

*Covering the globe by cross-border acquisitions*



*What is the impact of previous cross-border acquisition experiences on the acquisition implementation regarding the acquired firm's autonomy, communication, retention and knowledge transfer?*



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**Abstract**

Over the years, many companies have been taken over by competitors both nationally and internationally. Globalization is one of the causes that acquisitions are not taken place only in the home country but also abroad. Due to the removal of trade barriers, taxes and other impediments that suppresses trade, it has become much more interesting for companies to look outside their national borders for expansion, cost reduction and other strategies. One way to achieve this is by acquiring another business (acquisition). The implementation of an acquisition raises questions, for example: how to preserve valuable knowledge of the acquired firm and how to integrate these resources? If an acquisition is not implemented correctly, it will cost time and money and therefore it is important to understand how to implement an acquisition properly and if experience with acquisitions can help with that. According to several studies, 60-70 per cent of the acquisitions fail to reach their goals. Many studies have been executed to study the effect of acquisition experience on acquisition performance. In this study, the effect of acquisition experience on the implementation process in subsequent cross-border acquisitions will be described.

*What is the impact of previous cross-border acquisition experiences on the acquisition implementation regarding the acquired firm's autonomy, communication, retention and knowledge transfer?*

Six cases have been thoroughly examined to give indications about the positive or negative effects of cross-border acquisition experience on the impact on the implementation process. Results will show managers use their gained experience in the subsequent acquisitions. They use their experience to mitigate both internal and external negative factors, know better how to avoid or manage crucial negative events, know how to use the four major determinants more properly, and in the end know how to implement an acquisition more properly and smoothly. Clear communication appears to be one of the most important factors, while implementing a cross border acquisitions. Communication strategies have changed from providing little information to setting up communication programs to enhance the success of the implementation. Results also indicate that due to cross-border experiences in the past, the level of granted autonomy has been changed. The culture of both the target company and the target country also impacts the implementation. Experiences have changed the way of implementation due to the differences in culture. The implementation of knowledge transfer appears to be heavily reliable on the implementation of the other three factors. Therefore, results indicate that cross-border acquisition experience will help acquirers to implement an acquisition more successfully.

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## 1. Introduction

The topic of acquisition experience and their influence on subsequent acquisitions have been heavily studied over the years (Haleblian and Finkelstein, 1994; Hitt et al., 1998; Vermeulen and Barkema, 2001; Hayward, 2002; Zollo and Singh, 2004; Barkema and Schijven, 2008) and again others stated that there is a). Although lots of research has been done, researchers still are not able to find one general conclusion. As will be outlined in the following chapters, opinions vary between the different researchers. One says that experience is always positive, others argue this and state that experience might have negative effects. Most studies that studied the role of acquisition experience, connected acquisition experience to acquisition performance in subsequent acquisitions. Very few studies studied the effect of experience on the implementation process. As the implementation of an acquisition breaks or seals the deal, more attention should be given to the implementation process. According to the literature, four determinants are of vital importance for the implementation process, namely; autonomy of the acquired firm, retention, communication, and knowledge transfer. This study will give an insight in the importance of these four determinants, their contribution to the implementation process, and the impact of acquisition experience by the acquirer on the implementation process of these four factors.

### 1.1 Background

This study follows up on the research of Annette L. Ranft and Michael D. Lord (2002)

“They explored seven in-depth cases of high-technology acquisitions and develop an empirically grounded model of technology and capability transfer during acquisition implementation. They assessed how the nature of the acquired firms knowledge based resources as well as multiple dimensions of acquisition implementation have both independent and interactive effect on the successful appropriation of technologies and capabilities by the acquirer”. In other words, their research was aimed on the implementation of the acquisition and in which way their knowledge and multiple dimensions of acquisition implementation had an impact on the transfer of knowledge and technologies. This research however did not take into account the experience of the company with acquisitions, while this should be an empirical question (Ranft and Lord 2002). Neither did it distinguish domestic from cross-border acquisitions, while cross-border acquisitions have become a primary mode of internationalization in recent years due to globalization (“the increasing economic interdependence of national economies across the world through a rapid increase in cross-border movement of goods, service, technology and capital”, Joshi et al. 2009).

M&As have been increasing their share of global foreign direct investment at the expense of greenfield investment (UNCTAD, 2000). For the past two decades, firms have used mergers and acquisitions (M&A) as one of the main mechanisms to expand their operations into international market. Therefore it is not surprising that cross-border acquisitions have become the dominant means of internationalization, accounting for approximately 60% of all foreign direct investment inflows (Hopkins, 1999).

“The going concern is a working coalition. From the viewpoint of the foreign MNE, it possesses an operating local management familiar with the national market environment. The MNE that buys the local firm also buys access to a stock of valuable information” (Caves 1996).

In other words, a cross-border acquisitions allows a firm to get costly access to the country-specific capabilities of the acquired firm (Nocke & Yeable, 2007) whereas the price is governed by demand and supply of firms in the market for corporate control as well as by the nature of the transaction (DePamphilis 2010).

A study by KPMG found that approximately only 17% of cross- border acquisitions created shareholder value, while 53% destroyed it (Economist, 1999). In 2004, McKinsey calculated that only 23% of acquisitions have a positive return on investment. Tuch & O’Sullivan (2007) came to the same conclusions, many acquisitions fail to reach their goals and become failures. Harding (2004) stated that other studies imply that 60 percent to 70 percent of acquisitions fail, and that nearly 90 percent of all acquired businesses lose market share. These figures and numbers makes you wonder why firms undertake acquisitions while it appears to be so hard to successfully undertake an acquisition.

## **1.2 Previous research**

Different studies through several lenses have been done and all mention several causes for an acquisition or merger to fail. Ansoff et al. (1971) were one of the first who studied Mergers & Acquisitions (M&As). They started with focusing on the motives for acquisition.

In 1991 Haspeslagh and Jemison studied the managing process of acquisitions. According to Haspeslagh and Jemison the key differences between acquisition success and failure lie in “understanding and better managing the processes by which acquisitions/decisions are made and by which they are integrated”. One of their conclusions is that too much attention is paid to takeover strategies. In other words, the success of an acquisition lies in the implementation of the acquisition, not in the strategy of acquiring. They came to this conclusion after studying 20

companies in 30 mergers or acquisitions for 8 years. In 1993 Hitt et al. found another way to study acquisitions. Instead of focusing on studying the implementation process, like Haspeslagh and Jemison (1991) did, they studied if experience in acquisitions is positively related to acquisition performance. They examined twelve successful acquisitions and came to the conclusions that an organization's acquisition experience was positively related to acquisition performance. Halebian and Finkelstein repeated in 1999 what Hitt et al. did in 1993, only on a bigger scale. Whereas Hitt et al. had a sample of twelve successful acquisitions, Halebian and Finkelstein used 449 large completed majority acquisitions over a period of 13 years in which they studied the influence of organizational acquisition experience on acquisition performance. They came to the same conclusion as Hitt et al.; Acquiring firm performance appears to be positively related to acquisition success.

### **Focal acquisition performance**

In 2002 Hayward took it a little step further after examining 214 acquisitions that had taken place from 1990-1995, he concluded that a "firm's focal acquisition performance positively relates to prior acquisitions that are a) not highly similar or dissimilar to the focal acquisition, b) associated with small losses and c) not too temporally close to or distant from the focal acquisition" (pp.21). He stated that when firms undertake a series of acquisitions that are highly similar to the focal one, they risk entering competency traps, thereby experiencing adverse performance. Controversially, firms that undertake prior acquisitions that are highly dissimilar from each other, lack the specialist knowledge about how to select and integrate any acquisition type. Second, learning is more likely when prior acquisitions incur small losses, prompting refreshed search for the right acquisition.

### **Prior experience**

Later research by Uhlenbruck (2004) implies that subsidiaries acquired by firms with prior acquisition experience will perform better and that the prior acquisition experience of MultiNational Enterprises (MNE's) is positively related to sales growth of the new subsidiary. When MNE's are acquiring a firm in Central and Eastern Europe (CEE) the value gained from some acquisition experiences declines not only over time (March, 1988) but also over cultural distance. However, capabilities associated with the acquisition experience of the MNE appear valuable independent of cultural differences between home and host country. Dynamic capabilities, building on acquisition experience, create value when entering CEE. Uhlenbruck came to this conclusion after examining 170 acquisitions in Central en Eastern Europe. According to Hopkins (2008), the chance of success for cross-border mergers and acquisitions can be increased by two elements, namely; a good strategy and post-merger integration.



However, it is questionable if experience in acquisitions might not lead to overconfidence or hubris. Meschi and Metais (2006) found an inverted U-shaped relationship between acquisition experience and acquisition performance. This suggests that experience might benefit an acquisition up to a certain point, and beyond that point they might suffer possibly from overconfidence or hubris. Although the streams of research are not mutually exclusive, they have been only marginally informed by one another.

As can be concluded from the studies mentioned above, the tendency is that acquisition experience does have an influence on the result of an acquisition. However, there are multiple factors that are important and could influence, both positive and negative, an acquisition.

Below an overview of number of relevant studies that have been executed in the last three decades can be found (figure 1).

(figure 1)

Authors	Sample	Dependent variable	Key findings
Philippe Haspeslagh, David Jemison (1991)	eight years of research at 20 companies involved in 30 mergers or acquisitions in the United States, Europe and Asia	acquisition implementation  Developing resources after the acquisition	According to Haspeslagh and Jemison the success of an acquisition lies in the implementation of the acquisition.
Hitt et Al. (1993)	twelve successful acquirers	Acquisition performance	Hitt et Al. showed organization acquisition experience to be positively related to acquisition performance
Jerayr Halebian, Sydney Finkelstein (1999)	449 large completed majority acquisitions that occurred between January 1980 and December 1992	acquisition performance	U-Shaped relationship between acquisition experience and performance
Mathew L.A. Hayward (2002)	214 acquisitions made by 120 firms in 6 industries between 1990 and 1995	acquisition performance	Hayward concluded that a "firm's focal acquisition performance positively relates to prior acquisitions that are a) not highly similar or dissimilar to the focal acquisition, b) associated with small losses and c) not too temporally close to or distant from the focal acquisition.

Authors	Sample	Dependent variable	Key findings
Annette L. Raft and Michael D. Lord (2002)	Seven cases were selected to focus on acquisitions aimed at gaining new technologies and capabilities	acquisition implementation	They assessed how the nature of the acquired firms knowledge based resources as well as multiple dimensions of acquisition implementation have both independent and interactive effect on the successful appropriation of technologies and capabilities by the acquirer".
Klaus Uhlenbruck (2004)	170 acquisitions in Central and Eastern Europe	Acquisition experience	Uhlenbruck concluded that firms with prior acquisition experience will perform better and that the prior acquisition experience of MNE's (MultiNational Enterprise) is positively related to sales growth of the new subsidiary

As figure 1 shows, lots of research has been done to find out if and to which degree experience with acquisitions influences the performance of an acquisition. Most past studies concluded that experience with acquisitions do have a positive influence on the result of an acquisition.

In these past studies, attention has gradually changed from the antecedents of M&As to the processes and outcomes of post-M&A implementation. These aspects are crucial to the comprehension of M&As (Haspeslagh and Jemison, 1991) but have not been carefully examined, particularly in international contexts (Child et al., 2001)

Also little research has been done on whether or not experience has its influence on the decision making process while implementing an acquisition. For example: what are the factors that are most relevant while implementing an acquisition and how are these changed due to experience?

As aforementioned, many acquisitions fail to reach their goals due to different circumstances. Although every acquisition is different than one another, it appears that knowledge, retention, communication, and autonomy are key variables in an acquisition and that these variables therefore could have a great impact on the success of the acquisition. This is implied by multiple studies (example given; Haspeslagh and Jemison (1991), Ranft and Lord (2002) Papadakis (2005), and Stahl and Voigt (2008)), which will be more extensively discussed in chapter 3.2. Because of this, this research focused on the impact of acquisition experience on these variables on the acquisitions. According to the studies named above four factors are of utmost importance when guiding or implementing an acquisition, namely: knowledge transfer, communication, autonomy and retention.

### 1.3 Research questions and objectives:

In order to execute a research, a research question needs to be made.

With the information gathered above, the following research question is conducted:

*What is the impact of previous cross-border acquisition experiences on the acquisition implementation regarding the acquired firm's autonomy, communication, retention and knowledge transfer?*

#### **Objective**

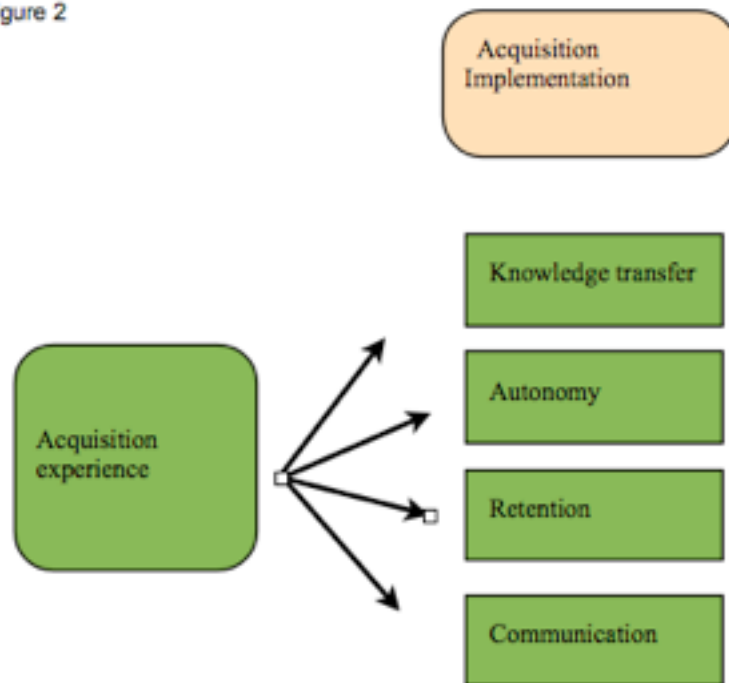
This research is aimed to answer the research question how cross-border acquisition experience impacts the coordination and managing of the implementation of an acquisition. It will result in findings that will help to explain if experience should be an essential factor while considering an acquisition. Furthermore, clear hypotheses will be constructed for further research.

To answer the research question, the following subquestions are defined:

1. What does acquisition in general involve, and which role does experience and implementation have with regard to the success of an acquisition
2. How is experience by companies with a successful or failed acquisition used in future acquisitions?
3. How are the four determinants (communication, retention, autonomy and knowledge transfer) related to acquisition experiences and with each other?

On the next page a schematic overview of this paper can be found, see figure 2.

Figure 2



### Expected findings

A relationship between the acquisition experience of a company and the acquisition implementation regarding the acquired firm's autonomy, communication, retention and knowledge transfer is expected to be found. The assumption is that due to experience, executing managers tend to adapt their implementation process as they learned from their previous experiences and use the gained experience and knowledge in subsequent acquisitions.

### 1.4 Definitions:

To answer the subquestions as well as the research question, it is important to define success, acquisition experience, and impact in order to draw conclusions. In the following paragraph definitions will be elaborated and carefully described.

### *Success*

Success of an acquisition is achieved when the performance of the acquired company is improved, market access for products is created, skills or technologies are acquired quicker or at lower costs than when they would be built in-house, excess capacity from an industry is removed, or a business with new industry or product line is acquired and grows significantly (Goedhart et al. 2010).

### *Acquisition experience*

Acquisition experience is whether or not a company has acquired another company before. In this study there has not been differentiated whether this experience included 1 company or 10 or more. The goal of this study is to explore if experience is being used in new acquisitions, thus making them use their experience in order to have a more successful acquisition. Therefore, it is interesting to see how experience, both positive and negative, is being used at new acquisitions and especially with regard to the implementation of this acquisition.

### *How do we define the impact of an acquisition?*

In this case, impact can be defined as whether an experience has changed the way of coordinating and the execution of the acquisition. Did previous acquisition experience change the implementation of the acquisition? This can be done by adapting the rulebook, which some companies use, or simply by acknowledgment that experience has changed the way of implementing an acquisition, which the cases will point out.

## **1.5. Relevance**

### *Scientific relevance*

Little research has been done on the impact of acquisition experience, especially on the levels of retention, communication, knowledge transfer and autonomy, or the figures of these studies are outdated. Although no extensive field-research has been executed, the results will give an indication about the relevance of cross-border acquisition experience on the implementation of subsequent cross-border acquisitions.

In this research four determinants have been emphasized in order to describe their level of impact on implementation with regard to acquisition experience. The findings of this research will follow up on and contribute to existing theories and will come up with theories or hypotheses that can be used for further research.

*Practical relevance*

Companies are still facing lower rates of return after an acquisition. Many acquisitions fail and, although experienced, there does not seem to be a perfect acquisition process. The findings of this research might give companies an insight in how to implement an acquisition more properly, how to mitigate negative factors or how to avoid these, and how experience can be a part of the success.

**Outline:**

The set-up of this thesis is as follows. In the following chapter the theoretical framework of the thesis will be discussed. In this section the reasons for acquisitions, the determinants of acquisitions and also the meaning of some vital definitions will be described. This will give a further insight about what has been studied over the past decades regarding this topic and what the current tendency is. The methodology will explain how the research was set up. After the methodology, the results of the research will be discussed. This chapter will present the results from the six cases that have been studied. This will lead to the conclusion, which will be presented in the following chapter. After the conclusion, the results will be discussed by linking the results to the theory. In the end, this thesis will be concluded by giving recommendations for further research.

## **2. Theoretical Framework**

In this chapter the underlying theories of the variables mentioned in this study will be discussed. First of all, several definitions, which are important to answer the research questions, will be described. This means that in this case the acquisition itself is being fully described, such as acquisition types and motives for acquisitions. After this, a document analysis will be given in which the tendency of studies, written in the past five years, regarding this subject will be discussed followed by an impression of the experiences of acquired firms. Secondly, the variable knowledge transfer will be described as this is one of the four key factors which try to answer the main research question. After this, autonomy will be explained, as this is an other variable which is of huge importance during an acquisition. This will be followed up by an explanation about what communication is about. Finally retention will be elaborated.

These paragraphs will slowly lead to an understanding of the influence of different factors within an acquisition on the implementation of an acquisition. This will contribute to the findings that acquisition experience impacts subsequent acquisition implementations.

### **Literature**

The literature, as mentioned in table 1.1, is selected because of their extensive contribution to research over the last thirty years, in which acquisition and experience are the main variables. Studies in which acquisitions are studied are taken into account to contribute to the research. Often cited authors in several studies are used to obtain an insight in this matter. These authors are well known and appreciated people in their line of business and their work contains valuable information for this study. Authors are thus chosen due to their extensive and often cited research. No additional sampling has taken place other than random selection of the given studies that appeared while searching the internet.

The document analysis consist of only studies from the past five years. In appendix 3 an overview, how cited studies from the document analysis were found, can be found

Obviously, while using a search engine, many more studies did appear. By reading the abstract of many studies, and thus getting an idea of the studies, several studies were selected for further research. By further investigating the selected studies, some appeared to be of relevance and were therefore selected and used, others appeared not to be relevant and were dismissed.

### **Theoretical approach**

There are multiple theoretical approaches which can be used, such as the Transaction Cost Economy (based on transaction cost, often used by authors who studied the acquisition

performance), Resource-Based view (based on strategic resources available, often used by others who studied strategic actions to be of influence), Organizational Learning (often used by authors who studied acquisition experience as a learning process), etc.

The theoretical approach chosen in this study is the “Organizational Learning” perspective. Tsang (1997) stated that “organizational learning refers to the study of the learning processes of and within organizations, largely from an academic point of view. The aims of such studies are therefore primarily to understand and critique what is taking place”. Organizational learning has as a key element that people should learn from their experience and that they should incorporate this learning. In this study, the effect of learning from experience will be investigated. In what way is learned from previous experiences and does this impact the implementation process? The learning element is thus always present and from this perspective, research will be executed.

All studies used in this research have been selected due to their findings and thus relevance, not because of their theoretical approach. Therefore, their theoretical approach was not taken into account.

## **2.1 Acquisitions**

In the background, cross-border acquisitions have been briefly discussed. However, there are multiple ways to distinguish an acquisition. In this paragraph, more information is given about the different kind of acquisitions and its motives. Within this research we did not take the multiple forms of acquisitions into account, although it could influence the success of an acquisition (example given; a hostile acquisition causes more resistance among employees, therefore implementing the acquisition can become more difficult), but as it will give a further understanding about what acquisitions involve, a short paragraph has been devoted to this subject.

### **2.1.1 Friendly or hostile acquisition**

An acquisition or take over can both, be friendly and be hostile. In a friendly acquisition (takeover of control), the target's board and management are receptive to the idea and recommend shareholder approval. To gain control, the acquiring company generally must offer a premium to the current stock price.

An unfriendly or hostile acquisition occurs when the initial approach was unsolicited, the acquired company did not have the intention to be acquired at that time, the approach was



contested by the target's management, and control changed hands (usually requiring the purchase of more than half of the target's voting common stock).

At a friendly takeover, the acquiring firm often purchases the target firm for a lower price than at a hostile takeover/acquisition (Morck et al. 1988). Things that are scarce or difficult to obtain are generally more expensive than things that are easy to obtain (law of supply and demand). Furthermore, with a hostile takeover, other firms might be attracted although they were not interested in the target at first. The result is that there will be an auction in which two or more firms might be bidding up against each other. Acquirers also prefer friendly takeovers, because the post-merger integration process usually is accomplished more expeditiously when both parties are cooperating fully. For these reasons, most transactions tend to be friendly (DePamphilis 2010). Furthermore, according to Chakrabarti et al. (2009) cash and friendly acquisitions tend to perform better in the long run.

There are multiple forms of acquisition, namely horizontal acquisition, concentric acquisition and vertical acquisition as well as domestic and cross-border acquisitions. The major difference with regard to domestic and cross-border acquisitions is that you will probably be dealing with two different national cultures.

Horizontal acquisition means that the company which is going to be taken over is in the same business, whereas concentric acquisitions refer to either concentric marketing (same markets, different technology) or concentric technology (same technology, different markets). Vertical acquisitions are buyouts that involve two companies that are considered to be part of the same industry. However, the acquiring corporation usually focuses on a different aspect of the production process within that industry than the company that is acquired (Ansoff 1986). Effective control generally is achieved by acquiring less than 100 percent but usually more than 50 percent of another firm's equity (DePamphilis 2010).

### **2.1.2 Reasons for acquisitions**

There are several reasons to acquire another company. Neary (2004) distinguishes two motives of acquisitions, namely; strategic motives (for example competition reduction), and efficiency motives (cost reduction). By acquiring an competitor, competition is reduced, whereas cost reduction could be achieved by for example having comparative advantage (access to cheaper resources). Chakrabarti (1990) stated that the two most important motives for acquisitions are: to increase profitability, either through economy of scale or by consolidation higher profits from the acquired unit, and to get into new business, which is in line with Neary's theory. Another acquisition motive is the desire for synergy. That is, similarities or complementarities between

the acquiring and target firms are expected to result in the combined value of the enterprises exceeding their worth as separate firms (Barney, 1988; Collis and Montgomery, 1998; Harrison et al., 1991). However, Sirower (1997) argues that synergy rarely justifies the premium paid. Sirower declares, "Many acquisition premiums require performance improvements that are virtually impossible to realize even for the best managers in the best of industry conditions". Chatterjee (2007) concurs with Sirower, stating that the common cause of failure is the traditional notion of synergy that exacerbates the overpayment and integration problems. This synergy usually leads to the failure of many mergers and acquisitions. Fama (1980) and Varaiya (1987) stated that the expectation that acquirers can extract value because target companies have been managed inefficiently is another motive for an acquisition, which is also concluded by Tuch & O'sullivan (2007). Gupta, et al. (1997) and Hayward and Hambrick (1997) defined this as managerial hubris, in overestimating their own abilities, they acquire companies they believe could be managed more profitably under their control.

Huber (1991) and Madhok (1997) stated that granting access to the knowledge of acquired firm is another reason for an acquisition. With these acquisitions, valuable knowledge could be obtained and with this knowledge their production could be positively influenced.

Sometimes personal motives are reasons for acquisition, This is also mentioned by Schenk (2011) who says that the danger of one person or a small board taking the decisions is that emotions and sentiments can be involved when acquiring a company. This is also outlined in a study by Lausberg and Stahl (2008) in which they proved a significant relationship to decision-making behavior in both the altruistic and egoistic motives for the total sample.

Putting together, Neary's theory of two motives (strategic an efficiency) includes all motives. With a motive, a company can be acquired, but how to implement the acquisition?

## **2.2 The implementation of the acquisition**

With acquisition implementation the ways how companies use the acquired information and coordinate the acquisition is meant. The implementation of the acquisition appears to be one of the success factors for a successful acquisition.

In this chapter the factors on which this study is based with regard to the impact of experience, namely; retention, communication, autonomy and knowledge transfer will briefly be discussed.

Taking over a company brings in a lot of new and existing people, knowledge, but also a lot of tension, due to new organizational characteristics. For an acquisition to be successful, it is essential that the implementation of the acquisition occurs smoothly, so that there will not be a

lot of time necessary to solve problems or tensions and thus the company can fulfill its normal program.

According to Ranft and Lord (2002) there are five major components regarding to a model for acquisition implementation, namely: the nature of the underlying knowledge, multiple dimensions of the acquisition implementation process, the acquisition context, management practices, and the transfer of technologies and capabilities.

Over the years many research has been done to examine the factors of success for the implementation of an acquisition. Capron et al (1998) as well as Larsson and Finkelstein (1999) say the everything comes down to the actual process of post-acquisition implementation, as that is where the potential value of an acquisition is either realized or destroyed.

Papadakis (2005) found out that the existence of a communication program is among the most influential factors in the successful implementation of an M&A. Other determining factors are aspects of the external corporate environment, the formalization of the decision-making process and the consequentiality of the M&A.

An organizational fit is essential for an acquisition to be a success. Dissimilarities in organizational cultures, systems and practices may lead to dysfunctional tensions and conflicts between the acquirer and the acquired firm” (Ranft 2002, Chatterjee et al. 1992, Jemison and Sitkin 1986, Nahavandi and Malekzadeh 1988).

Often during or after an acquisition, managers or top level employees tend to leave the firm for several reasons. Them leaving the company means that a lot of experience and especially knowledge is leaving the company, making it difficult to realize the goals which had been set, because synergy for example is hard to accomplish (Walsh 1998, Hambrick and Canella 1993). In 2001 Bower came up with post merger drift, saying that a decline in organizational and individual productivity during the period following a merger or acquisition will have its influence on the success of an acquisition.

As outlined above, several studies over the last three decades have been discussed. But what is the current tendency? What has been written and said about acquisition experience in the last five years?

### **2.2.1 Tendency acquisition studies past five years**

In the next paragraph an literature study of the studies that have been done in the past five years can be found. Several studies that have been executed, in which acquisition experience is one of the main variables, will be discussed. In appendix 3, a precise explanation how these studies were selected can be found.

In the past five years, several studies have been executed to study the effect of acquisition experience. However, most of these studies studied the effect of acquisition experience on acquisition performance and the likelihood of and performance in subsequent acquisitions, whereas the goal is to find the impact of experience on the implementation of an acquisition. The general tendency still is unknown with regard to the effect of acquisition experience on acquisition performance. Some state that there is a positive relationship between acquisition experience and performance (Fowler and Schmidt, 1989; Hitt et al., 1998; Vermeulen and Barkema, 2001; Hayward, 2002), others concluded that there was no significant or a negative relationship (Lahey and Conn, 1990; Bruton et al., 1994; Zollo and Singh, 2004) and again others stated that there is a U-formed relationship (Haleblian and Finkelstein, 1994; Baum and Ingram, 1998; and Ingram and Baum, 1997).

Concerning the impact of acquisition experience on the implementation of the acquisition, more attention should be given to this aspect, which is also the general conclusion of the authors who have written about this topic. Barkema and Schijven (2007), for example, have devoted multiple studies to this topic. They state that acquiring is a learning process and that by acquiring firms, acquisition capabilities can be improved, if properly done, which is also stressed by Laamanen and Keil (2008). According to them “experience needs to be sufficiently specific to be conducive to productive learning. Although firms initially need a period of limited strategic variation to enable effective learning, they then need additional complexity to continue learning and to develop more widely applicable capabilities. Researchers are only beginning to understand which specific sequences of strategic steps facilitate capability development and what the relevant contingencies are”.

Dikova et al (2010) also acknowledges the advantages of organizational learning in acquisition. According to Dikova et al. “organizational learning moderates the effects of institutional distance: past experience with completed cross-border acquisition deals increases the likelihood of a subsequent deal completion in institutionally closer environments”.

Duncan (2006) studied the effect of acquisition experience by executing a case study with one serial acquirer. His findings show “that previous acquisition experience is significantly and positively associated with international acquisition success, through ensuring the presence of all the other success factors: strategic fit, focus on core business, cultural fit and integration”. Next to these factors, he also stressed the importance of the willingness to learn from acquisition experiences and acknowledges that acquisitions is a learning process.

This is consistent with Collins et al. (2009), who also recognize the importance of learning from experiences. When engaged in cross-border acquisition, the knowledge gained will guide future

strategic actions. They do however profess that different countries present alternative learning opportunities. McDonald (2008) studied the effect of prior acquisition experience by the director outside the current firm on the firm's acquisition performance. He found significant results that prior acquisitions experience helps firm leaders to develop a specialized rather than generalized acquisition capability.

Lamaanen and Keil (2008) also acknowledge a learning experience in engaging in acquisitions, which can benefit performances. According to them, active acquirers develop such program level capabilities by managing their acquisition programs. With these acquisition programs they learn to set up a timeline for individual acquisitions, what types of firms to acquire and what the optimal number of firms to acquire is.

In other words, it is a process which needs deliberate planning and strategic steps in the right time line in order to optimize the process of productive learning from acquisition experience. Above all, the willingness to learn should be present.

Aforementioned, lots of research has also been done to the effect of acquisition on subsequent acquisition. The main reasoning is that when a company has acquisition experience, they are likely to implement a subsequent acquisition faster. Peng and Fang 2010 concluded "The more acquisition experience an acquirer has, the faster the acquirer will implement a subsequent acquisition". This is consistent with other research, for example by Halebian and Kim (2006). They posited that "(1) prior acquisition experience, (2) recent acquisition performance, and (3) the interaction between acquisition experience and recent acquisition performance are all positively related to the likelihood of subsequent acquisition" and their findings, based on their research, confirmed their assumptions.

To continue with prior acquisition experience leading to subsequent acquisitions, like Kim, Halebian and Finkelstein (2011), Peng and Fang (2010) also presented results which are consistent with this theory. When a firm has prior acquisition experience, they are prone to make a subsequent acquisition, much more than firms without this acquisition experience. Thus, acquisition experience is positively related to the likelihood of subsequent acquisition. Furthermore, Kim et al (2011) concluded that due to acquisition experience, desperate acquirers are likely to prevent from overpaying for a target.

Al-Laham et al. (2010) also found a strong indication of a positive effect of prior acquisition experience on acquisition performance. Their results suggest that by acquiring experience, routines for screening and purchasing targets are developed. Furthermore, effectiveness and gaining insights into managing the acquisition integration process is improved. This will also enhance its capabilities to transfer and integrate knowledge. In regard with acquiring

knowledge, Carayannopoulos and Auster (2010) showed acquisition is also preferred when the seeker has greater acquisition experience.

As stated before, the effect of acquisition experience is unknown, as some show a positive effect, however, others show negative results. Lamaanen and Keil (2008) for example find that both a high rate of acquisitions and a high variability of the rate are negatively related to performance. According to them, acquisition experience moderates the relationship by weakening the negative effects. Their results “show a significant direct negative effect of acquisition experience that could possibly be explained due to a lagged negative performance effect of acquisition rate.

Several researchers (Haleblian and Finkelstein, 1994; Baum and Ingram, 1998; and Ingram and Baum, 1997) discovered a U-formed relationship while studying the effect of acquisition experience on acquisition performance. Nadolska and Barkema (2007) also found support for this theory. Their study posits significance results of the existence of a U-formed relationship. This might suggest that over time, due to routine and learning experiences, experience is helpful. Punanam and Srikanth (2007) showed that due to experience, experienced acquirers were better able to mitigate the distorting impact of the loss of autonomy raised by integration. However, although much more experienced, no significant greater coordination benefits from integration was achieved.

In appendix 2 an overview of the studies that discussed acquisition experience, organizational learning and other relevant factors can be found.

### **2.2.2 Experiences by the acquired firm**

In the following paragraph, it is explained how previous acquisition experiences has led to a different approach towards the implementation process.

Studies show that 60 percent to 70 percent of acquisitions fail, and that nearly 90 percent of all acquired businesses lose market share. However, it is almost impossible to set up a world class business without doing acquisitions. (Harding 2004)

The knowledge transfer process in acquisitions is distinctly different from the process under other modes of governance, because of the rapidly-evolving relationship between the two parties. In the early stages, knowledge transfer is undertaken in a relatively hierarchical manner but this then gives away to a more reciprocal process. And over time the type of knowledge being transferred shifts in emphasis from relatively articulate to more tacit (Bresman et al. (1999). Hambrick and Canella (1993) show that executives from acquired firms are an intrinsic

component of the acquired firm's resource base, and that their retention is an important determinant of post acquisition performance.

### **Previous acquisition experience**

According to Lutbatkin (1983) firms with previous acquisition experience will perform better than those without such experience. However, organizational acquisitions are often unsuccessful (Porter 1987). For instance, a study by KPMG found approximately that only 17% of cross-border acquisitions created shareholder value, while 53% destroyed it (Economist 1999).

Although Lutbatkin stated that previous acquisition experience did have a relation with the success of an acquisition, Lutbatkin failed to find a significant association between acquisition experience and performance in his research where he examined the acquisition experience of firms on the Federal Trade Commission's Large Merger Series from 1948 to 1979 (1982). Even though this study was one of the most complete examinations of the acquisition experience, it was constrained by a reliance on monthly market returns, instead of daily returns, to measure acquisition performance.

Hitt et al. (1993) indicated that an acquirer's experience leads to a greater achieved synergy between its assets and the assets of the acquired firm and a more rapid and effective acquisition integration process.

A study by Finkelstein(1999) indicates that previous acquisition experience could both have positive and negative effect on acquisitions. A positive relationship is plausible when the acquired company is similar to previous acquisitions. Furthermore, the research also indicated that the best results were obtained by companies who did not have experience with acquisitions and, therefore, did not make any inappropriate generalization error or those who had a significant experience of acquisitions and appropriately discriminated.

However, Leventhal and March (1993) stated that when acquisitions were highly similar to one another, this will have a negative effect on the acquisitions due to a lack of appreciation for a range of acquiring opportunities. If the acquisition is highly dissimilar, the acquirers lack the specialist skills to extract gains from anyone type of acquisition.

### **Capabilities**

According to Zahra (et al. 2000) it is important to bear in mind that acquirers are apt to have very different capabilities for scanning for partners, evaluating them, conducting negotiations, and so forth when considering how bidders seek to structure M&A deals. These capabilities may develop through experiential learning, which may improve firm performance along a number of dimensions (Vermeulen and Barkema,2001). The question is whether the firm's acquisition experience enables it to value and manage acquisitions more effectively so that contractual

remedies such as earn outs and stock consideration become less necessary. Dyer and Singh (1998) and Anand and Khanna (2000) suggest that firms with alliance experience may develop superior partnering capability, yet it is also the case that the evidence on experiential learning in the context of external corporate development is mixed to date (Barkema, Shenkar, Vermeulen and Bell, 1997; Simonin, 1997).

Prior acquisition experience may result in benefits that can be used to foresee possible development regarding due diligence and negotiations stages of the acquisition. For instance, experience may help firms to obtain more pertinent information on potential targets and may help acquirers to execute the initial stages of the acquisition process more effectively. The internationalization process view suggests that such firms will tend to experience lower levels of perceived risk than inexperienced firms (Johanson and Vahlne, 1977), and the latter will therefore find it attractive in their first few international acquisitions to reduce the risk of adverse selection by using contingent payouts to transfer risk to the target firms. Some of the generic capabilities cultivated through the tacit accumulation of M&A experience in the domestic setting may well translate into a lower need for share contracting in cross-border deals (see also Pennings et al., 1994; Halebian and Finkelstein, 1999). International M&A deals have unique features such as greater internal uncertainty (Gatignon and Anderson, 1988) and differences in cultures as well as legal, tax, and regulatory environments (Markides and Ittner, 1994), and this heterogeneity across deals may be an obstacle to the successful transfer of experiential learning from prior domestic acquisitions (Zollo 1998)

While collecting all the information and putting it in perspective with regard to the studies executed in the last decades (since 1971, Ansoff et al.) one can say that little has been changed. Acquiring other (cross-border) companies still appears to be a difficult task. Several theoretical perspectives have been reviewed. Most of the time acquisition success was investigated through different lenses. The general perception remains that success is dependent on the implementation of the acquisition, which could be acquired due to experience. The implementation, and moreover the cultural aspect of this implementation, can break or seal the deal (Kotter and Heskett, 1992, Mohibullah, 2009). Acquisition experience could be the solution to this problem, as due to experience, mistakes and misperceptions can be avoided. Others however stated that acquisition experience can lead to over-hubris (a state of mind in which the acquirer is too confident) and therefore does not seal the deal as it should have been done.

The impact on the implementation itself has not been investigated thoroughly. The implementation process should be more dissected. Due to this, more can be said about the implementation impact. What distinguishes good implementation? In what way does experience



impacts the implementation? In paragraph 2.3, the different relevant factors of the implementation will be extensively described and discussed.

Moreover, the result of experience on acquisition performance has been studied. However, as most authors acknowledge the importance of good implementation, the implementation process itself and the effect of experience on this process should be studied. Therefore, this study will give further insights in the effect of experience on the implementation process. How will the implementation process be adjusted due to previous experiences?

## **2.3 Definitions and theoretical principles**

Many acquisitions fail to reach their goals due to different circumstances. Although every acquisition is different than one another, it appears that (as will be explained below) there are several factors that have an impact on the success of an acquisition. Multiple studies have indicated that the following four factors are essential while dealing with an acquisition, namely; knowledge, retention, communication and autonomy. They can have a great impact on the success of the acquisition.

Because of this, further research into these variables is necessary to find what their impact is on acquisitions. What makes these four factors so important or why are these important. And what does it actually involve? Below the answers these questions will be given.

### **2.3.1 Knowledge transfer**

Knowledge transfer is one of the important factors with a cross border acquisition, as literature has stressed the importance of knowledge transfer for the acquisitions to create value (Haspeslagh and Jemison, 1991; Capron, 1996]. Furthermore, a key reason for an acquisition has often been to grant access to knowledge of the acquired firm (Huber, 1991; Madhok, 1997). Moreover, knowledge transfer often provide access to new ideas and stimuli that can be applied in other countries [Hedlund, 1986; Bartlett and Ghoshal, 1989; Solvell and Zander, 1995].

Knowledge transfer is a process of systematically organized exchange of information and skills between entities. Management knowledge (i.e., managerial skills, marketing/sales skills, HRM skills, corporate culture and values, business strategy thinking and techniques) and technological knowledge (i.e., manufacturing-related knowledge, product-related knowledge) are the focus of this study. Individuals transport tacit knowledge and skills that are picked up by firms. Since tacit knowledge and skills are crucial to a firm's knowledge production, how personnel mobility affects firm behavior has become increasingly important (Gruenfeld et al.

2000, Kraatz and Moore 2002, Rao and Drazin 2002). In terms of tacitness, management and technological knowledge used in organizations can range from explicit to tacit. Explicit knowledge refers to knowledge that can be codified and expressed in the form of data, technical specifications, manuals, universal principles, patents, engineering drawings, and such like. Explicit knowledge can be processed, transmitted and stored relatively easily. Tacit knowledge is knowledge that is non-codifiable, and it is deeply rooted in action, procedures, routines, commitment, ideals, values, and emotions (Nonaka, 1994). The transfer of tacit knowledge often requires a process of demonstration, facilitated through face-to-face interaction and shared experience between the transferor and the recipient (Roberts, 2002). Consistent with previous research (e.g., Zander, 1991), knowledge transfer refers to successful knowledge transfer such that the recipient unit accumulates and assimilates new knowledge. According to Al-Laham et al. (2010) acquisition experience leads to an improved acquisition integration process, which will also enhance its capabilities to transfer and integrate knowledge.

Does experience help to position and to transfer knowledge better and easier? In what way does acquisition experience impact the implementation of knowledge transfer?

### **2.3.2 Autonomy Transfer**

According to Haspeslagh and Jemison (1991) and Edwards et al. (2002) autonomy is a key factor in the acquisition process. They point out that the degree of autonomy granted an acquired firm may be a function of the nature of their sources and capabilities acquired. They argue that there is a strong need to integrate capabilities in acquisitions to create value, there may also be a critical need to "preserve the strategic capability that is to be transferred" (1991, p. 142). Datta and Grant (1990) also noted that autonomy is a key factor in acquisitions. They concluded that autonomy is positively associated with superior performance in unrelated acquisitions, but the relationship is not significant in related acquisitions. Also other authors name autonomy as an important factor during acquisition implementation (for example Ranft and Lord 2002). Based on these studies, it is fair to take autonomy into account while investigating the impact of acquisition experience on an acquisition.

Autonomy transfer is the process of the exchange of independence and decision making. When a company is being acquired, new people will be involved and might take over the organizational characteristics. Autonomy transfer is about the independence of the company after the acquisition. Who takes the decisions and in what way can the acquired company go its own way or is it depending on the acquirer. The transfer of autonomy is important as this often is an essential point for success or failure of an acquisition. The acquired company has its own

people with their own hierarchy and autonomy. Prior research has indicated the negative reactions from employees on a change of ownership and thus the organizational characteristics of the acquired firm. (Bowditch 1989 and Cartwright and Cooper 1996). With cross-border acquisitions, the acquired firm should enjoy greater autonomy, as to protect its natural cultural heritage and its organizational characteristics and strategic capabilities (Datta and Grant 1990) as due to different organizational characteristics will influence performance. Castro and Neira (2005) came to the conclusion that the degree of autonomy an acquired firm is granted is dependent on the nature of knowledge to be transferred while studying three internet acquisitions. They observed that the degree of autonomy granted to the acquired firm is influenced by the nature of the knowledge to be transferred. Therefore it is very important that the implementation of the transfer of autonomy is tacit, well prepared, and properly.

### **2.3.3 Communication**

Communication itself is a process of transferring information from one entity to another (Littlejohn and Foss, 2008). In this paper, communication is the degree to which information was exchanged between the acquirer and the target firms and how this is arranged now that the target firm has been acquired.

Furthermore, it is important to retain the employees that add value to the company. When acquiring a company, there is a change that some employees might leave the company because they are uncertain about their future at the company or because the new board has other plans than the employees had. This can often be avoided by clear and good communication towards and within the company (for further information see paragraph).

According to Gitelson et al. (2001), fear and a lack of all the answers deters top management from providing the information that customers, shareholders and employees need to redirect their action to the value-added of the deal. Because of this rumors are being spread, making an acquisition more fragile. Papadakis (2005) came to the conclusion that communication is undervalued as his research shows that the existence of a communication program is among the most influential factors in the successful implementation of an M&A. In many international M&As, the working languages of the two organizations involved are not the same. Communication can break down even when the employees of the foreign M&A target speak English.

A PricewaterhouseCoopers survey of 124 mergers indicates that those firms that implemented effective communications strategies showed better results in customer focus, employee commitment and productivity than those firms that had a delayed communication strategy (Gitelson 2001). Bastien (2006) shows a relation between good communication and employee

commitment to the new organization (retention) by interviewing twenty-one managers and professionals in acquired organizations in three separate mergers or acquisitions.

#### **2.3.4 Retention**

Ranft and Lord (2002) stated that “retention of key employees also emerged as an important related dimension of the acquisition implementation process”. In their study, managers repeatedly stressed that technologies and capabilities were dependent upon the personnel and therefore this is an essential factor in the value of the company and its process. Hambrick and Cannella (1993) came to the same conclusion, although their research was mainly focused on the retention of the top management personnel. Very and Schweiger (2001) stated that retention of the acquired top management team is critical especially when entering a new country, because they are familiar with the local context, the firm and the customers. Kotter and Heskett (1992) concluded that, when it comes to impacting the bottom line, culture's influence is "more powerful than anything else," including strategy, structure, leadership, financial analysis, and management systems. According to Mohibullah (2009), clashes of corporate cultures are the main reason why the failure rate of acquisitions is that high.

Because of all of these conclusions, retention is a factor that definitely should not be underestimated with an acquisition and is therefore one of the four factors that should be taken into account.

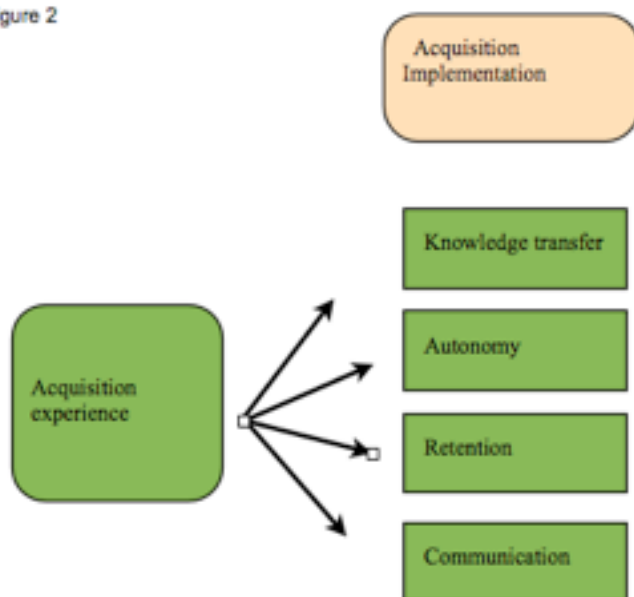
With retention the process of retaining personnel, behavior and organizational patterns of the acquired company is meant. In what way does the acquired company maintain their personnel, culture and other organizational patterns now that the company is acquired by an other company (Ranft 2000). “The culture of a group can now be defined as a pattern of shared basic assumptions learned by a group as it solved its problems of external adaptation and internal integration which has worked well enough to be considered valid and, therefore, to be taught to new members as the correct way to perceive, think, and feel in relation to those problems.” (Schein (2010) pp.18).

In other words, culture is about the norms and values of a company, their way of doing things, behavior, and who they are. According to previous studies (as stated above), retention of both culture and personnel is vital for an acquisition to succeed. Aforesaid, big differences in culture might result in acquisition failure due to organizational misfit. Chakrabarti et al. (2008) found evidence, in a study using over 800 cross-border acquisitions, evidence that cross-border acquisitions perform better in the long run when the countries of the two companies involved in the acquisition are culturally more disparate. This is in line with Morosini et al. (1998) they find

that better performance is recorded in acquisitions where bidder and target come from countries that have a relatively large cultural distance. Duncan (2006) and Stahl and Voigt (2008) suggest that cultural differences affect sociocultural integration, synergy realization, and shareholder value in different, and sometimes opposing, ways. They concluded that acquisition will be better implemented when the two cultures are more similar.

Summarizing; from this past paragraphs it appears that communication, retention, autonomy and knowledge transfer are four major determinants in the implementation of an acquisition and its success. Furthermore, experience could be of huge importance as well. The following model (figure 2) was constructed to give an overview of this research.

Figure 2



In the following chapters the execution of this research, according to the model above, will be described.

### **3. Methodology**

In this chapter will be explained how we have conducted our research in order to conclude the positive impact of cross-border experience on acquisition implementation.

#### **3.1 Method**

##### **Exploratory research**

There are several research strategies that can be used. A research can be drawn out of case studies, but also out of field research or other methods. Furthermore, a study can be of descriptive nature, explanatory nature, as well as of exploratory nature (Babbie 1990). This research will be of exploratory nature as it will describe the process of acquisition implementation and explores if the acquisition experience of a company will help a company with the implementation of an acquisition and how experiences have an impact on acquisitions.

Exploratory research takes place when there are ideas about possible relations and you possess some knowledge but strong hypothesizes and clear assumptions are not yet encountered. The main goal of this type of research is to develop a hypothesis or a theory.

There are several strategies that can be used with an descriptive and exploratory research. The 5 strategies that can be distinguished with exploratory nature (according to Yin 2009) are:

- Experiment
- Survey
- Archival analysis
- History
- Case Study

##### **Multiple-case study**

A multiple-case study is conducted to obtain relevant data. According to Yin executing a multiple-case study is relevant when the research question is a “what” question and when it does not require control over behavioral events and neither does it focus on contemporary events. “A multiple-case method is preferred over a single-case method as the analytical benefits from having two or more cases may be substantial. Analytical conclusions independently arising from two cases, as with two experiments, will be more powerful than those coming from a single case alone. Second, the contexts of the two cases are likely to differ to some extent. If under these varied circumstances you still can arrive at common conclusions

from both cases, they will have immeasurably expanded the external generalizability of the findings, again compared to those from a single case alone”(Yin, 1994).

Desk research has been done by analyzing existing documents of which a document analysis is composed, and field research is conducted by interviewing employees that have been engaged in acquisitions. Furthermore, in addition to the field research, an existing case-study has been thoroughly studied to study the impact of acquisitions. This has resulted in 6 cases, which have been extensively studied and will provide clear information, and therefore will answer the research question and contribute to the conclusion.

Thomas (2011) offers the following definition of a case study: "Case studies are analyses of persons, events, decisions, periods, projects, policies, institutions, or other systems that are studied holistically by one or more methods. The case that is the subject of the inquiry will be an instance of a class of phenomena that provides an analytical frame — an object — within which the study is conducted and which the case illuminates and explicates."

### **Document analysis**

In paragraph 2.2 a document analysis has been conducted to inquire what the tendency is concerning this subject in the studies that has been done in the past five years. Every article that has been published since 2006 and had something to do with cross-border acquisition, acquisition experience, acquisition implementation or integration was taken into account. These articles were found by using different search engines and different search methods (see table 3 for further details). Due to this document analysis a perception of the current tendency can be made. Within this paper a lot of attention has also been given to studies, executed over a long period of time (from 1971 till the present). The time-span of the last five years is chosen as this will represent the current tendency at its best. However, this document analysis will only contribute to give further insights in this matter and is not used to contribute to the findings of this study.

To find an answer to the research question, six cases have been used. These cases consist of four interviews with people who have been or are involved in cross-border acquisitions, and next to these interviews, two recent cross-border acquisitions will be analyzed into detail. These six cases should give further details about the impact of experience on the implementation of an acquisition.

### 3.2 Data collection

To further investigate the information gained from the document analysis and the literature studies, six cases have been examined of which four have been examined by executing field research. Within this field research four persons of acquiring companies have been interviewed (figure 3) in order to get an insight in which way they use their experience regarding to previous acquisitions to implement future acquisitions more successfully. These four people were all coordinating and managing the acquisitions, although they appear to have different positions.

This field research will be of qualitative nature instead of quantitative. According to Yin (1994) using interviews has several advantages. The advantage of using (in-depth) interviews for collecting data are for example;

- targeted- focuses directly on case study topic
- insightful- provides perceived causal inferences

#### Interviews

“Interviews are verbal interchanges where one person, the interviewer, attempts to elicit information from another person” (Dunn 2000, pp.51). There are three types of interviews: structured, unstructured and semi-structured.

Structured interviews follow a predetermined and standardized list of questions. The questions are always asked in the same order. The opposite of structured interviews are unstructured forms of interviewing such as oral histories. The conversation in these interviews is actually directed by the informant rather than by the set questions. In the middle of this continuum are semi-structured interviews. Semi-structured interviews rely on interaction between the interviewer and the interviewee. Semi-structured interviews are probably one of the most commonly used qualitative methods (Kitchen and Tate 2000, p 213). Krueger and Casey (2000) explain that semi-structured interviewing is about talking but it is also about listening, it is about paying attention, it is about being open to hear what people have to say, it is about being nonjudgemental, it is about creating a comfortable environment for people to share, and it is about begin careful and systemic with the things people say.

The information retrieved from the interviews are used to answer the research question what impact acquisition experience has on the implementation of an acquisition.

#### Semi structured interview

The interview was semi-structured, as a general framework of themes had to be explored. With this method, additional questions could be posed if a certain answer needs to be clarified or if the answer raises new questions. With a structured interview, the questions are predetermined



and cannot be deviated from during the interview. Furthermore, with a semi-structured interview it is prevented that the respondents answer the way they think the interviewer wants them to answer (survey research bias Babbie 1998).

The interview was divided into two parts. In the first part the process of the acquisition itself is being treated. In the second part, the management and use of prior acquisition experience used in this particular acquisition will be discussed.

### **Starting position**

However, using interviews can also bring disadvantages to the research. Bias due to poorly constructed questions or response bias can occur. Furthermore, inaccuracies due to poor recall or reflexivity (interviewee gives what interviewer want to hear) can influence the validity of the research. To prevent bias, interviews were held in the office of the interviewee or at their homes. By doing this, the interviewee feels more comfortable and this will lead to better answers. The interviews have been recorded with the permission of the interviewee, as this provides a more accurate rendition of an interview than any other method (Yin 1987).

To ensure a qualitative interview, face-to-face interviews with both, open and closed questions were used. With these interviews enough information is retrieved in order to show that acquisition experience of a company impacts the implementation of new acquisitions. In order to gain valuable and correct information, most of the interviews (75%) have been verified with the interviewee.

The goal is to find indications that cross-border acquisition experience impacts the implementation process of subsequent acquisitions. With this information, hypotheses can be constructed.

### **3.3 Case Selection**

The final case selection consist of a total of six cases which have been thoroughly examined. These cases have been selected through the following selection process.

In order to gain international acquisition information, I have spent 4 months in the city of Santiago, Chile. In Santiago I worked for PriceWaterhouseCoopers (PWC) on the sustainable business department. PWC in Santiago has multiple divisions and each division has its own network. Working at PWC I got in contact with managers from international operating companies who had also been involved in cross border acquisitions. After setting up the contact, I managed to interview several managers.

The sample of managers (see figure 3) can briefly be described as follows: the sample was

composed of people who are in charge of, or had to deal with, cross-border acquisitions at the company where they were working. These companies where these people worked were; one bank, one industrial (salt business) company, one publisher and one energy company. All companies employed more than one hundred people. The interviewee's were all male and in the age category of 40+.

The interviews were held within a time span of two months, and each interview took approximately one-and-a-half hours. All of the interviewees had acquisition experience. This has led to four cases from which answers to the research question could be derived.

Two additional cases were derived from an extensive case study which had been executed (Froese and Goeritz, 2007). In this study the unsuccessful DaimlerChrysler-Mitsubishi acquisition and the successful Renault-Nissan acquisition were analyzed and compared. Secondary data was collected and interviews were conducted with both Japanese and Foreign managers, in order to get an insight in the implementation of the acquisition. These cases were selected as within these two cases huge differences appear with regard to the implementation process and the relevance of proper cross-border acquisition experience. Furthermore, these two cases are extensively described and the processes of these cases have been disclosed.

Figure 3

Person	Company	Position
Mr Mohr	K+S	Director
Mr Delgado	PwC/ Bywater	Acquisition manager
Mr Vennegoor	ING	Manager foreign branches and subsidiaries
Mr Roosendaal	Elsevier	Acquisition manager

## **4. Results**

In the following chapters the results of the six cases that have been studied will be presented. These six cases consist of four interviews that have been conducted and two case studies.

### **4.1. Experience**

Two out of six of the cases had a rulebook or guidelines which they had to follow. In four out of six cases every acquisition was reviewed, causing adaptations to the rulebook/guidelines or extra knowledge inside the minds of the people. In one case it was acknowledged that “nothing was done with the possible experience, no matter what the result was”. There was a trend of moving on to the next project. It was acknowledged that experience will be saved inside the minds of the people responsible, but because no review was held, not much was learned. In the other five cases it was acknowledged that a lot of knowledge also flows into the minds of the responsible people, but “it is also a matter of having the right people at the right place” (Mohr). Five out of six of the cases indicated that experience was helpful and showed that experience was a factor which influenced the coordination and management of an acquisition and without experience certain decisions would have been made differently.

From one case it appeared that apparently the top management does not regard input from other (lower) people within the company as serious input as it is neglected. “They just do what they want and how they think it should be managed”.

#### **4.1.1 Autonomy**

From the multiple case study different results have been achieved.

One result that appears from this study is that autonomy and retention are closely related. Another thing that should be taken into account according to our research, with regard to autonomy, is distance, both physically as cultural distance. When two companies are located far away from each other, time and cultural differences as well as personnel could cause implications for the implementation of the acquisition.

In six out of the six cases there were strong indications that the level of autonomy had a big impact on the implementation of the acquisition. When autonomy was not issued, personnel (including important managers) often left the acquired company due to the limitations in autonomy, causing difficulties implementing the acquisition. Acquired companies which were granted autonomy did implement autonomy successfully. The provided autonomy was closely related to authority.

In three out of six cases, autonomy was granted to the acquired company due to previous experiences in turn-around management and cross-border acquisitions. The main argument for the granted autonomy was that granting autonomy led to more authority for the (new and existing) managers, which was of vital importance as a an acquisition leads to changes inside the acquired company. Experience had taught them cultural clashes were possibly avoidable by granting autonomy. In one case, not having granted autonomy led to the new management not having authority, which resulted in a lack of support for the management and their decisions. They were seen as passers instead of full partners. Commitment of existing personnel faded away and lots of people left the company. This acquisition was executed by a company who did not have much acquisition experience and therefore might have taken wrong decisions. Two other cases in which autonomy was not granted failed partly because of circumstances described above and because of other wrongly taken measures and decisions. From these three failed acquisitions, two cases did not have extensive acquisition experience. One had just acquired another company one year earlier, the other one had acquired one company before. From these two, because of this failure, they had set up guidelines for future acquisition which had to be followed. They had learned from this experience and were destined to changed this failure rate. The third one did have sufficient cross-border acquisition experience, but failed to realize their goals as “acquisitions were taken because of personal motives instead of business motives” (Vennegoor, ING) and experience and or a rulebook was hardly used to implement an acquisition. In the other three cases experiences were used, and guidelines were adapted due to these experiences, to implement autonomy and, together with other rightfully implemented factors, set objectives were reached.

Furthermore, because they were dealing with a company which had a different culture, company culture as well as country culture, three out of six acknowledged that leaving the autonomy in the acquired company was therefore the only proper solution.

Three out of six cases indicated that, because they were dealing with a company that was in the same line of business, which implied that not a lot of knowledge had to be transferred, autonomy was granted. Obviously, knowledge had to be transferred or reorganized to create value.

In all cases, only a few employees were flown in, mostly because of knowledge transfer, but also to manage the implementation. However, when autonomy was given to the new acquired company (three out of six times) the acquisition was successful whereas if autonomy was not granted (three out of six times), the acquisition did not reach the desirable outcome. this however is not necessarily a direct result of the granted autonomy as much more factors are of influence on a successful acquisition (see chapter 5.2).

In one of these six cases it was not possible to link the failed acquisition to inexperience, as the concerning company was well experienced. However, in this case, it was stated that nothing was done with experience. In the other five cases a link could be drawn between experience, and using this experience, inexperience, and the implementation of autonomy in subsequent acquisitions.

#### **4.1.2. Retention**

In the previous paragraph we stated that autonomy and retention are closely related. In the following paragraph, the results of the impact of acquisition experience on retention will be discussed.

From the results it appears that retention is managed properly in three out of the six cases. Next to this, the results (six out of six) indicate that retention is of huge importance for an acquisition in order to succeed.

In one case it was stated that “changing the culture is committing suicide” (Mohr).

In another case it was stated that “the retention of employees is essential as they possess the knowledge which makes the acquisition interesting” (Roosendaal).

Five out of six cases show that experience is necessary to implement an acquisition. Three out of six cases were able to successfully implement retention. The other three all failed due to a clash of cultures. Experience appears to be relevant. In one of the cases the manager who successfully implemented retention stated:

“With experience you learn that with the right steps, timeline and attention, both internal and public, you are well advised to not to be too conservative on external advisors for example. The people that are engaged in the acquisition adapt to the culture of the acquiring company. There is no perfect process; you will always have some doubts about the way to go. This is because every company is different and needs to be managed differently. Acquisition experience is useful. It makes you aware of risks and will lead to problem solving capabilities. Due to experience you might be able to prevent cultural clashes, or you might be able to handle a certain situation much better. Cultural differences are hard to overcome and therefore need a lot of attention while implementing an acquisition” (Mohr).

Previous experiences have led to changed rulebooks or changed approach in implementing an acquisition in four of the six cases. It had become clear that culture should be respected in order to gain commitment. The timeline and the attention towards the employees and their norms and values were two things that were changed due to experience. To achieve retention, support and

commitment of the personnel is necessary. Communication and collaboration techniques have been changed in order to come to a successful implementation and to mitigate the risk of clashing cultures causing an acquisition to fail.

In one case, although rigorous measurements were taken, the manager used his experience to create commitment, cooperation and collaboration from both parties. He was well experienced in turn-around management and knew how to create the necessary circumstances. He had authority among the personnel (partly due to the granted autonomy) and used this to jointly achieve the goals. The culture within the company was respected and everybody knew what their tasks were. This led to a secure workforce, without important personnel leaving the company because of insecurity and the implementation happened smoothly. In another case, this was not achieved. Due to uncertainty and alienation against acquiring firm managers, vital employees left the company causing difficulties to create synergy. The new manager was not able to create this commitment, the prevailing culture was disrupted and collided with the new management, who were seen as passers. They did not have the autonomy and authority, partly due to the existing culture, and were not able to create workable circumstances.

In two other cases, acquisitions failed as well as the culture was not respected. These two parties, one well experienced and the other unexperienced, collided with the prevailing culture. They only took into account their own situation and had not paid enough attention to the existing culture, which had led to misconceptions and thus a failed implementation. In one case, this led to a rulebook being set up to use the experience for subsequent acquisitions, also taking retention into account. A following acquisition, although the manager was not directly involved with that acquisition, went “much better as the organizational structure was much more respected”.

From four out of the six cases, experience taught them to appreciate the existing culture and how to avoid cultural clashes while acquiring an acquisition.

#### **4.1.3 Communication**

Five out of six cases indicated that good communication is essential for an acquisition. Another respondent said that “with communication you can create clarity of the situation, which is essential”. By analyzing two cases, the importance of communication became apparent. Because of clear communication, they were able to create participation, commitment, maintain retention, transfer knowledge, have common goals, etc. In the other case, the manager failed to properly communicate the implementation of the acquisition and communication was restricted. Therefore, the implementation did not succeed. The difference in these two cases is that the manager who communicated everything to his employees had experience in turn around

management/ acquisitions, whereas the manager who failed to set up a proper communication flow hardly had experience in these matters. Experience had taught the successful manager to communicate as much as possible to avoid uncertainty among his personnel and to create commitment and collaboration. "Bridges were build" between the new and old personnel. According to this manager, communication was essential to create value, as it will help clarify goals. The other manager did not appreciate communication as much as necessary, partly due to lack of experience, and, with certain communication restrictions, did not achieve this commitment and collaboration. In this case employee resistance occurred thanks to different communication styles.

In one case it was stated that communication is overestimated; "concerning communication, there was hardly ever communication. When communication did occur, it often resulted in problems. Communication, however, was not really necessary as these businesses were complementary and, other than when two companies with the same business have to integrate, it could easily be done without communication. Cultural clashes and the market itself were the reasons for the failure". An communication program did not exist. However, in this case a successful acquisition was not achieved.

Two other (successful) acquirers also stressed the importance of communication. Due to previous acquisition experiences, they had found an equilibrium in the amount of information to be shared. Although in the beginning they were not fond of sharing information, experience showed them providing information to the personnel will smoothen the process of acquisition implementation and will help to reach the objectives of the acquisition.

The last case failed as well. With hardly any experience in acquisitions, all signals of a failed implementation were neglected and they practically forced the implementation of the acquisition. The emphasis lay on a fast implementation instead of on a proper implementation. Communication was not present as they thought they knew how to execute and implement this acquisition. This led to nobody, apart from the management, knowing what to do and in what timeline. However, they had learned from this experience as a subsequent acquisition appeared to be better implemented.

#### ***4.1.4. Knowledge transfer***

As discussed in chapter 2.3.1, knowledge can be transferred in different ways.

From our results it is fair to say that knowledge was generally transferred by flying in personnel. In all six cases, personnel was flown in to manage the acquisition, half of the times together with existing personnel, and the other half of the times times with solely personnel from the acquiring company.

All six cases indicated that for knowledge to be transferred, other conditions have to be prepared as well (retention, autonomy and communication). Without these other three factors properly implemented, the successful transfer of knowledge becomes much more difficult. Experience has helped in three cases to mitigate the negative factors and to optimize the transfer of knowledge. In general, due to a huge flow of information, commitment and collaboration was achieved. This collaboration between the two parties contributed to the eventual transfer of knowledge. Therefore, transferring knowledge is dependent on other factors. In one of these three successful cases, the acquisition appeared to be creating value after just one year. The key in this success was that “experience was used by putting the right people in the right places, setting up a proper flow of information, having clear quantifiable and achievable goals, having authority and support and therefore created synergy and thus created value” according to one of the managers involved.

“Due to experiences in the past, we knew how to avoid certain difficulties while new personnel was brought in. Often people are scared of losing their jobs when new personnel is coming in. Obviously some people had to leave their position, but by granting them (if possible) a new position, the working environment remained almost unchanged. This new personnel, with their knowledge, was necessary to create value” (Mohr).

“Value is created by integrating things such as personnel (with knowledge) and having the right people on the right places” (Roosendaal). These are examples of perceptions by the managers involved. They were able to create value with their acquisition.

The three cases that failed to add value to the acquisitions, failed due to failed implementation of the other factors. There was no autonomy for the acquired company and bad communication with and within the acquired company, leading to key personnel leaving the company as they did not know what to expect and what the common goals of the new management was, eventually knowledge could not be transferred in a way that it would create value. In two of these three cases, lack of experience caused this failed implementation. One of these two cases used this experience in a later acquisition, which led to a significant better implementation.

The other cause was wrong motives for the acquisition leading to a not correct implementation of the acquisition. The company involved was highly experienced, therefore, over hubris might be an issue.

## **4.2 Differences**

The major difference in these results is the fact that in one case the acquirer was well experienced, however he did not manage to successfully implement an acquisition. His



perception was that “acquisitions in other businesses are often taken due to strategical issues, in banking business it is often a personal/ human motive. Due to these motives, a lot of acquisitions fail to reach the set target. Instead of strategical business wise motives, these people are often blinded by the money involved and the attention related to this money. They do not have a rulebook or follow certain guidelines, they have their own experiences and execute an acquisition in their own way with often very little input from others”. This case continually clashed with the other cases. Five out of six cases contain the same message, except this case, which consecutive times ‘disagrees’ with the other five.

## 5. Conclusion

In this chapter the answer to the research question “What is the impact of previous acquisition experiences on the acquisition implementation regarding the acquired firm’s autonomy, communication, retention and knowledge transfer” will be given.

From the cases it appears that autonomy and retention are closely related. The cases have indicated that due to experiences the implementation of autonomy and retention have been changed. Experience has taught them how to assess autonomy and retention within a company. A greater granted autonomy leads to a better implementation of the acquisition according to the cases. Also, the cases indicate that experience helps to value a firm’s culture, therefore maintaining retention.

Concerning the communication, based on the results of the six cases, again it can be concluded that there is a relation between the factors, in this case communication on one hand and autonomy and retention on the other hand. These factors are all interwoven and experience, although not statistically significant tested, has helped to further establish these factors within the implementation. Experience taught them the importance of communication, although contradicted by one case, which communication approach to choose, the proper timeline of communication and to find an equilibrium in the information to provide.. A good flow of information can be the difference between committed employees who know what to do, who to report to and what the common objectives are on one hand, and non-committed employees who do not know what to do, who to report to, what the objectives are, and who are not willing to cooperate on the other hand. Good communication will mitigate the risk of failed implementation of retention and autonomy.

Although knowledge transfer in the end is the main reason for an acquisition (synergy and other value creating aspects), experience does not directly influence the knowledge transfer significantly according to the cases. As a lot of the knowledge is transferred due to new personnel, experiences in this aspect are more concerned with retention and communication than knowledge transfer. Cases did indicate that experience has helped to position the knowledge (personnel) better, but did not necessarily contributed this solely to knowledge transfer experience, but also to the cultural aspect of the implementation of an acquisition (human integration). In other words, in order to transfer knowledge, certain conditions or circumstances have to be set. To set these conditions, experience appears to be useful. Knowledge is thus related to acquisition experience, but is dependent on other factors. Just transferring the knowledge and creating value is impossible if the other factors are not in line.

The final conclusion to my research question “*What is the impact of previous cross-border acquisition experiences on the acquisition implementation regarding the acquired firm’s autonomy, communication, retention and knowledge transfer?*” can be answered as follows: Experiences in acquisitions helps to improve the awareness of the risks, moderate and avoid these risks, which might lead to a failed implementation of the acquisition. Furthermore, experience teaches to take the proper steps in the right timeline, with regard to the four determinants; autonomy; communication; retention; and knowledge transfer, helps to prevent cultural clashes, develop problem solving capabilities, and, according to this paper, the most important factor, to set up an adequate information flow. Eventually, experience will improve the change of a successful implementation of an acquisition.

With this conclusion, the following hypotheses can be constructed for further research:

- Hypothesis: Acquisition experience leads to greater autonomy given in cross-border acquisitions and thus to a more successful implementation of the acquisition.
- Hypothesis: Acquisition experience in cross border acquisition leads to maintaining retention after an acquisition and therefore a higher success rate of an acquisition
- Hypothesis: Acquisition experience in cross-border acquisitions leads to better communication and therefore better implementation of the acquisition
- Hypothesis: Acquisition experience in cross-border acquisitions leads to better knowledge transfer and therefore a more successful implementation of the acquisition.

With these hypotheses, suggestions for further research are made and these theories could be tested.

## **5.1 Discussion**

### **Autonomy**

The successful cases/ acquirers had given autonomy to the acquired companies, which will also help to preserve the culture of a company (Datta 1990, Ranft and Lord 2000) and therefore improves the chances of a successful acquisition. Managing an acquisition means managing autonomy, communication, retention and knowledge transfer. With every company in every country this will be done differently.

Bowditch 1989, Cartwright & Cooper, 1996 and Haspeslagh & Jemison 1991, showed that employees tend to react negative on a change of ownership (often due to uncertainty). Therefore, the level of given autonomy is of importance for a successful integration. The results

in this study indicate granting autonomy to the acquired firm will lead to a more successful implementation of the acquisition. The cases in this study performed both related and unrelated acquisitions. No difference in the level of autonomy appeared to be of importance and no remarkable differences have been found. Datta (1990), however, showed results in which the extent of autonomy is significantly greater in unrelated than in related acquisitions. Also, autonomy is positively associated with superior performance in unrelated acquisitions, but the relationship is not significant in related acquisitions. We did find indications that the level of autonomy is dependent on the nature of knowledge to be transferred, which is consistent with findings of Castro and Neira (2005). The more knowledge had to be transferred, the less autonomy was given. Noteworthy, the cases in which less autonomy was given failed to successfully implement the acquisition. Though, this might also be related to the culture of the acquired company or other factors, like experience for example. This again is in line with Puranam and Srikanth (2007) who concluded that if autonomy was lost, experienced acquirers are better able to mitigate the disruptive consequences of the loss of autonomy entailed by integration, though they did not find evidence that greater coordination benefits from integration were achieved.

## **Retention**

Literature does not point out if it is better or worse to acquire a company in a country with a completely different culture. All cases indicate that an acquirer should adapt to the culture of the acquired company in order to let the human integration (for example retention) integrate successfully. Changing the culture is committing suicide was the overall conclusion which could be drawn from the results. Porter (1987), Mohibullah (2009) and Kotter and Heskett (1992) posed a similar conclusion as cultural clash was the major cause for acquisition failures. One manager stated that “the retention of employees is essential as they possess the knowledge which makes the acquisition interesting”. This is consistent with studies executed by Ranft and Lord (2002) and Hambrick and Canella (1993). However, in the existing literature it is not completely clear if cultural differences is of positive or negative influence on a acquisition performance. Some studies have found evidence that an acquisition would perform better in the long run when the acquirer’s culture and acquired culture are more disparate (Chakrabarti et al. (2009), Morosini et al. (1998), whereas other studies contradict this theory and suggest that acquisitions between two companies with similar culture will lead to better results Duncan (2006), Stahl and Voigt (2008). In this study differences in culture have not been studied, although they did exist. As far as we can conclude, differences in culture do not seem to matter, everything is dependent on the implementation of the four factors. Our conclusion does

correspond with the other theories; culture of a company is of huge important and should be carefully taken into account.

### **Communication**

In one case, the responsible manager stated that communication is useless when acquiring a company which is complementary and thus experience in acquisition does not impact one's communication strategy in a subsequent acquisition. This is contradicted by Papadakis (2005) who 's study indicated that communication is one of the most influential factors for a proper implementation of an acquisition. The other cases were more in line with Papadakis' perception as they regarded communication to be of vital importance. Cases showed that due to experience, they have learned the importance of good information flows while acquiring another company. They have changed their communication strategy from vague communication towards a huge flow of information to avoid uncertainty among the employees and to inform them as much as possible to ensure integration. Schweiger and Denisi 1991, Gitelson et al. 2001, stresses the importance of good communication as well, as this will benefit the integration. Without good communication employee's might leave the company due to uncertainty. This also corresponds with Bastien (2006), who has shown a relation between communication and employee's commitment. This was further confirmed by two cases who did not have significant experience in acquisitions and failed to properly implement communication resulting in a clash of cultures, which causes personnel leaving the company. One's statement that communication and experience in communication is useless therefore can be neglected.

### **Knowledge**

In the end, value is created by transferring knowledge from one entity to another (Capron 1996). In all six cases, knowledge was transferred by flying in personnel, changing processes and trying to create synergy (Chatterjee 2007), which is necessary to create value (Gruenfeld et al. 2000). Knowledge was thus transferred by face-to-face interactions, which according to Roberts (2002) is the best way of transferring, and to grant access to, knowledge. The transfer of knowledge can only be done successful when other factors (such as the flow of communication and the culture/retention) in the company are optimized for knowledge transfer. Therefore, although this might be contradicted by others, experience does not directly impacts the knowledge transfer as an factor. The transfer of knowledge arises from the proper implementation of the three other factors (namely autonomy, retention and communication). If these are integration correctly, the transfer of knowledge will happen automatically.

**Acquisition motives**

In five out of the six cases, the decision to acquire another company was made for strategic reasons, one case however stated otherwise. The general perception in this case was that, especially in the financial/ banking business, acquisitions are being made with personal motives, such as power, achievement and prestige motives, instead of business motives, even though this might result in great economical disadvantages. This is in line with what Schenk (2011) and Lausberg and Stahl (2008) stated, they have also put emotional decision making and egocentric behavior in a broader context while acquiring other companies. Song en Petit (2000) had indications that 26% of their sample managers used acquisitions for their own utility rather than shareholder interests. Although there is reason to believe acquisitions are sometimes made with wrong motives (personal motives), the general tendency both from this study and from existing literature remains that business motives are most common and thereby contradicting one's case perception (Chakrabarti 1990, Neary 2004, Tuch & O'sullivan 2007 etc.).

**Organizational learning**

More and more companies are acknowledging acquiring is a learning process, which has to be organized by, for example, learning programs and acquisition programs (Laamanen and Keil 2008).

The cases indicate the importance of learning from experiences. Four out of six cases stressed that they learn from their acquisitions, one disagrees with this perceptions due to the motive of the acquisition and the the learning experience from the other case is fairly unknown. However, due to the result of its acquisition, one might say that they have learned from this experience. Although one case disagrees with this perception, theory clarifies the importance of organizational learning (Barkema & Schijven 2007 and 2008, Duncan et al. 2006, Collins et al. 2009, Dikivo et al 2010 etc.). Furthermore, experience might prevent desperate acquirers from overpaying for a target (Kim et al. 2011). Duncan et al (2006) stated, in correspondence with four out of six cases, experience ensures the presence of a cultural fit and integration. Being willing to learn from their experiences, as four out of six indicated, is essential (Collins 2009). Their willingness was supported by the fact that after every acquisition, meeting were held to review the acquisition.

The cases indicated that the managers who had experience in turn around management/ acquisitions were much better able to manage the acquisition and to mitigate external negative influences. However, although the general perception of the cases stressed the importance of acquisition experience, recent literature still leaves a lot of room for other conclusions. An U-shaped relation between experience and performance is often cited (Nadolska and Barkema

(2007), Zollo and Reuer (2006) and Meschi (2006). Furthermore, the impact of acquisition experience on the acquisition implementation still remains underexposed and should receive more attention. Many more factors, while implementing an acquisition, are involved in order to create a successful acquisition, which cannot always be controlled for.

## **5.2 Further recommendations.**

Within this study, the numbers used are not sufficient in order to let this research be representative. Only six cases were used to answer the research question. Looking back, even more attention should have been given to the learning experience of acquiring other companies and its impact on the implementation process. With a more extensive field research, this study could have been more representative and more conclusions could have been drawn. Furthermore, in the existing literature only a few studies can be found which studies the differences in the way of implementing an acquisition due to experience. Most of the literature describes the impact of acquisition experience on the results of the acquisition. The actual impact on the implementation is often not mentioned or studied. In this report experience is defined as whether or not a company has acquired another company before and there has not been differentiated whether this experience included 1 company or 10 or more. However, if more cases would have been used, a distinction between the level of experience and the impact on the acquisition implementation could have been made. This will; (1) lead to a better representation; (2) it would have been easier to draw conclusions in relation to the acquisition experience; and (3) something could have been said about over-hubris. No correlation between the level of experience and success has been studied. The results do indicate that there are differences in the impact on implementing an acquisition and the level of experience. There are many factors involved when studying acquisition experience and the level of success of an acquisition. To draw representative conclusions, all of these factors should be taken into account to conduct a valid and reliable research.

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## **Appendix 1: The interview**

### **Topic 1: the process of the acquisition itself**

1. What were the main reasons for the companies you guided to acquire the acquired firm?
2. Can you tell us about the process of selecting the acquired firms and about the approach/ process of the acquisition?
3. Obviously there were huge differences between acquisitions in the way how the companies proceeded and dealt with the acquired firm after the acquisition. After the firm was acquired (formally) how did your company proceed and deal with the acquired firm regarding:
  - the acquired firm's autonomy (e.g. fully integrated the firm; kept the brand name; etc)
  - the communication with the and in the acquired firm
  - retention (behavior and organizational patterns)
  - knowledge transfer

Which of these 4 would you say are the most important to deal with?

Did this differ from companies who had experience?

examples..

### **Topic 2: the management and use of prior acquisition experience used in this particular acquisition**

1. How were they dealing with acquisition experience? (archiving, human resources, documenting, evaluation of an acquisition, etc)
2. Could you tell me something about how prior acquisition experience was used in acquisitions? (Examples when and how specific experience was 'activated' before or during the acquisition and what the impact was on other acquisitions)
3. Overall, how did prior acquisition experience impact the acquisitions?  
Did companies learn from prior acquisitions and from the most recent acquisition?
4. Would you say that there is a link between acquisition experience and performance? Why?

**Appendix 2**

## Document analysis

Author/ Year	Sample	Dependent Variable	Conclusion	Relevance
Al-Laham, A ; Schweizer, L ; Amburgey 2010	Complete US Biotech population for 1973-2000	Acquisition experience and target familiarity	By acquiring experience, routines for screening and purchasing targets are developed, effectiveness and gaining insights into managing the acquisition integration process is improved. Enhanced capabilities to transfer and integrate knowledge.	Although the study concerned domestic acquisitions, it was relevant due to the fact that according to the authors showed that experience had its impact on the selection and integration process
Barkema & Schijven 2008	Literature study from 1980 - 2007	Acquisition experience	Firms initially need a period of limited strategic variation to enable effective learning, they then need additional complexity to continue learning and to develop more widely applicable capabilities	Learning from acquisition experiences



Author/ Year	Sample	Dependent Variable	Conclusion	Relevance
Barkema & Schijven 2008		Restructuring and acquisition experience	The benefits of acquisition experience are greater than has been recognized so far, since it also allows it to decrease the frequency with which it needs to engage in costly and disruptive bursts of organizational restructuring.	Contributes to the benefits of acquisition experience and organizational learning
Carayannopoulos & Auster 2010	209 research driven acquisitions and alliances of Biotechnology firms in North America	Knowledge sourcing	External knowledge sourcing through acquisition is more likely when the knowledge domain is more complex and valuable.	Contributes to knowledge transfer
Collins, Holcomb, Certo & Hitt 2009	374 firms from the S&P500 list in the year 2002	International acquisition	Path-dependent learning, actions and outcomes of recent M&A activities are likely to influence future behaviour	Emphasizes the importance of learning from M&A experiences, and that the learning process both creates changes and places boundaries on a firm's strategic flexibility
Chakrabarti, Gupta Mukherjee & Jayaraman 2010	Over 800 Crossborder acquisitions during 1991-2004	Acquisition performance	Cross-border acquisitions perform better in the long run if acquirer and target come from countries that are culturally more disparate	Insight in cultural issues when dealing with cross-border acquisitions

Author/ Year	Sample	Dependent Variable	Conclusion	Relevance
Colombo, Conca & Buongiorno 2007	67 acquisition (47 from foreign companies in Italy and 20 from Italian companies abroad, from January- June 1994	Acquisition performance	Planning the integration process allows the knowledge that the organisation has built up on the basis of previous experience to be completed, as well as combining it with knowledge about the acquired company from previous partnership relationships.	According to the authors, previous acquisition experience is overestimated. It has advantages but it might also cause to underestimation of the organisational climate issues
Dikova, Sahib & Witteloostuijn	2389 announced cross-border deals during 1981-2001	Likelihood of completion of a announced acquisition	Differences in national formal and informal institutions explain part of the variation in the likelihood that an announced cross-border acquisition deal will be completed, as well as the duration of the deal-making.	Impact of previous acquisition experience on subsequent acquisitions
Duncan 2006	one case study of a serial acquirer	Acquisition experience	Previous acquisition experience is positively associated with international acquisition success, through ensuring the presence of all the other success factors	Contributes to the research on the determinants of int. acquisition success. Also, stresses the importance of learning from experiences

Author/ Year	Sample	Dependent Variable	Conclusion	Relevance
Kim, Halebian & Finkelstein 2011	878 acquisitions from 1994 till 2005	Premium paid for the acquisition	Firms desperate for growth are more likely to pay high acquisition premiums.	Behavioural learning theory and acquisition experience are a main subject
Halebian, Kim & Rajagopalan 2006		Acquisition likelihood	Prior acquisition experience, recent acquisition performance, and the interaction between acquisition experience and recent acquisition performance are all positively related to the likelihood of subsequent acquisition	Contributes to the impact of acquisition experience on likelihood of a subsequent acquisition and thus to acquisition behaviour due to experience
Laamanen & Keil 2008	5518 acquisition made by 611 firms over a period of ten years (1990-1999)	Acquirer performance	High rate of acquisitions and a high variability of the rate are negatively related to performance	Learning experience leading to development of program capabilities
Lehn & Zhao 2006	714 firms that completed an acquisition during 1990-1998	Probability of replacement of CEO within 5 years of the acquisition	Managers who make value reducing acquisitions face a significant higher risk of being replaced than managers who make value-enhancing acquisitions	It contributes to how is dealt with failed acquisitions
Nadolska & Barkema 2007	1038 foreign acquisitions of 25 non-financial firms, listed on the Amsterdam Stock Exchange, over a period of 33 years	Number of international acquisitions per year	Curvilinear U-shaped relationship between a firms foreign acquisition experience and the success of its foreign acquisitions	Contributes to the literature on learning from acquisition experience

Author/ Year	Sample	Dependent Variable	Conclusion	Relevance
McDonald, Westphal & Graebner	1916 acquisitions by 489 firms during 1989-1998	Focal acquisition performance	Directors develop expertise through their past experiences at other firms, and that experience and expertise have positive effects on a focal firm's acquisitions	Prior acquisition experience will have positive effects on a focal firm's acquisitions
Meschi 2006	291 French acquisitions in the US with announced dates between 1988-2004	Abnormal returns	On one hand they found no relationship between the acquisition performance and heterogeneous experience of French acquirers, On the other hand, they found a curvilinear (inverted U-shaped) distribution.	Contributes to the relation between acquisition experience and performance.
Pang & Fang 2010	92 acquisitions from 1997 to 2007	Likelihood on an acquirer making a subsequent acquisition	Positive relationship between an acquirer's acquisition experience and the likelihood of the acquirer making a subsequent acquisition	Authors posit that experience leads to a faster implementation of an acquisition and that learning from acquisitions is thus helpful.
Stahl & Voigt 2008	meta-analysis of 46 studies, with a combined sample size of 10,710 M&A's	Sociocultural integration outcomes, synergy realization, and shareholder value.	Cultural differences affect sociocultural integration, synergy realization, and shareholder value in different, and sometimes opposing, ways.	Contributes to the retention aspect

Author/ Year	Sample	Dependent Variable	Conclusion	Relevance
Zollo & Reuer 2010	150 acquisitions by 51 firms	Acquirer performance	The more the focal acquisition is managed in ways that are typical of partnerships, the more positive is the effect of past alliance expe- rience on acqui- sition performance.	Acquisition experience does not have a direct or linear effect on acquisition performance

**Appendix 3**

Information about the search engines, search criteria and the results

Search Engine	Search Criteria	Results
Scholar.google.com	Cross-Border Acquisition Experience	Cartwright, Schoenberg (2006)
		Collins et al. (2009)
		Dikova et al. (2009)
		Duncan & Mtar (2006)
		Chakrabarti et al. (2008)
		Nadolska & Barkema (2007)
UB Library	Acquisition experience	Peng & Fany (2010)
		Haleblian et al (2006)
		Kim et al. (2011)
		Carayannopoulos & Auster (2010)
		Akbar et al. (2010)
		Al-Laham, A ; Schweizer, L ; Amburgey 2010
		Laamanen & Keil (2008)
Jstor.org	Acquisition experience	McDonald et al. (2008)
		Lehn & Zhao (2008)
Scholar.google.com	Learning acquisition integration cross-border	Colombo et al. (2007)
		Meschi et al. (2006)
UB Library	Experience acquisition implementation	Zollo et al. (2010)
UB Library	Cross-Border Acquisition Implementation	Stahl & Voigt (2008)
		Ferreira, Massa & Matos (2009)

Search Engine	Search Criteria	Results
scholar.google.com	acquisition experience implementation	Kannan & Srikanth (2007)
		Barkema & Schijven (2008)
Businessweek.com	Acquisition experience	Ingram (2011)

