

Examining Links Between Pre- and Post-M&A Value-Creation Mechanisms: Exploitation, Exploration, and Ambidexterity in Central European SMEs

1. Introduction

The demand for continuous strategic renewal indicates that firms have to balance activities of exploration and exploitation that require conflicting resource allocation patterns, competencies, and learning mechanisms (Jansen et al., 2009; March, 1991). The concepts of exploration and exploitation, as types of organizational learning and innovation behavior (Levinthal and March, 1993; March, 1991), are proposed to be important drivers of merger and acquisition (M&A) strategies (Angwin, 2007). According to March (1991, p. 71), *exploration* is associated with “search, variation, risk taking, experimentation, play, flexibility, discovery, and innovation,” and for Atuahene–Gima (2005), its objective is to develop breakthrough products. More uncertain and distant in time than those of exploitation, the outcomes of exploration can threaten existing organizational units (O’Reilly and Tushman, 2008). By contrast, *exploitation* refers to “refinement, choice, production, efficiency, selection, implementation, execution” (March, 1991, p. 71) and aims to extend current knowledge, achieve greater efficiency, and enable incremental innovation (Atuahene–Gima, 2005). Taken together, “mindsets and organizational routines needed for exploration are radically different from those needed for exploitation” (Gupta et al., 2006, p. 695).

Since both types of learning are crucial for sustainable company development, companies need to manage a trade-off between exploration and exploitation (Birkinshaw and Gupta, 2013; Gupta et al., 2006; March, 1991). Literature on the topic generally proposes three ways to

balance the opposing needs of exploration and exploitation: structural separation, temporal separation, and contextual approaches (O'Reilly and Tushman, 2013). Whereas structural separation is thought to be superior (Berghman et al., 2012), a recent meta-analysis underscores the benefits of contextual approaches (Junni et al., 2013). In response, acquisitions are viable means to solve the conflict between the two concepts (Graebner, 2004) and to establish *organizational ambidexterity*, or the capability of pursuing both exploration and exploitation (O'Reilly and Tushman, 2004).

Despite the considerable amount of research on M&A, value creation mechanisms and explanations for M&A success remain unsatisfactory (Ellis et al., 2009; King et al., 2004). Even if researchers have begun to integrate the concepts of ambidexterity, exploration, and exploitation into M&A research, it can still be described as fragmented. Often, exploration and exploitation are treated as important motives for acquisitions (Angwin, 2007) or as sources of value creation (Wagner et al., 2013), while at other times, the goal has been to identify integration strategies that facilitate exploration or exploitation, if not both (Angwin and Meadows, 2015; Graebner, 2004). To expand understandings of M&A performance, however, it is necessary to develop an integrative perspective on strategic renewal with acquisitions, ideally one that links the specific phases of the M&A process by studying connections between pre- and post-merger issues (Bauer and Matzler, 2014; Gomes et al., 2013). This paper addresses the need for an integrative perspective by linking pre- and post-phases of M&A and investigates if and when firms can benefit from past acquisition experiences.

The contributions of this paper are threefold. First, to generate an understanding of the link between pre-acquisition synergy potential and post-acquisition synergy realization, we integrate the pre-acquisition acquirer–target fit in terms of exploration and exploitation with

actual success with post-merger exploration and exploitation. In that way, we avoid emphasizing an ultimate relationship of pre-acquisition fit on acquisition performance, which is often subject to causal ambiguity (Cording et al., 2008; Zollo, 2009). In doing so, we treat exploration and exploitation as strategic orientations with different necessary learning approaches, resources, and routines (Gupta et al., 2006). We argue that a fit between those orientations yields positive effects, including similar dominant logics, similar cognitive structures, a shared language, and common skills that facilitate communication and learning (Cassiman et al., 2005). We also account for interdependencies of the M&A process by investigating an intermediate step of the acquisition process to avoid the “fuzziness of the performance feedback” (Zollo, 2009, p. 895). In effect, we contribute to currently limited research on the role of “internal relatedness” in strategic orientations and management styles (Homburg and Bucerius, 2006).

Second, we respond to the fact that most research on integration focuses on either the need for autonomy (Paruchuri et al., 2006; Puranam et al., 2009) or the benefits of integration (Bauer and Matzler, 2014; Larsson and Finkelstein, 1999), yet also indicates that those two circumstances do not represent opposite ends of a continuum (Zaheer et al., 2013). In recent research, Angwin and Meadows (2015) identify five empirically observable predominant integration strategies, depending on the degree of knowledge transfer to the target and the target’s managerial autonomy (Angwin and Meadows, 2015). Interestingly, the most prominent cluster is reorientation integration, characterized by a selective approach focused on integrating administrative functions yet leaving production- and business-oriented functions autonomous, which encompasses roughly 40% of the investigated cases (Angwin and Meadows, 2015). For Angwin and Meadows (2015, p. 249), the results means that “reorientation acquisitions show that exploitation and exploration . . . can co-exist during acquisition integration.” Despite the

prominence of reorientation integration, however, no evidence exists to explain how that strategy affects acquisition performance (Angwin and Meadows, 2015). As part of our contribution, we therefore investigate how post-merger exploration, exploitation, and ambidexterity—that is, simultaneous success in exploitation and exploration—affect acquisition performance.

Third, we contribute to literature that reports on acquisition experience by showing how and when experience can be beneficial. With an increasing number of acquisitions, firms should become more experienced and thus more successful in conducting and implementing acquisitions. However, results of research on the link between acquisition experience and performance conflict, ranging from the positive (Bruton et al., 1994; White, 1994) or nonlinear (Haleblian and Finkelstein, 1999; Hayward, 2002) to the negative (Uhlenbruck et al., 2006) or even nonsignificant (Zollo and Singh, 2004). On an aggregated level, finding no significant direct relationship, King et al. (2004) conclude that research has even failed to detect interactions that might disguise the influence of acquisition experience. We thus shed light on the value of acquisition experience, namely by investigating its more nuanced influences on in-domain (e.g., pre-merger exploitation fit with post-merger exploitation success) and cross-domain (e.g., pre-merger exploitation fit with post-merger exploration success) relationships.

In making those contributions, we acknowledge that small and medium-sized enterprises (SMEs) play an important role in Europe—they represent 99% of all corporations (Knop, 2007) and are expected to increasingly affect M&A activities in the future (Jansen, 2008)—academic understandings about their acquisition behavior are quite limited. As Weitzel and McCarthy (2011) point out, however, SMEs can be expected to differ from large enterprises in terms of their acquisition processes and routines. Accordingly, we expect those differences to find ground in our results, especially regarding ambidextrous M&A outcomes, since organizational size can

affect the capacity of firms to cope with such complex strategies. On that point, researchers have offered mixed results concerning ambidexterity in SMEs (cf. Ebben and Johnson, 2005; Lin et al., 2007; Lubatkin et al., 2006; Puranam et al., 2009), thereby highlighting the importance of further investigations on the topic. As one such investigation, we test our propositions with a sample of 101 transactions among European SMEs.

In what follows, we first discuss relevant theoretical concepts as a means to develop a research model for relationships among exploration and exploitation fit, post-merger exploration and exploitation activities, acquisition experience, and M&A performance. We next describe the research context, the research design, and the results of our empirical study. Ultimately, we derive and discuss theoretical and managerial implications and close by reviewing the limitations of our study.

2. Theoretical Background and Development of Hypotheses

2.1 Strategic fit in M&A research

The concept of strategic fit focuses on potential synergies. In M&A research, *strategic fit* refers to “the degree to which the target firm augments or complements the parent’s strategy and thus makes identifiable contributions to financial and nonfinancial goals of the parent” (Jemison and Sitkin, 1986, p. 146). When operations are merged, companies achieve synergies as they become more efficient and effective than they were as separate entities (Lubatkin, 1983). In conceptualizing strategic fit, researchers have tended to prioritize either the similarity or complementarity between two distinct organizations. Whereas *similarity* refers to resource endowments and strategic orientations with only minor deviation, *complementarity* refers to

resource endowments and strategic orientations that, though highly different, are also mutually supportive (Kim and Finkelstein, 2009).

Although strategic similarity (e.g., Finkelstein and Haleblian, 2002; Ramaswamy, 1997; Singh and Montgomery, 1987; Swaminathan et al., 2008) and strategic complementarity (Bauer and Matzler, 2014; Harrison et al., 1991; Krishnan et al., 1997; Swaminathan et al., 2008) are both thought to benefit post-acquisition performance, researchers have tended to produce conflicting results and variance in explaining variables, as well as underscored the ambiguity of those variables' interactions (King et al., 2004). Such mixed results stem from not only different conceptualizations of strategic fit, but also the difference in the focuses of studies. Often, studies that focus on similarity show positive effects; some authors conceptualize strategic fit as the relatedness of contextual factors such as the industrial and market environments (e.g., Finkelstein and Haleblian, 2002; Uhlenbruck and De Castro, 2000; Walker, 2000), while others conceptualize it as a strategic orientation (e.g., Homburg and Bucerius, 2006). By contrast, negative or insignificant results emerge when similarity is translated into internal factors such as resource endowments (e.g., Pehrsson, 2006). By still greater contrast, complementarity seems beneficial when different kinds of strategically important resources of the target augment the resource base of the acquirer. In M&A transactions, indicators of value creation include complementarity of human resources (Krishnan et al., 1997), knowledge (Tanriverdi and Venkatraman, 2005), and distinct resource combinations—for example, technological resources that complement marketing ones (King et al., 2008). Taking all of the above into consideration, we conceptualize strategic fit as an organizational orientation toward strategic learning—namely, the exploration and exploitation of synergy creation.

When pursuing M&A strategies, companies follow the motives of exploration and exploitation (Angwin, 2007). Whereas exploration is associated with the creation of new knowledge by engaging in experimentation and discovery, which often yields riskier outcomes, exploitation refers to knowledge creation by way of the continuous refinement and improvement of existing routines and procedures, which tends to yield rather predictable, yet secure outcomes (March, 1991). To achieve long-term success, organizations need to strike a balance in their distribution of scarce resources to exploration- and exploitation-focused activities. A general consideration in achieving that balance is conceiving that exploitation can guarantee short-term success and exploration long-term success (Levinthal and March, 1993; March, 1991). In that sense, the balance between exploration and exploitation is a unique organizational aspect. Since companies develop structures, rules, and norms that characterize learning behavior, their strategic orientations can even be depicted as decisions about the extent to which resources are used for the purposes of exploration or exploitation (Nielsen, 2010).

For M&A transactions to succeed, we argue that the joint exploitation–exploration orientations of a target and acquirer and thus, the mind-sets about distributing highly limited resources should fit together. In building on literature reviewed above, we propose that the strategic fit of a company’s exploitation–exploration orientation should be conceptualized as the similarity between the target and acquirer. Briefly, we reason that balancing exploration and exploitation can constitute a unique organizational orientation deeply rooted in norms and values. As such, companies that manage to exploit existing competencies while at once explore new opportunities are ambidextrous (He and Wong, 2004; O’Reilly and Tushman, 2004). By enabling companies to enhance their performance and competitiveness (Cao et al., 2009), ambidexterity relates to organizational survival, job creation, and employee satisfaction and thus

motivation (Raisch et al., 2009). To achieve ambidexterity, organizational strategists need to decide in what proportions to distribute resources between exploration and exploitation in general and between organizational units pursuing those activities in particular.

If poorly apportioned, then albeit self-reinforcing, the two learning cycles of exploitation and exploration can precipitate organizational failure (Gupta et al., 2006; March, 1991). On the one hand, exploitation yields quick gains by increasing efficiency, which can tempt organizations to repeat those actions and thereby fall into success traps. As March (2006, p. 205) puts it, “Exploitation without exploration leads to stagnation and failure to discover new, useful directions.” On the other, exploration is risky because it promotes more radical ideas, which are more prone to failure. Worse still, failures due to excessive exploration prompt organizations to seek even more creative solutions, thereby reinforcing further exploration that is liable to fail in what is known as a failure trap (Gupta et al., 2006; March, 1991). From that perspective, March (2006, p. 205) stresses that “Exploration without exploitation leads to a cascade of experiments without the development of competence in any of them or discrimination among them” (March, 2006, p. 205). Because activities of exploitation and exploration derive from different organizational structures and cultures (Benner and Tushman, 2003; Matzler et al., 2013), scholars have concluded that their divergent requirements make “the simultaneous pursuit of both all but impossible” (Gupta et al., 2006, p. 695) or at least “extremely difficult” (Birkinshaw and Gupta, 2013, p. 293).

Organizations have developed ways to manage that trade-off by employing mechanisms of structural, temporal, or contextual ambidexterity (O’Reilly and Tushman, 2013). *Structural ambidexterity* refers to the simultaneous pursuit of exploration and exploitation by establishing distinct units that differ in terms of structures, processes, norms, and culture, whereas *temporal*

ambidexterity refers to an organization's shifting sequentially between exploration and exploitation. Lastly, *contextual ambidexterity* refers to managerial capabilities and cultural aspects—that is, the “behavioral capacity to simultaneously demonstrate alignment and adaptability across an entire business unit” (Gibson and Birkinshaw, 2004, p. 209).

M&A activities can either have ambidextrous motives (Angwin, 2007; Phene et al., 2012) or be pursued as means to achieve organizational ambidexterity (Vermeulen and Barkema, 2001). Although some scholars (e.g., Simsek, 2009) argue that striking a sequential balance of exploration and exploitation over time can facilitate business success, it is unlikely in M&A that merging entities can quickly shift their strategic focuses. Although M&A can yield structurally ambidextrous outcomes, managers handling that process—one that involves target screening, due diligence, and post-merger integration, among other things—need to display ambidextrous management capabilities in order to secure sustainable company development by balancing the activities of exploration and exploitation (Meglio et al., 2015).

In M&A transactions, value is created in the post-merger stage (Haspeslagh and Jemison, 1991). As soon as the transaction is accomplished, the transfer of knowledge and the reconfiguration and realignment of structures and processes create value by generating new business opportunities (Cording et al., 2008). We therefore argue that value creation in M&A transactions has to become visible in the changing behavioral patterns of the merged company. Pre-merger fit between the exploration orientations of a target and acquirer can facilitate post-merger success in both post-merger exploration and exploitation activities, as can a fit between their pre-merger exploitation orientations. To study the consequences of pre-merger fit on post-merger M&A performance, we distinguish exploration and exploitation fit, since they can pose different consequences (Nielsen and Gudergan, 2012; Raisch and Birkinshaw, 2008), as well as

to account for the fact that an acquirer might be motivated to achieve either one, but not both (Phene et al., 2012). In the following sections, we derive our hypotheses and present our research model (Figure 1).

2.2 Exploitation

The goal of exploitation is to refine and extend organizational skills, routines, and capabilities (Auh and Menguc, 2005). Routines are refined in light of experience and existing knowledge (Baum et al., 2000) in order to increase efficiency, decrease variance, discipline problem-solving activities (Smith and Tushman, 2005), and eventually achieve incremental innovation (Andriopoulos and Lewis, 2009). As a result of standardizing and enhancing technologies, productivity and efficiency improve (Nielsen, 2010). In terms of organizational learning, exploitation is path dependent, since new developments evolve out of existing knowledge altered by routine-based experiential learning (Lavie et al., 2011; Nelson and Winter, 1982; Teece, 1988; Teece et al., 1994).

The advantages secured as a result are twofold (Ahuja and Katila, 2001). First, processes and structures are improved (Jansen et al., 2009; March, 1991) and thus redundancies averted, as activities come to be designed to more efficiently and effectively achieve, for example, faster production or better quality (He and Wong, 2004). Second, risky experimentation is avoided, which circumvents potential business failure as existing knowledge is relied upon more heavily (Katila and Ahuja, 2002). To extend that argument to M&A, exploitation activities become reinforced when the two merging entities both prioritize the allocation of resources to exploitation, since combining existing exploitative knowledge increases efficiency and eliminates redundancies. However, such gains can be even greater when the acquirer and target fit in regard to their exploitation orientations, since, as Gupta et al. (2006, p. 696) explain, “the

learning, resources, and routines necessary for exploration and exploitation are different.” By the same token, we argue that disruptions during post-merger integration (Dunlap et al., 2016) are greater when the orientations of the companies do not fit. In short, a fit in orientation, skills, language, and cognitive structures facilitates communication and learning (Cassiman et al., 2005), as well as the merging entities’ assimilation and application of knowledge. Therefore, we argue that a fit in the exploitation orientations of a target and acquirer increases the success of post-acquisition exploitation success:

Hypothesis 1a: A greater exploitative fit between a target and acquirer in the pre-merger phase positively relates to the success of post-merger exploitation.

From the perspective of ambidexterity, we reason that in cases of strong fit between exploitation orientations, acquirers distribute resources to post-merger exploration activities in order to balance exploitation and exploration to thus prevent the company from falling into a success trap (Gupta et al., 2006; March, 1991). For instance, when two companies match in how they envision lowering production costs or improving product quality (He and Wong, 2004), they can free up resources to apply toward other goals. Applying similar dominant general management and technological logics can also increase the productivity of research and development (R&D) following an acquisition (Desyllas and Hughes, 2010). Doing so can furthermore increase both exploitation and exploration activities, given that exploration and exploitation, though at odds at any given moment, can gradually relate positively to each other (Lavie et al., 2010). More specifically, exploration generates new opportunities that can be exploited later, while exploitation can produce income to invest in future exploration.

As support, in their extensive review, Lavie et al. (2010, p. 117) conclude that “the coexistence of exploration and exploitation does not negate the inherent trade-off between them”

and that “scholars should avoid assuming away these trade-offs and ascribing a positive association between exploration and exploitation to complementarity.” Meanwhile, Katila and Ahuja (2002) provide compelling theoretical arguments for a synergetic relationship by showing that, in the context of product innovation, an extensive use of existing knowledge (i.e., exploitation) can precipitate product innovation for three reasons. First, if companies use existing knowledge repeatedly, then they minimize errors and false starts, thereby allowing routines to emerge (Levinthal and March, 1981). Second, in exploitative behavior, familiar knowledge is searched and product requirements better understood, which fosters predictability. Third, the repeated use of a given set of concepts can enable a company to not only better understand, but also to identify, connect, and combine valuable knowledge elements in important ways and, in any case, significantly better than a competitor with less depth of knowledge can. However, too much exploitation can encourage a company to limit innovation along a specific trajectory and cultivate rigidity. We believe that such an outcome is less likely when two companies merge; even if both are exploitation focused, their knowledge base will possess many different facets. As a result, and in line with Katila and Ahuja (2002) and Lavie et al. (2010), we argue that a strong fit between exploitation orientations facilitates success with exploration.

Hypothesis 1b: A greater exploitative fit between target and acquirer in the pre-merger phase positively relates to the success of post-merger exploration.

2.3 Exploration

Exploration is defined as a type of learning that evolves through “concerted variation, planned experimentation and play” (Baum et al., 2000, p. 768). Exploration follows a logic entirely unlike that of exploitation by encouraging experimentation with a wide range of diverse knowledge (Andriopoulos and Lewis, 2009). With exploration, new knowledge is generated by

discovering new ways to achieve above-average returns (Koza and Lewin, 1998) despite above-average risk (Angwin, 2007). Briefly, seeking new opportunities with an eye for the future, as well as fresh knowledge and experience, is more uncertain and time-consuming than exploitation (March, 1991), yet can yield “product improvements and innovations” (Nielsen, 2010, p. 688). Thus, new external information is scanned and transformed for commercial purposes (Cohen & Levinthal, 1990; Lavie et al., 2011). This so-called absorptive capacity enables a firm to prematurely develop new capabilities (Lavie et al., 2011) and makes it more flexible in responding to environmental changes (Brown & Eisenhardt, 1997). This open and flexible approach of learning enables a firm to develop radical innovations (Atuahene-Gima, 2005).

Along those lines, we again expect that a fit in the orientations of merging entities, one characterized by common skills, a shared language, and similar cognitive structures related to exploration, facilitates communication and learning (Cassiman et al., 2005). For one, the assimilation and application of knowledge in the merging entities is made easier. Just as similar orientations reduce disruptions for employees and promote coordination (Puranam et al., 2009), similar management styles reduce employee resistance (Larsson and Finkelstein, 1999). We therefore argue that a fit in the exploration activities between a target and acquirer increases the success of exploration in terms of, for example, the similarity of routines and learning processes (Gupta et al., 2006), as well as of that similar dominant general management and technological logics positively affect the success of exploration after the merger.

Hypothesis 2a: A stronger explorative fit between a target and acquirer in the pre-merger phase positively relates to the post-merger success of exploration.

Since exploration involves risk taking (Benner and Tushman, 2003) and experimenting with dispersed and varied knowledge (Andriopoulos and Lewis, 2009), it can be assumed that

existing resource complementarities need to be exploited (Hitt et al., 1998) in order to reduce risk. Such activity can be managed by shifting resources that can create value for the merged entities, which in turn can enable the newly formed company to respond to a wider array of business opportunities and develop competencies that neither firm could create by itself (Capron et al., 1998; Harrison et al., 1991). Hence, when two companies match in terms of explorative innovation strategies, as in introducing a new generation of products (He and Wong, 2004), for example, they might be more likely to also focus on exploitative strategies (e.g., cutting production costs and improving product quality) in the post-merger phase that can reduce risk and avoid the failure trap (Gupta et al., 2006; March, 1991).

Lavie et al. (2010) argue that, over time, companies tend to transition from exploration to exploitation and vice versa (Lavie et al., 2010). Since the acquisition and development of new knowledge depends on the organization's existing knowledge base (Cohen and Levinthal, 1990), if companies repeatedly explore and apply new knowledge, then they necessarily develop exploitative routines as they become more familiar with that knowledge (Lavie et al., 2010). In turn, exploration evolves into exploitation (Brunner et al., 2009), thereby prompting a natural cycle of exploration-exploitation (Lavie et al., 2010; Rothaermel and Deeds, 2004). As such, we believe that if two merging companies prioritize a focus on exploration, then more opportunities for exploitation will emerge. Furthermore, following an acquisition, an explicit focus on integration can take hold as value is created (Haspeslagh and Jemison, 1991) by developing routines and processes, among other things, to reap synergies and exploit opportunities. That search for M&A benefits thus fosters a natural tendency to exploit what has been acquired, or more formally:

Hypothesis 2b: A stronger fit in terms of exploration between a target and acquirer in the pre-merger phase positively relates to the post-merger success of exploitation.

The performance effects of exploration and exploitation were rarely studied until recently (Lavie et al., 2010). March (1991) argues that exploitation promotes positive, short-term effects regarding profitability since it reduces variety, increases efficiency, and improves a company's adaptability to current environments. By contrast, exploration contributes to long-term performance (Auh and Menguc, 2005). Despite limited empirical evidence and consensus regarding the performance-related effects of exploitation and exploration, Lavie et al. (2010) conclude that "in sum, exploration and exploitation both enhance performance" (p. 138).

Accordingly, we propose:

Hypothesis 3a: Post-merger success with exploitation positively relates to M&A performance.

Hypothesis 3b: Post-merger success with exploration positively relates to M&A performance.

2.4 Ambidexterity

Much scholarly attention has been paid to how firms can implement both incremental and revolutionary change (De Luca and Atuahene-Gima, 2007; Gupta et al., 2006; Lavie et al., 2010; Lin et al., 2007; Raisch et al., 2009; Raisch and Birkinshaw, 2008; Simsek, 2009; Tushman and O'Reilly, 1996; Yamakawa et al., 2011). In that context, ambidexterity is thought to promote competitiveness (Gibson and Birkinshaw, 2004), organizational intelligence, and consequently, overall company performance (Levinthal and March, 1993). Yet, whereas some researchers stress the pursuit of a value-creating (Benner and Tushman, 2003; He and Wong, 2004; Katila and Ahuja, 2002; Lubatkin et al., 2006; O'Reilly and Tushman, 2008) or even reinforcing effect

(Andriopoulos and Lewis, 2009), others point to constraints arising from a trade-off between the orientations when both have to compete for limited resources (March, 1991; Uotila et al., 2009; Wang and Li, 2008). To resolve the trade-off inherent in ambidexterity, scholars suggest achieving a balance (Uotila et al., 2009) by employing informal coordination mechanisms (Jansen et al., 2006), emphasizing communication and information exchange (Lubatkin et al., 2006; O'Reilly and Tushman, 2008), and integrating both external resources (Cao et al., 2009) and networks (Raisch et al., 2009; Stadler et al., 2013).

Currently, however, research remains limited on the effects of ambidexterity on inter-organizational relationships (Im and Rai, 2008). Furthermore, beyond studies focusing on one organization, research devoted to the ambidexterity hypothesis has been conducted primarily in the field of strategic alliances (Beckman and Haunschild, 2002; Krishnan and Park, 2002; Lavie et al., 2011; Lin et al., 2007; Rothaermel, 2001). Such work posits that strategic alliances can become ambidextrous when orientations of exploration and exploitation are balanced when participating companies emphasize one of the different domains (Lavie et al., 2011). Results of ambidextrous orientations at the interfirm level show positive effects, for instance, for financial performance (Rothaermel and Alexandre, 2009) and new product development (Rothaermel, 2001). However, alliances differ from acquisitions. In the latter, two formerly separate entities undertake a process of integration in order to efficiently unite their resources. Consequently, we expect the interaction of resources in acquisitions to differ from that in alliances.

To the best of our knowledge, only one empirical study (Phene et al., 2012) is devoted to ambidexterity in M&A. However, those authors concentrate on antecedents of exploration and exploitation in acquisitions and do not test the interaction effect of exploration and exploitation on post-merger M&A performance. In short, we aim to close that gap. At the same time,

researchers have hypothesized the positive effect of ambidexterity on company performance, since ambidexterity is associated with fundamental measures of success, including firm survival, job creation, and employee satisfaction and thus motivation (Raisch et al., 2009). In their meta-analysis, Junni et al. (2013) report that organizational ambidexterity positively affects performance, since exploration prompts growth and exploitation prompts profitability.

In our study, we focus on exploration, exploitation, and ambidexterity in SMEs, a topic whose research has tended to produce mixed results. For one, Lubatkin et al. (2006) detect a positive relationship between ambidexterity and firm performance, while Ebben and Johnson (2005) show that small firms focused on strategies of either efficiency or flexibility outperform companies that attempt to achieve both. In the context of alliances, Lin et al. (2007) demonstrate that small companies benefit more from focused alliances than ambidextrous ones. Since M&A transactions clearly involve a great deal of turmoil for the organizations involved and merged firms are often extensively restructured during post-merger integration (Puranam et al., 2009), we argue that disorder during post-merger integration is greater when the merged entity increases its ambidexterity.

Meglio et al. (2015) argue that post-acquisition integration creates significant tension between the economic and organizational identities of the merging companies that can escalate when different organizational cultures (e.g., exploitative and explorative) collide. At the same time, collaboration and interunit learning can falter due to clashes between different organizational values and practices (Björkman et al., 2007). Cultural differences have also been shown to negatively relate to absorptive capacity during acquisitions (Björkman et al., 2007). Since exploration and exploitation are associated with different cultural values (Matzler et al., 2013), such differences can make combining exploitation and exploration in M&A difficult.

When an acquirer seeks to employ a structural solution to increase ambidexterity, two kinds of structures, processes, and cultures need to be established at once, which requires devising, implementing, and following different logics and plans of integration. We posit that those parallel developments consume more resources than any transaction that prompts either only exploration or exploitation and consequently impairs M&A performance. When an acquirer seeks to implement a contextual solution to the ambidexterity-seeking trade-off, the transaction will involve additional resources invested in implementing a supportive context and performance management to enable individuals in the organization to act ambidextrously (Gibson and Birkinshaw, 2004). Accordingly, we expect a negative impact of simultaneous post-merger increases in ambidexterity on M&A performance and hypothesize that:

Hypothesis 4: Since a simultaneous increase in post-merger exploitation and exploration negatively influences M&A performance, post-merger ambidexterity negatively relates to M&A performance.

2.5 The moderating effect of M&A experience

Literature on learning and experience curves often assumes that the repetition of organizational activities helps companies to conduct business more efficiently (Henderson, 1974) due to organizational learning, among other things. In short, organizations and their members improve performance as they repeat tasks (Levinthal and March, 1993). By extension, we expect that companies learn from experiences gained during past M&A transactions (Barkema and Schijven, 2008), since “Acquisition experience is a principal mechanism by which firms attain these skills” (Hayward, 2002, p. 21). Such experience helps organizations to develop scripts and routines during the pre-merger, merger, and post-merger stages, thereby increasing their future acquisition performance and success (Bruton et al., 1994). Haleblan and Finkelstein (1999)

reveal that acquisition experience is especially beneficial when a current target exhibits similarities with previous targets. Otherwise, experience can also negatively influence M&A performance since managers might “make an inappropriate generalization error” (Haleblian and Finkelstein, 1999, p. 51). Companies can especially transform their acquisition experience into positive M&A performance outcomes when similarities with past acquisitions regarding business and size are moderate, when prior acquisitions incurred small losses, and when intervals between transactions are not too long (Hayward, 2002). In their study on transfer effects, Ellis et al. (2011) point out that size-specific experience matters (Ellis et al., 2011), whereas Zollo (2009) indicates that heterogeneity in prior acquisitions can be beneficial by providing managers with a variety of potential solutions (Beckman and Haunschild, 2002). A wider variety of experiences can also act as a countermeasure to competency traps (Lant and Mezias, 1990; Levitt and March, 1988), thereby prompting better solutions, even despite decreased decision-making efficiency (Zollo, 2009).

Along with type of experience (i.e., homogeneous or heterogeneous), how organizations process their experiences also matters. Nikandrou and Papalexandris (2007) reveal that companies experienced with M&A transactions create value by formalizing human resources policies and practices. Since developed routines and practices enhance specific tasks of the acquisition process, including target screening (Al-Laham et al., 2010), and post-merger integration processes (Nikandrou and Papalexandris, 2007), as well as minimize superstitious learning (Zollo, 2009), we argue that acquisition experience and the processing of those experiences have a moderating effect instead of a direct bearing on performance. We expect acquisition experience to be useful when implementing acquisitions since more experienced acquirers will perform better than less experienced ones. In turn, experience with performing

M&A activities can enable acquirers to transform a strategic fit in the pre-merger stage into increased success with exploration and exploitation during post-merger integration. Therefore, we propose the following hypotheses:

Hypothesis 5a: Fit in terms of exploitation more positively influences the success of post-merger exploitation for companies more experienced with M&A transactions.

Hypothesis 5b: Fit in terms of exploitation more positively influences the success of post-merger exploration for companies more experienced with M&A transactions.

Hypothesis 5c: Fit in terms of exploration more positively influences the success of post-merger exploration for companies more experienced with M&A transactions.

Hypothesis 5d: Fit in terms of exploration more positively influences the success of post-merger exploitation for companies more experienced with M&A transactions.

Figure 1 summarizes our hypotheses.

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3. Methods

3.1 Sample and data

We collected primary data by conducting a mail and online survey in spring 2013 and formed our sample with the help of the database Zephyr. To avoid translation and comprehension problems, as well as to limit the variation of transactions in our sample (Moschieri and Campa, 2009), we focused on the German-speaking part of Europe (i.e., Austria, Germany, and Switzerland). We concentrated on long-living industries (e.g., machinery engineering) and deleted short-lived ones (e.g., information technology firms) and industries with only a short-term, nonstrategic interest in acquisitions (e.g., venture capital firms).

In Europe, a large amount of transactions are conducted by SMEs, though their transactions are widely ignored in research (Jansen, 2008). SMEs differ from large firms regarding their strategic and financial control systems, R&D expenses, and types of innovativeness (King et al., 2003). We focused on sampling organizations with fewer than 2,000 employees and whose deal value did not exceed EUR 100 million. We also limited our sample to transactions that occurred between January 2007 and December 2010 for three reasons. First, a timespan of three to five years since deal closing guarantees that post-merger integration is complete or near completion (Homburg and Bucerius, 2005, 2006; Krishnan et al., 1997). Second, the sampled period is recent enough to reduce the risk of retrospective bias (Reus and Lamont, 2009). Third, we wanted to increase the likelihood that managers in charge of the deals were still available.

We applied a single key informant research design with a focus on chief executive officers, chief financial officers, and heads of corporate development departments, provided that they exist. Top executives are cited to be the most knowledgeable about strategy- and integration- related issues (Ellis et al., 2009). However, given the high rank of the managers sought and due to managerial turnover, it was mostly impossible to request two executives per firm (Homburg and Bucerius, 2006). We conducted a pretest in February 2013 (Dillman et al., 2009), and following minor adjustments to formulations and examples, we distributed questionnaires by post. Initially, we identified 655 relevant transactions and after a two-week period had received 32 completed questionnaires. After reminder emails and follow-up phone calls, we had received 101 completed questionnaires. Our response rate of 15.42% agrees with other primary data research on M&A (Homburg and Bucerius, 2005, 2006). To assess potential non- or late-response bias, we followed the suggestions of Armstrong and Overton (1977). Since

comparing early and late respondents resulted in no significant differences, we have assumed that such bias was not a serious concern (Armstrong and Overton, 1977).

3.2 Measurement development

We adapted and modified already existing scales. Major advantages of that approach are that, first, the validity and reliability of the scales is established, and second, it affords the possibility of comparing research results (Bryman and Bell, 2011).

3.2.1 Fit of exploration and exploitation

To measure fit in the two domains of exploration and exploitation,¹ we applied the measurement model developed by He and Wong (2004), which concentrates on whether or not a firm focuses on improving existing product–market efficiencies (i.e., exploitation) or on entering new product–market domains (i.e., exploration). We assessed each dimension with four items on a five-point Likert-type scale (1 = *Companies do not fit*, 5 = *Companies fit perfectly*).²

3.2.2 Success of exploration and exploitation

To guarantee a stringent result between fit and post-merger success with exploration and exploitation, we employed the same items as in the pre-merger fit constructs, with the question of whether or not the indicators improved following the acquisition (1 = *Completely disagree*, 7 = *Completely agree*). To avoid response patterns due to similar items, we separated those items in our questionnaire (Harrison et al., 1996; Podsakoff et al., 2012). We assessed pre-merger fit of exploration and exploitation early on in the questionnaire and their success in the last section, with two pages in between.

3.2.3 Acquisition experience

¹ We do not measure the strategic orientation of the firms but only the fit regarding their orientations.

² Our questionnaire contained more questions than we used. With 17 items, we implemented three additional pre-merger topics, all introduced with the disclaimer that their corresponding sections of the questionnaire addressed similarities between the target and acquirer regarding strategy, activity, and team orientations. After the pre-merger topics, we began a new page with a heading indicating that the following questions addressed post-merger topics.

We assessed acquisition experience according to the number of transactions of the acquirer five years before the initial transaction (Haleblian and Finkelstein, 1999).

3.2.4 M&A performance

The measurement of M&A performance is a widely discussed topic in the literature and, accordingly, one that lacks consensus (Gates and Very, 2003; Larsson and Finkelstein, 1999). Its measures range from the short to long term and from stock market-based, accounting-based, and survey-based performance concepts (Cording et al., 2010). The most common approach, which uses stock market-based measures (Cording et al., 2008; Datta, 1991), was not applicable for four reasons. First, we focus on the transactions of SMEs, which are not usually listed in the stock market. Second, the one-dimensional assessment of performance ignores other relevant dimensions of M&A performance (King et al., 2004). Third, since we want to assess integration-related issues that take three to five years to complete (Homburg and Bucerius, 2006), an announcement-based event study was not applicable. Fourth, a long-term, stock-based performance measure is relevant only when integration events are publicized (Cording et al., 2010), which was not the case in our sample. Accounting-based measures inherently pose problems when firms in different countries form the same sample, since standards differ from country to country. For example, different accounting standards cause variance in reported profits (Weetman and Gray, 1991) and earnings management (Leuz et al., 2003), thereby complicating the prediction of earnings (Basu et al., 1998). Beyond those issues, accounting-based performance measures are rather static and give no indication of how value captured by an acquisition will unfold (Cording et al., 2010).

Accordingly, we applied a managerial self-assessment of M&A performance, which seems superior to the other concepts since it allows the capture of fine-grained mechanisms

(Capron, 1999). Beyond that reasoning, many studies indicate a high correlation between objective and managerial indication-based measures (Datta, 1991; Homburg and Bucerius, 2005). We employed Becker's (2004) measurement model, which has been widely used in M&A research (Bauer and Matzler, 2014; Becker, 2004) and consists of an objective and subjective dimension, each with four items. For both dimensions, we used a seven-point Likert-type scale (objective dimension: 1 = *Strong negative development*, 7 = *Strong positive development*; subjective dimension: 1 = *Completely disagree*, 7 = *Completely agree*).

3.2.5 Control variables

Since variables other than those previously mentioned could explain variance in our research model, we implemented several control variables: structural integration, changes for employees, prior collaboration, type of transaction, merger or acquisition, annual sales of the combined entity, the average industry growth, and the relative size of the target organization compared to the acquirer in terms of sales. All control variables were single-item measures.³

4. Results

4.1 Descriptive data and research approach

Table 1 presents the descriptive statistics of our data.

--- Insert Table 1 about here ---

To test our hypotheses, we used structural equation modeling involving a variance-based approach with SmartPLS (Ringle et al., 2005) for several reasons. For one, variance-based approaches are better suited for estimating complex models (Haenlein and Kaplan, 2004) and pose fewer requirements in terms of sample size (Fornell and Bookstein, 1982; Tenenhaus et al., 2005). Moreover, the accuracy of results of reflective measurement models equals that of

³ For more details, please see Appendix.

covariance-based approaches (Esposito Vinzi et al., 2010; Vilares et al., 2010), and partial least squares (PLS) optimize dependent constructs on a local level, which afford a more predictive character. For the second-order construct of M&A performance, we employed the hierarchical components approach suggested by Lohmöller (1989) and assessed the higher-order construct according to guidelines developed by Wetzels et al. (2009). To evaluate our proposed research model, we followed the recommendations of Hulland (1999) and investigated criteria suggested by Henseler et al. (2009). Since self-report data risk common method bias resulting from multiple sources such as consistency motives and social desirability (Podsakoff et al., 2003; Podsakoff and Organ, 1986), we separated variables in the questionnaire to reduce proximity effects and avoid response patterns (Podsakoff et al., 2012). Furthermore, we measured all relevant constructs with multiple items (Harrison et al., 1996). To test for potential distortion, we employed Harman's single-factor test, as suggested by Podsakoff and Organ (1986). Our results indicated that common method bias was not a major problem (Podsakoff and Organ, 1986). However, we also implemented a second test: the so-called ad hoc approach (Podsakoff et al., 2003), which compares substantive variance with method variance. For that assessment, we followed guidelines developed by Liang et al. (2007). The results provided us with a ratio of 45:1 regarding substantive to method variance. We therefore concluded that common method bias was not a serious concern for our data.

We next evaluated the measurement model (Wetzels et al., 2009). All indicators of the two first-order constructs have loadings above the recommended value of .7, which suggests indicator reliability. Composite reliability and Cronbach's alpha values exceeded the threshold of .7 for all first- and second-order constructs, and average variance extracted (AVE) values exceeded the recommended value of .5. Furthermore, discriminant validity, which we assessed

on the construct level with the Fornell–Larcker criterion (Fornell and Larcker, 1981) and on item level with cross-loadings, were both satisfactory,⁴ thereby indicating that our measurement models achieved discriminant validity. All first-order constructs were reliable and valid, since they exceeded the recommended values for loadings, Cronbach’s alpha, composite reliability, and AVE. In Table 2, we present the correlations, means, and standard deviations of our variables.

--- Insert Table 2 about here ---

4.2 Hypotheses testing

Figure 2 presents the PLS estimations for our direct effects model. Fulfilling the Stone–Geisser criterion suggests that the empirical data collected fit the theoretical model substantially, since all Q^2 values exceeded 0. Despite a lack of general fit indices for the structural model as in variance-based applications of SEM, we calculated the goodness-of-fit index (GoF) developed by Tenenhaus et al. (2005). Our GoF value of .64 indicated the research model’s substantial fit (Wetzels et al., 2009).

We found strong empirical support for hypothesis H1a, given that the path from fit of exploitation to success with post-merger exploitation was significant and positive ($\beta = 0.249^*$) and the effect size was rather low ($f^2 = 0.09$). However, we found no support for hypothesis H1b, since the path was not significant. Nevertheless, success with post-merger exploitation benefited M&A performance ($\beta = 0.429^{***}$) and the effect size can be classified as strong ($f^2 = 0.42$). Therefore, H3a found sufficient support.

Hypothesis H2a was also confirmed; the path was significant and positive ($\beta = 0.438^{**}$), while the effect size was middling ($f^2 = 0.17$). H2b was supported as well, for we detected a positive and significant effect ($\beta = 0.353^{**}$) with a nearly middling effect size ($f^2 = 0.11$). H3b

⁴ For details about measures and cross-loadings, see Appendices A and B.

was also confirmed, given that the path was strongly positive and significant ($\beta = 0.406^{***}$) with a strong effect size ($f^2 = 0.56$). Hypothesis 4 can be additionally confirmed, in light of a significant, negative path ($\beta = -0.201^{**}$) with a rather weak effect size ($f^2 = 0.09$). As such, a post-merger increase in the success of both exploration and exploitation negatively affects M&A performance.

Along with the direct relationships, we tested for the moderating effects of acquisition experience. For hypotheses H5a and H5c, we found positive effects; it seems that experience benefits the in-domain cases ($\beta = 0.174^*$; $f^2 = 0.04$ for H5a; $\beta = 0.210^\dagger$; $f^2 = 0.03$ for H5c), but is not significant in cross-domain cases ($\beta = 0.021$; $f^2 = 0.00$ for H5b; $\beta = -0.155$; $f^2 = 0.03$ for H5d). Table 3 displays the results of the evaluated hypotheses.

--- Insert Figure 2 about here ---

--- Insert Table 3 about here ---

The control variables influenced the research model to some extent. Structural integration, as well as changes for employees, had no significant impact; meanwhile, prior collaboration exerted a significant, negative impact on the success of post-merger exploitation ($\beta = -0.219^{**}$), yet had no effect on the success of post-merger exploration or on M&A performance. It should be noted that our results do not depend on type of transaction. Regarding the success of post-merger exploitation, it seems that mergers are more promising than acquisitions ($\beta = -0.305^{**}$); however, that circumstance had no impact on the success of post-merger exploration or on M&A performance. As an indicator of firm size, annual sales of the combined entity seemed to counter the success of post-merger exploration ($\beta = -0.159^\dagger$) and exploitation ($\beta = -0.134^\dagger$), yet had no significant effect on M&A performance. Relative size, by some contrast, positively affected the success of post-merger exploration ($\beta = 0.169^\dagger$).

5. Discussion

5.1 Theoretical implications

5.1.1 Synergy potential and realization

Strategic orientation concerns how businesses make decisions in order to achieve superior performance (Slater et al., 2006). Many researchers who have investigated strategic orientations have detected that organizations follow distinct values and norms in framing their decisions; among the most prominent contributions is the work of Miles and Snow (1978), who identify different types of strategic orientation. In short, strategic orientations create the values and norms of companies that prompt different understandings and views of which structures, processes, and cultural aspects can benefit business performance. Accordingly, the ways in which managers conceive specific situations and solve problems are reflected in their companies' strategic orientations.

March (1991) and Levinthal and March (1993) demonstrate that the strategic orientations of companies promote distinct organizational learning practices. By extension, we argue that a fit between a target and acquirer benefits post-merger success when it comes to strategic orientation. In that respect, similarity is necessary because it establishes shared beliefs and a common understanding about how to conduct business, which in turn diminishes potential conflicts regarding resource allocation. We therefore investigated fit of exploration and exploitation and in this paper provide support for conceptualizing fit concerning strategic orientations as a similarity between an acquirer and target.

Another implication regarding synergy potential and realization derives from our integrative perspective. Although we found that strategic fit concerning learning orientations has beneficial effects, a direct performance effect oversimplifies the true state of affairs. As Zollo (2009) posits, performance-related feedback in acquisitions can be described as fuzzy given the complex nature of acquisition processes. Measures and goals of intermediate success are thus an important field in M&A (Cording et al., 2008), since they make value-creating mechanisms visible. We therefore suggest that the relationship of intermediate changes and integration mechanisms is a valuable field for future research.

5.1.2 Post-merger integration

We observed the expected positive effects of success with post-merger exploitation and exploration success on M&A performance. With that finding, we corroborate earlier results concerning the performance effects of exploration and exploitation (e.g., Lavie et al. 2010) and extend them to an M&A context. We also present empirical evidence that a simultaneous increase in success with post-merger exploration and exploitation negatively affects M&A performance. Although empirical studies confirm the positive effects of contextual ambidexterity (He and Wong, 2004; Junni et al., 2013), we reveal evidence that combined efforts—that is, to increase exploration and exploitation after an acquisition—are too demanding for SMEs involved in M&A transactions. Since the integration phase usually accompanies restructuring (Puranam et al., 2009) and most managerial effort is spent on resolving inner-organizational issues, overall M&A performance suffers when post-merger ambidexterity goals are set. Thus, concerning SME acquisition behavior, the most popular integration strategy—namely, reorientation integration (Angwin and Meadows, 2015)—seems to be a very risky strategy. Instead, our results suggest a more focused acquisition integration strategy aimed at either

exploration or exploitation activities. That result concurs with the findings of Ebben and Johnson (2005), who conclude that SMEs should focus on either exploration or exploitation, not both. However, that result cannot be generalized, since we focused solely on SMEs in central Europe. Even so, research in the field of alliances with small firms has come to the same conclusions (Lin et al., 2007). To follow up on our results, an interesting investigation would study the effect of ambidexterity in acquisitions of large enterprises, which differ from SMEs regarding their strategic and financial controls (King et al., 2003). As such, greater insights are necessary to fully understand ambidextrous trade-offs and their consequences in M&A.

5.1.3 Acquisition experience

Our findings shed light on the divergent results of empirical studies regarding acquisition experience, results which range from the positive (Bruton et al., 1994) and nonlinear (Haleblian and Finkelstein, 1999; Hayward, 2002) to the negative (Uhlenbruck et al., 2006) and even nonsignificant (Zollo and Singh, 2004) influences of such experience on M&A performance. Following King et al.'s (2004) conclusion that M&A research has yet to uncover several interactions and variables, we conceptualized experience as a moderating effect that exerts influence during the integration phase. Such moderation can be separated into in-domain (e.g., the influence of experience on the relationship between fit of exploration and success with post-merger exploration) and cross-domain effects (e.g., the influence of experience on the relationship between fit of exploration and success with post-merger exploitation). Our results show that M&A experience positively influences in-domain relationships, yet has no significant effect on cross-domain relationships.

Recent research on acquisition experience that has applied a transfer theory perspective (Cormier and Hagman, 1987) might offer explanations for those findings. According to transfer

theory, experience is only beneficial when there is a situational fit between initial experience and the current situation. Several studies provide empirical evidence showing that heterogeneity—for instance, regarding target industries (Finkelstein and Halebian, 2002), target size (Ellis et al., 2011), or degree of similarity between past acquisition experiences (Hayward, 2002)—determines the type of relationship between acquisition experience and M&A performance. At the same time, acquirers need to implement knowledge codification systems in order to benefit from acquisition experience. Thus, our results point to transfer theory's assumption that experience is beneficial only in cases with a situational fit between initial experience and the situation at hand (Cormier and Hagman, 1987), which we do not expect to be the case in cross-domain capability transfers. Future research should therefore investigate the contingencies involved in transforming acquisition experience into enhanced M&A performance.

Another interesting implication regarding post-merger integration derives from the insignificant effects of our control variables of structural integration and changes for employees. Neither variables affect the success of exploration, exploitation, or performance. In M&A research and practice, there is a broad consensus about the importance of integration measures. By now, it seems that the discussion about M&A integration is primarily concerned with either the necessity of autonomy (Kale et al., 2009; Paruchuri et al., 2006; Puranam et al., 2009) or of absorption (Birkinshaw et al., 2000; Larsson and Finkelstein, 1999). Arguments for the former are that employees are disrupted and innovation capabilities destroyed with too much oversight; for the latter, using synergies comes highly recommended. In a recent paper, Zaheer et al. (2013) argue that autonomy and integration are not opposites, since both could occur in parallel. In that light, it should be stated that no pertinent, overall integration approach is available and that an acquisition can succeed or end in disaster with a specific integration approach, which depend on

the fit, managerial capabilities, and many other factors. That circumstance could explain our nonsignificant results regarding structural integration and changes for employees.

Another reason for our findings could be the fact that we assessed integration at a single point in time, thereby ignoring the procedural character of M&A integration and its inherent ambiguities (Jemison and Sitkin, 1986; Meglio and Risberg, 2010). Future research should therefore strive for a more nuanced understanding of antecedents and consequences of different integration strategies and implementation processes.

5.2 Managerial implications

Although strategic fit is an important source of synergy in acquisitions, an un-reflected reliance on strategic fit is not beneficial per se. Since managers need to understand the concept of fit and the interplay of pre- and post-merger issues, three major implications for managers can be derived from our study. First, strategic fit is more complex than it seems. Managers should seek targets with similar strategic orientations regarding explorative or exploitative learning. Establishing a fit for exploration and exploitation can diminish the impact of potential conflicts in post-merger integration. At the same time, managers need to be aware of the different consequences of strategic fit concerning in- and cross-domain effects. While fit of exploration can help firms to become more efficient after integration—for instance, lateral thinking can trigger new and innovative solutions to existing inefficiencies in organizations—fit of exploitation has no cross-domain effects. As a result, SME managers would be well advised to focus on achieving in-domain integration instead of trying to improve everything at once, which can yield negative performance outcomes.

Second, integrating organizations is more demanding for SMEs. Simultaneously integrating and increasing exploration and exploitation activities invariably causes organizational

conflicts and, in turn, overextension. From another angle, competitors could benefit from the organizational change, since all managerial effort is spent on integrating the exploration and exploitation activities of formerly separate entities. In line with previous research, we recommend that SMEs implement a temporal approach to ambidexterity instead of a simultaneous one (Simsek et al., 2009).

Third and lastly, acquisition experience is a double-edged sword that is at once beneficial for and detrimental to acquisition performance. Although companies can profit from experience in in-domain relationships, experience seems useless or even responsible for “inappropriate generalizations” (Haleblian and Finkelstein, 1999) in cross-domain relationships. When organizations shift their core domains, they should not rely on past acquisition experience, since past domain-shifting acquisitions do not necessarily provide valuable insights into future acquisitions. A reason for that dynamic might stem from differences in situational context. However, if firms acquire within their strategic domains, then they should reflect on past acquisitions and develop target screening and integration routines accordingly.

5.3 Limitations

Any interpretation of our empirical results should observe a few limitations. For one, survey-based research in M&A can be problematic because it takes three to five years to measure the success of a transaction (Homburg and Bucerius, 2006). As a case in point, our study could suffer from the problem of informants’ decreased ability to recall events, as well as measurement reliability (Sudman and Bradburn, 1973). Nevertheless, since the integration process can span several years, it was necessary to elicit data regarding the entire post-merger integration phase (Cartwright and Cooper, 1993; Ellis et al., 2009; Homburg and Bucerius, 2005; Zollo and Meier,

2008). To counteract that effect, we operationalized questionnaire items addressing the pre-merger phase with a five- instead of seven-point scale.

Furthermore, since our research design adheres to a post hoc methodology, it could be limited by post hoc rationalization (Barr et al., 1992). Post hoc rationalization is always a concern when decisions reported were made intuitively at the time and rationalized later (Zacharakis and Meyer, 1998). Although we did not ask respondents about specific decisions, we cannot exclude that concern.

Third, our sample is limited to the German-speaking part of central Europe. Germany, Austria, and Switzerland have far stricter legal regulations than more liberal market economies (e.g., those of the United Kingdom and United States) regarding labor and the coordination of interest groups (Capron and Guillén, 2009). Such regulations substantially affect post-merger integration and constrain acquirers from reorganizing targets as they might otherwise. Therefore, we cannot rule out the possibility of a regional bias. In response, future research initiatives should investigate cross-cultural and -institutional influences on strategic fit and post-merger integration.

We also applied a cross-sectional research approach that permitted us to measure changes in retrospective only. Though our sample construction recommended a focus on acquisitions in which integration is either complete or near completion, the desired level of integration could be far less complete in other cases. Future research should therefore test our proposed hypotheses in longitudinal settings and investigate the dynamic perspectives of post-merger integration, including the duration of integration, which might last longer amid ambidexterity as the complexity of integration increases.

Along with those limitations, unobserved heterogeneity could have affected our results, as recent research would corroborate (Becker et al., 2013; Sarstedt and Ringle, 2010). To assess that possibility, we conducted an additional FIMIX PLS analysis, whose results indicated the possibility of a two-segment solution. As any segmentation analysis, however, FIMIX PLS is highly exploratory in nature, which implies that meaningfulness depends upon suitable segmentation variables in the dataset. The FIMIX PLS segments derived in our analysis did not significantly correlate with any variables that were suitable for segmentation. Furthermore, to test the significance of differences derived with FIMIX PLS, a multi-group analysis had to be performed, even though multi-group analyses are highly vulnerable with small sample sizes (Boyd et al., 2012). In M&A research, the overall samples of primary data in general, as in our case, are rather small (e.g., Zaheer et al., 2013). The FIMIX segments that resulted from our analysis exacerbated that problem (Segment1, $n = 58$; Segment2, $n = 43$) and prevented a reliable analysis. Accordingly, future research should investigate our topics by using larger samples to allow for more reliable segmentation analysis.

Lastly, we employed only a single-item measure for acquisition experience. Although research shows that single-item measures can be reliable and valid (Bergkvist and Rossiter, 2007, 2009), we might not have tapped every facet of our respondents' actual experiences.

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