endstate (Marks & Mirvis 2011).
HR function is responsible for keeping culture on the table (Marks & Mirvis 2011).

3. METHODOLOGY

3.1 Case company

This research focuses on the Finnish division of a large multinational company. The Finnish division of this case company decided to acquire an established medium sized company of over 140 employees in order to gain larger market share and improved competitive advantage on a chosen service offering of the acquiring company.

The deal was characterized by an exceptionally good will by the acquired company. The acquiring company had a good reputation in the market and the brand was deemed superior to the one of the acquired company. Because of this facelift, the employees were enthusiastic to come to work for the acquirer and were very willing to participate in the new organization. In other words, the baseline for the acquisition was excellent.

The case organization is a typical PBO. PBOs are organizations in which the majority of products and services for internal or external customers are produced through projects (Pemsel & Wiewiora 2013). The employees from the acquired entity were mostly regular employees and middle managers. These people were then integrated to the functions of the acquiring company. It is good to note, that the organizational structure in the case company is very flat, and the different business functions mostly reside in the same people. This cross-functional business expertise is typical for a project-based organization (Hobday 2000). The most important function in case of the case company is the operations function which forms the backbone of the company operations and income. The projects form the backbone of operations and are acquired via sales function. In practice, the same people doing the projects also manage the sales individually while searching for prospective projects and selling them to the customer. The function of middle management, i.e. business unit managers and project managers, is to manage the projects and the operations in addition to the sales process. The marketing function, financial services, R&D, HR and other functions were not relevant for the case, as the functions are executed as a centralized function independent of the merging entities and as there were no people working for these functions among the acquired company employees that were integrated into the new entity.

3.2 Research strategy

This research is a cross-sectional study of the integration problems and solutions across different business functions. The research is carried out as an inductive case study and utilizes semi-structured individual interviews of nine middle and top-level managers as the main source of data. Therefore, the research is qualitative by nature. An interpretivist approach is chosen in the research due to the socially complex and unique nature of the acquisition integration. Saunders et al. (2009, p. 116) highlights the significance of human factors as a basis for this analysis and suggest that interpretivism is particularly suitable in business and management research when studying complex and unique concepts such as organizational behavior and human resources. Due to the central importance of organizational behavior and humans for the PMI process, this view is most suitable in order to surface relevant problems accurately. The study thus adopts an empathetic stance as suggested by Saunders et al. (2009, p. 116) and aims to understand the world from the point of view of the interviewed middle managers.

The research strategy in this research is a combination between case study and action research. Case study allows to answer many “why”, “what” and “how” questions and therefore is good for explanatory and exploratory research (Saunders et al. 2009, p. 146). Furthermore, case study allows to gain a rich understanding related to the context of the research (Saunders et al. 2009, p. 146) thus providing more transparency to the fundamentals behind the analysis. This contextual understanding is essential in order to better understand the sociocultural factors behind the arising problems that are of great importance for the PMI process. This is crucial when studying the cause-effect relationships related to PMI. The importance of understanding the context and the data right is also emphasized by the nature of qualitative research. According to Saunders et al. (2009, p. 480) qualitative data is defined as all non-numeric or unquantified data that can be a product of any research strategy and in order to be useful, needs to be analyzed and understood. Action research on the other hand is suitable for situations where the resolution of organizational issues, for example the implications of change, is studied together with the people that have experienced the issue directly. This strategy has a particular focus on promoting organizational change and is therefore ideal for studying PMI. Action research also utilizes information gained from other contexts through experience. For example, students implementing a research in the organization they work for can leverage the information and knowledge learned previously in action research. (Saunders et al. 2009, p. 147) The researcher has worked in the case company before and during the case acquisition and has been able to do participant observation in the company. These observations contribute to the context creation, problem recognition and understanding of the corporate culture and organizational context. However, these observations are not documented and therefore the applicability of the observations is limited and highly subjective. Therefore, they are mainly used to interpret the interview data and to increase the holistic understanding of the whole situation aiming to improve the quality of the results.

All the objectives, research question, methods and approaches have been designed in collaboration with the demands of the university and the CFO and HR manager of the subscribing company. They are a result of many formal and informal meetings and discussions.

3.3 Research process

This research began by discussing the event history of the deal, problems that had surfaced and the solutions that the company was eager to have. The objective of the company was to improve the acquisition process in order to access more value from the future deals as well as to better understand the process and turn acquisition into a competitive advantage.

After establishing the objectives and goals of the research, a systematic literature review was initiated. The databases utilized in this work to search and identify literature were Google Scholar, Web of Science and Andor. In addition to various scientific publications, also books that have gained major attention in the M&A literature were included in the literature review. Due to the nature of M&A integration, books form an important source of information. Many books targeted for managers integrating acquisitions have been written over the years and some of these books have developed into core works in the M&A literature and should thus not be overlooked in the literature review.

The first step to choose literature to be studied was to determine the subject of investigation. At the beginning literature regarding PMI integration and PMI integration success factors were studied and the review was deepened around the M&A integration theme. The titles and abstracts were studied to identify key words such as merger(s), acquisition(s), M&A, PMI, integration, deal success, critical success factor(s) and best practice(s).

Second step in the literature review process was to form the criteria for literature selection. The literature selection of this research followed predetermined criteria that was set to ensure the quality of the literature review. The literature was chosen by analyzing the author and place of publication as well as the amount of citations that the work had gained as denoted by the specific search database utilized. Only sources that had been published in reputable journals and that had received many citations were accepted into the literature review. The chosen articles were also to be peer-reviewed in order to be included in the review. The reputability of the journal was evaluated using the Academic Journal Quality Guide by the Association of Business Schools as well as by searching for highly cited and reputable articles and looking into their citations. Majority of the articles reviewed in this research have been published in strategic and general management, leadership, organizational studies, finance, business, human relations, marketing and change management journals. Also the scope of the sources was to conform with this research. Only information that is relevant for domestic acquisitions and absorption acquisitions was included in the research.

The researcher read and analyzed the content of the research material and made notes on the content and key takeaways. The notes and key takeaways were collected into an Excel file as well as on paper notes. The reviewed works as well as the outcomes were divided into categories based on the topic they addressed. The notes and takeaways for each relevant theme were collected together and compared and contrasted to each other in order to form a consensus on the topic. As a result, the 7 critical success factors presented in Figure 8 were confirmed. The aim of the literature review was to form a holistic perspective to M&A integration and to find and articulate the integration best practices and CSFs currently recognized in the M&A literature.

After finishing up the literature review, the research method and interview questions were established. In this research, semi-structured interviews are the main method of data collection. This interview method was chosen due to the qualitative nature of the acquisition integration problems that result in quantitative financial problems. Therefore, recognizing the qualitative problems are the core of improving acquisition integration and thus improving deal performance. The interview questions were designed in collaboration with the CFO and HR manager of the acquiring company and were based on the literature review and the CSFs and best practices identified. The results of the literature review of chapter 2 were discussed together and the questions were formed based on the identified critical success factors and best practices as well as themes that were surfaced to be typically challenging in the PMI process. The questions were mainly built based on the findings summarized in tables 1 to 10. Also the objectives of the research and experiences of the CFO and HR manager regarding the case acquisition were discussed in order to help in the process of formulating the questions. The themes that were perceived to have caused problems in the integration were discussed and questions aiming to surface the specific problems regarding the themes were developed. The questions were open ended yet easy to understand in a non-ambiguous way. The aim was to give the interviewed people a possibility to freely tell their story of how they think the integration went and what the problems and chains of events taking place were. The questions were to provide the theme and work as a guideline for the interviews. As the interviews proceeded, the questions and the structure were modified and improved. The questions and the structure of the interviews can be seen in appendix A.

In total nine middle managers and executives were interviewed in order to surface the problems that took place during the integration. Middle managers were chosen due to the fact that they work as intermediaries between the employees and the top management, and therefore have a unique viewpoint to integration and possess the deepest knowledge of the integrated organization and the problems related to it. This is in line with Balogun (2003) who states that middle managers can be a remarkable strategic asset in implementation projects as they work as "'change intermediaries'". What is more, they are the ones most affected by the lack of leadership and communication that were perceived as the most crucial issues in the case PMI process according to the executive managers of the case company.

In this research a purposive sampling method was used. Purposive sampling is defined as a sampling method, where the judgement of the interviewer is used to determine the interviewed people so that the research question can be answered in the best possible way. It has been recognized to be most suitable for small sample sizes and case study in particular. The benefit of purposive sampling is that it allows homogenous sampling thus allowing the study to utilize one special sub-group. (Saunders et al. 2009, pp. 237–240) The judgement of the interviewed individuals was applied by the interviewee in collaboration with the top management of the acquiring company. Both members of the acquiring company and the acquired company were interviewed in order to get a more holistic view to the integration.

The selection of the interviewed candidates was done together with the case company. The attendees were selected based on their position in the organization in addition to predetermined criteria. The main criterion was that the interviewed people would need to be middle managers as they have a special viewpoint to integration as they work as intermediaries between the employees and the top management. Also a few top managers were selected to gain depth into the understanding of the case. Another criterion was the agenda, honesty and sincerity of the people. It was ensured together with the top management of the acquiring company, that the people chosen were objective and did not have any hidden political or non-political agendas that would make them answer dishonestly to the interviews thus distorting the results. Honest views were pursued, and the interviewed people expressed eager and honest attitudes towards the interview. Answering honestly to the interviews was also made easier by conducting the interviews individually and by stressing the confidentiality of the interviews.

The research consists of nine interviews of people holding a middle or top management position in the company. They were to be individuals that had been part of the integration process. They were also selected so that as many business units as possible could be covered in order to gain a more holistic picture to the integration. The interviewed individuals held a position as business unit managers, project managers or different positions at the top management level. Both employees from the acquirer and the acquired company were selected in order to gain a better view of the challenges from both viewpoints. The interviewed candidates were selected in cooperation with the CFO and HR manager of the acquirer as they had deepest knowledge on the company and therefore were able to suggest the most useful candidates for the data collection process. The interviewed people and their position in the organization as well as the pre-merger organization they presented can be seen in Table 11.

Table 11. *The backgrounds of the interviewed people*

Interviewed person	**Position and previous organization (acquirer/acquired)**
1.	Business Unit Manager/Acquirer
2.	Business Unit Manager/Acquired
3.	Business Unit Manager/Acquired
4.	Former CEO, Current Business Area Director/Acquired
5.	Business Development Director/Acquirer
6.	Business Unit Manager/Acquired
7.	Assistant Business Unit Manager/Acquired
8.	Business Unit Manager/Acquired
9.	Business Unit Manager/Acquired

The interviews were conducted either face-to-face, via Skype or via phone. The distances between the different business units as well as the tight schedule of the managers restricted the possibility to conduct all the interviews face-to-face and therefore also phone and Skype had to be utilized. The interviews took between 30 and 77 minutes depending on the manager and what they had to say. All the interviews aimed to gain an understanding at the problems that took place at the business process level and to understand the effect of these problems on the integration speed and deal performance. All the interviews followed the structure presented in appendix A. By including people from different parts and functions of the organization, the research was able to gain deeper knowledge and different perspectives into the PMI process. This way a more holistic picture of the chain of events and problems was achieved.

The concepts of reliability and validity were addressed closely in the interview process in various ways. Reliability was addressed in the integration phase by asking clarifying questions and by ensuring, that the interviewee had understood the message correctly. Also recording the interviews and documenting them by conducting transcription adds transparency into the data and thus improves the reliability of the research. Also the concept of validity was addressed by defining strict criteria for candidate selection. What is more, the relationship between the interviewer and interviewed people was not interfering with the research and the answers as the interviewee works in a different independent department and thus has no direct links to the interviewed people that could result in biases in the interview answers or the interpretation.

After data collection, the data was analyzed by categorization and summarization in order to reach conclusions and draw results. At first, a transcription of the interviews was produced in order to transcribe the audio data into written form for increased transparency and for further analysis. The data was then categorized into different categories by the process of color coding while maintaining the data attached to the context. After this the different chunks of data relevant to the research were summarized in the original context. As the conducted interviews were semi-structured, they included many narratives and therefore the context of these narratives can be maintained via categorization. Finally, after gaining a thorough understanding of the chain of events leading to the problems, the problems in each business function were surfaced and summed up. After this, the best practices were looked into in order to discover actions that would have prevented the problems from arising. This information was synthesized into an integration framework consisting of 17 propositions to help improve PMI process in PBO context.

According to Saunders (2009, p. 492) categorization involves developing categories and subsequently assigning a category for each relevant chunk of data. The categories in this research are derived from the theoretical framework, i.e. the business functions under study. Division into operations, sales and management was found to be very rough, and therefore further categories such as culture, atmosphere and communication were developed. However, these categories were later assigned under one of the three main categories when the results and conclusions were drawn from the data. Throughout the whole data analysis, participant observations conducted by the researchers were reflected on the interview data.

In regard to data analysis, triangulation was used to confirm the findings and this way increase the validity of the research as supported by the findings of Creswell & Miller (2000). The interview results were reflected on the literature review comprising of various different publications and authors. The publications used in the literature review are based on different theories and research material. The publications with different views, data collection methods and theories were also compared to each other in order to find a prevailing consensus in the literature as well as to identify common themes and categories as suggested beneficial by Creswell & Miller (2000). The interviews between different individuals were compared to each other and afterwards to the literature in order to check that the findings are consistent and in line with the prevailing literature. The interview data was also reflected on the information of the researcher gained through participant observations.

4. RESULTS

4.1 Operations function

As operations function is the core of a PBO, the most impactful integration related problems occurred in this function. The problems are roughly divided into four categories, which are tools, physical isolation and the moveout, education and atmosphere.

4.1.1 Tools

In the interviews, the lack of tools was regarded a problem that complicated the daily operations in many instances. In a few offices the internet connections were so unstable, that following the trainings via Skype were compromised leading to inferior learning outcomes. The targets regarding the training outcomes were not met for example regarding IT system usage. However being able to use the IT systems would be essential for integration as well as daily operations. Also simple things such as hardware caused many issues. The employees were trapped with two computers for 12 months. It was hard to carry two computers all the time and switch the computer between projects. The old computer also works as a symbol of the old organization. What is more, the employees were also trapped with two emails. This was a problem as the email history was critical for the daily operations from juridical and operational aspects as the message history was crucial in order to validate what had been agreed upon during many years of documented email discussions. All the crucial information was there. Yet, all the employees or even managers do not know even today where these messages can be found. This point was deemed as a factor that made the daily project work and life harder. The same thing applied to the transfer of projects and old material. A lot of the material was unavailable, such as different model documents. This caused extra expenses and decrease in operational efficiency as the material had to be recreated. However, they should have been updated to the new format at some point in any case, so in a way this fact promoted integration even though it caused momentary problems with the operations. It was deemed that the material should have been there all the time as the tools needed for work need to be accessible at all times in order to ensure a fluent transition and a smooth flow of operations.

“In our role it is essential to have access to the email history for at least five years back in order to be able to do the daily work that has been initiated during years of email-discussion. Everything is done in a written format in order for the important information not to be lost. I would have needed the emails many times, yet it still remains unclear to me where they can be found.”

“Access to the IT ecosystem of the acquirer should have been achieved sooner. Now people were trapped with two computers for a long time.”

Another crucial tool related issue were the IT systems. For example, the management system was deemed inferior as it was perceived very complex. Also the search for information in the management system was experienced to be difficult and required information could not be found in an easy manner. For example, the work descriptions and responsibilities for a construction management supervisor are almost impossible to find. The red line in the system is missing, and the information in it is not easy to digest when you enter the company and see the system at the first time. It was concluded that a proper management system would have helped the integration by making it easier to absorb new practices and policies and to learn about the culture of the company.

One crucial factor related to IT systems that was mentioned several times in the interviews was the fact that the IT integration was significantly delayed. In addition to causing confusion and decrease in trust in the top management’s capability to execute and manage the integration, it also caused severe operational problems as people could not carry out the responsibilities that they were supposed to do. For example, the project managers of the acquired company could not access the billing system and therefore the project managers of the acquirer had to do the responsibilities of the acquired project managers as they were the only ones with access to the IT systems. Therefore, they had to complete the billing and other responsibilities regarding these projects. Yet they were in no other way involved in those projects and had no insight into them. This caused extra work and operational strain for the acquirer project managers. Also, not having access to the hour documentation system resulted in a vast number of hours not being recorded in the system and thus not being billed from the customer. This was negatively reflected in the financial performance and profitability of a few units. Not having access to the IT systems also led to difficulties in joint projects, i.e. in projects where both acquirer and acquired company employees were present. This was due to the fact that the IT systems and hardware between the project members were different.

When talking about the tools crucial for operations, it is also crucial to note that the tools need to support change. For example, when IT integration or new policies are implemented in accordance with the integration plan, it is impossible to achieve the wanted change in case the tools do not allow that. For example, IT systems such as hour documentation and billing system were a critical component of the policies and corporate culture in the case company. Yet, using these systems was not possible for the acquired company employees as there was no access to the system where the requested actions were to be carried out. Also the project management culture differed in the new organization and accepting and implementing this change was deemed crucial for integration. Yet, the project managers could not access the system or had not learned how to use it and therefore were unable to adopt the change.

"The policies of the new company were not learned, and old ways of working preserved because only old tools were available. You cannot switch to new ways of working if your tools don't support it."

4.1.2 Moveout

The second category, the physical proximity, formed into a central operational issue. The office question and physical proximity appeared various times in the interviews.

"We were very isolated and physically in the same room with the old parent company."

The office question refers to the time in which the people should move out from the old office of the parent company to a new office and whether this office will be the same as that of the acquiring company or whether the mother company will be physically separated. Based on the interviews, it was concluded that moving out of the old office and from the proximity of the old parent company as soon as possible is critical and doing so can speed up the integration. First, the old office has a symbolic value and reminds of the old parent company. Changing the office fast to a completely new environment away from the proximity of the previous parent company forces the people to move to a new environment while speeding up integration. The act of getting a new office also works as a symbol from the management that they care about the unit.

Second, physical isolation or contact with the old parent company slows down the learning process essential for integration. In one of the case units the delay of move out caused the employees to feel like they still acted independently and according to the old policies preventing the new policies from being learned. This eroded the integration particularly in one case unit. Some units also stayed for a long time in the same facilities with the old parent company. Hence, they were exposed to the old culture and ways of working and did not feel like they were part of the new company. This way the formation of reciprocal organizational understanding was delayed. When the office is changed fast into a new environment and proximity with the acquiring company employees, the acquired employees are exposed to the new corporate culture, policies and practices as well as the new IT systems and other aspects relevant to the new organization and are this way forced to learn about them and work and act according to the new rules. In the case deal, there were a few instances where moving to a new office was significantly delayed or the new office building was physically separated from the acquirer and there was not much interaction between the acquirer and acquired company employees as the clearance to enter the office was extremely hard to get. This slowed down human integration and the exposure to the new culture and ways of working. Based on the research it was concluded that exposure to the new corporate culture earlier and communication about it would have increased the integration speed.

"It was a mistake to stay in the facilities of the former parent company for such a long time. We should have got out from there earlier. I think it eroded the integration as our people did not feel like they had really transferred to the new organization before the moveout took place; 11 months after the deal."

Third, the question of office space is a crucial factor regarding uncertainty. People want to know where they will be working and therefore making the change fast will minimize the uncertainty and the effect of rumour mills. It will also increase the willingness to learn and improve the spreading of information within the organization as suggested by the research. Establishing a clear direction and future is essential for the deal success. This is important based on the interview data. It was concluded, that questions and worst-case scenarios caused by uncertainty slow down integration as the willingness and motivation to learn decrease. A case in point illustrating the effect of the moveout time to new facilities on uncertainty and the integration atmosphere is one business unit that suffered from prominent employee exits and resistance to integration thus requiring a lot of time and resources to be allocated to fix the situation. The office was big with a low number of employees and hence little interaction took place. Uncertainty, bad atmosphere and surroundings caused the people to shut down and not be ready or willing to learn anything new. However, when the office change was made, the situation faced a prominent change to the better as it became clear who will stay in the company to work and what the environment and location will be like. As a result, people did not question the orders to such a great extent, became more receptive to learning and also the spreading of the information within the organization was facilitated.

Fourth, the physical separation of the unit also affects the work identity of the people. Still today, the difference between the “old” and “new” employees has not been dissolved in some of the units that have been left physically separated. The fact that this line still exists was suggested to be due to the physical separation and the lack of mixing up the employees within the units. In everyday talks, people still talk about us and them instead of using we-form. Based on the interview data, using the we-form in communication would promote integration.

4.1.3 Education and support

Third central category related to PMI in the case PBO is education and support. In several interviews the managers expressed that they were unintentionally left alone or as described by one of the managers, “orphans”, for a long time without enough contact with the acquirer. Based on the interviews, this was one of the consequences of moving too slow as well as due to the challenging geographical location of some of the units. Sitting in the same office with the employees of the acquirer means that the help is close. Yet only in four units there are acquirer employees in the same facility but on eight there are none. In many instances especially regarding the IT systems and the responsibilities of the project managers, the employees of the acquired company felt lost. If there would have been a person at the same office that could have helped with the practical issues and questions, the integration speed could have been increased as learning would have been facilitated. Now, significant amount of resources and psychological power was directed to overcoming the challenges and questions regarding everyday operational responsibilities and the way e.g. IT systems work. One of the managers described the situation quite well.

“They used four hours to fill up the first hour report; and four hours multiplied by 12 people is a lot of time.”

It was concluded, that the fact that information comes from close can increase integration speed as this information is easier to adopt. It was also discovered, that having the peer support and working in the same facilities, or even if just sending someone over to help with the assignment at the first time it fell due, would have promoted learning and reduced the amount of waste hours hence speeding up integration and increasing operational efficiency.

One crucial aspect concerning education and the learning of the employees is communication. It was experienced, that the information was too fragmented and that communications were not planned and systematic. Also the trustworthiness of the communication was compromised as the schedules did not hold. Based on the comments, there were also too long breaks in the communication over the course of integration. It was suggested, that communicating the principles and practices in a clearer and less decentralized way would have increased the integration speed. Keeping both communication and other things simple was concluded to be the way to go as it helps people to relate and understand the object in question easier.

Among the most important factors regarding education and support in PMI context was timing. The research established, that the timing of the educations is an essential factor affecting the effectiveness of the training and thus the integration speed and outcome. The supervisor trainings were stated to be delayed. By completing the trainings earlier, integration could in the future be sped up. More crucial aspect to the issue of timing however was that in the case acquisition the IT integration was delayed, yet the trainings were held on time. As a result, people did not have access to the systems they were supposed to train to use in the training sessions. It was stated, that learning to use the systems from the PowerPoints via Skype does not work. Guiding by hand as well as the opportunity to play around with the system yourself was deemed critical for learning and successful trainings.

"When conducting training via Skype, it is all the same if you are there to listen or not when you cannot play around with the system yourself while somebody checks if what you do is right or wrong."

The fact that there was no guiding from hand and no access to the systems in order to play around with them slowed down integration. The learning ended up taking place mostly independently and even today, many of the middle managers felt like the goals have not yet been achieved regarding training results.

"The IT systems are still not mastered. It is still very hard to make the write-offs and write-downs, forecasts and other things. Maybe in a year we'll learn it, maybe never, I don't know."

There is no point having trainings before there is access to the systems. Also, as described earlier, the relevance of peer support in the learning process cannot be neglected. One of the managers put it quite well.

"All of a sudden there was nobody at the neighboring work-station to whom to turn for advice. We were separated in a different part of the city yet tried to integrate into a company and learn the new policies and ways of working. The most effective way to learn would be to be in the same environment with the parent company and its old employees."

The lack of a roadmap or an integration plan was reflected in the trainings as well. The orderliness was missing and the timing of the trainings was not right in regard to other integration related activities such as IT integration. The trainings began too soon and people "choked in the bun" as described by one of the managers. The problem was mostly not using the systems but rather what to use the systems for. Many middle managers experienced, that the red line in the trainings was missing and that the why's behind the orders should have been better communicated. Now the IT environment was described to be a "black box". According the interviews, there was a big cultural shift for the acquired company employees from an agile to a more bureaucratic environment. Communicating the why's of doing things would have helped to accept the cultural change related to IT systems usage while removing the feeling of being just teased with all the responsibilities and rules. Now these cultural differences caused frustration and uncertainty as well as a degree of resistance to change, especially regarding the IT system adoption. Some of that resistance is still present today. Also the official introduction of corporate culture was delayed. It would have been essential to give the employees a preview of what the culture is like and what things will be different. This would have given the employees time to prepare for the change still without obligations. The lack of this communication resulted in uncertainty about the right procedures and ways of working in certain situations. An introductionary exposure to the new corporate culture earlier and communication about it would have increased the integration speed.

As a result of ineffective training, many different setbacks occurred. Not knowing how to use the systems and work in the new organization caused frustration and uncertainty within the employees while also creating waste hours as a result of wondering how things work. This way it affected the integration atmosphere in a negative manner. Also, the number of unbilled hours and the extra strain faced by the billing personnel that corrected the mistakes increased the integration related expenses and decreased deal performance in short term.

4.1.4 Atmosphere

The integration climate and the atmosphere in the organization are crucial for daily operations. For example, the willingness to work together can be compromised by frustration and uncertainty leading to inferior work performance and closing up. Based on the interview data, not knowing where the necessary material for operations could be found or not knowing how to work in the new environment caused frustration and lack of motivation resulting in protests. Things were done wrong intentionally, and the quality of the work-output was at times decreased. There were also wrinkles in the billing caused by the tantrums. These factors that caused frustration and tantrums as well as protests decreased the speed of integration. It is important that trainings and communication are timed right so that the migration to new systems takes place at the same time and that the new systems are in use early enough. If not, operational problems will occur as a result of lack of knowledge as well as tantrums.

“Frustration and lack of motivation took place at the integration phase right after the moveout as the network drive did not work and as there was no access to the needed material. And we didn’t know how to act in the new environment. It caused frustration and resulted in sub-optimal work quality and tantrums.”

What is more, the integration climate also has an effect on the employee retention. In the most problematic unit of the case integration, a bad atmosphere eroded the value of integration as bitterness was developed as a result of how things were handled. What is more, the change of titles and positions to conform with the acquirer organization’s policies caused extra friction. These decisions should have been made as soon as possible, yet they were delayed in the case integration. This combined effect caused 57% of the employees of the case unit to leave the company thus fueling uncertainty in the remaining employees as well. The same issue was faced with contracts. As the car benefit was removed, a few people decided to leave as a result.

Also symbols related to operations affect the integration climate and atmosphere for capability transfer to a great extent. In the case integration, the symbolism was not leveraged as a success factor contrary to the consensus in the literature. It is essential that the corporate culture is changed and that the employees of the acquired company are detached from the old. The organization had recently made a company image revision, yet the material given to the acquired company included material with the old image. Also, the work clothes of the acquiring company were not renewed but new logos were sewed on the new clothes instead. This caused some emotions. It sent a message that the management was saving money and not willing to invest into the new people. Giving the employees new working clothes with the new logos would have sent a message for the personnel that the management cares about them. It is essential to detach the people from the previous culture and symbolism and therefore new working clothes can be significant in that sense. Also business cards were advised not to be ordered as the addresses would change soon. However, they are crucial when it comes to job identification and identification and acceptance with the new organization. The former CEO of the acquired company summarized it well:

"The business card is for yourself. You can read there where you are working. Every time you look at it you read it."

In addition to the formerly mentioned, communication arose as an important factor regarding the atmosphere affecting the daily operations. The communication in the case integration was generally deemed irregular and non-systematic. It was stated that the messages should be systematic, better planned and also the timing of the communication should be better defined. Communication should take place early and the message should not change. The schedules need to stick, or the trustworthiness of the communication disappears, and uncertainty will be nourished.

"A few days before the expected integration they told us that it won't take place yet and that the timing will be transferred to time x. Then at time x they told us that it will be delayed still a bit more. It started to have tragicomic features."

Communication should be consistent in order not to feed the rumour mill. Also, more attention should be presented to the way and form of presenting. The communication was at times deemed unprofessional as very short answers were given.

Various questions to which managers should answer were reflected in the transcriptions and many of the questions that arose are listed in Table 6. In addition to those, also many other questions were mentioned related to new facilities, new address and how the new working environment will look like. By answering the key questions, an environment of safety can be promoted as suggested by the interview data. The vitality of communicating and reducing the uncertainty was also well described by one manager.

“The people close up under uncertainty. Everybody does their own job and does not share things. In the business unit meetings, people were divided into two distinct camps.”

Another factor regarding communication was the communication of why the deal was done. It was deemed crucial for job related self-esteem to know why the old parent wanted to sell. It is important for integration and daily operations how you see yourself.

“It could have sped up the integration if we had come to the new organization more confidently as a result of knowing that were acquired because we were good.”

Operations	

• Tools
  • Bad internet connection
  • Trapped with 2 computers and emails
  • Delayed IT systems access
  • No access to information and documents
  • Inferior management system
  • Heterogenous hardware and software between project team members → hard to work together in joint projects
  • Tools not supporting change
 	
• Education
  • Physical isolation and no peer support
  • Information came from far
  • Communication problems
    • Information was too fragmented
    • Long gaps
    • The communication of why's lacked → frustration, uncertainty, resistance to change
  • The timing of IT-system trainings failed
  • Orderliness and red line lacked
	• Physical Isolation and new facilities
	  • Symbolic value
	  • Slows down learning and adaptation to the new culture
	  • Creates uncertainty and feeds rumour mills
	  • Creates us-them division
	  • Lack of peer-support
	
	• Atmosphere
	  • Frustration and uncertainty induced closing up and protests.
	  • Bad atmosphere and bitterness → employee exits
	  • The potential of symbolism was not effectively utilized
	  • Inferior communication degraded atmosphere
	  • No communication regarding why the old parent sold.

Figure 5. *Summary of the operational problems in the case integration*

4.2 Sales function

The results related to the sales function follow three major themes: power relations, responsibilities and lack of proactivity. The sales function is the basis for the operations function and therefore vital for the revenue development of the company. The sales function ensures that the employees will have work to deal with also during the integration and is the one variable in the function affecting the revenue development of the company during PMI phase. As already suggested earlier, companies often experience a dip in the value of the combined entity during the integration due to suboptimal performance (Vester 2002). Problems in the sales function can contribute to this dip as sales development is a crucial part of the revenue generation and thus company valuation. Therefore, analyzing this business process is central when discussing about the deal performance of a company.

In the case company however, no major difficulties regarding sales took place. Vice versa, the quality of sales was deemed to have improved as described by one employee.

“The sales function became significantly more professional as a result of the acquisition. It is better directed and organized now.”

Naturally, integration puts a strain on every employee and there are more things to take care of than usually due to various training events and other appointments that require immediate attention. It was said that there was sometimes not enough time to devote on sales. Yet there was also help available for sales in most of the business units from the assistants. However, the existence of this help was not acknowledged in all the business units referring to a lack of information transfer or inadequate communications. However, this was not perceived as a major problem as the help was found when it was needed. Also, the responsibilities and roles of the business unit and project managers regarding the offers were a bit unclear at the beginning as the culture and policies regarding sending out bids were different in the acquired company than at the acquirer. In one unit this was complicated even further as the business unit manager was unclear due to a delayed publishing of the new organization.

”Because we did not know which one of us formally leads the business unit, it was unclear who should sign the offers and send them to the clients.”

It is important also at the sales function level to communicate the responsibilities and policies clearly to all relevant parties while establish clarity regarding the roles of the people. What is more, the organization and the people in it should be made to conform with the policies of the acquirer. In the case acquisition, there were business units where there was only one or few people with the project manager title. Yet the policies of the acquirer require an employee with the project manager title for every project to complete predetermined responsibilities. As a result, the people with project manager titles in these business units were flooded with the responsibilities. Hence, the resources needed to run the sales function were insufficient and either promotions, resource additions or adjustments to the policies should have been made to achieve a balanced workload for the people involved in the integration.

“I was and still am a project manager in a project that I know nothing about. I just send the bills.”

“In the whole business unit there was only one project manager. As a result of the integration there was a huge number of projects that had to be founded, ongoing projects that had to be billed and many project evaluations that had to be done monthly. For a few months we were rolling our eyes and wondering how we should handle that mass.”

Another factor that formed into a limiting factor regarding marketing integration was the lack of marketing material. There was no marketing material available before requesting for it. Yet, it was deemed important that this material would have been given proactively by the acquirer as the managers felt like they did not realize to request for it in time as they did not know it existed. This would have helped with the sales process as well as the customer relations management. Therefore, it is suggested that marketing material would be provided more proactively by the acquirer in order to secure the high quality of sales operations.

“All the marketing material that we have so far received had to be requested. But we didn’t understand to request it at first as we didn’t have any insight into what’s available.”

Based on the research, the reasons for the setbacks in profitability in case of the case company are to a great extent explained by the undone hour documentations and unbilled hours and time-consuming trainings that took away time from the daily operations. It was also stated, that the co-operation negotiations stop the company completely thus affecting the revenue development. It was stated that postponing the co-operation negotiations to a later time increased uncertainty and job insecurity. It was concluded that the co-operation negotiations should have been done immediately after the deal in case they were necessary. What is more regarding the revenue dip, it was suspected that there might have been problems when transferring the projects from the ERP system due to different basis of calculation thus resulting in write-offs. Also, machine investments and paying out balances as well as potential failure in releasing the provisions could explain the dip in revenue instead of the problems in the sales function.

Sales
• Too little time available for sales. • Unclarity in responsibilities and roles regarding bids. • Insufficient manager resources to match the requirements of the acquirer regarding project management responsibilities. • No marketing material given proactively.

Figure 6. *Summary of the sales-related problems in the case integration*

4.3 Management function

The management level consideration has been divided into two parts: top management and middle management. The results related to the top management function are divided into five different themes: slow integration speed, emplopyee exits, inadequate resources, leadership vacuum and missing integration plan. The results in the middle management level are divided into four themes: power relations, crucial people-decisions, organizational chart as well as communication and information availability.

4.3.1 Top management

The most apparent problem surfaced in the interviews that was mentioned by several middle- and top-level managers was that the integration proceeded too slowly. This was well described by two managers:

"During the spring nothing really happened. I think the long time was a problem. The integration took too long."

"We were in a limbo for too long."

It is evident that the integration speed being too slow caused various problems and plenty of uncertainty. However, it is vital to find the reasons why this was the case regarding the integration speed. The major reasons that were discovered in the research are key manager commitment and shortfalls in integration plan and roadmap creation.

One of the most significant problems in the integration was the fact that the people managing the whole company and the integration left the company. The situation was described as follows:

“When I first time met them, I realized that these people are exhausted. You could see they were working long hours”

“I realized that the key group of three people was overly loaded. They left for winter holidays, one for two weeks and one for three weeks and the CEO disappeared after the holidays. Nobody answered my emails or the phone.”

The exit of the key managers leading the integration caused various problems and was one of the biggest factors leading to the slowdown of integration. Decisions were not made as the CEO and HR manager were on holidays due to too much work. And after the holidays the CEO and HR manager both left the company. There was a long time during which mails and phone calls were not answered by them and the exit of these people from the company caused a lag in the integration process. The situation was described as follows by the former CEO of the acquired company.

“The leadership of the acquirer was disorganized. That was reflected in the fact that there were no decisions made and things did not progress. It wasn’t before the beginning of September that the integration really began after the organization chart was published.”

This disorder was stated to be the most crucial factor leading to the slowdown of integration according to the former CEO of the acquired company. Also the relationships within the management seemed to be infected and this also caused disorganization within the management based on the interviews. It is also good to put the acquisition into context. Just one month before the acquisition the same company had acquired another company. And 1,5 years before another one which was described to still live a life of its own.

“They took a big bite. They had just one month before the case acquisition acquired company X and also 1,5 years back company Y which is still today living a life of its own.”

This reflects the long-term stress that the managers had been under. Based on the research it is suggested that in the future a facilitator should be hired to help with the acquisition integration. This is in line with Ashkenas et al. (1998) who suggest that integration should be recognized as a full-time job. There are many other multinational companies that have a team exclusively dedicated for M&A activity such as Daikin Industries just to name one.

Another issue that resulted from the key employee exit was the creation of leadership vacuum. The situation was described as follows:

”The key people who were responsible for taking over the employees left and the things came to a halt. The responsibility to integrate was transferred to lower organizational levels as well as the CFO”

This demonstrates that the responsibility of the acquisition was moved to the line managers, with no understanding and no prior experience of integrating companies. There was no vision coming for the acquisition from above. It is suggested based on the data that defining the vision and communicating it can be used to speed up integration. This suggests that leadership vacuum was formed between the top management and the middle management.

Another issue that caused leadership vacuum to take place was the fact that the deal was done and managed in a centralized manner from country X. Also the due diligence was partially conducted there. After the deal was done, Finland was informed that it is done. Based on the interviews, there was a lack of understanding about the acquired entity. This was also caused by restricted access to information. A case in point describing the importance of understanding more about the company that is being bought is the failure of one of the business units of the acquired company, where differences in management cultures sparked the failure of the unit. By recognizing this pre-deal would have helped to prevent this from happening.

Another issue that was recognized in the interviews is the fact that an integration plan was missing. This is among one of the most serious problems surfaced in the interviews that negatively affected PMI and deal performance. There was no integration plan done pre-deal, but one was started to be made after the deal was published. The situation was described as follows by the former CEO of the acquired company.

"They didn't have a plan. They started to come up with the integration plan only when the deal was done. That job had been left undone."

Another manager simply stated that *"the roadmap was missing".* Not having this plan ready after publishing the deal caused the integration to get delayed while causing uncertainty among the employees. This was reflected in the disorderliness of communication and trainings. As timing is important for the communication, the integration and communication plan would have been essential. The red line in the execution and processes was missing. In addition, the lack of a plan had numerous negative effects on the operations. For example, the necessary material and tools were not always available. Many employees also experienced that the presentation of a roadmap or integration schedule would have helped to prepare for the integration and reduce uncertainty and frustration within the employees. Having a plan would also have made it possible to execute faster as decisions could have been made in faster, easier and more organized manner. This would have allowed the dip in revenue to be decreased and the everyday activities to start. The plan was also deemed important, as it helps to create schedules and stick to the schedules. Sticking to the schedules is crucial in order to create trust towards the management among the employees.

"We do project management for a living and this was one good example of how a project is not managed. It is necessary to have a plan about what to do and to execute it systematically."

The plan should include the workload division and the people responsible for each division. Everything should be planned and put into a form of a checklist as suggested in the interviews. It was proposed in the interviews, that the lack of a roadmap and integration plan slowed down integration. Parts of the integration were even left undone. It was concluded that having an integration plan and communicating it to the people would have increased integration speed and thus reduced uncertainty and frustration among the workforce. It was also suggested, the employees of the acquired case company should be used in the future acquisitions to help with the onboarding plan creation and to point out thoughts that the integration arises in the masses in order to prevent employee turnover.

4.3.2 Middle management

When moving to the middle management function, many issues regarding power relations emerged. One of the most crucial issues that came up in numerous interviews was the importance of publishing the organizational chart. The power relations were described as follows by two different interviewed people.

“It took long, it wasn’t before autumn when the organization was published.”

“The foreman relations were in disorder for a long time, approximately 10 months.”

In one unit there was uncertainty which person would lead the unit. This resulted in uncertainty within the employees and the managers. The manager described the situation well:

“The organization was published in November; this was not fast enough. It could have been dealt with earlier. It was both for me and person X a time of uncertainty.”

The fact that the power relations were not clear complicated the internal operations of the company. Also the co-operation negotiations necessary for the organizational chart formation were delayed, and it was concluded that these critical and uncertainty arising events should have been taken care of as soon as possible in order to minimize uncertainty among the employees. As a result of the delay the human integration did not take place. It was described well by the manager.

”There were clearly my subordinates and the subordinates of person X.”

The new organization should have been formed sooner. It was discovered based on the interviews that establishing power structures early can increase the speed of human integration. This is mainly due to the fact that the publishment of the organization chart decreased the uncertainty among the workforce as they saw their place in the new organization. Before that the closeup of people took place due to sustained uncertainty.

"Ideal situation is that when you buy a company you immediately present the new organization."

Also communication was found to be crucial for the middle management function. As middle managers are the ones to transfer the information from the top management to the subordinates, these managers are the middlemen who the subordinates come to with questions. Yet, they often do not have answers to these questions as the information has not been given to them from the top management. It was suggested in the interviews, that more information should have been given to the middle managers. Right now, the middle managers received the same information as everybody else, yet it was deemed important that they would have had more information to better answer the questions of the subordinates and promote the integration in the best way possible. It would have been important to gain a better understanding of the integration situation at the middle management level. Giving more information to the middle managers was also found to increase the integration speed as that way the atmosphere of frustration could have been alleviated as there would have been someone close with more answers. This could have also improved the result of the integration.

Management

- Top-Management Level
    - Too slow execution
    - Key-employee exits
    - No sufficient resources available relative to the context
    - Leadership vacuum
    - Communication of the vision and roadmap to the vision was not sufficient
    - Not understanding enough of the acquired company
    - No integration plan made predeal (reason between many operational level problems)
    - Roadmap was missing
- Middle-Management Level
    - Leadership vacuum
    - Unclear power relations
        - Delayed publishment of the organizational chart
    - Not enough information given to the middle-managers

Figure 7. *Summary of the management-related problems in the case integration*

5. DISCUSSION

This section is devoted to discussion based on the theory and results part of the research and aims to discuss the results in the light of the empirical data. The results of chapter 5 are reflected on the goals and research questions of the research as well as the literature review in chapter 2. Figure 8 summarizes chapter 2 into a framework for synergy realization.

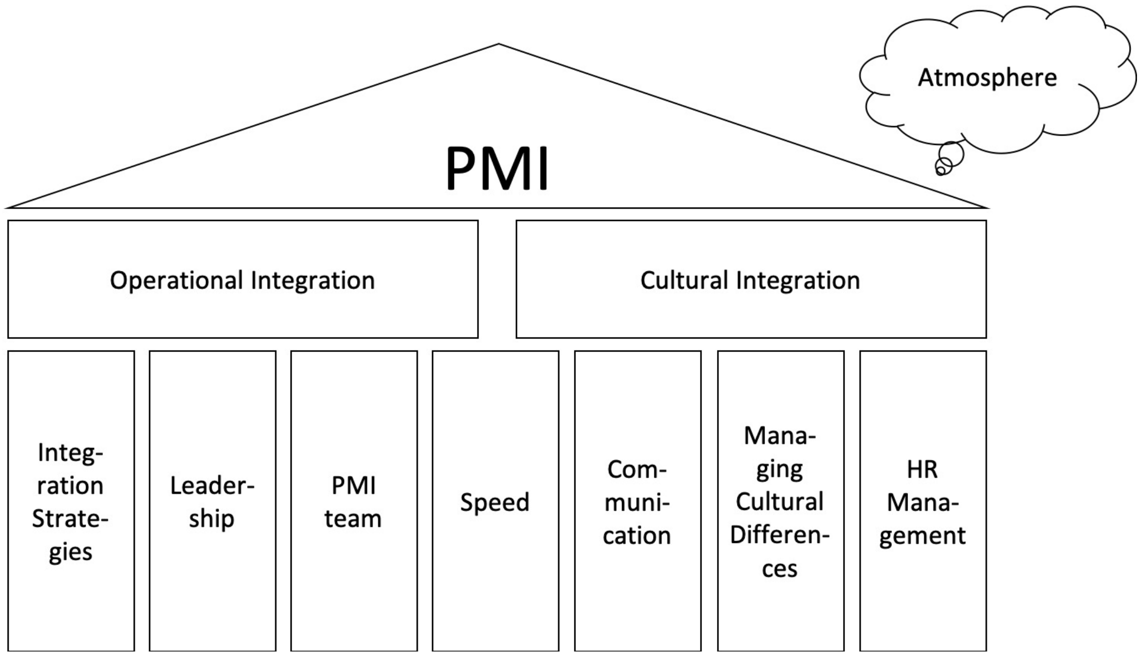

Figure 8. *Recipe for synergy realization*

The discussion is structured based on the business function view adopted in the results chapter. The discussion chapter also establishes recommendations and guidelines for the managers engaging in PMI activity in order to maximize integration speed and deal performance. As a reminder for the reader, the research questions defined in the beginning are

1. What integration problems are typical for a PBO management, sales and operations functions and what are their effects on deal performance?
2. How can integration linked problems in different business functions be fixed with different PMI best practices in order to improve deal performance?
3. What are the determinants of integration speed i.e. what things help or prevent the integration from moving forward and that way affect deal performance.

The first research question is answered in the results part of the research. The summary of the discussion part builds on this research question while answering the second and third research questions.

5.1 Operations

At the operations level, four general challenges were faced concerning tools, physical isolation and support, education as well as atmosphere. Whether the problem regarding tools was related to bad internet connection, being trapped with two computers and emails, not having access to the IT systems and material or not having compatible tools with other project team members, they all caused problems in company operations and therefore acted as obstacles for achieving the state of business as usual. This state of business as usual is the status quo and the goal of integration as described by Jemison & Sitkin (1986). In addition to causing extra strain and affecting the integration climate, these problems also have many direct implications on the integration speed.

First of all, the empirical data in operational business function context suggests that not having access to the relevant tools such as IT systems, material or hardware lead to difficulties in joint projects, i.e. in projects where both acquirer and acquired company employees were present. This was due to the fact that the IT systems and hardware between the project members were different. These tool-related problems have also been addressed in the literature review. As suggested by Ashkenas et al. (1998) related to the leadership and managing cultural differences CSFs, making the employees work together on projects yielding quick results is a powerful tool that can be used to promote learning, demonstrate the benefits of the acquisition, increase cultural integration and increase integration speed. What is more, Ranft & Lord (2002) recognize in the communications part of the literature review the importance of mixing up the teams for communication and increasing the two-way flow of knowledge which results in better understanding of the situation, i.e. reciprocal understanding and therefore facilitates the integration. Having tools that allow this process to take place on the operational level is therefore a prerequisite for cultural integration, learning, reciprocal understanding and human integration and is hence essential for PMI success. This is also in line with Jemison & Haspeslagh (1991, pp. 113–114) who suggest that working together is deemed essential for the synergy realization. Hence the availability of tools is also linked to the integration speed. When reflecting the empirical data to the communication, managing cultural differences and leadership CSFs, the research arrives at proposition number one.

Proposition 1: Having the tools relevant for everyday project work is a prerequisite for working together on everyday business problems. Establishing joint projects yielding quick results facilitates two-way flow of knowledge, demonstrates the benefits of the acquisition and promotes learning and human integration thus increasing the overall integration speed and deal performance.

Second factor related to the tools part of operations function is related to the delayed access to IT systems that caused the change measures taken to be ineffective. Based on the empirical data, the project managers and other team members could not access the system or had not learned how to use them. Yet, the organization expected them to change their behavior to conform with the policies of the acquirer, as this would be a necessary step regarding integration. However, without having tools to respond to the required change, no change can be implemented. Therefore, not having the tools required to conform to the change formed into a limiting factor regarding change measures and worked as an obstacle for acculturation. Acculturation is the process of cultural integration as described by Nahavandi & Malekzadeh (1988) and is an essential part of managing cultural differences CSF. What is more, based on the interview data old ways of acting are promoted if the tools do not support the new consensus hence meaning that the rate of learning slows down. As recognized in the value creation part of the literature review, decrease in the learning rate decreases the integration speed and deal performance because reciprocal understanding is deemed essential for the synergy realization as suggested by Jemison & Haspeslagh (1991, pp. 111–112). Also the leadership CSF addresses the issue of preserving old ways of working. According to Olie (1994) people tend to preserve their old ways of working which is a major obstacle for integration. Therefore, it can be derived that not having access to relevant tools slows down integration as planned change measures cannot be implemented, acculturation is prevented and as the rate of learning is decreased. Based on the empirical data and the value creation, managing cultural differences and leadership principles the research arrives at proposition 2.

Proposition 2. Not having tools that support change decreases integration speed and deal performance as old ways of working are preserved, acculturation is prevented and learning as well as the effectiveness of change measures are decreased. Therefore, it is essential to ensure the availability of tools that support change.

Based on the data related to the moveout theme of the operations function, the timing of moving out from the old office was found to be critical for the success of integration as staying too long in the old office can cause many problems reflected at the operational level. Moving out from the office was found to have a symbolic value, affect the rate of the learning process as well as uncertainty and work identity of the employees. The delay of moving to a new office from the old parent company facilities resulted in minimal interaction, i.e. communication between the acquirer and acquired company employees, as the entities were physically separated and as the clearance to enter the office was extremely hard to get. Yet the interaction is essential for integration success as recognized by Bresman et al. (1999) and Birkinshaw et al. (2000) in relation to the communication CSF. The delay of moving out was stated to have slowed down the exposure to the new culture and ways of working as well as the human integration. Based on the research it was concluded that exposure to the new corporate culture earlier and communication about it would have increased the integration speed. In addition, it was also suggested that communicating the principles and practices in a clearer and less decentralized manner would have increased the integration speed. These are in line with the views of Jemison & Haspeslagh (1991, pp. 111–112) presented in the value creation part of the literature review as exposure to new culture and ways of working promote the creation of reciprocal organizational understanding and thus the transfer of strategic capabilities e.g. the synergy realization. This is also backed up by many scholars who state that communication is considered to be critical to integration success (Schweiger & Denisi 1991; Inkpen et al. 2000; Ranft & Lord 2002; Vester 2002) as recognized in the communication CSF part of the literature review.

Moving fast to the new facilities was also deemed a factor affecting uncertainty. People want to know where they will be working and therefore making the change fast will minimize the uncertainty and the effect of rumour mills while increasing the willingness to learn and improving the spreading of information within the organization. As recognized related to the integration speed CSF, uncertainty is one of the most corrosive factors to PMI success (Angwin 2004) and that reducing this time of uncertainty is beneficial for the integration (Vester 2002; Angwin 2004). The results suggest that questions and worst-case scenarios caused by uncertainty slow down integration as the willingness and motivation to learn decrease. As identified in the value creation section of the theoretical background, the willingness to learn is key to the formation of reciprocal understanding and is together with the willingness to work together required for synergy realization (Jemison & Haspeslagh 1991, pp. 113–114). It was also concluded that similar to moving out fast, a proper management system would have helped the integration by making it easier to absorb new practices and policies and learn about the culture of the new parent company. As suggested by Jemison & Haspeslagh (1991, pp. 111–112) in the value creation part of the literature review, absorbing and learning about the other company helps to promote reciprocal understanding and thus facilitate integration. Based on the synthesis of the empirical data and the support from the integration speed CSF and value creation parts of the literature review, the research arrives at the following proposition.

Proposition 3. Moving out fast from the old parent company facilities and increased exposure to the new culture and ways of working increase integration speed and deal performance by decreasing uncertainty and the effect of rumour mills, by increasing the willingness and motivation to learn and by increasing the spreading of information in the organization.

Related to the education and support theme, it can be stated that actions promoting learning help to achieve this reciprocal understanding and this way speed up integration. This is based on the view of Jemison & Haspeslagh (1991, pp. 111–112) who state in the value creation part of the literature review that reciprocal understanding is needed for synergy realization and that learning is essential part in the creation of this understanding. In the results it was suggested that if there would have been a person at the same office that could have helped with the practical issues and questions, the integration speed could have been increased as learning would have taken place faster. This way also the people would be made to work together thus promoting integration based on Jemison & Haspeslagh (1991, pp. 113–114). This is also in line with the view of Bresman et al. (1999) who suggest linked to the communication CSF that the amount of communication and visits or meetings can be regarded as a facilitator of knowledge transfer thus promoting the transfer of capabilities. Also, the fact that information comes from close is suggested to increase integration speed based on the empirical data as the information is easier to adopt. This view receives support from Schweiger et al. (1993) who suggests in the communication CSF part of the literature review that the credibility of the source where the information is received increases the effectiveness of communication. Both these views come down to the availability of peer-support. Based on the empirical analysis, having the peer support and working in the same facilities, or even just sending someone over to help with the assignment at the first time it falls due, would promote learning and reduced the amount of waste hours while also speeding up integration. This view is in line with the buddy-programme practice introduced in connection with the communication CSF. Cisco uses a buddy programme to integrate its acquisitions (Papadakis 2007) as this method provides a credible source of information, peer support an promotes learning. It is recommended, that in the future a similar programme would also be considered at the acquiring company. Based on the interview data as well as the previously mentioned communication and value creation related principles, the research arrives at proposition 4.

Proposition 4. Ensuring peer support from the acquirer employees in everyday operational challenges and trainings promotes learning and increases integration speed. Therefore, establishing a buddy-programme and moving to the same facilities as soon as possible has the potential to increase integration speed and improve deal performance.

One of the biggest problems regarding the operations function is related to the problems in the IT integration. The timing of the trainings was deemed essential for the educational outcome, and failure to achieve the educational goals was to a great extent explained by not having access to the IT systems as well as the delivery method of the trainings. The fact that there was no guiding from hand and no access to the systems in order to play around with them slowed down integration as the effectiveness of the trainings was suboptimal. There should have been IT system access before starting the trainings based on the interview data. This view is supported by the literature review. The path-dependency of the events has been recognized in the integration speed part of the research suggesting that the order in which PMI measures are implemented affects the success of the integration (Gomes et al. 2013). Trainings are also an integral part of the HR management CSF and they are needed for example to transform tacit knowledge into explicit knowledge and to promote integration (Weber et al. 2012). It was also suggested related to the HR management CSF, that the adoption of various training methods promotes PMI (Nikandrou & Papalexandris 2007). Due to not having access to the IT systems the training methods were limited to following presentations. Based on the empirical data, the effect of communication could be increased when one could try to do the assignment themselves and would have immediate feedback on the result. This is in line with the previously presented support from the literature review. It is also important to understand, that facilitating the learning process would also increase the integration speed based on the view of Jemison & Haspeslagh (1991, pp. 111–112) as introduced in the value creation part of the literature review. The synthesis of the empirical data with the value creation, integration speed and HR management parts of the literature review is presented in proposition 5.

Proposition 5. Master the timing game for efficient integration and increased investment effectiveness. Timing the IT integration and the trainings so that IT system access is granted before the trainings while ensuring peer support at the trainings improves learning, increases integration speed and promotes deal performance.

Before any capabilities can be transferred i.e. synergies realized the right atmosphere needs to be created (Jemison & Haspeslagh 1991, pp. 110–111) as concluded in the value creation section of this research. However, many things can disturb this atmosphere. Many events, such as not having access to material or not knowing how to use the IT systems caused frustration and lack of motivation resulting in protests. Things were done wrong intentionally, and the quality of the work-output was at times decreased. There were also wrinkles in the billing caused by the tantrums. Based on the data, the factors that caused frustration and tantrums as well as protests decreased the speed of integration. This is in line with Jemison & Haspeslagh (1991, pp. 113–114) who state that willingness to work together is needed for synergy realization as it is essential for the transfer of capabilities as concluded in the value creation part of the study. Yet frustration and uncertainty lead to uncooperative behavior that slowed down integration. The importance of the integration climate on the integration speed can be understood even better after taking a look at the results stating that the changing of the titles and positions to conform with the acquirer organization together with a few other issues caused 57% of the employees to leave the company in one specific unit fueling uncertainty in the remaining employees as well. This describes how certain actions taken affected the atmosphere to such a great extent that the willingness to work together was reduced to such a low level that people decided to leave the company thus negatively affecting the transfer of capabilities. These views are in line with the leadership CSF related views of Ashkenas et al. (1998) who state that uncertainty can be detrimental for the PMI success as it drains value from the acquisition. Also the cultural clashes can be detrimental for the overall deal performance as they have the potential to disrupt the functioning of the newly formed organization (Buono et al. 1985) as recognized in the managing cultural differences part of the research. HR practices are vital in controlling these clashes via different ways, such as training programmes, workshops (Marks, Mirvis 2011) and communication (Weber et al. 2012). Based on the results and the theoretical reflection related to HR management, leadership and value creation, proposition 6 is formed.

Proposition 6: Problems that affect the integration climate negatively e.g. by establishing uncertainty, frustration, anger or bitterness indirectly increase the risk of arising problems and this way indirectly slow down the integration speed and cause permanent loss in deal value and thus reduce the deal performance. These integration climate related issues should be addressed with HR practices such as training, workshops and communication.

Based on the results, the symbolic factors such as new working clothes and business cards are crucial for creating the culture and are integral part of the integration plan as these factors are also central for the formation of job identity. It was found that for example business cards are important for the development of job identity. Related to the leadership CSF, the desire of people to preserve their previous occupational identity is a major obstacle for integration and thus the willingness of employees to fit in is compromised (Olie 1994). This illustrates the importance of the job identity and the small things that it comprises of. What is more, symbols such as business cards and new working clothes are an important tool for institutional leadership, as institutional leadership aims to create a new identity for the new entity and this way increase the transfer of strategic capabilities i.e. integration (Olie 1994). Institutional leadership has been found to be essential for the capability transfer process (Jemison & Haspeslagh 1991, pp. 133–134). The little things in the integration matter also according to Bligh (2006). All the previously mentioned leadership CSF related points emphasize the importance of leadership through symbolism in order to promote PMI success. Based on the empirical data and the previously described leadership related principles, the research arrives at proposition 7.

Proposition 7: Little things do matter. Detaching the people from the previous culture and symbolism while promoting the building of new organizational identity increase integration speed and deal performance.

As found out based on the interview data, symbolism does not always come free of charge and therefore it is important to reserve slack resources for the PMI process in order to more effectively change the corporate culture and effectively integrate the two entities. This is in line with views recognized in the value creation part of the theoretical background. The slack is vital for capability transfer i.e. the synergy realization. Slack resources are also needed for dealing with strategic contingencies and prevents fixation on short-term results therefore allowing full concentration on the PMI process. The extra resources can also be vital to fight and deal with unanticipated problems thus alleviating arising conflicts and improving the PMI process. (Jemison & Haspeslagh 1991, pp. 115–116) This is supported by the the leadership part of the research where the importance of top-management to reserve enough resource for integration was recognized to be key to PMI success. By reflecting the results with the value creation and leadership principles, proposition 8 is formed.

Proposition 8: Reserving slack resources for the PMI process has the potential to speed up integration and increase deal performance.

5.2 Sales

The sales function faced the least problems during the integration. Problems occurred related to power relations, lack of people with a project manager title entitled to take responsibility for billing as well as the lack of proactivity in offering the marketing material to the acquired company employees. However, these factors were regarded minor and it was concluded that there were no significant problems related to sales that would have negatively caused the number of projects to drop, the integration to get delayed or the deal performance to be decreased. Therefore, it is perceived that there is no need to cover these factors any further in the discussion part as the sales function is not in this case relevant for the research questions 2 and 3.

One reason for the sales process to be successful in the integration arises from the fact that the acquirer is an international multinational that has a strong and organized sales function globally with a lot of support, a global brand and readily available marketing material. Also the networks of the acquirer in the target market are extensive and it was perceived that there was help available for selling as the function was well organized in the acquired company and as there were sufficient resources reserved for the sales process. The availability of support and resources was one of the major reasons differentiating sales function integration from the integration of other business functions and explaining why sales integration succeeded better than the integration of operations and management functions. With these slack resources problems arising in the sales integration were managed and integration was promoted as a result of increased learning through support. Also the synergies from joint networks were realized as a result of the availability of support and people dedicated for the sales process. In other words, the sales integration is a case in point related to proposition 8 illustrating how the availability of resources can be beneficial for the PMI integration. Hence, the research arrives at proposition 9.

Proposition 9. Establishing support and reserving sufficient resources for sales is the key for increasing integration speed and improving deal performance.

5.3 Management

Among the most important factors that caused a delay in the integration and decrease in the deal performance was the fact that the key managers managing the integration and the company left the company. The exit of the CEO and the HR manager caused a situation where leadership was missing, and the management team was disorganized. This caused various problems and it contributed to many of the operational level challenges listed in chapter 5.1. For example, problems in decision making occurred and the execution of integration was delayed thus increasing the overall integration time. It was described by many interviewed managers that nothing happened and that the integration proceeded at a very slow pace. The manager exits also negatively affected communication as emails and phone calls were not answered and as there was a gap in communication for the employees. The exits also caused the institutional leadership to vanish. According to Jemison & Haspeslagh (1991, pp. 132–135) both institutional and interpersonal leadership are needed as recognized in context with the leadership part of the literature review. The lack of institutional leadership leads to the decrease in capability transfer as the employees tend to retreat to their former behavior thus causing organizational disruptions due to cultural and identity clashes in addition to reducing cause-effect knowledge, the willingness to participate, organizational slack while also decreasing interaction thus hindering integration (Jemison & Haspeslagh 1991, pp. 133–134). As leadership is a widely acknowledged PMI success factor (Kitching 1967; Jemison & Haspeslagh 1991, pp. 132–133, Angwin & Meadows 2009), it is essential to ensure that managementwise critical employees stay within the company. This is in line with Anslinger & Copeland (1996, pp. 101–104) who suggest that the integration team should be highly committed and motivated as recognized in the post-merger integration team CSF context. Also Weber (1996) suggests that the lower the commitment of the top management team, the lower the effectiveness of the integration process and the financial performance of the organization. By reflecting the results with the leadership and integration team principles, proposition 10 is formed.

Proposition 10. The retention of key employees managing the integration should be ensured at all cost as they are vital for timely decision making and execution of the deal. Not doing so will result in slower integration speed and decreased deal performance.

Anslinger et al. (1996, pp. 101–102) suggest that the commitment of the key managers can be increased with the right incentive systems in which the managers cannot afford to fail. The need for incentives to increase commitment is recognized in the leadership part of the literature review. It is also important to put the acquisition to a context. As described in the empirical part of the study, the company had recently engaged in other deals as well. When taking into account, that the key managers left the company due to being overly loaded, it can be deduced that not sufficient resources had been reserved for the integrations. As suggested by Ashkenas et al. (1998) in the post-merger integration team part of the research, it is essential to recognize integration as a full-time job and reserve enough resources for it. In the results it was suggested that a facilitator should have been hired to help with the integration process. When reflecting the empirical data to the PMI team and leadership CSFs, the research arrives at proposition 11.

Proposition 11. Integration should be recognized as a full-time job and sufficient resources should be reserved for it in order to increase the integration speed and the deal performance.

Another crucial result that caused problems in the integration was the fact that the integration plan was missing and was started to be made after the deal was announced. As the plan was not done predeal, integration delay and uncertainty among the employees occurred. There were various negative implications on the operations as the roadmap and orderliness were missing. Based on the results, many people agreed that the lack of a roadmap and integration plan slowed down integration. Parts of the integration were even left undone. It was concluded that having an integration plan and communicating it to the people would have increased integration speed and thus reduced uncertainty and frustration among the workforce. This becomes evident when reflecting the empirical data to the to the leadership part of the literature review. As suggested by Ashkenas et al. (1998) starting the planning already during the due diligence phase could speed up the integration. It is recognized that instead of seeing integration as a discrete phase, integration should be seen as a process starting from the very first discussions during the due diligence and ending when the two entities have met integration goals. GE Capital is a case in point of a company that aims to have a head start by starting the planning already during the very first discussions. (Ashkenas et al. 1998) Having an integration plan is also essential in order for the middle managers to develop the cause-effect understanding. Without a plan this cause-effect understanding is limited as there is no plan that denotes the important aspects of the integration and establishes the way the execution should take place in order to ensure effective capability transfer. Based on the empirical data and the leadership CSF practices, proposition number 12 is formed.

Proposition 12. PMI should be seen as a process staring from the very first discussions. Starting the planning already during due diligence, completing the integration plan already pre-deal and presenting it to the people immediately after the deal announcement speed up integration and improve deal performance.

Based on the empirical data, it is evident that the integration proceeded slowly, and the decisions were not made on time. The co-operation negotiations, moveout decisions as well as decisions regarding the power relations were not made in a timely manner. Yet these decisions are ones that involve the employees at a very personal level and are prone to create uncertainty. A case in point was the mood shift of the problem unit where 57% of the employees left. After deciding about the moveout to a new office, it became evident that the job will go on and there is future for the employees in the company. As a result, the productivity and atmosphere improved remarkably. This illustrates how making these critical people related decisions as fast as possible is a factor that can vastly contribute to the atmosphere for capability transfer and speed up integration. This is in line with the leadership best practices recognized in the leadership part of the literature review. According to Vester (2002) the difficult people decisions should be executed as soon as possible in order to reduce uncertainty and succeed in the integration. Based on the empirical data and the leadership part of the literature review, the research arrives at proposition 13.

Proposition 13: Execute the difficult people-related decisions as soon as possible to reduce uncertainty and increase integration speed as well as deal performance.

Based on the results, the integration was passed to a great extent to the middle managers as the top management exits took place. The middle managers had no understanding and no prior experience of integrating companies. There was no vision coming for the acquisition from above. This way leadership vacuum between the top management and the middle management took place. It was suggested based on the data that defining the vision and communicating it can be used to speed up integration. When reflecting to the literature, it can be concluded that the leadership vacuum and lack of vision slowed down integration and decreased deal performance. Support for this view can be found by considering the concept of atmosphere for capability transfer by Jemison & Haspeslagh (1991, pp. 111–117) covered in the value creation part of the literature review concluding that the missing vision coming from above slows down integration speed by negatively affecting the reciprocal understanding and as cause-effect understanding that is required for the middle managers to proceed with the integration is not established. Without the understanding of the purpose of the acquisition and the way the entities can work together, a retreat to former and more familiar behaviors will follow according to Jemison & Haspeslagh (1991, pp. 133–134) as recognized in the leadership part of the theory. It is also essential to note, that both institutional and interpersonal leadership are needed to create the atmosphere for capability transfer and as leadership vacuum leads to a situation where institutional leadership disappears, it will also slow down integration and the transfer of capabilities. Leadership vacuum at the top management level also results in misdirection in leadership both at top and middle management levels thus negatively affecting integration. (Jemison & Haspeslagh 1991, pp. 132–135)

Another factor that caused leadership vacuum was the fact that the deal was managed from abroad. The due diligence was partially done in country X and Finland only delivered information there. That way they had no deeper understanding of the company. According to Ashkenas et al. (1998) the due diligence team is the one that has the deepest knowledge of the company and the best insight into how the integration should be carried out. Therefore, the best person to fit the role of the integration manager and the integration team are the ones that have served in the due diligence team (Ashkenas et al. 1998). When reflecting this to the views of Jemison & Haspeslagh (1991, pp. 111–112) about integration value creation process, the view is sound with the idea that the fact that the deal was partially led from country X reduced the creation of reciprocal understanding. As described by one of the interviewed people, “they (Finnish division) knew nothing”. In the future attention should be paid that leadership vacuum would not take place within the international top-level management and the national top-level management as well as between the national top-level management and the middle management. Based on the empirical data and the value creation, leadership and post-merger integration team best practices, propositions 14 and 15 are formed.

Proposition 14. Leadership vacuum and lack of communicating the vision and the route to the vision slowed down integration and decreased deal performance. This vacuum should be avoided by defining and communicating the vision and road to the vision clearly. The integration should not be left completely to the middle managers.

Proposition 15. By including members of the due diligence team in the integration, more understanding of the target company could be brought in and this way integration speed and deal performance increased.

One more major issue regarding middle management was the unclear nature of power relations due to delayed publishing of the new organization. This process took 10 months which was deemed too long by many different managers. Due to the delayed publishing of the organization, internal operations became more complicated, human integration was prevented as a result of camp-formation and uncertainty prevailed. Based on the empirical study, the ideal situation would be that the new organization would be presented immediately when the deal is announced. It was concluded in the interviews that establishing power structures early can increase the speed of human integration. The importance of publishing the new organization is also described by Tetenbaum (1999) according to whom post-merger drift and up to 25-50% drop in productivity can be faced when going through a large organizational change as recognized in the integration speed part of the literature review. This is because people face psychological shock and become preoccupied with their own self-interests and are thus distracted from work. (Tetenbaum 1999) The importance of the organizational chart is also recognized in context to the integration speed CSF. In order to be able to effectively work in the new entity, the employees need to know what their role in it is. Until they do know this and feel secure, commitment problems are likely to occur. (Tetenbaum 1999) By reflecting the empirical data with the leadership and integration speed best practices, the research arrives at proposition 16.

Proposition 16. The power structures should be established early and the new organization should ideally be presented right after the deal is announced. This way integration speed and deal performance can be increased.

Based on the results, more information should have been given to the middle managers. Giving more information to the middle managers is proposed to increase the integration speed as that way the atmosphere of frustration could have been alleviated as there would have been someone close with more answers. This could have also improved the result of the integration. This is supported by factors recognized in the communication part of the literature review. Huy (2001) states that key to make any implementation work is to use the middle manager's clear and compelling communication in order to spread the word and get people on board. Because the middle managers have extensive networks within the organization, as they understand and stay attuned to the emotional needs of the organization during change thus maintaining the transformation momentum and as they manage tensions, middle managers are vital for organizational events requiring change (Huy 2001). They also have exceptional credibility among the employees that arises from the fact that middle managers can leverage informal power by utilizing friendships networks, trust networks, advice networks and communication networks (Pappas et al. 2004). Therefore, it is proposed, that the middle management is a CSF for the PMI success. This is to a great extent due to the fact that middle managers possess a crucial role both for operations as well as communication and as they have a unique vision on the organization and its problems as described by Pappas et al. (2004). Based on the empirical data and communication best practices, the research arrives at proposition 17.

Proposition 17: Giving more information to the middle managers can be used to promote change, increase the spread of information and to alleviate the environment of frustration and hence increase integration speed and deal performance.

6. CONCLUSIONS

In this section the achievement of the objectives, scientific contribution of the work and limitations regarding the work are presented. Also topics for further research are suggested.

6.1 Achieving the objectives

The objective of this research was (1) to identify typical integration problems for a PBO management, sales and operations functions, (2) to identify how integration linked problems in different business functions can be fixed with different PMI best practices in order to improve the deal performance and (3) to provide determinants of integration speed i.e. what things help or prevent the integration from moving forward. The research was conducted as a case study and therefore the company and the context were described in order to set the results into a context.

At the beginning, the deal performance and value creation processes as well as the PMI CSFs are presented as a result of a literature review. In the literature review it was found out that there are various general CSFs that can contribute to the PMI success when applied appropriately. Yet there is a vast amount of M&A literature concentrating on the best practices and the information is deemed fragmented (Gomes et al. 2013). This section of the research aims to form a holistic picture into the factors that shape success in PMI integration and form a consensus based on the literature review. Also, the effects of speed are considered in detail in order to shed light on the advantages that moving fast provides. The key outcome of this part is the consensus formed about the CSFs. Based on the result, the CSFs can be divided into seven categories: integration strategies, leadership, post-merger integration team, communication, managing cultural change, HR management and speed of integration.

The empirical part of the research comprises of expert interviews. The first significant result was the establishment of operations, sales and management related problems in the case acquisition. These problems are summarized in figures 5, 6 and 7. In general, it can be concluded that the operational problems were linked to four categories; tools, moveout, education and support as well as atmosphere. In case of the sales function, the major result is that there were no major problems regarding sales that would have affected the integration speed or deal performance negatively. However, most crucial problems in regard to the case integration were related to the management function. Various problems occurred both at top management and middle management levels. When analyzing the data, it was aimed to keep at the context and therefore coding and categorizing data as well as summarization were used to draw conclusions from the data.

After this, the results were discussed by drawing connections between the literature review and the empirical data. A consensus of the factors affecting integration speed and about the actions that should have been taken were established successfully. As a result, 17 propositions were formed addressing the problem related to the business function and the effect of that problem on the integration speed and deal performance. These propositions work as a solution to how integration related problems can be solved based on the PMI CSFs and the empirical data in order to increase integration speed and deal performance. This way all the research questions are answered. It can be concluded, that the research succeeded in answering the research questions and thus reached the objectives.

6.2 Scientific contribution

This research answers the call for research by Angwin & Vaara (2005), Homburg & Bucerius (2006), Gomes et al. (2013) and Bauer & Matzler (2014) to create linkages between different CSFs of the integration process and to determine factors affecting the integration speed. In addition to previously mentioned, the research also answers the call of (Bauer & Matzler 2014) to provide determinants of integration speed that has been stated to be broadly neglected in literature. What is more, the M&A literature has been deemed fragmented and lacking connectedness (Gomes et al. 2013). This work aims to unify the literature by conducting a literature review on M&A CSFs. The connectedness of the literature is increased by applying these practices to a case context in order to create understanding of the effects of individual research outcomes on the integration speed and deal performance in the case environment.

This study is among the first ones to adopt the cross-sectional view across all relevant business functions in a PBO and thus provides a new viewpoint for the M&A literature. This view is particularly beneficial to better understand the problems arising at the business function level. This adds more concreteness into the research and therefore provides a different viewpoint to the factors contributing to the success of PMI. What is more, the M&A literature tends to be very generic when it comes to organizational types and is thus lacking the PBO context. This distinction between different organizational types is essential as different types of organizations have different business functions and therefore different integration related problems. This research thus provides a better context for the results thus increasing the relevance and accuracy of the findings for PBO's specifically.

In addition to contributing to the performance perspective of the acquisition integration, this study also has a significant social contribution. M&A result in plenty of strain for the people involved in it. However, the work takes into account the people as a factor that is critical to the PMI success. This research carries a deep social impact as a result of the interpretivist research strategy and interviews of the employees involved in the acquisition integration. This way the research links the human side of mergers to the PMI best practices. This social aspect to acquisition integration has been often neglected in the literature, yet the importance of human capital for PMI success cannot be denied.

6.3 Limitations

As every research, also this one has a set of limitations that need to be taken into account when examining the results. The most significant limitations are linked to the generalization of the results as well as the limitations caused by the interview method that was used as the main source of data collection.

The research was conducted as a semi-structured interview of 9 people holding a position at the middle or top management level. The most evident restriction to the results is the small sample size. Most of these people worked at different business units and therefore had their own story to tell. By listening to a greater number of stories from the same business units, the accuracy of the data as well as more accurate analysis could have been attained. Also the participant observation has the potential to improve the interpretation of the results. However, the fact that the observations have taken place over the years and have not been documented is a major limitation for the study reducing the transparency of the analysis.

The fact that there is only one case deal under study and that the organizational and deal context are strictly defined allow a deep and case-specific consideration of the topic. In the light of the prevailing literature, the results of the research can be regarded valid. However, generalizing them possesses a danger as the findings are specific to the case organization and might not apply in every other case. Therefore, the results should be considered relevant to a PBO with similar organizational and operational intentions and a similar acquisition target. As the organizational culture as well as numerous other reasons including the acquired company size affect the challenges and nature of the integration, the results should be applied critically and case specifically. Another factor restricting the generalization of the findings is that the case acquisition is a domestic acquisition. Therefore, the relevance might not be as good in an international context as the challenges faced in such a context are different. Also, the integration strategy type in question is absorption acquisition, which limits the findings to the absorption acquisition context.

It is also important to note, that the research relies on the capabilities-based view on PMI value creation. Therefore, it studies the integration speed and deal performance relative to the capability transfer i.e. synergy realization. Yet this is only one way to define the goals and progress on an integration and therefore other measures could be formulated as well to perfect the integration speed and deal performance.

6.4 Reliability and validity

The nature of the interviews causes certain limitations for the credibility of the results, i.e. reliability and validity of the data. According to Saunders (2009, p. 156) reliability refers to the degree to which your data collection techniques produce consistent findings i.e. how likely other researchers would arrive in the same conclusion based on the data collection methods. The reliability of the research was aimed to be maximized by describing the data collection method in great detail in chapter 3.3. Also the participant bias is relevant to the topic. Integration causes many problems, many of which might be deemed delicate in nature. Therefore, there is a risk that the interviewed people might not say their honest opinion, but rather reply as they believe their managers would want them to. This restriction was tried to be minimized by stating it very clearly at the beginning of the interview, that the interview can be conducted anonymously in case the participant prefers so. Strict measures concerning data handling and sharing the content of the interviews were followed to ensure the quality of the data.

Another factor affecting the reliability of the research is the observer error. Due to the semi-structured nature of the interviews, the interviews were relatively laid back and the questions were asked slightly differently in different interviews due to the contextual requirements set by the discussion. This negatively affects the repeatability i.e. the reliability of the research and might lead into slightly different understanding of the question and thus distorted answers. What is more relevant for an interview though, is the observer bias. According to Saunders et al. (2009, pp. 156–157) observer bias refers to how the answers have been interpreted. As the interviews are based on subjective interpretation of the researcher, there is a risk that a bias due to biased interpretation will take place. This implies that another researcher might thus end up having a different interpretation of the same piece of data. The observer error and observer bias were tried to make transparent by transcribing the interviews in order to increase the transparency of data and this way the reliability of the research. However, it is important to note that the interviewer has been working for a longer time in the organization which might increase the observer bias. What is more, the fact that the interviews were conducted face-to-face or via Skype or phone might have added to the risk of misinterpretations, as body-language related context was lost in Skype and phone interviews. The observer bias was addressed by asking clarifying questions and concluding during the interviews what had been said and asking whether the way the explanation had been interpreted was correct according to the person interviewed. Also the number of interviews done reduces the risk of faulty interpretations.

The validity describes if the findings are actually what they appear to be about (Saunders et al. 2009, p. 157). In this research, a major factor affecting the validity of the results was the risk of hidden agendas within the interviewed managers. In case the interviewed people believed, that the interview would somehow disbenefit them or in case there would have been hidden political agendas, the results might have been distorted due to that reason. This limitation was addressed by stating that the interviews could be conducted individually and anonymously if the participant so wanted, and by selecting the interviewed managers in cooperation with the top management team of the company who personally knew the interviewed people and could tell whether there are hidden agendas or ulterior motives. The strict predetermined criteria set for candidate selection is a measure taken to address the validity of the research. What is more, the relationship between the interviewer and the interviewed people was secured not to interfere as the interviewee works in a different independent department and therefore has no direct links to the interviewed people that could result in biases in the interview answers or the interpretation.

Observer error and observer bias arising from the subjective interpretation of the results by the researcher can cause misinterpretations and therefore decrease the validity and applicability of the results. This validity related issue was addressed by triangulation. According to Creswell & Miller (2000), triangulation is a validity procedure that can be used to increase the validity of the research. In this research, the findings from a literature review comprising of many different works utilizing different theories, researchers and types of data were compared together to form a consensus on the theory and later on the findings from the interviews were reflected and tested against this literature. What is more, the results were also run through and discussed with the top management team of the company and they all received acceptance and were seen to be truthful, valid and relevant to the case.

Even though triangulation was used to increase the validity of the research, it is essential to note that the new findings in this research are a subject for researcher bias. As a result of subjective interpretations and conclusions of the researcher made based on the interviews and the conducted literature review, the risk of the findings being biased exists. What is more, the groupings of the results were formed subjectively by the researcher. As a result, the benefits of triangulation are limited as the method can only be used to see if these findings are in line with the literature but does not prove that the interpretations and conclusions are true. Researcher bias is a major risk in this research as it exposes the findings as well as the interpretations for bias. For example prior expectations, prior information or assumptions of the researcher are factors that can cause researcher bias. Also confirmation bias is a central factor related to researcher bias suggesting that the results of the research can be biased as a result of the researcher trying to portray either knowingly or unknowingly a certain outcome a result of selectively interpreting and using the evidence (Nickerson 1998). The risk of the researcher influencing the outcome and findings of the research decreases the reliability and validity of the research and is the most crucial source of error for this research. The risk for researcher bias and especially confirmation bias is particularly relevant due to the prior working history of the researcher and the participant observations as these result in expectations and subjective views and might thus have a potential to distort the results. The problem of researcher bias was addressed by reviewing the results with the top management team of the company as well as with the interviewed managers. However, the researcher bias is still a major limitation affecting the reliability and validity of this research and should thus be taken into account when applying and assessing the findings of this research.

As stated earlier, there are various limitations affecting the interpretation of the results caused by the nature of the research. In addition to affecting the reliability of the research they also have an effect on validity. The fact that the participant observations have not been documented over the years reduces the transparency of the method as well as the data analysis. Therefore, this limitation is a major factor reducing the reliability of this research. Also the fact that the research was carried out by using only one case acquisition reduces the generalizability and external validity of the research. Therefore, the case context should be carefully considered to gain understanding and when applying the findings to other cases. By involving more researchers in the project and taking a multiple case acquisition perspective by allocating more resources to the project, also the external validity of this research could be increased.

6.5 Topics for further research

Due to the case specific and highly defined contextual and organization specific nature of the research, there is a need for a similar research also in other contexts. Studying the problems arising at different business processes and evaluating their effect on the integration speed in other organizations than PBOs would be needed as it still lacks from the literature. For example, studying a traditional manufacturing company might have different relevant business processes and capabilities than a PBO thus setting new requirements for the integration process. Also the motives and nature of the integration would likely differ. Different business processes are likely to result in different problems and therefore studying these processes would contribute to the current M&A literature. By studying different organization types and different business functions, the findings of this research could be complemented and thus a more holistic perspective about PMI from the business process perspective could be achieved.

Also other similar cases in the PBO context should be studied further. This would increase the external validity of this research and would further confirm the results outside the case context. What is more, the same research method and view could also be applied to international context by selecting an international acquisition and reflecting these findings on the findings of this research in an attempt to see how the problems and solutions differ in the international context.

Another interesting area for further research is the integration speed function. This research identified factors that affect the integration speed and stated the nature of this relationship. Yet, little can be said about the magnitude and thus of the significance of each measure relative to each other in scientific terms. Empirical study defining the magnitude of change caused by different PMI speed variables could complement the findings of this study and provide valuable knowledge for managers and scholars dealing with PMI.

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APPENDIX A: THE STRUCTURE OF THE INTERVIEWS

Nimi:

Positio: Original organization: X/Y

Rooli integraatiossa:

Paikka:

Yleinen

1. Miten integraatio eteni ja mitä ongelmia siinä ilmeni? Miten nämä ongelmat vaikuttuivat integraation nopeuteen?

Operatiivinen toiminta

2. Mitä ongelmia projektitöihin/tuotantoon liittyen nousi esiin? Eli mitkä asiat haittasivat työntekoa? Mistä nämä ongelmat johtuivat? Miten vaikuttivat integraation nopeuteen?

- Päästiinkö kiinni projekteihin
- Millaiset olivat tiimijaot; sekatiimit projekteissa?
- Millaisia projekteja tuli alkuun (quick wins?)
- Miten ostettuun yritykseen suhtauduttiin?
- Odotusten ja vastuiden selkeys

3. Miten kuvaisit työntekijöiden työmotivaatiota ja työskentelyn tehokkuutta sekä niiden kehitystä integraation aikana? Oliko ongelmia ja mistä ongelmat johtuivat?

4. Uusiin järjestelmiin siirtyminen (human side). Miten työntekijät kokivat sen ja saatiinko siirtymiseen riittävästi tukea?

Myynti

5. Mitä ongelmia myyntiin liittyen esiintyi? Miten kuvaisit myynnin kehitystä integraation aikana?

- Miten myynnin integraatio eteni? Mitä haasteita nousi esiin?
- Tarjouskäytännöt

- Selkeys tarjouksen tekemisestä, kenen nimi, mikä brändi?
- Työnjako ja vastuujako
- Vanhojen ja uusien projektien integrointi
- Oliko riittävästi hankkeita

Keskijohdon integraatio

7. Mitä ongelmia johtamiseen liittyen esiintyi? Miten keskijohdon integraatio eteni? Mitä ongelmia nousi esiin?

- Vastuujaot
- Käytännöt
- Valtasuhteet
- Miten keskijohtoa yhdistettiin?
- Leadership vacuum?
- Odotusten selvyys

8. Tiesikö keskijohto roolinsa integraatiossa? Viestittiinkö se selkeästi?

9. Miten kuvaisit ylimmän johdon ja keskijohdon tiedonvaihtoa? Viestikö ylin johto selkeän vision ja polun tähän visioon? (leadership vacuum)

10. Oliko yritysoston syy ja tarkoitus kaikille selvä?

Syvennys

11. Missä vaiheessa ei enää tunnistanut kuka on yrityksestä x ja kuka yrityksestä y?

12. Sujuiko jokin asia integraatioon liittyen liian hitaasti hidastaen integraationopeutta?

13. Mitä pelkotiloja integraatioon liittyi? Miten näihin pelkotiloihin vastattiin? Epätietoisuus?

14. Miten kuvaisit kommunikaatiota integraation aikana?

a. Oliko alaisilla paljon kysymyksiä, vastattiinko niihin? Koitko joutuvasi välikäteen vastausten annon suhteen?

15. Miten kuvaisit kulttuuri-integraatiota ja kulttuurieroja sekä niistä syntyneitä mahdollisia ongelmia? Olivatko X:n toimintaperiaatteet selvät?

16. Miten kuvaisit integraation johtamista ja siinä mahdollisesti ilmenneitä puutteita?

17. Miten kuvaisit epätietoisuutta, muutosvastarintaa sekä niistä aiheutuneita mahdollisia ongelmia integraation aikana?

18. Tiesikö jokainen oman tehtävänsä ja vastuunsa sekä mitä itseltä odotettiin? Vastuujaot selkeät myynnissä, operaatioissa, ja johtamisessa?

Lopetus

19. Haluaisitko nostaa esiin vielä jotain mikä ei ole tullut keskustelussa esiin?

Question Bank

20. Miten kuvaisit HR-johtamista integraation aikana?

21. Miten integraatio otettiin vastaan yritys Y:ssä? Entä Yritys X:ssä?

22. Miten kuvaisit työntekijöiden epätietoisuutta sekä sen kehitystä?

23. Miten ostetun yrityksen keskijohtoa hyödynnettiin integraatiossa? (credibility, knowledge and understanding of the acquired entity, kommunikaatio)

24. Miten ostetun yrityksen henkilöitä otettiin mukaan integrointiin?