Critical Success Factors through the Mergers and Acquisitions Process: Revealing Pre- and Post-M&A Connections for Improved Performance

By
Emanuel Gomes
Duncan N. Angwin
Yaakov Weber
Shlomo Yedidia Tarba

The mergers and acquisitions (M&A) literature is vast, spanning over half a century of research endeavor and drawing upon multiple disciplinary perspectives. Despite this wealth of material, the field suffers from a lack of connectedness. There is limited and compartmentalized understanding of the complexities of the M&A process, as the various streams of M&A research are only marginally
Introduction

Mergers and acquisitions (M&A) are of great practical importance in strategic, monetary, and social terms. Although this has encouraged substantial research endeavors over a period of half a century or more, and resulted in a substantial body of literature from different disciplinary perspectives, the results of these efforts remains disappointing in terms of trying to understand why so many M&A underperform; univariate links with overall performance remain elusive and M&A continue to exhibit high rates of failure. In a meta-review of commonly used antecedent variables on M&A performance, King, Dalton, Daily, and Covin (2004, p. 196) remark that “existing empirical research has not clearly and repeatedly identified those variables that impact on acquiring firm’s performance.” They conclude, “researchers may not be looking at the ‘right’ set of variables” and should pay more attention to non-financial variables, currently underrepresented in theory and research.

This article argues, however, that merely investigating additional discrete variables, within discipline, may not be sufficient to progress M&A research as this is to fall into a “specialization trap” (Knudsen, 2003). M&A is a multilevel, multidisciplinary, and multistage phenomenon (Angwin, 2007; Javidan, Pablo, Singh, Hitt, & Jemison, 2004). It requires a more pluralist approach, with integrative frameworks, to grasp the complexities of this multifaceted, multitemporal phenomenon (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; King et al., 2004; Pablo & Javidan, 2004; Shimizu, Hitt, Vaidyanath, & Pisano, 2004; Stahl & Voight, 2008). A multidisciplinary review of the M&A literature is necessary and desirable, as it seeks to capture the dynamic and complex nature of the phenomena (Meglio & Risberg, 2010) and also fosters cross-disciplinary learning. In particular, a review should highlight critical success factors promoted by different research perspectives and their linkages across the M&A process, in order to improve upon the connectedness of research in M&A (Angwin & Vaara, 2005).

Interdisciplinary literature reviews of M&A are rare. In fact it has been remarked that “it is surprising that no comprehensive reviews of acquisition research have been published in the last decade” (Haleblian et al., 2009). M&A have been included as part of reviews of other constructs, such as diversification (Hitt, Tihanyi, Miller, & Connelly, 2006), executive compensation (Devers, Cannella, Reilly, & Yoder, 2007), turnarounds and organizational change (Brauer, 2006), and human resource practices (Wright & Boswell, 2002), but only as a secondary facet of a larger subject. Interdisciplinary reviews focusing purely on M&A have been oriented to the use of different research methods (Meglio & Risberg, 2010), the impact of M&A on firm performance (Meglio, 2009; Tuch & O’Sullivan, 2007), how firms learn from acquisitions (Barkema & Schijven 2008b), and the use of M&A as an entry mode into foreign markets (Shimizu et al., 2004). Haleblian et al. (2009) have attempted to provide conceptual integration across the whole M&A process by considering antecedent and moderating factors in determining various acquisition outcomes. However, their approach, reviewing only quantitative studies in a narrow set of journals, limits their comprehensiveness. Important variables highlighted in some M&A literatures are omitted and the connectedness among key variables and different stages of the M&A process are not clearly articulated. A multidisciplinary review examining key success factors in the M&A process needs to consider the links between these variables at different acquisition stages as well as along the M&A process. This article is the first to clearly articulate these connections.

Historically, M&A researchers have focused separately on preacquisition factors and postacquisition...
A multidisciplinary review examining key success factors in the M&A process needs to consider the links between these variables at different acquisition stages as well as along the M&A process.

Recently, evidence has shown that connecting between pre- and postmerger stages may yield better M&A performance in general (Weber, Tarba, & Rozen Bachar, 2011) and also in specific industries (Weber & Tarba, 2011; Weber, Tarba, & Rozen Bachar, 2012; Weber, Tarba, Stahl, & Rozen Bachar, 2012). These studies found that if both strategic fit (synergy potential) and organizational fit factors (cultural differences and national culture of the acquiring company) are known premerger, and are taken into account in the choice of integration approach postmerger, M&A performance is superior to those deals that did not consider premerger factors for postmerger decisions.

This article aims to provide a comprehensive review of the critical variables promoted by different disciplines concerned with M&A. It is the first to articulate the connections between critical success factors within each M&A stage as well as between pre- and postmerger stages, thus better balancing the role of context and process. By highlighting the importance of process, these connections can better explain M&A performance. The article begins by outlining the method used to select key M&A articles from which critical success factors are identified. There then follows a brief overview of the M&A process to show that important phases exist, after which critical success factors are identified in each phase and interconnections articulated. In the final sections, the importance of connectedness across disciplinary approaches to M&A research is discussed, and suggestions for future research are made.

Literature Selection

To construct the review, a systematic investigation of the existing body of knowledge on critical success factors in M&A was undertaken. We used the inductive approach, which implies departure from the general recognition of the importance and relevance of the M&A phenomenon and the existence of controversial and inconclusive assumptions in various streams of the literature (Duriau, Reger, & Pfarrer, 2007; Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011). Following this approach, we examined the state of the art in leading journals as the primary source of widely accepted academic knowledge. In addition, and unlike other review processes, we also examined books. Books may have very important information not always covered in empirical and theoretical articles. Here, we chose books that are widely accepted, as will be elaborated later.

The first methodological step was to identify papers about the subject of investigation. Thus, the focus was
phases within the process, there is a pivotal moment when ownership transfers from target to the acquiring company. This bifurcation of the process is enshrined in law and separates the M&A process into two major parts, the pre- and postacquisition phases. Although there are always some efforts at the margin to attempt to overcome and blur the distinction between these two phases in practice, the reality remains that without achieving ownership, postacquisition integration cannot really take place in earnest. The other phases in the M&A process are not so clearly defined, as the boundaries between them are not fully specified and the phases can be performed simultaneously or even in reverse order. For instance, it is not unusual for informal negotiations to begin at a senior level before strategic planning or formal selection processes are begun. For these reasons, the two-phase approach to M&A is important, and this article adopts this framework as a way of structuring the literature review; the preacquisition and postacquisition phases are separated by the “completion date”—the formal transfer of ownership of the target company to the new owner.

While critical success factors can be apportioned to specific phases in the M&A process, and the links between them identified, of key importance is the ability of firms to manage the transition from preacquisition to postacquisition phase. At the heart of this problem is information asymmetry, where neither firm has complete on titles and abstracts for keywords central to the study of M&A. These were acquisition(s), acquired companies, acquiring companies, integration, integrating, merger(s), merging, M&A, and takeover(s). The databases used to identify articles were Business Source Complete and ABI inform.

The second methodological step was to define the database for the analysis, that is, to select the journals for the review process (Duriau et al., 2007). To this aim we used the Association of Business School (ABS) Academic Journal Quality Guide to classify the journals in which our selection of papers was published and to focus on those that are recognized as high quality. Most of the papers reviewed were published in general management, strategic management, international business, organization studies, and finance journals.

The intention is to provide as comprehensive an overview of the literature as possible. Thus, we did not limit ourselves to just one or two recent decades. This process helped to ensure that we did not miss important articles and key success factors.

In the next methodological step, we selected only those papers that dealt with the merger or acquisition of complete companies, as this is the core theme of the investigation, and rejected related or peripheral topics. For instance, papers focusing on the acquisition of a license or a partial acquisition of a company were not included.

Finally, in searching for the critical success factors and to analyze manifested and latent concepts, in order to identify areas of main contributions as well as core concepts (e.g., choice of strategic partner and integration strategies), the authors read articles individually and then discussed jointly to achieve consensus about the ways in which to organize concepts and success factors into conceptually distinct groups. Any disagreements during this coding process were talked through and resolved jointly. This set of papers and critical success factors are presented in Table 1.

Similarly, there are many books on M&A that have had significant impact upon the field and received many citations. For instance, Haspeslagh and Jemison (1991) has been one of the most cited works in the M&A literature with a citation impact of 855. Table 2 shows the books used in this review and their citation impact.

Defining the Acquisition Process

In order to be sensitive to the process aspect of M&A, it is important to consider how it is conceived of in the M&A literature. Though there is no consensus on the boundaries of an M&A process, when an acquisition begins or concludes, or the number and characterization of the
### TABLE 1 Pre- and Postmerger Critical Success Factors

<table>
<thead>
<tr>
<th>Premerger Phase-Critical Success Factors</th>
<th>Literature</th>
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</table>
| Choice and Evaluation of the Strategic Partner (Pre1) | *Academy of Management Review* (Jemison & Sitkin, 1986; Nahavandi & Malekzadeh, 1988)  
*Journal of World Business* (Angwin, 2001)  
| Pay the Right Price (Pre2) | *California Management Review* (Inkpen, Sundaram, & Rockwood, 2000)  
*Journal of International Business Studies* (Seth, Song, & Pettit, 2000)  
*Management International Review* (Datta & Puja, 1995)  
*Strategic Management Journal* (Hayward, 2002) |
*Organization Science* (Finkelstein & Haleblian, 2002)  
*Strategic Management Journal* (Chung, Singh, & Lee, 2000; Ahuja & Katila, 2001) |
| Overall Strategy and Accumulated Experience on M&A (Pre4) | *Academy of Management Journal* (Vermeulen & Barkema, 2001; Halebian, Kim, & Rajagopalan 2006; Barkema & Schijven, 2008a)  
*Academy of Management Review* (Jemison & Sitkin, 1986)  
*California Management Review* (Inkpen, Sundaram, & Rockwood, 2000)  
*Journal of Finance* (Delong & Deyoung, 2007)  
*Journal of Management* (Barkema & Schijven, 2008b)  
*Long Range Planning* (Colombo, Conca, Buongiorno, & Gnan, 2007)  
*Strategic Management Journal* (Krishnan, Miller, & Judge, 1997; Very, Lubatkin, Calori, & Veiga, 1997; Brouthers & Brouthers, 2000; Hayward, 2002; Zollo & Singh, 2004) |
| Courtship (Pre5) | *Academy of Management Review* (Jemison & Sitkin, 1986)  
*Journal of International Business Studies* (Li & Guisinger, 2001)  
*Long Range Planning* (Colombo, Conca, Buongiorno, & Gnan, 2007)  
*Sloan Management Review* (Sebenius, 1998)  
*Strategic Management Journal* (Barkema, Bell, & Pennings, 1996; Schneider & De Meyer, 1991) |
| Communication Before the Merger (Pre6) | *Academy of Management Review* (Jemison & Sitkin, 1986)  
*California Management Review* (Inkpen, Sundaram, & Rockwood, 2000)  
*Harvard Business Review* (Light, 2001)  
*Human Resource Management Journal* (Hubbard & Purcell, 2001)  
*Journal of Management* (Teerikangas, 2012)  
*Journal of World Business* (Angwin, 2001) |
*Journal of Management* (Devers et al., 2007) |
| Postmerger Phase-Critical Success Factors | Literature |
| Integration Strategies (Post1) | *Academy of Management Journal* (Puranam, Singh, & Zollo, 2006; Cording, Christmann, & King, 2008; Schweizer, 2005)  
*Academy of Management Review* (Nahavandi & Malekzadeh, 1988)  
*Human Relations* (Larsson & Lubatkin, 2001)  
*Industrial and Corporate Change* (Capron & Mitchell, 1998)  
*Journal of International Business Studies* (Bjorkman, Stahl, & Vaara, 2007)  
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<th>Postmerger Phase-Critical Success Factors</th>
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<td><strong>Integration Strategies (Post1)</strong> (continued)</td>
<td><strong>Journal of World Business</strong> (Slangen, 2006)</td>
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<td><strong>Organization Science</strong> (Lubatkin, Calori, Very, &amp; Veiga, 1998; Larsson &amp; Finkelstein, 1999; Ranft, &amp; Lord, 2002; Puranam, Singh, &amp; Chaudhuri, 2009)</td>
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<td><strong>Organization Studies</strong> (Spedale, van Den Bosch, &amp; Volberda, 2007; Calori, Lubatkin, &amp; Very, 1994; Vaara, 2002; Schweiger &amp; Goulet, 2005)</td>
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<td><strong>Strategic Management Journal</strong> (Chatterjee, Lubatkin, Schweiger, &amp; Weber, 1992; Very, Lubatkin, Calori, &amp; Veiga, 1997; Puranam &amp; Srikanth, 2007; Ellis, Reus, &amp; Lamont, 2009; Makri, Hitt, &amp; Lane, 2010)</td>
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<td><strong>Post Acquisition Leadership (Post2)</strong></td>
<td><strong>California Management Review</strong> (Inkpen, Sundaram, &amp; Rockwood, 2000)</td>
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<td><strong>Harvard Business Review</strong> (Anslinger, Copeland, &amp; Thomas, 1996; Ashkenas, DeMonaco, &amp; Francis, 1998; Ashkenas &amp; Francis, 2000; Light, 2001; Vermeulen &amp; Barkema, 2001)</td>
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<td><strong>Journal of World Business</strong> (Krug &amp; Nigh, 2001; Angwin, 2001)</td>
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<td><strong>Long Range Planning</strong> (Angwin, Stern, &amp; Bradley, 2004; Angwin &amp; Meadows, 2009)</td>
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<td><strong>Management Science</strong> (Weber, Shenkar, &amp; Raveh, 1996)</td>
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<td><strong>Leadership Quarterly</strong> (Nemanich &amp; Keller, 2007; Waldman &amp; Javidan, 2009)</td>
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<td><strong>British Journal of Management</strong> (Kavanagh &amp; Ashkanasy, 2006)</td>
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<td><strong>Speed of Implementation (Post3)</strong></td>
<td><strong>California Management Review</strong> (Inkpen, Sundaram, &amp; Rockwood, 2000)</td>
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<td><strong>Harvard Business Review</strong> (Anslinger, Copeland, &amp; Thomas, 1996; Ashkenas, DeMonaco, &amp; Francis, 1998; Light, 2001)</td>
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<td><strong>Journal of Marketing</strong> (Homburg &amp; Bucerius, 2005)</td>
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<td><strong>Organization Science</strong> (Ranft &amp; Lord, 2002)</td>
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<td><strong>Organization Studies</strong> (Olie, 1994)</td>
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<td><strong>Strategic Management Journal</strong> (Homburg &amp; Bucerius, 2006)</td>
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<td><strong>Postmerger-Integration Team and Disregard of Day-to-Day Business Activities (Post4)</strong></td>
<td><strong>Academy of Management Journal</strong> (Vermeulen &amp; Barkema, 2001)</td>
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<td><strong>Academy of Management Review</strong> (Jemison &amp; Sitkin, 1986)</td>
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<td><strong>California Management Review</strong> (Inkpen, Sundaram, &amp; Rockwood, 2000)</td>
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<td><strong>Thunderbird International Business Review</strong> (Deng, 2010)</td>
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<td><strong>Communication During Implementation (Post5)</strong></td>
<td><strong>Academy of Management Journal</strong> (Schweiger &amp; DeNisi, 1991)</td>
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<td><strong>Academy of Management Review</strong> (Eisenberg &amp; Witten, 1987)</td>
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<td><strong>California Management Review</strong> (Inkpen, Sundaram &amp; Rockwood, 2000)</td>
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<td><strong>Harvard Business Review</strong> (Leighton &amp; Tod, 1969; Light, 2001)</td>
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<td><strong>Human Resource Management</strong> (Bastien, 1987; Hubbard &amp; Purcell, 2001)</td>
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<tr>
<td><strong>Managing Corporate and National Cultural Differences (Post6)</strong></td>
<td><strong>Academy of Management Journal</strong> (Vermeulen &amp; Barkema, 2001; Puranam, Singh, &amp; Zollo, 2006; Cording, Christmann, &amp; King, 2008)</td>
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<td><strong>Administrative Science Quarterly</strong> (Graebner &amp; Eisenhardt, 2004)</td>
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<td><strong>British Journal of Management</strong> (Teerikangas &amp; Very, 2006)</td>
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<td><strong>Human Relations</strong> (Weber, 1996)</td>
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<td><strong>Journal of International Business Studies</strong> (Kogut &amp; Singh, 1988; Morosini, Shane, &amp; Singh, 1998; Reus &amp; Lamont, 2009; Bjorkman, Stahl &amp; Vaara, 2007; Brannen &amp; Peterson, 2009; Chakrabarti, Gupt-Mukherjee, &amp; Jayaraman, 2009; Sarala &amp; Vaara, 2009)</td>
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<td><strong>Journal of Management</strong> (Lubatkin, Schweiger, &amp; Weber, 1999)</td>
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<td><strong>Journal of Management Studies</strong> (Vaara, Sarala, Stahl, &amp; Bjorkman, 2011)</td>
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<td><strong>Journal of World Business</strong> (Slangen, 2006)</td>
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<td><strong>Organization Science</strong> (Stahl &amp; Voight, 2008; Puranam, Singh, &amp; Chaudhuri, 2009)</td>
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<td><strong>Strategic Management Journal</strong> (Datta, 1991; Chatterjee, Lubatkin, Schweiger, &amp; Weber, 1992; Very, Lubatkin, Calori, &amp; Veiga, 1997; Krishnan, Miller, &amp; Judge, 1997; Krug &amp; Hegarty, 1997; Graebner, 2004; Puranam &amp; Srikanth, 2007; Ellis, Reus, &amp; Lamont, 2009)</td>
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requirements, quality of the target company management team, and implementation barriers including cultural differences and human resources implications such as top management turnover (Angwin, 2001; Donnelly, Mellahi, & Morris, 2002; Lubatkin, Schweiger, & Weber, 1999; Mirvis & Marks, 1992; Pritchett, Robinson, & Clarkson, 1997; Schweiger & Weber, 1989; Weber, Shenkar, & Raveh, 1996). These will be assessed through a thorough due diligence process (Boyle & Winter, 2010). The existing literature related to this variable is broadly divided into two perspectives: “Strategic Fit” (Howell, 1970; Lubatkin, 1987; Napier, 1989) and “Organizational Fit” (Angwin, 2000; Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986; Leighton & Tod, 1969; Nahavandi & Malekzadeh, 1988; Schweiger et al., 1993; Weber et al., 1996). Both strands assert that companies that fit strategically and organizationally are likely to be more successful than those that fit less well in these terms. Research by Wang and Zajac (2007) show that factors such as resource similarity and complementarity, combined relational capabilities, and partner-specific knowledge between firms will affect the likelihood of those firms forming an acquisition. Similarly, some organizational fit variables are extensively investigated in literature, such as cultural differences, but the implications for specific steps during the postmerger integration process are rarely researched.

**Pay the Right Price (Pre2)**

A substantial amount of research from a finance perspective has indicated that “paying too much” is a major cause of failure (Anslinger, Copeland, & Thomas, 1996; Bower, 2001; Datta & Puia, 1995; Hayward, 2002; Inkpen, Sundaram, & Rockwood, 2000; Schweiger et al., 1993; Sirower, 1997). Goold, Campbell, and Alexander (1994, p. 220) assert that “one of the most common and most important sources of value destruction in corporate development is paying too much. Often the acquirer destroys value by paying too much, making it very difficult to achieve an adequate return.” Seth, Song, and Pettit (2000) claim that the evaluation of target firms in situations of cross-border mergers needs to be handled even more carefully, since, on average, there is greater information asymmetry between companies from different countries than in domestic situations. Inkpen et al. (2000), analyzing technology-based merger activity involving US companies similar to Silicon Valley–type firms during the period of 1990–1999, concluded that the failure rate of acquisitions involving European acquirers was much higher than those involving US acquirers because European companies tended to pay a much higher premium (43%) than US acquirers (14%).

### Preacquisition Critical Success Factors

This section discusses those variables presented in the M&A literature as critical success factors and that are commonly associated with acquisition outcome.

#### Choice and Evaluation of Strategic Partner (Pre1)

Once the need for an M&A is established, the first step that the acquiring firm must accomplish is to choose a strategic partner in terms of its strengths and weaknesses (Angwin, 2001; Kitching, 1967; Leighton & Tod, 1969; Schweiger, Csiszar, & Napier, 1993), future investment

### Table 2 Books Reviewed by Citation Impact

<table>
<thead>
<tr>
<th>Book Impact</th>
<th>Citation Authors(s)</th>
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<tbody>
<tr>
<td>855</td>
<td>Haspeslagh &amp; Jemison (1991)</td>
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<td>366</td>
<td>Buono &amp; Bowditch (1989)</td>
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<td>328</td>
<td>Meeks (1977)</td>
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<td>258</td>
<td>Cartwright &amp; Cooper (1992)</td>
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<td>225</td>
<td>Goold Campbell &amp; Alexander (1994)</td>
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<td>205</td>
<td>Hitt, Harrison, &amp; Ireland (2001)</td>
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<td>136</td>
<td>Sirower (1997)</td>
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<td>124</td>
<td>Child, Faulkner, &amp; Prikethly (2001)</td>
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<td>110</td>
<td>DePamphilis (2010)</td>
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<td>70</td>
<td>Morosini (1998)</td>
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<td>63</td>
<td>Galpin &amp; Herndon (2007)</td>
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<td>37</td>
<td>Schweiger (2002)</td>
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<td>Marks &amp; Mirvis (1998)</td>
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<td>Pritchett, Robinson, &amp; Clarkson (1997)</td>
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<td>31</td>
<td>Stahl &amp; Mendenhall (2005)</td>
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<td>14</td>
<td>Hooke (1997)</td>
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<td>9</td>
<td>Angwin (2000)</td>
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<td>5</td>
<td>Gomes, Weber, Brown, &amp; Tarba (2011)</td>
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The form of payment also seems to have some influence on acquisition outcome. Friendly deals using stock often perform better than those using cash (Bower, 2001; Howell, 1970; Inkpen et al., 2000). Hayward (2002) gives as an example the successful acquirer, BankOne, asserting that the firm always uses stock payment instead of cash. However, Tuch and O’Sullivan (2007) in their review of empirical research on the impact of acquisitions on firm performance found that hostile acquisitions paid for with cash tend to perform better than those paid with stock.

Size Mismatches and Organization (Pre3)

Research findings seem to indicate that similarity between firms in terms of relative organizational size plays a very important role in choosing the right partners. Empirical evidence suggests that buying firms that are very small in relation to the acquirer can result in suboptimal outcomes, and buying firms that are very large in relation to the acquirer can also result in underperformance (Kitching, 1967; Moeller, Schlingemann, & Stulz, 2004). Reasons may be that acquisitions that are too small in relation to the acquirer tend to be ignored postdeal or attract too much attention in the eyes of managers of other parts of the acquirer’s business. For those acquisitions that are very large in relation to the acquirer, inferences are made that there may be significant political in-fighting postdeal as each organization struggles for dominance. From an acquisition selection standpoint, a balance on both size and relatedness between the potential partners is favorable (Ahuja & Katila, 2001; Chung, Singh, & Lee, 2000). This has received empirical support from Finkelstein and Halebian (2002) showing size similarity between merging firms is associated with higher announcement returns. More recently, investigations into relationships between small acquisitions by smaller acquirers has shown that there are positive announcement gains (Moeller et al., 2004), and smaller firms taking over larger targets also tends to result in better M&A performance (Tuch & O’Sullivan, 2007).

Overall Strategy and Accumulated Experience on M&A (Pre4)

A considerable amount of research shows that companies with an overall strategy and experience of M&A are more successful than those that are less experienced or merely react to a M&A opportunity (see Barkema & Schijven, 2008a, 2008b, for reviews). Most companies fail by not having an overall consistent strategy for growth, missing the opportunity to learn from continuous and accumulated experience of acquisition activity (Brouthers & Brouthers, 2000; Colombo, Conca, Buongiorno, & Gnan, 2007; Halebian, Kim, & Rajagopalan, 2006; Hayward, 2002; Howell, 1970; Inkpen et al., 2000; Jemison & Sitkin, 1986; Kitching, 1967; Krishnan, Miller, & Judge, 1997; Leighton & Tod, 1969; Vermeulen & Barkema, 2001; Very, Lubatkin, Calori, & Veiga, 1997). Companies following a continuous learning approach to acquisition activity tend to be more successful because they gain specific execution capabilities that are critical to the acquisition process (Vermeulen & Barkema, 2001). They suggest this is the case because mergers tend to “broaden a firm’s knowledge base and decrease inertia, enhancing the viability of its later ventures” (2001, p. 457). Inkpen et al. (2000) suggest that in the United States it is common for many firms to have a merger budget whereby managers are encouraged to seek out potential strategic targets to build familiarity, and in Europe to significantly improve integration processes through greater experience and familiarity. Hayward (2002), analyzing 535 mergers accomplished by 100 US-domiciled companies during a period of 11 years (1985–1995), argues that “acquisition experience is a principal mechanism by which firms attain” the skills necessary to ensure superior acquisition performance (2002, p. 21). These findings are derived from “organizational learning theory,” which suggests that managers develop standardized routines from their experiences, which can be refined and applied in future cases.

However, there have been some suggestions that the role of experience is overstated as “most companies do not make acquisitions sequentially with several acquisitions coming close together. As a result, few companies have opportunities to learn over time” (Jemison & Sitkin, 1986, p. 112) and acquire experience in merger process. Zollo and Singh (2004) argue that previous acquisition experience explains higher acquisition performance only in cases where companies in merger activity are meticulous in merger process management and explicitly codify knowledge derived from each experience. More recent research is now turning attention away from direct experience toward the ability of companies to acquire indirect learning. Delong and Deyoung (2007) observe that companies may also learn by studying other peer companies’ acquisition experiences and acquirers with no prior M&A experience may achieve superior performance through the use of external consultants.

Courtship Period (Pre5)

Bringing two potential partners together may be thwarted or enhanced by a “courtship period”—a time when companies can get to know each other before deciding to merge (Colombo et al., 2007; Jemison & Sitkin, 1986; Kitching, 1967). This form of engagement may range from a prior formal arrangement, such as a joint venture
or working on a specific project, to an arm’s-length relationship, such as trading partner, board-interlocks (Stuart & Yim, 2010), or active shareholder with board representation. “Courtship time” can allow partners to improve mutual knowledge and understanding, reduce the problem of information asymmetry, and help to build trust and confidence. This can be particularly valuable during the negotiation process, as it may facilitate the creation of a positive chemistry between parties. Successful negotiations depend on having accurate information and overcoming potential tensions and conflicts between negotiating parties (Sebenius, 1998, 2002). The establishment of trust and confidence from prior interactions can allow realistic action planning, effective communication, and appropriate bargaining styles (Sebenius, 1998, 2002). It may also enable both parties to become more sensitive to interorganizational cultural differences that can lead to misperceptions, misunderstandings, conflicts, and lack of trust (Barkema, Bell, & Pennings, 1996; Shneider & De Meyer, 1991). This may be a particular risk in cross-border deals where larger cultural gaps have been associated with lower success in intercultural business relations (Li & Guisinger, 1991). Without courtship, evaluating each other’s resources, competences, cultures, and intentions can be problematic and negotiations may be difficult. This may lead to severe “marital difficulties” postacquisition.

Communication Before the Merger (Pre6)

Communications play a central part in the acquisition process. Preacquisition, companies need to put special effort into communicating adequately to avoid uncertainty among employees. An information vacuum leads to uncertainty and the creation of rumors that can have harmful effects (Bastien, 1987). Poor communications can damage considerably the acquisition process (Angwin, 2001; Inkpen et al., 2000; Jemison & Sitkin, 1986; Light, 2001), as uncertainty can result in loss of confidence from key stakeholders. In extreme cases, uncertainty can cause fear and even dysfunctional actions, and industrial unrest is not uncommon. Important to effective communication is setting appropriate levels of expectations (Hubbard & Purcell, 2001) and communicating fairly, accurately, and reflexively (Angwin, 2000). Teerikangas (2012), examining employee reactions to a forthcoming acquisition, shows that they are not so much the deterministic result of the change itself but influenced by the acquiring firm’s behavior. The way in which the acquirer communicates its future intentions toward the acquired entity is an important aspect of managing stakeholder expectations.

Future Compensation Policy (Pre7)

Inkpen et al. (2000) found evidence that compensation structures, including incentives, can create a clash between individual motivations and organizational objectives. Therefore, it is important to develop a new compensation structure that fosters individual attitudes and motivation levels, leading to the achievement of the objectives of the new organization. Anslinger et al. (1996) suggest that successful acquirers, apart from offering acquired firms’ managers ownership stakes up front, also motivate them with carefully designed compensation schemes, such as earn-outs, according to their later performance, which are tied to changes in cash flow. However, recent research by Devers et al. (2007) shows that equity-based compensation in M&A situations might have the adverse effect of fueling managerial opportunistic behavior at the expense of shareholders, and powerful top managers might actually use M&A compensation policy as mechanisms to enhance their personal bonuses and rewards (Grinstein & Hribar, 2004).

Interrelationships between Preacquisition Success Factors

There are few studies that examine the links between pre-acquisition success factors, but evidence suggests that this line of enquiry is worthwhile. For example, the strategic alliance literature shows that the explanatory power of the key success factor, choice, and evaluation of a strategic partner (Pre1), in terms of strategic and organizational fit, can be significantly improved by considering target company size characteristics (Pre3), in terms of resource complementarity and status similarity (Chung et al., 2000). This link has been partially tested by Ahuja and Katila (2001) examining acquisitions in the chemicals industry, who find that for technological acquisitions,
absolute size of the acquired knowledge base enhances innovation performance while relative size of acquired knowledge base reduces innovation output.

Another examination of a link between key success factor links is by Fuller, Netter, and Stegemoller (2002), who analyze the relationship between size of merging firms (Pre3) and form of payment (Pre2). They found that in the case of public firms, cash payment was more beneficial than stock offers where target firms were large. For private acquisitions, they observed that cash payments were less beneficial than share offers where target firms were small. This further illustrates the value of combining critical success variables, size of firm, and form of payment key success factors, in order to achieve additional insights.

Examining other links between key success factors in the preacquisition phase may improve our understanding of which combinations of key success factors have the greatest explanatory power in terms of acquisition performance. Potential combinations that have not been investigated to date, and their implications, are discussed later in the article.

**Postacquisition Critical Success Factors**

In terms of completing an M&A transaction, the legal and financial aspects are generally well handled, but managers often fail to consider thoroughly how the new organization will be operated and managed after the deal (Bower, 2001; Inkpen et al., 2000; Kitching, 1967; Leighton & Tod, 1969; Light, 2001; Morosini, 1998; Pritchett et al., 1997). This mirrors researchers’ original attention to preacquisition variables in order to explain M&A performance. Disappointing results have led researchers to focus on the previously ignored postacquisition phase. For some, this is the most critical phase in the acquisition process, as it is where value is created (Haspeslagh & Jemison, 1991). In this section, we identify and discuss critical success factors associated with the postacquisition phase, including different integration strategies, postacquisition leadership, speed of implementation, postmerger integration team, communication, and management of corporate and national cultural differences and identify relationships between them.

**Integration Strategies (Post1)**

Without adequate and effective integration, the expected value to be derived from M&A is merely elusive (Haspeslagh & Jemison, 1991; Schweiger et al., 1993; Schweiger & Goulet, 2005; Schweiger & Weber, 1989; Weber & Schweiger, 1992). Schweiger and Weber (1989) show that lack of integration is a major reason for M&A failure, and also that too much integration can be detrimental to outcome as the potential for cultural clash is higher (Weber & Schweiger, 1992). The integration approach therefore seems to matter, but as M&A are undertaken within different contexts and for different reasons, integration strategies need to reflect these differences.

The complexity of integration approaches in M&A has led to the development of many contingency frameworks or typologies (Angwin, 2012; Haspeslagh & Jemison, 1991; Howell, 1970; Schweiger et al., 1993; Schweiger & Weber, 1989; Weber & Schweiger, 1992). Early work on organizational integration focused on the extent to which companies would integrate their operations. Howell (1970) identified three different integration approaches depending on the perceived levels of synergy possible between different functional parts of the business. Later work by organizational behavioral researchers such as Nahavandi and Malekzadeh (1988) focused on the cultural fit between organizations on the basis that cultural alignment would produce better outcomes. Later strategists merged these two streams in order to create a typology that would indicate how companies might integrate both task and human dimensions (Birkinshaw, Bresman, & Hakanson, 2000). The best-known postacquisition integration framework is by Haspeslagh and Jemison (1991), who proposed four integration styles—Symbiotic, Preservation, Absorption, Holding—each with different levels of intended synergy and with different implications for overall performance (Haspeslagh & Farquhar, 1994) and human integration. This typology has received empirical support from Angwin and Meadows (2009) and has been developed by Almor, Tarba, and Benjamini (2009), who suggest that an adopted integration approach depends on cultural differences between combining entities and synergy potentials of the deal.

Makri, Hitt, and Lane (2010), in their study of high-technology M&A, found that complementary scientific knowledge and complementary technological knowledge can both contribute to postacquisition performance, but in order to exploit potential synergies between the acquired and acquiring firms, postacquisition integration and resource reconfiguration may be necessary (Capron & Mitchell, 1989; Ellis, Reus, & Lamont, 2009; Ellis, Weber, Raveh, & Tarba, 2012; Larsson & Finkelstein, 1999; Larsson & Lubatkin, 2001; Schweizer, 2005; Tarba, Almor, & Benyamini, 2011). The need to obtain and transfer tacit and socially complex knowledge-based resources (Ranft & Lord, 2000, 2002) requires a high degree of postacquisition integration in order to realize the anticipated benefits of these acquisitions (Puranam, Singh, & Zollo, 2003), as these forms of knowledge are difficult to transfer. Yet
a high-level integration may ultimately lead to the loss of autonomy that may be itself detrimental to acquisition performance (Chatterjee, Lubatkin, Schweiger, & Weber, 1992; Vaara, 2002, 2003; Very et al., 1997) and also require a substantial commitment of managerial resources of the buying company (Cording, Christmann, & King, 2008; Haspeslagh & Jemison, 1991). This exposes a key dilemma in postacquisition integration that the extent of integration needed to achieve synergies may ultimately result in the destruction of the acquired firm’s knowledge-based resources through employee turnover, disruption of organization routines, and dissolution of embedded ties in the acquired firm (Puranam, Singh, & Chaudhuri, 2009; Puranam et al., 2003; Puranam, Singh, & Zollo, 2006; Puranam & Srikanth, 2007; Ranft & Lord, 2002; Ranft, 2006; Spedale, van Den Bosch, & Volberda, 2007). For this reason, contingency approaches to postacquisition integration have received wide currency in the M&A literature, offering a variety of potential integration strategies and synergy outcomes that can moderate the effects of organizational differences (Bjorkman, Stahl, & Vaara, 2007). Recently, based on data from a sample of cross-border acquisitions by UK firms and applying both the theory of relative standing and the financial incentive mechanism of retention, Ahmammad, Glaister, Weber, and Tarba (2012) have explored the determinants of top management retention in cross-border M&A, and found that the postacquisition autonomy granted to the acquired company and the acquiring firm’s commitment to the acquired organization significantly affect top management retention.

**Postacquisition Leadership (Post2)**

Leadership in M&A has received sustained support as a critical success factor for acquisition process management, as a lack of decisive action from the top in establishing clear company direction and managing the necessary change during the integration process will inevitably result in failure (Angwin & Meadows, 2009; Hyde & Paterson, 2002; Kitching, 1967; Nemanich & Keller, 2007; Schweiger et al., 1993; Sitkin & Pablo, 2005; Vasilaki, 2011a, 2011b). Successful acquisitions seem to be distinguished by a clarity in the relationship between the parent company management and the subsidiary management; the parent company appoints a top executive to “ride herd” immediately after the acquisition (Angwin, Stern, & Bradley, 2004; Anslinger et al., 1996; Hyde & Paterson, 2002; Inkpen et al., 2000; Kavanagh & Ashkanasy, 2006; Kitching, 1967; Light, 2001; Waldman & Javidan, 2009). This leader may be appointed from outside of the group, an “Outsider,” to catalyze the combination process and make significant changes to the acquired company, or appointed internally from within the target company, an “Insider,” by motivating the incumbent top manager (Angwin & Meadows, 2009). The choice of Outsider or Insider resonates with a substantial organizational change literature that identifies top executive type as critical to postsuccession organizational outcomes. However, Karaevli’s (2007) substantial review of five decades of empirical research into the consequences of CEO change shows mixed results.

Clear postsuccession organizational performance associations in M&A situations are also proving elusive, with some studies showing top executive team turnover being negatively associated with company performance (Cannella & Hambrick, 1993; Krishnan et al., 1997) and others showing a positive association between managing executive turnover and company performance (Anslinger et al., 1996), although there is general agreement that top management change is a major feature of the post-acquisition phase (Krug & Hegarty, 1997, 2001; Krug & Nigh, 2001; Walsh, 1988; Walsh & Ellwood, 1991).

Pritchett et al. (1997) suggest that a high percentage of acquisition failures derive not from lack of strategic planning or choice, but from faulty management during implementation. For that reason, it is crucial for companies to create a leadership team capable of identifying and enacting the necessary change (Angwin & Meadows, 2009; Hyde & Paterson, 2002; Kitching, 1967; Schweiger et al., 1993). Schweiger et al. (1993) argue that the major changes that often occur during acquisition implementation are the elimination or shutting down of units that
become redundant or that lack from certain functions or activities; combination of units; and the creation of new interrelationships among units that never had to interact in the past. Therefore, successful implementation of an acquisition process is dependent on a sound leadership style that enables organizational and cultural alignment and good management of expectations between both organizations (Angwin, 2001; Angwin & Meadows, 2009; Angwin et al., 2004; Schweiger & Weber, 1989; Sitkin & Pablo, 2005; Weber et al., 1996; Vasilaki, 2011a, 2011b; Vermeulen & Barkema, 2001). Hyde and Paterson (2002) reinforce this perspective, asserting that leaders need to act proactively in order to manage the process of change, establishing clear objectives aligned with the company’s strategy that meet the needs of participants. Recent advances suggest that rather than a universal set of leadership characteristics being key to successful postacquisition integration, there may be different leadership approaches for different integration styles (e.g., Vasilaki 2011a, 2011b). There is growing empirical support for this point of view with different types of leaders, in terms of background, social connections (Angwin & Meadows, 2009), style (Sitkin & Pablo, 2005), personality characteristics (Waldman & Javidan, 2009), and in international context (Vasilaki, 2011b) which is necessary in different postacquisition integration strategies. Attention is also broadening to include membership of the integration team, including the deployment of key executives such as integration managers (Ashkenas & Francis, 2000).

**Speed of Implementation (Post3)**

Despite the importance of the dimension of time in the world of competitive strategy, only a few researchers have focused to date on the issue of speed in postacquisition integration and its impact on M&A success (Angwin, 2004; Homburg & Bucerius, 2005, 2006). However, the issue of speed has quickly become perceived as one of great importance. Vester (2002) argues that integration speed is one of the six factors of success of the integration process in the M&A of technology firms; it is essential to the whole integration process, and it is necessary to move rapidly and consistently, although some managers and workers may feel a certain discomfort with relatively high speed. Proceeding slowly may cause uncertainty to build and rumor to thrive. Morale can suffer, and customers get forgotten (Angwin 2004; Anslinger et al., 1996; Inkpen et al., 2000; Light 2001). According to Light (2001), the costs of losing the momentum of a business are much greater than the costs associated with mistakes made through quick decisions.

However, speed may also be a problem. The research of Olie (1994), based on case studies, suggests slow integration helps reduce conflicts between parties involved in the process. In the same vein, Ranft and Lord’s (2002) case study analysis shows that slow integration helps build trust among company employees. Homburg and Bucerius (2005), in a large-scale quantitative analysis of the influence of speed on marketing and sales integration, find different relationships between integration speed and overall acquisition success dependent on the relative importance of internal and external relatedness. This supports Angwin’s (2004) argument for a contingency approach to integration speed, that speed makes a difference, but it offers both benefits and costs under certain conditions. There is no “right” speed at which to perform the integration process. However, within the postacquisition integration process, there may be times where speed of action is more appropriate than others. This timeliness of action may be reflected in the importance of attaining “early victories”: the first fruits of integration that may instill confidence into employees, investors, and other stakeholders that they should continue to support the process. To this end, there have been suggestions of the value of short, intense planning periods at the beginning of the postacquisition phase in order to generate energy, direction, and action for change. Angwin (2004) suggests a 90-day period, and other companies have been observed to utilize a 100-day plan (Inkpen et al., 2000). GE Capital is reported to prepare for every acquisition an aggressive integration program for the first 100 days so as to perform an operational and cultural unification between the companies as fast as possible (Ashkenas, DeMonaco, & Francis, 1998; Ashkenas & Francis, 2000). Yet empirical evidence in support of the efficacy of different integration speeds at different times is hard to find (Angwin, 2004).

**Postmerger Integration Team and Disregard of Day-to-Day Business Activities (Post4)**

The acquisition process is so complex that managers often spend most of their time concentrating on acquisition issues related to this period of transition, while day-to-day business activities may be disregarded (Angwin, 2000; Ghemawat & Ghadar, 2000; Howell, 1970). Vermeulen and Barkema (2001) assert that because of the funding and time required, acquisitions can divert the attention of top management from internal growth and innovation. Therefore, it is vital for companies to maintain their attention on day-to-day business activities while in transition (Howell 1970), and combine their mode of development between internal and external growth.
insecurity. Interestingly, these authors argue that since the communication process takes various forms, it is very important for communications to be validated through managers’ actions and not just words; in other words, “walk the talk” (Bastien, 1987; Schweiger et al., 1993).

The literature also indicates that it is also important for managers to make only those promises that they really intend to keep (Light, 2001; Schweiger et al., 1993). The effectiveness of communications can also be related to richness of delivery method, timing, and interactivity (Angwin, 2000; Weber & Tarba, 2010). In cross-border acquisition situations, communications have to be handled especially carefully since cultural differences usually add an extra degree of difficulty to the process.

**Communication during Implementation (Post5)**

Postacquisition communication is widely cited as being critical to successful integration as it is instrumental in disseminating the purpose of the acquisition and for conveying the integration message (Hubbard & Purcell, 2001; Inkpen et al., 2000; Marks & Mirvis, 1998; Morosini, 1998; Schweiger & DeNisi, 1991; Weber & Tarba, 2010). Yet the relationship to overall M&A performance and differences in various countries has only recently been investigated (Gomes, Angwin, Peter, & Mellahi, 2012; Weber & Tarba, 2010). For example, Weber, Rachman-Moore, and Tarba (2012) found that communication, among other human resource practices, is essential during poststage to M&A performance. Interestingly, these relationships vary in M&A in different countries. Several other authors assert that it is vital to deal with stakeholders’ anxieties of the companies involved immediately after the acquisition using all possible types of communication channels (Leighton & Tod, 1969; Schweiger & DeNisi, 1991). In an important field experiment, Schweiger and DeNisi (1991) test the effect of communications on two workforces in these terms in order to demonstrate that communications themselves make a significant difference to performance outcome. Schweiger et al. (1993) assert that one of the most important elements in managing the acquisition process is to stabilize the workforce from an early stage, in order to diminish the effects of uncertainty and insecurity. Interestingly, these authors argue that since the communication process takes various forms, it is very important for communications to be validated through managers’ actions and not just words; in other words, “walk the talk” (Bastien, 1987; Schweiger et al., 1993).

The literature also indicates that it is also important for managers to make only those promises that they really intend to keep (Light, 2001; Schweiger et al., 1993). The effectiveness of communications can also be related to richness of delivery method, timing, and interactivity (Angwin, 2000; Weber & Tarba, 2010). In cross-border acquisition situations, communications have to be handled especially carefully since cultural differences usually add an extra degree of difficulty to the process (Schweiger et al., 1993).

While the M&A literature is in general agreement on the central need for good communications, some studies (e.g., Weber, Rachman-Moore, et al., 2012) show that overcommunication should be avoided, as managers need to maintain some ambiguity and vagueness in order to give themselves some flexibility and scope for maneuver to cope with unexpected changing circumstances and events (Eisenberg & Witten, 1987). The level of communication and its relationships to overall M&A performance may depend on national culture (Weber & Tarba, 2010).

**Managing Corporate and National Cultural Differences (Post6)**

To explain poor fit between strategic fit and M&A performance, researchers have used “cultural fit” concepts on the basis that poor cultural fit impairs postacquisition
performance (Cartwright & Cooper, 1992; Chatterjee et al., 1992; Weber, 1996; Weber & Pliskin, 1996; Weber et al., 2012; Weber et al., 1996; Weber & Tarba, 2012). Cultural differences have been identified at multiple levels of analysis including National, Regional, Industrial, Company, and Professional levels (Gomes et al., 2012). Most management researchers and practitioners point out that, particularly in the case of international M&A, cultural differences and integration efforts during the postacquisition integration period are critical to performance (Cording et al., 2008; Ellis et al., 2009; Graebner, 2004; Graebner & Eisenhardt, 2004; Puranam et al., 2009; Puranam et al., 2006; Puranam & Srikanth, 2007; Reus & Lamont, 2009; Sarala & Vaara, 2009; Stahl & Voight, 2008; Teeikangas & Very, 2006; Weber et al., 1996; Weber et al., 2012; Weber, Tarba, & Reichel, 2009; Weber, Tarba, & Reichel, 2011; Weber & Tarba, 2012). However, the interrelationships among corporate culture, national culture, and integration approaches, as well as their influence on the success of international acquisitions, are not clear and can even be contradictory (Calori, Lubatkin, & Very, 1994; Child, Faulkner, & Pilkethy, 2000; Lubatkin, Calori, Very, & Veiga, 1998; Slangen, 2006; Stahl, Mendenhall, & Weber, 2005). In order to cope with these complex relationships, Weber et al. (2009, 2011) suggest a model where integration approaches should consider corporate and national culture differences and synergy potential.

On the one hand, organizational cultural differences have been negatively associated with various accounting measures and stock market value following domestic M&A (Chatterjee et al., 1992; Datta, 1991). Similarly, in international settings, a negative effect has been found between national culture distance and financial performance (Datta & Puia, 1995; Very et al., 1997). Studies also found this negative effect under different conditions of low and high integration levels when autonomy was removed from the acquired managers (Lubatkin et al., 1999; Very et al., 1997; Weber, 1996; Weber & Pliskin, 1996).

On the other hand, some studies have recently argued that cultural differences do not always have a negative impact on M&A performance. In fact, some demonstrate that cultural differences can also have a positive impact on postacquisition performance. For example, Weber et al. (1996) found that the negative effects of cultural differences on the behavior of acquired top executives in domestic M&A are not consistent with findings from international M&A. Other studies also found contradictory results (e.g., Krishnan et al., 1997). Morosini, Shane, and Singh (1998) found that national cultural differences actually improved M&A performance by providing access to unique routines and capabilities in the acquired firm(s). More recent research studies (Bjorkman et al., 2007; Brannen & Peterson, 2009; Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009; Slangen, 2006; Vaara, Sarala, Stahl, & Bjorkman, 2011) have tended to indicate that differences in national and corporate (organizational) cultures can cause many conflicts between the amalgamating firms, and thus adversely affect M&A performance. A recent test of a new model provides empirical support for the importance of fit between implemented integration approach (that takes into account corporate and national culture differences) and synergy potential (Weber, Tarba & Rozen Bachar, 2011; Weber, Tarba, Stahl & Rozen Bachar, 2012). Findings show that M&A that show fit between recommended and actually applied post-merger integration approach outperform those that implemented a “wrong” inappropriate post-merger integration approach.

In essence, cultural differences seem to matter but it is not clear whether these can be handled in a beneficial way, with some studies showing they can be a source of competitive advantage and others arguing that too great a difference may seriously impair mutual understanding and integration (Kogut & Singh, 1988; Krug & Hegarty, 1997; Vermeulen & Barkema, 2001). A recent article provides a systematic methodology of how to measure and use culture difference analyses throughout all stages of M&A (Weber & Tarba, 2012).

Human Resource Management (Post7)

Although human resource (HR) problems during the integration process have been identified (Buono et al., 1985; Nahavandi & Malekzadeh, 1988), conceptualized (Weber & Drori, 2011; Weber & Schweiger, 1992), and empirically tested in domestic (Lubatkin et al., 1999; Weber, 1996) and international M&A (Weber et al., 1996), there is a dearth of studies of HR practices (Gomes et al., 2012; Weber & Fried 2011a, 2011b). Human resource challenges during the postmerger integration process may prevent exploitation of the potential synergy that can arise from sharing resources or transferring skills and resources. Better HR practices can bring senior managers and employees motivation and commitment that may produce excellent knowledge and resource transfer, and create knowledge of integration capabilities. The HR management strategy may be articulated as establishing policies that result in the creation of firm-specific, inimitable assets in the form of knowledge, skills, and abilities embedded in the human capital of the acquiring and acquired firms. Specific HR practices, such as training employees to deal with conflict and new assignments during the integration period, using communication to address human resource stress and uncertainty, and adjusting other practices (e.g., recruiting,
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These few studies confirm the value of examining interrelationships between critical success factors in the postacquisition phase, which have previously been treated separately and presented as universal predictors of successful outcomes.

Interrelationships between Postacquisition Critical Success Factors

It is only relatively recently that relationships between critical success factors in the postacquisition phase have begun to be investigated, and there is still much to be done. One link that has been researched is the relationship between postacquisition integration strategies (Post1) and speed of integration (Post3). Angwin (2004) identifies the importance of a contingency approach to the pace of integration, as speed of change does not have a uniform relationship with postacquisition outcome. Homburg and Buceri (2005, 2006) support this observation by examining speed of change in the marketing function. They observe that speed influences performance outcomes differently depending on the degrees of external and internal alignment between integrating firms.

Another link that is beginning to be investigated is the association between top management usage (Post2) and different postacquisition strategies (Post3). In a contingency analysis of postacquisition change and top management type, Angwin and Meadows (2009) observe statistically significant differences in the use of Insiders or Outsiders to manage various postacquisition integration strategies. In particular, they note the consequences of the misappoinment of top management type to different postacquisition integration approaches. Researchers are also now turning their attention to leadership characteristics and contingency approaches to integration acquisition (Waldman & Javidan, 2009).

A further link related to postintegration strategies (Post1) is the managing of corporate and national culture (Post6). Weber et al. (2009) concluded that cultural differences play an important role in the choice of integration approaches and suggested a new model for the choice of integration approach which has subsequently received empirical support (Weber, Tarba, & Rozen Bachar, 2011; Weber, Rachman-Moore & Tarba, 2012). Furthermore, relationships of cultural differences and HR issues have been described and tested in various studies in both domestic and international M&A (e.g., Drori, Wrzecniewski, & Ellis, 2011; Weber, 1996; Weber & Drori, 2011; Weber & Fried, 2011a, 2011b; Weber & Schweiger, 1992; Weber, Shenkar & Raveh, 1996). For example, Weber and Tarba (2010) point to the importance of national culture difference to the use of HR practices during the integration phase and to M&A performance. These relationships have received empirical support (Weber, Rachman-Moore & Tarba, 2012).

These few studies confirm the value of examining interrelationships between critical success factors in the postacquisition phase, which have previously been treated separately and presented as universal predictors of successful outcomes. There is still much to do, however, with no studies to date examining many of the interactions between different critical success factors such as the link between integration strategies and communications approaches; the interaction between corporate and national cultures and speed of acquisition integration; and managing executive type and postacquisition integration team deployment. The potential links for further examination are discussed further in the section that follows.

Interrelationships between Pre- and Postacquisition Critical Success Factors

The lack of connection between pre- and postmerger variables in M&A research was recently highlighted in the M&A literature (Weber, 2011; Weber & Fried, 2011a;
Weber, Tarba & Reichel, 2011; Weber, Teerikangas, Rouzies, & Tarba, 2011). The model in this paper points out these important relationships as a major source for improvement in M&A research and organizational performance. For example, the choice and evaluation of strategic partners at the premerger stage should consider also the integration strategy (e.g., integration approach) at the postmerger stage (Weber, Tarba & Reichel, 2011). This in turn relates to speed of integration and cultural differences (see Figure 1). Our assertion not only stems from our conceptual model, but also has received recent empirical support for the importance of fit between actual implemented integration approach, during the postmerger stage, and recommended integration approach, according to analysis of synergy potential and cultural differences during the premerger stage (Weber, Tarba & Rozen Bachar, 2011; Weber, Tarba, Stahl & Rozen Bachar, 2012).

Discussion and Future Research Directions

Much has been written over a considerable period of time on critical success factors in mergers and acquisitions, and some relationships with performance outcomes have been established. However, significant unexplained variance remains, which suggests further research is required. In particular, Figure 1 shows that only a few studies exist which examine the links between critical success factors within the preacquisition and postacquisition phases. While rare, these studies are important in revealing the greater explanatory power of using more than one critical success factor in order to understand acquisition performance and that many of the relationships between critical success factors are nonlinear (cf. Ahuja & Katila, 2001). This goes some way toward understanding why there are few simple correlations between a critical success factor and acquisition outcome.

The lack of research into interrelationships between critical success variables in the preacquisition phase is an important gap in the M&A literature. For each of the critical success variables listed above, it can be argued that insights can be gleaned from systematically comparing and contrasting each of the variables in turn. To illustrate this point, the following suggests ways in which empirical investigation of links between critical success factors may add additional insight to the first preacquisition critical success
factor discussed in the article. Qualities of the target (Pre1) are known to be important in isolation, but consideration of the following critical success factors as well can add additional value. For instance, “paying the right price” (Pre 2) may show that although the acquirer has assessed accurately the strengths and weaknesses of the target, it is not drawn into overpaying for what might otherwise be a good acquisition (a classic error identified by Warren Buffett); “the relative size of the target to the acquirer” (Pre3) may mitigate stand-alone characteristics (due to potential internal political struggles), and here one of the few studies examining the link between two critical success factors finds important causal relationships between them (Ahuja & Katila, 2001); “a clear strategy by the acquirer and its experience in making acquisitions” (Pre4) may ensure that a good stand-alone target will fit strategically with the acquirer and that tested acquisition procedures will be brought to bear; the “use of a courtship period” (Pre5) may enable the acquirer to plan ahead in order to customize its acquisition management approach and also to evaluate in more detail the strengths and weaknesses of the target company; ensuring there are “good communications” (Pre6) predeal may enable the acquirer to manage the balance between the need for secrecy during negotiations, and the appropriate level of openness in order to build trust and facilitate accurate information flow; “negotiating appropriate compensation policies” (Pre7) may enable the acquirer to lock in perceived management and employee ability in the target company so that “the assets don’t walk out of the door.” These insights from combinations of critical success factors are based upon the linkages with the first mentioned preacquisition critical success factor. A similar case can be made for all other possible dyadic and multiple combinations between preacquisition critical success factors, and these will enable greater understanding of the determinants of acquisition performance.

In the postacquisition phase, the lack of research into interrelationships is also present and only recently have studies begun to focus on this issue (Weber, Tarba & Rozen Bachar, 2011; Weber, Tarba, Stahl & Rozen Bachar, 2012). Critical success factors such as postacquisition integration strategies (Post1), which have considerable currency in the M&A literature as being vital for the outcome of synergy realization, generally underplay or ignore altogether other critical success factors in the postacquisition phase. An argument can be made, however, for explicit consideration of the links with other postacquisition critical success factors. For instance, “postacquisition leadership” (Post2) reminds us about the importance of the managing executive and leadership in postacquisition implementation. One empirical study links this to postacquisition integration styles (Post1) and finds that there are correct and incorrect usages of different types of leaders by integration style and these can affect outcomes (Angwin & Meadows, 2009); “speed of integration” (Post3) can affect the overall performance of an integration (Angwin, 2004), and links with integration strategies (Post1) show the relationship is complex (Homburg & Bucerius, 2006) and linked to performance outcome. “The role of PMI coordination teams” (Post4) are vital for allowing integration strategies to work through effectively and their roles and influence are likely to be different under different postacquisition integration situations. Different postacquisition strategies can be damaged by poor “postacquisition communication” (Post5), which is often blamed for poor acquisition performance. Postacquisition integration strategies may also need to take into account “different corporate and national cultures” (Post6), as cultural differences do play an important role in the choice of integration strategies (Weber et al., 2009). Similar arguments can be put forward for different dyadic and multiple combinations of other postacquisition integration critical success factors.

Most notable is the lack of research papers that examine the links between critical success factors across acquisition phases, i.e., along the acquisition process. Although a seminal paper by Jemison and Sitkin (1986) and later research (Haspeslagh & Farquhar, 1994; Meglio & Risberg, 2010) have highlighted the importance of process, studies of critical success factors have tended to remain “within” phase (with a few notable exceptions referenced in this article, such as Weber, Tarba & Rozen Bachar, 2011; Weber, Tarba, Stahl & Rozen Bachar, 2012). For instance, studies of preacquisition variables tend to associate these with final performance outcomes rather than postacquisition success factors. Similarly postacquisition success variables are generally associated with a final performance outcome rather than with a precursor success variable. For instance, while it is well established that postacquisition communications affect employee attitudes and this can be related to organizational performance (Schweiger & DeNisi, 1991), there are no studies that examine the use of communications throughout the entire process. There is great potential for examining the links between preacquisition and postacquisition success variables. To illustrate the point, overall preacquisition strategic fit (preacquisition success factor (Pre1)) could be related to postacquisition integration strategy (postacquisition success factor (Post1)) in order to evaluate the extent to which strategic alignment along the acquisition process influences performance outcomes (Weber, Tarba & Rozen Bachar, 2011; Weber, Tarba, Stahl & Rozen Bachar, 2012).
A study that has attempted to identify the effect on performance across phases is by Capron and Pistre (2002), who examine evaluation of the partner (Pre1) through consideration of the extent to which due diligence could be progressed thoroughly before striking the acquisition deal, with postacquisition integration speed (Post3). More time to carry out due diligence enables a more detailed and accurate picture of the target at the point of ownership to shorten the learning curve required after the acquisition to get to know the target company in-depth and so should reduce the length of time required for postacquisition integration.

These pioneering studies suggest that Figure 1 offers many potential opportunities for researching linkages between combinations of success factors along the M&A process. In fact, each variable, and combination of variables in the premerger stage, may show potential for connection with each variable, or combination of variables, in the postmerger stage. Furthermore, any possible relationships among variables in the premerger stage with any connections among variables in the postmerger stage may bring better performance to M&A. Thus, hundreds of research propositions may be established based on various combinations of variables identified in Figure 1. Studying these interactions may help explain why simple relationships between a critical success factor and acquisition outcomes are often difficult to detect and enable a richer picture of the M&A process to be developed.

**Conclusions**

The high failure rate of mergers and acquisitions (Biggadike, 1979; Kitching, 1967; Mayer-Sommer, Swee-ney, & Walker, 2006; Meeks 1977; Schoenberg, 2006) suggests that neither scholars nor practitioners have a thorough understanding of the variables involved in the M&A process and their complex interrelationships. The existing body of knowledge is characterized by several independent streams of management research that have studied discrete variables in either the preacquisition or postacquisition stage. From the review of the literature in this article, it can be concluded that despite the considerable amount of research carried out into M&A over the past half century, there is limited and compartmentalized understanding of the complex acquisition process, since the various streams of research on acquisition activity are only marginally informed by one another. What does exist is a substantial body of work with many prescriptions available for making acquisitions work. However, as Angwin and Vaara (2005) remind us, the streams of research in which these critical success factors are embedded and rarely interact, and much can be gained through a more connected approach across different perspectives to further understanding of the M&A process.

It is the contention of this article that the potential linkages between critical success factors, “within” phase and “across” phases, are significant gaps in the M&A literature, and research efforts should be directed toward evaluating them. This article has provided a broad review of the existing body of knowledge on M&A, covering the main disciplinary contributions from strategic, economic, organizational, social, and behavioral perspectives and organized by critical success factors. The discussion has highlighted how the value of each of the critical success factors can be enhanced through consideration of how they may relate and be informed by other critical success variables both within and across phases of the M&A process. In this way, an interdisciplinary approach to M&A is outlined and a more holistic perception of the phenomena is achieved.
Emanuel Gomes is a lecturer at the University of Sheffield, United Kingdom. His specialist teaching is in strategic management and international business. His research interests are in the areas of mergers, acquisitions, strategic alliances, internationalization of the firm, and pedagogical software. He is the author of three books on M&A and strategic alliances and of several international refereed articles. He is also the leading author of the Strategic Planning software (www.planning-strategy.com).

Duncan N. Angwin is a professor of strategy at Oxford Brookes University, United Kingdom. His research and publications center on mergers and acquisitions and strategic practice. He has recently won a research award to study M&A communications practice at the Centre for Corporate Reputation, Said Business School, Oxford University. He sits on the advisory board of the M&A research center, Cass Business School, City University, London, and on the academic council of a Grand Ecole in Paris, France. His work has appeared in a wide range of journals, including Academy of Management Executive, CMR, European Management Journal, IUHRM, Journal of World Business, Long Range Planning, and Organization Studies. He has also published three books, including Mergers and Acquisitions, and the award-winning Strategy Pathfinder, 2nd edition (Wiley), and is about to launch a new book this year entitled Practicing Strategy (Sage). He earned his MA (Hons) and MPhil degrees from the University of Cambridge, United Kingdom; his MBA from Cranfield University, United Kingdom; and his PhD from the University of Warwick, United Kingdom.

Yaakov Weber is a professor of strategic management and chair of the Department of Strategy and Entrepreneurship, School of Business, College of Management, Israel. He is president of the EuroMed Business Research Institute (EMRBI) and president of the EuroMed Academy of Business (EMAB). Professor Weber’s research studies were published in various journals such as Strategic Management Journal, Journal of Management, Management Science, and Human Relations. He is an associate editor for Cross Cultural Management: An International Journal. His was recently granted the 2010 Outstanding Author Contribution Award by Emerald Publishing. His recent coauthored book is Mergers, Acquisitions, and Strategic Alliances (Palgrave Macmillan). He has consulted for various multinational corporations, especially concerning mergers and acquisitions management.

Shlomo Yedidia Tarba is a lecturer of strategic management and global strategic alliances at the Department of Economics and Management, Open University, Israel. He received his PhD from Ben-Gurion University, Israel. His research has been published in journals such as Thunderbird International Business Review, International Studies of Management & Organization, International Journal of Cross-Cultural Management, Human Resource Management Review, Global Economy Journal, Cross Cultural Management: An International Journal, Advances in Mergers and Acquisitions, and others. He serves as a guest editor for the special issue on “Sociocultural Integration in M&A,” Thunderbird International Business Review. His was recently granted the 2010 Outstanding Author Contribution Award by Emerald Publishing. His recent coauthored book is Mergers, Acquisitions, and Strategic Alliances (Palgrave Macmillan). His consulting experience includes biotechnological companies, as well as industry associations such as the Israeli Rubber and Plastic Industry Association, and the US–Israel Chamber of Commerce.

References


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