LOOKING INTO THE 'BLACK BOX'

- Unlocking the Effect of Integration on Acquisition Performance

ABSTRACT

Extending research on the performance of Mergers and Acquisitions (M&As), this paper seeks to explain how the post-acquisition integration phase affects acquisition performance. Despite extensive research efforts, there remains a scant understanding of how acquisition implementation, particularly in the post-acquisition integration phase, impacts the performance of M&As. Based on an extensive study of eight acquisitions, in this paper, a grounded model detailing the mechanisms by which the post-acquisition integration phase affects acquisition performance is developed. The model posits that integration-related factors do not bear directly upon acquisition performance. Instead, their effect is mediated by functional organizations in both firms. When focusing into these functional mediating dynamics, we observe that integration-related processual, behavioural and cultural factors affect the identified functional mediators in different ways. Going forward, we echo calls for integrated perspectives to the study of M&A and M&A performance in particular.

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INTRODUCTION

Mergers and acquisitions (M&A) are a favored means of corporate growth and renewal in an increasingly competitive global arena (Faulkner et al., 2012). Despite their managerial appeal, research observes that securing success in M&A transactions is a complex undertaking (Gomes et al. 2013; Hitt et al. 2012; Larsson and Finkelstein, 1999). Studies on the performance of M&As consistently show that, contrary to expectations, M&As do not necessarily improve the financial performance of the buying firm (King et al. 2004; Papadakis and Thanos, 2010; Schoenberg, 2006; Zollo and Meier, 2008).

The downside of the majority of these studies is that they measure the financial performance of M&As mostly in a short timeframe ranging from a few days to a one-to-three year period around the M&A (see Meglio and Risberg, 2011 and Thanos and Papadakis, 2012a for comprehensive reviews) where the integration process is still ongoing (Ranft and Lord, 2002). In contrast, the handful of studies taking a longer perspective (e.g., Quah and Young, 2005; Laamanen and Keil, 2008) suggest that the performance impact of M&As on buying firms would tend to be negative in the first post-deal years, moving at best toward the positive in the longer-term (Quah and Young, 2005). In other words, M&As would seem to be so complex to integrate operationally, organizationally and socio-culturally that it takes buying firms on average five to ten years, until they are possibly able to report positive performance figures. These findings point to the *inherent managerial complexity* in making M&As succeed.

Despite a wealth of interest in the study of acquisition performance (Zollo and Meier, 2008), the critical question of "how does the management of the post-acquisition integration process impact the performance of mergers and acquisitions" remains largely unanswered (Ahammad and Glaister, 2011; Gomes et al. 2013; Haleblian et al. 2009; King et al. 2004). In other words, there is scant understanding of the processual and managerial antecedents behind M&A performance (Ellis et al. 2009; Gomes et al. 2011; Zhang et al., 2015). In light of the fact that the post-acquisition integration phase is repeatedly mentioned as a key factor explaining M&A failures (Angwin and Urs, 2014; Duncan and Mtar, 2006; Heimeriks et al. 2012; Larsson and Finkelstein, 1999; Weber et al. 2011), this can be considered a serious research gap (Angwin and Meadows, 2015). Haleblian et al.'s (2009) comprehensive review of 300 published papers in top-tier journals echoes this point: "We encourage research that explores the processes that foster effective integration" (p. 409). Other prominent M&A scholars have raised concerns as to the lack of appreciation of the factors impacting the performance and outcomes of M&A (Hoskisson et al. 1993; Hitt et al. 1998; King et al. 2004). In their extensive meta-analytical study of research on M&A performance, King et al. (2004) identified no significant M&A performance antecedents, concluding that "additional, unknown variables may impact M&A performance", and subsequently calling for more theory-building research on M&As, using novel methods.

In this paper, an effort is made to address this theoretically and practically important gap. The research question guiding our work is: "How does the post-deal integration phase affect acquisition performance?" Our research approach deviates from the bulk of prior research on M&A performance, predominantly based on quantitative archival US data (Andonova et al. 2013) or surveys using perceptual top manager data (Meglio and Risberg, 2010). Our research approach aligns with the recommendations to explore the qualitative dynamics in M&A (Meglio and Risberg, 2010; Cartwright et al. 2012) and M&A performance in particular (Meglio and Risberg, 2011) in order to "get inside the M&A phenomenon" (Haleblian et al. 2009, p.492). In this paper, we report the findings of a large-scale interview-based study using grounded theory methods. Inductive approaches are particularly suited to the study of complex social processes unfolding over time (Eisenhardt, 1989; Glaser and Strauss, 1967), and thus can be considered adequate to appreciating the performance dynamics inherent in post-acquisition integration. Our focus was on acquisitions pursued using a growth-oriented business strategy and integrated adopting a symbiotic strategy (Haspeslagh & Jemison, 1991).

Based on the study of eight acquisitions made by four Finnish multinationals and 166 one-to-one interviews with top and middle managers from both buying and target firms, in this paper, a grounded model of the mechanisms through which the post-acquisition integration phase comes to affect acquisition performance is developed. This is the main theoretical contribution of the paper. In so doing, the paper provides an important step toward opening the 'black box' of post-acquisition integration and its impact on acquisition performance. Importantly, we find that integration-related processual, behavioural and cultural factors do not bear directly upon acquisition performance. Instead, their effect is mediated by functional organizations, i.e. the sales, research, manufacturing, IT, finance and HR functions. This leads us to argue that positing an unequivocal causal link from one element in the post-acquisition phase to a particular acquisition performance metric needs to be treated with caution. Instead, echoing recent calls (Angwin and Vaara, 2005; Gomes et al., 2013; Bauer and Matzler, 2014), we call for integrated perspectives to M&A performance.

LITERATURE REVIEW

The study of M&A performance

One of the most popular in the M&A literature concerns the success, i.e. performance, of M&As. Numerous papers have been published on this topic (Haleblian et al. 2009; Meglio and Risberg, 2011). Thanos and Papadakis (2012a) reviewed 13 US and European management journals 1980-2010, identifying 137 papers using M&A performance as their dependent variable. In another review covering the period 1970-2006 only in the top management and finance journals, Zollo and Meier (2008) identified 88 papers on M&A performance. Both reviews and several papers (e.g., Meglio and Risberg, 2011; Schoenberg 2006; Very, 2011) argue that prior studies have adopted and emphasised the following approaches in measuring M&A performance.

Most of the studies have used short-term measures of M&A performance (i.e. 34% of the studies reviewed by Thanos and Papadakis, and 40% of the reviewed studies by Zollo and Meier). The method is based on the "event study methodology" which has its origins in the financial economics literature. With this method researchers assess M&A performance for a few days around deal announcement (Aybar and Ficici, 2009; Gubbi et al. 2010; Markides and Onyon, 1998; McNamara et al. 2008). Although this is the most popular method in the literature, it has been subject to intense critique by prior scholars because it does not measure actual performance but investors' expectations concerning the outcomes of the deal (e.g., Zollo and Meier, 2008). The results of the studies using short-term financial measures of performance indicate that on average most the acquiring firms have negative returns (e.g., Papadakis and Thanos, 2010; Schoenberg, 2006).

The second largest group of studies has used accounting-based measures to assess the performance of M&As (i.e. 20% of the studies reviewed by Thanos and Papadakis, and 28% in Zollo and Meier's review). Prior studies using financial ratios including Return on Assets, Return on Investment, growth in sales and profits, etc., evaluate the financial condition of the acquiring or the target firm a few years after the deal and compare it with their financial condition a few years before the deal. Prior studies have used several different time periods. The majority of these studies assumes that two or three years suffice for the integration stage to be completed. Accordingly, it is considered that this is a proper time scale for measuring performance (Meglio and Risberg, 2011; Thanos and Papadakis, 2012b). Studies using accounting based-measures of performance have concluded that on average M&As do not improve the financial performance of the acquiring or the target firm (Tuch and O'Sullivan, 2007).

A third group of studies has used the event study methodology and has evaluated the long term financial performance of the acquiring firm for a few months after the deal (i.e. 13% of the studies reviewed by Thanos and Papadakis, and 19% in Zollo and Meier's review). Empirical studies indicate that on average 50% of the acquisitions fail to improve the long term financial performance of acquiring firms (Tuch and O'Sulivan, 2007). A fourth group of studies have relied on perceptions of key respondents such as managers, analysts, investment bankers, journalists, etc. to evaluate the performance of

M&As against their initial objectives (i.e. 17.5% of the studies reviewed by Thanos and Papadakis, and 14% in Zollo and Meier's review). This method is gaining in popularity mainly because it can be used for both private and public firms. Also, it enables the evaluation of both financial and non-financial performance of M&As (Thanos and Papadakis, 2012a). Yet, the major limitation of this method for assessing M&A performance is that it is based on perceptions, instead of objective data. Results of studies employing the views of key respondents have reported failure rates for M&As in the range of 45-60% (see e.g., Papadakis and Thanos, 2010; Schoenberg, 2006).

The above four approaches capture the overwhelming majority of studies on M&A performance. Other less frequently used measures of M&A performance include divestiture rate (e.g., Porter 1987), knowledge transfer (e.g., Ahammad et al., 2016), innovation outcomes (e.g., Puranam, Singh and Zollo, 2006), etc. Overall, these measures of M&A performance represent the minority of the studies and indicate high failure rates for the acquiring firms (see Thanos and Papadakis, 2012a; Zollo and Meier, 2008).

The conclusion drawn from the above reviewed literature is that on average M&As tend to fail to achieve their initial objectives. This conclusion is based though on studies which have evaluated the performance of M&As using a short or medium term period ranging from a few days to at best two-three years after deal closure. The assumption underlying these studies is that the integration stage is completed within this time frame (Meglio and Risberg, 2011). However, an acquisition might impact the acquiring and target firms for a much longer period. Some studies adopting a longer perspective (e.g., five-to-ten years after the deal closure) to evaluate the outcomes of M&As tend to paint a more positive picture. For example, Quah and Young (2005) in the four M&As that they studied, found increases in sales and profits eight years after the deal closure, this indicating acquisition success. Interestingly though, in the two-year- period following deal closure, their results suggested negative outcomes for the sales and profits of the same acquisitions– this suggests that the acquisitions had failed. In their study of serial acquirers, Laamanen and Keil (2008) observe that if performance is measured in the five-to-ten year period post-deal, only 20-25% of acquisitions are outright failures, half are rather successful, and up to 25-30% can be regarded as successes. Kapoor and Lim's (2007) study suggests that target firm inventors one to two years after deal closure had lower productivity (as measured by patenting activity) compared to the acquiring firms. Five years after the deal closure, no such differences were observed. Healy, Palepu and Ruback (1997) argue that 73% of the sampled firms had positive cash flow returns ten years after the acquisition. In sum, the performance impact of M&As on buying firms would tend to be negative in the first post-deal years, moving at best toward the positive in the longer-term (Quah and Young, 2005). This suggests that the way in which these acquisitions are managed post-deal matters. We turn our attention to extant theorizing on M&A integration next.

The study of post-acquisition integration

In the last decades, the study of M&A integration has flourished, as observed by recent reviews (Schweiger and Goulet, 2000; Teerikangas and Joseph, 2012; Steigenberger, 2016; Graebner et al., 2016). This work can be categorized with respect to a process, a human, and a cultural perspective to M&A (Angwin and Vaara, 2005).

Whilst pointers to the significance of post-acquisition integration can be found in early publications (e.g. Mace and Montgomery 1962; Kitching 1967), it was the work of

Jemison and Sitkin (1986) and Haspeslagh and Jemison (1991) that introduced the 'process' perspective to M&A. Previously, M&A had been treated in terms of phases that unfold sequentially (see e.g. Howell, 1970; De Noble et al., 1988). In contrast, Jemison and Sitkin (1986) linked the formerly disconnected fields of strategic management and organisational behaviour by arguing that the progress of M&A should not be regarded as a sum of sequential parts, but rather as a process, the management of which determines the potential for value creation from the deal (Haspeslagh and Jemison 1991). The authors argued that the outcome of an acquisition depends on how the entire acquisition process, from pre- to post-deal phases, is orchestrated. Acquisitions are not only about 'choice' (choosing the right target), but also about the 'process' (the way in which the entire process is managed) (Haspeslagh and Jemison, 1991). Over the years, the process perspective has come to be applied to different industries and acquisition types (e.g. Schweizer, 2005; Ranft and Lord, 2002), and further divided into different integration types, including task, sociocultural integration (Birkinshaw et al., 2000) and structural integration (Puranam et al., 2006; Teerikangas and Laamanen, 2014). The speed of integration has also spurred debate (Angwin, 2004; Homburg and Bucerius, 2006). Numerous integration tips have been put forward (for an overview, see Gomes et al., 2013; Teerikangas and Joseph, 2012; Steigenberger, 2016).

Paralleling the process perspective, human and cultural perspectives on M&A have raised interest. Scholars in organizational behaviour and human resource management have been concerned with employee outcries and emotions following acquisitions (Napier, 1989; Cartwright and Cooper, 1990). The role of the human resource function in acquisitions has been discussed (Antila, 2006) in particular with respect to post-acquisition communications (Bastien 1987; Ivancevich et al. 1987; Schweiger and Denisi 1991). Thirdly, the cultural question in M&A has raised much interest be it with respect to the clashing of organizational and/or national cultures (for reviews, see Teerikangas and Very, 2006; Stahl and Voigt, 2008) and the dynamics of acculturation and cultural change following acquisitions (Cartwright and Cooper, 1993; Styhre et al., 2006; Pioch, 2007; Teerikangas and Irrmann, 2016).

Despite numerous advances, research on the acquisition management (Gomes et al., 2013; Steigenberger, 2016; Graebner et al., 2016) and mergers and acquisitions at large (Larsson and Finkelstein, 1999; Angwin and Vaara, 2005; Faulkner et al., 2012) has been critiqued for offering isolated, siloed and compartmentalized perspectives. Over the years, numerous calls for integrated perspectives to the study of acquisitions have been made (Cartwright and Cooper, 2001; Angwin and Vaara, 2005; Faulkner et al., 2012).

Connecting post-acquisition integration to acquisition performance

Set amid a fragmented appreciation of post-acquisition integration on the one hand (Steigenberger, 2016; Graebner et al., 2016) and M&A performance on the other hand (Thanos and Papadakis, 2012a; Zollo and Meier, 2008), it should not come as a surprise that the undoubtedly complex relationship between post-acquisition integration and M&A performance remains scantly explored (King et al. 2004; Haleblian et al. 2009). So what is it that we do know?

Survey-based studies have identified mediating mechanisms. On the one hand, integration bears a mediating role. In the context of the culture-performance relationship, the mediating and moderating roles of integration capabilities and processes have been observed (Reus and Lamont, 2009; Slangen, 2006). The same holds for the role of structural integration (i.e. level of integration) with respect to capturing technology based know-how in technology-based acquisitions (Puranam and Srikath, 2007; Puranam et al. 2006; 2009). On the other hand, the relationship between integration decisions and acquisition performance has been found to be mediated by intermediate goals, such as internal reorganization or market expansion (Cording et al., 2008). Critically speaking, much of this work has adopted a quantitative approach, including one or at best two integration variables, and considering integration as a “one-shot game”, instead of a long-term process (Barkema and Schjiven, 2008, p.715). These studies call for more research on the influential role of the post-integration phase on acquisition performance and for the identification of new mediating/intermediate variables between the two. From this perspective, the recent survey-based study on the combined impact of (strategic and cultural) fit and (speed and degree) of integration to acquisition performance in the context of Eastern European SMEs is a welcome addition (Bauer and Matzler, 2014).

Beyond a quantitative orientation, a handful of conceptual and qualitative studies have explored acquisition performance. Gates and Véry (2003) provide a conceptual overview of the processes of value creation vs. value leakage following acquisitions, whereas Meyer (2008) explores causes of value leakage following acquisitions. The roles of individual actors, be they acquired firm managers (Graebner, 2004) or buying firm integration managers, affecting acquisition performance (Teerikangas et al., 2011) have been outlined. Despite these initiatives, we remain in lack of an appreciation, in particular of the qualitative ways in which the post-acquisition integration phase affects acquisition performance. This is the theoretical gap that the present paper set out to explore.

RESEARCH METHOD AND SETTING

The findings presented in this paper draw from a research project spanning several years, in which post-acquisition integration dynamics were under study. Given the recognized need for more theory-building on M&A (Haleblian et al. 2009; Greenwood et al. 1994; Larsson and Finkelstein, 1999; Schweiger and Goulet, 2000) coupled with the need to further our appreciation of the integration related antecedents of M&A performance, the grounded theory method (Glaser, 1978; 1992; 1998; 2001; Glaser and Strauss, 1967) was used as the methodological basis of this study. The research approach was thus explorative and open-ended in character.

The selection of the studied acquisitions was guided by theoretical sampling (Glaser, 1992; 1998; 2001; Glaser and Strauss 1967) coupled with practical concerns of access. The aim was to study growth-based acquisitions conducted by Finnish globally-operating firms across industrial sectors. Within this setting, the aim was to gain access to a variety of buying firms and acquisitions in differing industry sector, professional, country and organizational contexts. In grounded theory research, diversity in one's research setting is recommended (Glaser, 1992; 1998; 2001; Glaser and Strauss 1967): it enables moving beyond a context-specific analysis toward a conceptual understanding of the studied phenomenon.

The studied sample consisted in one domestic and seven cross-border acquisitions in the United States, the United Kingdom, France, Germany, Denmark and Finland respectively, conducted by four Finnish multinationals operating in different industrial sectors. Both domestic and cross-border acquisitions were included in the sample in order to appreciate (a) whether and how national cultures, and (b) the domestic/cross-border divide matter during acquisition processes. The unit of analysis was either the acquisition of a single-site firm or a particular site in the acquisition of a multi-site firm. The acquisitions were undertaken with a growth-oriented business strategy and a symbiotic integration strategy (Haspeslagh and Jemison, 1991) - buying firms were seeking a mutually beneficial integration approach instead of merely absorbing the target firm into their organization. The acquisitions had been undertaken one to seven years before the interview. This allowed us to observe integration and performance dynamics in acquisitions at different stages of maturity.

The primary source of data collection was interviews. In total, the first author conducted 166 interviews with 141 interviewees. Interviewees represented middle and top managers, who had been actively engaged in the acquisitions from either the buying or acquired firm sides. This enabled us to deviate from the bulk of M&A research, relying largely on buying firm's top managers' perceptions (Meglio and Risberg, 2010; Teerikangas and Joseph, 2012; Vaara et al. 2014). Indeed only a few notable exceptions in the literature have relied on data collected from the target firm (e.g., Angwin and Meadows, 2009; Angwin, Stern and Bradley, 2004; Graebner, 2004; Teerikangas, 2012). In many cases this is unavoidable given that M&As are often paralleled with personnel losses or replacements (Angwin, 2004). Interviewing people from the target firm's side enabled gaining feedback on the way the buying firm had handled the integration process. For each acquisition, a minimum of 10 and a maximum of 36 interviews were carried out. Generally, two thirds of these were in the target firm. Interviewees were selected based on their involvement in the acquisition using the 'snow-balling' technique (Graebner, 2004). An effort was made to interview persons with different departmental and hierarchical backgrounds. In summary, for each acquisition, the perspectives of numerous key informants, across functions, hierarchies, and involved firms, were heard. This effort at interview-based triangulation was a means of reducing interview bias.

Interviews began in three acquisitions of research and development (R&D) units in Denmark, the United Kingdom and Germany made by 'buying firm A'. These were followed by the study of a German-US acquisition by 'buying firm B', and the study of one site amid a multi-site French acquisition by 'buying firm C'. In the last stage, one site of a US multi-site acquisition, a French site's acquisition and a Finnish domestic firm's acquisition by 'buying firm D' were studied. Interviewees' experiences with eight other former parent firms of European and American origin were also used to inform the research findings.

The aim in the interviews was to set an open, friendly and trustworthy tone. The confidentiality and anonymity of informants and studied firms was established upfront. The researcher sought to listen, to inquire, and to gauge. The manager responsible per acquisition was asked for permission for taping the interviews. As a result, half of the Finnish interviews (in all but company A), but none of the foreign interviews were taped. To counter for any loss of data, notes from non-taped interviews were written immediately following the interview. The taped interviews were transcribed by a third researcher, amounting to 20 to 30 pages of typed interview notes per interview. The first author (i.e. the interviewer) checked the transcribed notes for accuracy and re-listened to the tapes where necessary. The non-taped interview notes amounted to between 5 and 15 pages of notes per interview. In total, this produced approximately 2200 pages of interview data for analysis. In addition, other slices of data used included press releases, company websites, annual reports, company presentations, company internal magazines, product brochures, company histories, documents, presentations or internal analyses about the studied acquisitions.

Data analysis occurred in several phases. In the first phase, interviews were coded and analyzed by acquisition, i.e. case by case. This analysis process began with the 'open coding' of the interviews (Glaser and Strauss, 1967) in each acquisition. Open coding refers to coding each interview 'incident to incident' with the aim of gradually identifying emerging categories. Following the constant comparative method of analysis (Glaser, 1992; 1998; 2001; Glaser and Strauss, 1967), new slices of interview data were constantly compared against one another and against the incidents already identified. In a second phase, the analysis proceeded from open coding to comparing new incidents to categories, before proceeding to defining properties of each category and interrelationships between the identified categories. By so doing, categories, their properties and interrelationships began to emerge and increase in clarity. The aim was to think at a conceptual level, without aiming to describe the studied phenomenon. This analysis round involved several iterations per acquisition, as the analysis moved from interview quote-level incidents to higher order categories and their relationships.

This work resulted, in a third phase, in 40-160 page reports authored for each of the eight studied acquisitions. Each report contains large amounts of direct quotes from the interviews, with the aim of capturing all, major and minor, findings per acquisition. This was a practical way to cope with the large amount of interview data before proceeding to cross-acquisition analyses. In the analysis and write-up of acquisition specific reports, the role of integration management affecting acquisition performance was observed.

These eight acquisition-based reports provided the conceptual grounding for a cross-case analysis of the findings (Eisenhardt, 1989). As a result of this comparative exercise, in a fourth phase, a 400-page final report covering all eight acquisitions was authored. It is at this stage that a performance-based overview of the eight acquisitions could be conducted. In a fifth phase, the researcher resorted to assessing how these findings fit with existing theory and literature. It is at this stage that the formulation of a gap in extant research, as presented in this paper, matured. The author recognized that a key contribution related to the impact of post-acquisition integration on acquisition performance and the role of functional mediators therein. The second author joined the research process at this stage. Upon working on the paper, a sixth and final analysis phase was conducted – the role of functional mediators was further clarified to include strategic dimensions (i.e. functional and integration strategies). The following section expands on the developed grounded model on how the post-acquisition integration phase affects acquisition performance.

TOWARD UNLOCKING THE EFFECTS OF INTEGRATION ON ACQUISITION PERFORMANCE

Based on the analysis of the studied eight acquisitions, we observed that integration-related processual, behavioral and cultural antecedents affect acquisition performance. Surprisingly, though, this effect is indirect, as we found it to be mediated by functional organizations. In the next sections, we proceed to outlining our grounded model on how the post-acquisition integration phase affects acquisition performance. We first detail the three elements of the developed model, and then move onto illustrating two particularly salient performance dynamics within the model.

Grounded model part 1: Acquisition performance metrics

In order to capture acquisition performance, our in-depth case analyses led us to conceptually distinguish between acquisition performance as measured in terms of (1) acquired firm performance post-acquisition, (2) buying firm performance (traceable to the acquisition), (3) the performance of joint post-acquisition initiatives, and (4) the swift and cost-effective progress of post-acquisition integration. Such an approach aligns with extant research with regard to the need to utilize numerous metrics to capture acquisition performance (Meglio and Risberg, 2011; Papadakis and Thanos, 2010; Schoenberg, 2006; Zollo and Meier, 2008). Beyond external market-based measures of performance, though, our analysis zooms into the internal performance dynamics in the involved firms following the transaction. We based our analysis on the interviewees' subjective perceptions of acquisition performance.

Table 1a summarizes the performance of the studied acquisitions as measured using these performance metrics. We observe that only one of the studied acquisitions, namely the Danish R&D unit, scored successfully on all measures of acquisition performance. All other acquisitions scored well (a + sign), rather well (a +- sign), or badly (a – sign), depending on the selected performance metric. We further broke the analysis down as to whether the firms studied were in high or low growth sectors (see Table 1a), yet found no noticeable difference as regards acquisition performance. As a result, it seemed difficult to label the studied acquisitions 'successful' or 'high-performing', as this outcome depended on the performance metric used. This prompted the question: 'what is going on?' We returned to our data in seeking answers to this question. It is in the subsequent, iterative processes of data analysis that our appreciation of acquisition performance dynamics, as next presented, matured.

INSERT TABLE 1a & 1b ABOUT HERE

Grounded model part 2: Functional mediators of acquisition performance

A subsequent analysis of the interview data led us zoom into the activity taking place in the post-acquisition phase. In so doing, we identified functional organizations acting as mediators of acquisition performance. We observed that an acquisition's overall performance depended on whether value had been captured in the post-acquisition phase in core functions such as sales, research and development (R&D), and manufacturing, and support functions including IT, finance and human resource management.[1] This led to developing a first, simplified model of acquisition performance, Figure 1.

INSERT FIGURE 1 ABOUT HERE

A closer look at the data led us to a further analysis. Within functional organizations, post-acquisition performance stemmed from two types of strategic activity. For one, the execution of functional strategies. In the execution of functional strategy, performance-wise the focus was on capturing (a) acquired firm value, (b) buying firm value, and/or (c) joint value. For another, value capturing in the post-acquisition era depended on the execution of integration strategies. As the studied acquisitions were acquired with a symbiotic integration strategy, this translated performance-wise into (a) capturing value via classic post-acquisition integration toward the acquired firm, (b)

[1] It deserves mention that this is not an all-exhaustive list of an organization's functions, however it represents those functions that arose as significant in this large-scale qualitative study. What is more, as we studied acquisitions of acquired units (e.g. manufacturing unit, research unit, …) or acquisitions of small-to-medium sized firms, efforts in the post-acquisition phase could be traced to activity in core and support functions. This places a limitation on the applicability of our findings to large-scale mergers consisting in numerous businesses, product lines, and functions worldwide.

capturing value via reverse integration toward the buying firm, and (c) capturing value via inter-firm interface management. In total, this resulted in six types of strategic value-capturing activities in the post-acquisition era.

When measured against these strategic value-capturing activities, it was becoming easier to establish performance related dynamics. The performance of the studied acquisitions, per function, was reflected in progress on these six strategic value-capturing activities, which in turn were reflected in acquisition performance metrics. In other words, acquisition performance depended on how well functional and integration strategies had been implemented, per function. Table 1b provides an overview of the studied acquisitions with respect to acquisition performance metrics and the performance of functional organizations.

Grounded model part 3: Integration-related antecedents of acquisition performance

We identified seven integration-related antecedents of acquisition performance. We aggregated these to the higher-order categories of processual, behavioral and cultural factors. *Processual* antecedents relate to acquisition management as regards the quality of 1) due diligence, i.e. surprises emerging from the due diligence phase, and 2) integration management. *Behavioral* antecedents encompass 1) negative emotional reactions, and 2) employee motivation. *Cultural* antecedents relate to 1) the degree of organizational fit between the firms, 2) attention paid to national culture differences, and 3) language barriers.

We observed that integration-related antecedents affect functional organizations via the execution of functional and integration strategies. Through their impact on functional and integration strategy implementation, integration-related antecedents come to bear indirectly on overall acquisition performance, Figure 2. Unless attended to, integration-related processual, behavioral and cultural factors negatively affected the execution of functional and integration strategies, hence acquisition performance. Surprisingly, we observed the effect of integration-related antecedents to bear differently depending on the function and type of strategy being implemented. In the following, we proceed to analyzing these impact mechanisms first for functional strategy implementation, then for integration strategy implementation.

INSERT FIGURE 2 ABOUT HERE

Capturing value via the implementation of functional strategies

We observed the execution of functional strategy to matter, depending on the function. In the studied acquisitions, the execution of functional strategy was particularly salient in sales and research functions, see Table 2. In the sales function, the implementation of the sales strategy was reflected in (1) the capturing of acquired firm value via the sales of acquired firm products, and (2) the capturing of buying firm value via the sales of buying firm products. The implementation of the research and development strategy was reflected in (1) the capturing of acquired firm value via recognizing and utilizing the acquired firm's product development potential, and (2) the capturing of joint value via developing joint research and development efforts including joint product development projects. We now proceed to illustrating how integration-related antecedents affected the capturing of value via the implementation of functional strategies in sales and research, and how this in turn affected acquisition performance. The reader is encouraged to refer to Table 2 for empirical details, Table 1b for an overview per acquisition, and Figure 3 for a graphical illustration of the relationships.

INSERT TABLE 2 ABOUT HERE

INSERT FIGURE 3 ABOUT HERE

Capturing acquired firm value. Capturing acquired firm value was observed to be of relevance in two of the studied functions: (1) sales, and (2) research and development (R&D).

In sales, the capturing of acquired value was in practice reflected in whether acquired firm products and services were sold post-transaction. Sales was hampered by integration-related emotional, cultural and linguistic factors. First, negative emotional reactions on the buying firm side hampered the extent to which the acquisitions resulted in growth in acquired firm sales. Instead of following the post-acquisition strategy of cross-selling one another's offering, in practice, some buying firms' commercial teams avoided this activity. This was observed in the studied acquisitions, where a sales function was involved. Commercial sales teams met the need to sell one another's products with resistance. Notwithstanding, lost acquired firm sales were observed and acquired firm post-acquisition performance declined.

The capturing of acquired firm value via increased sales of their products was further hampered by inattention to national culture differences. This led to decreased sales of the target firm's products post-transaction. This impact was particularly visible for previously domestic firms (e.g. the Finnish and German-US acquired firms). For such acquisitions, the post-acquisition commercial strategy was based on internationalizing the target firms' product offering – yet the execution of this strategy was mired by inattention to the national cultures. Previously domestically oriented firms lacked the sensitivity to approach overseas markets from a cultural perspective. In a similar vein, they lacked the language competences necessary to serve these markets.

In R&D, the capturing of acquired firm value was reflected in whether the acquired firm's product development potential was recognized and utilized. The effectiveness of this strategy was undermined by strategic due diligence surprises and negative emotions. Strategic due diligence surprises can result in the product development potential in the acquired firm being lower than evaluated pre-deal. This was observed in the studied German-US acquisition, where the German team had the sufficient capability, yet the US site lacked the needed skills to perform the sought research strategy. This capability gap had not been observed in the due diligence phase. What is more, buying firm negative emotional reactions led to the acquired firm's product potential not being considered. Such effects were particularly visible in buying firm D that seemed to be poised with a not-invented-here syndrome disallowing it from harnessing the product development potential in the firms it had purchased. Combined, these factors explain decreases in acquired firm performance, owing to lowered product development potential.

Capturing buying firm value. In the studied acquisitions, the capturing of buying firm value was observed only in the sales function with respect to whether buying firm products and services were sold post-transaction by the acquired firm. We observed negative emotional reactions on the acquired firm side to hamper the extent to which the acquisitions resulted in increased sales of buying firm products. It seemed that sales organizations, also on the acquired firm's side, might not greet the idea of selling the new parent firm's products with ease. This occurred particularly if the firms had previously been competitors. Over time, this led to decreased buying firm performance relative to the acquisition, as the expected increases in buying firm sales did not materialize.

Capturing joint value. Capturing joint value was relevant in research and development. The capturing of joint value via buying-acquired firm R&D efforts can be undermined by surprises from the due diligence phase, negative emotional reactions, the presence of national cultures, and language barriers. Difficulties in inter-firm R&D cooperation were observed particularly in buying firm A's and B's acquisitions. Strategic due diligence surprises can result in the acquired firm engineers' competences and skills not matching expectations. This makes it more difficult to engage in research cooperation, as competence bases differ. Negative emotional reactions further surface in joint R&D work. In the German-US acquisition, joint research project work was easier toward the new, Finnish parent firm than between the previously independent target firm units. Their cooperation came to be mired by historically embedded negative emotions, resulting in product development projects being delayed and hence exceeding their schedules. National culture and linguistic differences, unless attended to, within the acquired firm and in interactions with the buying firm, can further obscure the effectiveness of intercultural interfaces. Such interfacing is necessary, though, for inter-unit R&D cooperation to take place so that new products are developed and the research synergy potential inherent in the deal is leveraged. In the German-US acquisition that was followed by international R&D cooperation, engineers observed the difficulty of working together across three languages and national cultures. Combined, these difficulties had a negative effect on the performance of joint research and development initiatives.

Capturing value via the implementation of symbiotic integration strategies

As the studied acquisitions were acquired with a symbiotic integration strategy, performance-wise this translated into (a) capturing value via classic post-acquisition integration toward the acquired firm, (b) capturing value via reverse integration toward the buying firm, and (c) capturing value via inter-firm interface management. We observed the execution of integration strategy to be similar across functions. We now proceed to illustrating how integration-related antecedents affected the capturing of value via the implementation of integration strategies, and how this in turn affected acquisition performance. The reader is encouraged to refer to Table 3 for empirical details, Table 1b for an overview per acquisition, and Figure 3 for a graphical overview.

INSERT TABLE 3 ABOUT HERE

Capturing value via classic integration toward acquired firm. With classic integration, we refer to one-way integration from the buying toward the acquired firm. We observed this process to be undermined by the following integration-related factors. Negative emotionality comes into play in that the buying firm's arrogance and sense of superiority could lead to implanting ways of working in the acquired firm that decreased its organizational effectiveness. At times, no change or considering reverse integration i.e. adopting an acquired firm's better practice into the buying firm would have been a better option.

The difficulty of implementing post-deal changes was further severed by a lack of organizational fit. For example, buying firm A's acquisition of UK R&D unit #3 suffered from a lack of organizational similarity. National culture differences, often unattended to, further hampered the progress of post-acquisition change given that both firms' structures, processes and ways of working were embedded in their respective cultural heritage. Unless this was attended to, the acquired firm's cultural heritage slowed down attempts to implement post-acquisition changes. Overall, integration management influenced the speed and ease with which post-acquisition changes were implemented be it in the sales, research, manufacturing or IT organizations.

Issues with employee motivation were visible in all the studied acquisitions, particularly with the acquisition of the US site #8 where employee retention was an issue from the pre-deal phase onward. Buying firms often failed to recognize the significance of employee motivation to acquisition performance. Employee motivation was observed to bear numerous implications on acquisition performance.

A low level of pre-deal motivation can result in unwillingness to join the buying firm. Pre-acquisition personnel losses lower the success potential of the post-acquisition phase, as talent is lost, local market dynamics might become more competitive owing to ex-personnel setting up competitive firms. As a result, the sales targets and expected product development potential from the acquisition might not be realized. What is more, acquired firm employees' pre-acquisition action against the acquisition can result in a delayed deal date, competitive bids, and a blurred image of the buying firm in the local and customer communities. These effects were all observed in the US site #8.

Low pre-deal motivation levels further translate into a post-acquisition era in which emphasis needs to be placed on regaining staff motivation. Consequently, integration is delayed, and integration costs escalate. In the post-deal era, levels of uncertainty and motivation reflect the likely degree of acceptance and approval of buying firm integration actions and the resulting amount of acquired firm in/activity in support of post-acquisition integration, both of which impact the speed of post-acquisition integration. This in turn reflects the degree to which the budget allocated for the integration project is exceeded.

Capturing value via reverse integration toward acquiring firm. Given that the studied acquisitions were conducted as symbiotic acquisitions, the dynamics of reverse integration, i.e. the buying firm adopting the target firm's practices, deserve attention. The extent to which reverse integration occurred was found to be mired by negative emotionality on the buying firm's side. When present, negative emotional reactions, including arrogance or a sense of superiority, resulted in a relevant best practice from the acquired firm not being transferred toward the buying firm. This was reflected in lost value for the buying firm, given the loss in potential organizational effectiveness. Buying firms A and B provide examples of learning from target firms, in that they engaged in reverse integration for example to transfer project management or superior research practices.

Capturing value via interface management. Interface management refers to post-acquisition integration activity that enhances the effectiveness of inter-firm interactions.

The effectiveness of inter-firm interfaces, whether in core or support functions, depended on whether national cultures, languages, and negative emotional reactions were recognized. If not, these interfaces operate ineffectively, leading to escalating costs for integration but also decreased performance for the involved firms. Such effects were observed particularly in buying firms B, C and D. Buying firm A's organizational culture supported inter-unit networking, hence inter-firm interfacing was natural for their employees.

National culture differences blurred intercultural interfaces within and across the organizations, leading to lost organizational effectiveness and escalating costs. Language barriers further affected the effectiveness of within and cross-firm interfaces – in the post-acquisition phase such interfaces are critical for employees on both sides to start working together. Language differences were particularly manifest in the German and French acquisitions, where neither the buying nor the acquired parties were fluent in English, and thus treaded on non-native ground. Many misunderstandings were observed.

The extent to which the parent firm is able to harness the cultural diversity present in its multicultural workforce depends on the degree to which it lets go of an 'ethnocentric' attitude as it increases its international reach. Does it recognize the impact of its cultural background on its organizational culture and practices? Does it force its practices onto foreign units without supporting the latter on this journey? The studied Finnish industrial buying firms seemed, on average, rather ill-equipped with this factor. Despite purchasing firms overseas, they did not explicitly consider that they ought to cater for the needs of a culturally diverse workforce. It appears that they failed to tap on a culturally dependent human capital leverage factor.

DISCUSSION

In light of calls to further our appreciation of M&A performance dynamics, in this paper we focused on integration-related antecedents of acquisition performance. In so doing, we follow recent calls for the need to explore the ways in which acquisition implementation dynamics, particularly as regards the post-acquisition integration phase, come to affect M&A performance (Cording et al. 2008; Gomes et al. 2013; Haleblian et al. 2009). In this paper, a grounded model outlining how the post-acquisition phase comes to affect acquisition performance is developed, see Figure 2. In so doing, the paper offers the following contributions to extant theorizing on M&A.

The first contribution is to connect post-acquisition integration to acquisition performance. Whilst both constructs – post-acquisition integration and acquisition performance – are central to our appreciation of M&A, extant theorizing has largely treated them disparately, failing to connect integration to acquisition performance.

Despite interest in the study of M&A performance since the 1970s (for reviews see e.g. Hitt et al. 2012; Thanos and Papadakis, 2012a; b; Zollo and Meier, 2008), recent critical reviews, empirical studies and meta-analyses concede that M&A appear detrimental to the buying firm at the time of the transaction and up until several years post-transaction (Barkema and Schijven, 2008; King et al. 2004; Laamanen and Keil, 2008; Quah and Young, 2005). More alarmingly, it appears that much of the variation in predicting M&A performance remains to date unexplained (Gomes et al. 2013; King et al. 2004). This explains why calls to further our appreciation of the hitherto less explored antecedents, including managerial and processual, i.e. integration-related ones have surfaced (Angwin and Meadows, 2014; Haleblian et al. 2009). These calls echo the practitioners' experience and qualitative studies positing that the management of the M&A process is most challenging, yet key to value creation in M&A (Gates and Véry, 2003; Haspeslagh and Jemison, 1991; Larsson and Finkelstein, 1999; Meyer, 2008).

Despite the significance of the post-acquisition integration phase to M&A value creation, to date only a handful of studies have explored this link. The mediating role of integration on the culture-performance relationship (Reus and Lamont, 2009; Slangen, 2006) and on leveraging technology-based know-how (Puranam and Srikath, 2007; Puranam et al. 2006; 2009) has been observed. The role of intermediate goals mediating between integration decisions and acquisition performance has equally been noted (Cording et al., 2008). Acquired and buying integration firm managers' activity also matters to acquisition performance (Graebner, 2004; Teerikangas et al. 2011). A recent survey-based study on Central European SMEs is a first at taking a more integrated perspective – it finds strategic complementarity, cultural fit and degree of speed of integration as predictors of M&A performance (Bauer & Matzler, 2014). Despite these advances, we lack in particular qualitative appreciations of the means by which post-acquisition integration affects M&A performance.

By undertaking a large-scale inductive interview-based approach, our findings enable us to start opening the 'black box' of post-acquisition integration and acquisition performance. We observe that the effect of integration-related antecedents, i.e. processual, behavioural and cultural factors, on acquisition performance is not direct. Instead, this effect is mediated via functional organizations, i.e. core functions (including sales, research and manufacturing), and support functions (including IT, finance and human resources). A closer look at functional performance dynamics leads us to observe that in the post-acquisition phase, functional organizations are host to functional and integration strategy implementation. It is via the implementation of functional and integration strategies that post-acquisition value is captured and acquisition performance reaped.

We observed the following value-capturing activities at play in functional organizations. For one, the effective implementation of functional strategy depends on capturing acquired firm value, capturing buying firm value, and capturing of joint value. For another, the effective implementation of symbiotic integration strategy depends on capturing value via classic integration toward the acquired firm, capturing value via reverse integration toward the buying firm, and capturing value via inter-firm interface management. However, these value-capturing activities operate differently across functions, see Figure 3. We observed a difference between core and support functions in that functional strategy implementation is more critical in core functions, particularly sales and research. In our acquisitions, acquired firm value was captured via increased sales and the development of new products. Buying firm value was captured via increased sales of buying firm products. Joint value was created via shared product development projects. In contrast, integration strategy implementation occurred across all functions, regardless of their core or support role. In practice, this will depend on the buying firm's decisions with respect to which functions to integrate, and to what degrees. In this study, the focus was on symbiotic acquisitions, where the buying firm's interest was to secure such integration across functions.

Integration-related processual, behavioural and cultural antecedents were found to affect functional and integration strategy implementation differently. What did this mean? The impact of integration-related (strategic, behavioral, cultural) factors on the execution of functional strategy was found to depend on the value-capturing activity type and function. It is in particular with respect to capturing acquired firm value that we observe functional differences. In sales, the role of emotions and national cultures is important to capturing acquired firm value by maintaining and ideally increasing the sales of acquired firm products. In R&D, pre-deal surprises and negative emotions can hamper the potential for capturing acquired firm value via developing the target firm's product potential. Capturing buying firm value can be mired by negative emotions. Capturing value from joint initiatives, depends on pre-deal surprises, negative emotions, national cultures and language. In contrast, we observe the impact of integration-related (processual, behavioral, cultural) factors on the execution of symbiotic integration strategy to be the same for all functions. For classic integration, i.e. driving post-acquisition change toward the acquired firm, in particular the degree of organizational fit, integration management, employee motivation, attention to national cultures and negative emotional reactions matter. The difficulty of reverse integration process can be undermined by negative emotional reactions. Interface management was observed to be affected by negative emotions, national cultures and language. Overall, we note the prevalence of negative emotions as an integration antecedent. Also, we observe the buying firms' seeming inattention to many of the behavioral and cultural factors.

How did this come to affect acquisition performance? We measured acquisition performance using four metrics: (1) acquired firm performance post-acquisition, (2) buying firm performance (traceable to the acquisition), and (3) performance of joint initiatives in the post-acquisition era, and (4) the swift and cost-effective progress of post-acquisition integration. Success on each of these acquisition performance metrics was found to depend on several value-capturing activities. Thus, acquired firm performance improves via the capturing of acquired firm value in sales and research, and the capturing of value via classic integration and interface management. Buying firm performance improves via the capturing of buying firm value in sales, and the capturing of value via reverse integration and interface management. The performance of joint initiatives increases via the capturing of joint value in research, and the capturing of value via classic integration and interface management. Finally, integration cost and speed depend on how well value has been captured vs. leaked via the three identified symbiotic integration activities, i.e. classic integration, reverse integration and interface management.

In summary, we find that integration related processual, behavioural and cultural antecedents do not bear directly upon acquisition performance. Instead, their effect is mediated by functional organizations, i.e. core functions including sales, research and manufacturing, and support functions including IT, finance and human resources. Upon further investigation, we observe that integration-related antecedents, i.e. processual, behavioural and cultural factors, affect the identified functional mediators, and in particular business strategy implementation across functions, in different ways. This leads us to argue that positing an unequivocal causal link from one element in the post-acquisition phase to a particular acquisition performance measure needs to be treated with caution.

The developed grounded model offers an integrative perspective to acquisitions, and in particular to the integration-performance debate. This is our second contribution. Our analysis posits that acquisition performance depends on the extent to which an integrative perspective the post-acquisition phase is adopted. Indeed, inattention to processual, behavioral and cultural factors resulted in lower chances of an acquisition to reach its performance potential, however measured.

In contrast, much of extant research has taken fragmented views, be it with respect to acquisition management, M&A performance or their relationship (Gomes et al., 2013; Haleblian et al. 2009; Bauer and Matzler, 2014). Previous research appears to have largely omitted the potential for a holistic perspective to acquisition performance, a perspective that simultaneously accounts for numerous variables as well as the potential for indirect performance effects (Gomes et al. 2013; Bauer & Matzler, 2014). By integrating the hitherto largely disconnected financial, strategic, processual, behavioral and cultural perspectives to M&A, our findings offer an integrative perspective to M&A performance. In particular, the developed grounded model offers a qualitative contribution amid the very few other integrative models on M&A performance, developed either using case-survey methods (Larsson and Finkelstein, 1999) or large-scale managerial surveys (Bauer and Matzler, 2014). Our grounded model posits that integration-related antecedents of acquisition performance cannot be reduced to one factor, be it an antecedent, an outcome metric, or a mediator. We argue that integration-related antecedents consist in a multiplicity of factors that bear on acquisition performance in different ways, depending on the functional organization. In so doing, our findings answer calls for more holistic views of M&A performance (Cartwright, 2006; Haleblian et al. 2009; Gomes et al., 2013; Bauer & Matzler, 2014), and for connectivity in the study of M&A (Angwin and Vaara, 2005; Gomes et al., 2013).

Our third contribution relates to identifying the role of functional organizations, in particular sales and research, as mediators in the integration-performance relationship. Previous research has identified change types following acquisitions, including procedural, physical, and managerial and socio-cultural integration processes (Shrivastava, 1986), or categorized them as task and sociocultural integration processes (Birkinshaw et al., 2000). To our knowledge, however, the role of functions and functional organizations has been largely eschewed in M&A research (see also Angwin, 2004) to the benefit of generic analyses of post-acquisition integration dynamics that assume integration to be homogeneous, across functions. The work of Angwin (2004) and Bauer and Matzler (2014) uses functions to operationalize post-acquisition change and post-acquisition integration. Going forward, we call for more research that takes functional perspectives into consideration in the study of M&A.

Finally, our work provides insights into the debate on integration speed (for an overview, see Angwin, 2004; Homburg and Bucerius, 2006; Teerikangas and Joseph, 2012). We observed speed to bear two kinds of impacts. On the one hand, we found that integration speed depends on how effectively the (symbiotic) integration strategy has been implemented. On the other hand, we observed that the speed of executing business strategies, particularly in sales and research, impacted the ability to capture acquired firm, buying firm and joint value, hence acquisition performance. In other words, based on our findings we argue that speed needs to be studied both with respect to the implementation of business and functional strategies, and with respect to the implementation of integration strategies. Via its effect on both strategies, speed of integration affects acquisition performance. This two-sided perspective might explain why previous work has observed ambiguous findings (Bauer and Matzler, 2014), be it with respect to the timing of the study (Angwin, 2004), or with respect to firm fit (Homburg and Bucerius, 2006).

Managerial implications

Our findings offer important managerial implications. For one, the findings are a call for managers to pay attention to the performance critical role of functional strategies in acquisitions. In particular, there is a need to focus on the value-capturing roles of the sales and research organizations. Both firms need to be encouraged to cross-sell one another’s products and services. As for research, the acquired firm’s product potential needs to be recognized and utilized. Efforts at creating effective inter-firm interfaces that support post-acquisition integration, cooperation and joint research projects need to be actively encouraged. In contexts of symbiotic acquisitions, buying firms need to gauge their willingness and capability for reverse integration. After decades of focus on post-acquisition integration, our findings are a call to shift the attention within the organization, in so doing exploiting opportunities for value capture in functional organizations. For another, we noted throughout the study that the buying firms seemed, overall, not very well equipped to deal with the identified integration-related processual, behavioral and cultural factors. Our findings offer a reminder to attend to the softer sides in M&A (integration management, negative emotional reactions, employee motivation levels, degree of organizational fit, national culture and linguistic differences), which unless attended to, act as sources of post-acquisition value leakage.

Limitations and future research directions

We acknowledge that our findings are tentative and bear limitations. Depicting the performance dynamics of post-acquisition integration is recognized as a challenging, complex and multifaceted endeavor. Our model provides a linear appreciation of acquisition performance dynamics, a topic which in reality portrays cyclicality, reciprocity and thus intertwined effects. We recognize that many of our variables might be conceptually separable for analytical purposes, yet in practice they are likely to be intertwined. The second limitation relates to the recognition that instead of seeking generalizations, the findings are set in a Nordic industrial context. Our findings are based on acquisitions that were conducted with a growth oriented business strategy and integrated with a symbiotic strategy. As such we encourage research on acquisition performance dynamics in other national, sectorial, and strategic contexts. A third limitation relates to our choice of reverting to perceptual measures of acquisition performance rather than objective data. This choice was aligned with the research questions and the theoretical frame of the study (Cording et al. 2010; Zollo and Meier, 2008). Integration processes take several years to be completed. Thus, short term financial measures of acquisition performance would have been inappropriate (Meglio and Capasso, 2012; Meglio and Risberg, 2011; Thanos and Papadakis, 2012; Zollo and Meier, 2008). Additionally, long-term accounting measures of performance are confounded by e.g. the parallel presence of several acquisitions, other events, different accounting standards among the countries; this renders them inappropriate to be adopted for evaluating the performance of isolated cross-border acquisitions (Larsson and Finkelstein, 1999; Schoenberg, 2006). Our choice is consistent with previous qualitative studies on acquisition performance (e.g., Quah and Young, 2005; Vaara, 2002).

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