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## **Mergers and Acquisitions**

Post-acquisition integration success factors

School of Marketing and Communication  
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**ABSTRACT:**

Mergers and acquisitions (M&A) have been a fundamental part of the global economy since the end of the nineteenth century. There are many benefits for companies to engage in M&A activities. Moreover, there is a lot of research on the benefits of M&A's, specific success factors and on specific companies. However, there is little to none research on the factors of failure. Even though 70-90 % of M&A's fail. Furthermore, there is no general model to understand the factors of post-acquisition integration. This studies aim is to examine the process and create a model with the help of transaction cost economics and organisational learning. Moreover, the study aims to clarify whether there are any general key performance indicators to help determine the success of post-acquisition integration and M&A's in general.

The data for the empirical analysis was gathered through semi-structured interviews. The people interviewed in the firms were contacted through email after which a Teams or Zoom meeting was set. The sample consisted of 6 interviewees of firms that operate internationally. The results have helped create a general model with the success factors for the successful completion of post-acquisition integration. Furthermore, the result helped clarify that it is the factors of the entire M&A process that effect the success of post-acquisition integration.

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**KEYWORDS:** Merger & Acquisition, Cross-border Merger and Acquisition, Transaction Cost Economics, Organisational Learning, Post-Acquisition Integration

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## Abbreviations

<b>M&amp;A: Merger and Acquisition</b>
<b>CBM&amp;A: Cross-border Merger and Acquisition</b>
<b>PMI: Post-Merger Integration</b>
<b>TCE: Transaction Cost Economics</b>
<b>OL: Organisational Learning</b>
<b>ROA: Return on Assets</b>

# 1 Introduction

Mergers and acquisitions (M&A's) have been an integral part of the world economy since the late nineteenth century (Beena, 2014, pp. 3). Moreover, according to Soofi and Zhang (2014, pp. 9), research has demonstrated that M&A's are an effective way of entering a high-growth market, generating cash in the short-term, and a great way of gaining competitive advantage over competitors without expanding capacity of production. However, Miller and Segall (2017, pp. 10-11) state that the reasons for M&A's also include gaining economies of scale, time to market, combination of customer and supplier, defensive acquisitions, new and better management, and acquisition of control premium. Noticeably the research and reasons on why M&A's are performed are extensive. Nevertheless, the post-acquisition integration and the factors contributing to the success have not been researched as coherently (Shimizu et al., 2004, pp. 335). Therefore, the focus of this study will focus on the success factors of post-acquisition integration in M&A's.

## 1.1 Background

Cross-border M&A's became a popular strategy for many companies to gain profitability and growth as a result of the changes that happened in information and communication technologies (Soofi & Zhang, 2014, pp. 8). Furthermore, M&A's have been part of the world economy since the late nineteenth century (Beena, 2014, pp. 3) and continue to be "prevalent despite frequently yielding disappointing outcomes" (Graebner et al., 2017, pp. 1). The ongoing popularity of mergers and acquisitions is most likely due to the expanded belief among leadership that acquisitions are a more swift and easy way of achieving growth and diversity goals (Deepak, 1991, pp. 281).

The swiftness and easiness of M&A's to achieve corporate goals and objectives is debatable. According to Bruner (2002, pp. 1), the profitability of M&A's has created a small mountain of research during the last few decades. Furthermore, he states that the previous research on the subject cannot concur on a definitive answer on the matter. Nevertheless, based on Bruner's research the conclusion to the question is that it depends

on the deal. (Bruner, 2002, pp. 15). This demonstrates the fact that M&A's do give the possibility of a company entering a new geographical market (Graebner, et al., 2017, pp. 1) but it does not necessarily indicate that it is swift or easy.

The de facto of the matter, is that between 70 – 90 percent of all mergers and acquisitions fail (Garrison, 2019). The mergers that do happen and fail, fail in every aspect; the acquired firm loses profitability, the acquired firm is sold off, conflicts arise that result in high turnover, and in general participants are dissatisfied with the results of the merger (Weber & Camerer, 2003, pp. 400). Steger and Kummer (2007, pp. 5-6) state that the reasons for M&A's falling through are manifold. They also mention the fact that as many as there are experts on the subject as many there are reasons for failure or success. However, the succinct summary for the failure M&A's is that there are unrealistic expectations, overconfidence, promoters and external advice, distrust, and group dynamics that all have a major effect on the failure of M&A's. (Steger & Kummer, 2007, pp. 6; Child, et al., 2001, pp. 21). Thus, it would indicate that the post-acquisition integration system does not function or is not thought out properly.

The large failure rate of the M&A's is common knowledge, but firms keep on going through with M&A plans. The question remains as to why? The reason is very simple. Even though, M&A's fail and are very costly for firms, the pressure the companies have externally from their competitors and internally from their shareholders does not vanish (Steger & Kummer, 2007, pp. 18).

Clearly organisations are very motivated to go through with M&A's and are ready to take the risk of failure. Nevertheless, the process would be more effective and productive if clear success factors within the process could be distinguished. More specifically, the problem usually is the post-acquisition integration process (Shimizu, et al., 2004, pp. 332; Child, et al., 2001, pp. 31). Therefore, finding success factors within the post-acquisition process could enable the failure rate of M&A's to decrease.

The post-acquisition integration process has one primary objective and that is to merge two existing capabilities and make them cost effective (Deepak, 1991, pp. 283). The degree of integration depends on the acquiring company and their strategic objectives (Child, et al., 2001, pp. 25-26). However, for M&A's and the post-acquisition integration to be successful, the success must be measured. A lot of the current research on M&A as a strategy and some relating post-acquisition integration use Transaction Cost Economics Theory (TCE) as the foundational theory (Shimizu, et al., 2004, pp. 328-329). However, the research does not focus on the post-acquisition phase of a M&A. Thus, discussion on success factors and how to measure success must be expanded further.

## **1.2 Research Gap**

Mergers and acquisitions have been and still are a big focus in academic research. However, research on cross-border M&A post-acquisition integration is scarce (Shimizu, et al., 2004, pp. 324). This is supported by Harrison and Farrel (2008), who state that much research has been done on the economic, financial, and strategic aspects of M&A's, but it is not until recently that the research focus has shifted from the three afore mentioned aspects to the role and contribution of the human factor. The human factor includes the post-acquisition integration in M&A's (Harrison & Farrel, 2008).

The research on post-acquisition integration and "the few studies which do research variation across different post-acquisition integration strategies suffer from being purely conceptual or are based upon limited case data with partial coverage or focus upon one particular integration strategy" (Angwin and Meadows, 2015, pp. 2). Furthermore, the authors Angwin and Meadows (2015, pp. 2) state that the previous research on the subject has little empirical evidence to support the claims of the research papers. One reason for this could be the fact that:

*"virtually no research has been done in the area of learning from relatively large failures that produced divestitures or liquidation of cross-border M&As. The reason of this deficit in the research might be a consequence of these large failures. In fact, it would be*



*reasonable to argue that large failures are likely to lead to the turnover of the management responsible of the investment. Managers who made the poor investment are unlikely to acknowledge the “ghosts” of their past”*

(Shimizu, et al., 2004, pp. 335).

The lack of previous research on the failures of post-acquisition integration clearly demonstrates the fact that there is need for research in the field. Moreover, there is a need for research on the factors of failure. However, as mentioned earlier, managers and employees involved with failed M&A's might not want to acknowledge these failures. Therefore, considering the time and nature of this research, the focus or research gap is within the success factors of post-acquisition integration. The reason also being that the success factors of the post-acquisition integration phase could give a basis for future reference on what companies should consider and handle in the future. Especially, due to Finkelstein and Haleblan (2002, pp. 45) stating that after a successful first post-acquisition integration in an M&A, a company will have a negative second acquisition performance. This might be due to not having thought of what the success factors are and how to measure the success.

As mentioned, there is a lack of research on the failure factors of post-acquisition integration. However, there is research on the success factors of post-acquisition integration. Nevertheless, the research on success factors or how a successful integration can affect a company is based in foreign markets, focuses on individual companies, does not create a general model to follow, and does not consider Finnish companies. Some examples of this type of research are by Ai & Tan (2020) who focus on Chinese companies and Savovic (2012) who focuses on the benefits of successful post-acquisition integrations.

Therefore, more specifically, there is a research gap to create a general model on the success factors of post-acquisition integration by using Finnish international companies or large international companies operating in Finland. The general model will be created by using TCE and organisational learning, which previous research had not illustrated.

The research gap being filled will allow for further research in the future, that focuses on specific industries or countries.

Lastly, the reason that TCE and organisational learning were chosen as theories for this research is due to the nature of these theories. Transaction cost economics enables the examination of the initial reasoning to engage in M&A's to begin with. This is due to TCE stressing the fact that an M&A is justified because of market hazards and the opportunistic behaviour of buyers (Anand & Lee, 2016, pp. 3). Additionally, organisational learning is a process of improving actions through the improvement of knowledge and understanding (John, 1998, pp. 16). These theories help look at the beginning and the end of the M&A process and whether there are factors that effect the success of post-acquisition integration. This will allow for a general model to be created that fills the research gap.

### **1.3 Objectives**

Mergers and acquisitions, if successful, unquestionably create value for the acquiring company and the successfulness of an M&A is linked to the amount of value that it creates for the acquiring company (Child, et al., 2001, pp. 19). There has been some research done in the field, but none of the findings are consistent and answer the question of what affects the performance of M&A's (Meglio & Risberg, 2011, pp. 418). Moreover, there is little research that addresses the failure factors of M&A's post-acquisition integration due to no one wanting to talk about the reasons (Shimizu, et al., 2004, pp. 335).

There is research on the success factors of post-acquisition integration. However, the research focuses on a very specific area such as a country or a certain success factor or what the benefits of these successful post-acquisition integration are. Examples of such research are articles by (1) Ai and Tan (2020) who focus on Chinese multinationals, (2) Savovic (2012) who focuses on the benefits of success, and (3) Witzmann and Dörrerbächer (2016) who only focus on the sociocultural aspect and the management's role in it.

Clearly based on the background information, there is a gap in the knowledge of what makes post-acquisition integration successful from the point of view of the acquiring company. Additionally, and more specifically, there is a gap for research that creates a general model of the success factors of post-acquisition integration. Therefore, the research problem for this study is:

*What are the success factors of merger and acquisition post-acquisition integration in general and how is the success measured?*

Due to the study being a Master's Thesis, this study will not be able to answer the research problem with an extensive empirical sample. That is why this research will focus on answering the research problem with the help of a experts that work at Finnish international companies or international companies that operate in Finland to create a foundation for future possible research. Moreover, to help solve the research problem objectives for the study have been formulated:

- (1) To examine what the factors of success are in post-acquisition integration.
- (2) To create a general model explaining the factors of success and failure of M&A's and post-acquisition integration using transaction cost economics and organisational learning.
- (3) To establish a measurement benchmark for what is considered a successful M&A and post-acquisition integration.
- (4) To create a basis for future research in the research field.

In essence, this research will focus on the study of the success factors of M&A post-acquisition integration from the point of view of the acquirer. Moreover, the idea of the study is to create a general model explaining and illustrating the factors effecting the success of post-acquisition integration from the start of the M&A process towards the very end of the process using transaction cost economics (TCE) and organisational learning (OL). Lastly, the importance of these objectives is to help create a foundation for

future research. By creating a general model, which has not been created yet, future research can use the model to create more specific frameworks or models for different industries.

## 1.4 Definitions

**Mergers and Acquisitions (M&A's):** Mergers and acquisitions are transactions between two companies that connect or combine them in some form. Usually, these two terms are used interchangeably, but legally they have two different meanings. (CFI, n.d.). In legal terms, a merger is an action whereby one company legally absorbs all of the liabilities and assets of another company. On the other hand, an acquisition “refers to the purchase of a controlling interest in a firm and, involves a transfer of ownership”. (Soofi & Zhang, 2014, pp. 10). In this research the terms will be used interchangeably because the legal form has no merit to the research.

**Cross-border M&A's:** According to Coeurdacier et al. (2009, pp. 5) the main activity of the acquiring company and the target of the acquiring company are located in two different countries. Essentially, they M&A's that happen over national borders. This study will use only the term M&A, as it makes it easier to read. Moreover, the interviewees are internationally operating firms. Hence, the M&A they engage in are cross-border M&A's and thus the term does not have to be used.

**Post-acquisition integration:** the term refers to the extent the acquiring firm incorporates the acquired or merged firm into its current operations. The degree and form of the integration is up to the acquiring firm. (Child, et al., 2001, pp. 25). Post-acquisition integration is also referred to as post-merger integration (PMI) (Schade, 2013, pp. 11). These two terms will be used interchangeably.

**Transaction Cost Economics (TCE):** Transaction cost economics is the alternative ways of organizing transactions that reduce transaction costs. Transaction cost economics states

that the ideal organisational structure is the one that achieves economic efficiency by reducing the costs of exchange. (Young, 2013; Williamson, 2008, Chapter 3, pp. 41).

**Organisational Learning:** Organisational learning is the routine-based, history-dependent, and target oriented process of learning of companies. It is a way for a company to memorize its previous experiences despite its personnel turnover and the time passed since a certain experience happened. (Levitt & March, 1988, pp. 319).

## **1.5 Structure of the Study**

The structure of the study is going to be three-fold. After the Introduction chapter, the research paper will continue with the theoretical chapter. The theoretical chapter will cover M&A's in general, M&A success, recent M&A failures and their reasons, post-acquisition integration and its relevance, TCE, and lastly organisational learning. With the help of the theories a framework is created to conduct the research.

The next phase of the study is the explanation of the methodological approach to the research and why the study is being conducted the way it is. The methodology is followed by the empirical research and findings. The findings will be examined together with the theory to reach the objectives and answer the research problem.

## **2 Literature Review**

This chapter will explain and examine cross-border M&A's and post-acquisition integration in more detail. Moreover, the information regarding M&A's will include information on some historical M&A failures and possible reasons behind them. Once the foundation for the understanding of M&A's has been created, the theoretical chapter will move on to the theories regarding TCE and organisational learning. The purpose of these theories is aimed to create an understanding and framework of what organisations might do to measure success.

### **2.1 Mergers and Acquisitions (M&A)**

M&A's have been a fundamental part of the world economy since the end of the nineteenth century (Beena, 2014, pp. 3). The decision to take part in M&A's is due to a range of internal and external factors of a company that have been analyzed for the better part of a century (Whitaker, 2016, pp. 30). These reasons can be value creation, diversification, acquisition of assets, increase in financial capacity, tax purposes, and managerial incentives (CFI, n.d.). Moreover, Miller and Segall (2017, pp. 8) agree, however all of the reasons mentioned are purely for the creation of value for the shareholders.

There are four different modes of M&A. These are horizontal M&A, vertical M&A, concentric M&A, and conglomerate M&A. A horizontal M&A includes two firms in the same sector and the deal is done so that the acquiring firms assets increase in value. A vertical M&A is a deal whereby a firm strengthens its own business by adding another firms' activities to its own. The activities are different, but the business sector is the same. A concentric M&A is a deal whereby the firms do not operate in the same market segment. Nevertheless, the deal is done because the others business operations complement that of the other business. Therefore, it is a diversification deal. Lastly, the conglomerate M&A is a deal where the acquired firm does not work in the same business sector, but the objective of the acquiring firm is to broaden its product or service range and penetrate different markets. (Chalençon, 2017, pp. 8-9).

It may be noticed that there are different motives as well as forms of doing M&A deals. However, once the decision of an acquisition has been made, all of the pre-acquisition and post-acquisition processes are dynamic and involve learning. The acquirer should be learning and should use its previous knowledge to help with the current situation. (Shimizu, et al., 2004, pp. 324). However, this is not always the case, due to big failures potentially resulting in the resignation of the manager in charge and the knowledge does not get passed on (Shimizu, et al., 2004, pp. 335). This means that there might be a huge gap in the knowledge firms have on what could affect the success of different modes of M&A.

### **2.1.1 M&A Success**

According to Bauer and Matzler (2013, pp. 269), the number of M&A's being performed are on the rise. Most of these M&A's are not large M&A's that are being mentioned in the media, but smaller transactions, where SME's are being acquired. Nevertheless, 40-90 percent of M&A's fail depending on who is asked. (Bauer & Matzler, 2013, pp. 269). If this is true, what is considered to be a successful M&A and how do you measure it?

There is no definition or explanation for what is considered to be a successful M&A or how it is measured. However, there are many authors who have an opinion or vision on what makes a successful M&A. For example, according to Löfgren, et al. (2018), a successful M&A is when:

1. The acquiring firm uses a "full potential" approach to identify all improvement areas.
  - Generates improvements to both sides
  - Captures all synergies
2. Clear rationale to how it creates value.
3. The acquirer executes their plan with precision and speed.
4. Addressing culture and reorienting the organisation.

(Löfgren, et al., 2018).

Others such as Clarke et al. (2020), concur with the aforementioned ways to succeed. They mention that for a M&A to succeed, the management has to understand 'why', 'where', and 'how'. This means that there must be an understanding on how it correlates to the company's strategy.

This is concurred to some extent by Beitel et al. (2004, pp. 136), who state that a successful M&A is more likely when the acquirer targets a company for a specific reason. However, Beitel et al. (2004) do not address culture, time or KPI's either. On the other hand, Bauer and Matzler (2013, pp. 283) do state that the success of an M&A or post-acquisition integration is not due to a single factor but due to strategic complementarities that are made up of several interdependencies. Nonetheless, they do not elaborate on what these might be specifically.

Clearly, there are visions on how to perform a successful M&A. However, there is no definition to what a successful M&A is or how to measure it. There is the possibility that success is subjective to the acquiring company in question, which is why there are no universal ways of measuring it.

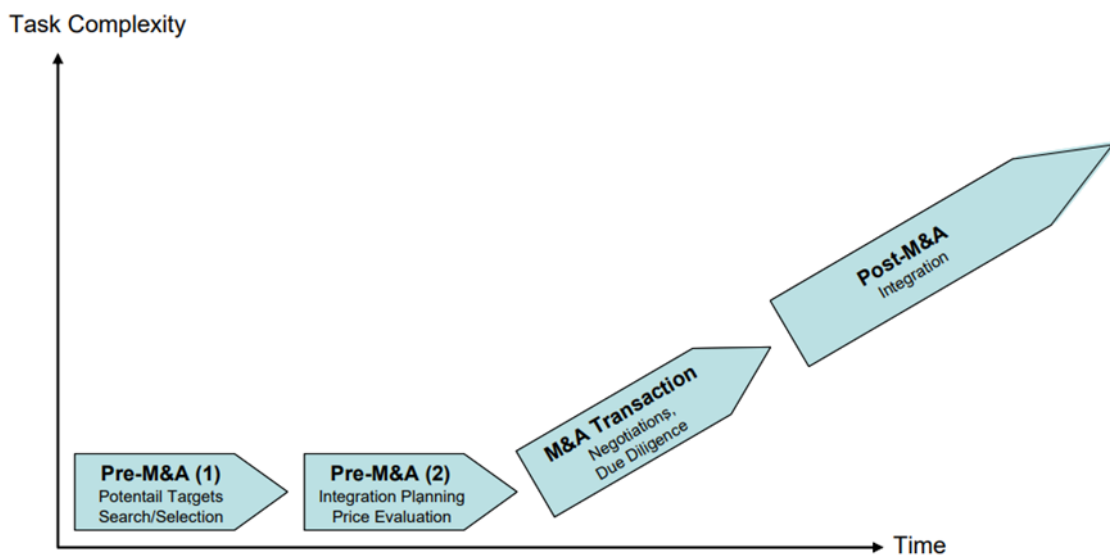
### **2.1.2 M&A Failure**

The knowledge of how to be successful in a M&A and post-acquisition integration is considered a great factor to the failure of M&A's. However, is the lack of knowledge of a company the only reason for its failure in its M&A endeavours. According to Steger and Kummer (2007), there are multiple more reasons for the failure of M&A's. They state that one reason is unrealistic expectations. This means that the managers of M&A's do not realise the difficulty of the work that needs to be done for the deals and post-acquisition to work. Another reason for M&A failure is overconfidence or the lack there of. The experience a manager has gained or the lack there of has an effect on how everything in the M&A process is planned out. Thirdly, the external advice received from consultants can impact the way that the M&A is handled, and it can become confusing and



the confusion results in the merger to fail. Second to last of the reasons, is the distrust towards the management. People are usually quite resistant to change and if they cannot trust the way change is brought about by the management, they might be unwilling to make post-acquisition integration factors work. Lastly, the last factor affecting M&A and causing failures is the team dynamic. If the team working on the M&A deals are not able to work together, than there is no chance of making the acquisition work let alone the post-acquisition integration process. (Steger and Kummer, 2007, pp. 6-14).

Reasons for mergers and acquisitions failing also include the poor management of change (Kansal & Chandani, 2014, pp. 209) and the failure to coordinate activities (Weber & Camerer, 2003, pp. 412). All of these reasons are specific and clearly have an impact on the end-result of M&A's. However, all of these reasons seem to be under the umbrella of the lack of knowledge and experience. This is depicted and insinuated to some extent in Figure 1 below.



**Figure 1. The Process and Task Complexity of M&A's (Steger & Kummer, 2007, pp.7)**

The process and task complexity of M&A's which is well depicted in Figure 1., clearly shows that the further the process goes forward in the merger and acquisition deal, the harder and more complex the task of getting the deal successfully done becomes. It may

be noticed that the first few phases of a merger and acquisition deal are the simplest to get through. However, the complexity of successfully getting the deal done becomes more difficult over time as the deal phases move on to the M&A transaction phase and the Post-M&A phase. It is also noticeably more complex to succeed in the Post-M&A Integration phase shown in Figure 1. and this is most likely where prior knowledge and success is of key value for the acquiring company.

Continuing on the subject of knowledge and the effect it has on mergers and acquisitions; Table 1. provides a list of companies from the last two decades that had disastrous M&A's and that ultimately cost the acquiring firm a great deal of money. The table roughly illustrates and explains the reasons for the failure of the M&A's. However, the clear underlying reason for the specific reasons is the lack of knowledge and experience to make the M&A deals work.

**Table 1. M&A failures and their reasons (Patel, 2021)**

<b>Companies Involved</b>	<b>Year</b>	<b>Cost</b>	<b>Reason for failure</b>
America Online & Time Warner	2001	\$65 billion	Lack of market understanding
Daimler-Benz & Chrysler	1998	\$36 billion	Cultural differences
Google & Motorola	2012	\$12.5 billion	Poor Product/ No value to acquirer
Microsoft and Nokia	2013	\$7 billion	Poor Product/ No value to acquirer
KMART & Sears	2005	\$11 billion	Acquisition was the wrong strategy
eBay & Skype	2005	\$2.6 billion	Acquisition was the wrong strategy/ No value to the acquirer
Bank of America & Countrywide	2008	\$2 billion	Due diligence before the deal
Mattel & the Learning Company	1998	\$3.8 billion	Bad planning and integration

### 2.1.3 Why insist on M&A's

The bottom-line is that companies endeavour on M&A's to create value for the company. However, if the knowledge from previous M&A's is not recorded or passed down to others, the likelihood of the M&A being a failure and expensive for the company to handle, is greater. Moreover, if the previous endeavours have been failures, why do firms still insist on M&A's?

The reason might be because managers of mergers and acquisitions are like gamblers. They see a failure as a near win and rationalize it by saying that next time they will win. (Steger & Kummer, 2007, pp. 17). Whether this claim is true or not is subjective to the interpreter of the data regarding M&A management data. However, there is a more reasonable explanation to it, which is that the second or third merger or acquisition has the same reasoning as the first time did.

M&A's are also known as corporate restructurings and as the name suggests, changes occur due to a merger or an acquisition. The reason why firms endeavour on these corporate restructurings is fundamentally to achieve goals that create value. These goals can be profit maximization, the creation on operational synergies such as economies of scale and economies of scope, and the creation of financial synergy. (Soofi & Zhang, 2014, pp. 12).

Financial synergy refers to goas through which the acquiring firm reduces its cost of capital. Such synergies include the diversification of the product line, the companies strategic realignment, managerial hubris, purchases of assets that are undervalued, mismanagement, managerialism, tax considerations and market power. (Soofi & Zhang, 2014, pp. 13). These reasons are supported by Patel (2021) who also adds the geographical diversification to the list.

The clear pattern here, for the reasons to continue with mergers and acquisitions, is due to the simplicity or easiness of the action in relation to the potential gains of cost

reductions for example. However, it might not as simple as managers of a company might think, when it is a deal regarding cross-border mergers and acquisitions (CBM&A).

#### **2.1.4 Cross-border Mergers and Acquisitions**

Cross-border M&A's are more complex and harder to do than domestic M&A's (Whitaker, 2016, pp. 30). This statement is supported by Soofi and Zhang (2014, pp. 14-15) and Patel (2021) whose examples of failed mergers and acquisitions were represented in Table 1. CBM&A's are foreign investments known as foreign direct investments (FDI's) which always pertain a certain amount of risk.

The risks of CBM&A's include the tax regulations, the legislation of a country, the financial information is not as detailed as it should be concerning the market, political stability, and compliance regulations (Nead, n.d.). These risks are supported by Soofi and Zhang (2014, pp. 14-15) as well. However, they do mention the additional risk of foreign exchange rates, managerial risks, and repatriation (Soofi & Zhang, 2014, pp. 14-15). This shows that the reasons for endeavours in M&A's in the first place, may as well be the risks. In this case, they are the risks of CBM&A's.

#### **2.1.5 Post-Acquisition Integration**

The post-acquisition integration phase, also known as the post-merger integration (PMI) process, is the phase where the acquiring firm integrates its acquired assets to the existing company assets and is of great importance to the success of an M&A deal (Schade, 2013, pp. 11). The PMI process is also known as the managerial action taken to integrate two or more companies into one or as the process that creates functional changes to the way the organisation functions (Graebner, et al., 2017, pp. 4). Considering the importance of post-acquisition integration, the research on the phase is rather limited (Shimizu, et al., 2004, pp. 334). The phase is seen as the step that creates the value of the M&A deal. However, the phase has been neglected by strategists that focus solely

on the different motivations and strategies of an M&A. (Angwin & Meadows, 2015, pp. 2).

According to Datta (1991, pp. 283), the post-acquisition integration process should be the phase where merging firms have the possibility of reducing their unit costs, inventory holding, marketing, and distribution. However, there are usually problems with decision-making at this point and there are a few impediments that cause this. These impediments are inherent ambiguity, cultural confusion, organisational hypocrisy, and issue politicization. (Vaara, 2003, pp. 32). The question remains, if post-acquisition integration is of great importance, what is the general strategy or outline for a post-acquisition integration phase? Is there one?

According to Maire and Colletette (2011, pp. 279) post-acquisition integration phases within companies are dynamic processes with multifaceted challenges. These challenges include, but are not limited to: system merging, reaching strategic objectives, motivating people, etc. (Maire & Colletette, 2011, pp. 279). The authors suggest that there is no specific model to follow for post-merger integration. However, they do outline 6 key points to take into account during the post-acquisition process. These are strategy, speed, people, structure, surroundings, and success. (Maire & Colletette, 2011, pp. 293).

The view that there is no explicit model for PMI is shared by Vaara (2003, pp. 862-863) who says that the research on post-acquisition has focused on the different factors that have to be taken into account during PMI. Moreover, the Boston Consulting Group (n.d.) has helped many multinational corporations (MNC) and also mentions that there are factors that have to be taken into account or to be focused on. Additionally, Shimizu et al. (2004, pp. 332) also state that previous research has given some major findings in this line of study. These are that the cultural differences affect post-acquisition integration and that the success of PMI depends on the control systems adopted for the whole process. (Shimizu, et al., 2004, pp. 332).

Hence, reading in between the lines, it is possible that PMI is corporate strategy and objective based. Therefore, there is no general model to follow and guide through the process. This amplifies the need for experience and knowledge gathering for post-acquisition success.

### **2.1.6 Measurement of Post-Acquisition Integration**

The measurement of post-acquisition integration is also paramount to the entire phase, due to the fact that there would not be a way to resolve whether a M&A was a success or not otherwise. However, there is not too much literature on post-acquisition integration measurement systems. Most of the literature focuses on the entire M&A. According to Thanos and Papadakis (2012, pp. 118-119) and the articles that they went through, the measuring of M&A's is largely done through accounting or financial data and the time it takes for the acquirer and acquired company to merge. This is supported by Gerds and Strottmann (2010, pp. 73), who state that research usually uses capital market indicators to measure the success.

Among the literature, there is no consensus on what the key performance indicators should be for the measurement of M&A success. However, Thanos and Papadakis (2012, pp. 114) do state that researchers use ROA, an accounting measure, to measure the success due to the accounting measures portraying the realised and actual performance, it is possible to use accounting measure to measure many different aspects of an M&A, and lastly because it simplifies the identification of financial synergies or the lack there of. On the other hand, Taylor (2019) states that there are 10 different ways to measure M&A success. These are: the number of clients, revenue, revenue per client, run rate savings, cross selling of services, cash flows, client complaints, quality of new clients, level of staff stress, staff turnover (Taylor, 2019).

It is clear that some consider the companies processes and human factors into the measurement of M&A success, instead of only measuring financial indicators. However, Gerds and Strottmann (2010, pp. 74) suggest 35 different measuring possibilities for companies

to measure the success of a post-merger acquisition. The reason being that they consider the post-acquisition process as the key phase of making a merger or acquisition work. Moreover, they took into account all of the factors that pertain to PMI, except for the share price of a company. The factors are not any specific measurement tools but categories or subcategories that could be taken into account from all areas of the business to ensure success. (Gerds & Strottmann, 2010, pp. 74).

These categories mentioned by Gerds and Strottmann (2010, pp. 74) are named as risks and are:

1. Synergy risks
2. Structural risks
3. People risks
4. Project risks

It is abundant that there is no consensus on how to measure post-acquisition integration. Every measuring method seems to be dependent on the research or the strategic focus of a company. Thus, the need for a measurement tool or a way of measuring the success as a general guideline is warranted.

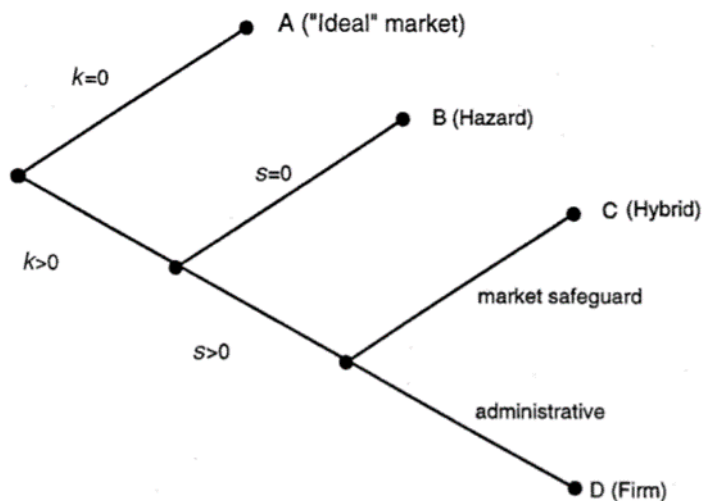
## **2.2 Transaction Cost Economics**

Transaction cost economics (TCE) is the study of phenomenon in the economy ranging for vertical and horizontal integration to transaction costs (Shelanski & Klein, 1995, pp. 336). Ronald Coase was the first person to propose the term transaction cost in the 1930's (Williamson, 2010, pp. 675). He stated that if transaction costs are zero, then the parties involved in a deal will negotiate a deal without cost to an efficient result (Williamson, 2010, pp. 676).

### 2.2.1 TCE in General

Transaction costs are the “economic losses that can result from arranging market relationships on a contractual basis” (Kaplan, 2016). Transaction costs are sunk costs that are the result of economic trade within a market (CFI, n.d.). The idea behind transaction cost economics is to understand the modes of organizing transactions; such as markets, hybrids, firms and bureaus, to minimize these transaction costs (Young, 2013).

Generally, transaction cost economics helps rationalize “-when should a firm make rather than buy a good or a service?” (Williamson, 1993, pp. 87). The very basic reasoning behind TCE can be seen in Figure 2. below.



**Figure 2. Simple Contracting Schema (Williamson, 1998, pp. 38)**

The Simple Contracting Schema seen as Figure 2., illustrates the fundamental reasoning behind TCE. The assumption is that a good/service can be provided by two alternative technologies. One is a general-purpose technology, but the alternative technology is a special purpose technology. The second option, the special purpose technology, requires larger investment in transaction-specific durable assets and is increasingly more efficient



for supplying steady demands. However, contractual complications emerge when there is a need to adapt. (Williamson, 1998, pp. 38).

The  $k$  is a measure of transaction specific assets. If a transaction uses general purpose technology, then  $k=0$ . However, if instead of general-purpose technology, transactions use special purpose technology, there is an adaptation and a  $k>0$  condition exists. (Williamson, 1998, pp.38).

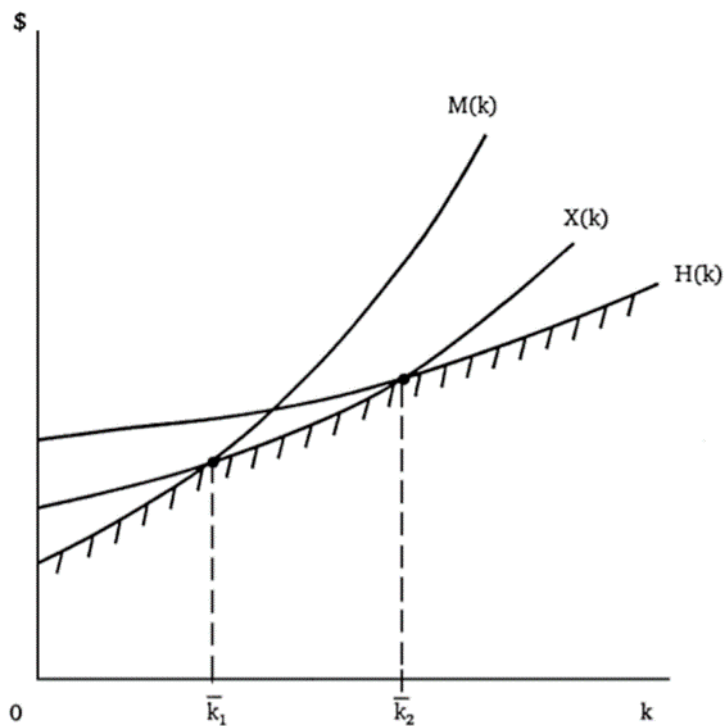
Different parties have particular needs and therefore require special assets. Moreover, if the transactions of this type were to be terminated early on, then the productive value would essentially be sacrificed. Hence, transactions of such nature are applicable to bilateral dependency conditions. The parties involved will want to devise safeguards to protect the investments. The  $s$  in Figure 2. illustrates the magnitude of these safeguards. When  $s=0$ , it is a situation where no safeguards are provided. Additionally,  $s>0$  is the decision to provide safeguards. (Williamson, 1998, pp. 38).

Safeguards can be divided into two distinct categories. The first one is one where contracts are devised, and penalties added for breaching the contract for example. The second category is to take out the transactions out of the markets and reorganize them under a single owner (e.g. company), whose hierarchy is used to coordinate the supply. (Williamson, 1998, pp. 38).

According to the figure and this explanation, Node A represents the ideal market, where there is an absence of dependence ( $k=0$ ) and the safeguard there is the competition within the market. The second node, Node B, is the representation of contractual hazards, where specialized investments are exposed ( $k>0$ ) and there are no safeguards ( $s=0$ ). The so-called far-sighted parties will be able to recognize these situations and take the risk within this market. The Nodes C and D are situations of additional contractual support ( $s>0$ ) and it has been either provided by contractual safeguards (Node C) or by a

unified ownership represented by Node D. (Williamson, 1998, pp. 39; Williamson, 1993, pp. 89).

The rationalization behind this model is that assets should be kept in the ideal market, due to the bureaucratic costs increasing the lower down the nodes a decision goes. An asset should be highly specific in nature for the transaction costs to be organized under a firm. (Williamson, 1998, pp. 39; Williamson, 2008, pp. 53). An example of this can be seen below in Figure 3.



**Figure 3. Transaction cost and asset specificity (Williamson, 2008, pp. 49)**

Figure 3. demonstrates the relation between transaction costs and asset specificity. In the figure  $M$  represents ideal markets,  $X$  represents contracting, and  $H$  represents hierarchies. Moreover,  $k$  on the x-axis represents asset specificity. (Williamson, 2008, pp. 51).

The graph demonstrates that the transaction costs of ideal markets are lower, than the ones of hierarchies in  $k_1$ , due to the asset specificity being lower. However, as the asset specificity moves on to the right to  $k_2$ , then the transaction cost decreases and lower for the hierarchy than for an ideal market. The contractual transaction cost is always somewhere in between the ideal market and hierarchies. (Williamson, 2008, pp. 51).

Considering TCE theory and M&A's, the relation between the two is the way a firm rationalizes whether to create rather than buy a certain asset. Essentially, if it is cost effective in the long run to engage in M&A activities. According to Anand and Lee (2016, pp. 3), TCE stresses the fact that an M&A is justified due to market hazards and the opportunistic behaviour of buyers. In essence, TCE is the tool of efficiency within the initial reasoning or consideration of companies' decision to engage in M&A's. It is a way of reducing external market uncertainties (Anand & Lee, 2016, pp. 3).

### **2.3 Organisational Learning**

Organisational learning is "the process of improving actions through better knowledge and understanding" (John, 1998, pp. 16). Another definition for organisational learning (OL) is "a change in the organisation that occurs as the organisation acquires experience" (Argote & Miron-Spektor, 2011, pp. 1124). Moreover, according to Garvin (1993), organisational learning is a process that unfolds over the span of time and is linked with knowledge acquisition and improved performance. It is noticeable that the definition of organisational learning differs depending on the definer (John, 1998, pp. 16). However, the core of these definitions is the same.

Scholars in the field of organisational learning have not been able to define learning, which has led to multiple different definitions and confusion. However, the core of the definitions implies that the organisations or firms want to improve themselves through new insights in regard to what they are doing – "In all instances the assumption that learning will improve future performance exists". (Fiol & Lyles, 1985, pp. 3-4). The process itself, no matter how it is defined as, is part of a learning organisation. A learning

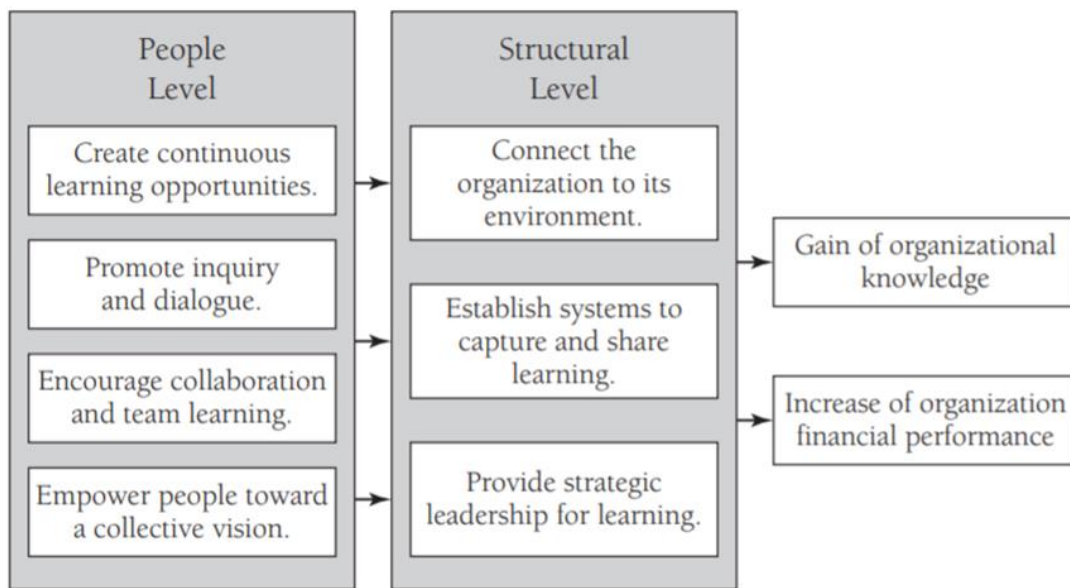
organisation is defined as “an organisation skilled at creating, acquiring, and transferring knowledge, and at modifying its behaviour to reflect new knowledge and insights” (Garvin, 1993).

A learning organisation uses ideas as a trigger for organisational improvement. These ideas are created through certain insight or creativity; and sometimes through external sources or are communicated by knowledgeable insiders. (Garvin, 1993). Thus, for continuous organisational learning to occur an organisation has to become or be a learning organisation.

### **2.3.1 Learning Organisation**

There are many different approaches and definitions to explain a learning organisation. However, there are some common characteristics. These commonalities are that an organisation is an entity that is organic, and they learn as individuals do. Second, there is a difference between organisational learning and a learning organisation. The difference being that a learning organisation has a continual process of organisational learning. Lastly, a learning organisation should reflect on different organisational levels – individual, group, and structural levels. (Yang, et al., 2004, pp. 34-35).

Figure 4. demonstrates the structure principles of a learning organisation as well as the performance outcomes. The structure clearly exemplifies the different reflections and tasks done on the people level. From the reflection and learning done on the people level, the information moves forward to the right to the structural level. On the structural level the organisation uses the information to connect to the environment, establish systems to capture and share learning, and provide strategic leadership. (Yang, et al., 2004, pp. 40). This structure enables an organisation, such as a business, to improve on its financial performance and gain new organisational knowledge.



**Figure 4. Nomological Network of the Dimensions of Learning Organisation and Performance Outcomes (Yang, et al., 2004, pp. 41)**

However, even though the framework does give a structure to a learning organisation, the structure does not demonstrate the continuity of the learning. As Hasebrook and Maurer (2004, pp. 43) indicate, organisational learning is cooperative learning within a social system; whereas a learning organisation is a framework which allows continuous learning. Hence, the following structure might exemplify the structure of organisational learning better.

In Figure 5. the first process is intuiting. Intuiting takes place at the individual level, and it is the recognition of patterns. The next phase or process is interpretating, which takes place at the individual and group levels. It is the process of explaining an idea to others. The third phase is integrating, which takes the idea and makes the adjustment from how things are to the improved way through coordinated action. The last and fourth phase is institutionalizing, where the routinizing of the action occurs. Basically, the new idea from

the individual level is sent back to the individual level as a routine. (Aponte & Zapata, 2013, pp. 440).

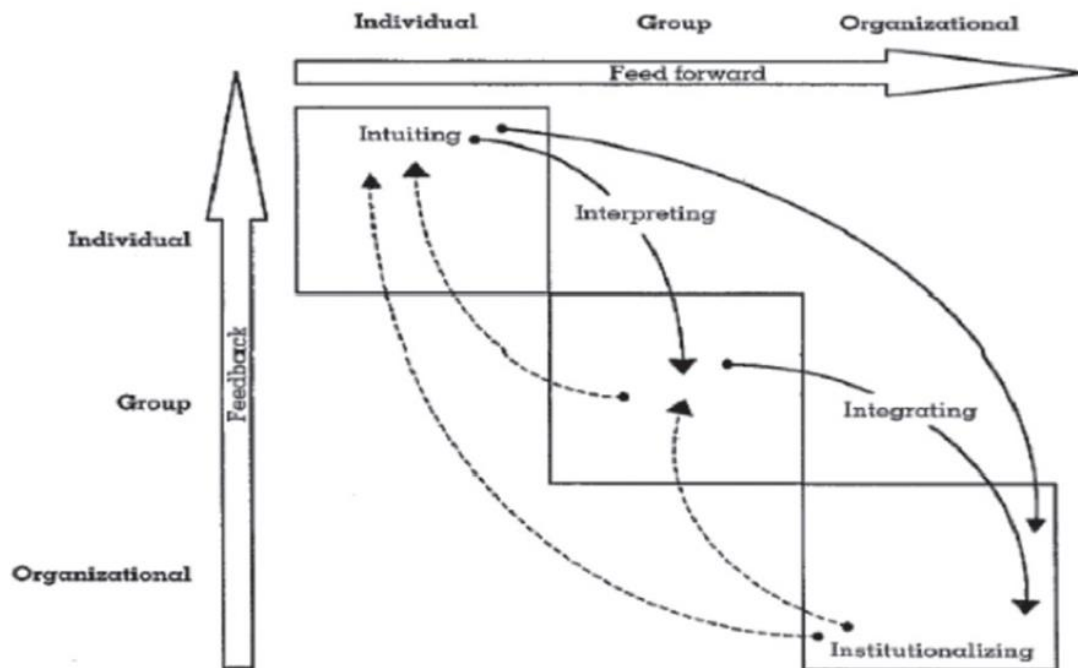
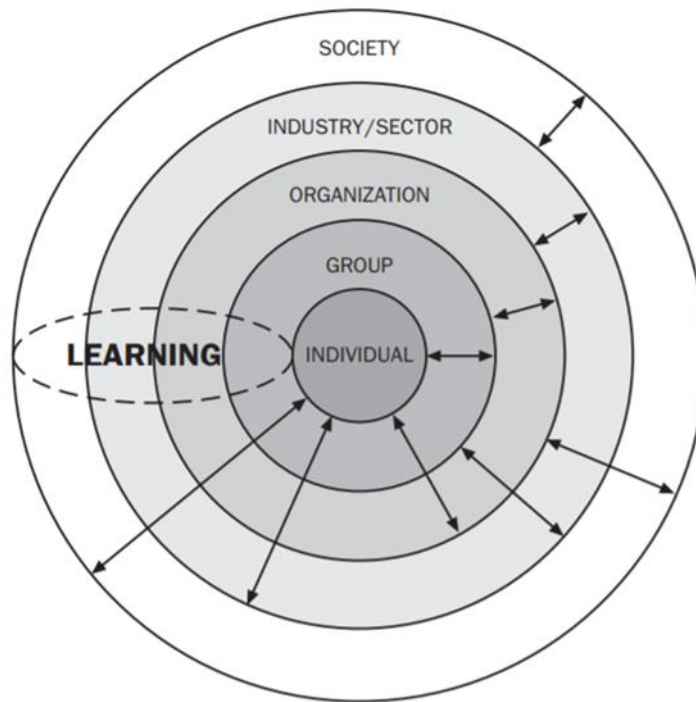


Figure 5. 4I Model of organisational learning (Aponte & Zapata, 2013, pp. 440)

### 2.3.2 Organisational Learning in this Study

There is a lot of literature on organisational learning and what it consists of. Thus, there are many different views on organisational learning. Huber (1991, pp. 107), states that there is little evidence to substantiate the organisational learning theories. Moreover, Antonacopolou (2006, pp. 465) mentions that individuals are expected to act as agents of organisational learning and hence there is no need for separate practices to become a learning organisation. This relates to figure 6. where learning on different levels is exemplified. According to figure 6. knowledge on one level has interdependencies to another level, which is why knowledge is transferred from one level to the other anyway (Antonacopolou, 2006, pp. 456).

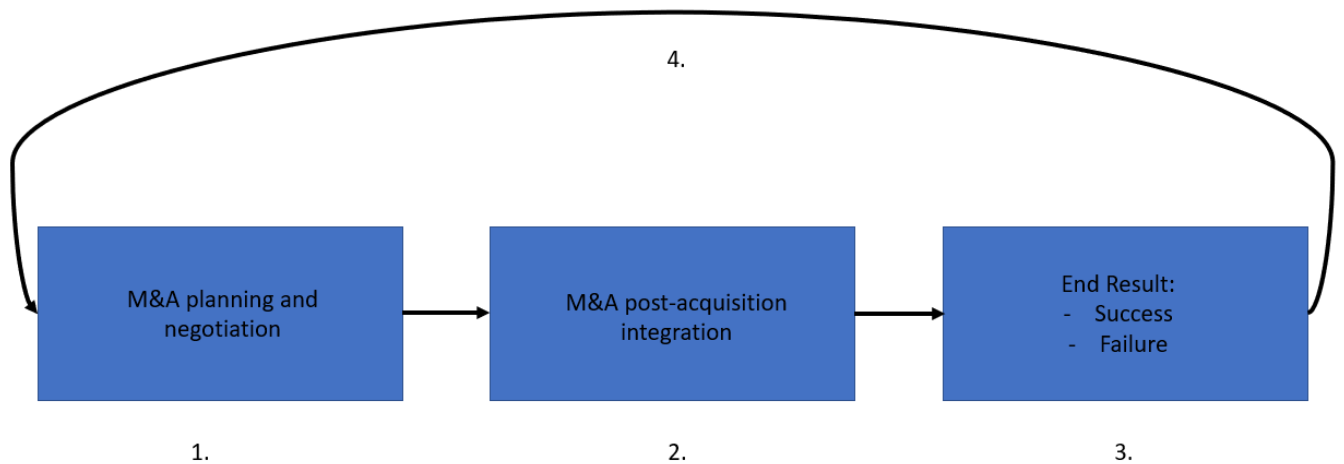


**Figure 6. The multiple levels of learning and their interactions (Antonacopolou, 2006, pp. 457)**

Nevertheless, there is a lot of research and information on organisational learning and learning organisations. Additionally, the research of Collins, et al. (2009, pp. 1333), suggests that organisational learning from previous M&A activities has an impact on the future M&A activity as well as the success of any M&A's in the future. Therefore, this study is going to go with the assumption that organisational learning is evident and is relevant for this research as it is a possible success factor within the M&A process. The research is specifically going to refer to Figure 5 and Figure 6.

## **2.4 M&A Post-Acquisition Success Model**

Based on the literature provided, the following model has been created to exemplify how a M&A post-acquisition integration should potentially work to be successful. The illustration, Figure 7. M&A Post-Acquisition integration success model below is a raw exemplification of the post-acquisition integration success process based on the literature. The different phases of Figure 7. are elaborated on below.



**Figure 7. M&A Post-Acquisition integration success model**

1. M&A planning and negotiation: According to the literature planning an M&A and negotiating the terms of M&A's is the first step in the process to success. Moreover, according to transaction cost economics, for the transaction costs to be lowered or optimized, the right decision on governance has to be made and the reasons clear on 'why' from the beginning (Williamson, 1993, pp. 87). In other words, some value has to be created. The value can be a strategic goal; such as: economies of scale, profit maximization, product diversification, etc. (Soofi & Zhang, 2014, pp. 13; Patel, 2021).
2. M&A post-acquisition integration: The post-acquisition integration process is the phase once the deal between at least two firms has been struck and it is time to merge. The success factors of post-acquisition integrations, as mentioned earlier, include strategy (based on TCE), Speed, People, Structure, Surroundings, and Success (Maire & Collette, 2011, pp. 293). This is also the phase where the success or failure of the CBM&A is measured. The



success can be measured using accounting and financial data and calculating the ROA (Thanos & Papadakis, 2012, pp. 118-119) or in other measurement forms; such as: client complaints, revenue, quality of customer, or anything related to business that is useful to know (Taylor, 2019). It is based on these figures and the time taken in the process of CBM&A post-acquisition integration that will eventually tell whether the endeavour was a success or not.

3. End Result: The end result of the merger or acquisition is either a success or a failure. Nevertheless, no matter what the end result is, the data and knowledge of the process has to be gathered, reflected on, and then institutionalized as in the 4I Model of Learning (Aponte & Zapata, 2015, pp. 440).
4. This institutionalized knowledge will allow the next CBM&A group have more knowledge on what works and what does not. This will ensure greater success with the process as well as with M&A endeavours in the future.

### **3 Research Methodology**

This chapter discusses the thesis research methodology. The study is qualitative research and thus the research methodology of this thesis was influenced by the nature of this study. This research is not part of a research project and the fact that firms might be unwilling to talk about their successes and failures, lead to a deductive research approach with an action plan research design. Moreover, as the focus of the research is on a niche subject area, the few people with experience and knowledge that are interviewed for this study bring more insight into the area of research through the qualitative data gathered. This introduction will be followed by the examination of the research approach. Once the research approach is clear, the chapter will continue discussing the data collection method as well as the sample of the research. The chapter will conclude with the discussion of the validity and reliability of the study.

#### **3.1 Research Approach**

The research philosophy of this research is social constructionism. The term social constructionism “or the social construction of reality is a theory of knowledge of sociology and communication that examines the development jointly constructed understanding of the world” (Galbin, 2014, pp. 82). Another way of defining social constructionism is as the seeking “to understand how the seemingly ‘objective’ features, such as industries, organisations, and technologies, are constituted by subjective meanings of individuals and intersubjective processes such as discourses” (Eriksson and Kovalainen, 2008, pp. 20). In other words, social constructionism is the research path of trying to understand something through the interpretation of subjective opinions of individuals. Therefore, an individuals’ interpretations which are communicated through language is what reality is and knowledge is created through social interaction between people (Koivunen, 2015, pp. 6).

The research philosophy of social constructionism in the study paves the way for the research approach of this study, which is a deductive approach. A deductive research

approach is one, which starts from theory that is developed through academic literature (Saunders, et al., 2019, pp. 153). Additionally, deduction is a process of research whereby theory is the first source of information and knowledge, through which a hypothesis is created and tested out through empirical research (Eriksson & Kovalainen, 2008, pp. 23). According to Saunders et al. (2019, pp. 153-154), there are 6 steps of progress in a deductive approach, and these are:

1. Putting forward an idea.
  2. Using literature to deduce a testable proposition(s).
  3. Examining and comparing the proposition(s) with existing theories to further understanding.
  4. Testing the propositions by collecting data.
  5. If the results of the analysis of the data collected does not corroborate the theory, then the theory is false, and the process has to be started over.
  6. However, if the theory is corroborated by the analysis, the test is a success.
- (Saunders, et al., 2019, pp. 153-154).

Moreover, the actual research design of this study is that of an action plan. An action plan research design means that the research is done by studying the deduced situation and providing answers by working together with the people of firms or organisations (Koivunen, 2015, pp. 33). Hence, to prove the deduced theory an action plan research design is required to gather the qualitative data needed. Through the gathering of qualitative data, the theory is tested out as “qualitative researchers study things in their natural settings, attempting to make sense of, or interpret, phenomena in terms of the meanings people bring to them” (Flick, 2007, pp. 3).

The theoretical model on how M&A post-acquisition integration succeed and what the factors are for such success are founded on the already existing literature on mergers and acquisitions as well as previous theory on TCE and organisational learning. The theoretical model will be tested out by collecting qualitative data from interviews conducted

as a part of the action plan research. This data will be transcribed and analysed to gain a greater understanding of the mechanics of success during M&A post-acquisition integration.

According to Shimizu, et al. (2004, pp. 335), a failed M&A is something that the people working on it, would rather not discuss about. This research approach allows for the gathering of more detailed data and gaining a more comprehensive and detailed empirical understanding on the mechanics of organisational M&A processes in general, which helps the insight in the whole study. Hence, this research approach was chosen for this study.

### **3.2 Research Design**

Research in International Business is done to examine and explain the complexity of the research area, which is created by the multiple different stakeholders, interactions, and the dynamic global economic environment (Eden & Nielsen, 2020, pp. 1609). In this study a structured and focused literature review is used to create the foundation for the data collection and findings to shed more insight on the research objectives. In other words, the theory and the model created based on the literature alongside the empirical research is used to gain and create more knowledge on post-acquisition integration success factors.

A research design is a plan for the collection of data and the analysis of that data in order for a researcher to be able to answer the questions of his or her research (Flick, 2007, pp. 36). As mentioned, the research will be conducted using an action plan research design. In this research, by working together with people the data is collected through semi-structured interviews. Semi-structured interviews fit the deductive approach of action plan research because semi-structured interviews allow for additional in-depth questions (Koivunen, 2015, pp. 18), which in return allows for the in-depth deductive analysis of the subjectivities of the researcher as well as the interviewees (Eriksson & Kovalainen, 2015, pp. 32).

There are different types of action plan research. However, in the case of this study, the type is action learning. The idea of this is to bring individuals together to learn from one another's experiences. Additionally, action learning hinges on the perceptions of everyone involved rather than on data collection and analysis about the situation through other methods. (Eriksson & Kovalainen, 2015, pp. 169). Lastly, even though there is no other action, such as shadowing or information gathering within the organisations that people are interviewed from, the action taken in this study is interviewing the different people within the different organisations to create a generalizable and holistic model of M&A's and post-acquisition integration. Therefore, action plan research was chosen as the research design for this study.

The data for the research is collected through interviews. Interviews have many advantages, such as the flexibility provided by the situation, better response rate, chance of judging non-verbal behaviour, and the control over the questions and the order of the questions. Nevertheless, there are disadvantages as well. These disadvantages include the potential cost and time consumption, the potential biases created through the interviews, less anonymity of respondents, lack of accessibility to respondents due to geographical obstacles or niche research area, lying, mistakes, and misunderstandings from the respondents' part. (Sociology Group, n.d.; Eriksson & Kovalainen, 2015, pp. 100).

The interview questions were created with the help of previous literature on the research area and based on the research objectives. The interview is semi-structured, which means that there are both "what" and "how" questions (Eriksson & Kovalainen, 2015, pp. 96) with both open and closed questions. There are 12 questions in the interview. However, the discussion can become one where the answers are provided before asking the questions, due to the nature of the interview. Therefore, not all of the questions might be asked individually. The interviews are conducted in English or Finnish and the questions of the interview are peer-reviewed. The interview questions can be seen

in the Appendices as Appendix 1. Interview Questions (English) and Appendix 2. Interview Questions (Finnish).

### **3.3 Data Collection and Sample**

As mentioned, the data will be collected through interviews. The interviews are conducted with personnel from different international companies. The way firms were contacted and why a firm was chosen will be discussed below.

For this research only a few companies are needed. The reason being that interviews with personnel from a few different companies will give more insight and help with the research, rather than having multiple different people from several different companies with different ways of working. In essence, the more information a sample has, that is relevant to the study, the lower the number of participants must be. (Malterud, et al., 2016, pp. 7). The contacted companies must be companies whose activities reach beyond their domestic boundaries. In other words, firms that operate globally or internationally. The reason being that this research studies cross-border mergers and acquisitions. However, in this study everything is referred to as mergers and acquisitions (M&A) to make it easier to understand. Once such companies are found, key personnel within that company will be contacted via email and asked whether they would like to participate in an interview.

To make the interview more appealing, the potential interviewees can stay anonymous and only be referred to as personnel of a certain company within this 'x' type of industry. Moreover, to make it easier for the interviewee, if they want, the interview can be conducted online via Teams or Zoom. This will reduce the risk of people refusing due to the Covid-19 pandemic and also giving the possibility for the person to talk in an environment that is more comfortable for them. The interviews are going to be recorded. The recorded interviews are transcribed and analysed for the use in the study.

Considering the focus of the research area, the niche area of business activity within the firm, the time consumed on the interviews and transcribing, the sample of the study will be 6 expert participants from a few companies. The sample is not big enough, especially from the perspective of the number of firms participating in the study, to make the research generalizable to all industries (Eriksson & Kovalainen, 2008, pp. 293). The reason being that the probability of different factors effecting different industries in M&A is very likely. However, there are not that many individuals that work on M&A's in companies to begin with. Moreover, getting the people that do work in the area to be interviewed is difficult. Therefore, 6 participants are enough to create a general model and gain an insightful understanding of the subject in this study.

The experts interviewed for the study work for companies that are international companies originating or operating from Finland and operate in the financial sector, consulting, food and beverage industry, and technology solutions and service industry. The sample size of the participants from the company is 6 and have extensive experience and knowledge within their field.

### **3.3.1 Interviewees**

The sample for the interviews conducted is 6 people and they were mostly all from different companies. The companies from which the interviewees were interviewed are all Finnish companies that operate internationally or are international companies that operate in Finland as well. Due to confidentiality reasons, the names of the companies or the interviewees will not be exposed. However, the companies operate within the financial sector, consulting sector, energy solutions and infrastructure industry, food and beverage industry, and technology solutions and service industry.

The people that were interviewed have extensive experience in the M&A operations within their current and/or previous workplace. Hence, these 6 people were chosen to be interviewed for this study. Nonetheless, not everyone had hands-on experience on the post-acquisition integration phase, due to the planning and deal making of the

M&A's happening in the headquarters of the company, whilst the actual integration was being performed somewhere else. Moreover, due to the nature of the study and gaining a general impression on the factors affecting post-acquisition integration, it is better to focus on the people who focus on the strategy, reasoning and the overall picture of everything.

More specific information on the interviewees and the interview length has been documented on a separate table. Due to some interviewees wanting to keep the company they work for and their name anonymous, the interviewees are referred to as letters. Table 2. Interviewee information can be seen below.

**Table 2 Interviewee Information**

<b>Interviewees</b>	<b>Company Industry</b>	<b>Interview Length (min)</b>
<b>A</b>	Food and Beverage	53:26
<b>B</b>	Technology solutions and service industry	52:33
<b>C</b>	Technology solutions and service industry	52:04
<b>D</b>	Finance	87:06
<b>E</b>	Technology solutions and service industry	52:21
<b>F</b>	Consulting	74:34

According to the interviewees most of the acquisitions that they are involved in are ones where they are the acquiring firm, and they buy an SME. Moreover, according to the interviewees they are or have been part of an average of 20 M&A's per year. This excludes the number of opportunities they have checked and gone through, because otherwise the number would be in the hundreds. This corresponds with Bauer and Matzler's



(2013, pp. 269) statement, where they note that most of the M&A's being performed are ones where SME's are being acquired.

### **3.4 Reliability and Validity**

The three concepts: reliability, validity and generalizability provide the foundation for the assessment and evaluation of business and social sciences research (Eriksson & Kovalainen, 2008, pp. 291). Both reliability and validity are classic evaluation criterion of research. Reliability is commonly used in quantitative research and tells the extent to which measurements can yield the same results if the research is repeated. On the other hand, validity refers to the extent of conclusions made in research give an accurate account of what happened. In both cases, there are diverse opinions on whether these tools can be used to assess or evaluate qualitative research due to nothing being measured and nothing really having the possibility of replication in qualitative research. (Eriksson & Kovalainen, 2015, pp. 305). Concerning reliability and validity, Brink (1993, pp. 35) suggests that terms such as credibility, trustworthiness, etc. to be used instead of reliability and validity.

Hence, the terms credibility and trustworthiness of this research will be used instead of reliability and validity. As the study is action plan research, there are issues to the credibility and the trustworthiness of the study. For one, the research is based on subjective experiences of personnel within a few firms. The interview questions can also be misunderstood or affect the objectivity of a person's experiences creating biases. Moreover, the research has a small sample, which affects the generalizability of the research, which in return affects the credibility of the research.

Nevertheless, the study of a few firms does create an in-depth account. This may be able to help create a model for the topic of M&A success, to be used in future research. Hence, the research is trustworthy and credible on the firms' part, that are being studied.

## **4 Empirical Research and Results**

This chapter discusses the characteristics of the data gathered. Firstly, the chapter will go through and analyze the data based on the questions and the research objectives. Lastly, the analysed data will be compared to and reflected on to the model presented as Figure 7. This will help create a more comprehensive model.

### **4.1 Results and Discussion**

This section will discuss and analyse the qualitative data through the help of sub-sections. The discussion points will be divided according to the order of the interview questions. Moreover, the data will be discussed and analysed with the help of the theoretical chapter. The results and discussion section will also use direct quotes from the interviewees.

#### **4.1.1 Reasoning of M&A**

According to the interviewees A, B, C, D, E and F, there are a few reasons for companies to engage in M&A activities. All of the reasons fall under the umbrella of creating value for shareholders, which is a strategic objective for companies. Interviewee B summarizes everything well by stating that the reasoning is “more strategic and differentiating acquisitions”. Furthermore, Interviewee B elaborates by saying that the company considers whether there is need for “technology or should we have some kind of new product or knowledge or capabilities”. Hence, it is about finding a more efficient way of operating and creating value. The other expert interviewees concurred to this with their answers and added other reasons as well.

The reasons for the M&A's can be seen in Figure 8. below. From Figure 8. it is noticeable that the primary reason for any strategical decision is to create value for the shareholders of the company, which is the primary strategic objective. However, to realize this primary strategic objective, there are other strategical decisions to be made or strategical

reasonings for why a company wants to engage in M&A practices. Furthermore, not all of the reasons are truly strategic but might be seen as such at the time.



**Figure 8 Strategic M&A Reasons**

The first strategic reason, to buy market share, is an obvious answer to why companies engage in M&A practices. By buying market share a company can gain more control over one of its current markets or expand into a market it has not operated into before. Hence, the decision to buy market share can be seen as way to create value for the shareholders.

The second strategic reason according to the interviewees, is to buy 'know-how'. The reason being that even though the acquiring company might be bigger in revenue or network size, there is the possibility that there is a firm that operates within the same industry that performs better. What that something is, depends on the industry, however,

as an example, it could be that the process that a manufacturing process or engineering team operates better than the one you have. Therefore, it is an asset to acquire the competition and make it work within your firm for it to operate more efficiently.

The third strategic reason is to develop the companies service provision. This relates to the 'know-how' as well. A firm might need certain 'know-how' in certain areas that it operates in, and finds it more efficient to operate by acquiring the needed talent locally. It is more efficient geographically and monetarily in the long-run.

The fourth strategic reason is gaining synergies. A synergy refers to the outcome of combining two or more companies together to create something bigger and better than the sum of the parts put together. Essentially, all of the strategic reason mentioned so far, create a synergy of some kind to improve the entirety of the operation.

The fifth strategic reason is gaining technology. It is possible that another company has a way of manufacturing something better or something you are not capable of. Hence, the acquiring firm acquires the technology by buying the entire company. It is also a form of synergy, due to the fact that as the technology is integrated into the operations of the new company, it is expected to improve the firm's performance in the long-run.

The sixth reason to engage in M&A activities is purchasing heat. Interviewee A states that purchasing heat "is actually a very common reason in my experience". This refers to the activity of acquiring companies, because the board has approved or given green light for the company to acquire firms and integrate them into the company. The reason for the green light from the board might have been strategic to begin with and the M&A's performed may be valid to begin with. However, according to some of the interviewees the acquisition of companies builds up into an obsession without reason. It might be that the only reasoning behind the acquisition of a company is the fact that you are given the green light to acquire companies and you as an employee keep on doing it just because you can.

The seventh and final reason for engaging in M&A's, according to the combined answers of the interviewees, is that there is a person within top management that wants to build a so-called empire. This means that there is initially at least a strategic reasoning to engage in M&A and achieve the strategic objective and growing the company. However, due to egotistic reasons or a god-complex, the company might start acquiring other firms just for a single person in top management to be able to show off.

All of the strategic reasons mentioned to this point are concurred to by others (CFI, n.d., Miller & Segall, 2017, pp. 8.9). However, the last two reasons have not been mentioned by the literature. These are 'purchasing heat' and the building of an empire. The reason for this could be that they are not strategic reasons and academics or authors do not want to write them down as they are not "valid" strategic reasons.

If this is the case, then the academics or authors are correct. The last two reasons are not strategic, and people should not be taught of this option. It is more of a warning of what could happen. Therefore, it is safe to state that the original five reasons are "valid" strategic reasons as they were mentioned by both the literature and the interviewees. Moreover, they are strategic reasons that can be connected to transaction cost economics.

#### **4.1.2 Transaction cost economics**

According to most of the interviewees (interviewees B, C, D, E and F), transaction cost economics does play a role in the decision of whether a company should be acquired. As mentioned earlier, the term refers to deciding based on cost and whether it is more efficient to acquire something and organize it in a way that is most beneficial for the company. The primary way of doing this was by looking for synergies that could create a greater and more efficient sum. Interviewee C states that "it is related to this... it is all about the synergies". Because this allowed the acquiring company to operate in a way where they are not contingent of someone else providing what the customer needed.

Based on the answers of the interviewees (B, C, D, E and F) it was a clear yes to the question. However, what these synergies are and how they affect the costs of the company depend on the industry of the firm. These synergies could be in the form of service development, know-how or buying technology that is needed.

Moreover, concerning TCE and whether the initial reasoning to engage in M&A without the consideration of cost effectiveness had any effect on the failure of post-acquisition integration, interviewee D stated that “at least in the cases that where it did not go as expected”. Interviewee D went on to elaborate that “you bought something that you did not quite understand”. Interviewees B, C, E and F also concurred with this statement. Hence, there is a relation between the initial reasoning to engage in M&A’s through the consideration of TCE and the success of post-acquisition integration and M&A’s in general.

The relevance of TCE mentioned by the experts is agreed to by Anand and Lee (2016, pp. 4), who found that through TCE theory the motive for M&A was looking for synergies to overcome market failures and cost-saving by gathering financial and human resources in transaction hazard areas. Therefore, considering the theory, previous research and the answers of most of the expert interviewees, it is justifiable to say that TCE or the initial reason to engage in M&A, is a success factor in post-acquisition integration.

#### **4.1.3 M&A Success and Failure**

The subject of what is considered a success and what a failure in M&A is a controversial subject. The reason being that there is no clear distinction or definition of what success is. This was also noticeable during the gathering of data from the interviewees.

According to the data from the interviews about 25-50 percent of all M&A’s are successful. This means that out of all of the firms that are screened and before negotiations start, from all of these 25-50 percent is successful. Additionally, most companies are not

contacted and are therefore not successful. The success rate of the M&A's concurs with the 70-90% M&A failure rate stated by Garrison (2019). However, even if the interviewees consider the M&A's successful, how is the success defined or distinguished from failure? The fact remains that all of the interviewees might perceive success in a different way.

All of the interviewees defined a successful M&A to some extent the same way. There was no definition to define a successful M&A, but rather a set of objectives to be met for an M&A to be considered successful. An example of this is when interviewee E stated that "it is hard to say, but I am sure that the external environment has increased the hurdle to make success". With this interviewee E referred to the definition of success and the difficulty of defining success as the external environment effecting success has become more difficult to navigate. However, interviewee E did share insight on the objectives of successful M&A's as well. These objectives are shown below in Table 3:

**Table 3 Successful M&A Objectives**

Creates Shareholder value
Human factor – Employees are taken into account
Realizing the Synergies
Ability to keep 'know-how'
Ability to get the initial investment back
Reaching the set-out objective
Both parties of the deal get what they want
The M&A is handled well in every measurable way

Table 3. shows the objectives that need to be met for a M&A to be successful. The most obvious one is the primary strategic objective of creating shareholder value. If the M&A does not create shareholder value in the long-run, then no matter what other metrics

are in place and whether they are positive, the likelihood is that the M&A was not successful in the long-run.

Another factor that has to be taken into account when considering whether an M&A was successful, is the human factor. According to interviewee C “it is all about the people and the issues”. With this interviewee C referred to the fact that if the people of the acquired company are not considered, then the post-acquisition integration phase is going to fail. The human factor refers to the consideration of the acquired firm’s employees and that their integration into the “new” firm is as seamless as possible. Especially, due to the fact that when a company is acquired or merged to another or any organisational changes to begin with, the employees start thinking about their future in the company. If the transition is not planned as well as possible, the employees are going to leave the company. This will have an impact on the know-how of the acquired company. It might be that due to the situation key personnel with a certain skill or certain knowledge leaves, and this leaves the acquiring company in a bad situation.

However, interviewee A states that it is better to be upfront and communicate what is happening to the employees. The human factor or taking care of the transition also refers to the communication from the acquiring company. A reason why employees might leave is due to the uncertainty as mentioned earlier. Nonetheless, there might be situations where the acquiring company must get rid of or fire employees. This must be done as quickly as possible to ensure that no further costs are incurred. Thus, depending on the situation the acquiring company must consider the transitioning of the employees or the effective communication.

Another way to see an M&A as successful is by looking at the synergies. Interviewees A, B, C, D, E and F all mentioned the realisation of synergies as a key measure for success. Once the synergies are realized and being implemented effectively, the operation functions more efficiently as well. This will potentially reduce the costs in the long run as well



as create shareholder value. Additionally, this way the acquiring company will be able to get its initial investment bank.

Second to last objective to make an M&A successful is by ensuring that everyone gets what they want. It was initially mentioned by interviewee F and was elaborated on by interviewee B by stating that it is about “understanding the business case”. This means that both acquiring firm and the owners of the acquired firm receive whatever it is they set out to gain in the transaction. The reason being that there have been cases where the seller of the acquired firm was not happy with the end result and bought back the company. This type of situation only increases the uncertainty of the situation, the time taken to handle the deal and is costly for both sides.

The last objective to making a M&A successful is quite a general one. The objective is to handle the M&A well in every measurable way. According to interviewee A, this is the only way to ensure success with 100 percent certainty. This means that no matter what the metric is, the outcome should be positive. Thus, according to interviewee A no M&A deal is ever successful. Nevertheless, it could be said that to have a successful M&A, the business case must be understood, and everything has to be communicated properly for everyone to understand what the company is striving for to make an M&A successful.

The literature concurs with the statements given by the interviewees. In other words, previous literature has not been able to conclude or define successful M&A or post-acquisition integration either. The different academic authors are not able to give a definite answer on what M&A success is. Therefore, success could be considered a mixture of different objectives. (Beitel, et al., 2004, pp. 136; Bauer & Matzler, 2013, pp. 283; Löfgren, 2018).

#### **4.1.4 Post-acquisition integration**

According to the data from the interviewees the post-acquisition phase is one of the greatest obstacles and main reasons for the failure of a merger or acquisition.

Furthermore, it is not necessarily a factor within the post-acquisition integration phase that effects the success, but it might be something that happened or has been overlooked during the initial screening or deal making process; the so-called pre integration phase. Hence, it is critical to look at the process as a whole rather than as separate phases that are not interlinked.

As mentioned earlier, all of the interviewees mentioned that there are reasons to the failure of an M&A or specifically to post-acquisition integration at the initial stages of the process. It might be during the pre-screening or selection phase. There might be information or data that was overlooked. Another reason might be that the decision did not take into account transaction cost economics whereby the most suitable and efficient way of running or doing something is done. An example of this is something that happens due to purchasing heat.

According to interviewee A, the purchasing heat that the employees of one of the companies had, resulted in bad acquisitions. The reason being that, during the pre-screening and negotiation process, everything looked good on paper. However, there was no real strategic need for the acquisition, and this resulted in no proper planning regarding integration being done. Thus, a costly acquisition was made with no proper use, and the whole M&A process was a failure.

Besides the factors of pre-M&A process effecting the post-acquisition phase, there are factors within the post-acquisition phase that contribute to the success or failure of the integration and the success of the entire M&A. According to the data gathered during the interviews, all of the interviewees (A, B, C, D, E and F) agreed that these are:

- Culture (Corporate and Regional)
- Financial aspect and Cost synergies
- People (Communication, defining roles, and knowledge integration)
- Time taken to integrate

The first factor that must be taken into account during post-acquisition integration is the culture of the region (i.e., country) and the corporate culture. The ability to plan for the future must take the country culture into account, because it effects a lot on how people or employees work or operate in the area. Without fully grasping the regional culture, it will be hard to connect and communicate with the people working there.

Another cultural factor that must be taken into account is the corporate culture. The regional culture does have an impact on the workplace, however the way things used to operate in the acquired company and the atmosphere within the workplace are factors that will affect the mood of the employees. If all of the systems are changed and the way of working altered in one go, the employees of the company that was acquired will feel confused of how everything works. Interviewee C states that “corporate culture actually drives the values and how they are thinking”. Essentially, interviewee C meant that corporate culture is everything and if it is not carefully handled it might create even further uncertainty of the future within the employees. Therefore, a proper plan and training should be set in place to ensure that the “new” employees will not panic and leave the organisation.

Another, more conservative, factor to take into account are the financial aspects and the cost synergies. When planning and executing the post-acquisition integration the key performance indicators (KPI) have to be set and followed. Even though, according to interviewee E, the financial results of the M&A can only be properly checked and analysed later on in time, by making a proper plan of the finances and the cost synergies that are wanted, it will be easier to follow the financial and cost side progress of the integration. This way the integration process does not incur unnecessary costs to the company.

Moreover, expert interviewee A mentioned that even though the cost synergies and financial aspects are important, due to the entire reasoning of why the company set out to acquire another company in the first place, these are the “easy to follow” KPI’s. What a company really needs to operate are the people within it. Hence, the people and taking

their needs and wants into consideration is a crucial factor in making the post-acquisition integration process succeed.

Based on the interviews, the people factor consists of a few different sub-factors. These sub-factors include communication, defining roles, and knowledge integration. As mentioned earlier, the culture factor must be considered as it effects the employees working in the acquired firm. However, these separate sub-factors do not affect or are not affected by the culture factor.

Firstly, the communication to the employees is crucial. By communicating to the people that make the acquired company, the company saves itself from losing 'know-how' from within the acquired company. The reason being that confusion and uncertainty within a workplace can cause employees to leave and find another job. By letting the "new" employees in, by telling them what is going to happen next, the employees will feel a lot more relaxed. Especially, since they are now new employees of another company and the first thoughts that might come up are whether they will still have a job once everything gets integrated.

This takes to the second point that was brought up during the interviews, which is defining roles. As mentioned, once people find out that they will be a part of a new company, the first things they might think about is what is their role within the company. Will they have a job in the future? For example, there was a case merging to companies together, but the execution of the plan was not great. Thus, the problem was that there were too many people in the company and two CFO's. This created huge confusion and uncertainty and it would have been better if a plan had been in place, where people would have been fired and new roles for senior managers would have been provided. Therefore, communicating what the acquiring company's intentions are towards the people of the acquired company is crucial for the success of post-acquisition integration. Without proper planning the employees the acquiring company needs will leave.

The last sub-factor concerning the People factor is knowledge integration. Once the acquiring company has been able to keep the employees within, the next step is to share the knowledge and know-how from both sides to improve the entirety of the operation. The managers within the company must also make sure to inform what the new method of working is, because it might be that there is a situation with a manufacturing plant and the reason that another company was bought, was to improve the acquiring company's manufacturing process. If this is not made clear, then there might be a situation where the knowledge and know-how that should be integrated gets lost and the "old inefficient way" of doing things keeps on going.

The last factor that effects the post-acquisition integration phase is the time used to integrate the two companies. Interviewees A, E and F could not stress the time factor enough. The interviewees A, E and F concurred by stating that the time used cannot be too fast but not too slow and there is no specific timeline or average time spent on post-acquisition integration. However, the post-acquisition phase is essentially a project, and the project has to be planned and managed with some type of timeline to ensure the success. The reason for this is that the acquired company should be acquired as fast and as efficiently as possible to gain the most benefits out of the transaction. Nonetheless, this is hard sometimes with complex companies and it might result in a prolonging of the integration. The prolonging of the integration has the company at a standstill, as it is not operating as efficiently as it should. The time prolonged time taken can create further uncertainty within the employees as no one is sure whether they will have a job or not. Furthermore, if the integration process gets prolonged for 10 years, and then the manager is told to fire people on the basis of the M&A, it is not good PR and possibly not a valid firing reason.

Previous research corroborates the results gained through the interviews. The findings by Vaara (2003, pp. 32), states that the post-acquisition integration phase has problems such as inherent ambiguity, cultural confusion, organisational hypocrisy, and issue politicization. Additionally, other research found that post-acquisition integration phase

within companies are dynamic processes with multifaceted challenges. These challenges are system merging, reaching strategic objectives, motivating people, etc. (Maire & Collette, 2011, pp. 279). Moreover, they mention that during the post-acquisition integration phase there are 6 key points that should be considered, which are: strategy, speed, people, structure, surroundings, and success (Maire & Collette, 2011, pp. 293).

In summary, the success of the post-acquisition process does not hinge on only the factors of the post-acquisition process. The success is contingent on factors determined by the pre-M&A phase as well. To ensure the entire success of the M&A and the integration process, the phases should not be looked at as separate phases that need to be fulfilled, but as a whole process where the preparation done to begin with will ensure the success in the next assignment.

#### **4.1.5 Measuring M&A's**

The interviewees (A, B, C, D, E and F) stated that there is no specific way of measuring the success of an M&A and much less so the post-acquisition integration. They also mentioned that it is possible that the KPI's used to measure the success of M&A is industry or company specific. However, they did give some idea on what these possible key performance indicators could be.

The key performance indicators that were mentioned were:

- Financial indicators (ROI)
- The overall atmosphere
- Employee mood, motivation, and moral
- Number of new customers
- Setting of milestones

The financial indicators are obvious to understand. Interviewee A mentioned that in business, people tend to measure things that are easy to measure, which is why most of the

KPI's tend to be related to the financial aspect of the business. However, there are other indicators that could be considered. These indicators are the overall atmosphere, employee mood, motivation and moral within a company. The problem with these indicators is that they are hard to measure or are not measurable, which is why they are not considered in the headquarters of a company. These indicators are factors that a local manager in a multinational company will have to handle. The reason being that these indicators are more of a feeling that has to be seen by yourself as a manager.

Then there is the possibility of looking at for example the number of new customers gained and use that in different analytical calculations to figure out the revenue each customer brings to the company or whether the customer acquisition cost has decreased. However, maybe the most reasonable suggestion is to make milestones for the integration process as well as for the entire M&A process. If the M&A process is considered a large project, by setting milestones to certain events during the process, it will be easier to track the progress and whether something has to be adjusted.

The literature provided at the beginning of the study mentioned that there are no specific key performance indicators to measure the success of post-acquisition integration or the performance of the M&A as a whole. There is literature on the most basic ways of looking at the success in a financial sense looking at financial indicators as Thanos and Papadakis (2012, pp. 118-119) and Gerds and Strottman (2012, pp. 73) state.

Then again there are other sources that are not as traditional that state otherwise. For example, Taylor (2019) mentions that there are indicators such as revenue, number of clients gained, revenue per client, level of staff stress, etc. Based on the literature and sources there is a rift between what is considered or can be stated as being useful or may be used to measure the performance of M&A or post-acquisition integration.

Even though, these are all options, there are no specific KPI's that are used to measure the performance of M&A's. Gerds and Strottman (2010, pp. 74) mention different

categories into which the categories fit, and which could be tracked. However, there is the possibility that everything is industry specific and hence no general measurement tools can be given or mentioned except for the financial indicators.

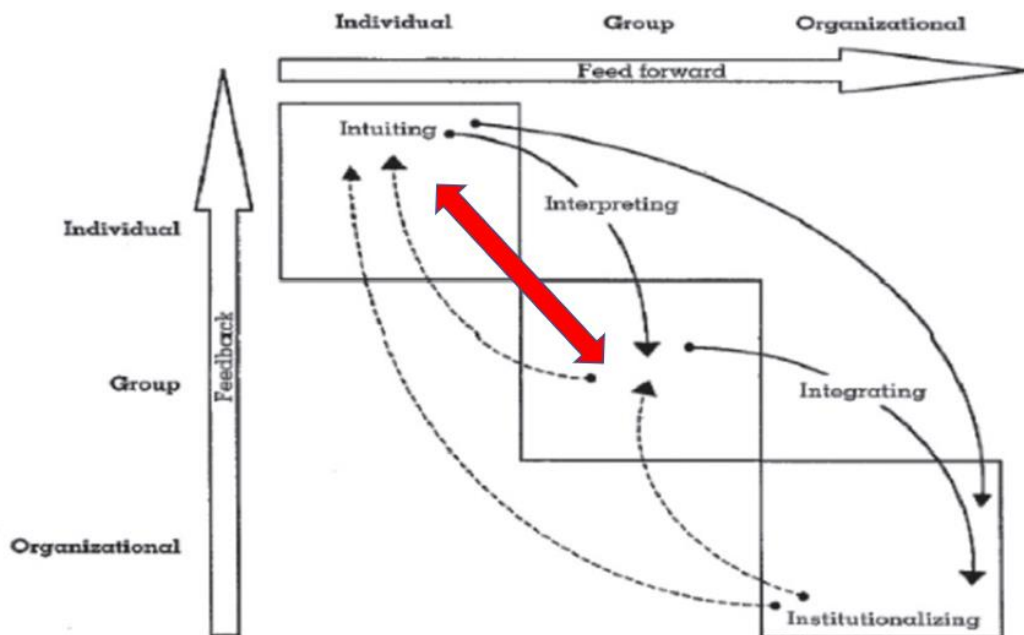
#### **4.1.6 Organisational Learning**

The factors effecting post-acquisition integration success and M&A success in general have been discussed and elaborated on. However, according to interviewees A, B, C, D, E and F, international companies and firms in general tend to engage in multiple M&A or CBM&A's per year. This means that after one there is another one. Hence, there is a lot of practice concerning the M&A process within companies and usually when something is practiced, it means that the firms engaging in M&A should become better. Nevertheless, 70-90% of M&A's fail (Garrison, 2019). Could the reason be that companies do not learn or that companies should build a learning organisation system through which the same mistakes would not be made.

Based on the interviews, interviewees A, E and F stated that there is no organisational learning or could not say and that at most it is a single person or a few people who learn something and once they get promoted, they take the knowledge with them. The other half, interviewees B, C and D, stated that there is organisational learning and there is a system in place. Whether or not they are effective is another matter. However, interviewee F mentioned that large companies tend to engage in M&A activities so much that they already have a system in place to proceed with them and therefore do not need to learn from previous engagements. This might be true for large companies when they buy smaller domestic or small international companies. Nonetheless, there are times when there are large M&A deals for billions of dollars, the so called 'one-time deals' that none of the small deals compare. According to interviewees A, E and F these are situations that either make or break a career and you cannot use the same system for the bigger deals.

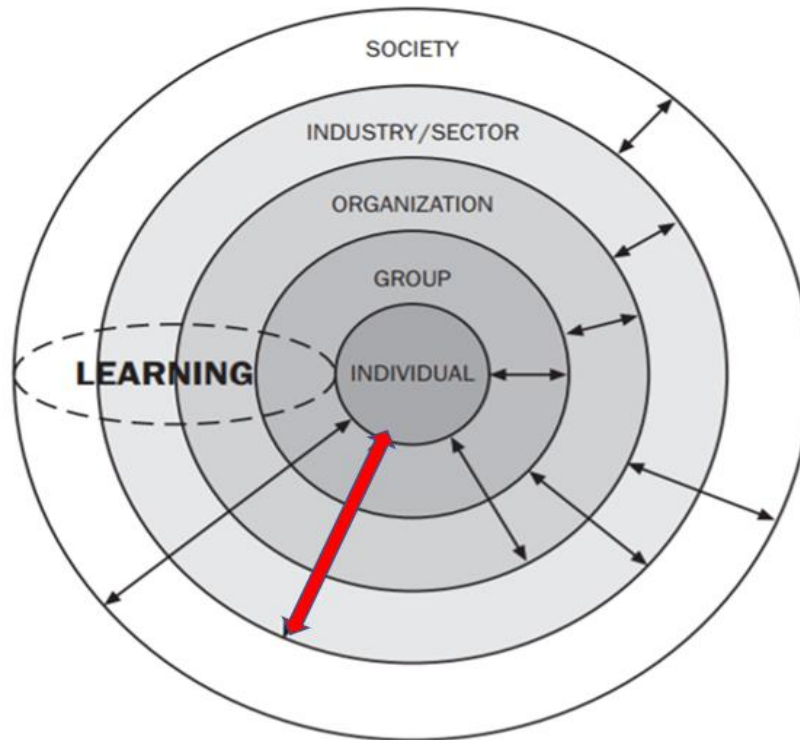


Continuing with the statements of interviewees A and F that there is no organisational learning as the same mistakes tend to happen every time. This means that the 4I model of organisational learning by Aponte and Zapata (2013, pp. 440) would not be applicable. The model can be seen below as Figure 9:



**Figure 9 4I Model of Organisational Learning (Adapted from Aponte & Zapata, 2013, pp. 440)**

Figure 9 above is a model adapted from Aponte and Zapata (2013, pp. 440), with the addition of a red two-sided arrow. The reason being that if there is no organisational learning and the same mistakes keep on happening, this means that everyone learns for themselves or within a group. Thus, there would not be any intuiting, interpreting, integrating and institutionalizing happening. Therefore, as figure 9 well demonstrates, the learning stayed within the boxes that the red double-sided arrow touches. This would mean that the model by Antonacopolou (2006, pp. 457) shows the relation between learning, the organisation, and the individual in the most realistic manner. The multiple levels of learning and their interactions model can be seen below as Figure 10:



**Figure 10 Multiple levels of Learning and their interactions (Adapted from Antonacopolou, 2006, pp. 457)**

Figure 10 above has been adapted from Antonacopolou's (2006, pp. 457) original model by adding a double-sided red arrow. The red arrow illustrates the learning within an organisation. The learning is something that happens within the industry, organisation and group through the individual.

Based on this model and the few interviewees (Interviewees: B, C and D), the individual is the one that learns. The individual or the employee is the one to learn everything from Group to Societal level. Due to this and the performance-based promotions the organisation does not integrate any of the learned lessons and the same mistakes keep on happening. However, there were also interviewees B, C and D, who mentioned that the organisation does learn or the company that they work for, within their team they go through the good and the bad.

According to interviewee B, after every deal they go through the lessons learned thoroughly and after this is done they share the document they made out of it to everyone else, to help and further their efforts in other deals. The same applies for the few other interviewees who mentioned that they have a separate system that evaluates the risk for them based on the data. The data can also be used in the future and using the past and present data a decision can be made on whether a deal is worth the efforts or whether there will be problems with for example the post-acquisition integration. It does not necessarily follow the 4I model, but it does give an indication that there is organisational Learning. Furthermore, this has enabled a system to be created which reduces the risk of bad deals.

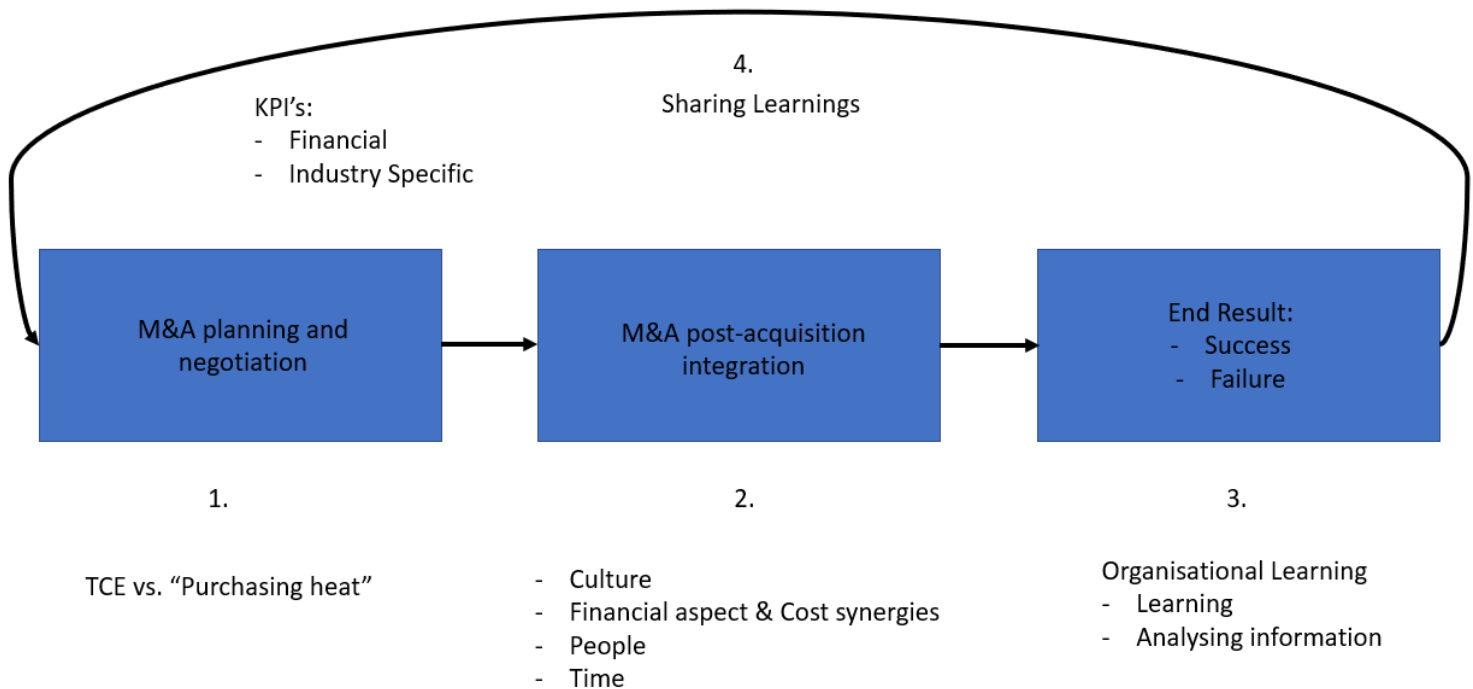
Based on this information it is applicable to say that there is no consensus between the interviewees on the matter. Nevertheless, there is learning occurring in individuals and in organisations to some extent. The individuals that learn take the information and the same mistakes happen. However, the individuals who learn and inform others within the organisations help the organisation succeed in the future as well. This means that there is an argument to be made for the positive effect that organisational learning has to make future M&A's and post-acquisition integration phases succeed. Therefore, organisational learning may be considered a success factor in itself.

## **4.2 Post-Acquisition Integration Success Model**

The information gained from the interviews strongly correlates to what the literature states, with the exception of defining success, the factors effecting success, how M&A's are measured and organisational learning being a potential success factor. Therefore, the model that was created based on the literature can be used and elaborated on. The improved M&A post-acquisition model can be seen below.

The model shows the entirety of the M&A process and the factors effecting the success of post-acquisition integration from the perspective of the acquirer. It demonstrates the

process as a whole because all of the phases and factors effecting the different phases effect the integration phase. Therefore, the model can be considered a raw prerequisite for the successful planning of post-acquisition integration process. This model can be seen below as Figure 11.



**Figure 11 Improved M&A post-acquisition success model**

The model, Figure 11., has 4 steps to what should be considered in a M&A process in general. The model has two points on KPI's as well. However, KPI's in general are industry or company specific, which is why they cannot be specified in more detail. The process factors to be considered are as follows:

1. **TCE vs. "Purchasing heat"**: As mentioned in the literature and confirmed through the interviews, the initial stage should consider the effectiveness of acquiring another firm through a strategic perspective such as transaction cost economics. If the process is one where something is acquired due to the effects of purchasing

heat, the process is most likely going to fail. This is due to the ineffectiveness of the purchase in terms of the actual operation of the company and it may just incur unnecessary cost for the company.

2. **Post-acquisition integration success factors:** The factors effecting post-acquisition are general and might include further factors specific to a certain industry. However, in general the factors that effect the successful integration of an acquired company are culture, the financial aspect and cost synergies, people, and the time factor. More detailed information on this can be found earlier in the chapter.
3. **Organisational Learning:** As stated earlier, organisational learning might be the silent factor of post-acquisition integration and M&A process success in general. In this the successes and the failures are written down and analysed for the benefit of everyone. This enables the reduction of further mistakes in the future. However, it has to be kept in mind that this applies to M&A's that are engaged in more often. Thus, larger M&A's or once in career M&A's might not benefit from the learning as they might be more complex.
4. **Sharing Learning:** This refers to the process of sharing the learning within the organisation so that once the process starts over on another deal, the pointers learned from previous mistakes and successes can be utilized in the acquirer's advantage in the future.

The model is raw and is very general. This means that the model is not necessarily detailed enough to improve the success of M&A in a specific industry. However, the model can be used as a prerequisite when considering the post-acquisition process. Furthermore, the model can most likely be utilized and be adjusted to any industry to help understand and take into account every aspect of the process.

## 5 Conclusion

This chapter will go through a summary of the intent of this study. After that the chapter will continue with the key findings of the research and the theoretical contributions. Lastly, the research will focus on the implications, future research and the limitations of the entire research.

### 5.1 Summary

This research focused on examining and analysing the success factors of the M&A post-acquisition integration phase. Moreover, it is an examination of the entire M&A process in general and the factors of every phase within the process and how they or if they effect the success of post-acquisition integration. The reason for this being, that as the study demonstrates there has not been any general research of the success factors to create any models to illustrate it. The former literature has focused on specific geographical multinationals, benefits of success, the sociocultural aspect, and nobody truly focuses on the general picture of learning from past failures (e.g. Shimizu, et al., 2004; Ai & Tan, 2020; Savovic, 2012; Witzmann & Dörrenbächer, 2016). Therefore, the objective of this study was *What are the success factors of merger and acquisition post-acquisition integration in general and how is it measured?*

Mergers and acquisitions have been a fundamental part of the global economy ever since the end of the nineteenth century (Beena, 2014, pp. 3). The reason being that M&A's are an efficient way of entering a high-growth market, generating cash in the short-term, and an excellent way of increasing competitive advantage over the competition without the need to expand the capacity of production (Soofi & Zhang, 2014, pp. 9). Additionally, there are many other reasons and potential gains to receive from engaging in M&A activities (Miller & Segall, 2017, pp. 10-11).

There are many studies and books on the reasons why firms should engage in M&A activities. However, considering that fact that 70-90 percent of M&A's fail (Garrison, 2019),

there is little information or research to be found on the reasons for failure. Especially, in the post-acquisition phase. Hence, it is crucial to understand the success factors to have the ability to understand and look out for any factors of failure.

## **5.2 Key Findings**

The key findings of this study are explained using the research problem objectives. All have been explained and illustrated in the empirical research and results chapter. Thus, the key findings will be explained succinctly. The research problem objectives of this study are:

- (1) To examine what the factors of success are in post-acquisition integration.
- (2) To create a general model explaining the factors of success and failure of M&A's and post-acquisition integration using transaction cost economics and organisational learning.
- (3) To establish a measurement benchmark for what is considered a successful M&A and post-acquisition integration.
- (4) To create a basis for future research in the research field.

### **5.2.1 Success factors of post-acquisition integration**

The data gathered through the interviews determined that the success factors of post-acquisition integration are factors that are present during each phase of the M&A process. Hence, the road to success should be seen as an entire process of success factors. The factors of success may be seen below in Table 4.

**Table 4 Post-acquisition integration success factors**

<b>M&amp;A planning and negotiation phase</b>	<b>Post-acquisition integration phase</b>	<b>End of the process</b>
TCE vs. “purchasing heat”	<ul style="list-style-type: none"> <li>- Culture</li> <li>- Financial aspect and cost synergies</li> <li>- People</li> <li>- Time</li> </ul>	Organisational Learning <ul style="list-style-type: none"> <li>- Learning</li> <li>- Analysing Information</li> </ul>

The success for the M&A planning and negotiation phase is transaction cost economics versus “purchasing heat”. This refers to the fact that to have a successful process, the initiation of the process should be done for the right reasons. The process should begin with the consideration of the strategic perspective. The main objective is to create value for the shareholders. The strategic M&A reasons to achieve this are:

- Buying market share
- Buying “know-how”
- Service development
- Synergies
- Gaining Technology
- (“Purchasing heat”)
- (Building an empire)

If one of these strategic M&A reasons is met, apart from “purchasing heat” and building an empire (in parenthesis above), the initial reasoning is valid. The last two reasons on the list are only reasons that might seem valid at the time but are not. All of the other reasons have an impact on the transaction cost economics of the acquiring firm. Thus, they create a more efficient way for the organisation to operate, that could not be provided by someone else and is a necessary organisational change for the acquirer. However, if the reason is one of the last two on the list, the initial reasoning for the M&A



process is “false”. These might result in greater costs being incurred in the future. Essentially, the post-acquisition integration phase will end in failure.

The post-acquisition integration phase on the other hand has 4 distinct success factors. Moreover, these 4 factors are interrelated to some extent. The culture refers to both regional culture and corporate culture. Without the knowledge of the country culture, it will be difficult to communicate with the employees. Furthermore, if the existing corporate culture is altered hastily, the employees will feel confused, and this might create uncertainty within the people.

Another factor effecting the post-acquisition integration phase is the financial aspect and cost synergies. If the costs are too high or the cost synergies are not realized, the integration process could be considered a failure. The reason it could be considered a failure is the initial reason for the entire M&A not being achieved.

The second last factor effecting the post-acquisition integration phase is people. The factors within the People factor are communication, defining roles, and knowledge integration. If these are not considered and planned for, the uncertainty within the “new employees” might increase and potentially push them to find another workplace.

Lastly, concerning the post-acquisition phase, the factor of time must be considered. The time taken to integrate the acquired company into the acquiring company cannot last too long or be too short. This might cause further uncertainty within the employees and create greater costs for the acquiring firm. However, there is no benchmark time frame to specify the needed in these situations. It may be industry or company related.

The findings concerning the success factors of the post-acquisition phase are results that have been stated in previous research as well. The results previously have mentioned inherent ambiguity, cultural confusion, organisational hypocrisy, issue politicisation, system merging, reaching strategic objectives, motivating people, etc. (Vaara, 2003, pp. 32;

Maire & Colletette, 2011, pp. 279). Additionally, previous research has also mentioned 6 key points to consider in this phase that are: strategy, speed, people, structure, surroundings, and success (Maire & Colletette, 2011, pp. 279). Considering these results from literature and the literature regarding specific industries, culture and the benefits of success (Ai & Tan, 2020; Savovic, 2012; Witzmann & Dörrenbächer, 2016), and the failure rate of M&A's, the last success factor is even more crucial to post-acquisition integration than initially was credited.

The last success factor at the end of the entire M&A process is the organisational learning. Learning from the successes and failures and analysing them. This will allow the firm to use the learned lessons in the future when engaging in further M&A's. Although there was no consensus among the interviewees on whether organisational learning occurs after the post-acquisition integration, it may be considered as important. The reason for this is the number of failed M&A's and the potential to learn from past successes and failures. Moreover, some of the expert interviewees did mention that the individuals do learn, and the lessons are used in the future as well. Hence, organisational learning is considered a success factor.

### **5.2.2 The post-acquisition integration model**

The model can be seen as Figure 11 in the previous chapter. The diagram shows the M&A process and the factors effecting each phase within the process. Moreover, the illustration states the key performance indicators (KPI) to be used. The model has been explained earlier and the detailed information on the success factors have also been discussed in the previous chapter. Thus, the model will not be explained in this chapter any further.

It is noticeable that the model is simple and there are no KPI suggestions. The reason for the model being as general and simple as it is, is due to the fact that it is a general model. It may be used as a prerequisite when planning or studying M&A's. Additionally, the model can be edited to be more company or industry specific due to its general nature.

### **5.2.3 Measuring M&A and post-acquisition success**

One of the objectives was to find a benchmark way of measuring success. However, there are no specific key performance indicators to measure the successful performance of M&A's or post-acquisition integration in general. This conclusion is corroborated by previous literature as well. According to Thanos and Papadakis (2012, pp. 118-119) and Gerds and Strottmann (2010, pp. 73) there are no specific KPI's except the basic financial indicators. The reason being that they could be industry or company specific or something completely different.

As the model states, the key performance indicators that all companies use are the basic financial KPI's. These can be costs incurred, return on investment, etc. Whereas the industry specific or other KPI's could be anything. It could be the number of new customers received, the overall atmosphere within the "new" firm, employee mood, motivation, and moral. Another option could be to set milestones and treat the process as a project and every time a milestone is achieved, it is possible to measure the action as a success. This is concurred to by Taylor (2019) who does not mention any specifics, but does give the option to consider other ways of measuring depending on the industry.

## **5.3 Theoretical Contributions**

The theoretical framework and research objectives were built on former research and theory. Because all of the studies so far focused on specific subject areas (e.g. Ai & Tan, 2020; Savovic, 2012; Witzmann & Dörrenbächer, 2016), there was no general model to explain the success factors in post-acquisition integration. There is research on success factors (e.g. Vaara, 2003; Maire & Collerette, 2011), however these studies did not take into account factors outside of post-acquisition integration phase. Hence, a general model with the different phases within M&A operations could clarify the entire process. Moreover, there was little to none research on the reasons for failure during post-acquisition integration (Shimizu, et al., 2004) and by examining the success factors of the M&A process and post-acquisition integration, the reasons for failure become clearer as well.

The contribution of the model allows for future students or academics to understand the simplified version of the M&A process and post-acquisition integration. Moreover, this will make it easier for the future academics or students interested in M&A to look at the process and create a more specific model for certain industries. Lastly, considering the theories of transaction cost economics and organisational learning, the theories on their own are not new. However, examining the effects of organisational learning and TCE in the context of M&A as a process and the impact they have on future endeavours can impact the way they are considered in the future.

Considering TCE and organisational learning, they are theories that are usually thought of individual theories that are not connected to anything specific. Through the illustration of the model, the theories are depicted within context that contributes to the understanding of students, academics, and professionals alike. This creates the understanding of the relation between TCE and organisational learning from a holistic corporate point of view.

## **5.4 Implications**

This study provides essentially a few implications for any company. The study provides a general guideline on what to consider in M&A deals to make them successful. Furthermore, as it is a very general model, it allows for the editing of it. This will allow companies in more specific industries to modify the model and prepare more efficient M&A deals in the future.

Another implication of this study is to inform the people in charge of M&A's in different companies on the factors effecting the success of post-acquisition integration. The ability to understand the success factors will also provide the capability to avoid failures during the integration process. Lastly, the study provides a lesson on how the M&A process should not be considered as multiple separate phases with their own success factors.

The success of the post-acquisition integration is dependent on all of the factor in each stage succeeding.

## **5.5 Future Research**

As mentioned, the current study fills the gap of providing a model and understanding of the success factors of the M&A process and post-acquisition integration. However, the model is very general. Therefore, future research in the topic could focus on specific industries or companies to edit and further the model and success factors.

There is literature and studies on very specific success factors and companies. Nevertheless, the literature of these studies does not create a model. The literature focuses on a certain industries specific success factor or benefits. If academics of students were to improve on the model in specific industries, this could prevent failures in the M&A process from happening in the future.

## **5.6 Limitations of the research**

This research is a master's thesis study and thus the time, data, and length of the study is limited. The time used on creating this study was enormous. However, if the time used was greater and the entire time period writing this study would be used to solely focus on this research the data gathered as well as the findings of the study could be more extensive.

Another factor limiting this research is the data set. The sample for the study was 6 interviewees and the interviews were conducted as qualitative semi-structured interviews. This means that the data is based on the subjective point of views of the interviewees. Essentially, this study conducted is a condensed research on a few peoples' opinions and views and therefore not as empirical as it could be with more time and resources. These resources could be a greater sample of interviewees for example or co-authors.

Lastly, the length of the research is limited and can thus the focus and the data gathered and used has to be limited as well. This implies that the focus can only be on a few specific objectives. Therefore, by improving on these limitations the study could be of greater academic significance in the future.

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## Appendices

### Appendix 1. Interview Questions (English)

What is your background? In what company have you worked in on M&A's?

How long have you worked with projects or assignments related to M&A's? (within a certain company?)

What is the basis or logic behind the decision to acquire or merge with a company?

Does the decision-making process involve transaction cost economics? Essentially trying to acquire the most cost-effective way of doing something?

How many M&A's were successful? How many were failures?

Was the success of the M&A influenced by wrong pretences or reasons to do it in the first place?

Did the failures occur during the post-acquisition integration phase? If so, why?

What would you say are the success factors of post-acquisition integration or M&A's in general?

Considering your experience and the fact that according to the literature most M&A's are not successful, why do you think M&A's are a popular form of expansion of operations?

Are there any specific KPI's used to measure the success of post-acquisition integration or M&A's in general?

From an organisational learning perspective, are there any reflections or learning actions taken to learn and improve from former successes or failures in the field of M&A's?

Would you say that there is a connection between how successful post-acquisition integration is and the initial reasoning/ basis to acquire a company? What about organizational learning and post-acquisition integration?

## Appendix 2. Interview Questions (Finnish)

Kerro omasta taustasi. Missä yrityksissä olet tehnyt töitä yrityskauppojen parissa?

Kuinka pitkään olet tehnyt töitä yrityskauppojen parissa?

Millä perusteella tehdään päätös ostaa tai yhdistyä toisen yrityksen kanssa?

Liittyykö päätöksen tekoon lähteä tekemään yrityskauppoja transaction cost economics?

Käytännössä hankkia kustannustehokkaampi tapa tehdä jokin asia?

Kuinka moni yrityskauppa oli onnistunut? Kuinka moni epäonnistui?

Liittyykö yrityskaupan onnistumiseen/ epäonnistumiseen väärät perusteet lähteä hankkeeseen?

Tapahtuiko epäonnistumiset yrityskaupan jälkeisen integraation aikana? Jos näin, niin miksi?

Mitkä sanoisit ovat yrityskaupan/ yrityskaupan jälkeisen integraation onnistumiseen liittyvät vaikuttavat tekijät?

Ottaen huomioon kokemuksesi ja yrityskauppoihin liittyvä kirjallisuus niiden epäonnistumisesta, miksi luulet, että yrityskaupat ovat niin suosittuja yrityksissä toiminnan laajentamiseksi?

Onko mitään tiettyjä mittaus indikaattoreita mitä käytetään yrityskauppojen jälkeisen integraation mittaamiseksi?

Yritys oppimisen perspektiivistä, onko mitään tiettyjä toimenpiteitä minkä avulla yritys voi oppia onnistumisista/ epäonnistumisista yrityskaupoissa?

Sanoisitko, että yrityskauppojen jälkeisen integraation ja päätös toteuttaa yrityskauppa, että niiden välillä on yhteys integraation onnistumisessa? Entä aikaisempien yrityskauppojen kautta saaduista opeista ja yrityskauppojen jälkeisen integraation välillä?