ZfTM

Torsten J. Gerpott/Fenna B. Neubauer

**Post-acquisition integration management and takeover performance:
A comprehensive empirical study of a German transaction from the employee
perspective**

Work in Progress # 147

November 2015

Abstract

Work in Progress # 147

Post-acquisition integration management and takeover performance: A comprehensive empirical study of a German transaction from the employee perspective

In spite of a multitude of prior empirical investigations on factors explaining variance in company performance after a takeover each single study has typically incorporated only a narrow range of post-acquisition integration (PAI) design subfields. This paper applies a more comprehensive approach by developing hypotheses with regard to correlations between employee perceptions of six PAI subfields and their assessments of two acquisition performance dimensions. The hypotheses are empirically tested using data obtained in two standardized written employee surveys conducted about one year apart after a horizontal takeover in the information and communication technology industry in Germany. Responses were collected from 570 and 534 employees who worked for the merged organization. PLS structural equation modeling results show that paths from employee perceptions of the quality of executive leadership in the PAI process, the degree of integration of business processes and corporate cultures as well as adequacy of integration speed to two performance constructs (internal reorganization success, achievement of strategic objectives) are significantly positive. The results support the view that PAI investigations perform well with attempts combining various lenses of scholarly corporate acquisition research. Implications of the findings are discussed for future studies on PAI measures and for PAI management practice.

**Univ.-Prof. Dr.
Torsten J. Gerpott**

Chair of Corporate and Technology Planning, Mercator School of Management, University of Duisburg-Essen, Lotharstr. 65, D-47057 Duisburg.

**Dipl.-Betriebswirtin
Fenna B. Neubauer, M.A.**

External doctoral candidate at the Chair of Corporate and Technology Planning, Mercator School of Management, Universität of Duisburg-Essen, Lotharstr. 65, 47057 Duisburg.

Keywords: Acquisition performance; employee perspective; integration of business processes and corporate cultures; leadership; mergers & acquisitions (M&A); partial least squares (PLS) modeling; post-acquisition integration.

Contents

Contents

1. Introduction

Over the past decades management scholars and practitioners have published a plethora of theoretical and empirical studies which try to explain differences in the economic outcomes of mergers and acquisitions (M&A) by various constructs. The overarching purpose behind such studies is to expand the understanding of the "mechanics" of the whole M&A process as a prerequisite to improve the performance level of a new business entity after the formal close of a takeover (for reviews see Bauer & Matzler, 2014; Cartwright & Schoenberg, 2006; Cartwright, Teerikangas, Rouzies & Wilson-Evered, 2012; Haleblian et al., 2009; Hummel & Amiryany, 2015; King, Dalton, Daily & Covin, 2004; Meglio & Risberg, 2012; Stahl & Voigt, 2008; Teerikangas, 2012).

Investigations exploring predictors of acquisition performance can be divided into work focusing on the phase preceding the formal signing of a takeover and studies which highlight the processes after this milestone. Pre-acquisition research looks at characteristics of the acquirer and the takeover target (e.g., size ratio or business relatedness of both firms, M&A experience of buyer), management approaches before the takeover (e.g., design of formal planning procedures, length of preparatory phase) and "technical" facets of a deal (e.g., method of payment) (Marks & Mirvis, 2015). Post-acquisition work explores management actions implemented to join resources of the firms involved and employee responses to such "post-acquisition integration" (PAI) measures. By definition pre-acquisition variables can no longer affect an acquisition's performance level once the transaction is signed or formally completed. In contrast, PAI measures raise complex management challenges for the acquiring and the acquired firms over longer time periods. Therefore, the focus of the present analysis is limited to the PAI stage.

Quite a number of empirical studies already exist which explain acquisition performance variations by various PAI variables (for research summaries see Goulet & Schweiger, 2006; Gunkel, Schlaegel, Rossteutscher & Wolff, 2015; Haspeslagh & Jemison, 1991; Meglio & Risberg, 2011; Seo & Hill, 2005). However, according to several review papers (e.g., Cartwright, Teerikangas, Rouzies & Wilson-Evered, 2012; Gomes, Angwin, Weber & Tarba, 2013; Meglio & Risberg, 2010) most prior work is somewhat "narrow" in the sense that each piece of research picks up a single or very few PAI facet(s) in isolation and directly links it (them) to acquisition performance measures. Furthermore, almost none of the earlier PAI studies explore whether predictor–criterion associations detected at one data collection occasion still hold or change at a later point in time.

Against this background, the present investigation intends to contribute to the PAI literature by moving beyond the piecemeal "single shot" approach of many earlier papers through (1) the inclusion of a comprehensive array of PAI facets measured from the perspective of more than 500 employees involved in a takeover as predictors of post acquisition success perceptions, (2) the replication of an analysis of predictor–criteria associations at two points in time spaced about a year apart and (3) the use of performance measures which are not constrained to psychological or behavioral outcomes at the individual employee level (e.g., organization identification, stress, satisfaction, intentions to quit or actual turnover) but seek to capture subjective assessments of firm level acquisition performance dimensions which have high business relevance.