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- The Configuration and Role of the M&A Function in Serial Acquirers -

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All arguments, omissions, and potentially inaccuracies are fully the responsibility of the authors.

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Executive Summary

While currently experiencing an all-time high acquisition wave, the acquisition literature is still ambiguous regarding acquisition outcomes and performance. Recently, serial acquirers and their acquisition capabilities have gained increased attention in the literature, and this thesis looks at the rather new phenomenon of M&A functions in serial acquirers. The purpose was to get a better understanding of this new phenomenon through its configuration and roles, and thus enhancing the knowledge about acquisition capabilities of serial acquirers.

We conducted a qualitative interview study, interviewing eight Norwegian serial acquirers. This inductive approach, gave us an in-depth understanding of the phenomenon and contributes to a rather limited literature on M&A functions. We found that the configuration of M&A functions in serial acquirers varies in regards to the size of the company, number of employees, reporting, and the organizational location. We unveiled three types of M&A functions, namely large corporate functions, one-man bands and business unit functions. Additionally, we found that there were two types of employees in M&A functions: the all-rounder and the specialist. We further identified four important roles the M&A function plays in serial acquirers: 1) as project managers in acquisitions, 2) as knowledge managers, herein maintaining acquisition capabilities and fostering learning, 3) acting as a clearing house for internal and external leads and lastly, 4) being objective mediators to reduce unrelated acquisitions.

In conclusion, our research contributes to the acquisition literature by describing how M&A functions can help academics, and practitioners understand how to develop acquisition capability and what it constitutes. In essence, these findings add on to recent literature with a practical, micro-level approach, hence helping to open the “black box” of acquisition capability. For practitioners, we emphasize the importance of having an all-rounder with a considerable amount of acquisition experience and internal network to drive the acquisition process.

1 Introduction

Acquisition pace and deal value are at an all-time high (Bloomberg 2016; TheGuardian 2015), which is remarkable considering that studies report that the failure rate for mergers and acquisitions is between 70-90% (Christensen et al. 2011). Despite this high adoption of acquisition as a strategic mean, scholars have not yet been able to consistently identify precedents to acquisition outcomes (King et al. 2004). At the frontier of the strategic management literature, is the phenomenon of serial acquirers and their capabilities, which might help to better understand this paradox (Laamanen and Keil 2008; Colman and Lunnan 2013). As we have seen, some serial acquirers outperform their peers due to strong acquisition capabilities, enabling a higher value creation (Chatterjee 2009; Laamanen and Keil 2008).

Recently, Trichterborn, Knyphausen-Aufseß and Schweizer (2015) found that M&A functions, a committed organizational unit responsible for capturing prior experience and to professionally guide and drive acquisition processes, has a positive impact on the development of M&A capability – mediated by learning processes. As learning and capability development has a performance effect on acquisitions (Haleblian and Finkelstein 1999), unpacking the “black box” of the M&A function could help to clarify the ambiguous acquisition literature. Therefore, a more developed understanding of M&A functions and their configuration and role would be valuable for the literature.

Further, Laamanen and Deloitte (2015) found that only 55% of serial acquirers document learning, and only 43% train their staff in acquisition-specific processes. Additionally, Trichterborn, Knyphausen-Aufseß and Schweizer (2015) suggest that M&A functions are the key to a developed learning process. Therefore, a closer examination of the M&A function might help firms to discover the importance of building acquisition capabilities and improving learning.

We believe the research on M&A functions in serial acquirers’ has the potential to resolve the aforementioned paradox. Moreover, it can help to better explain the performance of acquisitions through a new and interesting phenomenon. Thus far, most of the research has had a quantitative approach, trying to connect acquisition experience to performance (Hayward 2002; Laamanen and Keil 2008; Kusewitt

1985). As these theories have shown inconsistent results, Chatterjee (2009) suggests a shift from hypothesis testing towards the building of more accurate theories. Additionally, several scholars (Barkema and Schijven 2008; Teerikangas, Very and Pisano 2011) encourage researchers to take on various methodologies to get an in-depth understanding of M&A processes. In line with Trichterborn, Knyphausen-Aufseß and Schweizer (2015), we therefore believe that an inductive qualitative approach will strengthen the research field more than statistical testing. This leads to the following research question:

“What is the configuration and role of the M&A function in serial acquirers?”

With this research question and a theory-building approach, we aim to contribute to the existing literature on acquisitions in two ways: Firstly, describing and comparing the configuration of the M&A function in several serial acquirers. Secondly, contributing to the understanding of the role of the M&A function in serial acquirers and what advantages lies within them – to get a better understanding of serial acquirers’ acquisition capabilities.

This paper proceeds as follows. In the next section, we introduce how previous literature has defined an M&A function. Then we review several relevant branches of literature in regards to the configuration and role of the M&A function. In the following section, we outline our method and how we proceeded in the research. Thereafter, we present our findings while we at the same time argue for our interpretations and its implications. Then we discuss our findings and analysis in light of current literature. In the final section, we look at our contributions to the literature, practical implications, limitations and future research.

2 Literature Review

In this literature review, we aim to examine relevant research according to our research question. First, we define what an M&A function is, then we look at relevant literature regarding the main concepts of this paper, namely the configuration and the role of the function. Moreover, to shed light on a rather new phenomenon (Trichterborn, Knyphausen-Aufseß and Schweizer 2015), we examine other relevant branches of literature such as knowledge and learning, project management, integration managers, and alliances, to create a bridge between literature.

2.1 M&A Function

The only study conducted specifically on M&A functions is done by Trichterborn, Knyphausen-Aufseß and Schweizer (2015). They define an M&A function as a separate dedicated organizational unit, which is responsible for capturing prior experiences. Here, the scope of the function is rather specific towards learning. Looking to the alliance literature on the other hand, they have a comparable and slightly more developed phenomenon - Alliance function. Kale and Singh (2007, 983) defined it as “a structural mechanism, in the form of a separate organizational unit or team of managers, responsible for managing and coordinating a firm’s alliance activity”. This definition broadens the scope of the function, which is in-line with all the roles of the acquisition function uncovered by Haspeslagh and Jemison (1991), firmly discussed below. Also, the project management literature (Meckl 2004), uses a broader definition, referring to a department approach to acquisitions (similarly to function) where they do most of the M&A activities in-house. In general, how the literature defines an M&A function, depends on the roles it has, which naturally differs from study to study due to research scope. The common denominator, however, is that an M&A function is a formal entity.

2.1.1 The M&A Function and the Acquisition Process

The process of acquiring a firm contains numerous activities. First, a firm must define an acquisition strategy – which firm(s) should it acquire to fulfill certain strategic objectives – before it must identify, select and strategically evaluate potential candidates. After that, it must establish contact with the candidate’s owners while valuating the firm to the best of its knowledge. Before structuring

the deal, negotiating with the stakeholders and initiating the integration process (Very and Schweiger 2001; Haspeslagh and Jemison 1991).

Due to the complex, extraordinary and time-limited nature of acquisitions, they are organized as projects within firms. M&A projects can be defined as "all temporary activities undertaken to plan and execute necessary measures in connection with a transaction in which companies merge or acquire another company" (Meckl 2004, 455). Much of the know-how for such projects are often tied up in tacit knowledge and realized through the expertise and experience of the project members, rather than codified knowledge (Koskinen, Pihlanto and Vanharanta 2003). The projects are carried out by acquisition teams which are assembled for every acquisition. The team's responsibilities vary from collecting, analyzing, distributing and utilizing information and changes during different phases of an acquisition (Meckl 2004). Creating the right acquisition team, in the likes of competencies, external consultants, nationalities and leadership is a very challenging task (Very and Schweiger 2001).

2.2 Configuration of the M&A Function

There are limited studies on the configuration of the M&A function or how it is built (Trichterborn, Knyphausen-Aufseß and Schweizer 2015). However, Haspeslagh and Jemison (1991) touch upon three characteristics regarding configuration; size, background of employees and organizational location. They found that most firms did not have more than one to two employees in the function. These people worked across the organization on several M&A processes at the same time. Further, they emphasized including people with operating credibility rather than merely technical M&A skills. This was due to the legitimacy such a person would have within the firm, which made implementation easier. Additionally, if teams are having a shared understanding of the situation it will increase efficiency and coordination, and ultimately a higher team performance (Vyakarnam and Handelberg 2005).

With regards to organizational location and reporting an M&A function can be on a corporate level, business unit level or both (Trichterborn, Knyphausen-Aufseß and Schweizer 2015). Haspeslagh and Jemison (1991, 91) argue that commitment from the top is crucial for the M&A function to perform acquisitions: "Ultimately

(...) the only capital the corporate acquisition function has is the confidence top management has in it.” Moreover, the scope of roles in the function suggested reporting directly to top management, hence located close to corporate. However, they mention different constellations and some reported to the CFO or a business development department. Access externally, internally and to the top management becomes crucial for the M&A function as they make the Go/NoGo decisions in the process (Meckl 2004).

2.3 Roles of the M&A Function

Haspeslagh and Jemison (1991) described the roles of a corporate acquisition function to be above all about coordination. More specifically, they mentioned four roles such a function fulfills: 1) encourage a proactive acquisition approach, 2) act as a clearing house for acquisition leads, 3) foster internal learning beyond single acquisitions, and 4) provide professional help in the acquisition process. Similarly, in the alliance function, Kale, Dyer and Singh (2002) found the benefits of having such a function to be: 1) strategic and operational coordination, 2) focal point for attracting, 3) screening and identifying possible alliances, 4) guiding business units on alliance matters such as legal agreements, and 5) as a focal point for learning and best practice sharing.

In fact, the alliance literature found a lot earlier that a dedicated function to oversee and coordinate had a significant impact on alliance success (Kale, Dyer and Singh 2002). This view was extended by the mediating role of the learning process (Kale and Singh 2007), nearly identical to the study of Trichterborn, Knyphausen-Aufseß and Schweizer (2015) in the acquisition literature. Trichterborn, Knyphausen-Aufseß and Schweizer (2015) found that M&A functions have a positive impact on the development of M&A capability, mediated by learning processes. As learning and capability development has a performance effect on acquisitions (Haleblian and Finkelstein 1999), unpacking the “black box” of M&A functions could add valuable insight to the acquisition capability literature. In other words, probably the biggest contribution of the M&A function phenomenon is to the acquisition capability development. We have therefore done a review of this literature below.

2.3.1 Acquisition Capabilities

“Acquisition capabilities are knowledge, skills, systems, structures, and processes that a firm can draw upon when performing acquisitions” (Laamanen and Keil 2008, 664). Keil, Laamanen and Mäkisalo (2012) describe acquisition capability development as a process, illustrated in Figure 1. The first stage is the experience accumulation, which has been extensively researched since the eighties (Kusewitt 1985; Hayward 2002; Haleblian and Finkelstein 1999). Firms gain such experience either by performing acquisitions themselves or observing others. The latter is called vicarious learning, meaning that firms can learn by imitating their peers (DiMaggio and Powell 1983; Haunschild 1993; Keil, Laamanen and Mäkisalo 2012). The second stage is to interpret and codify experiences into organizational routines (Zollo and Singh 2004). In the following, we are briefly reviewing the literature on both of the stages.

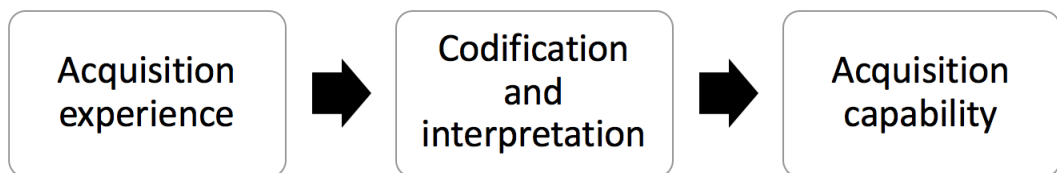


Figure 1 - Development process of acquisition capabilities

The first stage is by far the most researched one, and it has tried to connect acquisition experience to performance through quantitative research (Barkema and Schijven 2008). The first main contribution used a simple learning curve to explain acquisition performance (Lubatkin 1983). The learning curve introduced two controversial assumptions according to Barkema and Schijven (2008). Firstly, experience equals learning, implying no need for deliberate learning mechanisms (Zollo and Singh 2004) and the value of specific experiences (Hayward 2002). Secondly, experience always has a positive impact on performance, neglecting negative transfer effects (Haleblian and Finkelstein 1999). As we will see, these two assumptions have been relaxed considerably during the last decades.

In the early stage of the literature, learning from experience was seen as a homogenous construct (Barkema and Schijven 2008). Moreover, suggesting that all acquisition experience leads to higher acquisition performance (Kusewitt 1985; Lubatkin 1983; Fowler and Schmidt 1989). In the nineties, the literature took a

more nuanced approach based on organizational learning theory, researching how different types of experience impacts performance (Li 1995). Using the concept of absorptive capacity (Cohen and Levinthal 1990), Barkema, Bell and Pennings (1996) found that the learning rate is greater in domains firms already know, thus requiring a certain level of specificity. In contrast, Hayward (2002) argued that experience in proximity to the focal firm's knowledge might lead to inertia followed by a competency trap argument (Levinthal and March 1993). Research has found proof for heterogeneity of experience (Li 1995), arguing against the learning curve approach. However, the performance of different types of experience, specific vs. distant, remains inconsistent (Barkema and Schijven 2008).

Besides the finding that learning is a heterogeneous concept, researchers have also found a negative relationship between acquisition experience and performance (Fowler and Schmidt 1989; Haleblan and Finkelstein 1999). First out was Fowler and Schmidt (1989) who coined the term corporate indigestion, which is the negative effect of firms having a too high acquisition rate. This adds complexities to the acquirer and ultimately leads to reduced performance. Haleblan and Finkelstein (1999) identified a U-shaped relationship between acquisition experience and performance, due to inappropriate generalizability or negative transfer effects. This effect can be reduced if acquisitions are more similar (Finkelstein and Haleblan 2002; Hayward 2002). So far the literature has concluded that acquisition is a two-edged sword. More specifically, sometimes learning from experience can improve performance and other times the opposite (Barkema and Schijven 2008).

To develop experience into acquisition capabilities, it needs to be codified and interpreted into organizational routines and practices (Zollo and Singh 2004). Codifying experience in manuals and checklists seems to have a positive effect on acquisition outcomes (Zollo and Singh 2004; Heimeriks, Gates and Zollo 2008). According to Hutzschenreuter, Kleindienst and Schmitt (2014), the quantity of experience does not necessarily improve performance - but quality does. In other words, the way firms codify and interpret their experiences is crucial for the capability development.

A great part of the acquisition capability literature states that codified knowledge can be both harmful and beneficial (Heimeriks, Schijven and Gates 2012). Schulz (1998) found that creating routines, hence making people react in a programmed way, is a codification trap - which leads to organizational inertia. Furthermore, codification tools constrain individuals involved in the acquisition integration process, as opposed to ad-hoc problem solving customized to the specific case (Heimeriks, Schijven and Gates 2012). Misapplication of routines in this way is in line with the negative transfer effect mentioned (Haleblian and Finkelstein 1999). To encounter the codification trap, Heimeriks, Schijven and Gates (2012) suggest supplementing codified routines with tools they call “risk management practices.” These routines help decision makers to see unique features with the focal acquisition and allow for a higher flexibility. Such routines will reduce the risk of negative transfer effect (Haleblian and Finkelstein 1999), by helping people involved in the integration process to see deal-specific features.

The most recent development in the acquisition capability literature is the investigation of serial acquirers (Laamanen and Keil 2008). Previous literature has studied large samples of single acquisitions, rather than firms that perform numerous acquisitions in a given period (Schipper and Thompson 1983; Laamanen and Keil 2008). Laamanen and Keil (2008, 663) coined the phenomenon serial acquirers and defined it as firms that “often execute streams of mutually interrelated acquisitions aimed at specific strategic targets”. This branch is vital to the M&A function, because serial acquirers are the firms most likely to establish such functions (Trichterborn, Knyphausen-Aufseß and Schweizer 2015).

Both the performance and characteristics of serial acquirers is yet to be explained by literature, although some studies have tried to find performance effects (Kusewitt 1985; Hayward 2002). Significant factors explaining the performance for active acquirers are size, acquisition rate, industry commonality, timing, type of consideration and target profitability (Kusewitt 1985). Laamanen and Keil (2008) made an important contribution to the literature. They studied the temporal distribution of acquisitions through acquisition rate and variability. The most interesting finding was that serial acquirers could draw on their acquisition capabilities to reduce the negative effect of acquiring many and different targets in a given period.

Acquisition program level capabilities to manage a range of acquisitions have gotten more and more attention (Laamanen and Keil 2008). We argue that M&A functions have an even bigger role in serial acquirers wanting to develop such capabilities, and that the role and configuration of the M&A function can shed light on the acquisition program literature. Keil, Laamanen and Mäkisalo (2012) suggest that M&A functions will have a longer-lasting role in the overall acquisition process, as it becomes more important to have capabilities to manage the acquisition program.

According to Barkema and Schijven (2008), we have only scratched the surface of the acquisition capabilities phenomenon and its development. Further research needs to be done, more specifically on experience, codification, training programs, and dedicated departments, to make sense of experience and knowledge sharing within the organization.

A recent stream of the literature has called for a more actor-based approach to acquisitions, acknowledging acquisition management as a key factor to acquisition performance (Teerikangas, Very and Pisano 2011). In other words, how actors impact and shape the M&A process and ultimately performance. Teerikangas, Very and Pisano (2011) main finding was that the roles of the integration manager had a significant performance impact. This sparks an interest that key personnel within the firm, herein integration managers, and for our paper - the employees of the M&A function. Teerikangas, Very and Pisano (2011) found the integration manager to be acting as a bridge between the pre and post-acquisition phases by: 1) establishing a relationship of trust with the targets firm's management, 2) building a positive image of the future toward the acquired firms employees, and 3) portraying a positive image of the acquisition toward the public at large. Together with Johnson, Melin and Whittington (2003), they are calling for a more micro-level and actor-based perspective, describing the activities and practice of the M&A process. In fact, Trichterborn, Knyphausen-Aufseß and Schweizer (2015) briefly describe the practical none-theoretical steps of capability development: 1) Collect information on all M&A transactions and create a database of information and M&A experts, 2) define a formalized acquisition process through checklists, recommendations and frameworks, 3) establish M&A

committees and roundtables to make M&A knowledge available to relevant people, 4) apply accumulated knowledge, and 5) establish a company-wide steering committee that provide support throughout the process and can be called upon if existing knowledge is not sufficient.

Although, current literature has mentioned such roles, there has not been done a detailed micro-level analysis. Moreover, they have assumed roles and tested the most predominant one, learning and best-practice sharing on performance. That is why Teerikangas, Very and Pisano (2011) call for a more inductive actor-based approach.

3 Methodology

In the following section, we will present in detail how we conducted our study. The methodology consists of four parts: firstly, how we designed our research, secondly, how we collected data and a description of our sample, thirdly, how we analyzed the data, and lastly limitations and how we dealt with these.

3.1 Research Design

Our research is a qualitative interview study of multiple serial acquirers. Answering the call for more theory-building on serial acquirers and their M&A functions (Trichterborn, Knyphausen-Aufseß and Schweizer 2015; Chatterjee 2009), we have used an inductive theory-building research design. We chose qualitative research to be the most appropriate research method for our study on M&A functions in serial acquirers due to three main reasons. Firstly, our aim was to get an in-depth understanding of the phenomenon (Levin 2006; Collis and Hussey 2013). This can best be done through the in-depth understanding of primary data which qualitative methods provides, and can help us tell “how (process) and why (meaning) things happen as they do” (Cooper and Schindler 2008, 162). This conforms with our interpretive view of social research, where one must understand “the social world through an examination of the interpretation of that world by its participants” (Bryman and Bell 2011, 386). Secondly, most research on serial acquirers has used a quantitative approach (Chatterjee 2009); therefore we argue that a qualitative approach will be fruitful. Thirdly, as there is little literature on the unit of analysis - M&A Function -, an inductive approach, being explorative and empirical rather than a deductive approach being driven by hypotheses and theory, seems advantageous to advance the literature (Eisenhardt and Graebner 2007).

3.2 Data Collection

For the purpose of our research, we gathered data from interviews and documents such as annual reports and acquisition process descriptions. Furthermore, because of the nature of the phenomenon and the research project, we chose interviews as our primary source. This is in line with Eisenhardt and Graebner (2007), saying that interviews are efficient when the topic is episodic and infrequent, which is the case for acquisitions.

To get a hold of the appropriate interview candidates, we used a list of firms containing acquirers with at least two acquisitions between 2013-2015. Further, we contacted firms in proximity to reduce travel time and excluded investment firms (such as private equity and real estate) due to their passive ownership approach. We also made sure that the interviewee was the one with M&A responsibility in the company. In fact, we had to decline one booked interview since we later realized that his responsibilities were not relevant to our study.

Our interviews were semi-structured by nature, where we had a general framework of questions that we wanted to explore, while being open for new topics to arise (Bryman and Bell 2015). We followed a semi-structured interview guide (See 8 Appendices) to ensure that we covered all the topics of interest. However, we did not always follow the guide chronologically but made sure that all questions were answered. In line with this interview approach (Bryman and Bell 2015), we asked open-ended questions and allowed for follow-up questions. This flexibility resulted in additional data, which is a key characteristic of semi-structured interviews (Yin 2013).

The interview guide's purpose was to capture the entire acquisition process, and we made sure that it was understandable for the interviewee, meaning limited use of theoretical terms and definitions (Bryman and Bell 2011). Another advantage was that it reduced the possibility of asking questions in a leading or restricted way (Bryman and Bell 2011; Yin 2013).

All of the interviews were recorded and transcribed to reduce limitations of our memory, create transparency, and for easier reuse of the data and a more thorough data analysis (Heritage 1987; Harvey 2011). By being two interviewers, we assured the quality of the data and reduced interview biases (Eisenhardt 1989).

To ensure informed consent (Crow et al. 2006), we informed the respondents about the project and research field when scheduling the interviews. We also promised the respondents full anonymity (Wiles et al. 2008) and at the start of the interviews we emphasized that the interview was fully voluntarily and that they could leave at any point or refuse to answer certain questions. Besides from one company, that had to check with their legal department whether she could attend,

none of the respondents had any issues with either informed consent or anonymity.

The interviews were made in meeting rooms at the respondent's office, to be time efficient and increase convenience for the interviewee. All interviews were made in Norwegian, as this was the mother tongue for our interviewees. While one had the responsibility to take notes and make sure all topics were covered, the other was in charge of conducting the interview. Both had the possibility to ask follow-up questions if anything was unclear or of special interest.

Usually, we started the interviews "soft", most often with some small chat over coffee so to warm up the respondents. We then, following the interview guide, got a good understanding of what role and background the respondent had in the organization. Here we would like to find out what background and competencies the employees in an M&A function possessed. Next, we started mapping out how they organized their acquisitions and the M&A function. We were interested in getting a comprehensive picture of the organization and the role of the M&A function. Thereafter, we did a "walk-through" of the latest acquisition they had made, so that we could get a more detailed picture of their acquisition method.

We felt that we reached the stage of saturation after eight interviews (Marshall et al. 2013), meaning that we had enough data to compare on the aforementioned topics of interest since the aim of our research was to answer humanistic *why* and *how* questions rather than generalize (Marshall 1996). Finally, our sample contained M&A responsible from various companies, which were different in respect to industry, size and acquisition rate. As can be seen in Table 1.

Company	Industry	Function type	Size	Reports to	Nr of Acq 2013-2015	Revenue in Billion Nok	Employees
1	Base Metals	M&A team	N/A	CBDO	4	38,8	2658
2	Energy	M&A team	5	CFO	2	14,2	997
3	Construction	One dedicated	1	N/A	5	5,9	978
4	Construction	Part time	1	CFO	2	9,1	3049
5	Construction	Part time	2	CEO/board	2	2,2	1818
6	Recycling	Part time	1	CEO/CFO	2	1,0	416
7	Media	One dedicated	1	CBDO	3	0,8	244
8	Media	M&A team	4	CFO/CEO	3	0,4	626

Table 1 - Interviewed M&A functions

3.3 Data Analysis

Qualitative research has no formalized rules or procedures on how to analyze the data obtained (Bryman and Bell 2011) and hence many researchers have made their own approach (Eisenhardt 1989). It can be a hard, and at times chaotic, task to make sense of the overwhelming amount of data (Langley 1999).

By the nature of an inductive research approach, we had to go through an iterative process, continuing back and forth between codes, themes, and theory before we ended up with both relevant and exhaustive findings. To support the process, we used coding software to identify patterns and similarities across the different M&A functions. This was both time-consuming and challenging, but it gave us an in-depth knowledge of our data, and it helped us to improve and focus on our most important findings.

First, we tried to have an open-minded coding approach (Corbin and Strauss 1990), similar to the childish approach presented by Gioia, Corley and Hamilton (2013), to not overlook any findings. The result was abundant numbers of codes, where we tried to look for similarities within each company. More than once we had to take a step back to the codes, to get a more comprehensive and unbiased picture.

Second, we aggregated our codes into emerging themes to be able to compare and contrast the different interviews. Slowly, the results started to take shape, and we started to see parallels, and cross-theme connections could be identified. Here we looked for both similarities and variations within the identified themes. In another iterative process, we tried to connect the themes with current literature, while trying to identify gaps. Several times we had to rethink our themes to find the most interesting in regards to the literature. When we met theoretical saturation (Bowen 2008; Corbin and Strauss 1990), and no new insights or themes could be identified, we went back to the transcripts to make sure that we had not overlooked any interesting quotes on the chosen themes. The output of the process was themes on the configuration and role of the M&A function, developed from detailed codes. Ultimately, we argue that these themes have a good connection to the literature and have the potential to close a gap in the M&A literature.

3.4 Limitations of the Research Design

Though we believe our results to be representative for more than one industry and country, we do not seek generalizability. We aim to extend current literature with our findings and leave it to future studies to put these findings to the test, which is common with qualitative studies (Bryman and Bell 2011).

Although there have been discussions concerning validity and reliability in qualitative methods, and how it should be employed (Creswell and Miller 2000), we find it important to address. Validity can be understood as to which extent a research is unbiased, portrays a correct picture of the real world and to which degree the conclusions can be generalized (Kirk and Miller 1986; Bryman and Bell 2011). Our main limitation concerning our method comes in regard to our interviewees, who may have been biased and tried to tell us answers they thought we would think was interesting. Some asked for the interview guide in advance, though we explained that for the quality of the research, we would rather keep it for ourselves to best capture the first and most naturally response. There is also the chance that interviewees put restrictions on themselves due to the present of an audio recorder (Bryman and Bell 2011). The audio recorder was, however, our mobile phone, and we believe such a common object to be less of a distraction. At the same time, we stressed the anonymity aspect of the interviews to further ease the interviewees. Further, information might have been lost and misinterpreted from the Norwegian to English translation, but all quotes were carefully translated and verified by both authors.

Additionally, since we mainly interviewed M&A managers, we could have some degree of management bias (Risberg 2001), and having interviewed lower-levels employees might have provided valuable data and different perspectives. Lastly, the fact that there is a limited amount of previous research on M&A function as the unit of analysis, and that its definition at this point is rather vague, could potentially be a limitation.

Reliability is concerned whether a study is replicable, which largely is limited in qualitative studies. Bryman and Bell (2011, 408) describes the difficulties this way: “Precisely because it is unstructured and often reliant upon the qualitative researcher’s ingenuity, it is almost impossible to conduct a true replication, since there are hardly any standard procedures to be followed.” We have however tried

to strengthen the reliability of our study, by thoroughly describing our methods and how we proceeded above. Further, we believe the use of an interview guide and thorough transcriptions has strengthened our reliability. In the upcoming findings and analysis part, we have extensively tried to use direct quotes to exemplify how we came to our conclusions.

4 Findings & Analysis

To answer our research question, we have divided the findings and analysis into two parts. First, we look at the configurational aspects of the M&A function. Our findings suggest that an M&A function can be configured in several different ways. We discuss how the functions differed regarding identified characteristics, and examine how these factors configured three specific types of M&A functions. Second, we look at the four identified roles that the M&A played in serial acquirers; project manager, knowledge manager, acting as a clearing house and being an objective mediator. We discuss how the function performed these roles and how the company can leverage these.

4.1 The Configuration of the M&A Function

4.1.1 Characteristics of the M&A Function

When examining the configuration of the M&A functions, we found there to be three characteristics explaining the overall configuration. These varied from firm to firm, but we saw some form of the characteristics in all interviewed functions.

4.1.1.1 Employees

The educational background of the people in the M&A function was very high. Nearly everyone had a Master of Business, while some also had engineering and legal educations as well. We found that there were two main types of employee backgrounds, in regards to work experience and skills: One being an **all-rounder**, these were senior people with extensive experience within the firm. The second group was **specialists** in M&A areas such as finance, tax or law.

The most common type of personnel was the **all-rounder**. These were employees that had a long track record in the company and had been involved in both strategic as well as operational activities. Two M&A managers described their background like this:

"... I am the director of strategy and development, and I have been in the organization for a long time, since 1990. I haven't had this role all the time, but for the last 16 years (...) I have also worked with HR and most of the departments; thus I know the firm well. I have the necessary foundation."

“Worked in the company since 1991 and have had a lot of different roles, been responsible for strategy and business development, but also had operational responsibility, been dealing with mergers and acquisitions for a long time.”

Clearly, it was the extensive knowledge these managers had about the organization and business that made them qualified to be in the function. In other words, a great share of the M&A function work cannot be learned from a book or during business school, but needs to be experienced. Furthermore, another interviewee pointed out the importance of the internal network he had built over the years in the organization:

“... so I have worked for a long time. I have worked in all the business units, mostly as CFO or in that area, and been in the management team. So when I entered the corporate function here, I had a very broad network in the organization and hopefully an excellent knowledge of the business and what we do. So I can give solid advice about what’s going to happen.”

We argue that this network enables the all-rounder to be more efficient performing their role due to a greater degree of operational credibility and legitimacy, which makes it easier for them to get permissions from the top management.

The other main type of background we saw in the M&A function was **specialists** within finance, law, and tax.

“Previously I worked in a corporate finance department. I have a financial angle to M&A, and I would say our team is configured with people both from banking and people like my boss from the law perspective of M&A...”

“I have been here for four years and before that, I worked in finance, with transactions in PwC. Both in Norway and the USA...”

“We have several people who have worked with M&A, and the guy I use the most as project manager for bigger things, he is coming from the M&A department of Deloitte in London and is a financial analyst.”

These people were not necessarily senior people but highly specialized in their field. Further, instead of hiring external consultants, the larger firms had these people as in-house specialists, as we will look closer at below. We found that companies with more than one M&A employee often had the specialists as well as an all-rounder, while if it was only one with M&A responsibility - this often was an all-rounder.

Another finding was that the employees of the M&A function had often worked together for many years. We believe this continuity to be a way to accumulate experience and to leverage it in new acquisitions. The continuity in these teams' foster knowledge sharing and information flow, which is seen as an important success factor.

“It is the same team that implements it, we have something called continuity on it. I have worked on acquisitions in this company for eight years, and it is obvious that you become a little smarter each time.”

“Since we are senior project managers all of us. We distribute it, and since we are the same people, the knowledge flows smoothly.”

4.1.1.2 Size

The size of the M&A function varied from firm to firm, and we found it to be reflected by the size of the company, how frequently the company made acquisitions and how much they relied on external resources. In our sample, we saw a tendency of bigger multinational firms with a higher acquisition rate having larger functions. Some had around five employees working full-time in the M&A function, while other could have only one, or even only as a part-time responsibility of their job position.

“Our team consists of five people in total, including my boss, and we work in a very democratic way.”

“We're in total five people working with it. So we're a small unit (...) In addition to the five of us, we have ten investment analytics who only conduct investment analysis. So they're a big support in the process.”

Alternatively, some firms had people with M&A responsibilities among other tasks. Thus opening for a more flexible function, which can be called upon when

acquisitions are to be made. These two quotes are from a corporate business development manager and a CFO respectively:

“So I am responsible for the company strategy, and implementation of it, and strategy processes. Then I have the responsibility of the M&A process...”

“So I am responsible for business development, acquisitions, properties and I work with the Swedish organization.”

Further, some M&A functions based their operations on hiring external resources through consultants. Making the need for a large-sized M&A function redundant. On the other side, the largest serial acquirers often had most of the resources internally and was less dependent upon external consultants. The larger the function, the more specialists they had and therefore the need for consultants was limited, but the size of the M&A function increased.

4.1.1.3 Reporting & Location

Another configuration characteristic we found was that an M&A function could take different forms and be located in various parts of the organization.

“I work centrally in the M&A division, so we are working across the entire firm.”

“So we have a group now, the head of M&A, and then we have four project managers who work across the company.”

“... we’re sort of spread out (...) people throughout the company has worked with acquisitions...”

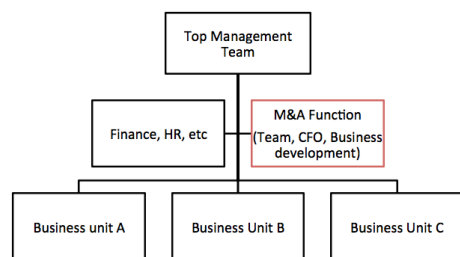


Figure 2 – Corporate M&A function

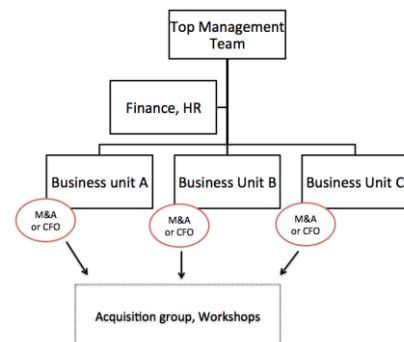


Figure 3 – Business unit function

Figure 2 and 3 are examples of the organizational location of M&A functions in our sample. Some could be centrally located, while in other cases the M&A function could be found in a country or business line basis.

In regards to reporting, the companies were rather similar. We found that most of the corporate functions normally reported to the CFO or CEO. One interviewee emphasized this point by saying:

“M&A reports to the CFO, and they are involved in every M&A. They have a global responsibility with everything that has to do with M&A.”

The function could also report to the business development manager, but the CEO and CFO were overseeing the project and controlling it before it reached the board.

“I am the manager of M&A, and I report to the director of business development who is the vice president and then we have the CEO. Besides this, we have a CFO who oversees the acquisition, but is not directly involved. (...) The bigger the acquisitions are, the closer we have to work with CEO and CFO...”

It was also clear that the corporate management had an active role in the acquisition process and was not only a mailbox for reports. In smaller firms, they were often a big asset and took responsibilities throughout the process, whereas in large corporations they had more of an overseeing function.

“... we’ve got a CFO who supervises the acquisition but is not directly involved. Because how the acquisition process works is that me and my boss, for all practical purposes, are responsible for the processes.”

We believe this was due to the focus on acquisitions as a strategic tool and that corporate often had some experience with it themselves. This made the acquisition process less rigid, as everybody was on the same page.

“We just got a new CEO, who got a background from private equity. My boss has worked with acquisitions for 25 years (...) when so many of the top management got that focus, then it’s easy to get it through. We easily get in a discussion where everybody sees the advantages and drawbacks of acquiring.”

Ultimately, we found that the decision-making power was not in the M&A function, but in CFO, CEO or on a board level. In other words, the M&A function had no authority and was more like a mean rather than an end. Therefore, they needed to get “green lights” from corporate throughout the process. One interviewee described this as “decision gates” and the more trust between the function, corporate management, and the board, the more efficient the process was.

“But we do have decision gates, when we’ve gone in with commitment then we have decision-criteria on them.”

“We check the things, and the bigger the acquisition, the more we have to work with top management. CFO comes in through a team (...) before it goes for a board approval...”

4.1.2 Three types of M&A Function

Overall, we found three types of M&A functions, all with their special configuration in regards to the above-mentioned characteristics.

4.1.2.1 Large corporate function

The largest multinational firms in our sample had a dedicated M&A function with several employees. These functions were formal corporate functions, which worked centrally and made acquisitions for all of the business units. The M&A functions here normally consisted of many specialists and was managed by an all-rounder. Many of them had done dozens of acquisition and had quite strict reporting, formalized routines and appeared super professionally in the way they operated.

“... it’s centralized in the company, we’ve centralized the M&A process, and we’ve centralized the investment analysis process.”

4.1.2.2 One-man band – Smaller corporate functions

We saw that firms with a slightly lower acquisition rate had a corporate function consisting of only one dedicated M&A employee. As can be seen in this example: *“I am a one-man team, and then I buy competency. I have a quite decent budget. So you can say that we do not do enough transactions to defend one more*

position. But we are at the point where we might hire an analyst who works a bit deeper with the cases.”

We saw that this type of M&A function were companies that had started with acquisitions quite recently or performed more infrequently acquisitions and at this time did not do enough acquisition to have a large, dedicated M&A function. They were often staffed by an all-rounder who bought the competencies he/she needed for the acquisition process while delegating certain tasks to other departments in the organization.

4.1.2.3 Regional and business unit functions

The last type of identified M&A function was located within the business units, thus more decentralized. In this type of function, one business unit could have the overarching responsibility for acquisition in the entire company or that the formal function was spread out in the organization (Figure 3) and was assembled when acquisitions were made. Here, the employees had the M&A responsibility in addition to other work tasks. These seemed to be companies that had made many acquisitions over the years, but their acquisition rate was more sporadic.

4.1.2.4 Changing the type of function

Interestingly we saw that some firms were changing their type of M&A function due to various reasons. One company for example, was changing from a business unit function to a larger, corporate function. Here, the reason was the need to professionalize the process more, since the company was in a phase of tremendous restructuring activities.

“Until only a couple of months ago, we had some dedicated working on business unit Y (...) Now we have gathered them. So now we have a group, we have one head of M&A and then four project managers that work across the company.”

4.2 The Roles of the M&A Function

While analyzing the data, it became evident that the M&A function performed several important roles in the acquisition process. Below we will describe these in detail.

4.2.1 Project Manager

We found that one of the most important roles for the M&A function was to lead acquisition, joint venture or divestment teams as project managers. In the project manager role, they utilized their internal network and knowledge as networkers while they assembled acquisition teams. Both are characteristics that we will look further into.

We saw at the same time that it was not their role to do all the tasks in the acquisition process, but they facilitated the process and kept momentum. They had a good overview and coordinated both internal and external resources.

“Our team consists of five people in total, including my boss and we work in a very democratic way (...) we are senior project managers, all of us...”

“So we are a small unit (the M&A function), but it’s senior project managers who lead the processes and drives the negotiations. We’re mostly 1:1 at project and negotiation management. Hence, we are pushing both. You’re taking it the whole way through.”

“I’m responsible for the M&A process – manage it, carry it out, control it.”

“I have a type of coordinating role throughout the process to pull the right strings and make sure we hold the line.”

4.2.1.1 Internal network

We found that an essential skill the M&A function had in the project manager role was to have a good overview of the firm. Regarding which resources, personnel and capabilities that were available and how the organization could leverage it the best. They had obtained this overview from their experience, relations and network within the organization, much similarly to the characteristics of the all-rounder. One firm explained it like this:

“So we draw on this (experience) and the same goes for the chief financial officers on two levels here (...) I have this kind of liaison role - when we have any question, I go and figure it out. And then I take it with me upwards in the organization, if there is something to discuss (...) So I have access to all the people with decision-making power to do informal requests.”

“To know whom to ask and how to get clarifications...”

“It is something about relationship building; it always has different facets.”

They used their internal network and knowledge in several ways. An interesting finding and a good example of the extensive organizational knowledge they had, was that some assembled acquisition teams according to an internal network analysis, utilizing the personal network of their employees.

“... if we look at a company that we want to acquire, then we'll analyze who knows this person the best in the organization. Then this is the person who initiates the first contact. He then gets invited to a meeting where someone from M&A always participates.”

Here we can clearly see how important the networker role of the M&A function was. Having maintained their network within the company, and having a good overview of the resources, they could assemble the best possible acquisition team. Further, we found that trust was a key building block in the network between corporate and M&A function. The M&A functions leveraged their network in the project manager role to gain trust with corporate and after they had proven their track record, they gained a higher trust. This relational aspect of their network seems to facilitate a more rapid and smooth decision-making process, thus enhancing the management interaction.

“It's obvious that there is a lot of intangible knowledge which he (a potentially new guy) can't take with him, he will lose the relation I have to the board. I know them and go hunting with all of the members, and you can't transfer this trust to a new guy.”

“I've worked with acquisitions in the company for eight years, and it's obviously that you get a bit smarter for every acquisition. The corporate management becomes more confident in the job you do, and the board gets convinced on the return you get (...) That the team feels confident, especially towards the corporate management, and that the corporate management feels confident towards the board - I believe to be extremely important.”

4.2.1.2 Assembling and managing acquisition teams

Further, in the project manager role, they assembled individual acquisition teams for every acquisition they carried out. We found that the M&A function had an important role in these teams as a supervisor and coordinator. It was not always the people from the M&A function who did all the tasks, in for example the due diligence, but they facilitated the process and kept momentum.

“We are very good at assembling teams...”

“... such a team will normally consist of, I would guess around five to ten people, who are interdisciplinary. It’s legal, tax, there’s accounting, investment analysis, it’s the business unit and their technicians, it’s people from the market, that’s the usual. And that’s what we usually do, and it’s mostly managed by us.”

The role of the function was to make sure that the project organization had the right resources, at the right time, it was all about bringing in people with the right capabilities. In some cases, it was technical expertise, in other, it was relational, law or tax. Further, the size of these teams could vary immensely, dependent upon how big and complicated the acquisition was.

“... sometimes it’s a very small acquisition, and then I maybe only got a team of 1-3 or like with our latest acquisition, then I had a team of over 20 people who reported to me. So it’s very dependent upon the acquisition, in regards to how we staff the process...”

We believe the extensive network and the overview of internal resources and competencies they possess to be paramount in their capability to assemble high-efficient acquisition teams. Utilizing their experience, they know what human assets and resources to draw upon. As described below, they often used operational people as a resource in the acquisition team, as they saw things differently and contributed with skills that neither the top management or M&A function possessed.

“I don’t see that flow in the project. I can’t see the logistic. But if you’ve worked at a construction site, then you can see that flow. So it’s important to have different kind of people when you assemble a team.”

“... someone who can check those machines, the projects and the technical aspect around it. Because it’s not a financial, it’s not a financial operation, to buy a firm for us. It’s just as much a profession thing, but it’s lead by, it’s being guided by the financial field.”

The staffing of the acquisition team depended on other things than just availability of resources, and could vary depending on who the final owner would be, or if the M&A function already had an integration focus at this stage. This shows the overarching “eye” of the M&A function and how they planned the next move.

“Then we establish a working team, which contains a business manager who will become the owner (...) if the (acquired) company is going to become a part of a new district within one of our regions, then the regional director will join as project owner (...) Then I am the project manager who drives the process, and normally has everything to do with pricing and to ask the right questions, push the process ahead and lead the negotiations together with the regional director.”

“What we did great that one time, we will take with us to the next, and has to do with the staffing of the process. That we use people from the business units, it’s been great! Since the target then learns that we, in fact, bring in people they are going to work with, and they get to know Kenneth or Johan in the due diligence process. It’s been a very good thing for both parts. We don’t want to lure them in, so then we can check if they want to work together in the future.”

Assembling acquisition teams seem to be a very important task for the M&A function. Even though they “loved” to use their employees, and not consultants, it was evident that they often used external resources in the acquisition team. Also here, the role of the M&A function was to be a control function and coordinator.

“... we use external (resources) on the things we can’t do ourselves, and then they need to be supervised. There’s a lot of lawyers and auditors if there is a lot of tax related things that need to be evaluated, and we don’t have that capacity.”

“It depends heavily upon the acquisition how we staff the process. We take, and love to use our own – not consultants – and use the ones who are best at what we need, so to be the most effective.”

4.2.2 Knowledge Manager

We argue that a serial acquirer with a dedicated function has a more thorough learning process than a single acquirer. Moreover, this is mainly due to the knowledge management role of the M&A function, to continuously improve the process and apply the suitable experiences. This role requires a great deal of managerial resources, something we believe the serial acquirers with M&A function possess. We found that the M&A function performed this role by facilitating learning, storing and sharing.

4.2.2.1 Learning

The knowledge management of the M&A function starts with facilitating learning. This was done formally through learning arenas and more informally by discussing with peers within the function on a daily basis.

Firstly, the M&A function actively facilitated the creation of knowledge by setting up arenas or forums for M&A discussions. These were formally planned forums to articulate experiences, and to share and create learning points.

Most of the acquirers in our sample had a debrief with key people in the acquisition team where the rationale was to assess the acquisition and to learn and improve the process. One acquirer called this a deal brief and explained it like this:

“We have a deal brief were we go through how we worked together as a team, what we could have done differently, what we have done great and what we could have done different based on the information we have now.”

A while after closing, a complete review of the acquisition process was put in place. One M&A function used the investment team, which they worked close with, to do an evaluation of the value development of the acquisition and the company as a whole. They did this on a yearly basis. Additionally, the firm stated that reporting worked as an arena for knowledge creation as well.

“... so you can always get better because there is a lot of explanatory variables on why things went as they went (...) But during the time in between, there is a lot of reporting going on, especially in the implementation phase. So a lot of reporting with regards to the milestones and the progress.”

Another firm admitted that they saw the benefits of putting learning in a better system through evaluation processes. It seems like this acquirer had seen the benefits of having a mindful approach to learning by putting in place learning routines.

“The thesis is to go back a couple of years after the acquisition and say “okay, has it been a success or has it not, what are key learnings of what we have done?” We are working on getting this more systemized, make it more structured.”

The output of debriefs and evaluation sessions was stored in “lessons learned” or key findings, which they stored and brought with them to the next case. It included:

“What we achieved, learning points and budgets and all these things. It becomes an important learning arena, so we distribute it.”

Altogether, the knowledge management role is about facilitating knowledge creation by setting up forums for assessing performance and its underlying factors. At the end of the process, it is the M&A function’s role to choose what lessons learned from this process to take on to the next case.

4.2.2.2 Codification and storing

To transfer its knowledge and to streamline the acquisition process, the M&A function documented important tools. What the M&A function chose to store was dependent on the perception of its applicability to the next case. We found it interesting that most of the M&A managers had a mindful attitude towards what kind of knowledge to store and formalize into routines.

The most common way to store acquisition specific knowledge was in an M&A manual. M&A managers described it as a “Drivers manual” or a “Bible”, and it focused on the activities in the acquisition process. One interviewee described the content of the manual like this:

“It includes almost everything really, from the screening level or timing to pricing as a theme. It deals with operational due diligence as a theme, financial due diligence, legal and commercial due diligence. (...) And how it is supposed to be handled within the company with regards to which levels to include when, and how to deal with the board and decision-making processes.”

The manual was a tool for the M&A function to educate relevant people in the organization about the acquisition process, and to be a supporting tool for the decision makers. Further, the M&A function used it to store knowledge and to make sure that everyone involved in acquisitions knew what was going on.

“We have our own M&A Handbook which is like our bible. We are trying to make the decision-making process as similar as possible for our decision makers. To keep things together. This M&A Handbook, it is only a description of how this process is to be run, it is a description of all of the different phases. Additionally, a lot of procedures on how things should be structured with regards to the decision making.”

“... what comes first is an M&A manual which is created by corporate, our holding company, which says what we have to go through.”

When they found experiences that could be generalized, they also added these to the manual, though most of the experiences were acquisition specific.

“It is also some experiences (in the manual). We have done some specific experiences, for instance when it comes to forecasting (...) We have discovered that our ability to forecast previous year and the next is way better than the target.”

The M&A manual seemed to be a minimum level of codification for serial acquirers. It did not have all the answer, but it was essential to run an effective acquisition process. Since it got everyone involved on the same page, making the communication and knowledge transfer easier.

We further found that the function managed knowledge by choosing what to store and apply to the next case. In other words, this role of the function was really about striking a balance between efficiency and over-generalizability. One company distinguished between global and local learning points with regards to its generalizability.

“... and then we get a lessons learned list. And some of these are local for the project at hand, like “shit, we should not have offered this price, we should have...” But that is gone by; it is a lessoned learned. But then we have some

global lessons learned which there is no guidance on, and then we have to create guidelines on it.”

Besides the manual, the M&A function used other codified frameworks such as checklists, integration plans, valuation models, etc. We found that the M&A function did not at all use these frameworks blindly. In fact, most of the M&A managers mentioned that an important role of the M&A function was to balance between formalization or adding flexibility to the process.

“We just have to use it right, so even though we have to adjust it, we have templates, thinking and documentation on how we designed it in that case, etc...”

“So we do have a scoring model, templates on valuation, but everything needs to be built uniquely (...) I have a list of what we are going to talk about. But, everything needs to be adjusted, but I do have some bullet points on what to check.”

“... so you can systemize a lot, but a great part is dependent on individuals.”

More specifically, one manager described how they used an integration framework in detail:

“... we had one integration project manager, and we had weekly telephone meetings for one hour. Every single responsible had to report whether it was going according to the plan or not. If there were deviations, we used a lot of time on it. So it was given a new status and a new deadline. This happens often; things do not always go the way you want it to go.”

Here the M&A manager emphasized how they deal with challenges surfacing from this framework. These challenges require experience, and this is where the knowledge manager role comes in; you can have the best frameworks and manuals in the industry, but at the end of the day it is up to some individuals. Rather than doing the operational parts of the process, which a junior or specialist could do, he/she has a more holistic role to leverage valuable experience.

Although codified tools can make you react in a programmed way, one manager used it as a tool to not rely too much on experience.

“What is dangerous with small companies is that people think it is just full speed, but it is people you should sit down and talk with about the expectations to each other. When it is too small, it’s a dangerous thing not being thorough. So now we have super high requirements no matter how small they are.”

By having formalized checklists, there is less room for being imprecise and make mistakes. Therefore, a codified tool can be both the cure and the ignition to misapplication of experience. Altogether, these tools were made to become more efficient, and as one acquirer neatly put it “to not reinvent the wheel”. Additionally, we found that it is also a way of controlling and structuring the process. Most of the tools had a strong degree of flexibility and could be seen more as guidance rather than a recipe. Due to the heterogeneity of each acquisition case, it is less valuable to add specific routines. Moreover, we argue to add this flexibility to the process, the project manager is dependent on corporate decision makers. Even though the approach and frameworks are flexible, it is important that corporate is on the same page and trust the project manager utterly.

As discussed, most of the configurations enabled knowledge transfer due to a flat structure and consistency. We saw that the level of codification within the M&A function was rather low. Since key people had been working in the organization together for such a long time, they claimed less need for written acquisition tools. Instead of tools and frameworks, they relied on trust and knowledge sharing.

“You know whom to ask, and we have a system where to get clarification with a low threshold for information-sharing and clarification.”

4.2.2.3 Sharing

The M&A function had a role of sharing acquisition knowledge throughout the organization. More importantly, we found several ways the M&A function showed their role as a knowledge transmitter and facilitator. A key task was to get knowledge out to relevant people outside the function such as operational management, corporate, etc. One way of doing this was to set up workshops. One of the firms with a more decentralized function had workshops with M&A managers from different countries.

“The corporate CFO is very focused on transferring knowledge, so he has arranged a meeting with the people that work with it (M&A) in Sweden. I have

been a “go-to-guy” on both how they have thought about market and competency, and the valuation compared to how we do it in Norway, as a type of assurance.”

In some firms, it was common to share a report after the abovementioned debrief session, including learning points. The report was shared with people in the project, the steering committee, and the operational management.

“Now I am going to have a debrief with corporate on two of the processes that I have run lately. In other words, go through these lessons-learned-bullet-points (...) Then we talk through these pointers that we have to take with us. Hopefully, he agrees and says “Okay”, then we will set up a team, a project, and that is something we don’t have to be part of.”

As discussed, the M&A manual is the most predominant tool used and logically an important part of the sharing role. The function used it to easier transfer acquisition process knowledge to other parts of the organization, similar to a course book to educate people with limited experience:

“But now, since we have done a lot of it (acquisitions) the last years we have made an acquisition guide. So we have systemized our work now in parallel with the latest acquisitions. Because we have seen the need for transferring it to other parts of the organization, and then we can bring these experiences with us the next case.”

“... everyone has access to it; it’s located on our intranet. So it is to support people who have not taken part in this before and doesn’t know as much.”

Primarily it worked as an efficient tool for the M&A function to educate the people about the progression of the acquisition process and not to cover old ground. Hence, the majority of the acquirers had a rather passive attitude to the M&A manual, meaning that few were trained on how to use it. However, one company described a more active use of the guide. The explanation might be that this was a company with a decentralized function; hence they acknowledged the need for more training in a lack of day-to-day communication.

“... so how many can they be, 20 people maybe (talking about regional CFOs). They will be trained in how we do it in our company. That is how we implement the guide.”

Altogether, we found that the sharing of knowledge is most important to get everyone involved and on the same page. In other words, that there is no question where in the process you have to ask for permissions or which processes that needs to be initiated. By doing so, the M&A function facilitates for acquisition discussions and increases the knowledge flow.

In essence, the knowledge manager role is about facilitating learning through: 1) creation of learning arenas, 2) storing and applying the knowledge in a balanced way, and 3) to share knowledge to key people in the organization. We argue that single acquirers will be more vulnerable to inefficiencies, over-generalizability and lack of acquisition knowledge in key positions than serial acquirers with an M&A function. This is due to lack of investment in an M&A function to play the role as knowledge manger.

4.2.3 Clearing House

Identifying and screening new potential targets – acting as a clearing house – was indisputable a very time-consuming, hands-on and important role of the M&A function. The more suitable candidates they can identify; the more value the serial acquirer can realize from the acquisition. We will now look at how the M&A function performed this role through four different methods; by scanning the market, building relationships, being a symbolic function and transpire as a fair partner.

4.2.3.1 Scanning

The M&A function is actively scanning the market for potential targets. Here we saw that they often used a formal approach through “wish lists”, lists of companies that they had been following for a long time. The respondents further divided this list into a shortlist and a longlist. Whereas a longlist could be up to 100 companies that the acquirer showed some interest for, and kept themselves updated on, the shortlist was normally no more than five companies. These were companies that the M&A function was following closely and potentially were in contact with.

“... you’ve pretty early pointed out some targets that you would like to work with eventually. So you have such a “wish list”, so when the situation gets right – due to some reason – you go ahead.”

“When it comes to methodology, we are both analyzing and scanning. And what we are looking for (...) primarily: good companies in good markets.”

Some of the respondents had also made a formal practice for internal leads from operating people. This way they could pitch potential targets that they had observed in their day-to-day operation to the M&A function.

“The organization itself has the possibility to pitch deal flows to me. There is a one pager that you pitch.”

Further, the M&A function identifies potential targets through investment bankers. Though many were suspicious and not overly enthusiastic with them, it was clearly that the M&A function spent a lot of time of talking to them.

“... my strategy is to have enough ears to the ground so that I always know what is moving. I, therefore, use a lot of my time talking to corporate houses, lawyers, and everything to know what is moving. That way everybody knows what we are looking for. We’re conscious of what the next acquisition is - and I try to convey this, in case they get a sales mandate.”

In these intended processes, we saw that some M&A functions had made a framework to strictly acquire targets within their strategy. They scored all of the potential targets on pre-determined measures to ensure the acquisition was within the strategy scope.

“We evaluate all the different cases according to our strategy to see how they score. We have a scoring model which we have made where we score the target on four dimensions (Core, market attractiveness, strategic value, step change).”

4.2.3.2 Relationship builder

The M&A function also had an external role when identifying targets. Here, the M&A function played an important role through the extensive network they had, and how they actively maintained the relationships with firms in the market. Thus, keeping in mind that the one relationship could facilitate for the next acquisition.

“So it’s not like we buy something totally unknown, I don’t think that ever happens. There is some sort of acquaintance, some relationship or mostly that we’ve had a customer/supplier relationship. Then we’ve observed the companies over time, and we have some opinion about the company already. There are many who have come to us, that we did not know, and those have not been carried out.”

“... and most often we know the firms from before. The ones we acquire. And they’ve got, like that BMW is a sports car and that Volvo is a safe car, they have an image that we know from before.”

It was evident that serial acquirers preferred to have prior relations with the potential target. This gives them insight and the possibility to check the company’s track record over a longer time. Here, the role of the M&A function is to maintain such relationships to know what is moving in the market, so that the company can best pace their acquisitions. Also, keeping up to date with potential targets can ease the due diligence process, as the company already has a good understanding of the condition of the target.

4.2.3.3 Symbolic function

During our interviews, it was evident that the M&A function had an informal role when identifying targets. Because of the symbolic role of the M&A function, the employees felt that *“acquisitions are what we do”*. This informal and emergent role of the M&A was well described by one of our respondents:

“... when I am eating in the canteen, there is an ongoing question – what will be the next (acquisition)? Everybody is used to it (...) and don’t look at it as a threat to their existence (...) people look at it with pride, that we are always becoming bigger and the corporation is something completely different than what it was. When I started here 8-9 years ago, this was a corporation with 9-10 titles. But if you look at it now, we’ve got 20 Inc.’s. It’s different. But people have some degree of pride from it, because the bigger we get, the more solid.”

Due to the positive attitude in the organization and the constant reminder the M&A function had on employees, the employees were aware of new potential targets. The role of the M&A function was then to be a go-to place or a “deal magnet” where employees could pitch targets they felt were interesting. In

addition, the M&A function talked to key personnel about movements in the market.

“Very positive (the employees). I get a lot of tips from all kind of people like “I just saw a company that earns a lot of money, should we buy them?” (...) It is our value, and everybody knows that we do acquisitions. We will keep on doing it, and we want the best ones.”

“... we are continuously talking with people who got operative responsibilities to listen to what is “moving” and where we should look. And most of the things we look at, those are being generated from general managers and people in the divisions.”

The respondents emphasized how valuable these tips from the people in the organizations were. These are the people who see other companies in the day-to-day operations and can spot possibilities early. In fact, several respondents said these tips were the ones they historically had seen the highest success with.

4.2.3.4 Fair Partner

Another way of identifying targets for serial acquirers was when potential targets approached the M&A function. It was very important for the respondents to be perceived as a fair partner when acquiring companies and the M&A function always treated people who approached them very respectfully and followed up extensively.

“... what’s important for us is to be regarded as a fair and good partner (...) So I would say that we are known in the market for being a good partner, and then often many companies want to become a part of our company because they know that we can help them make their company even better.”

This view of them as a fair partner was not all by coincident. We found that the M&A function was very attentive that they had some sort of reputation in the market. They obtained this reputation by being fair in the negotiations and due to the before-mentioned relationship to the serial acquirer. This resulted in companies perceiving them as favorable owners and could facilitate for a less competitive negotiation and integration process.

We argue that the M&A function will, through its informal and symbolic function and by being a fair partner, help generate additional and better potential targets for the serial acquirer. This can clearly be seen as a competitive advantage for firms that have established an M&A function. These leads are well-informed, can be paced according to the serial acquirers' resource availability and are not easily obtained by single acquirers. We believe applying a proactive role in identifying new targets opens for more and better targets, while it puts the serial acquirer in the driver's seat for a successful acquisition and in an excellent position for gaining exclusivity in negotiations - so to reduce acquisition premiums.

The role for the M&A function in these cases is to be a "lead magnet" – by informally creating an identity and being a symbolic function for the organization – and to receive and welcome all internal and external leads. But yet more important, to act as a clearing house, so to find the best and most suitable targets for the company.

4.2.4 Objective Mediator

We found that one of the roles to the M&A function was to serve as an objective mediator. This was to prevent opportunism due to managerial self-interest or the "in-love-with-the-process-effect" and to make sure the cases being presented to the board was solid. Here, the role of the M&A function was to ensure a corporate perspective when evaluating and performing acquisitions.

"... what's important for us is that M&A is unbiased, and we got our role here, we must think in the best interest of the corporation. The problem is that we are going to get help and assistance locally because they know the business best and all that, but they are often incentivized, more than us, to get a deal through."

This was also evident when the M&A function performed other responsibilities, like selling assets and business units.

"... when we are selling firms. Then it's important that the leaders of the divested firms are informed, and it is very important that we lead the sales process and communication towards a buyer. Because a person who works in a company that we are selling, always has a lot of personal interest in regards to what kind of owner they want to become a part of. So then it's important that we got a corporate perspective."

This objective role could be challenging, even for the M&A function, as they often could be compensated based on the number of acquisitions and the business unit performance, and the fact that some could be working in the business units. Therefore, we found that some firms had an acquisition group. Its function was to be yet another monitor for self-interest and to pre-check the cases before they were sent to the board or the investment committee for final approval. Here is how an M&A manager describes the acquisition group:

“So we have an acquisition group which consists of similar people (M&A) from the different countries. Before it gets through to the board we do a pre-call on the case, we dive into the case (...) we look at the multiples, and how it looks with regards to the DCF and the calculations. Further, we send some questions and then we have a discussion before we say it’s okay to send it to the board (...) they (then) know that it’s not only a country manager that want to improve his top and bottom-line and get a bonus, but it is reasonable multiples.”

The function was also sometimes placed in the steering committee, which oversaw the entire process. This committee could be staffed with a mix of senior people; How many and what kind of people who were staffed depended on the size of the acquisition.

“But we also establish a steering committee which we are going to report to from time to time. So that they can sit back and not be in it, like that daily, they can often come up with some questions that we haven’t thought about.”

This mediator role gave the acquisition process more legitimacy in the eyes of the board and top management and fostered trust, in line with previous configurational findings. When the board knew that it had been through the group, the decision making became more agile and faster, and since the steering committee did not work on the acquisition on a daily basis, they could often see or ask questions that the acquisition team might have forgotten.

5 Discussion

Previous literature has mainly discussed M&A functions impact on capability development and acquisition performance. Additionally, there has been called for a more theory-building research design on “practical managerial maneuvers” in M&A (Schweiger and Goulet 2000; Teerikangas, Very and Pisano 2011). This paper contributes to the literature by discussing the characteristics of the M&A function. Specifically, we answer Trichterborn, Knyphausen-Aufseß and Schweizer (2015) request for more details about the structure and functioning of the M&A function.

5.1 Configuration of the M&A function

According to Trichterborn, Knyphausen-Aufseß and Schweizer (2015, 1) “So far, there are no studies stating what exactly constitutes an M&A function.” We add to this literature by describing how different serial acquirers configure their M&A functions in terms of employees, reporting & organizational location and size.

We extend the view of Haspeslagh and Jemison (1991) on the configuration of the function and the importance of an all-rounder. They claim that someone with operating credibility is more important than people with technical M&A skills. Our findings, on the importance of an all-rounder with considerable experience within the firm, suggest the same. This is due to the extensive internal network, industry and firm know-how, and project management capabilities that an all-rounder possesses. We argue that the background of the all-rounder is a prerequisite to perform the roles of the M&A function. However, it is important not to neglect the technical M&A skills of the specialists, even though it is easier to access such competency externally, hence more imitable (Barney 1991).

When comparing our findings with regards to the organizational location of the M&A function, we have to stress the limited amount of previous research. In general, research on M&A function as the unit of analysis is limited (Barkema and Schijven 2008). However, Trichterborn, Knyphausen-Aufseß and Schweizer (2015) measured acquisition functions based on which organizational unit had the most influence during the acquisition process. It could be M&A departments at corporate, or business unit level, or dedicated M&A resources within other corporate staff functions. The interesting point is that by this definition their

perception of M&A functions is in line with our findings. On the contrary, the alliance literature represented by Kale, Dyer and Singh (2002) refer to a dedicated alliance function only as a separate organizational unit. Our findings argue similarly to Trichterborn, Knyphausen-Aufseß and Schweizer (2015), that there is a more nuanced picture with regards to organizational location. Not only can the function be a separate corporate function, but it can also be a part-time M&A responsibility.

One common configuration trait, on the other hand, was the tight relation to corporate. Haspeslagh and Jemison (1991, 91) states the following: “Ultimately (...) the only capital the corporate acquisition function has is the confidence top management has in it”. We argue that this proximity is the reason why most of the M&A functions in our sample are centrally located. This is reasonable, as it is the top management team who has the task of taking the “Go/NoGo”-decision (Meckl 2004). Therefore, the trust these M&A managers have earned by top management, and their boards, are key in the acquisition process.

5.2 Roles of the M&A Function

5.2.1 Knowledge Manager

To develop acquisition capabilities, Zollo and Singh (2004) found that firms have to go through a learning process by articulating, codifying, sharing and internalizing their experiences. Trichterborn, Knyphausen-Aufseß and Schweizer (2015) took this further by arguing that M&A functions improve this learning process and finally, acquisition capability, in line with findings in the alliance capability literature (Kale, Dyer and Singh 2002). In our study, we found proof that the M&A function performs all of these steps to some degree through a knowledge manager role. However, we develop this in more detail by describing *how (the role)* the M&A function contribute in the steps of capability building. This is comparable to the “fostering internal learning role” by Haspeslagh and Jemison (1991). They found that creating postmortems and applying it correctly is an important role of the function. In essence, our paper contributes to the literature by researching knowledge management in M&A functions on a lower level than organizational learning, exactly what Barkema and Schijven (2008) requested in their review. Articulating tacit knowledge has a positive impact on capability

development (Zollo and Winter 2002; Zollo and Singh 2004), this is in line with our findings that postmortems in the likes of debriefs and evaluations were done to create learning points. According to Laamanen and Deloitte (2015), most of them are done mechanically and do not improve the preceding acquisition significantly. We argue that this is partly the case in our sample as well. Hence, an area of improvement for serial acquirers is to be more mindful of what experiences to apply (Hutzschenreuter, Kleindienst and Schmitt 2014). Although, we saw examples of this when acquirers used their postmortems to distinguish global learning points from local ones.

While most of the acquirers had codified manuals, checklists, and frameworks, we support Zollo and Singh (2004) findings that they focused more on debriefs and evaluations as a process. In other words, the codified M&A tools themselves were less important than the learning achieved through the creative process. More importantly was the process of choosing what experience to apply. By distinguishing local from global learning points, they prevented the possible negative transfer effect that Haleblan and Finkelstein (1999) introduced and applied risk management practices (Heimeriks, Schijven and Gates 2012). As it is the M&A function's task to develop and communicate M&A tools, we believe it to be crucial for them to understand the importance of flexibility when utilizing these tools. Heimeriks, Schijven and Gates (2012) found that codified tools must not follow strict routines, but require some degree of case-specific problem solving. Especially in acquisitions, that in nature are heterogeneous, there is a need for flexibility and ad-hoc problem solving. We argue that the all-rounder, being discussed above, played an important role when encountering such challenges. Another aspect speaking for less codification was the significant flow of knowledge within the larger corporate function. The members of the M&A function said that this was due to the consistency and trust between them. We argue that this could be one explanation why several functions did not put such a high emphasis on codifying experiences.

Zollo and Singh (2004) argues that M&A tools by themselves are not sufficient to transfer superior practices (Szulanski 1997). It requires internalization practices (Zollo and Singh 2004) such as training programs, which were not at all widespread in our sample. We argue that this was due to the generic nature of the

manual. However, the manual also works as an excellent support tool for the process, making sure that everyone is on the same page. The manual can create a standard set of M&A language and a shared understanding, which enables knowledge transfer (Carlile 2004; Vyakarnam and Handelberg 2005). In sum, supporting the statement that the tools are not as important as the process of making it.

5.2.2 Project Manager

Haspeslagh and Jemison (1991) argues that the most important role of the M&A function is to apply their experience and professionalism in the acquisition process. This is accentuated by Meckl (2004), who states that efficient management of M&A projects is a key success factor in acquisitions. We found that the M&A function practices this through their project manager role. Making use of their experience, they staff and coordinate M&A teams throughout the acquisition process. Like Haspeslagh and Jemison (1991, 90), we also argue that their role is not always “*to be the technical specialists, but to know when to ask for technical advice and bring it in if required.*” Further, Meckl (2004) emphasize the importance of project managers being able to coordinate both internal and external experts, to provide guidelines and clear communication. Which adds support for our argument that it is all-rounders that are the most important staff of the M&A function. Because of their experience and relational knowledge and that they can hire help for technical or procedural commodities.

Laamanen and Keil (2008) found that dedicated acquisition teams could act as sources for acquisition experience and enhances the capability to perform acquisitions. The management of such teams is therefore extremely important to ensure a successful acquisition. Koskinen, Pihlanto and Vanharanta (2003, 285) found that in many projects “knowing how to find and apply relevant knowledge efficiently is more practical than trying to master a large amount of knowledge.” Thus, emphasizing the importance of knowing where the knowledge lies in the team and that knowledge is embodied in individuals. They further argue that it is a person’s interpersonal network that decides which knowledge he/she can access, and that trust is the most important element in such relationships. More trust will open a greater level of knowledge accessibility and thereby open for better opportunities for tacit knowledge transfer (Koskinen, Pihlanto and Vanharanta

2003). We argue that a great part of the project manager role is to informally foster trust in the process by being legitimate. From the alliance literature, we know that the function has an organizational legitimacy to access and coordinate internal resources (Kale, Dyer and Singh 2002). We support the current literature by showing that the M&A function utilizes their network in the project manager role and that trust is a key enabler in such projects. Ultimately, trust leads to increased efficiency in the acquisition process with fewer impediments in the likes of decision gates. Further support for this argument can be found in a study on middle managers in mergers, by Balogun and Johnson (2005), who investigate what capabilities they possess. They found that a key characteristic of middle managers was the reliance on their social networks to achieve results. This capability enabled them to perform tasks such as aligning agendas, selling the initiative, ensure effective communication, gathering intelligence, and lobbying for help from senior managers. In line with Balogun and Johnson (2005), we found that M&A managers leverage their internal network in their role as project managers, and when acting as a clearing house. Especially, when scanning for leads and when configuring M&A teams. This strengthens our point that the all-rounder background is the most valuable asset, and most difficult to obtain since this network takes time to build. Additionally, the roles of the M&A function are partly similar to the tasks outlined in by Balogun and Johnson (2005).

5.2.3 Clearing House

Haspeslagh and Jemison (1991) found that a function must act as a clearinghouse for acquisition leads. As more leads are being generated both internally and externally, the more important it becomes to differentiate between good and bad companies. Checking which targets that are strategic and culturally fit and to filter out those that are not interesting (Trichterborn, Knyphausen-Aufseß and Schweizer 2015).

Haspeslagh and Jemison (1991) further argues that acting as a clearing house is not only about filtering leads, but also to keep track of all leads and to attract new ones from many sources. Teerikangas, Very and Pisano (2011) found that the integration manager had a relationship-building role in the pre-acquisition stage, where they visited the target for a better evaluation, and that it fostered trust in the post-deal stage. In line with them, we saw a tendency that the M&A function kept in contact with potential targets over several years, some even over a decade.

Thus, opening for a thorough and well-rooted evaluation of the target before going into any formal processes. Interestingly, in the eye of alliance theory, Al-Laham, Schweizer and Amburgey (2010) found that prior alliances allow acquirers to gain superior information about the quality and status of targets and to find not-publically-known information about possibilities or problems within their organization.

Another interesting finding by Teerikangas, Very and Pisano (2011), is the role the integration manager plays in regards to the public, and the role they played in keeping their image as an attractive buyer. Similarly, we found the M&A function to work deliberately with their reputation as a fair partner towards external stakeholders.

Haspeslagh and Jemison (1991) also found that one of the roles of the M&A function is to incorporate a proactive acquisition approach, instead of waiting for opportunities to occur. They suggested that a dedicated function would prioritize to seek actively for new targets. Also, Chatterjee (2009) suggested that serial acquirers should use a proactive approach in identifying targets. He suggested targeting “inefficient markets” - where the value of the target is not widely understood. Similar to Porter (1987, 1996) concept of targeting attractive markets *before* they get attractive or in his activity-based view: doing things differently than your competitors.

We add to the literature by showing that the M&A function played this role in various ways. First of all, they spent time scanning the market, but more interestingly they played an informal role in the organization, being a symbol within the company for “we are acquirers”, where the results were high-quality leads being generated in a bottom-up approach. Externally this role was to be a symbol and contact point for targets approaching them.

When a serial acquirer obtains a better and higher degree of leads, the M&A function can pace the acquisition in regards to their available resources and acquire the target just at the correct time (Chatterjee 2009). This finding could work to prevent the negative effect on acquisition performance that Laamanen and Keil (2008) hypothesized a high acquisition rate could have. Because timing is such an important thing for serial acquirers, they rely on the M&A functions’

oversight and knowledge to ensure that neither too few nor too many acquisitions are performed at the same time. This makes them more able to learn from their previous acquisitions (Zollo and Winter 2002) and ensures further development of acquisition capability (Hayward 2002).

In sum, our findings support current literature and further elaborate on the important role that the M&A function has in the identification stage of an acquisition process.

5.2.4 Objective Mediator

Jemison and Sitkin (1986) found that several forces are stimulating and feeding the momentum in acquisition processes, more than the forces holding back. Among other variables they talk about “Participant Commitment” and “Self-Interest of Participants” as stimulating forces. That the people involved in acquisitions can be blinded and overly committed, handling in their self-interest. They argued that there appeared to be a lack of control functions and formal forces to draw the attention to the ultimate success of acquisition processes. Our findings are quite the contrary.

We found that the M&A function played a crucial role in their ability to serve as objective mediators. Although we do not question that there is a high potential for over-commitment and managerial self-interest in the acquisition process, we showed that both formal and informal safeguards were established. We revealed that employees of the M&A function were aware of how important it was to be unbiased and have formal control functions. We found evidence for formal control functions such as acquisition groups and steering committees, similar to the second chance groups suggested by Haunschild, Davis-Blake and Fichman (1994), yet at a higher formalization level. We argue that for a serial acquirer to be able to perform strings of acquisitions, they are highly dependent on such formal and informal control functions, not to acquire companies that are not fully within the scope and fit of the company.

6 Conclusion

In conclusion, our research contributes to the acquisition literature by describing M&A functions, a phenomenon, which can help academics, and practitioners understand how to develop acquisition capability and what it constitutes. We argue that M&A functions play several important roles in developing, improving and leveraging serial acquirers' acquisition capability. Moreover, we discovered different configurational characteristics that require attention when setting up or improving M&A functions, and ultimately the acquisition capability. In essence, these findings add on to recent literature on acquisition capability development (Laamanen and Keil 2008; Trichterborn, Knyphausen-Aufseß and Schweizer 2015), by identifying what roles such a function performs and its configuration. Additionally, we answer the request for a more practical, micro-level approach to M&A (Teerikangas, Very and Pisano 2011), by acknowledging the importance of an all-rounder in the function. We believe that if comparable research is conducted and tested empirically, this branch of literature has the potential to increase our understanding of acquisition performance.

6.1 Practical Implications

For serial acquirers out there, our findings suggest that they should be aware of what people they staff M&A functions with. A mix between all-rounders and specialists seems to be favorable, while in small one-man functions they should go for an all-rounder since the expertise of a specialist can be bought externally. Further, they should understand the implications of having an M&A function and the symbolic presence it builds. Lastly, serial acquirers should be aware of the fragility of the intangible knowledge within such functions and thereby create more arenas for knowledge sharing - such as workshops and debriefs. In other words, it requires an environment where knowledge flows easily to reduce the risk of losing valuable acquisition knowledge.

6.2 Limitations and Future Research

One limitation of our study is that we cannot say that our characteristics and roles are universal for all M&A functions due to our qualitative design. Therefore, we leave empirical testing and the quest for generalizability to future researchers. Further studies can take a deeper look at the optimal size of an M&A function or the performance impact of the different roles. Other scholars may add a

perspective of how lower-level employees perceive the M&A function and their roles. Since our research setting is only in the perspective and interpretation of M&A managers within the function, which might introduce bias. It would also be interesting to investigate why some firms choose different configurations and which one is the most beneficial. Further investigation of the actor-based perspective and how serial acquisitions and their M&A functions can further develop their all-rounders as project managers would benefit the literature. Experience is one variable, but how can for example education, coursing, and case training, etc. help improve people in such important roles.

7 References

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8 Appendices

8.1 Interview Guide - Norwegian

- 1) Beskriv ditt ansvar i organisasjonen
- 2) Si litt om bakgrunnen din i selskapet
- 3) Beskriv selskapets oppkjøpsstrategi
 - a) Hva er det strategiske rasjonale bak oppkjøpene? Gi eks.
 - b) Hvordan passer oppkjøpene med strategien til selskapet?
 - c) Hva har vært din rolle i prosessene?
 - d) Hvordan organiserer dere oppkjøps- og integrasjonsprosessen?
 - e) Hvor i selskapet sitter ekspertisen på oppkjøp og integrasjon (personer, prosedyrer, blueprints, egen enhet)?

- 4) De neste spørsmålene refererer til det siste oppkjøpet dere gjorde der du selv var involvert.
 - a) Kan du karakterisere den oppkjøpte enheten? (organisasjon, produkter, strategi, identitet, kultur)
 - b) Hvordan identifiserte dere dette selskapet?
 - i) Hvem var involvert i prosessen?
 - ii) Hva var relasjonene til det oppkjøpte selskapet før avtalen?
 - iii) Hvordan var dette oppkjøpet annerledes enn tidligere oppkjøp?

 - c) Beskriv due-diligence prosess
 - i) Hvem var involvert?
 - ii) Hva var utfordringene?
 - iii) Hvordan var denne due diligence-prosessen annerledes fra tidligere oppkjøp?

 - d) Beskriv forhandlingsprosessen
 - i) Hvem var involvert?
 - ii) Hva og hvordan betalte dere for oppkjøpet? Var prisen riktig?
 - iii) Hva var utfordringene i forhandlingsprosessen?
 - iv) Hvordan var denne forhandlingsprosessen forskjellig fra tidligere oppkjøp?

- 5) Kunngjøring av avtalen?
 - a) Hvordan ble avtalen offentliggjort?
 - b) På hvilket tidspunkt ble avtalen kunngjort for de ansatte?
 - c) Hva var deres ansattes reaksjoner?
 - d) Hva var reaksjonene til det de ansatte i det oppkjøpte selskapet?
 - e) Hva var annerledes fra tidligere oppkjøp?

- 6) De neste spørsmålene refererer til fasen etter at avtalen ble annonsert, også beskrevet som integrasjonsfasen.

-
- a) Kan du lede oss gjennom integrasjonsprosessen, hva som skjedde etter kunngjøringen av avtalen?
 - b) Beskriv beslutningsprosessen som førte til deres valg av integrasjonstype for dette kjøpet (hvor mye og hvor fort selskapene ble integrert)
 - c) Hvem var involvert og hvordan (på hvilke deler)?
 - d) Hva var de største utfordringene i denne integreringsprosessen?
 - e) Hva var de største konfliktene i integrasjonsprosessen, og på hvilket tidspunkt oppsto de?
 - f) Hvordan var denne integrasjonsprosessen annerledes fra tidligere oppkjøp?
- 7) Disse neste spørsmålene refererer til resultatene av oppkjøpet:
- a) Hvor mye av teknologi, prosedyrer, prosesser etc. fra det oppkjøpte selskapet kan du se i det samlede selskapet i dag?
 - b) Mistet dere mange nøkkelmedarbeidere fra det oppkjøpte selskapet?
 - c) I hvilken grad har ledere fra det oppkjøpte selskapet fått lederstillinger i det nye selskapet?
- 8) De neste spørsmålene handler om hvordan dere dokumentere oppkjøpserfaring og –læring under og etter prosessen.
- a) Hvordan trakk dere på tidligere oppkjøpserfaring i det siste oppkjøpet?
 - b) Hvordan sørger dere for å bruke erfaring fra tidligere oppkjøp?
 - c) I hvilken grad finnes det etablerte prosesser og dokumentasjon?

8.2 Interview Guide - English

1. Describe your role in the organization
2. Describe your background in the company
3. Describe the company's acquisition strategy
 - a. What is the strategic rationale behind the acquisitions? Examples.
 - b. How do these acquisitions fit the strategy of the company?
 - c. What has been your role in the processes?
 - d. How do you organize the acquisition and integration processes?
 - e. Where is the expertise on acquisition and integration located within the company? (Employees, procedures, blueprints, unit)
4. These next questions refer to the last acquisition the company made, that you were involved in.
 - a. Could you characterize the target? (organization, products, strategy, identity, culture)
 - b. How did you identify the target?
 - i. Who was involved in the process?
 - ii. What was the relationship with the target before the deal?
 - iii. How was this deal different than previous deals?
 - c. Describe the due-diligence process
 - i. Who was involved?
 - ii. What were the challenges?

-
- iii. How was this due-diligence process different than previous deals?
 - d. Describe the negotiation process
 - i. Who was involved?
 - ii. What and how did you pay for the acquisition? Was the price right?
 - iii. What was challenging in the negotiations?
 - iv. How was this negotiation process different from previous?
 5. Announcement of the deal
 - a. How was the deal announced?
 - b. At what time was the deal announced to the employees?
 - c. What was the reaction of the employees?
 - d. What was the reaction of the employees in the acquired firm?
 - e. What was different from previous announcements?
 6. The next questions refer to the phase after the deal was announced, the post-acquisition integration phase
 - a. Could you walk us through the integration process, what happened after the announcement of the deal?
 - b. Describe the decisions process that led to the type of integration for this acquisition (how much and how fast the targets were integrated)
 - c. Who was involved and how (at what stages)?
 - d. What were the main challenges in this integration process?
 - e. What were the main conflicts in the integration process, and when did they occur?
 - f. How was this integration process different than previous integration processes?
 7. These next questions refer to the outcomes of the deal:
 - a. How much of technology, procedures, processes, etc. from the target can you see in the joined company today?
 - b. What was the turnover of employees from the target company?
 - c. To what extent did managers from the target gain management positions in the new company?
 8. These next questions deal with how you document acquisition experience and learning from the deals
 - a. How did you draw on past acquisition experience in the focal deal?
 - b. How do you make sure you document experiences?
 - c. To what degree is there established processes and documentation?
-

8.3 Preliminary Thesis Report

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Preliminary Thesis Report

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1.0 Introduction

1.1 Topic

Acquisition pace and deal value is at an all time high, which is remarkable concerning that studies reports that the failure rate for mergers and acquisitions are between 70-90% (Christensen et al. 2011). Companies choose this specific inter organizational strategy to gain cost synergies, increase sales and as a growth option (Haleblian et al. 2009). Despite this high adoption of acquisition as a strategic mean, scholars have not yet been able to consistently identify precedents to acquisition outcomes (King et al. 2004). At the frontier of the strategic management literature is the phenomenon of serial acquirers and their capabilities (Laamanen and Keil 2008; Colman and Lunnan 2013). In fact 60% off all acquisitions have been made by serial acquirers (Kengelbach et al. 2011) and can be seen in empirical examples such as Cisco, Nestle and Oracle.

Lately, scholars have proposed that serial acquirers utilize acquisition program capabilities, enabling them to improve performance throughout the acquisition process (Laamanen and Keil 2008; Keil, Laamanen and Mäkisalo 2012; Chatterjee 2009). Acquisition programs can be seen as a systematic approach to acquisitions based on an overarching strategy. The same authors argue that the research within this topic is limited and to further advance the field, a more developed understanding of acquisition programs and their characteristics would be valuable.

Thus far most of the research has had a quantitative approach, trying to connect acquisition experience to performance (Hayward 2002; Laamanen and Keil 2008; Kusewitt 1985). As these theories has shown inconsistent results Chatterjee (2009) suggests a shift from hypothesis testing towards the building of more accurate theories. Similarly, Barkema and Schijven (2008) encourage researchers to take on various methodologies to understand the concept of organizational learning in strategic settings.

1.2 Research question

The research on serial acquirers and acquisition program capabilities have the potential to clear the fog of inconsistency, which is present in the acquisition literature. Specifically, can the emergent topic of acquisition program capabilities contribute to the understanding of acquisitions and its outcomes (Keil, Laamanen and Mäkisalo 2012; Chatterjee 2009). As Keil, Laamanen and Mäkisalo (2012) puts it “In our view acquisition program capabilities to design and manage them, are an important meso-level between the study of acquisition and firm-level performance outcomes”. In line with Chatterjee (2009) we believe that a qualitative inductive approach will strengthen the research field rather than statistical testing. Bearing this in mind our research question is as following:

“What characterizes the acquisition program of serial acquirers?”

With this research question and a theory-building approach, we aim to contribute to the existing literature on acquisitions in two ways: Firstly, describing and comparing the development of acquisition program capabilities in several serial acquirers. Secondly, contributing to the understanding of the link between acquisition capabilities and acquisition outcomes (Keil, Laamanen and Mäkisalo 2012).

In the first section of this paper we review the development of relevant literature. Starting by defining acquisitions and their drivers, we further look at what characterizes serial acquirers before we investigate acquisitions capabilities and how they are developed. Finally, we are reviewing what we know about acquisition programs and their capabilities as of today.

In the second section we outline our method and project management. Firstly, how we plan to conduct our research, including our sample and how we plan to ensure a high quality of our research. Finally, we present our time line and in what order this research will be conducted.

2.0 Theoretical Foundation

In this literature review we aim to review relevant research according to our research question. Firstly, we define acquisition as a mean for inter-organizational strategies, thereafter we explain the concept of serial acquirers. Secondly, we will review the development of acquisition capabilities and its performance effects. Finally, we will look at literature that explains how firms are able to manage acquisition programs based on their acquisition capability.

2.1 Acquisition

An acquisition occurs when an independent firm purchases an asset like a plant, division or another firm by acquiring the majority or all of the shares in the acquired firm, merging the companies under one corporate umbrella. The result is an organization that is dependent on the management of interdependencies to ensure value creation (Borys and Jemison 1989; Sherman and Hart 2005).

Acquisitions have gotten an enormous attention and have been studied extensively by various disciplines. Following Haspeslagh and Jemison (1991) categorization there are four broadly defined schools, all with different theoretical perspectives and approaches: *Financial economics* looks at how acquisitions create value for shareholders and the economy as a whole, examined within a time frame around the announcement day (e.g. Healy, Palepu and Ruback 1992), *organizational behavior* focuses more on behavioral implications and how an acquisition impacts the culture and the individuals in a organization (e.g. Cartwright and Cooper 1993) while the *process perspective* is interested in how value creation is realized after the acquisition has taken place (e.g. Jemison and Sitkin 1986). While we will touch upon all views, this thesis will primarily take the view of *strategic management*, which looks at the value creation and performance of acquisitions (e.g. King et al. 2004). Strategic management has primarily looked at acquisitions through the theoretical eyes of Industrial Organization (IO) economics and resource-based view (RBV) (Birkinshaw, Bresman and Håkanson 2000).

2.1.1 The process of an acquisition

The process of acquiring a firm contains numerous activities. First a firm must define an acquisition strategy – which firm(s) should it acquire to fulfill certain

strategic objectives – before it must identify, select and strategic evaluate potential candidates. Thereafter it must establish contact with the candidate's owners, while valuating the firm to the best of its knowledge. Before structuring the deal and start negotiating with the stakeholders and start the integration process (Very and Schweiger 2001; Haspeslagh and Jemison 1991).

2.1.2 Drivers of acquisition

When performing an acquisition the firm invest capital in the acquired firm with the expectation of future cash flows that will create value for shareholders (Very and Schweiger 2001). In today's highly dynamic and competitive environment there is not always enough time to develop capabilities and resources internally, or a firm might not have the capability, therefore acquisitions are becoming a more popular mean. Obtaining valuable and rare resources as new technology, highly competent human capital, intellectual property and capabilities are often seen as the primary driver of acquisitions (Puranam, Singh and Zollo 2006; Ranft and Lord 2000; Makri, Hitt and Lane 2010). Acquisitions can also be used as a way to increase market power by acquiring other market players or to overcome entry barriers and pursue global expansion (Caves and Porter 1977; Vermeulen and Barkema 2001). Further drivers of acquisition are safeguarding core competency and making it less imitable (Harrison et al. 1991), corporate diversification (Yip 1982), vertical integration (Grossman and Hart 1986), economies of scale and scope (Montgomery and Singh 1987) and the personal benefit of managers (Morck, Shleifer and Vishny 1989).

Previous studies in the management literature has found zero average value creation from acquisitions (King et al. 2004). However, recently we have seen some firms outperform their peers enabling value creation due to strong acquisition capabilities (Chatterjee 2009; Laamanen and Keil 2008). Serial acquirers such as Coca Cola, GE, Cisco and Dow Chemicals are great examples of firms leveraging such capabilities.

2.2 Serial acquirers

Previous literature has studied large sample of single acquisitions, rather than firms that perform numerous acquisitions in a given time period (Schipper and Thompson 1983; Laamanen and Keil 2008). Laamanen and Keil (2008, 663)

coined the phenomena serial acquirers and defined it as firms that “often execute streams of mutually interrelated acquisitions aimed at specific strategic targets”.

Both the performance and characteristics of serial acquirers have yet to be explained by the literature, although some studies have tried to find performance effects (Kusewitt 1985; Hayward 2002). Significant factors explaining performance for active acquirers are size, acquisition rate, industry commonality, timing, type of consideration and target profitability (Kusewitt 1985). Laamanen and Keil (2008) made an important contribution to the literature trying to open the “black box” of serial acquirers. They studied the temporal distribution of acquisitions through acquisition rate and variability. The most interesting finding was that serial acquirers can draw on their acquisition capabilities to reduce the negative effect of acquiring many and different targets in a given time period.

2.3 Acquisition capabilities

“Acquisition capabilities is knowledge, skills, systems, structures, and processes that a firm can draw upon when performing acquisitions” (Laamanen and Keil 2008, 664). Keil, Laamanen and Mäkisalo (2012) describe the process of developing acquisition capabilities as a two-stage model (Figure 1). First stage is the experience accumulation, which has been extensively researched since the 80’s (Kusewitt 1985; Hayward 2002; Halebian and Finkelstein 1999). Firms gain such experience either by performing acquisitions themselves or observing others. Latter is called vicarious learning meaning that firms can learn by imitating their peer (DiMaggio and Powell 1983; Haunschild 1993; Keil, Laamanen and Mäkisalo 2012). Second stage is to interpret and codify experiences into organizational routines (Zollo and Singh 2004). In the following we are briefly reviewing the literature on both of the stages.

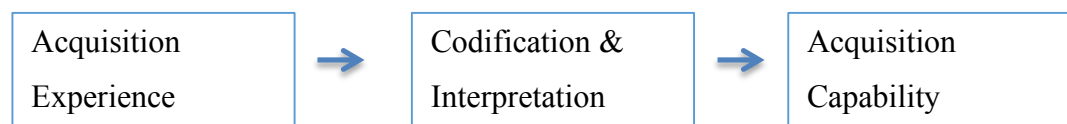


Figure 1 - Development process of acquisition capabilities

2.3.1 Acquisition experience

The first stage is by far the most researched one and it has tried to connect acquisition experience to performance through quantitative research (Barkema and Schijven 2008). The first main contribution used a simple learning curve to explain acquisition performance (Lubatkin 1983). The learning curve introduced two controversial assumptions according to Barkema and Schijven (2008). Firstly, experience equals learning, implying no need for deliberate learning mechanisms (Zollo and Singh 2004) and the value of specific experiences (Hayward 2002). Secondly, experience always has a positive impact on performance, neglecting negative transfer effects (Haleblian and Finkelstein 1999). As we will see these two assumptions has been relaxed considerably during the last decades.

In the early stage of the literature learning from experience was seen as a homogenous construct (Barkema and Schijven 2008). Moreover suggesting that all acquisition experience leads to higher acquisitive performance (Kusewitt 1985; Lubatkin 1983; Fowler and Schmidt 1989). In the 90's the literature took a more nuanced approach based on organizational learning theory, researching how different types of experience impacts performance (Li 1995). Using the concept of absorptive capacity (Cohen and Levinthal 1990) Barkema, Bell and Pennings (1996) found that the learning rate is greater in domains firms already know, thus requires a certain level of specificity. In contrast, Hayward (2002) argued that experience in proximity to the focal firm's knowledge might lead to inertia followed by a competency trap argument (Levinthal and March 1993). Research have found proof for heterogeneity of experience arguing against the learning curve approach. However, the performance of different types of experience, specific vs. distant, remains inconsistent (Barkema and Schijven 2008).

Besides the finding that learning is a heterogeneous concept, researchers have also found in some studies a negative relationship between acquisition experience and performance (Fowler and Schmidt 1989; Haleblian and Finkelstein 1999). First out was Fowler and Schmidt (1989) which coined the term corporate indigestion. That is the negative effect of firms having a too high acquisition rate adding complexities to the acquirer ultimately leading to reduced performance. Haleblian and Finkelstein (1999) identified a U-shaped relationship between acquisition

experience and performance due to inappropriate generalizability or negative transfer effects. This effect can be limited if acquisitions are more similar (Finkelstein and Haleblan 2002; Hayward 2002). So far the literature has concluded that acquisition is a two-edged sword. In other words some times learning from experience can improve performance and other times the opposite (Barkema and Schijven 2008).

2.3.2 Codification and interpretation

In order to develop experience into acquisition capabilities it needs to be codified and interpreted into organizational routines and practices. Codifying experience in manuals and checklists seems to have an positive effect on acquisition outcomes (Zollo and Singh 2004; Heimeriks, Gates and Zollo 2008). According to Hutzschenreuter, Kleindienst and Schmitt (2014) quantity of experience do not necessarily improve performance, but quality does. In other words, the way firms codify and interpret their experiences is crucial for the capability development.

It has been an extensive amount of literature stating codified knowledge as a double-edged sword, being both harmful and beneficial (Heimeriks, Schijven and Gates 2012). Schulz (1998) found that creating routines, hence making people react in a programmed way, is a codification trap, which leads to organizational inertia. Furthermore, codification tools constrains people involved in the acquisition integration process, instead of adapting ad-hoc problem solving customized to the specific case (Heimeriks, Schijven and Gates 2012). Misapplication of routines in this way is in line with the negative experience transfer argument mentioned (Haleblan and Finkelstein 1999).

To encounter the codification trap Heimeriks, Schijven and Gates (2012) suggest to supplement codified routines with tools they call “Higher-order routines”. Such routines will reduce the risk of negative experience transfer effects by helping people involved in the integration process to see the deal-specific features.

According to Barkema and Schijven (2008) we have only scratched the surface of the phenomena acquisition capabilities and its development. Further research need to be done. More specifically on experience codification, training programs and

dedicated departments/teams to make sense of experience and knowledge sharing within the organization.

2.3.3 Acquisition program

Acquisition programs can be defined as a string of acquisitions by an acquiring firm motivated by a predominant business goal or market position (Chatterjee 2009; Keil, Laamanen and Mäkisalo 2012). Acquisition programs clarify how each acquisition, independently and collectively, will contribute to shareholder value and the business rationale behind. This clarity can work as a safeguard against acquiring the wrong firm or having acquisitions fail (Chatterjee 2009).

Firms pursue various acquisition programs based on different motivations. Keil, Laamanen and Mäkisalo (2012) differentiate between geographical expansion, industry consolidation, product or market extension, industry convergence and R&D motivated acquisition programs. Some programs can also be characterized by a combination of more than one type, for example a company pursuing an industry consolidation in a whole region. Though all of these programs are likely to require different capabilities, there are some shared capabilities that we will soon discuss.

Laamanen and Keil (2008) argue that the capability to manage acquisition programs (or “the third layer of acquisition capabilities”) are a higher-level capability than the capability to execute an individual acquisition or the capability to learn from preceding acquisitions. Since it involves a more holistic understanding of an industry to lay out, and perform, a plan with strings of acquisitions to maneuver in the most optimal direction for the company (Keil, Laamanen and Mäkisalo 2012).

Keil, Laamanen and Mäkisalo (2012) expands the “third layer of acquisition capabilities” and presents four particular acquisition program capabilities:

- 1) The capability to pace an acquisition program: Laamanen and Keil (2008) found that a high acquisition rate and variability was negatively related to acquisition performance, whereas an acquirers size, acquisition experience and

scope of acquisition program was a moderating effect. The optimal pace should not be too temporally close or distant to the prior acquisition (Hayward 2002).

2) The capability to optimize the scope of the program: The degree of business correspondence defines the acquisition scope. Acquiring highly dissimilar targets in an acquisition program creates additional stress on the individual acquisition-level capabilities.

3) The capability to acquire ideally sized and strategically, organizationally and culturally fit targets: Requires a company to emphasize screening phase and have a clear and well-planned acquisition strategy, while being able to discard prospects that fall outside the scope of its strategy.

4) The capability to handle numerous simultaneous integration processes: Requires strict allocation of resources and management's attention, with clear-cut responsibilities in both acquiring and acquired organizations.

Further, Chatterjee (2009, 141) argues that there is three capabilities that characterizes successful acquisition programs: These are the ability to identify and exploit market inefficiencies (identification); the conscious striving for a win-win deal (negotiation) and not deviating from established processes (integration).

Surprisingly, despite the fact that many companies perform strings of acquisitions, the research on acquisition programs are limited and inadequate (Chatterjee 2009; Fuller, Netter and Stegemoller 2002) and further research on acquisition behavior should be done on acquisition programs and their characteristics (Laamanen and Keil 2008).

3.0 Method

3.1 Research design

A research design is an important decision when conducting a research and “provides a framework for the collection and analysis of data” (Bryman and Bell 2011, 40). The required research design and analysis methods varies depending on the purpose of the research (Hsieh and Shannon 2005; Bryman and Bell 2011).

Scholars distinguishes between qualitative and quantitative research designs, or a mixture of both (Bryman 2006). A quantitative approach emphasizes quantification in collection of data and analysis to test already made theories and propositions. Whereas qualitative methods emphasizes more processes, words and meanings so to generate new theory (Bryman and Bell 2011).

Most research on serial acquirers have used a quantitative approach (Chatterjee 2009). We therefore believe a qualitative approach will be a fruitful addition to the research and we find it the most appropriate method regarding our research question.

Through an inductive approach we aim to generate more theory on a topic where research so far has been limited. We believe a descriptive method, where there is generally not used any hypothesis, but the aim is rather to describe a population or a phenomenon to be beneficial (Levin 2006). This can best be done through the in-depth understanding of data which qualitative methods provides and can help us tell “how (process) and why (meaning) things happen as they do” (Cooper and Schindler 2008, 162). Which conforms with our interpretive view of social research, where one must understand “the social world through an examination of the interpretation of that world by its participants” (Bryman and Bell 2011, 386).

3.2 Sampling

From our supervisor we will receive a list of 30 Norwegian serial acquirers. Our estimates are that 10-15 out of these firms will take part. What matters the most for sampling in qualitative research is the purpose of the study, although the common number is 15 +/- 10 (Kvale and Brinkmann 2009). Since the aim of our

research is to answer humanistic *why* and *how* questions rather than generalize (Marshall 1996), we believe that our sample is adequate.

3.3 Data collection

There are six sources of data collection in qualitative studies: documentation, archival records, interviews, direct observations, participant observation and physical artefacts (Yin 2009). Further, he argues that the data collection should be aligned to the research question at hand. We believe interview and documents to be the best data for the purpose of our research. Because of the nature of the phenomenon we chose interviews as our primary source. To understand the concept of acquisition program capabilities we need the in-depth knowledge from the people involved. Further, documents can show us the formal structure and knowledge-transfer.

3.3.1 Interviews

The main source of data will be interviews in order to get in-depth insight to our phenomena. This is in line with Eisenhardt and Graebner (2007) saying that interviews are efficient when the topic is episodic and infrequent. According to Bryman and Bell (2011) there are two main types of interviews in qualitative research, unstructured and semi-structured. The unstructured interview is more or less characterized as a conversation (Burgess 2002). Usually, the interviewer have only one question in mind, but may ask follow-up questions on interesting concepts. In our study we have chosen semi-structured/focused interviews following a structured interview guide. The questions will be open-ended and allowing for follow-up questions. This flexibility may result in additional data and/or suggested relevant participants which is a key characteristic of semi-structured interviews (Yin 2013).

We will be interviewing key informants involved in one or several acquisitions. Most likely the interviewees will have positions such as business development manager, CEO or others directly involved in acquisitions and integration.

The interviews will preferably be done in-person, otherwise on phone. Both authors of this study will attend all of the interviews in order to assure the quality of the data and reduce interview biases.

All of the interviews will be recorded and transcribed. Heritage (1987) outlines several advantages of transcribing such as reducing limitations of our memory, transparency, reuse of data and more thorough data analysis.

The interview guide

In our interviews we will follow an interview guide (See 6.0 Appendix) to ensure that we cover all the concepts needed. Additionally, it will increase the cross-case comparability of our study (Bryman and Bell 2011). Another advantage is that it reduces the possibility of asking leading, restricted or fluently (Bryman and Bell 2011; Yin 2013). The guide does not need to be followed in a chronological manner, but the interviewer should ask all of the questions included. In addition, the questions should be fairly understandable to the interviewee, meaning limited use of theoretical terms and definitions. The interview guide's purpose is to capture the entire acquisition process. Meaning that we will get characteristics of acquisition capabilities with regards to target identification, deal negotiating and the integration process (Bryman and Bell 2011).

3.3.2 Documents

Besides interviews we will have to use documents to increase our understanding of the organizations. The use of documents will only be complementary to the interviews in order to grasp the context of our cases. The most relevant one is organizational documents in likes of annual reports, organizational charts, mission statements etc (Bryman and Bell 2011). Finally, to ensure the quality of the study we need to assess the documents according to four criteria; authenticity, credibility, representativeness and meaning (Scott 2014).

3.4 Data analysis

In contrast to quantitative there are no certain rules and procedure on how to analyse qualitative data (Bryman and Bell 2011). Only broad guidelines have been provided and Yin (2013) suggests four different approaches. The most relevant one for our study is the explanation-building technique. We will start our study with an open-ended research question that will enable us to build explanations to the research question at hand (Yin 2013). Mentioned technique will be supplemented with a more detailed and systematic approach called grounded theory. The main aim is to use the data to build theory in an iterative process

(Bryman and Bell 2011). In other words data collection and analysis will repeatedly refer back to each other. Based on this approach we will use tools such as theoretical sampling, coding and constant comparison. Finally, the result of this process will be concepts (labels), categories, hypothesis and theory (Bryman and Bell 2011).

3.5 Research quality

Even though there has been some discussion concerning validity and reliability in qualitative methods and how it should be employed (Creswell and Miller 2000), we find it important to address. This way we can openly show how we believe our research to provide accuracy in data collection and analysis and thereby making our conclusions more credible.

3.5.1 Validity

Validity can be understood as to which extent a research is unbiased, portrays a correct picture of the real world and to which degree the conclusions can be generalized (Kirk and Miller 1986; Bryman and Bell 2011).

To limit our bias, we will be two researchers collecting and analyzing the data. Further we will ask clearly, and open-ended questions so that the interviewees can fully describe their understanding of the situations involved. We will conduct the interviews with an open mind and will not look for any particular answer, but rather let the answers guide our research.

Though we believe our results to be representative for more than one industry and country, we do not seek generalizability. We aim to extend current literature with our findings and leave it to future studies to put these findings to the test, which is common with qualitative studies (Bryman and Bell 2011)

3.5.2 Reliability

Reliability is concerned whether a study is replicable, which largely is limited in qualitative studies. Bryman and Bell (2011, 408) describes the difficulties this way: “Precisely because it is unstructured and often reliant upon the qualitative researcher’s ingenuity, it is almost impossible to conduct a true replication, since there are hardly any standard procedures to be followed.”

We will however try to strengthen the reliability, of our study by thoroughly describing our methods and how we proceed. The use of interview guides and thorough transcriptions will strengthen our reliability. Also, when presenting our results, we will extensively try to use direct quotes to exemplify how we came to our conclusions.

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6.0 Appendix

6.1 Interview guide

1. Describe your role in the organization
2. Describe the last 5 years' acquisitions
 - a. How many acquisitions has this company done in the last 5 years
 - b. What is the strategic rationale behind each of them?
 - c. How do they fit with the strategy of the company?
 - d. What has been your role in the processes?
3. These next questions refer to the last acquisition you made that you were involved in.
 - a. Could you characterize the target? (organization, products, strategy, identity, culture)
 - b. How did you identify the target?
 - i. Who was involved in the process?
 - ii. What was the relationships with the target prior to the deal?
 - iii. How was this deal different than previous deals?
 - c. Describe the due-diligence process
 - i. Who was involved
 - ii. What were challenges?
 - iii. How was this due dil process different than previous deals?
 - d. Describe the negotiation process
 - i. Who was involved?
 - ii. What were challenges?
 - iii. How was this negotiation process different from previous?
4. Announcement of the deal
 - a. How was the deal announced?
 - b. At what time was the deal announced to the employees?
 - c. What were employee reactions?
 - d. What were the reactions of the target firm employees?
 - e. What was different from previous announcements?
5. The next questions refer to the phase after the deal was announced, the post-acquisition integration phase
 - a. Could you walk us through the integration process, what happened after the announcement of the deal?
 - b. Describe the decisions process that led to the type of integration for this acquisition (how much and how fast the targets were integrated)
 - c. Who was involved and how (at what stages)?
 - d. What were the main challenges in this integration process?
 - e. What were the main conflicts in the integration process, and when did they occur?

- f. How was this integration process different than previous integration processes?
6. These next questions refer to the outcomes of the deal:
 - a. How much of technology, procedures, processes etc. from the target can you see in the joined company today?
 - b. What was the turnover of employees from the target company?
 - c. To what extent did target managers gain management positions in the new company?
7. These next questions deal with how you document acquisition experience and learning from the deals
 - a. How did you draw on past acquisition experience in the focal deal?
 - b. How do you make sure you document experiences?
 - c. What *have you learned from your previous acquisitions*?