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How do serial acquirers realize serendipitous value in technology acquisitions?

A research project to fulfill the requirements of the
Doctor of Business Administration (DBA) program

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List of abbreviations and terminology

The following abbreviations and terminology are used throughout this research project and may not be familiar to some readers of the thesis document.

- Alliance. A business relationship between two (or more) firms where they jointly accomplished some type of objectives without merging
- Back end. Activities that happen post-close
- BD. Business development, also known as corporate development. The acquirers' BD teams identify and source acquisitions and often drive deals to close.
- BHAG. 'Big Hairy Audacious Goal' is a term used to get stakeholders to think big
- Business case. The internal acquirer document that the board of directors approves getting permission to make an acquisition
- Bolt-on. Bolt-on acquisitions refer to the acquisition of smaller companies, usually in the same line of business, that present strategic value. This is in contrast to primary acquisitions of other companies, which are generally in different industries, require more significant investments, or are of similar size to the acquiring company
- CEO. Chief Executive Officer
- CTO. Chief Technology Officer
- CxO or C-Level. Senior leaders of a firm, with "chief" in their title. Examples include Chief Executive Officer, Chief Revenue Office, Chief Marketing Officer, and Chief Financial Officer
- EBITDA. Earnings before interest, taxes, depreciation, and amortization. This term is often used as an indicator of the overall profitability of a business
- Front end. Activities that happen prior to the deal closing
- IP. Intellectual property, comprised of both software assets and other valuable company assets

- Integration drift. A somewhat common occurrence where integration takes longer than expected, and intended synergies are not captured
- Investment thesis. The internal justification by the acquirer with the rationale to purchase the smaller firm
- M&A. Mergers and acquisitions
- NDA. Nondisclosure agreement
- Nearshore locations. Employees located in locations “near” to the onshore locations, usually with some cost savings but not as much savings as offshore locations
- Offshore locations. Employees located in much lower-cost locations, often in India
- Onshore locations. Employees located in key, usually more expensive, locations
- Playbooks. The codification of prior integration experience prepared to help later integration teams learn from prior integration experiences
- PMI. Post-merger integration
- Product roadmap. The upcoming releases that a product team intends to build and release to the market, including more tactical short and medium-term releases as well as more strategic, longer-term releases
- R&D. Research and development
- Rollup. When an organization scales up by acquiring multiple, generally related, acquisitions
- SAAS. Software as a service, software delivered via the internet, usually with ongoing recurring fees. Attractive to investors as the cost of adding incremental customers is very low, allowing significant scalability
- SI. Systems Integrators
- SMB. Small and mid-sized businesses. These customers require different skills to sell to and service, and are often treated as a different market segment within suppliers
- SME. Subject matter expert. Individuals that have deep knowledge of specific topics.

- SV. Serendipitous Value
- SVP. Senior Vice President
- Target. The company that is being targeted and subsequently purchased by the larger firm
- Touch (low and high). Types of client engagement, with low touch requiring very little engagement by the supplier and high touch requiring significant ongoing contact between supplier and customer teams
- Value drivers. The reasons the client values the solution
- VP. Vice President

Acknowledgments

The journey to complete the program and this thesis would not have been possible without the support and guidance from my academic supervisor Professor Koen Heimeriks. His interest in the subject, knowledge of the discipline, mastery of the literature that underpins it, and general support were invaluable. In addition to providing direction, knowledge, and support, he made this journey enjoyable.

This DBA journey covered more than four years of work, and in that time, there were many supporters and helpers. Specifically, the three global firms that allowed the research project to learn about their acquisitions as input to the project and the dozens of employees who shared their experiences. This project set out to help those integrating technology companies expand value from their M&A activity. The discussions with executives and the many team members who had first-line experience were invaluable. I am proud that this project will help practitioners doing future integration and academics researching the discipline.

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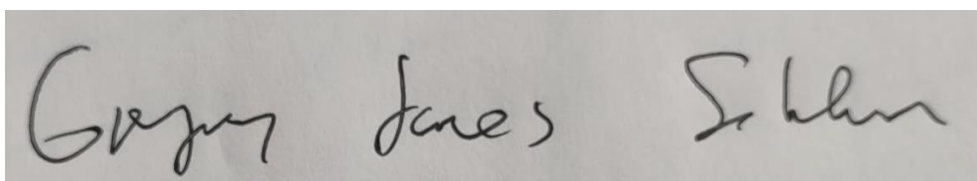
Finally, I would like to thank my wife Lynne for her support throughout this journey and for her never-wavering encouragement for me to keep going even when progress felt slow-moving and completion seemed elusive.

Declaration of originality

I declare that this thesis ‘How do serial acquirers realize serendipitous value in technology acquisitions?’ is my work. No part of the dissertation has been previously submitted to any other university for any degree, diploma, or other qualification. When reference is made to the work of others, the extent to which it has been used is indicated in the text and bibliography. Any errors or omissions within this thesis are the author's sole responsibility.

This thesis is intended to meet the regulations for the issuance of a Doctorate of Business Administration as defined by the University of Warwick Doctoral College website section 3.9 (University Requirements for the Award of Research Degrees).

Signature:

A photograph of a handwritten signature in black ink on a light-colored background. The signature reads "Gregory James Schlimm".

Name of Student: Gregory James Schlimm

Name of Supervisor: Professor Koen Heimeriks

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Research question

“How do serial acquirers realize serendipitous value in technology acquisitions?” with three subparts: 1) “what is the role of tools used by integration teams (such as playbooks) during PMI to realize serendipitous value?” 2) “what is the role of non-shareholder stakeholder management during PMI to realize serendipitous value?” and 3) “what is the role of emotion in the target management and key staff during PMI to realize serendipitous value?”

Abstract

The acquisition of technology organizations is being undertaken by a wide range of both technology and non-technology firms to provide strategic renewal, bring products to market more quickly, scale existing technology through larger sales channels, and sometimes even acquire key teams and valuable team members.

While much existing M&A research focuses on how integration teams can deliver planned benefits intended by the acquirer (often cost-related), there are also mentions of serendipitous value available with technology acquisitions that can be delivered during the integration phase. We know that this unplanned value delivered post-deal is available to acquirers and can be significant, but we do not know why some deals realize it and others do not.

Drawing on a multi-case, inductive study of seven acquisitions of small and mid-sized technology companies by three different large serial acquirers, this project surfaces processes used by integration teams to identify and realize this serendipitous value. The project delves into the acquisition experiences of the team members that executed the integration to 1) learn about how the codification of past integration experiences was used to guide integration, 2) how stakeholders were managed, and 3) how the emotions of the acquired team were managed, all with an eye toward learning about the unplanned value delivered during the integration.

This thesis document details the research project that was executed and includes three academic journal articles, one for each of the three topics, grounded in both academic literature and practitioner experiences to further knowledge about these topics. In addition, the project includes a section with thoughts for practitioners grounded in the experiences of the cases that may help acquirers expand deal value from their M&A.

This research project and its articles contribute to the M&A strategy literature.

1. Introduction

a. The industry challenge for practitioners

M&A activity continues to be pursued by many different firms, all in the desire for revenue growth, to accelerate a range of business initiatives, and improve commercial performance (Graebner *et al.*, 2017). This activity is particularly true in the technology space, where acquisitions can provide valuable resources, increase market power, and help execute strategic renewal (Graebner, Eisenhardt, and Roundy, 2010). BCG reports that “tech isn’t just for tech companies anymore” and that digital and mobile technologies, as well as artificial intelligence and the Internet of Things have upended many different industries. For an increasing number of organizations, acquisitions of high-tech organizations is their response to this trend. High-tech deals represented almost 30% of total deals in 2016, and almost 70% of technology deals were executed by non-technology companies (BCG, 2017).

In response to this activity, much research is being performed by both academics and practitioners exploring M&A from many perspectives. There have been more than 300 articles written on a wide range of M&A-related topics showing the interest from both practitioners and academics (Graebner *et al.*, 2017). While the practitioner and academic literature are different in research methodology and approach, both are searching to understand how acquirers can expand value from M&A and decrease the risk of deals

not delivering their intended value creation. Both academics and practitioners are finding that those acquirers that put more rigor in identifying deal potential pre-close and then realizing it with focused execution during the critical post-merger integration (PMI) phase have acquisitions that perform better than those that do not (Ficery, Herd, and Pursche, 2007) (Graebner *et al.*, 2017).

Significant research in the broad M&A space focuses on cost synergies, which are vital in justifying many deals, especially with larger organizations buying other large organizations. In much of M&A, realizing cost synergies is often the critical component in establishing business cases and justifying to the acquirer's board and the market that the deal is worth doing. In these situations, integration teams are heavily finance-focused, and the rationalization of duplicative cost structures and savings available with scale is vital for synergy capture and delivery of deal value.

However, technology deals are different in that cost synergies are rarely the core justification for the deal. As such, other types of synergies are the drivers of the investment thesis that justify the acquisition. These technology deals are frequently done to bring products to market more quickly using acquired assets and teams, to scale existing capabilities through larger sales channels, to transform older "legacy" businesses and products, and sometimes are even executed to acquire key talent (Ranft and Lord, 2002).

Integration teams of acquired technology organizations have a very difficult task post-deal, with the accountability for delivering planned benefits and maximizing the value of the deal to the acquiring organization.

To achieve these objectives, there are three essential things integration teams need to get right when executing post-deal: 1) how to manage and achieve the very complex integration itself, which often involves hundreds of tasks being done by many different team members in dozens of workstreams while maintaining business momentum, 2) how to bring onside all the external parties (customers, suppliers, others) that had built relationships with the smaller firm and now need to reestablish those relationships with the acquirer and 3) how to bring the team that built and made successful the technology as a vital part of a smaller firm into the larger firm while avoiding logistical problems and negative emotions leading to decreased productivity, reduced innovation, and even attrition.

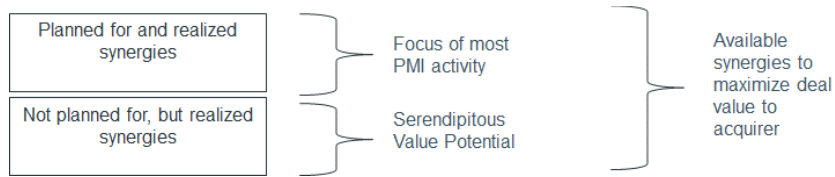
b. The gap in the academic literature and the research question

We know that acquirers capture value from their M&A activity during the post-merger integration phase (Ficery, Herd, and Pursche, 2007). that PMI is a process that can be influenced (Graebner *et al.*, 2017) and that technology acquisitions have their challenges and subtleties (Ozmel, Reuer, and Wu, 2017). We also know that firms are

improving how they identify and quantify intended benefits and that they are getting better at focusing the PMI phase on capturing the intended synergies (Graebner *et al.*, 2017).

However, we see growing mentions in the academic and practitioner literature that in addition to known, intended synergies, there may be serendipitous synergies available to the acquirer. From this emerging thinking, we are learning that there is a difference between intended and serendipitous synergies and that these unplanned synergies may be significant (see Graebner, 2004). However, only a handful of mentions exist of serendipitous value potential or realization in the current literature, leaving the academic community largely ignoring this potential value realization for acquirers. The practitioner journals have begun to mention integration agility as a driver of value creation with tips for those doing PMI to adjust plans to capture new opportunities that reveal themselves after the deal is executed. The lack of research on how some acquirers identify and realize these unplanned synergies while others do not is an interesting gap in the literature. If it is, in fact, true that serendipitous value is available to acquirers when doing post-merger integration, then giving attention to this area may allow acquirers to increase value from their M&A initiatives, possibly quite significantly. The following figure frames how the focus of most PMI activity is the planned synergies but that there may be additional synergies available to maximize deal value.

Figure 1: Value capture can be comprised of both intended and serendipitous value



The current literature tells us that serendipitous value may exist and that it is something that may expand value from M&A activities. Still, the mentions of it are side comments in research focused on other topics. There is significant research into mergers and acquisitions but little focus on the potential value from serendipitous, unplanned value or its realization during PMI.

We know that integration teams have many priorities, but we do not know how the integration teams balance the focus on planned synergies versus the potential from unplanned ones. We do not know if or how they managed synergies that were planned by the deal teams separately from the unplanned ones in their playbooks and project plans. This research project shines a light on this unexplored topic with a research question as indicated in the following figure:

Figure 2: Overall research question

Overall Research Question *How do serial acquirers realize serendipitous value in technology acquisitions?*

We know from the literature about the role and potential of codification during the PMI phase of M&A that codification can improve the performance of M&A, but we do not know how they help or hinder serendipitous value realization. We also know from the literature that attention to stakeholders can improve acquisition performance, but we do not know if that same attention can help or hinder serendipitous value realization from stakeholders. We also know that managing the emotions of acquired teams can improve acquisition performance. Still, we do not know how that management of emotions can help or hinder the realization of serendipitous value.

To surface the processes and actions taken by the integration teams that led to serendipitous value identification and capture, this project delves into each of three areas that are part of the integration 1) the role of codification (such as playbooks) and the integration team actions, 2) the role of stakeholders and how they were managed during integration, and 3) the role of motivations and emotions of acquired managers (and key staff) and how they may be used to identify and capture incremental unplanned value for acquirers to increase total captured value from their M&A activity. Each of these three areas is important for integration teams to get right when integrating.

To learn more about these dimensions of serendipitous value identification and capture, this research question is being explored with three related research sub-questions focused on these three areas, as included in the figure below.

Figure 3: Research question sub-questions

Research Question Part 1 *What is the role of tools used by integration teams (such as playbooks) during PMI to realize serendipitous value?*

Research Question Part 2 *What is the role of **non-shareholder stakeholder management** (specifically customers and suppliers) during PMI to realize serendipitous value?*

Research Question Part 3 *What is the role of **emotion** in the target management and key staff during PMI to realize serendipitous value?*

While this serendipitous value is referenced in both practitioner and academic literature, we do not have in the literature a conceptual framework about intended versus serendipitous value that can help us learn more about and explore how acquirers can realize more of it. What some acquirers are doing with their technology acquisitions to identify and capture serendipitous value that others are not is an unexplored research opportunity. When acquirers integrate technology acquisitions, there are incredibly high failure rates.

So given the importance of those three areas to acquisition success, this research project looks at each acquisition from the three areas to learn how prior integration was codified and used during integration, stakeholder management, and employee management can identify and ultimately realize serendipitous value for acquirers.

c. The research project

This research project was designed to learn how serial acquirers identify and realize serendipitous value when purchasing small and mid-sized technology companies. This project was designed to use actual integration experiences to learn about serendipitous value during PMI of technology organizations by larger serial acquirers, including both the processes that identify it and those that capture it. The research project builds on existing academic literature, including value definition in M&A, synergy capture in M&A, serendipitous value, dynamic capabilities, M&A as a process, codification (and tools) in M&A/PMI, stakeholders in M&A/PMO, and management of acquired team emotions in M&A/PMI. In addition to the academic literature, the project draws from practitioner literature and the experiences of those managing integration of technology firms.

By design, the research project uses a rigorous academic methodology and is intended to provide value to both academics and practitioners. The methodology used is grounded theory building from cases, with detailed reviews from seven real technology acquisition cases purchased by large global serial acquirers. To be of value to practitioners, the project investigated how serendipitous value can be conceptualized and framed to help understand it and then built theory about specific actions that integration teams can take to identify and ultimately realize it.

To build knowledge about this gap, this project was designed to surface the processes and methods used to realize serendipitous value in technology-related acquisitions done by larger firms acquiring smaller ones (i.e., bolt-on acquisitions either for product line extension or geographical expansion). The project team first explored and validated the existence of serendipitous value realized during PMI and then looked more closely at what actions the integration team did to identify and then capture it, what the source of it was, and how the team delivered this unintended value.

This project focuses on serendipitous value identification and realization as firms go through the process of the PMI phase and builds on existing research and literature. Subjects used as a foundation for this project include academic research on the definition of value, the varying types of synergies commonly identified and realized by those doing M&A, the range of synergies available to acquirers via M&A, and how using a process view of M&A (and corresponding PMI) can maximize the total deal value to acquirers.

The specific research question and its sub-questions are framed from the academic learnings regarding the use of tools and codification in corporate learning, the role of stakeholders in M&A, and the importance of emotion in PMI. The project also proposes a framework for discussing known and planned synergies, as well as those that are realized via PMI activities contained in the academic literature.

With this type of research question, no dataset exists of any scale to use as is, as all data would be stored internally to the acquirers and stored in many different formats. The artifacts that exist, even if they were made available to the research project, are unlikely to include documentation on the connection between the process of executing PMI with the identification and realization of serendipitous value.

Given the inherent complexity of capturing processes and their influences on serendipitous value identification and realization, this project is designed to build theories from real cases by interviewing key staff involved in the PMI execution processes, including both acquirer and target staff (Eisenhardt and Graebner, 2007).

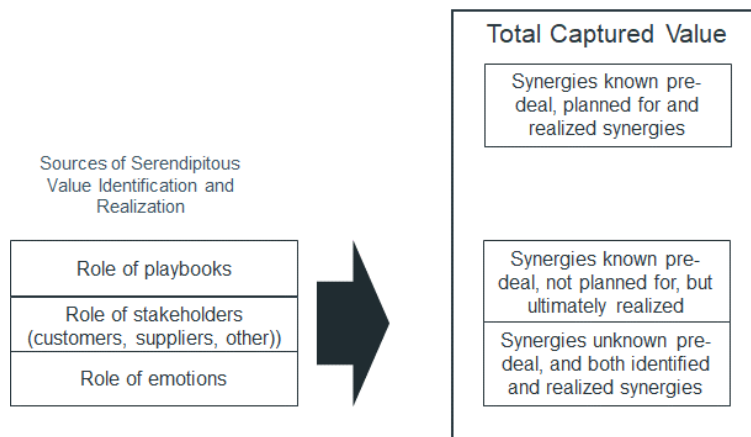
Drawing on a multi-case, inductive study of seven acquisitions of small and mid-sized technology companies by three different large serial acquirers, this research project explores the processes and actions that were executed by the extended integration teams that led to the identification and capture of this serendipitous value.

d. Conceptual framework

As part of planning the research project, the researcher produced a conceptual framework to frame how serendipitous value is discussed, and that model was tested through the project. This framework was refined throughout the project based on the experiences of the practitioners that executed integration programs using input from the acquirers and the targets that lived through the

integration process. The researcher established these frameworks and hopes that they can be further developed in future research and also by practitioners that are integrating technology organizations.

Figure 4: Conceptual framework about serendipitous value and the processes that may influence the identification and realization of it



In addition to the conceptual framework, the research team also learned that for an acquirer to realize serendipitous value, the data suggests that there are four distinct components that each need to be successfully executed to realize serendipitous value, first starting by identifying the potential serendipitous value, then the realization of it by assessing it, prioritizing it and then capturing it. The additional frameworks were developed throughout the project and are detailed later in this document.

In addition to preparing a conceptual framework to explore and learn about serendipitous value at a high level, as planned, the project then explored the topic from the perspective of codification,

stakeholders, and the emotions of the acquired team. The researcher explored each of these areas in detail, and processes surfaced from the cases are included in the findings of the study.

e. Research project results and location of the contribution

Within this research project, the sources of serendipitous value were researched to surface the processes that led to the identification and capture of the originally unplanned synergies. The project was designed to learn about these processes with an eye toward their incorporation into best practices and guidance for those doing post-merger integration to increase the value of their M&A activities, as well as new or evolved theories for further academic research.

This research successfully built on prior academic findings and the experiences of practitioners to progress thinking in how serendipitous value is framed and then realized by acquirers. The project produced a lens through which acquirers can view and manage the full range of available synergies, including both the originally planned synergies that led to the deal being executed and also those that were identified and realized post-deal during PMI.

The project confirmed that actions taken by the acquirers might influence the identification and realization of serendipitous value leading to expanded value realization for the acquirer.

Figure 5: Project summary - The idea in brief

Idea in Brief

- Serendipitous synergies exist in technology acquisitions and can be significant.
- The additional of serendipitous value to intended benefits can expand deal value to acquirers.
- Serendipitous value sources can range widely throughout the acquirer and target teams.
- Those acquirers that search out these possibilities and apply a structured program to capture them may realize more total value than those that don't.

Consistent with the project definition and research design, this research project has produced three academic articles, one for each sub-question consistent in style with practitioner-leaning journals such as ***LRP: Long Range Planning*** and ***California Management Review***. The articles are contained in this thesis document. The research itself furthers the knowledge and thinking of three locations in the broader business strategy literature, namely codification in M&A, stakeholders in M&A, and emotion in M&A.

In addition to the project's use of retrospective data driving the grounded theory contained in the paper and the articles, during the timelines of the project, the concepts and research have had a direct impact on the playbook design of a serial acquirer and have been used in the review of a specialty integration consulting firm's integration methodologies.

The research objective was achieved, and several findings were researched that will be of value to those doing academic research and those practitioners integrating technology organizations.

The researcher would like to see this framework used in practice by integration teams to help manage integration with participants making careful observations about those unplanned synergies and whether the recommendations contained in this project helped realize additional synergies that would have been captured without it. Also, for academics, the project here suggests that the processes that identify, assess, prioritize, and capture serendipitous value can be discussed with more rigor as other types of M&A research are performed to help put rigor in the realization of serendipitous value.

The project was initiated in October 2017 and concluded in June 2022 with this thesis document, including the three planned academic articles within it and a section about implications for practitioners.

2. Literature review

a. Literature review framework

This project uses as input and builds on literature about 1) the importance of mergers and acquisitions broadly and the importance of technology M&A specifically, 2) M&A as a process that can be influenced, 3) acquisition value and intended outcomes with M&A, 4) the role of PMI in capturing value from M&A, 5) serendipitous value possibilities during PMI and 6) the role of codification of prior experiences, stakeholders and emotion in identifying and capturing value.

In addition, the literature reviewed includes how tools (specifically playbooks as well as other tools) can be used to improve M&A results, the role of stakeholders in expanding the performance of acquisitions, and the role of emotion in the acquired team when executing post-merger integration.

b. M&A broadly and technology M&A specifically

Investment in mergers and acquisitions (M&A) has reached unprecedented levels in recent years (Haleblian *et al.*, 2009). Explaining the volume of activity, both academics and practitioners tell us that companies do M&A for a variety of reasons and intended outcomes, including entering new markets, eliminating competitors, achieving economies of scale/scope, and obtaining novel technology.

This M&A activity alters industries, influences firm innovation activities, changes financial performance, and has an effect on the individuals driving the changes and on those affected by it (Graebner *et al.*, 2017). The motives driving acquisition deals are a factor in the acquisition outcomes, and those motives can differ widely. We also know that different motives have differing outcomes in creating value (Rabier, 2017). We have learned that firms plan to create value through several strategies: improving the performance of the target company, removing excess capacity from an industry, accelerating market access for target (or acquirer) products, acquiring new skills and technologies more quickly than they can be built, exploiting a business's industry-specific scalability and picking winners early with plans to help them develop their businesses. Other more difficult reasons are to "bulk up" revenue via a rollup, to consolidate market participants to improve competitive position, to do a transformational merger, or to take advantage of underpriced assets/companies. Each deal has its strategic rationale, and in McKinsey's experience, the more successful deals have specific, well-articulated value creation plans (Goedhart, Koller and Wessels, 2017).

The literature covering M&A is wide and varied, ranging from the underpinning of why organizations do M&A, what deals they select, and what they achieve via their M&A activities. Decades of research show that despite the significant activity and well-intentioned value-creation plans, M&A activity often leads to negative results (Datta, Pinches, and Narayanan, 1992). Notwithstanding the variety in

motives and intended outcomes, M&A consistently reports high failure rates, and typical findings show that expected value is not created using short-term or long-term performance measures (Haleblian *et al.*, 2009).

Innovation and technology acquisitions have their complications and subtleties. Technology acquisitions tend to focus on accelerated product delivery with plans to bring products to market more quickly and sell via existing or sometimes new sales channels, often expecting significant revenue synergies. These technology M&A-specific challenges are a further complication in a business activity with a host of challenges (Graebner, 2004).

c. M&A as a process that can be influenced

We know that firms are building capabilities and processes to realize planned synergies (Bingham *et al.*, 2015), but we do not know how firms delineate the planned from the unplanned and how they can take steps to maximize each. Nor do we understand whether influences on the PMI processes can identify and help realize unplanned synergies to maximize total deal value to the firm.

The literature teaches us that firms require sustainable competitive advantage to thrive over the long term. Much has been written about how to evolve firm capabilities as the market changes, as companies change, and when market dynamics evolve. There are at least two perspectives on dynamic capabilities in M&A research. Extensive

academic studies show us that firms use various approaches to establishing dynamic capabilities to reconfigure resources. We also know that many firms use M&A as a method of achieving their goals (Graebner *et al.*, 2017). M&A can be and often is, used to reconfigure companies for a variety of reasons ranging from a change in the strategic direction of an organization to very tactical objectives, such as revenue growth and cost reduction. In other words, companies use M&A activities to sustain competitive advantage because it allows them to reconfigure their corporate portfolios (Teece, Pisano, and Shuen, 2016). Other researchers offer a different, possibly complementary perspective on how dynamic capabilities matter to M&A. This second view points to the role of learning mechanisms firms may use to develop and adjust routines in implementing M&A processes. Taking the thinking further allows us to delve into how companies can use deliberate learning and evolve their dynamic capabilities via the development and adaptation of operating routines (Heimeriks, Schijven, and Gates, 2012). Learning mechanisms such as experience accumulation, knowledge articulation, and codification can be used to support these changes. Those firms that use these techniques increase the odds of achieving the goals of the M&A activity over those that do not (Zollo and Winter, 2002).

While these two views are interesting, what is not overtly stated in the literature is that if companies execute M&A to acquire new planned resources in their reconfiguration plans, they may also get

unexpected resources unknown to the acquisition teams that also are of value. These unintended resources are not mentioned in the business cases or the integration plans, yet they may have significant value to the acquirer. The processes of identifying these unplanned resources and resolving the tension between those trying to achieve expected synergies while teasing out unplanned synergies and capturing them are of interest to this project.

Mergers and acquisitions go through different phases. While during the front end of M&A, due diligence is performed and synergy targets are set, the back end requires acquirers to implement and integrate the deal. This is a multitude of necessary actions to realize synergies for the acquirer. We know that better management of both the pre-acquisition and the post-deal integration phases can improve outcomes (Haspeslagh and Jemison, 1991).

The literature tells us that M&A outcomes can be influenced by a range of actions taken during the M&A process. Authors argue that the acquisition process itself (including pre- and post-) is a potentially important determinant of activities and outcomes. The choices made by those doing the acquisition integration influence the acquisition outcome. During planning, disproportionate attention to strategic fit and not organizational fit can lead to decreased possibility of a good combination. The use of ambiguity during the pre-deal phase is often a tactical tool when negotiating. Still, that same ambiguity leads to dysfunction during the integration phase and reduces the chances for successful integration. These well-intentioned yet not helpful

dimensions of PMI show that a managed process can influence outcomes (Jemison and Sitkin, 1986).

Several factors influence the process of M&A, and those factors influence outcomes. However, there is minimal mention of serendipitous value and the potential to increase total deal value by identifying unplanned synergies and realizing them (Barkema and Schijven, 2008; Haleblian *et al.*, 2009; Graebner *et al.*, 2017).

We do know that one way to manage planned synergies is to influence the M&A process during integration via playbooks and the prior integration experiences of the organization (Bingham *et al.*, 2015). We also know that the management of stakeholders can improve integration performance, as can the management of employee emotions. However, we do not know from the literature how those managing the integration process can use those processes to identify and then realize serendipitous value.

d. Intended benefits and synergies

Acquisition performance is a hard-to-capture notion and construct (Cording, Christmann, and Weigelt, 2010). While academics use different measures to capture acquisition performance (Zollo and Meier, 2008), in practice, acquirers reveal intended acquisition performance by establishing synergy targets which are then used to justify the deal internally. Acquisition performance is often measured as premiums paid versus the synergies realized during the deal

integration. For more significant deals, those targets are often communicated to investors to explain the rationale for the deal. Interestingly, given the reported high failure rates, M&A often fails to reap the expected or planned synergies. Even more exceptional are cases in which deals outperform expectations.

There is much discussion in the business press and in both practitioner and academic journals about how companies often have unsuccessful M&A activity (i.e., are unable to achieve the planned synergies post-deal) and that many deals are not successful due to the lack of clarity about the expected synergies and the inability of the post-merger integration team to realize them (Walker *et al.*, 2016).

We know that “value” and “synergy” are not terms with a commonly understood definition used consistently by all involved in M&A and that the ways companies measure performance can vary widely (see also King *et al.*, 2004; Zollo & Meier, 2008). Synergy is often used conceptually, without specific financial quantification. Even when the perspective is financial synergy, there is frequently no alignment about the definition of the terms.

The synergies for more significant mergers and public company mergers are often the ability to reduce overall costs in the merged firm, and often the term “synergy” to many is synonymous with cost reductions. However, available synergies come in many forms, including cost savings, increased revenue, process improvements,

innovation, and other benefits of many kinds. In addition to the broad set of challenges with realizing value from M&A, technology acquisitions have their own complications and subtleties. Technology acquisitions tend to be more focused on accelerating timelines to bring products to market and selling via existing or sometimes new sales channels. These technology acquisitions often expect significant revenue synergies, which are very complex to deliver. This is a further complication in a business activity already replete with a host of challenges (Graebner, 2004).

We also know from the literature that value creation in technology M&A is often different than more significant acquisitions focused on cost synergies. The literature also (Graebner, Eisenhardt, and Roundy, 2010) shows us that technology acquisitions often differ from more significant M&A, as the motivation is often strategic renewal or line extensions via software/IP that can be leveraged by the buyer. Much of the value of the IP is in the accumulated expertise of the staff, meaning the human capital is a crucial driver of the value. Keeping those employees motivated post-deal is a challenge (Graebner *et al.*, 2017).

We learn in the literature that there are a variety of levers that can be used during post-merger integration to influence and deliver value. During the integration of technology firms, the involvement of acquired management is key to delivering value as well as finding unexpected value (Graebner, 2004).

The drivers of acquisition outcomes are not well understood across the practitioner or academic literature. There is a growing body of academic literature on PMI, with more than 300 articles and several books published since 1985 on various aspects of the subject. This work highlights that numerous areas are open to unraveling critical processes affecting the post-merger integration phase (Graebner *et al.*, 2017). Important work highlights that codification can help improve acquisition outcomes (Zollo and Singh, 2004). Other works point to the role stakeholders play (Bettinazzi and Zollo, 2017) and reveal that acquired managers and key acquired staff play an important role in realizing synergies (Graebner, 2004). Despite these insights, we lack a coherent framework to understand the drivers of synergies available to the acquirer and how those types of synergies end up driving value in M&A activities.

We see from the practitioner journals that in recent years acquirers are getting better at clearly identifying synergies and focusing on capturing them, but many deals still do not recover their acquisition premiums. While some “failed” acquisitions are the result of overpaying, others are due to a lack of pre-deal clarity of what synergies are available and can realistically be realized post-deal. After the deal is executed, the post-deal execution team must be able to realize clearly identifiable synergies that were used to justify the business case to create the value from the deal potential (Ficery, Herd, and Pursche, 2007).

e. PMI and the possibilities of serendipitous value

The focus of most PMI activities is the realization of the synergies planned and expected by senior management in the justification of the deal. The practitioner and academic literature are both focused mainly on understanding how acquirers realize the planned synergies. However, in addition to the planned synergies, there also is serendipitous value available to realize. The academic literature has mentions of it, and the practitioner literature has references to concepts such as “integration agility” and “replanning synergies post-deal,” but neither focuses specifically on this potential value for acquirers. We build on the definitions used in the literature and define serendipitous value as “the sum of those ideas discussed pre-deal that were not put forward to realize in the business case, as well as identification of new ideas post-merger that come to light through a number of sources.”

The identification of potential synergies pre- and post-merger and then the realization of synergies during PMI is the crux of value creation with M&A activities. Because these efforts often rely on rules of thumb and finance-driven metrics, they often overlook other less financially based opportunities. The identification and realization of synergies that are possible with the joint capabilities of both firms yet are not focused on capturing the synergies outlined in the business case are often overlooked. These are generally not the focus of the integration teams, and practitioner articles have begun to put forward ideas for identifying these opportunities, including taking a “clean

slate approach to synergy identification post-deal,” hosting “value creation summits” to recreate the intensity of the due diligence phase but focused on additional opportunities, and “creating risk-free environments for new ideas” (Engert and Rosiello, 2010).

As validation of the potential, McKinsey asserts that due to information asymmetries for the acquirer pre-deal, there are likely to be additional synergies available to the acquirer that are not identified at deal execution yet are available to the acquirer post-deal. McKinsey argues that these may increase the deal potential by as much as 30-150 percent (Engert and Rosiello, 2010). Regardless of whether synergies of this magnitude are present, these unplanned synergies are just as available to the acquirer to improve post-deal value, yet these “serendipitous” opportunities are rarely discussed overtly.

The literature defines serendipitous value in a number of ways, all with similar themes: “...windfalls that were not anticipated by the buyer prior to the deal” (Graebner, 2004), “new, superior, but unexpected procedures and processes” (Colman and Lunnan, 2011). “Value creation that is unplanned or even lucky because the firm did not anticipate that the combined resources of the merged organization could create value in such a manner” (Martin, Butler, and Bolton, 2017).

f. Tools and serendipitous value

Tools are key to strategy making and executing strategic changes on an organization (Kaplan, 2011). They are used in organizations not only to frame problems, simplify complex situations and make options clearer, but they are generally essential in driving idea development and change (Spee and Jarzabkowski, 2009). While they come in different varieties (Cacciatori, 2012), tools are a form of artifact in organizations that support decision-making and process implementation, as do other forms of artifacts. Specifically, we know that tools are a means to affect change, help to get people aligned to the change and that their use is affected by variance in actors (Jarzabkowski and Kaplan, 2015).

We also know that beyond their relevance to strategy in general, tools are also important in specific complex strategic tasks, such as acquisitions. Prior work shows that knowledge codification in post-acquisition processes strongly and positively influences acquisition results (Zollo and Singh, 2004). A single case study on Dow Chemical reveals how playbooks and other mechanisms can improve acquisition performance by providing a structured tool to share corporate learning about prior PMI experiences with those doing PMI now (e.g., Bingham et al., 2015). Insights from these and related studies uncover relevant process mechanisms, i.e., particular tools, that companies use to learn how to make acquisitions and PMI better, and putting resources into this area can influence acquisition results positively.

Interestingly though, despite the apparent importance of tools in M&A, recent work also argues that such tools may help yield efficiency in realizing planned synergies (Zollo and Singh, 2004). This work suggests that tools may stifle creativity and flexibility as M&A tools, which are often also referred to as M&A playbooks, are essential process-control mechanisms (Bingham *et al.*, 2015) as M&A playbooks delineate what to do when they prescriptively guide the integration plan. In other words, the strict use of playbooks may preempt acquirers from not noticing the unique traits of each deal. In this light, M&A tools may appear to help realize expected synergies but cause acquirers to overlook any sources of unexpected value. Hence, these insights seem to suggest that M&A tools may be more apt to tightly manage the integration of an acquisition than stirring actors toward tapping into unplanned opportunities.

McKinsey underscores these ideas by highlighting that successful acquirers rarely rely on static M&A playbooks, instead adjusting playbooks to the deal idiosyncrasies (Chartier *et al.*, 2018). This suggests that periodically reevaluating synergy targets as part of a process is key to both executing the agreed plans and maximizing the total deal value by not precluding the identification of additional opportunities. The use of tools to keep the integration team and those being integrated focused on both is possible and, in fact, leads to better outcomes (Ferrer, Uhlener, West, 2013).

Besides the role of M&A tools, prior work has examined the role of actors in realizing synergies. Particularly, prior research has looked

at serendipitous value generation possibilities with the human capital and the role of acquired management. This work highlights that the acquired management and key staff are critical to finding serendipitous value (Graebner, 2004). Even though these findings point to the importance of actors in realizing unplanned synergies, the literature remains silent about how acquirer M&A tools may support realizing serendipitous value.

g. Stakeholders and serendipitous value

We know from stakeholder management theory that those thinking of their remit in management or governance more broadly than the organization itself can positively influence results. We also know that management and the board's attention to a broad set of stakeholders can improve performance. The stakeholder view, looking more broadly than just the firm itself, including customers, suppliers, communities, unions, and other organizations, can improve performance in excess of just managing the firm (Freeman and David, 1983). We know that shareholders and the firm itself are not the only participants in creating value and that viewing other participants in the ongoing operation of the organization can create value (Asher, Mahoney, and Mahoney, 2005). We have learned that multiple stakeholders influence the success of the firm, and the perspective of only considering shareholders and their needs is limited. Other stakeholders are key influencers of what is possible for

the firm, and their perspectives need to be considered (Asher, Mahoney, and Mahoney, 2005).

We also know that stakeholder management is nuanced, and thinking about stakeholders and treating them with fairness, only improves performance if it is a reciprocal stakeholder (i.e., they also care about fairness). We have learned that for those self-regarding stakeholders, an arms-length approach can lead to higher acquisition outcomes (Bridoux and Stoelhorst, 2014).

Traditionally, the shareholder (or stockholder) view dominates in M&A, i.e., acquisitions are often motivated by short-term stock responses and immediate EBITDA increases. However, it is widely acknowledged that the impact of M&A is most profound on other stakeholders than stockholders (*Financial Times*, 2019). As (Bettinazzi and Zollo, 2017) show, the firm's stakeholder orientation positively influences the performance of acquisitions. Specifically, Bettinozzio's and Zollo's study reveals that stakeholders important in M&A are customers, employees, suppliers, and local governments. Their research into these stakeholders shows that the investment in stakeholder management does not give equal returns for all stakeholders. Depending on the intended structure of the target, as an example, a structure can dictate whether the investment in managing employees leads to a return. Hence, the role of non-shareholder stakeholders is important to the success of an acquisition, specifically with regard to customers and employees.

Yet, while we do know that the involvement of stakeholders outside the firm can influence performance, we know little about the impact of those stakeholders on the realization of unplanned value. As the literature suggests (Kato and Schoenberg, 2014), the way that customers are managed and communicated to may influence their perception of M&A activity, thus influencing buying decisions and, ultimately, the value of the acquisition itself. Therefore, while earlier work shows markets appreciate congruence across target and acquirer in stakeholder orientation and that using resources to manage stakeholders raises acquisition results, we know little about whether and how stakeholders can promote identifying and realizing serendipitous synergies. The primacy of internal stakeholders, specifically acquired managers, is fundamental to gauging serendipitous value (Graebner, 2004).

h. Emotions and serendipitous value

The role of the acquired staff and their emotions relating to the performance of M&A are represented in the literature in several areas. Organizational identity, identification, and identity-building in PMI have been studied, and the process that acquired staff goes through as they transition from the former organization to the merged one is known. There is an implicit link showing that organizational identification enhances positive outcomes (Colman and Lunnan, 2011). The role of metaphors can be used to construct a sense of “us

versus them” as well as a shared post-merger identity. The state of transitional identity is important when combining two different organizations into a newly merged one. Team members' thoughts on what the organization was becoming were important to their contribution (Vaara, 2003)(Clark *et al.*, 2010).

We also know that staff perception of justice positively influences acceptance of change and enhances employee motivation (Colquitt *et al.*, 2001). Perception of loss of relative standing, loss of autonomy, lack of appreciation, and inferior status may lead to deteriorating performance (Very *et al.*, 1997).

We understand that acquisitions foster explosions of emotions, and there is often lots of turmoil with associated volatility. We also know that people become ambivalent in the face of change, both reacting negatively and becoming disconnected. The literature illuminates the possibility that correctly engaging acquired management, and key staff can influence the outcome of the M&A, and we have learned that sometimes organizations can use these periods of change to unlearn things and think fresh (Piderit SK, 2000).

Research tells us that acquired managers and key staff in a target organization matter to realizing serendipitous value and that they have unique knowledge and expertise required to identify and realize the value that the acquirer cannot know about. The imperfect information asymmetries that exist pre-deal will preclude acquirers from ever uncovering and exploring these serendipitous opportunities

without involvement by the target management and staff. We know that in tech acquisitions, much of the value is in the people. Keeping them motivated and productive is key to capturing available synergies (Graebner *et al.*, 2017). We also know from the literature that the middle managers are sometimes viewed as “deadwood” or “dinosaurs,” but actually know how the business operates in a way that senior management cannot and when in periods of significant change such as merger integration, can be rallied to make significant contributions (Huy, 2002). The target management and other key staff are the individuals who can identify threats, the possible target contributions, and directly influence value creation during PMI (Colman and Lunnan, 2011).

Given these competing perspectives, the fragmented literature tells us a variety of useful conclusions. Rewards and the mediating role of fairness norms is key. Both financial and non-financial rewards and their relationship to emotional resilience during PMI is an important driver of value creation (Khan *et al.*, 2017). When the target organization is both complementary and similar, the best way to draw on the organization and task-specific knowledge is to learn from the target managers who know it the best (Zaheer, Castañer, and Souder, 2013). Techniques such as the use of a transitional identity can be used to get people to think outside their prior organizational identity. This approach can minimize threat rigidity (Clark *et al.*, 2010). The moderating role of political skills can open doors and

motivate people to create unexpected value (Martin, Butler, and Bolton, 2017).

With all this work on justice and identity, there is little work that studies the role of emotions in PMI. Prior work does report that ignoring or masking emotions during PMI leads to negative results. It is shown that senior management of the acquirer is often unaware of the true emotions and that presuming all is well or encouraging people to mask emotion impedes value creation (Vuori, Vuori, and Huy, 2018).

Yet we don't know how acquirers can create environments or use processes to influence emotions in acquired managers and key staff to realize unplanned possibilities. How do successful acquirers manage negative emotions and encourage positive ones to identify and realize serendipitous value?

3. Research project overall method

a. Methodological approach

To learn about the processes that may surface and capture serendipitous value, this project interrogated multiple cases where large serial acquirers purchased smaller technology organizations. With this type of research question, there is no dataset that exists of any scale to use as is, as all data that exists is highly confidential and stored internally at the acquirers in many different formats. The artifacts that exist are unlikely to include documentation on the connection between the process of executing PMI with the identification and realization of serendipitous value. Given the inherent complexity of capturing processes and their influences on serendipitous value identification and realization, this project was designed to build theories from cases by interviewing key staff involved in the PMI process, including both acquirer staff and target staff (Eisenhardt and Graebner, 2007).

The research approach selected for this project was grounded theory building from cases as suggested by Eisenhardt, with other grounded theory techniques incorporated to ensure the value from the project data is maximized (Eisenhardt, 1989) (Yin, 2006) (Charmaz, 2014).

This method was selected because while there is substantial research in and references to the importance of PMI broadly, there is little focus on serendipitous value identification and realization in the current literature nor insight into sources and processes underlying

identification and realization of it. The outcomes of serendipitous value creation are quantifiable, but the sources of it and inputs to the PMI process likely involve people, their situations, and many factors that require nuance and context. We do know managers can be influenced to help implementation of strategy (Huy, 2011), and we also know that collective emotions are a significant factor in implementing strategic change (Sanchez-Burks and Huy, 2009). The literature also shows us the importance of symbols in managing acquired resources (Zott and Huy, 2007). However, the lack of quantifiable data, situations involving real people and how they are managed by acquirers and their management, how they are guided via integration plans, and how they act in complex situations lends itself to qualitative research (Graebner, Martin, and Roundy, 2012).

In other words, the research question is a “how” or explanatory topic requiring exploratory analysis by tracing a process over time. This project interrogates multiple cases allowing us to delve into each integration effort and trace the influences on the process through to the outcomes. The interviews with people who were part of the process and influenced it are the ones who had behavioral control over the process. Only by probing into their experiences can the “how” be teased out (Yin, 2006). The experiences of the participants were then used as input to the development of grounded theory.

As the research question is focused on how large acquirers of technology organizations create value with their acquisitions, the research project required input from multiple serial acquirers. The

project design required multiple acquirers that were active in the technology space, made multiple acquisitions per year, and had done so for many years. Ideally, the acquirers would also operate in multiple world regions and have such a scale that the acquisition of smaller technology organizations would not be transformative for them. Multiple large serial acquirers were identified that met these criteria, and permission was ultimately secured to include actual acquisition integration experiences in this research project from three companies. The researcher conducted lengthy negotiations with each acquirer to ensure company confidential material was protected adequately. With each acquirer via interviews with senior executives, a case selection methodology was used to identify appropriate cases for the study. These actual cases provided material drawn from real integration activities by serial acquirers with clarity on the practices and experiences that both identified and captured serendipitous value.

b. Data

As envisioned in the research design, agreements were reached with the original two intended serial acquirers as well as a third serial acquirer that was identified early in the project and subsequently included. Acceptable agreements were reached with all three acquirers with joint NDAs signed with the researcher, the University of Warwick, and the serial acquirers.

A case selection process with senior leadership of the acquirers was executed as planned. Case selection criteria as planned in the research design were used and confirmed in the execution of the process:

- The acquirer executed multiple acquisitions per year, having a significant scale (> \$10 billion/year revenue) and being active in the technology industry.
- The targets are technology companies ranging from \$5-30 million in annual revenue that built and sold/licensed IP as their core business process.

The case selection approach was designed to be methodical, with a semi-structured interview guide prepared to structure the discussions. The interviewees were senior executives of the acquirer and, in all cases, were CxO, President, or Sr. VP level staff with broad visibility across their large organizations. Between five and six interviews were planned for the case selection process.

Senior leaders from each of the three large, global serial acquirers were interviewed using the “case selection interview guide” prepared early in the project. These include presidents of large divisions, senior vice presidents of multiple divisions, and key leaders from the M&A team for each of the three large serial acquirers participating in the project. These meetings were to explore two topics:

- To learn about the overall approach/processes used by their companies when integrating acquired firms, and

- to identify specific acquisitions (the cases) for further exploration, either because serendipitous value was found for the acquirer or because there were insights in cases where it was not found.

Across the three acquirers, ten interviews were held with senior leadership to select appropriate cases. During those interviews, eleven specific acquisitions were identified by the senior executives for further exploration, and introductory meetings were set up with a point person identified for each acquisition. During these orientation sessions for each case, the project was explained, and the appropriateness of the case was explored. For four of the cases, it was determined by the interviewee who was involved in the integration that they did not fully meet the selection criteria leaving seven cases as part of the research project. All seven cases selected fit the profile intended by the research design, and each of them has produced a number of insights. To ensure confidentiality, code names were assigned to each of the three acquirers (Black, White, Pink) as well as the targets (Blue, Green, Yellow, Brown, Purple, Red, and Orange). Certain specific information (revenue, headcount, specific country location) was generalized to make it impossible for a reader of the paper to identify the specific acquisition.

Each case selected was a small to a mid-sized technology company that built and sold/licensed IP as its core business, acquired by a large serial acquirer that does multiple deals per year.

In addition to the case selection and detailed case interviews, nine interviews were held with technology industry M&A professionals who were personally involved in multiple technology acquisitions. Interviewees included leaders from private equity firms, M&A consulting boutiques, M&A professionals representing cases not included in the study, and contract integration consultants. While these interviews were not explicitly held to collect data as input to the project, they did provide context and validate commonalities with technology acquisitions that can differ from non-technology acquisitions. These perspectives were used to guide discussions to and away from relevant topics when delving into the cases.

In total, 61 to 76 interviews were planned during the research design, and, in fact, 82 were held during the project, categorized as follows:

Table 1: Planned interviews by interview type with number of actual interviews conducted

Interview type	Planned number of interviews	Actual interviews completed
Case selection	5-6	10
Industry trends and observational	8-12	9
Case study	48-56	59
Abandoned case	0	4
Total interviews	61-76	82

Comparable, consistent information was collected for each of the seven cases, and a summary view is included in the following exhibit.

This frame for the cases was built to ensure there was a consistent

base of data from which to explore the broad topic and the three sub-questions.

Per the research design, the cases were small and mid-sized technology organizations, with small being used to identify those with annual revenue < \$10 million per year and mid-sized being \$10-30 million per year. The table notes that the Purple case was then acquired by a different large acquirer, so it is represented as having two parts, namely 1 of 2 representing the original acquisition and 2 of 2 representing the later acquisition. The following table identifies the location of the target head office, with five located in the US and two in Europe. Most of the cases operated in multiple locations, with several of them operating across world regions. Key world regions were identified when the company had an actual office in the region and when it was relevant to how the interviewees described the company.

Table 2: Descriptive information about target location and size

Target (case) information					
Target (case)	Target size	Head office location	Key locations	Annual revenue at acquisition date (millions USD)	Employees
Orange	Medium	U.S.	U.S., one key location	\$10-20	~35
Yellow	Small	U.S.	U.S., India	\$4-10	~70
Red	Medium	U.S.	U.S., multiple states	\$10-20	~300
Green	Small	Europe	Europe, one key location	\$4-10	~50
Blue	Small	Europe	Europe, U.S., Eastern Europe	\$4-10	~70
Brown	Medium	U.S.	U.S., one key location	\$20-30	~175
Purple - 1/2	Small	U.S.	U.S., one key location	\$4-10	~70
Purple - 2/2	Medium	U.S.	U.S., multiple locations	\$250-300	~450

The following table illustrates information about the serial acquirer, including the location of the head office and, since all of them are global firms, the location of the division that made the acquisition. Each of the acquirers was large, with annual revenue > \$10 billion USD, and had a history of multiple acquisitions per year. Very quickly in the data collection, the research team observed that the head office location was less relevant to the integration than the location of the acquiring business unit, which differed in some cases. The table

identifies both the world region where the head office is located and where the acquiring division is located.

Table 3: Descriptive information acquirer size and location

Target (case)	Acquirer information			
	Acquirer name	Acquirer size	Acquiring business unit location	Head office location
Orange	Black	Large	U.S. different state	North America, different country
Yellow	White	Large	U.S. same state	North America, same country
Red	White	Large	U.S. some same state, some different state	North America, same country
Green	White	Large	Europe different country	North America
Blue	White	Large	Europe same country	North America
Brown	White	Large	U.S. different state	North America
Purple - 1/2	Pink 1/2	Medium	U.S. different state	U.S. different state
Purple - 2/2	Pink 2/2	Large	U.S. different state	Europe

After executing the first set of interviews, it became clear that only acquisitions that were completed more than two years prior had relevant data and that more recent acquisitions did not give the interviewee the ability to reflect on the integration of serendipitous value realization. Cases being considered that were less than two years since close were excluded during the case selection process.

The acquisition year is included for the seven cases to indicate that the acquisition was recent but not too recent, and the research team noted that in all cases, the acquirer and the target were in related businesses. The following table shows detail about acquisition dates and relatedness:

Table 4: Descriptive information acquisition date, relatedness, and role of interviewees

Deal timing, relatedness, and interviewee roles					
Target (case)	Acquirer name	Acquisition date	Type of acquisition (relatedness)	Number of Interviews	Interviewee roles
Orange	Black	2019	Related	6	President, VP M&A, Business Unit Leader, Integration Manager
Yellow	White	2016	Related	10	SVP Technology Solutions, General Manager, Operations Lead, Customer Delivery Lead, Product Manager
Red	White	2017	Related	11	VP Commercial, VP IT, Delivery Lead, Finance Lead, Engineering Lead
Green	White	2017	Related	9	SVP Commercial, Business Operations Lead, Sales Leader, Delivery Lead, Commercial Strategy
Blue	White	2017	Related	10	SVP Technology Solutions, R&D Leader, Product Manager, Sales Lead US, Sales Lead Europe, Integration Project Manager
Brown	White	2019	Related	7	CEO, Technology Lead, Integration Project Manager, SVP Technology Solutions
Purple - 1/2	Pink 1/2	2006	Related	6	Chief Services Officer, R&D Leader, Sales/Marketing Leader, Client Support Leader, Development Lead
Purple - 2/2	Pink 2/2	2014	Related		

Given that the experiences of each interviewee were two or more years old, quantifiable information (revenue, specific dates, number of employees, and other descriptive information) was sourced from company records when possible, and all factual information received verbally was validated when possible.

For each of the seven cases, a range of experiences was sought, including multiple from the acquirer (usually a sponsoring executive and an integration project manager) and a number of acquired staff who experienced the integration. We included the titles of the interviewees that contributed to the project to show the roles of the interviewees. The project required perspectives from multiple staff at the acquirer and also at the target; for three of the cases, the researcher was able to hold ten or more interviews, and at least six were held with the other four.

After initial discussions with the senior management of the three global firms, it became clear that some integration was done with very prescribed execution plans based on proven playbooks, and other integration was varied significantly based on the experiences of the integration team. The serial acquirers had differing approaches to integration, even within some of the firms themselves. Reviewing the case interviews, the researcher probed into how this influenced the serendipitous value that was identified during integration and also those that were ultimately realized. The analysis reviewed the areas where the integration team had the latitude to modify the integration approach. The centralization of PMI processes as a factor in case selection was used to differentiate between those acquisitions where the PMI was prescribed by a central function versus those where the integration got little direction and was free to do as they saw fit with the integration approach. Examining cases where PMI was prescribed from a central function and comparing it to those where

the integration had significant latitude also will help expose processes executed that identified and captured serendipitous value. One of these acquirers has traditionally operated a decentralized integration approach to PMI with minimal corporate requirements allowing great latitude for the integration team to design and integrate the acquired organization and its products and team. Five cases from this company were selected, including both US-based and European-based targets, as the head office used a very light touch with integration, and there was a wide range of experiences. The other two serial acquirers have been more centralized in how integration is performed, and an additional case from each of those is included to broaden the base of experiences. One of these cases was a smaller organization that was first acquired by a medium-sized technology firm which then itself was acquired by the large serial acquirer giving those team members multiple integration experiences to reflect on and share. We consider that two-part deal as one case. To learn more about this difference, the case selection methodology looked for a mix of very centralized and very decentralized to help illustrate how the role of central functions can influence serendipitous value identification and capture, as illustrated by the following table:

Table 5: Centralization of PMI planned versus actual

Centralization of PMI	Target number of cases	Actual cases researched
Centralized PMI	4	Orange, Green, Brown
Decentralized PMI	4	Yellow, Red, Blue, Purple

The cases selected had three where the integration team used prescribed integration approaches and four where the integration team had great latitude.

In addition to meeting the study design criteria, to help increase theoretical generalizability, the case selection methodology looked for a range of acquisitions from multiple world regions per the following table:

Table 6: Geographical distribution of cases planned versus actual

Location	Target number of cases	Actual cases researched
US east coast	At least 2	Brown, Yellow, Red
US west coast	At least 2	Purple, Orange
Europe	At least 2	Blue, Green

The seven cases selected were sourced from 3 key world regions, with two in Europe, three on the US East Coast, and two on the US West Coast.

Once the case selection process was completed, the research team used three different sources to learn about each case: 1) interviews with representatives of the acquirer and target active in and responsible for the integration, 2) archival data made available to the research team from company representatives, and 3) desk research

including company website information, other internet data, and other public information.

A second interview guide was designed to structure discussions with those involved in the actual integration of the selected target acquisitions. For each case, at least two representatives of the acquirer were included as well as a range of team members from the target firm. Data was collected via semi-structured interviews to explore how the team managing each acquisition organized and executed their PMI. This second interview guide was prepared to delve into information about the situation (interviewee, their role, and the acquisition situation), as well as specific discussion topics for the broad research question and for each of the three sub-research questions. The interviewee's experience working in the PMI process was to be a rich source of information and when explored from the perspectives of each of the three research questions, allowed the study to progress the thinking on value creation broadly and on serendipitous value creation specifically.

Interview guides for both types of interviews were prepared and are included in Appendix A to this document. In addition to the seven cases that were analyzed, the researcher used as a pilot case his own business, recently having been integrated into a large serial acquirer. This pilot case was used to test the questionnaire, practice interviews, and validate early in the project that appropriate types of information would be collected (Yin, 2018).

The study design included holding at least six interviews per acquisition, including an acquirer representative familiar with the business case, a representative of the target company, someone from the integration team, and other relevant people who were expected to have insights into the execution of PMI. In addition to the interviews, the researcher reviewed business case material that was made available, as well as PMI minutes and notes. The original justification for doing the deal with value-creation assumptions and expected business case was reviewed versus synergies captured to help delineate planned synergies from the serendipitous ones. In situations where postmortem analyses were done, those were also reviewed during the project.

Consistent with the methodology employed, during the analysis phase, the project probed into cases with both significant serendipitous value and some with no serendipitous value. Cases where significant serendipitous value was realized and cases where it was not were included to use input where the processes were transparent and observable (Eisenhart 1989). Focusing on the extremes allows us to observe the processes that led to the realization of the unplanned value.

Fifty-nine detailed interviews were held with 43 different people working for (or having previously worked for) the acquirer and the target to learn about the seven selected cases. In some situations, the same participant was interviewed more than once, both when the discussion ran longer than the scheduled time allowed and also to

follow up on specific points from earlier interviews. The interviewees comprised the staff of the three serial acquirers, many of whom joined their organizations via the acquisition cases. These included staff from the acquirer, usually the business sponsor and integration project manager, and management (and sometimes key staff) of the target company as identified for each case. Using material from both the target and the acquiree from each case gives us a rich set of data from both sides of the transaction. Four interviews were conducted to explore cases that were subsequently abandoned as more was learned about the case.

The detailed case interviews that were conducted to learn about the seven cases were conducted using the “Interview Type 2: Case Study Discussions” interview guide contained in the appendix to this document.

c. Analysis

As recommended with theory-building case studies using inductive research, the data analysis approach used was to document each case as a standalone case and then work the data from the ground up, looking to surface theories from the individual cases about when serendipitous value was identified and realized. For each interview, facts were documented, and inconsistencies across interviewees were noted for analysis. In addition, background on the integration approach as well as broad experiences was inventoried in addition to

the specific experiences within each of the three subprojects (codification, stakeholders, emotion). After the insights from each case were documented, the findings were categorized, emergent theories were finessed, and commonalities across cases were explored. Finally, for the helpful theories teased from the cases, an overall analysis across the case studies was framed and theories documented in more detail drawing from the specific interview transcripts (Yin 2018).

In total, the 59 interviews generated 496 pages of single-spaced transcriptions. Follow-up discussions were held as necessary during the analysis period. Input from the interviews was combined with desk research and acquirer internal documents to form the basis for analysis and observations. This process included reviewing the transcripts in detail, which produced 532 insights from across the cases per the following table:

Table 7: Number of interviews, pages of transcripts produced, and insights generated by each case

Target (Case)	# Interview Inputs Compiled	Pages Transcripts and Notes (Single Spaced)	Insights Noted for Analysis
Orange	6	27	16
Yellow	10	86	107
Red	11	79	66
Green	9	82	85
Blue	10	108	129
Brown	7	47	40
Purple 1 of 2	6	67	89
Purple 2 of 2			
Total	59	496	532

In addition to the observations from the participants about the acquisition they participated in, their views on how additional serendipitous value might have been identified and captured were documented. These 532 insights form the basis of the project.

These insights were explored in detail, containing the interviewee's thoughts, memories, and perspectives on serendipitous value potential and how it was identified and realized.

The emergent findings were finessed via a series of Excel spreadsheets, and commonalities across cases were documented.

The analysis process was structured and put order to the insights with the following approach:

1. Document demographic information about the acquisition (size, location, and number of staff),
2. Assess the original strategic rationale for the acquirer making the acquisition to provide a baseline for planned versus unplanned synergies and whether the planned rationale was achieved,
3. Determine from the perspective of the acquirer what serendipitous value was created in excess of the business case, and
4. For each of the three research areas (codification, stakeholders, and emotion), document what serendipitous value was created by specifying
 - descriptive information relevant to the topic and
 - observations and insights built from the case interviewee interviews.

The inventory of these insights was then categorized, and themes from across the cases were established. Each insight from the interviews was logged in a series of Excel spreadsheets and then coded into the three research subprojects, and then also coded with key topic areas. An iterative process of grouping, refinement, and then further refinement was used to turn the insights into the surfaced processes with commonalities across the interviews and the cases using a series of Excel spreadsheets.

These themes then were massaged and, through a detailed analysis of the insights, were documented in the form of surfaced processes.

These processes were then generalized and summarized as findings in the research paper articles. The analysis was used to prepare three academic journal articles, one for each subproject of the research question.

As outlined in the research design, the types of serendipitous value included in the analysis were that which were quantifiable on the P&L and within the remit of the integration team. More nuanced serendipitous value or unplanned transformational synergies requiring executive leadership was not studied.

As part of the analysis, to put structure to the project and to offer consistency across the cases and the analysis, the project established a number of terms to be used consistently throughout the study. When possible, definitions were drawn from the academic literature, and additional terms were then noted that were helpful in putting order to the material collected during the interviews.

The literature defines serendipitous value in a number of ways, all with similar themes: "...windfalls that were not anticipated by the buyer prior to the deal" (Graebner, 2004), "new, superior, but unexpected procedures and processes" (Colman and Lunnan, 2011). "Value creation that is unplanned or even lucky because the firm did not anticipate that the combined resources of the merged organization could create value in such a manner" (Martin, Butler, and Bolton, 2017). We acknowledge that value in M&A is usually quantifiable on the profit and loss (P&L) and balance sheet but also

can include other types of benefits to the target business (process improvements, better procedures, improved customer value, and other non-financial benefits). For the purposes of this project, non-quantifiable value, unless related directly to cost and revenue impact, will not be included. In this project, discussions about serendipitous value will focus on quantifiable serendipitous value with impact on the P&L and balance sheet. Other types of serendipitous value, unless related directly to cost and revenue impact, will not be included.

However, the literature says little about neither the sources of the serendipitous value nor about the specific processes that were followed by the acquirer to identify and ultimately realize it.

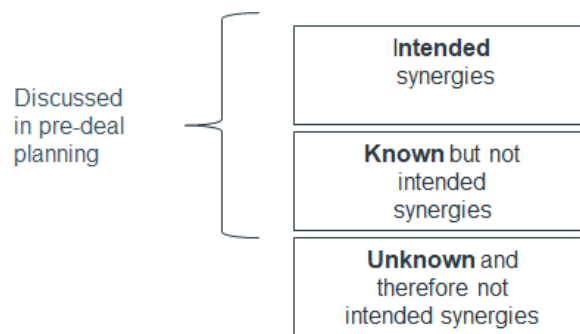
The project uses categories that are used through the project with the following definitions. The following figure shows the synergy categories pre-deal as the M&A activity is planned. “**Intended**” synergies are those that were used to justify the deal and in the business cases that the integration team is expected to execute.

“**Known**” synergies are the benefits discussed by the acquirers when thinking about and planning for a merger pre-deal but were not used to justify the deal. The research unearthed the fact that often synergy possibilities were discussed pre-deal that were then not used in justifying the deal, and the integration teams may not know to revisit this potential which ultimately can deliver value to the acquirer.

“**Unknown**” synergies are those that, for a range of reasons, were not discussed by the acquirer pre-deal yet may become available to

the integration team post-deal. The acquirer will have discussed the “known and planned” as well as the “known but not planned” synergies and put forward the “known and planned” ones as the business case to justify the deal to their board or management. The “unknown and therefore not planned” would not have been discussed pre-deal.

Figure 6: Overall framework for types of synergies that can be captured



Post deal, the firm and its integration team have the job of realizing value from the acquired assets and capabilities. The deal value to the acquirer after integration is the sum of all realized synergies, whether they were known, planned, or unknown before the deal was executed.

The project also uses the terms “**identified**” synergies to refer to the identification of the potential synergy as opposed to the “**realized**” synergies, which require executing a program to assess each one, prioritize it appropriately, and ultimately execute the capture of the identified synergy thereby creating additional value. The data

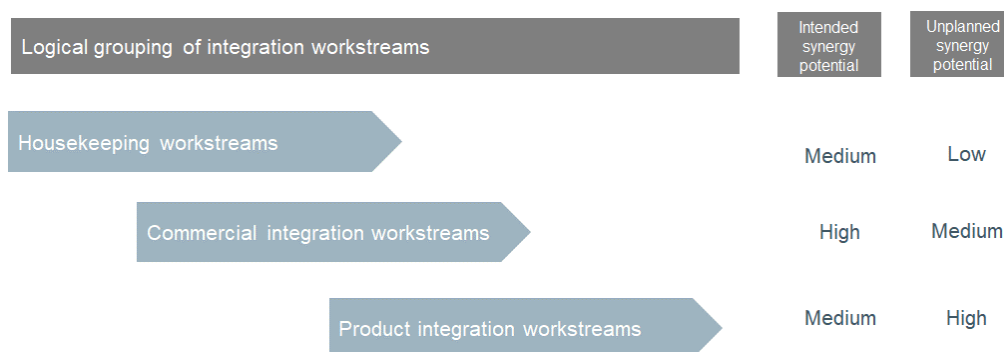
suggests that these “identified” serendipitous value opportunities must be first identified but then assessed for viability, prioritized versus other efforts, and then executed all to “realize” value for the acquirer.

Figure 7: Stages of serendipitous value progression required to deliver value to an acquirer



The research into the cases also suggests that there are key logical groupings of integration activity that can influence how serendipitous value is identified and ultimately realized. Each of these logical groupings has different synergy potential during integration activities, and the groupings can help the integration team tease out the potential planned value from incremental serendipitous value by focusing on activities that have more serendipitous value potential.

Figure 8: Logical integration workstream categories with intended and unplanned value potential



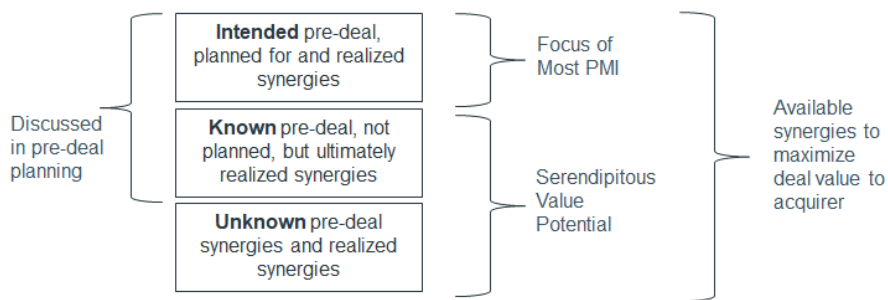
We learn from the cases that “housekeeping” workstreams are core integration activities such as migrating payroll and benefits, consolidation of non-strategic suppliers, conforming legal agreements to acquirer standards, and other adoption of the corporate functions of the larger organization. The “commercial” integration workstreams are customer-facing and generally include bringing the target capability into a more comprehensive value proposition for the customers with the merged capabilities of both firms and scaling the newly acquired capability to a larger, more comprehensive business development organization. The product integration workstreams include merging the actual product teams with acquirer organizations, the rationalization of technology platforms, migration to go-forward platforms, and the alignment and integration of product roadmaps.

The research learned that intended benefits are often comprised of the “housekeeping” and “commercial” integration workstreams as that value is relatively easier to pin down specifics, and specific goals are easier to quantify. The additional potential generally comes from the commercial and the product workstreams.

As a frame of reference, the research design theorized, and then the research project data suggests that the total “available to be captured” value can be thought about in three distinct categories: 1) the intended value that justified the acquisition and was used to secure permission to execute the deal and ended up being captured

during PMI, 2) additional value identified and captured during PMI, and 3) value-creation ideas identified by the deal team pre-deal but not used in the business case that can be used post deal to create additional value. The following figure illustrates the types of value available.

Figure 9: Practitioner and academic focus on PMI, with available serendipitous value



The data captured in the study and reviewed in the analysis phase suggests that each of these three types of value is distinct and can lead to total realized deal value for the acquirer and, in fact, should be explored and planned separately when building and executing integration plans.

To have a quality discussion about serendipitous value, the research team learned early in the project that an understanding of the intended benefit must be made clear as the baseline expected value, and then once that is established, subsequent questions can delve both into whether that value was captured and also whether serendipitous value in addition to the planned value was realized.

The following table shows the range of value drivers that were expected as the seven studied acquisitions were being planned:

Table 8: Planned value intended by acquirer versus synergies captured by case

Target (case)	Planned value intended and captured									
	Revenue, via expanded channel	Product, line extension	Cost play	Geographical expansion	Secure access to tech	Transform existing offering	Meet investment thesis	Meet financial targets first year	Significantly exceed financial targets	Meet growth in medium term
Orange	Yes	Yes	No	No	No	No	Yes	Yes	Yes	Yes
Yellow	Yes	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes
Red	Yes	Yes	No	No	No	Yes	Yes	No	No	Yes
Green	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes
Blue	Yes	Yes	No	Yes	No	Yes	No	Yes	No	Yes
Brown	Yes	Yes	No	No	No	Yes	Yes	Yes	No	Yes
Purple - 1/2	Yes	Yes	No	No	No	Yes	Yes	No	No	Yes
Purple - 2/2	Yes	No	No	No	No	No	Yes	Yes	No	Yes

As the literature tells us, often, technology acquisitions are made to extend product portfolios and to scale up revenue with the resources (usually geographic reach and larger sales teams) of the acquirer with the incremental product from the target. This was consistent with the data collected in our cases. In all seven, expanded revenue was a key driver using the acquirer's expanded channel. In most cases, the expanded capability was also a driver. Also consistent with the

literature, in only one of the cases were cost synergies part of the investment thesis. Interestingly, only one case had geographical expansion as an overt objective. Also, one case was primarily executed to secure ongoing access to a technology already used in a profitable alliance and to keep that technology from competitors.

After the intended synergies in the business cases were identified and assessed, the research team then did an analysis of the unplanned synergies that were realized. The following table summarizes the acquirer's view of the acquisition and the source of the realized value, including the project's use of realized serendipitous value, highlighted in the final column:

Table 9: Case success with both delineation of planned versus serendipitous value and significant versus little serendipitous value

	Target (case)	Case financially successful with in acquirer	Original investment rationale achieved Yr 1 & 2	Original investment rationale ultimately achieved	Unplanned execution SV - Excess planned synergies (+ 50% of plan)	Unplanned execution SV - other	Unplanned transformational SV	Significant Execution based SV captured
Significant SV	Yellow	Yes	Yes	Yes	Yes	Yes	No	Yes
	Blue	Yes	No	No	No	Yes	No	Yes
	Brown	Yes	Yes	Yes	No	Yes	No	Yes
	Purple	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Little SV	Orange	Yes	Yes	Yes	No	No	No	No
	Red	Yes	No	Yes	No	No	No	No
	Green	Yes	Yes	Yes	No	No	Yes	No

All seven of these acquisitions are described by the acquirers as “successful,” giving us a solid base to explore intended versus serendipitous value and the source of the value capture. When defining what “success” meant, we learned that the discussions meant that the cases were deemed financially successful by the acquirer regardless of whether the originally intended synergies were achieved. In six of the seven cases, the investment thesis established to justify the deal was achieved, and even in the seventh, the team pivoted in execution and achieved financial targets via a different route than initially envisioned.

For each of the cases, the research team then analyzed the performance in more detail. The team found that while all cases were seen as ultimately successful, the performance of the acquisition at the end of year 2 differed at times from the ultimate success, identifying integration experiences that could be explored.

The team also probed into whether the ultimately realized synergies were the same as those intended pre-deal and what they were. The project surfaced that unplanned synergies were intertwined as the executives and the case participants discussed their memories of the cases. The research team explored how much focus was put on the intended synergies as the integration was being planned and executed. Interestingly in four of the cases, the integration team recast synergy targets as part of acquisition integration, and in three,

they did not. The research team found that in four of the seven cases, the synergy targets were not viewed as static and were adapted during the integration.

The research team noticed that while serendipitous value is usually defined as unplanned value to the target, in some cases, value well in excess of what was planned occurred, and this excess when more than 50 percent of the target was counted as “execution-based serendipitous value” in the analysis. The research team included these as “excessive planned” synergies that were realized in two cases and noted them for comment/analysis by including them in serendipitous value. Other types of unplanned synergies were noted by the researcher and were noted present in four of the cases.

For each type of serendipitous value, the project team delved into the unplanned value and assessed whether it was the acquirer staff, the target staff, or a joint team of both that identified the possibility of unplanned value and then who captured the value for the acquirer.

This study also learned that unplanned value could further be divided into two types: 1) execution-based synergies that often are in the control/remit of the joint integration team (i.e., the team assigned to integrate the acquisition) as well as 2) transformative synergies that are more strategic that must be identified by the acquirer’s staff that has a span of visibility across the acquirer’s complex organization.

The research project is focused on these “execution-based synergies” and has not researched in detail the “transformational

synergies” that an acquirer might identify or realize with actions possible by executive management, as noted in the following figure: The research team also introduces a distinction between “identifying” the synergy and “capturing” the synergy, both of which are required to “realize” unplanned synergies. The research team learned that certain practices may help identify unplanned synergies that are available to the acquirer but setting in motion a series of actions to capture them is a different process

Figure 10: Execution-based synergies differ from transformative synergies



Each of these also can be real, but the methods of identifying the potential synergy and then deciding to capture it differ from the execution-based synergies. The researcher notes that in five of the cases, the execution-based unplanned value was identified and captured, and in four of the cases, it was a joint working team of staff from both the acquirer and the target.

In aggregate, the research project uses the realization of either type of value as serendipitous value to be included in this project as the integration team had the control to identify it and realize it.

The project analysis continued into each of the three sub-questions, with the results from the analysis included in the following sections of the document in the articles dedicated to each of the areas, in addition to the final section with implications for practitioners.

4. Article 1: Tools and serendipitous value

a. Abstract

Prior work tells us that the use of tools can improve results during the PMI phase of M&A and also that technology acquisitions have their unique complexities. There is growing mention of serendipitous value possibilities available to acquirers; however, we do not know how tools may surface this serendipitous value during the integration of technology acquisitions. Drawing on a multi-case, inductive study of seven acquisitions of small and mid-sized technology companies by three different large serial acquirers, we identify four processes that, if implemented via tools such as integration playbooks, may expand total value realized by acquirers with incremental serendipitous value. This article contributes to the M&A strategy literature.

Keywords: *Post Merger Integration, Mergers and Acquisitions, Serendipitous Value, Mechanisms, Value Creation*

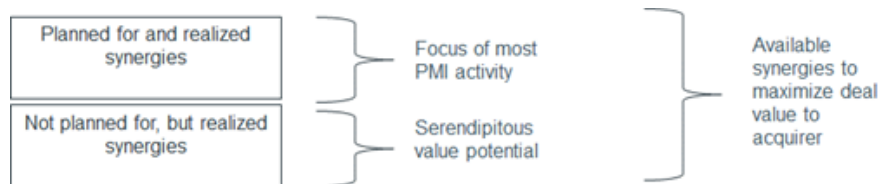
b. Introduction

Acquirers of technology organizations are always looking to maximize value from their M&A activity yet often struggle to deliver expected deal value. The use of tools, specifically the use of playbooks with codified knowledge, can be used by integration teams during PMI to improve the performance of their acquisitions (Zollo and Singh, 2004). More broadly, acquirers capture value from their

M&A activity during PMI (Ficery, Herd, and Pursche, 2007); and PMI is a process that can be influenced (Graebner *et al.*, 2017). The literature tells us that technology acquisitions have their challenges and subtleties (Ozmel, Reuer, and Wu, 2017). We also know that firms are improving how they identify and quantify intended benefits and that they are also getting better at focusing the PMI phase on capturing the intended synergies (Goedhart, Koller, and Wessels, 2017).

There is growing mention in the literature that in addition to realizing intended value during PMI, some acquirers also identify and capture incremental serendipitous value, as indicated by the following table:

Figure 11: Total deal potential comprised of both planned and serendipitous synergies



From this emerging thinking, we are learning that there is a difference between intended and serendipitous synergies and that these unplanned synergies may be significant (see Graebner, 2004). However, only a handful of mentions exist of serendipitous value potential or realization exist in the current literature, leaving the academic community not focused on this potential value realization for acquirers. The practitioner journals have begun to mention integration agility as a driver of value creation with tips for those

doing PMI to adjust plans to capture new opportunities that reveal themselves after the deal is executed. The lack of research by both practitioners and academics about how some acquirers identify and realize these unplanned synergies while others do not is an interesting gap in the literature on which this project is focused.

This project explores this topic through the research question: What is the role of tools used by integration teams (such as playbooks) during PMI to realize serendipitous value?

The findings contained in this article are significant and make a number of contributions. First, we confirm with our data and related analysis the existence of serendipitous value within the technology acquisitions we studied. Our research is consistent with the literature that suggests this type of unplanned value may be present, and in fact, it was found in each of our seven cases.

Second, through our analysis process, we establish and put forward a number of frameworks that more precisely define the serendipitous value and how it differs from the intended value found in the acquirer's investment theses justifying the deals. Included in these frameworks are more defined components that together comprise how serendipitous value is identified and realized. These frameworks will help both practitioners and academics to more precisely learn about and talk about serendipitous value

Finally, this paper identifies four specific tool-related processes that, if used by integration teams, may identify and realize incremental value to the acquirer and expand total deal value.

This project successfully builds on the academic work done about M&A as a process, value creation with M&A, serendipitous value, and the use of tools in the execution of M&A.

These findings and surfaced theories are intended for those responsible for doing implementation of acquired technology organizations to increase deal value, as well as for academics planning and executing further research.

c. Theoretical background

Tools are key to strategy making and executing strategic changes in an organization (Kaplan, 2011). They are used in organizations not only to frame problems, simplify complex situations, and make options more transparent, but they are generally essential in driving idea development and change (Spee and Jarzabkowski, 2009).

While they come in different varieties (Cacciatori, 2012), tools are a form of artifact in organizations that support decision-making and process implementation, as do other forms of artifacts. Specifically, we know that tools are a means to affect change, help to get people aligned to the change and that their use is actioned by actors that are part of the process (Jarzabkowski and Kaplan, 2015). This is illustrated by Knight, Paroutis & Heracleous (Knight, Paroutis, and Heracleous, 2018) in their study on the role and use of PowerPoint in organizations, finding that visual tools, such as PowerPoint, help broker different interpretations in strategy making.

Beyond their relevance to strategy in general, tools are also important in specific complex strategic tasks, such as acquisitions. Prior work shows that knowledge codification in post-acquisition processes strongly and positively influences acquisition results (Zollo and Singh, 2004). A single case study on Dow Chemical reveals how playbooks and other codification can improve acquisition performance by providing a structured tool to share corporate learning about prior PMI experiences with those doing PMI now (e.g., Bingham et al., 2015). Insights from these and related studies uncover relevant process codification, i.e., particular tools, that companies use to learn how to make acquisitions and PMI better, and putting resources into this area can influence acquisition results positively.

Interestingly though, despite the apparent importance of tools in M&A, recent work also argues that such tools may help yield efficiency in realizing planned synergies (Zollo and Singh, 2004). This work suggests that tools may stifle creativity and flexibility as M&A tools, often referred to as M&A playbooks, are essential for process-control codification (Bingham *et al.*, 2015) as M&A playbooks delineate what to do when they prescriptively guide the integration plan. In other words, the strict use of playbooks may preempt acquirers not to notice the unique traits of each deal. In this light, M&A tools may appear to help realize expected synergies but cause acquirers to overlook any sources of unexpected value. Hence, these insights suggest that M&A tools may be more apt to

tightly manage the integration of an acquisition than stir actors toward tapping into unplanned opportunities.

McKinsey underscores these ideas by highlighting that successful acquirers rarely rely on static M&A playbooks, instead adjusting playbooks to the idiosyncrasies of each deal (Chartier et al., 2018). This thinking suggests that periodically reevaluating synergy targets as part of a process is key to executing the agreed plans and maximizing the total deal value by not precluding the identification of additional opportunities. The use of tools to keep the integration team and those being integrated focused on both is possible and, in fact, leads to better outcomes (Ferrer, Uhlaner, West, 2013).

Besides the role of M&A tools, prior work has examined the role of actors in realizing synergies. Notably, prior research has looked at serendipitous value-generation possibilities with the human capital and the role of acquired management. This prior work highlights that the acquired management and key staff are critical to finding serendipitous value (Graebner, 2004). Even though these findings point to the importance of actors in realizing unplanned synergies, the literature remains silent about how acquirer M&A tools may support realizing serendipitous value.

Hence, this research project aims to delve into whether and how M&A playbooks may foster the identification and capture of serendipitous value in M&A. Also examined is if and how playbooks can be overtly used during PMI to help identify and realize

serendipitous value, whether from acquired management or any other sources, via qualitative interview data.

d. Method

This article focuses on the realization of serendipitous value by serial acquirers when acquiring technology organizations, i.e., related acquisitions by larger firms acquiring smaller ones (i.e., bolt-on acquisitions either for product line extension or geographical expansion). Drawing on a multi-case, inductive study of seven acquisitions of small and mid-sized technology companies by three different large serial acquirers, this article explores the processes executed by integration teams that led to the identification and capture of this serendipitous value. To understand how serendipitous value is identified and captured, this research project relied on grounded theory building from cases.

Data

The primary source of data for this project is 82 interviews that were held with 66 different interviewees, all active in the technology M&A space. The primary focus of the interviews was to learn from the real acquisition experiences of those that went through the post-merger integration process, including both the acquirer staff and the acquired teams. The project included 59 detailed interviews with participants involved in seven technology integrations, including 26 from the

acquirer team and 33 with acquired team members. In addition, a further 23 interviews were held with senior management of the acquirers during case selection, interviewees active in the technology acquisition space, and some staff with cases that were later abandoned. The following table details the interviews and the source of the 532 insights logged from these interviews:

Table 10: Total interviewees and interviews research project-wide and by case

		Total interviewees			Total interviews			Pages of single spaced transcripts and notes Insights noted for analysis	
		Acquirer staff	Target staff		Acquirer interviews	Target interviews			
Industry experts		7			9				
Case selection		7	7		10	10			
Abandoned cases		4	1	3	4	1	3		
Included cases	Orange	4	2	2	6	5	1	27	
	Yellow	6	2	4	10	4	6	86	
	Red	10	4	6	11	5	6	79	
	Green	7	3	4	9	4	5	82	
	Blue	9	4	5	10	3	7	108	
	Brown	7	4	3	7	4	3	47	
	Purple	5	1	4	6	1	5	67	
	Subtotal	48	20	28	59	26	33	496	
Total		66			82			496	
								532	

The seven included cases each met the study criteria, and descriptive information is contained in the following table sourced from both the interviews and archival material received from the acquirers:

Table 11: Descriptive information about the seven included cases

Target (case) information										Acquirer information						Deal timing, relatedness, and interviewee roles					
Target (case)	Target size	Head office location	Key locations	Annual revenue at acquisition date (millions USD)	Employees	Acquirer name	Acquirer size	Acquiring business unit location	Head office location	Acquirer name	Acquisition date	Type of acquisition (relatedness)	Number of interviews	Interviewee roles							
Orange	Medium	U.S. West	U.S., one key location	\$10-20	~35	Black	Large	U.S. different state	North America, different country	Black	2019	Related	6	President, VP M&A, Business Unit Leader, Integration Manager							
Yellow	Small	U.S. East	U.S., India	\$4-10	~70	White	Large	U.S. same state	North America, same country	White	2016	Related	10	SVP Technology Solutions, General Manager, Operations Lead, Customer Delivery Lead, Product Manager							
Red	Medium	U.S. East	U.S., multiple states	\$10-20	~300	White	Large	U.S. some same state, some different state	North America, same country	White	2017	Related	11	VP Commercial, VP IT, Delivery Lead, Finance Lead, Engineering Lead							
Green	Small	Europe	Europe, one key location	\$4-10	~50	White	Large	Europe different country	North America	White	2017	Related	9	SVP Commercial, Business Operations Lead, Sales Leader, Delivery Lead, Commercial Strategy							
Blue	Small	Europe	Europe, U.S., Eastern Europe	\$4-10	~70	White	Large	Europe same country	North America	White	2017	Related	10	SVP Technology Solutions, R&D Leader, Product Manager, Sales Lead US, Sales Lead Europe, Integration Project Manager							
Brown	Medium	U.S. East	U.S., one key location	\$20-30	~175	White	Large	U.S. different state	North America	White	2019	Related	7	CEO, Technology Lead, Integration Project Manager, SVP Technology Solutions							
Purple - 1/2	Small	U.S. West	U.S., one key location	\$4-10	~70	Pink 1/2	Medium	U.S. different state	U.S. different state	Pink 1/2	2006	Related		Chief Services Officer, R&D Leader, Sales/Marketing Leader, Client Support Leader, Development Lead							
Purple - 2/2	Medium	U.S. East	U.S., multiple locations	\$250-300	~450	Pink 2/2	Large	U.S. different state	Europe	Pink 2/2	2014	Related	6								

During the case selection process, information about which cases delivered significant serendipitous value was teased out and documented. While all cases delivered some sort of unplanned value, the research team defined “significant serendipitous value” to mean financial success in excess of 50% greater than their business case or access to an unplanned market or adjacent market based on the activities of the integration team. The following table contains the breakdown of “significant” and “little” serendipitous value by case:

Table 12: Significant versus little SV by case

	Target (case)	Case financially successful with in acquirer	Original investment rationale achieved Yr 1 & 2	Original investment rationale ultimately achieved	Unplanned execution SV - Excess planned synergies (+ 50% of plan)	Unplanned execution SV - other	Unplanned transformational SV	Significant Execution based SV captured
Significant SV	Yellow	Yes	Yes	Yes	Yes	Yes	No	Yes
	Blue	Yes	No	No	No	Yes	No	Yes
	Brown	Yes	Yes	Yes	No	Yes	No	Yes
	Purple	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Little SV	Orange	Yes	Yes	Yes	No	No	No	No
	Red	Yes	No	Yes	No	No	No	No
	Green	Yes	Yes	Yes	No	No	Yes	No

In addition to the two previous tables containing descriptive information about each case and the amount of serendipitous value, the research team also documented how codified learning was used in each case to establish and execute the integration plans. The following table details the use of playbooks in each deal and the level of modification that was done to meet the needs of each deal:

Table 13: Information about codification and integration approach

Target (case)	Playbook status	Playbooks modified	Tools and integration approach									
			Housekeeping integration timing	Who designed housekeeping integration plan	Commercial business plan shared with acquirer and key target personnel pre deal	Commercial business plan shared with acquirer and key target personnel post deal	Commercial integration timing	Who designed commercial integration plan	Product integration timing	Who designed the product integration plan	Excess Integrator hunt	Who drove synergy hunt
Orange	Solid	Yes	90 days	Joint	Yes	Yes	Immediately	Joint	tbd	Joint	No	n/a
Yellow	Basic	Yes	90 days	Acquirer	Yes	Yes	First Year	Acquirer	Slow	Acquirer	Yes	Both
Red	Basic	Yes	90 days	Acquirer	No	No	Immediately	Acquirer	Soon	Acquirer	No	n/a
Green	Solid	Yes	90 days	Acquirer	No	No	Immediately	Acquirer	Soon	Acquirer	Yes	Acquirer
Blue	Basic	Yes	180 days	Joint	No	Yes	First two years	Joint	Slow	Joint	Yes	Both
Brown	Rigorous	Yes	90 days	Acquirer	Yes	Yes	First year	Acquirer	Paced	Joint	Yes	Both
Purple - 1/2	Solid	Yes	90 days	Joint	Yes	Yes	First year	Joint	Paced	Target	Yes	Both
Purple - 2/2	Rigorous	Yes	90 days	Acquirer	Yes	Yes	Immediately	Acquirer	Slow	Target	No	n/a

Analysis

The analysis process used in this research project included six major phases, each iterating between the literature and the data collected in this project.

First, each interview was transcribed and reviewed to document descriptive information about each case, the originally intended synergies, and whether they were achieved. In addition, the unplanned synergies reported by any interviewees were logged. Any inconsistencies received between interviewees were reconciled by iteratively comparing transcripts and validating versus source material received from the acquirer when possible. This phase left the researcher with descriptive information about the case and also the originally planned value, whether it was achieved, and unplanned value delivered through the PMI phase.

Second, the researcher began to compare the information across cases and iteratively filled in any gaps existing in individual cases with follow-up questions to interviewees and via additional source material from the acquirers about the case. This second phase concluded with seven comparable cases with consistent information documented, allowing us to begin to compare them and learn both from the similarities and the differences. While all cases had some sort of serendipitous value found, this comparable data allowed us to categorize them consistently into those where significant serendipitous value was found versus those where little serendipitous value was found.

The third phase was to review the interview transcripts again, looking for specific insights into the possible sources of the serendipitous value and also the steps that integration teams may have taken to

realize it. This review concluded with 532 insights logged across the seven cases.

The fourth phase included categorizing the individual insights into themes, which involved multiple iterations putting the insights into groups and subgroupings, then refining those groups into consistent themes built from the specifics of each case. This process involved a number of steps and reconciled individual word choice and the researcher's understanding of the interviewee's intent when talking about their integration experiences.

The fifth phase included a holistic review of each case and the themes identified in phase 4. The researcher reviewed the emergent themes in light of the descriptive information about the case, the information collected about the originally intended value, the delivered value, and the serendipitous value delivered during PMI as unearthed in the interviews.

The sixth and final phase was to compare the emergent themes in light of the literature and connect what we have learned in this project that builds on what the literature tells us. The iterative massaging of the insights data, the groupings that surfaced in the analysis, and linking to the literature ultimately led to the specific findings in this article.

e. Tools-related findings

By using the experiences of the various teams across the seven cases via the project analysis, the research project identified four tool-related processes that led to the identification of execution-based unplanned opportunities and were instrumental in realizing them, as shown in the following table:

Table 14: Tool-related processes

		Surfaced processes about tools that may identify and ultimately realize SV during PMI			
		Incorporate deliberate learning into integration plans	Stagger commercial and product integration after core integration	Establish a transparent synergy hunt process	Co-design the integration plan
Significant execution-based SV realized	Yellow	+	+	+	+
		"We were given visibility at company wide sales meetings and it created a lot of unplanned opportunity for us"	"Business as usual for the first year, only integrated payroll and finance at first" "Mixing up developers is risky and culture is key. Need to ease into it"	The number of opportunities...was much larger than we realized... you need to have the right balance of structure and [process to go after the opportunity]"	"Integration was jointly managed but by the acquirer IPM and [redacted] from [Yellow], i.e. get the right staff [from both firms] doing the right tasks"
	Blue	+	+	+	+
		"While it wasn't done from a playbook, the acquiring GM had a method for soliciting input from the acquired management team - and held frequent sessions during integration to both inform and solicit input"	"We had tension between bigger corporate goals and more nimble opportunistic ones. For short/medium team we let the acquired team run with an eye toward aligning down the road." "Take time to observe"	"You need a client visible process to identify unmet needs and unplanned value" "Our attitude was planning beyond the acquisition integration by finding 'gold nuggets' we weren't aware of...give it time and execute a phase 2 [to capture them]"	"Create a board of acquirer and target staff" "Don't lose focus on what you do well, but the sooner we're [jointly] in discussions about creating more value the better"
	Brown	+	+	+	+
	"First week or two we learn, then we spent a few weeks brainstorming incremental opportunities" "Integration plan was half strategic and half tactical. For identified new synergy areas, we created workstreams with bi-weekly updates"	"You can't just make statements [to the acquired team] about integration of the core business and what will happen when - it takes time. Integration of finance/others went fine" "How we approach integration changes on the situation"	"Synergy hunt' initiated including limited target team, acquirer staff predeal" "New workstreams were initiated based on collaboration to develop incremental potential ideas"	"We had brainstorming sessions [around the table]. We brought some ideas they brought some ideas."	
Purple	+	+	+	+	
	"[Redacted] didn't really have playbooks, but we had an operationally minded president with a plan he was executing [that included realizing value from both companies]"	"Over the first few years the commercial integration was done and the tech never was....If you're buying tech you need to take time to really understand it"	"[Purple] showed the opportunity to revolutionize how they build and deliver software to their customers...The newer development approach was not a primary deal driver, but ended cutting 2-3 years of dev from [acquirer backlog]"	"Get a group of people from the acquirer and a culture of 'I'm not the smartest person in the room'. When it's really time to integrate, it has to be a joint plan"	
Little execution-based SV realized	Orange	-	+	-	+
		"The playbooks get the people communicating, collaborating and creating the right engagement, it's not about executing tickbox tasks in the playbook"	"Our practice is to transition the company quickly, then integrate commercials and other areas on a custom pace appropriate to the deal" "They kept us as wholly owned subsidiary for 3 months, then integrated"	"We had done so much work pre-deal, there wasn't really anything left to find post-deal"	"Ideas and synergies [that we were going to capture were] discussed openly between us and them" "Very visible jointly managed playbook for the integration"
	Red	-	-	-	-
	No engagement	"Benefits and HR stuff went fine, and sales focused on the needs of the customers - but the tech integration was really hard. The acquirer had a totally different mindset than the builders of the acquired tech [and we never found common ground]"	No engagement	"By not keeping the key target management, we lost a year or two in integration. Now we've rebuilt and growth is great, but it took time."	
Green	-	+	-	-	
	"Nobody really asked us anything. Everyone doing the integration was very busy, and we didn't want to bother them"	"They kept the client facing team intact - that let the transition of the back office team happen and also kept the SMEs on board about what the clients need."	No engagement	"Nobody really asked us anything. The integration lead came from time to time, and the workstream leads were voices on the phone"	

Finding 1: Incorporate deliberate learning into integration plans

The first process surfaced in the project shows that the organizations that took steps to learn how the value was delivered in prior acquisition integration can deploy those learnings to expand value from the in-progress integration. Specifically, those integration team members that inserted specific actions and tasks into their integration plans to identify and then ultimately realize unplanned value were more likely to realize this unplanned value than those that didn't. In all the cases where the integration teams took overt steps in their integration to explore this topic, it was based on the integration team members' prior experiences that were brought into the in-progress integration. This "codification" of prior experiences used to help organize the in-progress integration identified a range of previously unidentified synergies and put structure in how the integrated team explored and ultimately delivered it. The integration manager from Brown explained his approach:

"During the first week, we were going review [respective] offerings. For the next two to three, we're going to look for brainstorming about opportunities...[then the joint] teams got together and built a recommendation about where we should go [and which ones to focus on]..then they became part of the integration project plan."

The CEO's perspective was consistent about how deliberate actions were taken to look for unplanned synergies:

"They asked me and my team to identify synergies. They had some of their ideas, and we had some also. We struck out a

few times, but in general, it was very exciting. For each idea unearthed, the joint team was required to report back every two weeks about how things were progressing.”

Both reported that taking steps to actively explore these unplanned possibilities delivered value by the joint integration team delivered a multitude of types of unplanned value, some of which were significant.

The techniques used varied across the projects and, in all cases, were customized to the unique traits of the in-progress integration. Techniques ranged from getting joint teams around a table to brainstorm ideas to reviewing pre-deal thinking about integration with the joint teams looking for ways to expand and improve the pre-deal thinking, to giving voice to acquired teams by soliciting their ideas as a technique to get them invested into the integration.

We know from the literature that the use of codification (integration playbooks) can improve acquisition performance (Zollo and Singh, 2004) (Bingham *et al.*, 2015). Still, we do not know whether that delivered performance is based on planned or unplanned synergies. The data from this research project suggests that acquirers can put overt steps in their integration plans based on prior experiences that can identify and then realize the unplanned value.

Those acquisitions that realized serendipitous value used a process of some sort to identify and then a related one to realize the unplanned value. Interestingly in no cases did the official acquirer playbooks contain explicit direction for these activities. Still, business

leaders and their integration teams used various techniques across the cases to put structure in these activities leading to unplanned value capture. In all cases, those executives and integration teams with reflection agreed that these techniques, if included in official playbooks, could increase the likelihood of this unplanned value opportunity being identified and then available for capture. The cases where serendipitous value was not realized did not use similar activities.

The president of Purple had an operational background, and his team reported that while they did not have detailed playbooks that guided every action, they did keep an operational mentality during the integration, and they knew what they wanted as intended value. They focused on making the target staff understand the process that the joint group was all going through together. The purple sponsoring executive reported:

“Building relationships was essential and critical to understanding the intended value, and our integration team was encouraged to be curious as they learned more about the [Purple] operation. We took steps to build bridges between our and their staff, and our team very much wanted to learn how [Purple] operated with an eye toward further improvements down the road.”

It was made clear to the joint team was clear that the acquirer had to get added value and changes would be made, but that it is the informal connections that spark ideas, and those take time to build. Specific actions were taken to give visibility by the larger organization to the new capabilities, including key spots at the annual sales

meeting. These visible steps motivated the acquired team and identified opportunities never considered in the business plan.

The sponsoring executive of Blue was very careful to create the appearance of an open relationship with acquired leaders, and the integration manager reported:

“The integration plan engineered casual encounters [in the coffee room and at reception] with the acquired management team and key staff. Public integration status meetings were held with the top three levels in the organization to keep information flowing and, more specifically, to make people feel that information was flowing. Interestingly, some people stopped coming after a few weeks once they felt comfortable about the types of activities going on.”

He also explained that basic integration (payroll, finance, HR) was done as quickly as possible, but not lots of changes were made to commercials and products in the first 18 months. In this case, this decision was at odds with the direction from senior management as the corporate position was “get on with integration,” but the business unit lead and the integration team decided to let some workstreams sit for a period of time so the acquirer team could learn about the target. Unexpectedly, this pause allowed relationships to be built and capability to be understood by a wide range of acquired staff, allowing the acquired capability to be repositioned into key pieces of a large corporate initiative that was not part of the deal rationale. The sponsoring executive knew that building trust took time and took overt steps to establish connections between the acquired management and key leaders in the acquirer company.

The consistent theme across this case evidence is that in each of the cases where serendipitous value was identified and captured, senior leaders took overt steps to encourage their teams to look for it and then to replan integration activities to capture it. During the interviews, each sponsoring executive and integration lead was asked whether integration playbooks could more formally encourage this type of thinking, and for each case, the answer was yes. Of course, the specific tasks and execution plan may differ from integration to integration, but all uniformly agreed that coaching and advice on best practices would have been valuable and likely expanded the value of the deal.

The Blue sponsoring executive openly spoke about how the intended synergies should be thought about as a Phase 1, and while executing Phase 1, new ideas for Phase 2 should be logged. He reported the team was challenged to think far outside the box using a blank sheet strategic approach and was repeatedly challenged with “have we considered all the angles?”

Finding 2: Stagger commercial and product integration after core integration

The second process unearthed by the research project found that the integration teams had valuable, nuanced views of the value drivers of the integration and that the value potential both from planned value and also from unplanned value differed greatly across the integration

workstreams. A number of teams reported that often this nuance was not a priority by the acquirers when driving the integration, which was more focused on the execution of integration plans and not necessarily on the maximization of value. Most integration teams reported that operational workstreams such as payroll, email, IT operations, and HR should be delivered quickly as there is little deal value from those activities, but that integration of customer relationships and the product teams should be executed as a separate track with longer milestones. Multiple cases reported that focusing on the client perception of delivered value by the now much larger organization was key and, more often than expected, offered an opportunity for the larger firm to expand value. Also, the product integration being executed quickly often led to developer unrest and attribution, which both put delivery of planned value at risk and precluded the opportunity to explore unplanned value with those teams.

The staggering of the workstream categories allows higher quality discussions with the customers to ensure that delivered value is maintained and exploration of ways to expand value to occur, in addition to allowing the acquired product teams to build relationships and get used to being part of a larger organization allowing their thoughts about ways to deliver value to join the integration execution.

The techniques used to incorporate this thinking were not particularly complex and centered around avoiding a “one size fits all” thinking with integration milestones. Specifically avoiding the thinking that all

of them need to be done quickly and with a major push for completion. Specifically, the teams that explored how to expand value (and revenue/profit) from the client relationships with the clients found unplanned possibilities and the teams that took the time to bring the product teams into the larger organization in a careful way, making it clear they were valued found unexpected value delivered during the integration.

The literature on the timing and pace of integration does not have a consensus view, with some research suggesting faster integration leads to more realized value and other research suggesting flexibility and delays in integration can increase value delivered to acquirers (Ranft and Lord, 2002) (Chartier *et al.*, 2018). The literature does not, however, teach us that the integration timelines can be staged with some integration happening quickly and other integration being delayed by design. The data collected in this research project suggests that this multi-step integration can help acquirers maximize value and that there is not a “one size fits all” guidance that should be used when planning integration.

During the review of the interviews, the concept of “taking time to learn” repeatedly came up when commercial integration and product integration was being executed. From industry experts, synergy opportunities can differ greatly across various types of workstreams used to manage PMI. For example, integration of email and HR systems will have little effect on value creation, while implementing a product line extension is likely to have much greater value. This

research project analysis from the perspective and experience of the integration teams brought this to light when exploring the possibilities that were not part of the original investment thesis.

Incorporation of this reality into the PMI planning and execution is required to keep the (likely very busy) integration team focused on prioritizing areas where serendipitous value creation is likely and away from those where it is less likely. The acquired team from Red reported:

“We already had 18 months of product roadmap committed, everyone was already busy, and there simply was no capacity to do integration [of the product technology] quickly. Doing additional product work, whether from new client requirements or to align to acquirer processes and technology, was not possible with the capacity issues.”

The Red team also reported that:

“To leverage the target pipeline, the target sales team [and the legacy commercial relationships] should be left intact with the support of the acquirer for 18 months. Regardless of pre-deal planning, it takes time to get the next-generation value proposition in place, and the business has to be operated for the foreseeable future.

Multiple interviewees reported that core integration (HR, benefits, and payroll) went fine, and it was good that the acquirer “just got on with it,” but that they should take more time with sales and make sure the needs of the customers and market opportunity are thought through and managed carefully.

The interviewees noted that the culture of the technology team was important, and the integration plan went too fast, causing unforeseen complications that could have been avoided. In the end, they advised

that better advice would be to “go slow to get there faster.” They also noted that the mentality of the acquirer often used the term “IT integration” to mean several broad, unrelated topics, ignoring the differences between managing an enterprise solution for a large organization and being a commercial provider of software. In the smaller firms, those areas are often closely aligned, but in the larger firms, they are usually very different teams of people with little process overlap.

The executives responsible for the integration of Orange reported that:

“They operate a two-track integration process with core, housekeeping integration happening quickly, and then commercial integration taking longer with a timeline appropriate to the deal. Ensuring that customers and the product teams are not negatively affected [has to be] a key priority during the integration”.

The integration team responsible for integrating the Orange technology reported that:

“Releasing code is its own culture. We have our frameworks, processes, and tools, and it is going to be different from theirs. During due diligence, we learned what we could, but it is hard, and it takes time. We have a transition period that is prescriptive but flexible to the needs of the deal. During commercial integration, we found that the enterprise systems were not able to appropriately support the acquired small and mid-sized enterprise (SME) business. Things took longer than expected, but we used a joint team to make sure the needs of the acquired team were met, and the needs of the acquirer were also met.”

Green experienced that HR and finance integration was highly prescribed assimilation driven by the acquirer, but the product

integration planning had to be collaborative between the acquirer and target. The team suggested that product integration took a long time and that the IT and product integration is always more complex and harder originally thought. The integration team reported that it was critical to establish the current reality and the vision and then make a plan to close the gap. The interviewees reported that smaller firms likely have strong client relationships, and how that evolves in commercial integration is important to manage.

The interviewees commented that the investment thesis should drive the integration plan. When buying a consultancy, the softer elements need attention, however:

“If you are buying tech, you need the people who built it, and it will be much harder to generate value without them. Product-based company mentality is very different from a system integrator and consulting company mentality. The acquirer must ask where the profit comes from now and where they want it to come from in the next few years. Based on that strategic clarity, the acquirer can decide what to do with the teams to make it happen.”

Another example is growth expectations when technology company-based leaders think of scaling with aggressive growth targets enabled by technology-based solutions. The growth potential from other types of business is different.

One of the key integration leads for Green was challenged to explore expanded market opportunities for the capabilities of Green. A very significant opportunity was identified through this exercise that was possible by combining resources with another division of the acquirer that was not involved in this acquisition. Someone with the span of

visibility across the large firm was required, and executive sponsorship was required to plan and then capture it. While the capture of this expanded market opportunity was made possible by the addition of Green's capabilities, significant re-platforming and investment were required to realize the larger synergies.

The team integrating Yellow reported that:

“A technology company lives on the infrastructure that they built, and quickly changing it can lose what you bought. They consciously put an organization ring-fence around [our] team and only did minor mixing up developers because of the risk. The developer culture and what is important to the product team differ greatly from commercial teams or corporate functions, and attention to this culture is key.”

The interviewees suggested that the acquirer ease into it and acknowledge they had some missed opportunities by going too quickly.

The Yellow team technical lead stated that the product integration “did not force us to abandon our systems and just take over. Things did change, but slowly over time.” Interesting that the project management office (PMO) resources of the acquirer were made available to help manage a large customer engagement creating a mutual success plan for both the acquirer team, the target staff, and the customer. What was the normal course of business when managing large-scale projects by the larger acquirer was not possible with the target's resources. It was reported:

“Our team had cover from senior management, and that [acquirer] was firm that ‘nothing was going to mess with the secret sauce.’ The acquired team feared hearing “we are

better than you,” but that feeling did not ever happen, and the organizational wall around the team allowed the team to feel safe while the trust was built.”

The Blue team reported that

“A 100-day plan was used to guide the core integration, and that went as planned, driven by the integration, as it was expected to. Commercial integration was done more slowly, which did secure and manage existing customer relationships, but probably was not good for exploration of new opportunities. The integration team publicly supported the legacy product roadmap while beginning to steer it toward the bigger picture and longer-term goals via an integrated product roadmap with other acquirer capabilities. “

The Blue integration team reported that mid-integration, it became clear that one of the fundamental assumptions in the business case was not solid and the agile product strategy being implemented allowed the team to pivot and still meet financial targets. Mid-integration, the team adapted to a formerly unknown corporate initiative and accommodated its needs with completely unplanned product synergies. The product and commercial planning framework of the acquirer business unit lead allowed the team to adapt and assess what could be scaled and leveraged collaboratively. One of the interviewees drew an analogy to Maslow’s hierarchy, with core integration being fundamental and “necessary but not sufficient.” The higher value workstreams (commercial and product) are where the value creation potential exists but requires the core work to be in place. The time that was taken by the acquirer team to execute core integration in parallel to learning about the business and then planning commercial and product integration allowed the agility.

The Blue team also reported that commercial integration was mixed, as the acquired team was used to selling point solutions individually, and the acquirer was used to selling enterprise solutions with a complex integration sales team. They shared:

“This transition was harder than expected, and if the customer relationships are important, then you need the people that built them.’ However, those people ‘need to feel appreciated and empowered and see a future.’ Also, commercial planning requires establishing a customer value proposition that expands what either firm could do individually.”

The expanded value proposition and associated messages can only be established with representatives from both the acquirer and the target.

One common theme that arose in a number of the discussions across the cases was the concept of scalability and how important scalability is with technology products and organizations. The larger firms likely already operate on a large-scale basis, and the smaller product firms are likely not. Some product teams have some planning for scaling but planning for scale and actually scaling are very different. The acquirer needs to plan to scale up the product, including product-related items like product operations and customer implementations but also support, go-to-market programs, and other disciplines common in large companies but not as required in smaller organizations. Several cases mentioned the wrong assumption by the acquirer that the smaller firms could scale. These cases suggest that scaling capabilities need to be of the product and product operations integration workstreams.

In aggregate, the analysis largely concluded that the integration workstreams fall into three categories, each of which should be managed to different timelines and with differing attention to value creation. Those three are a) **core integration workstreams** (email, HR, payroll) that should be implemented quickly and provide few opportunities for unplanned value, b) **commercial integration workstreams** (customer value articulation, specific customer roadmaps for offering evolution, and client value/contract expansion) which should be started immediately and implemented over an appropriate timeline for the business, and may vary from deal to deal based on the market dynamics and intended deal value being implemented where serendipitous value is available and can be identified and captured and c) **product integration workstreams** (product operations, strategic evolution of the underlying technology, confirmation of go-forward technology capability versus the technology capability to be sunset) which will take longer, and by letting it take longer significant unplanned opportunities for the product can emerge. It is the careful execution of the commercial and product integration that can surface the unplanned value creation opportunities. These processes take time.

Finding 3: Establish a transparent synergy hunt process

The third surfaced process unearthed by the project showed that the delivery of unplanned value requires a multiple-part process, and that

process can be executed in a transparent method involving a range of acquirer and acquired team personnel. Across the interviewee's experiences, common themes were noted about how the identification of unplanned value was very different from the delivery of value to the acquirer. In other words, just because someone had a good idea that was theoretically possible to deliver value doesn't mean that it will deliver value, not even that it should. The use of a funnel process to put structure around the identification and management of these possibilities through to completion or rejection helped the extended integration team to see that input was received and methodically managed by the integration team and their management. The integration lead for Brown shared his experience:

“We got a group that represented both the acquirer and the acquired team together, asked them to brainstorm synergies, and for each idea, I gave them a task to flesh it out and report back in a future meeting. I created a new workstream for each, and we managed them like a project. The team could identify and explore ideas; then, I worked with my manager to prioritize them. For those we decided to pursue, we managed them actively like a real project”.

The analysis unearthed that identifying possible candidate ideas for incremental value was one set of activities, but that there were others required to realize value for the acquirer, namely the assessment of the idea as to its potential and practicality, the prioritization of candidates' “projects” vs. other priorities, and then ultimately the execution of the activities to deliver value. The realization of value to the acquirer requires each of these steps to be performed, and any of the steps in isolation is unlikely to deliver value to the acquirer.

Also, the analysis showed us that having a transparent process helps bring the team members along in the journey of expanding value and gets them invested in the synergy delivery process.

The techniques used across the cases ranged from additional workstreams in the integration plans to officially explore and report back to the broader team about individual ideas, to sharing newly acquired capabilities with uninvolved senior managers to look for previously unplanned possibilities, through to all hands sessions with the acquired team to talk about how input and ideas were valuable and genuinely desired.

The literature mentions that unplanned synergies are available to acquirers in the acquisition of technology organizations (Graebner *et al.*, 2017). Still, it doesn't explore the required processes integration teams should use to identify or realize the unplanned value. The data from this research project suggests that there are active steps the integration teams can take to increase the value realized from these previously unknown synergies. In fact, the project research suggests that engaging the joint integration team in a transparent synergy hunt process to identify and then realize unplanned value may lead to more value than those teams that do not implement a similar process.

The integration team for Brown set up a joint synergy hunt with the joint integration team and the target CEO to put new challenges in

the product roadmap that neither organization could do alone. They shared:

“That this had to be a joint team because the acquirer team will naturally lean toward how the larger company has historically done things. The target staff knows what is possible with the acquired technology but is unlikely to keep parent company goals in mind.”

The team managing the integration of Purple had a quantifiable challenge as the target product operations were running at 30 percent of the transaction cost of the acquirer’s similar capability, so it was critical to all that during integration could not be allowed to slide backward, which would have eliminated the value that was purchased. Only with a careful multi-step integration process could the commercial capability be integrated and sold by the acquirer’s sales team while the product and product operations were left alone to “do their thing.” In the end, the commercial integration was executed quickly, and the technology was never integrated.

Purple’s acquirer operations executive, who had multiple experiences integrating technology organizations, responsible for the integration reported:

“There is always a “kumbaya moment” when the acquirer has to say, ‘tell me what we need to do to leverage your capabilities,’ and it becomes obvious that the joint team is required to make it happen. You need to get the basic integration out of the way and then build the go-forward team that would do commercial and product integration.

It is those two areas where the key value is created, where unplanned value can be identified, and it is those key staff who are

needed to brainstorm and make the integration happen. The people who structured the deal are unlikely to add value at this point and should be out of the way to truly make this happen. Multiple interviewees from the Purple case reported that if an acquirer is buying technology that the integration needs to take the time to understand it and get to know the people that really know the product. The interviewees explained that it is never really known what was acquired until the integration period, and a paced integration will make those people feel valued and become part of the go-forward team. Sales and product professionals are both key for different reasons, and their integration should be planned in separate tracks. In Purple's case, it made sense to keep the sales team together so as not to lose momentum with the legacy pipeline and to build a commercial integration plan separate from core integration. Purple consciously decided to integrate commercial and core workstreams fast so as not to let the "dust settle" on the separate cultures. Overt actions were taken in the integration plan to build relationships, including meeting peers offsite to share stories and build relationships. The leadership of the team acquiring Purple was of the view that "it is about people, process, and technology – not just the tech" and suggested the acquirer keep the attitude of "we know how to operate our big engine but need to learn how you run your business."

Finding 4: Co-design the integration plan

The fourth surfaced process is that integration plans that are co-designed by both the acquirer staff and the acquired team are more likely to identify and deliver serendipitous value than those that don't. In most cases, the research found that there was an integration plan that had been developed by the acquirer team prior to the deal closing, but some integration teams rebaselined it jointly with the acquired team shortly after the deal closed, which identified thinking that needed to be tuned and also areas that were missing. The CEO of Brown noted:

“We [jointly] looked at synergies as part of the acquisition. They asked my team and me to identify synergies. They had some of their own. We knew that when we came together, we could provide an [joint] offering.”

This co-design thinking led to an acquired team that was more invested in delivering the plan and avoided the perspective of having change “done to them.” Also, having the acquired team members in the discussion about the plan led to the generation of new ideas that would have been missed by a plan developed solely by the acquirer team. Having quality discussions as a joint team shortly after the deal closed led to a more focused execution with more buy-in from the joint team.

The literature teaches us that having a tight integration plan that is executed well can increase the total value realized by acquiring

organizations (Ferrer, Uhlaner, and West, 2013). However, the literature does not give guidance on how that integration plan should be developed or who should have input into the do the development of it. A common theme from across the interviews was that workstream teams staffed with individuals with the right attitude toward delivering planned value and looking for ways to expand the value, including staff, led to both the capture of intended value and the addition of serendipitous value. Involving both target and acquirer staff and building joint execution teams committed to the go-forward business was found to be a key to serendipitous value identification and capture in addition to other stakeholders such as key employees, suppliers, customers, and other organizations important to the operation of the target business.

The integration manager from Blue shared:

“All workstreams were managed jointly, and the integration team very publicly assigned someone from the target to each integration activity. When commercial and product integration did commence, we created a board of acquirer and target staff to assess and plan and to ensure that the key staff felt part of the process. The integration team was told by the business unit leader to “take steps to find the golden nuggets you are not aware of” and that integration is an ongoing process that will evolve as the joint team learns more.”

The integration team from Blue was encouraged to collect ideas throughout the process and directed:

“Get on with Phase 1 in-progress tasks but also give it some time, and then plan a Phase 2.”

The team integrating Purple very carefully developed a shared vision and then put great energy into communicating it and bringing key employees on board. They report that it is not the senior management who make or break a deal during execution; it is the rank and file who are greatly influenced by key employees throughout the organization:

“Employees can smell BS. Execution happens with the regular people. Get out there and let them know where you are jointly going.”

The acquisition team arranged multiple meetings to build relationships and establish political capital with the combined team.

The team integrating Orange reported that

“We treat every acquisition as a merger with a self-assessment of the legacy processes. It is not ‘do it our way,’ it is about communicating and collaborating.” This message was sent through multiple channels to the [Orange] organization and through a structured engagement program where each acquired team member met someone at their level from the acquirer.”

The acquirer of Orange has both employee engagement targets and customer health targets that are assessed periodically throughout the integration. They publicly commit to all staff which team members are go-forward, and when necessary, they would make cuts quickly.

They use key metrics to validate the attitude of the team, and they carefully watch which customers continue to purchase add-ons and larger engagements after the deal closes and which customers do not. Bringing the target employees and customers into the company

with the intention of a long-term relationship is in the messaging and actions of the joint team.

The Green acquisition team reported that:

“It is the employees of the acquired company who know the “secret sauce.” The acquirer should challenge the joint team and ask, “how can we amplify this?”

Interviews about the Green acquisition unveiled that integration approaches and playbooks should delineate smaller acquisitions from larger ones. They recommended that when integrating smaller organizations, the acquirer needs to teach the target employees how to scale. This concept of needing to establish a scalability plan also came up with the Blue acquisition, where acquired staff motivation was created by the opportunity to learn from the practices of the larger acquiring firm.

The Blue team reported that it would be have been crazy to drive the integration from the acquirer's perspective only:

“The acquired team staff saw the current target market and opportunity more clearly, and how the technology stack met that need as they were closer to the legacy market opportunity. That said, our [acquirer] team likely sees the bigger picture and more strategic opportunities available to the company as part of the larger firm.”

Because it takes time to establish relationships and work through how the pieces fit together, Blue reported that the target team was given a chance to talk through the technology that they were proud of and become part of the team to figure out what to do with it. It would only have worked if the team had representatives from both. It was

very important to us that our experiences were being listened to, and shared experiences were key, both formally and informally. Product strategy was agile, with brainstorming between key target and acquirer staff.

The Blue team suggested that the smaller acquired team likely needs extra direction regarding the processes of the larger firm and that the acquirer should know that the scale of the acquirer is unimaginable to the target staff. The Blue team reported that both teams need to work together to identify the value to the customer and also value to the acquirer. That joint team needs both the acquirer's larger-scale information, thinking, and resources and the reality of what the target team, the technology, and the legacy customers value.

f. Discussion

In summary, this project progresses the thinking on how acquirers may expand value from acquired technology organizations using tools by focusing both on the intended value that was used to justify the deal and also by capturing the unplanned value that may be available. The literature gives us rich background about the existence of and theoretical potential from this unplanned value (Graebner, 2004), and the experiences of this research project help take those concepts and come up with processes that can be actioned by integration teams that may help to realize it.

The research team learned that the role of codification of prior experiences to guide integration could vary quite widely. In all cases, as the literature suggests, the acquirer used a playbook to guide integration, and in all cases, those playbooks were modified to meet the unique needs of the specific integration. Each acquirer also had post-implementation reviews to upgrade and modify the playbooks based on the experiences of the in-progress integration. Interestingly in no cases did the acquirer playbooks direct the integration team to look for unplanned value, nor did the integration teams get official coaching or best practices on integration agility.

The interviews also unearthed that in five of the cases, the participants in the acquisition thought that expanded codification with more guidance for integration teams could have set the conditions for the identification and capture of additional unplanned value.

This research project helps us understand how integration teams can manage unique challenges with technology integration and expand total value from M&A by building on the expected synergies with unplanned possibilities using four specific tool-related findings established through grounded theory techniques.

Of course, the full range of acquirer business practices, experiences, and the reality of the acquirer company added to acquired organizations' practices, experiences and capabilities must be brought into the discussion about available synergies and which are practical to seek. Also, the capabilities of the acquired team and their technology need to be in the discussions when additional

opportunities are being discussed. Only with this joint view can synergistic ideas be identified, explored for viability both from the target capability and the acquirer's ability to adopt/integrate them, and then captured. In addition to joint teams comprised of the acquirer and target staff, for some workstreams, the addition of additional stakeholders such as customers, employees, suppliers, and others can help identify and capture serendipitous value.

As a frame of reference, the research design theorized and then the research project validated that the total “available to be captured” value can be thought about in three distinct categories: 1) the intended value that justified the acquisition and was used to secure permission to execute the deal and ended up being captured during PMI, 2) additional value identified and captured during PMI, and 3) value creation ideas identified by the deal team pre-deal but not used in the business case that can be used post deal to create additional value.

As can happen in any organization, teasing the various synergies apart and exploring each synergy individually can quickly get into organizational politics, run afoul of incentive discussions, and become complex, highly charged discussions. However, regardless of those complexities, this study identifies several useful lines of thinking that may benefit both those academics doing further research and practitioners executing PMI.

We note that this study is limited to the seven cases contained in the research and, of course, does not represent the whole of all

acquisitions. In addition, this research project focused on serial acquirers purchasing and integrating technology organizations, so the surfaced processes may not be relevant to other types of M&A, such as occasional acquirers or private equity acquisitions. This study shows us that each deal is different and that the extent of pre-deal diligence, the staff assigned to the integration effort, the market realities, and the capabilities of both the target company and the acquirer are major factors that determine total realized value whether comprised of the originally intended value or unplanned value. However, the study also shows us there is commonality across the cases about the processes used by the acquirer to do the integration, and more overt use of those processes may be of value to those doing further research and those practitioners guiding integration. This study suggests to us that there may very well be serendipitous value available with many deals that can be realized if the acquirer overtly incorporates these four processes into their M&A tools (integration playbooks), expanding the total value from M&A activities.

5. Article 2: Stakeholders and serendipitous value

a. Abstract

Prior work tells us that the management of stakeholders can improve results during the PMI phase of M&A and that technology acquisitions have their own unique complexities. We see growing mention of serendipitous value possibilities available to the acquirers; however, we do not know how the management of stakeholders may surface this serendipitous value during the integration of technology acquisitions. Drawing on a multi-case, inductive study of seven acquisitions of small and mid-sized technology companies by three different large serial acquirers, we find four processes that, if used to manage stakeholders during PMI, may expand value capture by the acquirer with incremental serendipitous value. This article contributes to the M&A strategy literature.

Keywords: *Post Merger Integration, Mergers and Acquisitions, Serendipitous Value, Stakeholders, Value Creation*

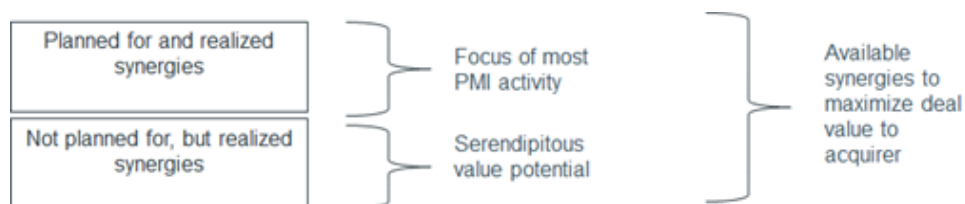
b. Introduction

Acquirers of technology organizations are always looking to maximize value from their M&A activity yet often struggle to deliver expected deal value. Prior research tells us that the management of stakeholders can improve M&A performance. These stakeholders,

including customers, employees, governmental organizations, universities, and other involved parties, are often integral to the acquired firms and important parts of how the acquired organizations function. More broadly, we know that acquirers capture value from their M&A activity during PMI (Ficery, Herd, and Pursche, 2007), that PMI is a process that can be influenced (Graebner *et al.*, 2017), and that technology acquisitions have their challenges and subtleties (Ozmel, Reuer, and Wu, 2017). We also know that firms are improving how they identify and quantify intended benefits, and we also know that they are also getting better at focusing the PMI phase on capturing the intended synergies (Goedhart, Koller, and Wessels, 2017).

Specific to this project, there is growing mention in the literature that in addition to realizing the intended value during PMI, some acquirers also identify and capture incremental serendipitous value, as indicated by the following table.

Figure 12: Total deal potential comprised of both planned and serendipitous synergies



From this emerging thinking, we are learning that there is a difference between intended and serendipitous synergies and that these unplanned synergies may be significant (see Graebner, 2004).

However, only a handful of mentions exist of serendipitous value potential or realization in the current literature, leaving the academic community largely not focused on this potential value realization for acquirers. The practitioner journals have begun to mention integration agility as a driver of value creation with tips for those doing PMI to adjust plans to capture new opportunities that reveal themselves after the deal is executed. However, while there is growing discussion about the existence of this serendipitous value, we do not know how stakeholder management is being used in the PMI processes to manage the originally planned value versus serendipitous value, nor do we know how management of stakeholders can be used to help identify and realize this unplanned value.

This project explores this topic through the research question: What is the role of non-shareholder stakeholder management during PMI to realize serendipitous value.

The findings contained in this article are significant and make a number of contributions. First, we confirm with our data and related analysis the existence of serendipitous value within the technology acquisitions we studied. Our research is consistent with the literature that suggests this type of unplanned value may be present, and in fact, it was found in each of our seven cases.

Second, through our analysis process, we establish and put forward a number of frameworks that more precisely define the serendipitous value and how it differs from the intended value found in the

acquirer's investment theses justifying the deals. Included in these frameworks are more defined components that together comprise how serendipitous value is identified and realized.

Finally, this paper identifies four specific stakeholder management processes that, if used by integration teams, may identify and realize incremental value to the acquirer and expand total deal value.

This project successfully builds on the academic work done about M&A as a process, value creation with M&A, serendipitous value, and the management of stakeholders in the execution of M&A.

These findings and surfaced theories are intended for those responsible for doing implementation of acquired technology organizations to increase deal value, as well as for academics planning and executing further research.

c. Theoretical background

Stakeholder management theory teaches us that those thinking of their remit in management or governance more broadly than the organization itself can positively influence results (Bettinazzi and Zollo, 2017). We also know that the management and the board's attention to a broad set of stakeholders can improve performance. The stakeholder view, looking more broadly than just the firm itself, including customers, suppliers, communities, unions, and other organizations, can improve performance in excess of just managing the firm (Freeman and David, 1983). We know that shareholders and

the firm itself are not the only participants in creating value and that viewing other participants in the ongoing operation of the organization can create value (Asher, Mahoney, and Mahoney, 2005). We know that multiple stakeholders influence the success of the firm, and the perspective of only considering shareholders and their needs is limited. Other stakeholders are key influencers of what is possible for the firm, and their perspectives need to be considered (Asher, Mahoney, and Mahoney, 2005).

The stakeholder approach has received lots of theory and attention, but little empirical evidence exists. Even as recently as September 2019, the adoption of the stakeholder perspective on the role of a corporation in the United States by the Business Roundtable is controversial, leading to two camps: those who agree that a stakeholder perspective should be adopted and those who do not (Murray, 2019). The literature also has the advocates of it in two other camps, arguing that some adopt this mentality for financial gain and those who do it for moral reasons. The bottom line is that there is little evidence one way or another (Harrison and Freeman, 1999). Stakeholder management is nuanced, and thinking about stakeholders and treating them with fairness only improves performance if it is a reciprocal stakeholder (i.e., they also care about fairness). For those self-regarding stakeholders, an arm's length approach can lead to higher acquisition outcomes (Bridoux and Stoelhorst, 2014).

Traditionally, the shareholder (or stockholder) view dominates in M&A, i.e., acquisitions are often motivated by short-term stock responses and immediate EBITDA increases. However, it is widely acknowledged that the impact of M&A is most profound on other stakeholders than stockholders (*Financial Times*, 2019). Recent academic work underscores the importance of stakeholders in M&A in at least two important ways. First, while markets on average respond neutrally or negatively to acquisition announcements (Schijven and Hitt, 2012), this change in firm value is importantly impacted by the notion of stakeholders. Particularly, recent work finds that congruence in stakeholder orientation fosters positive market responses upon announcement (Tong L., Wang H., 2019). Second, attention to stakeholders matters to acquisition outcomes. As (Bettinazzi and Zollo, 2017) show, the firm's stakeholder orientation positively influences the performance of acquisitions. Specifically, Bettinozzio and Zollo's study reveals that stakeholders important in M&A are customers, employees, suppliers, and local governments. Their research into these stakeholders shows that the investment in stakeholder management does not give equal returns for all stakeholders. Depending on the intended structure of the target, as an example, can dictate whether an investment in managing employees leads to a return. Hence, the role of non-shareholder stakeholders is important to the success of an acquisition, specifically with regard to customers and employees.

However, while we do know that the involvement of stakeholders outside the firm can influence performance, we know little about the impact of those stakeholders on the identification and realization of unplanned value. As the literature suggests (Kato and Schoenberg, 2014): the way that customers are managed and communicated to may influence their perception of M&A activity, thus influencing buying decisions and, ultimately, the value of the acquisition itself. Therefore, while earlier work shows markets appreciate congruence across target and acquirer in stakeholder orientation and that using resources to manage stakeholders raises acquisition results, little is known about whether and how stakeholders can promote identifying and realizing serendipitous synergies. Given that the primacy of internal stakeholders, specifically acquired managers, is fundamental to gauging serendipitous value (Graebner, 2004), this second project will examine the role the external stakeholder may play in identifying and realizing such value.

d. Method

This article focuses on the realization of serendipitous value by serial acquirers when acquiring technology organizations, i.e., related acquisitions by larger firms acquiring smaller ones (i.e., bolt-on acquisitions either for product line extension or geographical expansion). Drawing on a multi-case, inductive study of seven acquisitions of small and mid-sized technology companies by three

different large serial acquirers, this article explores the processes executed by integration teams that led to the identification and capture of this serendipitous value. To understand how serendipitous value is identified and captured, this research project relied on grounded theory building from cases.

Data

The primary source of data for this project is 82 interviews that were held with 66 different interviewees, all active in the technology M&A space. The primary focus of the interviews was to learn from the real acquisition experiences of those that went through the post-merger integration process, including both the acquirer staff and the acquired teams. The project included 59 detailed interviews with participants involved in seven technology integrations, including 26 from the acquirer team and 33 with acquired team members. In addition, a further 23 interviews were held with senior management of the acquirers during case selection, interviewees active in the technology acquisition space, and some staff with cases that were later abandoned. The following table details the interviews and the source of the 532 insights logged from these interviews:

Table 15: Total interviewees and interviews research project-wide and by case

		<i>Total interviewees</i>			<i>Total interviews</i>			<i>Pages of single spaced transcripts and notes</i>	
		<i>Acquirer staff</i>	<i>Target staff</i>		<i>Acquirer interviews</i>	<i>Target interviews</i>		<i>Insights noted for analysis</i>	
Industry experts		7			9				
Case selection		7	7		10	10			
Abandoned cases		4	1	3	4	1	3		
Included cases	Orange	4	2	2	6	5	1	27	
	Yellow	6	2	4	10	4	6	86	
	Red	10	4	6	11	5	6	79	
	Green	7	3	4	9	4	5	82	
	Blue	9	4	5	10	3	7	108	
	Brown	7	4	3	7	4	3	47	
	Purple	5	1	4	6	1	5	67	
	Subtotal	48	20	28	59	26	33	496	
Total		66			82			496	
								532	

The seven included cases each met the study criteria, and descriptive information is contained in the following table sourced from both the interviews and archival material received from the acquirers:

Table 16: Descriptive information about the seven included cases

Target (case)	Target (case) information					Acquirer information					Deal timing, relatedness, and interviewee roles				
	Target size	Head office location	Key locations	Annual revenue at acquisition date (millions USD)	Employees	Acquirer name	Acquirer size	Acquiring business unit location	Head office location	Acquirer name	Acquisition date	Type of acquisition (relatedness)	Number of interviews	Interviewee roles	
Orange	Medium	U.S. West	U.S., one key location	\$10-20	~35	Black	Large	U.S. different state	North America, different country	Black	2019	Related	6	President, VP M&A, Business Unit Leader, Integration Manager	
Yellow	Small	U.S. East	U.S., India	\$4-10	~70	White	Large	U.S. same state	North America, same country	White	2016	Related	10	SVP Technology Solutions, General Manager, Operations Lead, Customer Delivery Lead, Product Manager	
Red	Medium	U.S. East	U.S., multiple states	\$10-20	~300	White	Large	U.S. some same state, some different state	North America, same country	White	2017	Related	11	VP Commercial, VP IT, Delivery Lead, Finance Lead, Engineering Lead	
Green	Small	Europe	Europe, one key location	\$4-10	~50	White	Large	Europe different country	North America	White	2017	Related	9	SVP Commercial, Business Operations Lead, Sales Leader, Delivery Lead, Commercial Strategy	
Blue	Small	Europe	Europe, U.S., Eastern Europe	\$4-10	~70	White	Large	Europe same country	North America	White	2017	Related	10	SVP Technology Solutions, R&D Leader, Product Manager, Sales Lead US, Sales Lead Europe, Integration Project Manager	
Brown	Medium	U.S. East	U.S., one key location	\$20-30	~175	White	Large	U.S. different state	North America	White	2019	Related	7	CEO, Technology Lead, Integration Project Manager, SVP Technology Solutions	
Purple - 1/2	Small	U.S. West	U.S., one key location	\$4-10	~70	Pink 1/2	Medium	U.S. different state	U.S. different state	Pink 1/2	2006	Related		Chief Services Officer, R&D Leader, Sales/Marketing Leader, Client Support	
Purple - 2/2	Medium	U.S. East	U.S., multiple locations	\$250-300	~450	Pink 2/2	Large	U.S. different state	Europe	Pink 2/2	2014	Related	6	Leader, Development Lead	

During the case selection process, information about which cases delivered significant serendipitous value was teased out and documented. While all cases delivered some sort of unplanned value, the research team defined “significant serendipitous value” to mean financial success in excess of 50% greater than their business case or access to an unplanned market or adjacent market based on the activities of the integration team. The following table contains the breakdown of “significant” and “little” serendipitous value by case:

Table 17: Significant versus little SV by case

	Target (case)	Case financially successful with in acquirer	Original investment rationale achieved Yr 1 & 2	Original investment rationale ultimately achieved	Unplanned execution SV - Excess planned synergies (+ 50% of plan)	Unplanned execution SV - other	Unplanned transformational SV	Significant Execution based SV captured
Significant SV	Yellow	Yes	Yes	Yes	Yes	Yes	No	Yes
	Blue	Yes	No	No	No	Yes	No	Yes
	Brown	Yes	Yes	Yes	No	Yes	No	Yes
	Purple	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Little SV	Orange	Yes	Yes	Yes	No	No	No	No
	Red	Yes	No	Yes	No	No	No	No
	Green	Yes	Yes	Yes	No	No	Yes	No

In addition to the two previous tables containing descriptive information about each case and the amount of serendipitous value, the research team also documented how stakeholder management was approached in each case during integration. The following table details information about key stakeholder management:

Figure 13: Information about stakeholder management and integration approach

Stakeholder (customer, supplier and other) and integration approach								
Target (case)	Customer engagement in delivery in pre-deal business	Communication program with customers	Customer retention year 1	Customer retention years 2+	Customer led roadmap	Customer co-creation post deal	Employee sourced unplanned value in first two years	Other types of unplanned stakeholder value
Orange	High	Yes	High	High	Yes	Yes	tbd	
Yellow	High	Yes	High	Medium	Yes, but not pushed	Yes	Yes	
Red	Low (tech offering only)	Yes	High	Medium	Yes	No	No	
Green	Low (IP sharing only)	Yes	High	High	No	Starting now	No	X
Blue	High	Yes	High	High	Yes	Yes	Yes	Yes, technical IP partner relationship
Brown	Variable	Yes	High	High	Yes	Yes	Yes	Yes, university relationships
Purple - 1/2	High	Yes	High	High	Yes	Yes	Yes	Yes, new industry association relationships
Purple - 2/2	Variable	Yes	High	High	Yes, but slower	No	Yes	

Analysis

The analysis process used in this research project included five major phases, each iterating between the literature and the data collected in this project.

First, each interview was transcribed and reviewed, documenting descriptive information about each case, in addition to the originally

intended synergies and whether they were achieved. In addition, the unplanned synergies reported by any interviewees were logged. Any inconsistencies received between interviewees were reconciled by iteratively comparing transcripts and validating versus source material received from the acquirer when possible. This phase left the researcher with descriptive information about the case and also the originally planned value, whether it was achieved, and unplanned value delivered through the PMI phase.

Second, we began to compare the information across cases and iteratively filled in any gaps existing in individual cases with follow-up questions to interviewees and via additional source material from the acquirers about the case. This second phase left us with seven comparable cases with consistent information documented, allowing us to begin to compare them and learn both from the similarities and the differences. While all cases had some sort of serendipitous value found, this comparable data allowed us to categorize them consistently into those where significant serendipitous value was found versus those where little serendipitous value was found.

The third phase was to review the interview transcripts again, looking for specific insights into the possible sources of the serendipitous value and also the steps that integration teams may have taken to realize it. This review concluded with 532 insights logged across the seven cases.

The fourth phase included categorizing the individual insights into themes, which involved multiple iterations putting the insights into groups and subgroupings, then refining those groups into consistent themes built from the specifics of each case. This process involved a number of steps and reconciled individual word choice and the researcher's understanding of the interviewee's intent when talking about their integration experiences.

The final phase included a holistic review of each case and the themes identified in phase 4. The researcher reviewed the emergent themes in light of the descriptive information about the case, the information collected about the originally intended value, the delivered value, and the serendipitous value delivered during PMI as unearthed in the interviews.

The sixth and final phase was to compare the emergent themes in light of the literature and connect what we have learned in this project that builds on what the literature tells us. The iterative massaging of the insights data, the groupings that surfaced in the analysis, and linking to the literature ultimately led to the specific findings in this article.

e. Stakeholder-related findings

By comparing the experiences of the various teams across the seven cases, the analysis unearthed four processes that identified and captured serendipitous value from the management of stakeholders:

Table 18: Surfaced stakeholder-related processes

Surfaced processes about stakeholder management that may identify and ultimately realize SV during PMI					
	Engage with customers specifically about unplanned value	Engage acquired team during operational integration	Engage a wide range of acquirer and target internal stakeholders	Fully explore key external stakeholder relationships	
Significant execution-based SV realized	Yellow	+	+	+	0
		"Acquirer had access to many more use cases with the target tech - and clients began to ask for the tech to be used to those incremental use cases. All new business not in the business case."	"Integration was jointly managed but by the acquirer IPM and [redacted] and [redacted] from [Yellow], i.e. get the right staff doing the right tasks. Don't have everyone involved"	"Pre-deal the main objective was to secure the technology, but after the deal happened potential came from all through the organization-most of it unplanned."	Little engagement
	Blue	+	+	+	+
		"One customer upon hearing of the acquisition said "hmm, now I can consider you for larger projects than we would have before. That was completely unexpected."	"We were given a chance to talk about our tech that we were so proud of and we were part of the team to figure what [acquirer] was going to do with it [that created real motivation]"	"Your network in this company [is key]. They made many introductions and got people talking [that started so many unplanned discussions about creating value]"	"There was a supplier partnership that was really special - and initially we planned to sunset it - but in the end we used them to deliver three other initiatives. They probably tripled their revenue from us."
Brown	+	+	+	+	
		"We had pent up demand in our roadmap - customers wanted more from us than we could deliver alone. The resources of the larger firm allowed us to accelerate and expand client value" "Integration of some [named redacted] data was requested by the customers"	"In our integration approach for the first week or two we learn - then we spend a few weeks brainstorming incremental opportunities with the new team" "They asked me and my team to identify synergies that brought many new ideas to us"	"It was my vision [that included more than the acquirer was thinking about]" Target CEO, "Platform could be used for other use cases" Target Product Manager, "additional unplanned growth in target market" Target CIO, "my boss was big on the commercial perspective" Acquirer Integration manager.	"An unintended benefit was creating a nearshore hub in [specific location] which let the team be co-located and no more expensive than nearshore teams in eastern europe. That wasn't in the acquirer's thinking."
Purple	+	+	+	+	
	"We sent signals to customers we were investing in the Purple team and genuinely wanted to learn what drove value in the client relationship and how to expand it"	"Integration has to be joint...with tech acquisitions there simply is not the possibility to do due diligence before the deal...There always is a moment when the acquirer needs to ask "what should we do" to the target team and he joint team figures it out"	"Execution happens with the regular people. Go tell them where you're going... that attitude got us working together and brought new ideas to the discussion"	"The acquisition got them access to [name redacted] industry network, we [the target] were in the club and they were not. They had no idea how valuable that would be"	
Little Execution-based SV realized	Orange	+	0	+	0
		"Being able to leverage our legacy capabilities to their clients and their capabilities to our clients. We both had pretty strong client relationships which...help drive some [unplanned] growth" "Some customers asked if they could get additional [unplanned] services"	"Acquired staff got lots of attention - multi-part high-touch - then driving down in the organization. Mailbox to ask questions, frequent all hands"	"We gave visibility about the acquisition to all divisions across the company in our leadership meetings" "Ideas and synergies were discussed openly between us and them leading to new ideas and joint ownership"	"They had a partnership with [redacted] that we wanted to be more high touch with. We used that to build our own relationships."
	Red	+	-	-	-
	"Some customers leaned into our organization and did bigger projects than they would have before."	"The reason for the acquisition wasn't clear to everyone."	"Any time there is lack of communication, people go on the negative"	"External supplier performed task far less expensively, but it violated acquirer corporate processes so we had to abandon"	
Green	0	+	0	0	
	"They kept the client-facing team to keep the customers happy)"	Little engagement	"We exposed the acquired capability to a broader set of divisions and found some really unplanned uses that likely are larger than the deal rationale."	"We maintained our connection to [industry group] and eventually setup a customer advisory panel to keep the market needs clear to us."	

Finding 1: Engage with customers specifically about unplanned value

The first surfaced process is that integration teams that engaged with customers specifically about expanding value post-deal identified a number of previously unidentified synergies. Each of the integration teams had a customer communication program, but many of those programs were focused on keeping the customer informed about the change and keeping information flowing to the customers about the new organization. Less common were the specific tasks to solicit customer reaction to the acquisition and their ideas for how the now-larger-supplier might expand value for the customers.

The Blue CEO shared a story about customer reaction to the deal:

“We thought one particular customer would be unhappy but instead reacted by saying, ‘Interesting, now that you’re part of a larger organization, we can consider you for larger projects.’ That was completely unexpected. We had no idea that’s what they were thinking.”

There were multiple integration teams that were surprised by the interest from the customers in redefining the relationship now that the supplier was larger, had more resources, and had broader capabilities than before. Those teams reported that some customers had great needs from their suppliers than they thought the smaller organization could not deliver and were curious to explore previously unexplored possibilities.

The techniques ranged from simply having calls with open-ended questions to formal roadmap planning sessions. The teams also noted that the window for having these discussions is finite and that the window existed only for a few months after the customer heard about the deal. Getting on with the discussions relatively early so the input can be part of integration planning and execution was recommended.

We know from the literature that attention to stakeholders can increase deal value (Bettinazzi and Zollo, 2017), but we don't have guidance about the type of value that is being increased. The project cases show us that the teams that put attention into engaging with customers about both the planned value and exploring additional value were key to realizing serendipitous value. The data suggests that customers valued this type of engagement and "leaned into" the discussions about possibilities. The Brown product manager shared:

"[We] had a long history of managing a client-led roadmap, and engagement with the key clients was a normal course of business. That style of engagement to explore with key customers what customers might want from the newly merged team and garnered a number of ideas they were not aware of that were not difficult to implement."

Implementation of these unplanned ideas led to both increased revenue and to tighter customer intimacy with the new joint supplier.

The product team from Purple said that:

"No matter how much due diligence is done, there are always things to learn post-deal. The style and processes the [smaller] firm uses to secure and manage relationships are sure to be different from the larger acquirer, and it is essential

to take time to learn what the customers actually value from the target firm.

In the interviewee's experience, it is usually different from what the acquirer assumed; only by exploring and questioning can the acquirer learn what they have acquired and what expectations the customers have of the joint team. Purple had a track of agile development, and clients were used to getting key new features multiple times each year via the SAAS solution, and this was not in the thinking of the acquirer. Rather than adopt the target practices to the larger, more "scaled" practices of the acquirer, the integration team went the other way and took the agile, continuous deployment practices of the target and pushed them into the acquirer operations. Advice from Purple was not to presume important areas like client value and to encourage the acquirer staff to be humble.

Yellow had the reverse situation, with an implementation of a new customer struggling to get live. The target firm had sold the project but did not have the proven scale to deliver for this large client. After listening to the customer during integration, the acquirer brought their larger scale PMO processes to the project, stabilizing and managing in a style the customer valued and stabilized a risky situation by adding rigor and process on a scale the smaller firm was not able to offer. Over time the project expanded to other business units of the customer, which would have been very unlikely with only the resources of the target firm.

Another example of staying attuned to the client's reaction to the news was Blue's experience with their largest customer. Blue reported that when they contacted their client to share the news about the acquisition, rather than the adverse reaction, they expected instead to explore the significantly expanded resources of the joint team and were considered for more significant projects going forward. These additional opportunities were unforeseen by both the acquirer and the target and were incremental to the revenue and margin planned from that customer.

Purple shared that they had both customers who were interested to learn there would be more structure and scale and also customers that were disappointed they would not continue to have the roadmap input they had previously enjoyed. The Purple team suggested and proved that it is possible to both maintain the intimate customer relationships with the team that built the relationships (at least for a while) and operated on a large scale, offering more value to clients. Both of these aspects created value in client relationships that could have very easily been lost. They show that the nimble, curious, and intimate client relationships enjoyed by smaller firms can be managed to identify and then capture unintended value.

Yellow reported similar experiences with the customers getting used to the idea of being supplied by a much larger firm. The client-facing team at Yellow took active steps to have an expanded client value message and to aggressively engage with the clients to get them talking and exploring new ideas. This active engagement did turn up

a number of unplanned opportunities that were made possible by the expanded resources of the merged firms.

Blue also had long-established client-led roadmap processes that were leveraged to push expanded capability from the acquirer to these key clients. In these cases, the commercial integration was consciously done very slowly, with the target team-leading accounts where their processes were valued. The integration team pushed back to the larger sales teams that had just assumed they would “own” the new revenue and engagements to make sure the client value was still being delivered. This caused some short-term confusion and pushback in the larger organization, but in the end, these actions kept the client relationships healthier and more collaborative. The client-led roadmap processes were continued with these collaborative client/supplier experiences are now being scaled to the larger organization.

The acquisition team, collaboratively with the acquired management of Green, did spend significant time with key customers and also learned mid-integration that there was a flawed assumption by the acquirer that required a pivot in execution. The joint integration and the collaborative relationships took this awkward situation and created additional revenue for the company due to the client engagement and the ability to pivot while thinking commercially. Several team members from Green stressed how important it was to truly learn what value the clients got from the supplier and that it is almost never just technology. Instead, it is a combination of platform

technology, their internal organization pain being solved by this solution, and some combination of service and laser focus on the market problem.

One of the client-facing teams from Blue reported, “do not lose focus on what you do well, but the sooner you are in a discussion about creating more value, the better.” The acquisition will cause the clients to pause, think and reflect on the relationship, and during that period, it is an opportunity to articulate an expanded value proposition that they might not be open to or not believe at a different time. According to Blue, the window will close after six to 12 months, but in that period, the window is open to articulate more value and talk about a broader relationship.

Finding 2: Engage acquired team during operational integration

The second surfaced process is that the engagement of the acquired team, specifically about the stakeholders and their value led to the identification of unplanned value possibilities and, ultimately, the realization of them. The integration teams that engaged actively with the acquired team on this topic were more likely to find unplanned value than those that didn't. The integration manager of Blue observed the sponsoring executive's interaction with the team:

“[Name redacted] did a really good job engaging with the staff from day 1. He was visible and regularly came to the office for 12 months or so. People needed to see that. He also said their mentality should have been more ‘become part of the [furniture]: observe, shadow, understand’ That would have

identified far more value that was missed.”

The research learned that very often, it's the acquired team that knows the actual value being delivered from stakeholders and how the stakeholders might deliver additional value. These relationships likely were built up over the years and have nuance and history that would not be obvious to a more execution-minded acquirer integration team. The techniques to explore these topics were not sophisticated or complicated, just requiring attention to these areas and a genuine interest in input from the acquired teams that know the stakeholders best.

The literature also tells us that engagement with the acquired team can increase deal value (Ranft and Lord, 2000), yet that same literature does not make clear what type of value may be increased. The data collected in this project suggests that there is serendipitous value available to the acquirer if steps are taken to identify key acquired team members with the right attitude and also that the acquirer sends clear signals it wants this input.

One of the leaders of Brown said that the acquirer challenged him and his team to identify synergies. He reported that the acquirer had some identified synergies but wanted the acquired team also to add ideas:

“They had some of theirs; we had some logical overlap. For the first week or two, it is mostly listening and then the full integration team, including both acquirer and target staff, brainstormed incremental opportunities jointly with key staff. It was important not to create an intimidating environment for the [Brown] team, which naturally would not be thinking

foremost about keeping our goals in mind. Four or five new workstreams were established to develop new potential ideas, and the representatives reported back every two weeks on status and progress.”

One of the acquired product team members reported that these sessions resulted in ideas that neither company could have done alone, namely:

“We struck out a few times, but in general, it was exhilarating. We had been selling the same thing for a long time now, and it was motivating to broaden the thinking on what types of customer solutions could now be offered.”

A senior leader from Purple reported that it is important to take time to learn about the offerings once the excitement of the sale is over and that:

“You never fully know what is there and what the customers do with it. Do not assume what the team is doing and how they think. If you do it right, you can maximize the benefits of the team you now have.”

The acquirer naturally had larger engagements with clients, and the subtleties of one market segment were not fully understood by the acquirer. The interviewee reported that not taking time to learn and subjecting the target customers to the acquirer processes would have broken the business and destroyed the existing delivered client value. Only with the engagement and joint problem solving between the acquirer and target team was this market segment identified and then expanded.

A development leader from Purple reported that:

“Almost always, larger firms can provide more opportunity than smaller firms, but the messaging to the acquired team is important. Larger companies often cut heads, and the potential negative outcomes from an acquisition are at the forefront. In technology businesses, the technology is the team, and almost always, the acquirer needs the people who built it to get maximum value from it. Establishing a shared vision that both sides believe in is important.”

In Purple’s case, the development processes of the smaller firm were more modern and agile than the larger firm, and in the end, by maintaining the target team and building on it, the acquirer was able to significantly transform how software was built and delivered across the larger firm which was not intended in the original business case. This unplanned value was only possible because the acquirer management engaged with the target team and built a joint vision, including how their practices and processes were valued. One of the leaders of Purple said:

“Relationships and culture are key. Make them feel they are part of the company.” Our intended demeanor when interacting with the target staff was that, as the acquirer, we wanted to learn. We believed that we [as the acquirer] knew how to operate our big engine, but we needed to figure out how to manage the acquired business jointly.”

The acquirer of Purple also shared that in his experience, technology acquisitions rarely allow quality discussions between the teams of acquirer and target before the deal is done. More often than not, there is minimal understanding of what really goes on in the target until integration work begins. This limited information flow makes it even more important for the acquirer to spend time learning and not presuming. He admitted that some staffing decisions had been made

pre-deal, but some were made once they learned more about the operation.

The concept of scalability came up in Yellow, Red, Blue, Brown, and Purple, and while a range of word choices was used, team members from each of the teams reported that there was a natural expectation that the business would need to scale within the acquirer's larger team and that the teams running the smaller businesses did not have experience scaling. One interviewee reported:

“An assessment of what scalability was possible with the acquired assets and team should be done by the acquirer, and then integration plans be adapted based on the findings. During due diligence and pre-deal discussions, everyone is very confident about what might be possible, but reality after the close often differs from the rosy pre-deal discussions. The acquirer needs to bring the teams from the smaller organizations along.”

In contrast, team members of Red reported that no shared vision was made available to the acquired team, and as such, the team members never really understood what the priorities were as integration was occurring.

Acquiring management of Orange said that they did all they could during due diligence to learn about how the product team operated, and they acknowledge that frameworks, processes, and tools will differ. While these differences and finding a common future platform are challenging, they are not insurmountable. The transition period needs to be prescriptive about core integration but needs to be flexible when it needs to be for other areas that likely are the sources

of significant value to the acquirer. Green had a similar approach noting that jointly, the integration team needs to determine:

“How we are going to amplify [what the smaller firm was doing], take full advantage of what we just bought, and help the acquired team do more than they could alone.”

These colleagues noted that the type of acquisition dictated the priorities with product companies needing different integration approaches from systems integrators from consulting firms. Green recommended:

“Let them operate independently for a while in a safe pocket while they find their legs within your organization.”

One of the Orange acquirers noted that public steps were taken to expose the acquired team to the broader organization, including sessions at the national sales training, meeting with various senior leadership meetings – and according to that interviewee, it was the soft sell “we have a new capability. Anyone have ideas what else we might do with it?” that generated the unplanned ideas. In this case, the number of opportunities was much more significant than the acquirer realized, and that required an assessment and prioritization step to focus the team on those that had maximum impact. There had to be a period of learning where the larger firm found out what the “secret sauce” was while protecting the smaller organization from so much integration activity that the secret sauce was diluted.

The acquired product team from Blue reported that the integration was very collaborative and that the acquired team saw lots of

opportunities the acquirer did not see. It took time to merge and align the thinking between the acquirer team that saw the bigger picture and the target team that could see more clearly the reality of what was possible with the acquired capabilities. The Blue product team reported:

“We were given time to build networks within the larger team, and those informal discussions identified quite a bit of unplanned possibilities. The respect by the [acquirer] team for the capability of the [Blue] was appreciated. That respect kept much of the planning collaborative and helped soften the occasional situations where our thinking was overruled by the acquiring business unit team. Even in those moments, it was clear our team and our opinions were valued, which made the hard discussions possible.”

Blue management also reported that the product strategy was agile and that it evolved after the close when the teams could work closely together. Keeping it agile allowed the acquired team to serve a growing set of internal customers and partner with other product teams without long planning cycles.

Finding 3: Engage a wide range of acquirer and target internal stakeholders

The third surfaced process learned from the research project is that possible ideas about unplanned value come from many different places. These sources are often from the acquired team as they know the stakeholders best and have history about what is possible and also what possibilities were not explored while a standalone organization. Note that these relationships are not limited to the

management of the acquired firm nor those on the integration team; they also are from key individuals in the acquired organization, and the integration teams should seek out these individuals and solicit input. Ideas also came from multiple sources within the acquirer organization, including the integration team itself, executive management from through the broader organization that had ideas about how to use the capability within their organizations, and also from the deal team that may have brainstormed ideas that didn't end up in the business case and might not have been turned over to the integration team.

The literature teaches us that attention to stakeholders is key (Bettinazzi and Zollo, 2017), but that literature generally lumps the internal team into "employees." The data collected in this project suggests that there are quite a number of different internal stakeholders, and attention to each of those groups can help deliver planned value and also find unplanned value. Other company divisions, teams doing the integration, key acquired staff, the acquirer management team, the integration team, and senior acquirer leadership all play a role and need attention during integration to maximize the potential from each of them.

Several cases revealed that the target employees are very proud of what they built, and it is important that the acquirer acknowledges that fact and is sensitive to it. One of the integration teams suggested:

“Engaging with the people that built the technology and delivered value to clients is important. It is not just the senior management that has useful perspectives that can lead to unplanned value.”

Blue reported that they created a board of acquirer and target staff that together supported the learning by the acquirer about what might be possible. That joint board was able to function in a way that individual egos and priorities were put aside, and the group worked for the good of the integration team (and acquirer business unit in which they operated). In addition, they reported:

“The target team was accustomed to financial constraints and ways of working that simply were not relevant any longer with the resources of the larger organization. This joint team got people thinking outside their preconceived boxes and while shifting this mentality took some time, it opened a number of possibilities that the target team simply was not thinking about where possible based on historical practices.”

A client-visible Blue team member instructed that the team needs to keep “planning beyond the acquisition” and to “take steps to find the gold nuggets that you are not aware of. Give it time and then execute a Phase 2.”

Green provided a SAAS platform to their client, and as such, the acquisition was not really a factor in the client relationship. In this case, the client value was in the software and accessed data only, and the low-touch relationship made the transition straightforward. However, while the acquired asset itself did not create additional client value, the acquirer took active steps with a key resource to place them in a different division of the acquirer for a six-month period to develop a broader offering platforming. By placing this staff

in a part of the organization, giving them visibility across multiple business units, the capability of Green was leveraged and allowed the large firm to enter an adjacent market that was six times larger than the original opportunity that justified the acquisition. Without the acquirer taking active steps to look across the broad portfolio of capabilities supported by the acquired team, this opportunity would never have been identified or realized.

A recurring theme across the acquired firms was the need to take overt steps to engage, build relationships, and get the joint teams brainstorming and then feeding those new ideas into a process that would decide to and then action a subset of them to realize value.

Finding 4: Fully explore key external stakeholder relationships

Active engagement with the stakeholders during integration to identify and ultimately realize unplanned value was the fourth surfaced process from this project. The analysis learned that the stakeholders themselves often had input and perspectives on how they may deliver incremental value more than what they might already be delivering to the smaller acquired organization, and those ideas were often not obvious to the acquirer.

The development lead from Blue observed:

“[The executive sponsor] noticed there was something good there and asked, ‘Is it truly good?’ ‘Can it be expanded?’ ‘Can we replace it?’ ‘Are they fundamental to the client value?’ That supplier is now helping other teams deliver their products. The relationship expanded [which was the opposite

of the plan].”

The cases illustrated a number of examples where unexpected value was realized, some of it quite significant, ranging from bringing new capabilities to market very quickly to reducing costs through larger agreements to the adoption of next-generation practices that were not part of the acquisition business case. These external stakeholders, at times, are more attuned to the needs of this customer segment and can react quickly to other opportunities.

The techniques themselves varied across the cases, generally starting with the acquired team thinking of possibilities but also taking time to engage about broad capabilities, newer capabilities that the acquired team might not have been leveraging, and open-ended exploration about possibilities.

The literature teaches us that the range of stakeholders can each help deliver different types of value and that acquirers and their integration teams should think about this range of stakeholders in an open and curious way (Bettinazzi and Zollo, 2017). This project helps us see how integration teams can explore key relationships and think creatively about how the benefits being delivered to the small organizations might be scaled to the larger organization. Taking active steps to bring these stakeholders “on side” is required to both continue the legacy value and also to explore potential unplanned value.

In addition to the possibilities from customer engagement and the acquired team, the cases also identified that other stakeholders in their network of suppliers, industry associations, and universities can also create unplanned value.

Across multiple acquisitions, the research team heard that the instinct of the integration teams was to consolidate suppliers, leverage the larger scale of the acquirer, and “get on with” integration. However, in addition to the possibilities identified by employees and customers, there were other types of stakeholders who generated unplanned value, some of it quite significant.

Blue reported that a strategic supplier to the firm had been instrumental in helping to re-platform their technology and had significant breadth and depth of technical talent. The initial integration thinking was to migrate this supplier to in-house teams with ostensibly the same technical skills. However, as part of the integration plan and the stated desire to learn about the business, the decision was made not to migrate this supplier immediately. During the period between close and the preparation of the next year's financial plan, three additional opportunities in adjacent business units were identified, and this supplier was used to accelerate the launch of the new product capabilities. In retrospect, none of these three would have been launched on the aggressive timelines if in-house resources had been used. It was the curiosity of the integration team to learn exactly what value was being delivered by the supplier in addition to the known benefit. The revenue

generated from these initiatives is significant and unplanned in the business case. Going forward, a hybrid plan was implemented comprised of both in-house resources and some from this supplier to realize the benefits of the outside team while managing risk with the in-house team. The team integrating Blue suggested that a joint team investigate each supplier and jointly establish whether the supplier is a commodity that should be quickly transitioned or one that is providing more value than understood that possibly could be leveraged for other initiatives.

The acquirer of Orange reported a similar experience with a strategic supplier with whom they had wanted to align, yet discussions had been theoretical and had languished. Using the existing relationship that existed with Orange and this supplier, the acquirer was able to accelerate the partnership and made progress using this smaller relationship to give momentum to the desired partnership. This was unplanned in the business case.

The acquirer of Purple was aware of the visibility that Purple had with some industry trade associations but had discounted their importance of them in the pre-deal planning. Post deal at industry conferences, they noted:

“We were struck by the influence [Purple] had with this organization and the clout [Purple] wielded with key industry players. While this was not unknown, it was not seen as significant. Post deal, our team noticed the influence that [Purple] had on the broader industry and took care to nurture the relationship. We used a key executive from [Purple] to speak on behalf of our [acquirer] firm, and this led to significant revenue generation from across the industry,

specifically from the SMB business that was not an important part of our business case.”

Brown also had a similar experience with attracting talent and brought the opportunity for university hiring in a less expensive geography within the United States that rivaled the low cost of nearshore development teams. Pursuing this opportunity led to both reducing costs per corporate direction while hiring staff that could be co-located with the key team members. This partnership with the university was not envisioned as part of the business case.

In summary, the analysis of the cases in this study shows that attention paid to stakeholder management can both secure planned synergies and realize unplanned ones that may expand the total deal value captured by the acquirer.

f. Discussion

In summary, this project builds on what we know from the literature about the role of stakeholders in acquisition integration and helps us understand how the management of stakeholders can help identify and realize additional serendipitous value during PMI. The literature teaches us that stakeholders need attention during PMI (Bettinazzi and Zollo, 2017), and the successful management of the stakeholder relationships can expand the value delivered to the acquirer (Kato and Schoenberg, 2014). However, the literature doesn't explore how stakeholders can be managed to both deliver the planned value and

also identify and realize unplanned value. The data collected and analyzed in this project suggests that there are active steps acquisition teams can take during PMI to maximize the value delivered from the stakeholder relationships.

Of course, the full range of acquirer business practices, experiences, and the reality of the acquirer company must be brought into the discussion about available synergies and which are practical to seek. Also, the capabilities of the acquired team and their technology need to be in the discussions when additional opportunities are being discussed. Only with this joint view can stakeholder-related ideas be identified and explored for viability, both from the target capability and the acquirer's ability to adopt/integrate them. Unplanned value exists in customers, employees, suppliers, and others types of value, and active engagement with these groups can help identify and capture serendipitous value.

While this project focused on the remit of the integration team and was limited to the “execution based serendipitous value” realized, the project also unearthed a number of examples of “transformational serendipitous value” that was unearthed and should be explored in further research as those unplanned synergies were at times quite significant.

As can happen in any organization, parsing various synergies and exploring them with a wide range of people can quickly get into organizational politics, run afoul of incentive discussions, and become complex, highly charged discussions. However, regardless

of those complexities, this study identifies several useful lines of thinking that may benefit both those academics doing further research and practitioners executing PMI.

The researcher notes that this study is limited to the seven cases contained in the research and, of course, does not represent the whole of all acquisitions. In addition, this research project focused on serial acquirers purchasing and integration technology organizations, so the surfaced processes may not be relevant to other types of M&A, such as occasional acquirers or private equity acquisitions.

This study shows us that each deal is different and that the extent of pre-deal diligence, the staff assigned to the integration effort, the market realities, and the capabilities of both the target company and the acquirer are major factors that determine total realized value whether comprised of the originally intended value or unplanned value. However, the study also shows us there is commonality across the cases about the processes used by the acquirer to do the integration, and more overt use of those processes may be of value to those doing further research and those practitioners guiding integration.

In summary, this study shows us that there may very well be serendipitous value available with many deals that can be realized if the acquirer overtly incorporates the four surfaced stakeholder management-related processes into their PMI activities, expanding the total deal value from M&A activities.

6. Article 3: Emotion and serendipitous value

a. Abstract

Prior work tells us that management of employee emotions can improve results during the PMI phase of M&A and also that technology acquisitions have their own unique complexities. We see growing mention of serendipitous value possibilities available to the acquirer; however, we do not know how the management of employee emotion may surface this serendipitous value during the integration of technology acquisitions. Drawing on a multi-case, inductive study of seven acquisitions of small and mid-sized technology companies by three different large serial acquirers, we find four processes that, if used to manage the emotion of the acquired team during PMI, may expand value capture by the acquirer with incremental serendipitous value. This article contributes to the M&A strategy literature.

***Keywords:* Post Merger Integration, Mergers and Acquisitions, Serendipitous Value, Emotion, Value Creation**

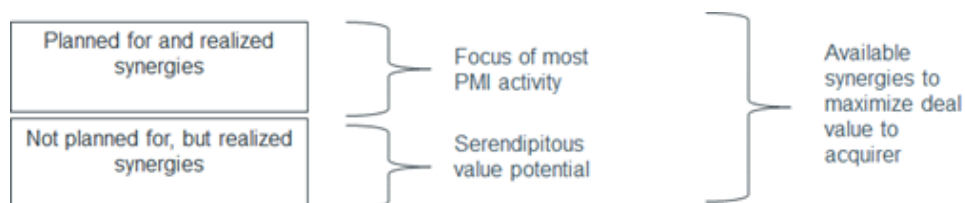
b. Introduction

Acquirers of technology organizations are always looking to maximize value from their M&A activity yet often struggle to deliver expected deal value. We know that the management of the acquired team's emotions about the acquisition can be used by integration

teams during PMI to improve the performance of their acquisitions. More broadly, acquirers capture value from their M&A activity during the PMI (Ficery, Herd, and Pursche, 2007) and PMI is a process that can be influenced (Graebner *et al.*, 2017). The literature tells us that technology acquisitions have their challenges and subtleties (Ozmel, Reuer, and Wu, 2017). We also know that firms are improving how they identify and quantify intended benefits, and we also know that they are also getting better at focusing the PMI phase on capturing the intended synergies (Goedhart, Koller, and Wessels, 2017).

However, there is growing mention in the literature that in addition to realizing the intended value during PMI, some acquirers also identify and capture incremental serendipitous value, as indicated by the following table.

Figure 14: Total deal potential comprised of both planned and serendipitous synergies



From this emerging thinking, we are learning that there is a difference between intended and serendipitous synergies and that these unplanned synergies may be significant (see Graebner, 2004). However, only a handful of mentions exist of serendipitous value potential or realization in the current literature, leaving the academic community not focused on this potential value realization for

acquirers. The practitioner journals have begun to mention integration agility as a driver of value creation with tips for those doing PMI to adjust plans to capture new opportunities that reveal themselves after the deal is executed. Prior research tells us that the PMI phase of M&A is where deal value is realized and that with technology companies, this phase is even more critical as the intended value is often not just cost rationalization but also revenue and process synergies using larger-scale sales organizations, reducing time to market for new capabilities and product line expansion/extension all using the know-how of talented staff and the technology they created.

However, while there is growing discussion about the existence of this serendipitous value, we do not know how the management of acquired teams' emotions is being used in the PMI processes to manage the originally planned value versus serendipitous value, nor do we know how these techniques can be used to help identify and realize this unplanned value. The lack of research on how some acquirers identify and realize these unplanned synergies while others do not is an interesting gap in the literature on which this project is focused.

This project explores this topic through the research question: What is the role of emotion in the target management and key staff during PMI to realize serendipitous value?

The findings contained in this article are significant and make a number of contributions. First, we confirm with our data and related

analysis the existence of serendipitous value within the technology acquisitions we studied. Our research is consistent with the literature that suggests this type of unplanned value may be present, and in fact, it was found in each of our seven cases.

Second, the researcher began to compare the information across cases and iteratively filled in any gaps existing in individual cases with follow-up questions to interviewees and via additional source material from the acquirers about the case. This second phase concluded with seven comparable cases with consistent information documented, allowing us to begin to compare them and learn both from the similarities and the differences. While all cases had some sort of serendipitous value found, this comparable data allowed us to categorize them consistently into those where significant serendipitous value was found versus those where little serendipitous value was found.

The third phase was to review the interview transcripts again, looking for specific insights into the possible sources of the serendipitous value and also the steps that integration teams may have taken to realize it. This review concluded with 532 insights logged across the seven cases.

The fourth phase included categorizing the individual insights into themes, which involved multiple iterations putting the insights into groups and subgroupings, then refining those groups into consistent themes built from the specifics of each case. This process involved a number of steps and reconciled individual word choice and the

researcher's understanding of the interviewee's intent when talking about their integration experiences.

The fifth phase included a holistic review of each case and the themes identified in phase 4. The researcher reviewed the emergent themes in light of the descriptive information about the case, the information collected about the originally intended value, the delivered value, and the serendipitous value delivered during PMI as unearthed in the interviews.

Finally, this paper identified four specific employee management-related processes that, if used by integration teams, may identify and realize incremental value to the acquirer and expand total deal value. This project successfully builds on the academic work done about M&A as a process, value creation with M&A, serendipitous value, and the role of emotion management in the execution of M&A. These findings and surfaced theories are intended for those responsible for doing implementation of acquired technology organizations to increase deal value, as well as for academics planning and executing further research.

c. Theoretical background

The role of the acquired staff and their emotions relating to the performance of M&A are represented in the literature in several areas. Organizational identity, identification, and identity building in PMI have been studied, and the process that acquired staff goes

through as they transition from the former organization to the merged one is known. There is an implicit link showing that organizational identification enhances positive outcomes (Colman and Lunnan, 2011). The role of metaphors can be used to construct a sense of us versus them as well as a shared post-merger identity. We know that the state of transitional identity is important when merging two different organizations into a newly merged one. Team members' thoughts on what the organization was becoming were important to their contribution (Vaara, 2003) (Clark *et al.*, 2010).

Acquisition of high-tech firms involves value embedded in the acquired firm's human capital, and that human assets cannot be purchased and can leave the firm at any time (Ranft and Lord, 2000). We also know that the transfer of knowledge from acquired organization to acquirer organizations is difficult, and research continues in this field (Ranft and Lord, 2002).

We also know that acquired staff perception of justice positively influences acceptance of change and enhances employee motivation (Colquitt *et al.*, 2001). Perception of loss of relative standing, loss of autonomy, lack of appreciation, and inferior status may lead to deteriorating performance (Very *et al.*, 1997).

We understand that acquisitions foster explosions of emotions, and there is often lots of turmoil with associated volatility. We also know that people become ambivalent in the face of change, both reacting negatively and becoming disconnected. The literature illuminates the

possibility that correctly engaging acquired management, and key staff can influence the outcome of the M&A, and we have learned that sometimes organizations can use these periods of change to unlearn things and think fresh (Piderit SK, 2000).

Research tells us that acquired managers and key staff in a target organization matter to realizing the serendipitous value and that they uniquely have the knowledge and expertise required to identify and realize the value that the acquirer cannot know. The imperfect information asymmetries that exist pre-deal will preclude acquirers from ever uncovering and exploring these serendipitous opportunities without involvement by the target management and staff. Research tells us that in technology acquisitions, much of the value is in the people, and keeping them motivated and productive is key to capturing available synergies (Graebner *et al.*, 2017). We also know from the literature that the middle managers are sometimes viewed as “deadwood” or “dinosaurs” but actually know how the business operates in a way that senior management cannot and when in periods of significant change such as merger integration, can be rallied to make significant contributions (Huy, 2002). The target management and other key staff are the individuals who can identify threats and target contributions and directly influence value creation during PMI (Colman and Lunnan, 2011).

Given these competing perspectives, the fragmented literature tells us a variety of useful conclusions. Rewards and the mediating role of fairness norms is key. Both financial and non-financial rewards and

their relationship to emotional resilience during PMI is an important driver of value creation (Khan *et al.*, 2017). When the target organization is both complementary and similar, the best way to draw on the organization and task-specific knowledge is from the target managers who know it the best (Zaheer, Castañer, and Souder, 2013). Techniques such as the use of a transitional identity can be used to get people to think outside their prior organizational identity. This approach can minimize threat rigidity (Clark *et al.*, 2010). The moderating role of political skills can open doors and motivate people to create unexpected value (Martin, Butler, and Bolton, 2017).

With all this work on justice and identity, there is little work that studies the role of emotions in PMI. Prior work does report that ignoring or masking emotions during PMI leads to negative results. It is shown that senior management of the acquirer is often unaware of the true emotions and that presuming all is well or encouraging people to mask emotion impedes value creation (Vuori, Vuori, and Huy, 2018).

However, we do not know how acquirers can create environments or use processes to influence emotions in acquired managers and key staff to affect the value realization of unplanned possibilities. How do successful acquirers manage negative emotions and encourage positive ones to identify and realize serendipitous value? This article focuses on how the integration team managed emotions by engaging management and key staff of the target.

d. Method

This article focuses on the realization of serendipitous value by serial acquirers when acquiring technology organizations, i.e., related acquisitions by larger firms acquiring smaller ones (i.e., bolt-on acquisitions either for product line extension or geographical expansion). Drawing on a multi-case, inductive study of seven acquisitions of small and mid-sized technology companies by three different large serial acquirers, this article explores the processes executed by integration teams that led to the identification and capture of this serendipitous value. To understand how serendipitous value is identified and captured, this research project relied on grounded theory building from cases.

Data

The primary source of data for this project is 82 interviews that were held with 66 different interviewees, all active in the technology M&A space. The primary focus of the interviews was to learn from the real acquisition experiences of those that went through the post-merger integration process, including both the acquirer staff and the acquired teams. The project included 59 detailed interviews with participants involved in seven technology integrations, including 26 from the acquirer team and 33 with acquired team members. In addition, a further 23 interviews were held with senior management of the

acquirers during case selection, interviewees active in the technology acquisition space, and some staff with cases that were later abandoned. The following table details the interviews and the source of the 532 insights logged from these interviews:

Table 19: Total interviewees and interviews research project-wide and by case

		Total interviewees			Total interviews			Pages of single spaced transcripts and notes Insights noted for analysis	
		Acquirer staff	Target staff		Acquirer interviews	Target interviews			
Industry experts		7			9				
Case selection		7	7		10	10			
Abandoned cases		4	1	3	4	1	3		
Included cases	Orange	4	2	2	6	5	1	27	
	Yellow	6	2	4	10	4	6	86	
	Red	10	4	6	11	5	6	79	
	Green	7	3	4	9	4	5	82	
	Blue	9	4	5	10	3	7	108	
	Brown	7	4	3	7	4	3	47	
	Purple	5	1	4	6	1	5	67	
	Subtotal	48	20	28	59	26	33	496	
Total		66			82			496	
								532	

The seven included cases each met the study criteria, and descriptive information is contained in the following table sourced from both the interviews and archival material received from the acquirers:

Table 20: Descriptive information about the seven included cases

Target (case) information										Acquirer information					Deal timing, relatedness, and interviewee roles					
Target (case)	Target size	Head office location	Key locations	Annual revenue at acquisition date (millions USD)	Employees	Acquirer name	Acquirer size	Acquiring business unit location	Head office location	Acquirer name	Acquisition date	Type of acquisition (relatedness)	Number of interviews	Interviewee roles						
Orange	Medium	U.S. West	U.S., one key location	\$10-20	~35	Black	Large	U.S. different state	North America, different country	Black	2019	Related	6	President, VP M&A, Business Unit Leader, Integration Manager						
Yellow	Small	U.S. East	U.S., India	\$4-10	~70	White	Large	U.S. same state	North America, same country	White	2016	Related	10	SVP Technology Solutions, General Manager, Operations Lead, Customer Delivery Lead, Product Manager						
Red	Medium	U.S. East	U.S., multiple states	\$10-20	~300	White	Large	U.S. some same state, some different state	North America, same country	White	2017	Related	11	VP Commercial, VP IT, Delivery Lead, Finance Lead, Engineering Lead						
Green	Small	Europe	Europe, one key location	\$4-10	~50	White	Large	Europe different country	North America	White	2017	Related	9	SVP Commercial, Business Operations Lead, Sales Leader, Delivery Lead, Commercial Strategy						
Blue	Small	Europe	Europe, U.S., Eastern Europe	\$4-10	~70	White	Large	Europe same country	North America	White	2017	Related	10	SVP Technology Solutions, R&D Leader, Product Manager, Sales Lead US, Sales Lead Europe, Integration Project Manager						
Brown	Medium	U.S. East	U.S., one key location	\$20-30	~175	White	Large	U.S. different state	North America	White	2019	Related	7	CEO, Technology Lead, Integration Project Manager, SVP Technology Solutions						
Purple - 1/2	Small	U.S. West	U.S., one key location	\$4-10	~70	Pink 1/2	Medium	U.S. different state	U.S. different state	Pink 1/2	2006	Related		Chief Services Officer, R&D Leader, Sales/Marketing Leader, Client Support Leader, Development Lead						
Purple - 2/2	Medium	U.S. East	U.S., multiple locations	\$250-300	~450	Pink 2/2	Large	U.S. different state	Europe	Pink 2/2	2014	Related	6							

During the case selection process, information about which cases delivered significant serendipitous value was teased out and documented. While all cases delivered some sort of unplanned value, the research team defined “significant serendipitous value” to mean financial success in excess of 50% greater than their business case or access to an unplanned market or adjacent market based on the activities of the integration team. The following table contains the breakdown of “significant” and “little” serendipitous value by case:

Table 21: Significant versus little SV by case

	Target (case)	Case financially successful with in acquirer	Original investment rationale achieved Yr 1 & 2	Original investment rationale ultimately achieved	Unplanned execution SV - Excess planned synergies (+ 50% of plan)	Unplanned execution SV - other	Unplanned transformational SV	Significant Execution based SV captured
Significant SV	Yellow	Yes	Yes	Yes	Yes	Yes	No	Yes
	Blue	Yes	No	No	No	Yes	No	Yes
	Brown	Yes	Yes	Yes	No	Yes	No	Yes
	Purple	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Little SV	Orange	Yes	Yes	Yes	No	No	No	No
	Red	Yes	No	Yes	No	No	No	No
	Green	Yes	Yes	Yes	No	No	Yes	No

In addition to the two previous tables containing descriptive information about each case and the amount of serendipitous value, the research team also documented how employee emotions were managed during the integration. The following table details information about how employees were managed in each deal:

Table 22: Information about employee emotion management and integration approach

Information about employee emotion management and integration approach								
Target (case)	Team part of planned value	Team intact after year one	Team intact after year three	Employee emotion management program	"Tech Alliance" mentality	Acquired team solicited for ideas	Aligned incentives with business case	Identification of key "motivators" in or out of management
Orange	Yes	Yes	Yes	Comprehensive	No	Yes	Yes	Yes
Yellow	Yes	Yes	Yes	Informal, but yes	Yes	Yes	No	Yes
Red	Yes	No	No	No	No	No	No	No
Green	No	Yes	No	No	No	No	Yes	n/a
Blue	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Brown	Yes	Yes	n/a	Yes	Yes	Yes	Yes	Yes
Purple - 1/2	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
Purple - 2/2	Yes	Yes	Yes	No	Yes	n/a	Yes	Yes

Analysis

The analysis process used in this research project included five major phases, each iterating between the literature and the data collected in this project.

First, each interview was transcribed and reviewed, documenting descriptive information about each case, in addition to the originally intended synergies and whether they were achieved. In addition, the unplanned synergies reported by any interviewees were logged. Any inconsistencies received between interviewees were reconciled by iteratively comparing transcripts and validating versus source material received from the acquirer when possible. This phase left the researcher with descriptive information about the case and also the originally planned value, whether it was achieved, and unplanned value delivered through the PMI phase.

Second, we began to compare the information across cases and iteratively filled in any gaps existing in individual cases with follow-up questions to interviewees and via additional source material from the acquirers about the case. This second phase left us with seven comparable cases with consistent information documented, allowing us to begin to compare them and learn both from the similarities and the differences. While all cases had some sort of serendipitous value found, this comparable data allowed us to categorize them consistently into those where significant serendipitous value was found versus those where little serendipitous value was found.

The third phase was to review the interview transcripts again, looking for specific insights into the possible sources of the serendipitous value and also the steps that integration teams may have taken to realize it. This review concluded with 532 insights logged across the seven cases.

The fourth phase included categorizing the individual insights into themes, which involved multiple iterations putting the insights into groups and subgroupings, then refining those groups into consistent themes built from the specifics of each case. This process involved a number of steps and reconciled individual word choice and the researcher's understanding of the interviewee's intent when talking about their integration experiences.

The final phase included a holistic review of each case and the themes identified in phase 4. The researcher reviewed the emergent themes in light of the descriptive information about the case, the information collected about the originally intended value, the delivered value, and the serendipitous value delivered during PMI as unearthed in the interviews.

The sixth and final phase was to compare the emergent themes in light of the literature and connect what we have learned in this project that builds on what the literature tells us. The iterative massaging of the insights data, the groupings that surfaced in the analysis, and linking to the literature ultimately led to the specific findings in this article.

e. Emotion-related findings

By comparing the experiences of the various teams across the seven cases, the analysis unearthed four processes that may identify and

ultimately realize serendipitous value from the management of emotions per the following table:

Table 23: Emotion-related processes

Surfaced processes about emotion management that may identify and ultimately realize SV during PMI					
	Establish transitional identity for target team	Identify and engage motivators, not just management	Actively solicit and consider input from target team	Publicly protect and value legacy "secret sauce" as base	
Significant execution-based SV realized	Yellow	+	0	+	+
		"The BU leadership built a wall around us and only let required integration happen. Focus was on us delivering value - not aligning to corporate processes." "While we are employees of the acquirer, we never really lost that team identity that we came into the acquisition with. That was our secret sauce."	"Get the people rubbing elbows because they want to, not because they were forced" "keep talking across all levels" "[Redacted] had a grand vision that he spoke to the full team about [that kept us thinking out of the box]" "Incentives were not a big part of it... [redacted] created a BHAG to get people excited"	"We were asked 'how can you expand?' 'How can you accelerate?' [that brought new ideas into the discussion that delivered significant value]"	"The acquirer has to pause periodically and think 'what made them successful'" "We operated as a...innovation lab" "The people were protected and also encouraged to keep doing their valuable work. It was clear at all times the people were valued [which kept up the unplanned innovation]."
	Blue	+	+	+	+
		"...Not lots of change in the first 18 months [allowing people to focus on thinking about value delivery, not their positions]"	"The reason we did the deal was the relationships with the customers - so it would be crazy to not focus on the key team and make it clear we wanted them." "There were ideas from the dev team that were 'thrown into the pot' [and some of them led to unplanned value]"	"The acquired team knew the use cases for this market segment in a way the acquirer didn't. It took some time, but eventually it became clear that it wasn't just another tech...it was solving a different [incremental] market problem. [we hadn't seen that and it was significant]"	"Due to acquirer restructurings, some of the integration was awkward, but the business unit management was consistent that our team was valued." "There was lots of respect for the culture - it was truly and still is truly important and relevant [that attitude kept us thinking of new ideas]"
	Brown	+	0	+	+
	"Kept the culture change to the top 2 levels of the org - didn't want to change the people doing the day job whenever possible. [the acquired tech team wasn't] used to having bosses" "Wanted to avoid an intimidating environment for the acquired team. Entrepreneurs are not the best at keeping parent company goals in mind"	"They were very open to being acquired and operated like a larger company than they were. That openness made the relationships so much better than they are with other deals"	"They ask me and my team to identify synergies. They had some of theirs and we had some." "We struck out a few times, but in general was very exciting. Been selling the same thing for 10 years - very exciting to broaden the focus" "It was exciting because they were things neither of us could have done alone"	"Find out what's driving the strong profit model and don't lose it. Don't destroy it on the way in" [learning from the acquired team helped us not destroy value] "Our platform approach to the market problem was very different and is an ongoing discussion that never really ends. The tech approach is different - and the acquirer needs to decide what they want to be."	
Purple	+	+	+	+	
	The master plan was to leave [Purple] for a while and avoid ..screwing it up" [we adopted practices from the acquired team and that flow kept everyone on their toes]	"It's important develop a public shared vision - employees can smell BS" "Share what you know and explain the process that is being executed. Never say things you have to walk back" [creating trust keeps people contributing]	"Nobody ever said this is what we're going to do" "It wasn't a democracy. [redacted] would decide but we felt better because we could vote" [ongoing messaging about how 'we're on the same team' kept the acquired team motivated]	"We had multiple meetings with everyone to mix things up and allow building of political capital and relationships across the teams" "We put a wall around them because we wanted them to think differently than our existing teams. They were innovating very quickly - and we didn't want to lose that."	
Little execution-based SV realized	Orange	0	0	+	0
		Not a priority during integration	"Synergies might not come from just the target" "Acquired staff got lots of attention - multi-part high-touch - then driving down in the organization. Mailbox to ask questions, frequent all hands"	"We never talk about acquisition - we use the term merger, and each acquisition makes us reflect on our operations also - we consider having changes in both our ops and the target company [we really wanted their input and kept asking]"	"People culture change is different from how to build the product" "When you buy tech, [you've] got to make sure the practices in how they build that code meets our culture - that is it's own culture"
	Red	-	-	0	-
		"The first thing people thought was 'I'm going to lose my job'. They could have done more to get people to understand the plan."	"It's not the senior team that is the motivators. Often it's people down one or two levels that set the tone for everyone. Getting them outside is critical. [and that wasn't done]"	Little engagement	"We had just spend a year building a team to manage [product name] and then those people all quit and we had to start again. The tech wasn't the problem - it was the team that knew the tech."
Green	0	0	0	0	
	Little engagement	Little engagement	Little engagement	Little engagement	

Finding 1: Establish transitional identity for the target team

The first surfaced process is that the identity of the acquired team is important and not something to be abandoned quickly. The identity of the team of people is important to both keeping them productive and also for retaining them within the larger organization.

We know with technology acquisitions that the retention and motivation of staff is a difficult topic, and this practice for integration teams worked well in a number of cases. It takes time for the acquired team to feel at home in the larger organization, and also, it takes time for the acquirer to understand how each key individual can add value. Using a “transitory” identity can help ease the emotional reaction. One of the leaders of Yellow reflected on their integration:

“With the benefit of hindsight, [the acquiring executive] very much isolated us and gave us free rein...for at least a year, we were left to maintain as much of the independent culture as we could..we felt it was out of respect for what we were”

While certainly, the acquired organization doesn’t exist as a standalone organization after the deal is executed, there are other options for the integration team to consider, including the creation of “think tanks,” “innovation labs,” or a “center of expertise.” Giving the valuable acquired team members a “home” that is both within the larger organization but shows that the prior organization was valued is key to the productivity of the acquired team both with ongoing responsibilities and to identify and realize unplanned value.

Prior literature shows us that treating a technology product acquisition as an alliance for a period of time can help maximize value (Ranft and Lord, 2002). However, that literature doesn't show us how that value is comprised of the planned value versus unplanned value. The data collected in this study suggests that the acquirer can take steps during integration to help identify and then capture unplanned value in addition to the intended value.

In all four of the cases where the emotion of the team led to the identification and capture of serendipitous value (Yellow, Blue, Brown, Purple), this temporary wall between the acquired team and the larger organization protected the team from losing what made them valuable and also let them engage in a substantive way with the larger team.

The Brown integration team reported that:

"It was important to protect the acquired team for a while and to manage their integration as the smaller organization team was not always focused on the parent company goals, and that full engagement with integration would cause great frustration to valuable resources that are important to future value delivery. Creating an environment where the team was "overly comfortable" sharing its views allowed it to orient to the larger organization and find its place over time."

The Brown executive shared that:

"While minimal cost synergies were planned, we were not acquiring the company to cut heads, and instead, our plans are to invest in future growth. Only with a slower integration would we be able to convince the key team members to stay part of the organization and to help deliver future value. In this case, it was building an organizational wall around the acquired team for a longer than minimal integration period that allowed the team to focus on execution and product

rationalization and to deal with employee issues.”

Purple had a similar but slightly different experience. The acquirer of Purple gave the opportunity to two senior leaders of Purple to have a broader role in the much larger acquirer’s organization. This very public step of having “known” team members from the acquired team in key roles in the acquirer’s organization was intended to engender trust and confidence in the intent of the acquirer. The product team was kept separate to ensure that the more modern practices were strengthened, solidified, and eventually shared with the acquirer. Immediate integration would have diluted this benefit.

Yellow reported that the acquirer's senior management:

“...created a safe pocket to insulate the smaller team from the giant corporate stuff and to let the team operate independently within the corporation.”

While their playbooks were used to manage the integration, only a very limited number of the acquired team were involved in using them by design, allowing the other developers to focus on what they do well, namely “let us be little science experiments.” The product and product operations integration did happen over time, but the slower pace allowed the developers to continue to operate freely by not abandoning the legacy systems and platforms that were being used for client value delivery. Very slowly, things did change but not with a one-time shock to the acquired team. They reported that “a technology company lives on the infrastructure they built and that forcing too many pivots at the same time loses the identity and

unique value too quickly.” Senior management bought into the target team having “secret sauce,” and they supported it by talking about the team as an “innovation lab” that had to be protected and insulated.

Interestingly, several of the cases brought up the expectation of scalability, which larger companies would naturally expect but which smaller firms may or may not be poised to deliver. Acquirers doing some type of scalability assessment as part of due diligence and then again as part of detailed post-deal planning appear in multiple cases. The insulated teams acknowledged that they would be required to scale but that it had to be done in a way that did not break what was going well.

Blue had a similar experience with the integration managing a multi-track integration program. The acquirer integration team reported:

“Functions like payroll, HR, and email were migrated quickly, yet the product team was allowed to operate relatively independently for 18 months to allow a few different things to happen: 1) collaboratively align product roadmaps with other technology initiatives, 2) to allow the acquired product team to find their place and 3) to send clear signals to clients that the technology was supported and important to the acquirer. “

The product operations team agreed that this strategy allowed quality levels, established processes, and roadmap capabilities to be planned and migrated over time, providing stability to clients. The acquired management reported similar experiences with three to six months of observation happening before any substantive decisions were made and that they “had lots of respect for the culture and that

it was valued.” In addition, a desire to maintain key client relationships also dictated the commercial integration strategy, with the acquirer taking careful steps to migrate client relationships in a methodical way.

In each of the cases where overt steps were taken to get acquirer and target integration team members working together, serendipitous value was found. Blue reported that the acquirer challenged the integration team to identify synergies:

“The acquirer brought some to the discussion, and so did our team. “There was overlap, but we expanded the number of synergies that the acquirer was thinking about.” We found with this integration that the acquirer making proclamations about how the integration should go was not helpful.”

Instead, only when a joint team is established to focus on integrating and capturing synergies can the acquirer ensure that what is driving the profit model is maintained and that the acquirer does not destroy it during the integration period. Blue reported that four or five new value-capture integration workstreams were established based on the ideas from the joint integration team, and those were then monitored every two weeks by the larger team, including senior acquirer management.

Purple reported that having the joint team working through ideas made people feel better, and although:

“We knew it was not a democracy. We felt better as we were voting on what to do even if the acquirer ultimately decided.”

The acquirer created a team, including offsite meetings where the acquired team met with their peers at the acquirer and got to know each other:

“The shared stories and discussions about culture were really good. They did mix up the cultures pretty quickly and worked hard not to let the dust settle on the standalone cultures.”

It was clear to all, based on messaging from both the acquirer and the acquired management, that there was a great opportunity for all for the acquired team, and consequently, most staff stayed and supported the implementation of this shared vision. The development leader shared that “employees can smell bullshit” – and that “execution happens with regular people,” so it is getting the full team engaged and moving in a common direction that builds value. Purple reported that it takes time to establish trust and political capital but is required to get the team working hard on creating value, including serendipitous value not originally envisioned by the acquirer.

The business leaders from the acquirer of Purple explained how critical it is to get to know the team and to send signals that they genuinely want to get to know the acquirer's people and culture and also to learn what is possible. The interviewee noted that:

“Using a strict playbook where the acquirer team says how it is going to be done sends all the wrong signals. While the acquirer, in the end, is accountable, having a joint team involved and working together to execute is key.”

The acquirer also reported that for many reasons, the larger firm and the smaller firm would operate differently and do things differently but

learning why they operate differently is key, and it is only possible by exploring and learning. He reported that with technology acquisitions, very often, the due diligence is very limited, and the people interaction pre-deal is minimal, so post-deal, it is only by working together can the acquirer realize the value. This process includes the acquired team showing what they have been doing that was likely instrumental to why they were acquired. Another dimension noted by the interviewee was the importance of getting people from across physical locations to work together. As organizations scale, pushing the boundaries on legacy practices like co-located teams and even teams in the same time zones need to be broken, and that is only possible by jointly building the go-forward practices.

In contrast, Red reported that a shared vision was never communicated to the acquired team, and as such, the revenue growth originally planned took far longer to achieve as the team was not sure what to focus on for the first two years. Eventually, the joint team did get the growth going, and ultimately the envisioned revenue was achieved, but there were delays that could have been avoided. The lack of communication about the shared vision and overall objectives also can lead to people assuming the negative, which keeps them from contributing to their potential. Being wide open on communication can be key to team members assuming the worst. In this case, it took time for people to feel safe, and only in year three onward are they letting their guard down. This period could have

been shortened with a focus on what the team was thinking and feeling.

The Orange acquirer reported that the playbooks used were a tool but that ultimately it is really all about “communicating, collaborating, and delivering value to the clients.” They address each acquisition as a chance to revisit and improve some of their legacy larger-scale practices based on what they learn. The company genuinely tries to avoid the “we are going to do it our way” messaging that is known to be off-putting to acquired teams. In agreement, the leader of Orange reported that the integration was done with a “very visible jointly managed playbook for the integration” that all could see. In contrast, Green reported that the team never saw the playbooks and that the Green acquired team members were not part of the integration process. As a result, the team from Green was not contributing to the joint planning of what to do with the acquired business, and no serendipitous value was found. The messaging to the Green team conformed to the acquirer's business processes with no interest in adopting any go-forward processes. Likely senior management was in some discussions, but the content of those discussions was not shared with the full team, and consequently, the acquirer, in some ways, became the enemy.

The integration manager of Blue reported that the intended integration approach was to create “an open relationship with the acquired leaders,” starting with the day one meeting and focusing on seemingly smaller things like not sending negative messages, like

crossed arms, and instead of being very friendly and welcoming to the acquired team. The acquired team was invited to integration meetings, and the execution of the integration play was done publicly. In fact, it was done so publicly that some of the acquired team lost interest and stopped coming to meetings as they no longer felt they needed to know. The product integration strategy for Blue was done in two phases, with full commitment to the existing inherited roadmap and then a next-generation roadmap that was built collaboratively by the acquiring business leadership and the development leaders of Blue. The Blue product team reported how important it was that their ideas were listened to by the joint product integration team and that feeling part of the joint team got people thinking about the good of the company and not just the priorities of the individuals.

With Blue, the curiosity of the acquirer about one of the suppliers led to significant value being created for the acquirer. This supplier was originally planned to be sunset. Instead, after unplanned exploration, the supplier was used to develop three incremental products and bring them to market. This tight value-creating relationship was not obvious to the acquirer at the time of due diligence and only by working collaboratively during the extended product integration phase was this possibility identified and then eventually captured. Another experience the Blue team reported was that the joint product team together realized that one of the acquirer assumptions about the product did not hold true, and the joint team was able to pivot

mid-execution to still meet financial targets by integrating the product in a much different method than was intended by the team preparing the integration pre-deal. The Blue development leader reported that thinking of the integration like Maslov's hierarchy with a joint view of priorities meant that things like email, HR, and benefits had to be done early, but commercial planning and then eventually product integration had to come later. This approach avoided the "us versus them" that can so easily happen. The acquirers continued signals that they wanted the team to interact and build networks were key to realizing innovative thinking with incremental value potential.

Finding 2: Identify and engage motivators, not just management

The second surfaced process was that the source of identification and realization of unplanned value possibilities was not limited to management from the acquired team, who normally has more access to the integration team. There are others throughout the organization that are very aware of the possibilities the acquired organization can deliver and, in some cases, know more than their management team colleagues. Interviewees from multiple cases reported that these key individuals are critical and, if brought "on side" by the acquirer, they have knowledge and perspective on what is possible to achieve. A key leader from Purple reported:

"We had several big cross-functional meetings where we mixed everybody up...we had people go through brainstorming to bring different perspectives together and... build political connection. Too often, acquisitions happen at

the executive level.”

Integration teams that took the time to explore possibilities with these key individuals found unplanned value that would not have been unearthed if just the senior team had been engaged.

Multiple techniques were reported about how to engage these individuals, but the overall theme was that integration teams should ask who they are, should walk the “floor” talking to regular people, and should note the individuals that seemed to be engaged in exploring possibilities with the combined organizations.

The literature shows us that the acquired team needs to be managed actively and that the emotion of that team is a factor in knowledge transfer and other human capital areas (Ranft and Lord, 2000). However, the literature doesn’t delve into whether this value is built up from planned value and activities versus those that may deliver unplanned value, nor how staff deliver the value.

A process that came up across the cases was that it is the internal teams and their attitudes that are the future success of the organization, whether building products, supporting clients, planning roadmaps, or selling to new market segments. In multiple cases, it arose that it was important to “weed out the people who are going to be destructive with the integration” and that “you want to focus on the people that are on board with the new journey.”

Multiple interviewees from Yellow reported that management did a great job of sending the message that there were opportunities for all

but that if people did not want to be here, it was acceptable. A few people left. Management talking across multiple levels was key, and engaging the one or two levels down to key team members was important as often the top management levels were not truly the ones that set the culture. Instead, there are other key folks likely not involved in integration planning or management throughout the organization that establishes the attitude of the broader organization and may be quite valuable during and after the integration.

The Blue product team said that they were given a chance to talk about their technology, of which they were very proud. This engagement let the acquirer business unit leadership see which individuals exhibited the traits to function more broadly. This did take time but was ultimately important to the ongoing success of the integration. The product team understood they were valued, as were those who understood how to expand client value. Those who were able to view the acquire capability as a building block with other capabilities to expand client value and deal size were brought into larger discussions.

Finding 3: Actively solicit and consider input from the target team

The third process that surfaced was that taking very overt steps to communicate to the acquired team that their ideas and skills are valued, and welcome was critical. We know that some individuals

react to change by going quiet and not knowing how to contribute and that acquirers must overcome this natural tendency.

Interviewees from across the cases reported that using a range of techniques to engage these staff members was important. No one technique came out across cases, but the theme of sending very clear signals to the acquired team that they are valued was key.

A key leader from Orange shared:

“..the integration was done methodically but with a very human style. People felt free to speak up, and some spoke up more than they probably should have. [name redacted] responded to ideas and even complaints very humanly...more than we expected....Contact was done at all levels of the organization, always paired acquired staff with [acquirer] folks that could relate to them.”

The integration lead from Blue reported a similar approach:

“[We wanted the colleagues from the] company that’s acquired to feel that they are valued, and their opinions are valued. It’s an open discussion during the integration process, and they feel fully able to suggest different ways of working. Different ways of working will be fed into the integration plan.”

The literature gives us direction about areas that may engage the acquired team to help deliver value (Ranft and Lord, 2000) (Graebner *et al.*, 2017) (Colman and Lunnan, 2011) but doesn’t tell us whether that value is the originally planned value or unplanned incremental value. The research and finding in this study build on the literature and give direction about how to solicit and incorporate input from the acquired team to build on the planned value and deliver unplanned value.

The Purple acquired management team reported that “execution happens with the regular people.” “Get out there and get them to know where you are going.” Without careful identification of those that can and want to operate within a larger organization versus those that will not be able to function in the larger organization, substantial time will be wasted, and destructive forces will be unleashed that harm value creation and limit the possibilities of incremental value identification and capture. The acquirer should assess pre-deal, if possible, but more probably post-deal, who wants to be on the ongoing team and is excited about the possibilities. The sooner the go-forward team is identified and in place, the sooner the team can focus on value creation and collaboration. The acquirer of Purple quickly named the Purple CTO head of the overall acquirer’s technology organization, sending a strong signal that the acquired team has a place, a purpose, and value. Soon after, the service lead was also named head of the combined services team, which secured two major, visible roles and enabled the identification of the go-forward team. Over time there was attribution, but the senior leaders were focused on the next generation organization and capabilities and worked hard to avoid the “not invented here” attitude that often exhibits itself. For the first few months, they listened and observed, then made changes by moving people out of key roles that did not exhibit the right interest in the combined organization. Both sets of management continually communicated the opportunities to all and engaged in learning who should be part of it and who should not.

Ultimately most stayed, but weeding out some early in the integration did save time and avoided wasted energy in managing them.

In each of the acquisitions where management of emotions led to identification and capture of serendipitous value, the acquired created a joint integration team that was specifically challenged to find new ideas to create value.

The Brown CEO reported that he had a vision of what could be done that was more comprehensive than what the acquirer was looking for in the business cases, and post-deal, he and his team sat down with acquirer staff and asked to brainstorm for additional ways to create value. These ideas would have been lost and never noticed by the acquirer without these overt challenges. The acquirer of Brown gave the acquired team visibility at nationwide meetings to let them meet people, brainstorm ideas, and engage with the wider team, which identified a number of incremental opportunities that were not part of the business case. These discussions were exciting to all as they were things that neither the acquirer nor the target could do individually, yet the acquisition created these new value-creating possibilities that were not possible alone. The acquirer knew there were additional commercial opportunities and challenged the team to identify them and get them on a list so they could be explored and prioritized.

Green reported similar experiences where the acquirer representatives on the integration team were challenged to think:

“How can we get more out of the capabilities” and “now that we have them, how can we leverage the new capabilities.”

Interestingly this was not done with a joint integration team but with the representatives of the acquirer. This brings to light that the staff from the acquirer can see one type of synergy, those from the target likely can see another set of possibilities, and the joint team, if managed constructively, can bring both.

Yellow reported that while there was significant value created in the first year, a balance of the organizational maturity of the larger firm and the capability of the target firm are both factors in what is possible. One of the acquirer integration team members said that the organizational maturity of the smaller firm limited the possibilities while at the same time enabling some synergies that the acquirer would not have seen possible. While the acquirer of Yellow realized significant unplanned value during the acquisition period and from the deal, the possibilities ended up being constrained by the ability to scale. The development team from Yellow reported that it was the informal chats around the water cooler, in the hallways, and before and after various meetings that led to discussions about unplanned possibilities. The ongoing focus and messaging of doing more with the new capabilities backed up by the deeper pockets of the acquirer were continued by senior management, and consequently, the team kept looking for additional opportunities to show new types of value. Senior management continued to create opportunities for the

acquired team to network while maintaining the organizational wall around the team to limit the dilution of the “secret sauce.”

The discussion with the Yellow team illuminated how planned and serendipitous synergies were of a multitude of different types and that some were well within the remit of the integration team and could be identified and prioritized within the remit of the team responsible for integration. However, another more transformational synergy came to light where senior executives on the acquirer used the capability to do something outside the remit of the business unit that did the acquisition and the team doing the integration. These transformational opportunities were identified and subsequently pursued by Yellow, but they realized that the ability to identify the opportunities requires team members with visibility across the broader organization and the decision to capture them requires more senior management and navigation of the larger firm political landscape. In the end, Yellow had a number of each, and the research into the capture of the resulting synergies shows the differences.

The Blue case also illuminated the importance of spending time building relationships among the acquired team, the acquirer staff on the integration, and the broader organization. They reported, “the time to build our network identified all sorts of unplanned value that never would have surfaced.” Blue also reported:

“That the acquired team was closer to the immediate opportunity, so they brought thinking about the possibilities

with the acquired capability, while the acquirer team could see bigger possibilities using the resources of the expanded firm.”

The mix of new ideas from the acquired development team “thrown into the pot” surfaced because the team became part of a larger organization. The target team really was constrained with legacy practices based on priorities, resource availability, objectives, and financial constraints they were used to that simply were not relevant within a larger organization.

The discussions with Orange also brought to light the customer value perspective and said that their experience taught them that the sooner the team discussed creating additional value for customers, the better. Without that lens of “is this better for the customer?” so many competing priorities distract the team from what really creates value. Orange realized that the larger company brings stability, but that stability can also cause the team to lose focus on the customer needs. The ongoing pressure to find additional value was important.

Finding 4: Publicly protect and value legacy “secret sauce” as base

A recurring theme across the cases and from many interviewees was that acquirers should put more energy into understanding the unique value that the acquired team had with its customers, employees, and other related teams. This “secret sauce” was vitally important to the acquired team and fundamental to their perception of the value of the

organization within the eyes of the acquirer. Most interviewees understood that eventually, the secret sauce must get diluted and merged with the value proposition of the acquirer, but acquirers that took the time to understand what it was, put energy into maintaining it and managing it for an extended period of time found a much more willing and motivated team than those that didn't. Being associated with the "secret sauce" gave team members boosts to their ego, built their confidence about their future roles, and kept them wanting to contribute. It came across frequently in the interviews that the discussion about the secret sauce led to possibilities that weren't envisioned by the acquirer and were much more important to the acquired team than acquirers generally realized. A leader from Brown reported:

"The biggest lesson learned is when there's an acquisition, find out what's driving that strong model that created the [value] and don't destroy it on the way in. Figure out how to leverage it"

Techniques to foster this feeling in the acquired team ranged significantly from organizational (leave the team in an "innovation team") to communication from key acquirer stakeholders (ongoing signals that people that matter know about them and their value) to role changes giving acquired team members expanded roles.

The literature tells us that the perceptions and emotions of the acquired team are a factor in maximizing value (Ranft and Lord, 2002), but we don't know from the literature whether that value is from planned tasks or is unplanned, incremental value. The

processes surfaced in this study help us identify how acquisition teams can be engaged with the acquired team to both help deliver the planned value and also identify and realize unplanned value.

Yellow reported that the acquirer paused periodically and got the team thinking about what made them successful, knowing it was a different set of capabilities/experiences than the larger firm had. The acquiring business unit was protected to keep the valuable work going forward – and the team was positioned as an “*innovation lab*” to explain to the broader organization why it was being treated differently. Blue was not able to make it organizationally discrete but did send an ongoing message to the acquired team that their value to clients was the secret sauce, and it was critical that client value in the style of the target was maintained. The acquired team was respected, and the acquirer made the team feel that way.

Brown reported that some integration tasks, specifically the integration of pipeline management tools, were not executed to send the signal that the acquired team understands their markets, and the processes of the larger firm may not address the value delivery the target is doing. The integration team was very focused on maintaining and scaling the strong profit model, and it was the target team that knew where those margins were delivered. The mental framework of the acquired team about how to deploy technology in client solutions was a key driver of the margins, and that had to be maintained.

Purple very overtly put a “wall around them” because we wanted the acquired organization to think differently from the larger legacy team. The target team was innovating much more quickly than the acquirer, and they wanted the transformation to go from the target to the acquirer. Merging would have stopped the good practices.

f. Discussion

In summary, this project builds on what we know from literature about the importance of the acquired team and how important it is to bring that team “on side” to help deliver value (Graebner *et al.*, 2017) (Ranft and Lord, 2000). The literature also teaches us that the acquired team and their emotion is a factor in maximizing value. However, we don’t know from the literature whether the value being maximized is the intended, planned value, or unplanned incremental value.

This project builds on the literature and gives us more clarity about practices and processes that, if implemented, may identify and realize serendipitous value during the integration.

Of course, the full range of acquirer business practices, experiences, and the reality of the acquirer company added to acquired organizations' practices, experiences and capabilities must be brought into the discussion about available synergies and which are practical to seek. Also, the capabilities of the acquired team and their technology need to be in the discussions when additional

opportunities are being discussed. Only with this joint view can synergistic ideas be identified, explored for viability, both from the target capability and the acquirer's ability to adopt/integrate them, and then captured.

The project surfaced four processes that can be implemented during integration related to the emotion of the acquired team to help identify and capture unplanned value, thereby expanding the total deal value to the acquirer. As can happen in any organization, teasing the various synergies apart and exploring individually can quickly get into organizational politics, run afoul of incentive discussions, and become complex, highly charged discussions. However, regardless of those complexities, this study identifies several useful lines of thinking that may benefit both those academics doing further research and practitioners executing PMI. We note that this study is limited to the seven cases contained in the research and, of course, does not represent the whole of all acquisitions. In addition, this research project focused on serial acquirers purchasing and integrating technology organizations, so the surfaced processes may not be relevant to other types of M&A, such as deals by occasional acquirers or private equity acquisitions. This study shows us that each deal is different and that the extent of pre-deal diligence, the staff assigned to the integration effort, the market realities, and the capabilities of both the target company and the acquirer are major factors that determine total realized value

whether comprised of the originally intended value or unplanned value.

In summary, this study shows us there may very well be serendipitous value available with many deals that can be realized if the acquirer overtly incorporates the four surfaced emotion management-related processes into their PMI activities and thereby expands total deal value from M&A activities.

7. Implications for those integrating technology acquisitions

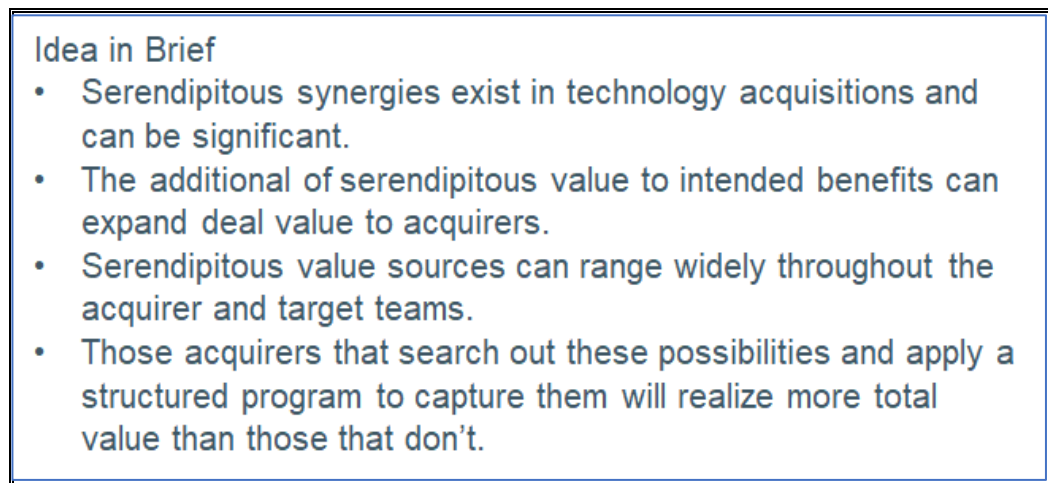
a. The idea in brief

Technology acquisitions often are based on a broader range of expected synergies, including product line extensions, the introduction of new market offerings, and scaled-up sales/distribution from existing capabilities than much M&A, which tends to be cost/efficiency focused. Business plans with their investment theses by acquirers of course plan and expect synergies as part of any deal, and M&A best practice often suggests clarity of intended benefits with an execution mindset is the best way to deliver value to the acquirer.

However, what about the unknown possibilities with the acquired assets, team, and business? Is it real? Is it significant? Can it be captured methodologically? What are the implications for those practicing technology M&A and doing the integration of technology organizations into larger firms? Academic researchers and practitioners have both noted the existence of serendipitous value during PMI and explained that it can come in a wide range of forms.

This research project set out to explore the topic of serendipitous value and how organizations identify and realize it. Based on the real experiences of integration teams, the project found that serendipitous value is relatively common, can be significant, and can be realized by putting structure in the process of managing it.

Figure 15: The idea in brief



This study took a focused interest in the unplanned synergies captured in seven different technology acquisitions and found that serendipitous value was available to the acquirer and, in many cases, it was significant. Those integration teams that put serendipitous value identification milestones and workstreams in their integration plans found more value than those that did not.

Those integration teams that methodically explored possibilities with a range of stakeholders found more value than those that did not.

Those integration teams that took specific steps to incorporate the acquired team and their emotions into the synergy definition tasks found more value than those that did not.

Our sample, while admittedly just seven cases that cannot represent the whole of all technology acquisitions, did show this serendipitous value exists in acquisitions on both coasts of the United States and in Europe, that the process of M&A integration can be influenced to

identify and capture this unplanned value, and that this serendipitous value can, in some cases, be significant.

b. Bringing serendipitous value concepts into integration planning

For practitioners doing integration of acquired organizations, this research project produced the following lens with which to view and manage the full range of synergies. Those responsible for the integration and the researcher generally agreed that the highest priority should be the capture of intended synergies and knowing what they were to be implemented through a value-capture program, all while not destroying the value of the ongoing organization is key. However, in addition to this capture of intended synergies, the project found that serendipitous value is likely available to the acquirer, and a related set of processes with related actions can be started to identify, assess, prioritize and ultimately capture it, leading to expanded value realization for the acquirer as indicated in the following table.

Figure 16: Questions for those doing integration of technology organizations

Maximize deal value during PMI

1. Avoid negative synergies

a. Maintain standalone value
Do you have clarity about what needs to be maintained in the target operation to avoid unintended value destruction?

b. Clarify intended synergies
Do you have clarity about intended synergies to be captured and who is accountable for capturing them when?

c. Manage intended synergy capture
Do you have a structured synergy capture program to manage the integration and intended synergy capture during PMI?

2. Realize serendipitous synergies

a. Expand synergy capture program to incorporate serendipitous value
Do you have a plan to include serendipitous value potential into your integration plans?

b. Explore serendipitous value potential from key acquirer and target staff
Are you exploring potential with involved deal teams (acquirer executives, BD team, & integration team and target executives & key staff)?

<p>c. PMI mechanisms Do your integration mechanisms incorporate the potential from serendipitous value?</p>	<p>d. Stakeholders Are you engaging with your external stakeholders to identify and ultimately realize serendipitous value?</p>	<p>e. Team Emotion Are you engaging with the full acquired team to identify and ultimately realize serendipitous value?</p>
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Core to the capture of intended synergies, the acquirer should be clear on what they want from the acquired organization and which parts of the acquired business it wants to maintain into the future. Without clarity about this core capability, it is very easy for the larger acquirer organization and culture to inadvertently morph the acquired organization into something unintended. The capture of the intended synergies should be the starting point for the integration team, and while the senior team at the acquirer knew the original investment

thesis used to justify the deal, it was not that common for the broader integration team and key stakeholders to know this justification. With a transparent understanding of the intended synergies, the likelihood of achieving them is much higher. Both practitioners and academic literature and this research found that operating a focused synergy-capture program is essential to ensure that “integration drift” does not happen, so the intended benefits are captured.

In a perfect world, all involved stakeholders would collaborate before the deal to build a joint vision, plan integration, and maximize value to the acquirer. However, with technology acquisitions (and likely other acquisitions), these deals do not happen in a perfect world. That said, the following table includes some broad questions for those planning or executing acquisitions:

c. How to ultimately realize serendipitous value

The analysis performed during the study unearthed four stages required to realize value from unplanned, serendipitous opportunities. This process has phases, as depicted in the following figure:

Figure 17: Steps in the serendipitous value realization process



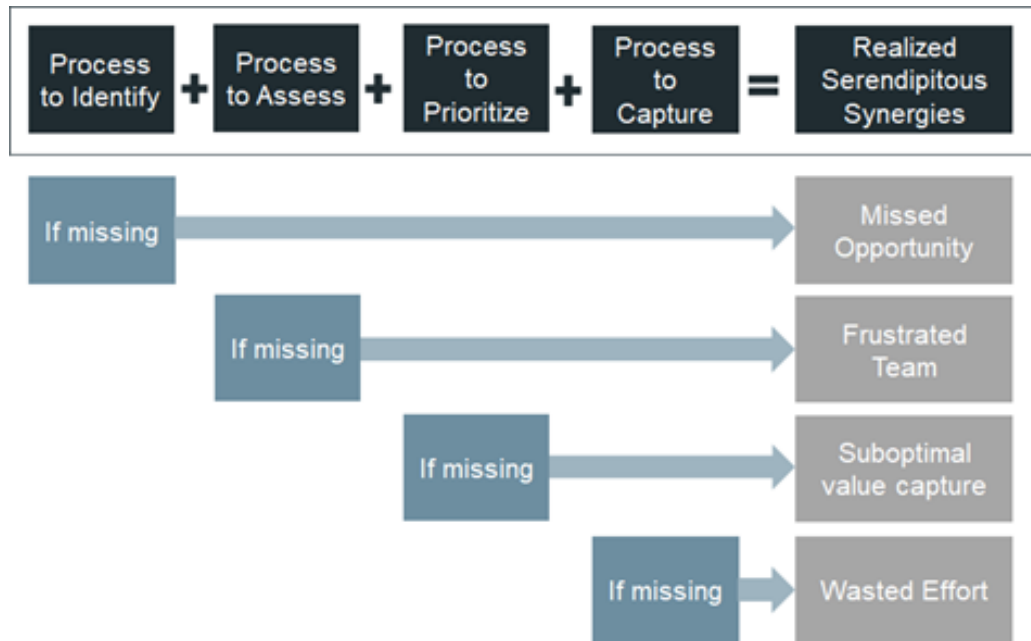
The project found that the realization of serendipitous value required each of these four separate but related processes. First, the integration team must take visible steps to identify possible synergies sourced from a wide range of involved stakeholders. In the research team experience, these ideas come from many different places, and a comprehensive approach to collecting the ideas led to a greater realization of unplanned value. In effect, this first process acted like the start of a funnel process, where all types of ideas were sourced and put into the funnel.

The second was an assessment phase, where the wide range of ideas were evaluated in light of both what is possible with the acquired team, the product capability, customers, and other assets from the acquired team with the practical evaluation of what is possible in the larger acquirer with its scale and capabilities. Evaluating each idea in light of both the newly acquired capability and how the idea may (or may not) be successfully in the acquirer was critical to realizing unplanned value. Once there is a joint assessment of each idea, the ideas must be prioritized versus other in-progress activities. The integration team is likely very busy, and many initiatives compete for limited resources in all organizations.

The third part of the process is a structured evaluation process to prioritize the valid initiatives to give the serendipitous ideas the appropriate priority versus other essential priorities. Lastly, once it is

decided that a serendipitous synergy will be pursued, a structure value capture process is required to ensure that the serendipitous value is realized and the benefit is delivered to the acquirer.

Figure 18: Consequences of not having a comprehensive approach to realize serendipitous value



If no process is implemented to **identify** all the possibilities sourced from a wide range of team members, the acquirer will not be able to explore and ultimately capture the unplanned value leading to a “missed opportunity.” The research unearthed that not all serendipitous value possibilities are the same; some may be appropriate to pursue, and others should be abandoned.

A process to **assess** and analyze the ideas and decide which have merit also needs to be implemented. This process needs to be transparent to the team members who identified the possibilities, and

the decision about the decision taken to pursue or not pursue needs to be transparent. A situation where the team produces many ideas that are perceived to be ignored by the integration team and the acquirers leads to a frustrated team.

The following required process is deciding how to **prioritize** those ideas that have merit against the other existing competing priorities. Integration teams and leaders of technology organizations are busy people, and just because an idea has merit does not mean that it should be considered when prioritized against other existing priorities, competing ideas, and resource constraints. This prioritization process by the integration team and acquirer leadership must be executed and transparent to ensure that the highest potential ideas that deliver maximum value to the acquirer are what gets resourced. If this prioritization process is not executed, the acquirer will likely get sub-optimal value capture.

Finally, once an initiative is prioritized, it must be managed to completion, ensuring that the serendipitous value potential is **captured** and fully realized. Without this fourth process, the joint team will waste time and resources without capturing value for the acquirer.

d. Terminology to use when discussing serendipitous value

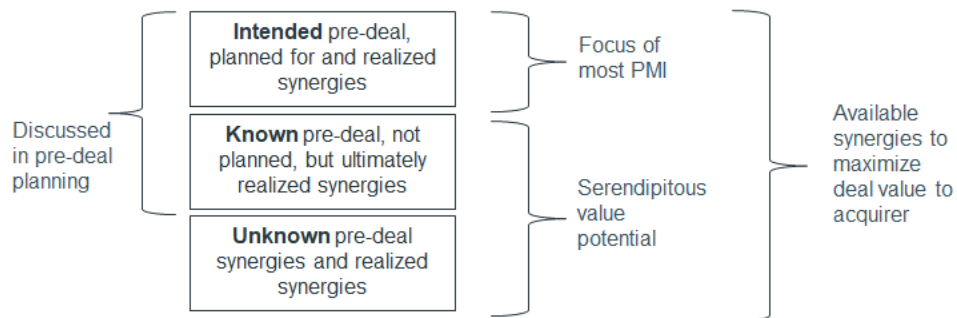
The detailed investigation into serendipitous value in this study unearthed that the realization of serendipitous value can be conceptualized and that a methodical, structured process can transform a range of identified possibilities into realized value for the acquirer.

The project produced a framework to talk about the processes involved in realizing it. The project proposes the consistent use of this terminology to help those involved in deciding to do deals and those responsible for capturing the acquirer's value to communicate more efficiently.

“Intended” synergies are explored by the deal team pre-deal, and that is agreed in the justification to do the deal. These usually contain the expected synergies the acquirer expects but, in many cases, are focused on those to achieve financial justification to do the deal.

There is also usually a long list of “known” synergies that were brainstormed by the deal team and, for some reason, did not make it into the final justification and the integration teams reported almost consistently that the turnover of these ideas was rarely done comprehensively. Once the integration is underway, a wide range of unplanned value can be explored, and these ideas should be considered from all sources.

Figure 19: Types of potential synergies the day the deal is done



The “unknown” synergy possibilities are for the integration team and management to identify and explore. By the time the integration team has built project plans and organized integration milestones, likely hundreds, if not thousands, of hours have gone into thinking about possibilities by the deal teams, the acquired management, the corporate team that did the assessment and due diligence, and by a range of bankers and consultants. The project found that even those integration teams that consciously decided to explore possibilities with serendipitous value rarely had access to the full range of discussions and ideas discussed pre-deal. The following figure frames the synergies available to the integration team and helps to frame the range of ideas as sources for serendipitous value.

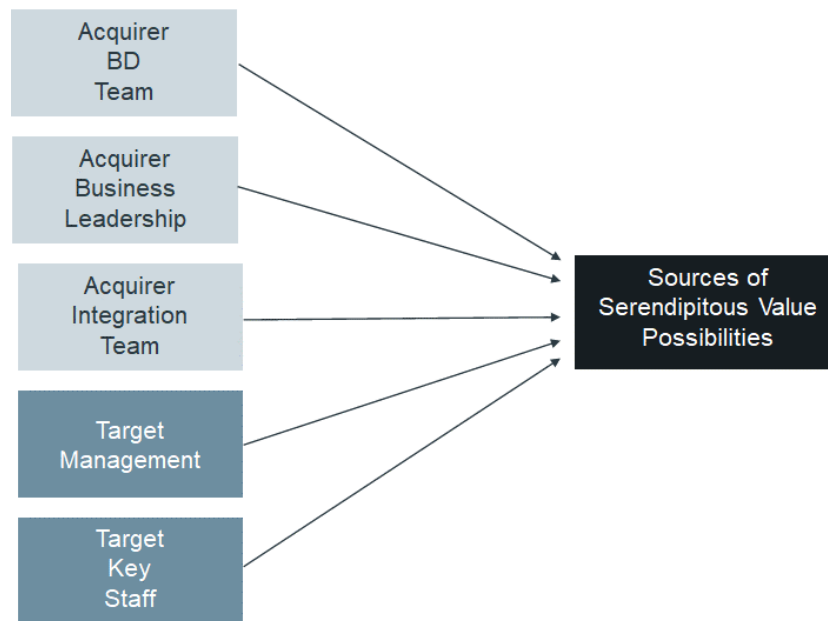
The project found that there likely are additional synergies available to capture and those used to justify the deal. Including this expanded thinking about possible synergies in the integration, plans make it far more likely that unplanned synergies will be captured than not. The synergy capture program can be expanded to include both those

originally planned ones and also canvass for additional ones. This canvassing should include a wide range of involved teams from both the acquirer and the target staff. The codification to manage the integration can play a key role in expanding value, as can expanding the management of stakeholders and the management of the acquired team's emotions.

e. Sources of serendipitous value

Identification of serendipitous value possibilities can come from a wide range of sources, and the integration team should think about whether they are capturing all the possibilities being discussed by both the acquirers and those being acquired. Even before teams are officially working together as colleagues, a wide range of ideas are likely thought about, well in excess of the intended synergies in the business case on which the integration is focused. This brainstorming exercise will contain good and less-than-good ideas for serendipitous value capture. The capabilities of the acquired team and product combined with the resources and realities of the larger organization must be assessed, and the list narrowed down to those that the joint integration team believes are worth considering.

Figure 20: Sources of serendipitous value possibilities



All organizations have the reality of limited resources, capacity, and priorities from their management. Just because an idea might be theoretically possible does not mean it should be executed. These “fleshed out” ideas must then be compared to other priorities, and then the acquirer must decide which to incorporate into the integration execution. Once an opportunity is prioritized, the integration team must then do the hard work of capturing the synergy, thereby realizing the value for the acquirer.

The research team learned that there also are two types of serendipitous value, with different value capture approaches required to benefit from the potential. There are “execution-based synergies” that the integration team and the management supporting the integration can identify, prioritize and decide to capture. These may range in size from modest to significant, and the team involved in

integration can likely decide to prioritize and capture this unplanned value. Interestingly while this research project was limited to execution-based synergies, the researcher came across some examples of more transformative unplanned synergies and hoped that further research would be organized to learn about the drivers of that serendipitous value realization.

Anecdotally the researcher learned that these transformative synergies might be noticed by those with a span of visibility across the broader acquirer organization. These require a span of visibility across the acquirer's organization which likely exists with executive management or key staff members who know the acquired organization. These transformational serendipitous synergies can be significant, and prioritizing them requires input and priority setting by the senior team at the acquirer.

Figure 21: Total value comprised of both execution-based and transformative synergies, each with a different identification and capture process



f. Specific actions integration teams can take

This study theorized that serendipitous value potential existed for large serial acquirers when integrating their technology acquisitions, and the experiences confirmed that theory in the seven cases. In addition, the project surfaced several processes that can be implemented during PMI by the acquirer to help identify and capture the unplanned value, thereby expanding the total deal value to the acquirer. The project unearthed some themes and actions that may lead to the identification and realization of serendipitous value when executed by the integration teams.

Codification: Incorporate the potential from serendipitous value into the integration planning

The project researches and learns about the role of codification and how PMI codification may help/hinder the realization of serendipitous value. Findings from this research show that integration teams can use codification to expand value captured via serendipitous value with the finding in this summary table that follows:

Figure 22: Tool-related findings

Surfaced processes about tools that may identify and ultimately realize SV during PMI			
Incorporate deliberate learning into integration plans	Stagger commercial and product integration after core integration	Establish a transparent synergy hunt process	Co-design the integration plan

Those acquisitions that realized serendipitous value used a process to identify and then a related one to capture the unplanned value. Interestingly in no cases did the official acquirer playbooks contain explicit direction for these activities. However, business leaders and their integration teams used a range of techniques across the cases to put structure in these activities leading to unplanned value capture. In all cases, those executives and integration teams with reflection agreed that these techniques, if included in official playbooks, could increase the likelihood of this unplanned value opportunity being identified and then available for capture.

Workstream categorization based on synergy potential with staggered timelines was another finding. Excess synergy opportunities can differ significantly across various workstreams used to manage PMI. Incorporation of this reality into the PMI planning and execution is required to keep the (likely very busy) integration team focused on prioritizing areas where serendipitous value creation is likely and away from those where it is less likely. The analysis concluded that the integration workstreams fall into three categories, each of which should be managed according to different timelines and with differing attention to value creation.

Those three are a) basic integration workstreams (email, HR, payroll) that should be implemented quickly and provide few opportunities for unplanned value, b) commercial integration workstreams (customer value articulation, specific customer roadmaps for offering evolution, and client value/contract expansion) that should be started

immediately and implemented over an appropriate timeline for the business, which may vary from deal to deal based on the market dynamics and intended deal value being implemented where serendipitous value is available and can be identified and captured and c) product integration workstreams (product operations, strategic evolution of the underlying technology, confirmation of go-forward technology capability versus the technology capability to be sunset) which will take longer, and by letting them take longer, significant unplanned opportunities for the product can emerge.

The research project found that establishing a transparent and inclusive set of processes to “hunt” for additional synergies led to the identification and realization of additional synergies.

Joint value capture teams, including a wide range of acquirer and target staff, also led to identifying and ultimately realizing serendipitous value. Workstream teams staffed with individuals with the right attitude toward delivering planned value and looking for ways to expand the value led to capturing intended value and adding serendipitous value to the captured value. Involving both target and acquirer staff and building joint execution teams committed to the go-forward business was key to serendipitous value identification and capture. The full range of acquirer business practices, experiences, and the reality of the acquirer company added to acquired organizations’ practices, experiences and capabilities must be brought into the discussion. Only with this joint view can synergistic ideas be identified, explored for viability both from the target

capability and the acquirer's ability to adopt/integrate them, and then captured. In addition to joint teams comprised of the acquirer and target staff, for some workstreams, additional stakeholders such as customers, suppliers, and other stakeholders can help identify and capture serendipitous value.

Stakeholders: Expand the thinking about the role of stakeholders

The project researches and learns about the role of stakeholders in the realization of serendipitous value and that careful management of stakeholders can lead to the realization of incremental serendipitous value with the following summary findings:

Figure 23: Stakeholder-related findings

Surfaced processes about stakeholder management that may identify and ultimately realize SV during PMI			
Engage with customers specifically about unplanned value	Engage acquired team during operational integration	Engage a wide range of acquirer and target internal stakeholders	Fully explore key external stakeholder relationships

The project learned that active engagement with customers can lead to identifying and capturing serendipitous value. Each of the integration teams had customer messaging and communication programs as part of their integration, but the style and intent of the engagement differed widely. In all cases, senior management communicated with larger customers, forums were created to respond to customer questions, and commercial integration received significant attention in the integration. However, a subset of the

acquisitions was able to use this transition in the relationship with the client to generate unplanned value that was not planned in the business cases that justified the acquisition.

Engaging the acquired team actively and creating a safe space for key acquired employees, and challenging them can lead to the identification and capture of serendipitous value. Giving the key target staff time to acclimate to being part of a larger organization by keeping the product teams together and limiting direction from those outside the integration team can allow the team to feel more in control of their activities and put more emphasis on brainstorming and delivering value. While in the end, teams must be integrated, taking it in a few stages allowing input from the acquired team to control their direction and activities can, in the end, lead to expanded delivered value.

The project learned that serendipitous value ideas could come from many different places, and engagement by the integration team with a wide range of stakeholders was critical. These stakeholders include the senior acquirer leadership, the integration teams, the BD team that established the deal in addition to a range of acquired team members, including management, but also crucial individuals, and the broader team.

Joint value-capture teams exploring relationships with key suppliers and industry groups may lead to the capture of serendipitous value. In addition to the possibilities from customer engagement and the

acquired team, the cases also identified that other stakeholders in their network of suppliers, industry associations, and universities can also create unplanned value.

Emotion: Think about how managing the emotion of the acquired team can help expand the total deal value

The project also researched and learned about the role of the emotion of the acquired team and how the management of that emotion may help/hinder the realization of serendipitous value. From our analysis, the employee emotions about the deal, how they are treated, how/if they are valued, and the engagement by the target is a factor in serendipitous value realization, including both the identification and capture of serendipitous value. The research team then built on that data with insights from the interviewees and put forward observations built from the data. The findings relating to emotions of the acquired management and staff follow:

Figure 24: Emotion-related findings

Surfaced processes about emotion management that may identify and ultimately realize SV during PMI			
Establish transitional identity for target team	Identify and engage motivators, not just management	Actively solicit and consider input from target team	Publicly protect and value legacy "secret sauce" as base

The research project found that establishing a transitional identity for the target allows the acquirer to maintain the value the team is

delivering and begin integration. Treating the acquired team as an alliance by staggering the product team integration led to the identification and capture of serendipitous value. Prior literature shows us that, at times, treating a technology product acquisition as an alliance for a while can help maximize value and this research project had the same findings. In all researched acquisitions where the management of the team's emotion led to the identification and capture of serendipitous value, this temporary wall between the acquired team and the larger organization protects the team from losing what made them valuable and lets them engage substantively with the larger team.

The project confirmed that key individuals and not just management set the emotion and attitude of the acquired team. Engaging a range of acquired employees (not just management) and identifying those who have bought into the new journey can lead to the realization of serendipitous value. The internal teams and their attitudes are the future success of the organization, whether building products, supporting clients, planning roadmaps, or selling to new market segments. In multiple cases, it arose that it was essential to “weed out the people who will be destructive with the integration” and that “you want to focus on the people on board with the new journey.”

The project also found that planned collaboration and joint objectives to those leading workstreams led to the identification and capture of

serendipitous value. Serendipitous value was found across all cases where overt steps were taken to get acquirer and target integration team members to work together. Overt challenges to the joint integration team, including both acquirer and target staff looking for serendipitous value, led to identifying and capturing serendipitous value. In each of the acquisitions where management of emotions led to identification and capture of serendipitous value, the acquirer created a joint integration team that was specifically challenged to find new ideas to create value.

Lastly, when acquirers focus on understanding the key value drivers in the target, and take active steps to maintain them, the acquired team notices and continues to deliver. This mental framework protects the acquired organization's core benefits until the acquirer decided to integrate more fully and helps send a very clear message to the acquired team that they are valued and their contribution is appreciated.

8. Conclusion

The research project achieved its intended outcome with processes surfaced about how serendipitous value is identified and ultimately realized by serial acquirers of technology organizations. The processes surfaced are contained in the three articles contained in this document. These processes and related insights are intended to be useful for practitioners doing merger integration as well as academics planning and executing further research into value creation with M&A.

The study theorized and then validated that total captured value during PMI can be thought about in categories with three types of potential value available to the acquirer: 1) the intended value that justified the acquisition, 2) additional value identified and captured during PMI, and 3) value-creation ideas identified by the deal team pre-deal but not used in the business case that can be used post deal to create additional value.

The study confirms that each of these three types of value exists and should be explored and planned separately when building and executing the integration plan. In addition to validating the three categories to help structure the sources of serendipitous value, the study also learned that unplanned value can further be divided into two types: 1) execution-based synergies that often are in the control/remit of the joint integration team (i.e., the team assigned to integrate the acquisition) as well as 2) transformative synergies that

are more strategic that must be identified by the acquirer's staff that have a span of visibility across the acquirer's large organization. The research found that there is an opportunity for academics to explore serendipitous value during PMI with more rigor, helping to learn more about how these unplanned possibilities are identified and ultimately captured. In addition, there is potentially significant value for acquirers to capture by focusing on serendipitous value with a structured approach during integration.

Looking forward, the researcher would like to see

- 1) This framework is used to help manage integration with the integration team or observers, making careful observations about those unplanned synergies and whether the recommendations contained in this project helped realize additional synergies than would have been captured without it.
- 2) Academics put more rigor into how this unplanned value is discussed in future research as other types of M&A research are performed to help put learn more about the realization of planned value versus serendipitous value.

The project was a valuable experience for the researcher and seemingly unearthed new concepts in expanding deal value by acquirers. Thank you again for the opportunity.

9. Ethics

Consistent with the University of Warwick ethics guidelines, the appropriate handling of data is of utmost importance to the researcher and to this project. The data collected during this project is mainly from interviews, and those interviews have confidential company information in them and insights and comments from the interviewed staff about their company and their colleagues. In addition to the interview data itself, other company confidential material is also used in the project.

The interview notes and transcripts are held confidentially and not shared with anyone in raw form except for Koen Heimeriks. During analysis, all individual company and personnel names were coded to reduce the chance that any comments would be shared outside the commitment made to the interviewee. Any summary tables or theory descriptions uses coded names in an active attempt to blind the individual company names and specific company practices.

The material itself was stored on a secure, password-protected Microsoft OneDrive account. Per the agreement with one of the acquirers, data and transcripts about those cases were maintained on company equipment during the project. As the project is now completed, all raw material with company or personally identifiable information has been destroyed.

The interview guide started each interview with an explanation and commitment to the interviewee of what will be collected, what will be done with it, and with whom it will be shared. The integrity of the project requires that the commitment is honored through the final completion of the project.

NDA's approved by the University of Warwick were executed with each client company, and requirements in those documents have been and were honored by the researcher.

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Appendix A: Research Project - Interview Guide Overview

(September 2019)

Two types of interviews were used during this study,

1. Interview type 1: **Acquisition Selection**. For executive management at each serial acquirer, I will probe at a higher level looking for the right acquisition projects to study. There will be one or two interviews of this type for each serial acquirer.
2. Interview type 2: **Case Study Discussions**. Once the cases are identified that will be studied, for those involved in the PMI of specific deals, the researcher will delve deeper into each acquisition to learn about how the PMI was done and how unexpected value was managed. There will be 5-7 interviews from each case (2-3 from the acquirer about each acquisition and 3-4 from each acquired firm).

When starting each interview, regardless of type, communicate the following to baseline the understanding of the study and to define some terms used in the study:

- **Note 1:** To better understand the process of acquisition integration and how companies can increase the value from their M&A, I would like to speak to you about technology-based acquisitions you have been involved with.
- **Note 2:** ALL INFORMATION will be kept completely confidential, although summarized results may be shared with the management of the acquirer.
- **Note 3:** Ask for permission to record the interview and note that the recordings will be used to capture the full discussion without specific names included and then destroyed
- **Note 4:** Explain that this study is looking to increase knowledge about how some companies identify and capture value during the integration effort after the deal is done. Some companies are able to drive value that was both planned and unplanned during the integration – and while others do not.
- **Note 5:** There are many ways to think about value during acquisitions. For the purposes of this study and our discussion today, we had like to think about three types of value: 1) inherent value in the acquired firm (standalone value), 2) value planned by the acquirer in the business case, and 3) value that was identified and captured that was not part of the business case.

- **Note 6:** We will need to get some baseline information about each acquisition and its business case to frame the situation, and then we will talk about your experiences and thoughts about value identified and captured during the integration from a few different perspectives.
- **Note 7:** We would like to capture both 1) what you experienced and remember about the acquisition and 2) your thoughts about ideas that could have been used. As we talk, help me delineate between the two.

Appendix B: Interview Type 1: Acquisition Selection

(for the executives of the serial acquirers helping find the appropriate cases to study)

Section 1a: Personal Information

Name:

Function:

Title:

Primary responsibility:

Years at company

Prior to working for your current company, did you have experience with acquisitions?

Not at all A little bit Average Relatively much Very much

If experienced, please specify (e.g., in the number of years AND the number of deals):

Date interview: _____

Section 1b: Corporate Integration Philosophy and Structure

I'd also like to learn how your company structures its M&A efforts:

1. Is there a central BD organization? How is it structured? How does it function?
2. Is there a central integration organization? During PMI, how much central control is there versus business unit control?
3. During PMI and after the initial integration is done, what types of controls and communication are in place between the business unit and the M&A function?
4. How would you consider your company's overall approach to PMI within M&A? (looking for "very structured," "very distributed," or other types of classification)
5. Who is responsible for estimating and announcing acquisitions and the estimated synergies?

Section 1c: Case Selection

For you, as executive management of a serial acquirer, I would like you to think about small/medium-sized (< \$50 million in revenue) technology acquisitions done in the past five years– and then think about the value the acquisition brought to your firm.

1. What were the planned and announced synergies?
2. Were the announced synergies realized? If not, what was the main reason?
3. Were there any surprises during implementation, i.e., the post-merger integration phase?
4. Can you think of cases where significant unexpected value was captured that was not part of the original business case?
5. Can you think of the cases where no unexpected value was found?

I would like to explore one or two in your firm in each of the two categories – and do that by talking with 2 or 3 acquirer staff from the M&A team and the business unit that the business was integrated into – as well to 3-to 4 key staff in the acquired company.

1. Can you help me identify the appropriate people to interview from both the acquirer side and the target side?
2. Or let me know who would be the right person to help identify them?

Thank you for your time.

Appendix C: Interview Type 2: Detailed Case Interviews

(for those involved in the PMI of the specific cases)

Section 2a: Personal Information (2 min)

Name:

Function:

Title:

Primary responsibility:

Acquirer Target

Years at company (Acquirer or target):

Prior to working for your current company, did you have experience with acquisitions?

Not at all A little bit Average Relatively much Very much

If experienced, please specify (e.g. in number of years AND number of deals):

Date interview:

Section 2b. Acquisition Background (8 min)

For you, as a person involved in the integration of an acquired firm, let us first discuss the name(s) and performance of the focal deal(s).

- a. Names of the acquisition case(s) and performance
 - What is the name of the acquisition?
 - What division did the acquisition?

- Where was the acquisition located?
- How would you rate its (integration) performance on a 5-point scale (1, very low, 5, very high)? 1 – 2 – 3 – 4 – 5

b. Rationale and deal characteristics

(Firms often acquire for process innovation (*making existing products incrementally better*), continuous innovation (*building on the strength of the company's current business model but creating new elements*), and disruptive innovation (*creating products or services that did not exist before.*)

- What was the rationale for this deal?
- What was the acquisition strategy, i.e., mostly revenue or mostly cost-cutting?
- How large was the target relative to the buyer?
- How hierarchical were the (a) target and (b) buyer before the deal?

c. Performance data

- How would you rate the performance of this deal (scale 0-10, low to high)?
- How do you define high and low performance?
- What type of synergies did you expect in this acquisition, i.e., cost or revenue synergies? Tell me more about them?
- What types of unexpected value were discussed and brainstormed?
- What types of unexpected value was actually captured?

d. Unique characteristics

- How, if at all, did management preserve the culture of the acquisition unit?
- What were the key challenges in the deal?
- Were the people who found the acquisition target and negotiated the deal the same as the executives who managed the integration or the acquisition?

e. Perception of corporate structure and support

- I'd also like to learn how your company structures its M&A efforts. Is there a central BD organization?

- Is there a central integration organization? During PMI, how much central control is there versus business unit control?
- During PMI and after the initial integration is done, what types of controls and communication are in place between the business unit and the M&A function?
- How would you consider your company's overall approach to PMI within M&A? (looking for "very structured," "very distributed," or other types of classification)

f. Detailing your role and involvement

- What was your role in the deal?
- What was your first thought when the deal was announced? Were these thoughts shared by your colleagues?
- What kind of effect did the process have on you (e.g., involvement, commitment)?
- To what degree did you feel 'involved' and 'in control'? Why?

g. PMI processes and experience

- How was the PMI planned? Who drove it? Who had input in it?
- How was the PMI executed? Who did what?
- Did it go well from the acquirer's perspective? Tell me more.
- Did it go well from the acquired staff's key staff? Tell me more
- What was your impression of the PMI?
- Who was involved in solving emergent challenges, and what did they do?
- How did the integration plan address synergy capture from the business case?
- How did the integration plan deal with unexpected challenges?
- How did the integration plan deal with new ideas/value creation not originally planned?
- How, if at all, did you experiment and iterate to find solutions? How important was this?

Section 2c. Codification (15 min)

This section is intended to learn about how codification such as playbooks was used in this acquisition – and how their use focused activities for both expected value and unexpected value.

- a. Does your company have integration playbooks?
 - Tell me about them?
 - Where did they come from? Who built them? Who maintains them?
 - How long have they been in place?
 - Are they used consistently?
 - Do they evolve as the company makes more acquisitions?

- b. How structured was the integration plan versus the playbook?
 - Are they modified for each deal?
 - How literally are they used?

- c. Pre- and post-closing and (in)formal processes
 - What, if any, structure was in place for the pre-closing pending/post-closing integration process (e.g., manuals)? Which structures proved helpful and which did not?
 - In the pre-closing phase, what did management do to communicate with and inspire employees?
 - In the post-closing (or integration) phase, what was done to retain (a) employees, customers, and suppliers (that was not done in the pending phase)?

Section 2d. Stakeholders (15 min)

This section aims to understand how customers and other key stakeholders were managed and what experiences with stakeholder management led to unexpected value.

- a. Customers
 - Tell me about the types of customers the acquisition had? Size, type of org.
 - In the pre-closing (or pending) phase, what did management do to reduce uncertainty and ensure customer and supplier retention?
 - How did the customers perceive the acquisition? Did that change over time?
 - What plans were used to manage the customer reaction to the deal?
 - Did they work?
 - What worked well?
 - What would you do differently?

Other Stakeholders

- Tell me about the other important stakeholders? Are there suppliers? Important partners? Trade associations? University alliances?
- For each of them, tell me about how the integration plan was designed to manage them? How did it go?

Section 2e. Emotion and Involvement of Acquired Staff (15 min)

This section examines the activities undertaken pre-closing and their impact on integration processes post-closing. In particular, it focuses on individual activities and (in)formal processes that facilitate or hamper deal performance.

a. Communication between target and buyer

- How would you rate the frequency of communication, e.g., monthly, weekly, daily, more than daily?
- Can you give an example where individuals on the target/buyer side felt (not) particularly comfortable speaking up? When did they feel comfortable speaking up? What caused one situation versus the other?
- Were there instances where information was withheld or distorted? If so, how?
- What did management do to implement ideas from employees?
- In the pre-closing (or pending) phase, what did management do to reduce uncertainty and ensure employees felt valued

b. Communication and Open Dialog

- How, if at all, did target/buyer employees speak up during the pending/integration process?
- Did anything keep you or your colleagues from speaking up?
- How did you facilitate open and candid communication?
- What was most challenging about achieving open communication?

c. Individuals and conflict

- How were the key people involved incentivized?
- How was the process of obtaining individual commitment/buy-in obtained in both companies? How did you foster collaboration between individuals across companies, e.g., to overcome cultural differences and break down resistance?
- What role did personality clashes/power clashes play in the post-merger integration phase?

- Who obstructed (or facilitated) the post-merger outcome more than you expected? How did you deal with this?
- How important was executive leadership for the integration and synergy outcome compared to mid-level management or process/structure? Why?

Section 2f. Closing Points and Reflection on Synergy Capture (5-10 min)

This section aims to capture any reflection or final thoughts from the interviewee now that we've been talking about PMI for an hour

- a. Any last reflections on the integration you were involved with?
- b. To overcome challenges, what activities, if any, were undertaken that you not expect to help but which did help?
- c. What surprised you as you were trying to capture synergies?
- d. What do you wish you would have done differently?

Thank you for your time.