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Facilitating integration and maintaining autonomy: The role of managerial action and interaction in post-acquisition cabability transfer☆

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ABSTRACT

Through acquisitions, firms can access resources and capabilities they cannot develop on their own. Post-acquisition, a key managerial challenge is balancing the need for integration, to transfer capabilities, with the need for autonomy, to preserve knowledge-based capabilities. Drawing on extensive qualitative data, I find that this balancing involves managerial perceptions and actions that unfold in a reciprocal and dynamic process, resulting in capability transfer. I identify two distinct trajectories of capability transfer, one driven by the acquiring managers' perceptions of valuable capabilities in the target, and one driven by the target managers' desire to shield their capabilities from deterioration. This study contributes to the post-acquisition integration literature by conceptualizing the role played by target and acquiring firm managers in the dynamic, reciprocal, and sequential process of post-acquisition capability transfer.

1. Introduction

Acquisitions create value for firms by allowing access to new technologies, capabilities, and knowledge bases (Buckley, Munjal, Enderwick, & Forsans, 2016; Capron & Mitchell, 2009; Sears, 2017). Post-acquisition capability transfer can take the form of resource sharing, functional skills transfer, and general management skills transfer (Haspeslagh & Jemison, 1991). In technology acquisitions, the acquiring firm often aims to gain access to knowledge-based capabilities by combining the target's technologies with their own resources to create value (Graebner, Eisenhardt, & Roundy, 2010). The transfer of organizational capabilities requires post-acquisition integration to achieve coordination and cooperation between the acquired and acquiring firms (Angwin & Meadows, 2015; Puranam, Singh, & Chaudhuri, 2009; Puranam, Singh, & Zollo, 2006). However, many firms struggle to achieve the desired level and mode of integration to secure capability transfer (Capron, 1999; Ferreira, Santos, de Almeida, & Reis, 2014).

Prior research has identified the dilemma between integration and autonomy as a main managerial challenge in the post-acquisition period (Haspeslagh & Jemison, 1991; Zhu, Xia, & Makino, 2015). On the one hand, integration is necessary to manage the interdependencies between the firms and secure the access and transfer of capabilities (Ambrosini, Bowman, & Schoenberg, 2011; Datta, 1991). On the other hand, the loss of autonomy following integration may disrupt the target firm's innovative capabilities (Puranam & Srikanth, 2007; Puranam et al., 2009), lead to depletion of capabilities through the disruption of routines and loss of valuable personnel (Puranam et al., 2006; Zorn, Sexton, Bhussar, & Lamont, 2019), and cause human resource–related problems that drain managerial capabilities (Larsson & Lubatkin, 2001; Vaara, 2003). Thus, the paradox remains that while integration is necessary to accommodate coordinated exploitation of the target's capabilities and technologies, the integration process itself may have disruptive effects and destroy the knowledge-based resources that motivated the deal (Junni, Sarala, Tarba, & Weber, 2015; Ranft & Lord, 2002).

We know that acquiring-firm managers develop strategies and design mechanisms to integrate the acquired resources (Pablo, 1994; Pablo, Sitkin, & Jemison, 1996; Park, Meglio, Bauer, & Tarba, 2018), implement the required changes to secure capability transfers (Teerikangas, Véry, & Pisano, 2011), and deal with employee resistance after the acquisition (Larsson & Finkelstein, 1999; Vaara & Tienari, 2011). However, during the integration process, managerial capacity may be strained, as successful post-acquisition integration requires substantial managerial resources and efforts (Lamont, King, Maslach, Schwerdtfeger, & Tienari, 2019). Subsequently, target managers may play a key role in the integration process by filling the managerial void and mitigating disruptions to the target firm (Graebner, 2004).

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Moreover, target managers play a critical role in identifying and accessing complex and socially embedded knowledge in their organization, which the acquiring firm may find ambiguous (Colman & Lunnan, 2011; Graebner, 2004; Ranft & Lord, 2002). However, as noted in recent review articles, we still have limited knowledge of the involvement of actors beyond acquiring-firm managers (Graebner, Heimeriks, Quy Nguyen, & Vaara, 2017; Sarala, Vaara, & Junni, 2017). We also know little about how the combined managerial efforts of the target and acquiring firm interact and contribute to post-acquisition capability transfers (Teerikangas et al., 2011).

In their seminal work, Haspeslagh and Jemison (1991) pointed to the interactive nature of the integration process. The exploitation of socially complex and tacit knowledge-based capabilities requires interaction and collaborative efforts between the acquiring and the target firms (Bresman, Birkinshaw, & Nobel, 1999). To facilitate interaction and collaboration across previous firm boundaries, managerial efforts from both sides of the acquiring and target firm dyad are pivotal. Extant research on post-acquisition integration, however, has emphasized the managerial agency of the acquiring firm. Gaining insights into the interactions between the target and acquiring firm's managers following the acquisition will help shed needed light on the dynamics of the post-acquisition integration that ultimately shapes acquisition outcomes (Graebner et al., 2017).

In this study, I ask the following question: How do acquiring- and target-firm managers' interactions contribute to post-acquisition capability transfer? Based on a qualitative, inductive study, I explore managerial agency during three post-acquisition integration processes that resulted in capability transfers. The acquisitions examined in this study are relatively small firms acquired by a larger multinational firm mainly for their technological resources and capabilities. I trace the integration processes through a longitudinal, real-time study, applying a fine-grained approach well suited to understanding the underlying mechanisms of integration and the dynamics involved in post-acquisition integration processes (Graebner et al., 2017; Sears & Hoetker, 2014).

This study contributes to our knowledge of how managers balance the need for integration that helps to transfer the target firm's technologies and resources post-acquisition, with the need for autonomy that preserves these same technologies and resources. Thus, it makes important contributions to our knowledge of the processes through which capabilities are transferred after an acquisition in three ways: First, this study conceptualizes the way in which managers help to balance integration and autonomy by identifying how post-acquisition integration unfolds in sequential and reciprocal trajectories of both target- and acquiring-managers' actions. Second, by providing empirical evidence for how capability transfer is driven by managerial perceptions and actions, the study contributes to our understanding of the antecedents to post-acquisition outcomes. Third, the findings highlight how the acquiring firm's abilities to access resources and technologies in the target firm are not a constant capacity, but rather, are advances along various trajectories.

2. Theory and background

The post-acquisition transfer of strategic capabilities takes place through "an interactive and gradual process in which individuals from two organizations learn to work together and cooperate" (Haspeslagh & Jemison, 1991: 106). Bresman et al. (1999) showed how the development of a social community evolves, one that advances reciprocal knowledge transfer between the firms. To create value, capabilities need to be "nurtured and integrated" long after the deal is done (Ranft & Lord, 2002), but these can easily be diluted or disrupted through the integration process (Puranam et al., 2009). This has led scholars to assert that allowing the target a certain degree of autonomy paves the way for integration without destroying valuable technologies and capabilities (Ranft & Lord, 2002; Zollo & Singh, 2004). Post-acquisition integration processes are often complex and characterized by causal ambiguity (Cording, Christmann, & King, 2008), which makes for a difficult environment for managers, who are aiming to facilitate and lead predictable interactions to promote capability transfers between the acquiring and target firms (Bresman et al., 1999; Graebner, 2004; Reus, Lamont, & Ellis, 2016).

Recent studies suggest that the status of the acquiring firm, as either a technological laggard or leader, influences its approach to the target's capabilities, thereby shaping the interactions between the two firms after the acquisition (Sears, 2017). If the acquirer is a laggard, this may result in the "not-invented here" syndrome. However, if the acquirer is a technological leader, its knowledge workers are not threatened by the target's capabilities (Sears, 2017). Status differences between the firms may also play out in the integration process, and lead to the higher status resisting the inferior capabilities of the lower status partner (Empson, 2001; Langley et al., 2012). Managers play a key role in mitigating these issues and in creating an atmosphere conducive to capability transfer, by facilitating interactions between target and acquirer (Haspeslagh & Jemison, 1991).

Acquiring-firm managers capture value from the acquiring and target firms by ensuring business continuity; they also create additional value by securing the forecasted synergies that motivated the acquisition (Teerikangas et al., 2011). Specifically, managers reduce ambiguity and act to legitimize the merger (Vaara & Monin, 2010), carry out integration initiatives (Brueller, Carmeli, & Markman, 2018; Teerikangas et al., 2011), lead the post-acquisition changes (Kavanagh & Ashkanasy, 2006), build trust (Graebner, 2009), limit employee dissatisfaction and turnover (Cho, Lee, & Kim, 2014), and deal with cultural conflicts in the integration process (Lakshman, 2011; Marks & Mirvis, 2011; Slangen, 2006). Clearly, a burgeoning literature exists on managerial agency in post-acquisition integration. However, the available literature has (a) focused on the managerial actions of the acquiring firm, post-acquisition (Puranam & Srikanth, 2007), mostly investigating target-firm managers as the recipients of post-acquisition change (Hambrick & Cannella, 1993; Krug & Hegarty, 2001) and (b) documented the detrimental effects of the departure of target-firm managers' after the acquisition (Zollo & Singh, 2004). This has left scholars lamenting about the lack of attention to actors beyond acquiring-firm managers in the post-acquisition integration literature (Graebner et al., 2017; Sarala et al., 2017).

Yet, some studies do exist that point to the importance of target managers in influencing resource-sharing and capability transfers in the integration process (Colman & Lunnan, 2011; Graebner, 2004; Ranft & Lord, 2002). For example, Graebner (2004) found that target managers discover and realize opportunities for resource reconfiguration by taking on cross-organizational roles. Target managers minimize the detrimental effects of integration by mitigating employees' concerns and curtailing their negative emotions. Furthermore, they facilitate integration by maintaining internal pacing and accelerating coordination between the firms. Teerikangas (2012) showed that if target managers perceive the acquisition as an opportunity, they become proactively involved in the pre-acquisition phase and project this positive view of the acquisition on to the employees. In contrast, when target managers do not perceive the acquisition as an opportunity, they will not engage in such action. Building on Graebner (2004), Colman and Lunnan (2011) found that when target managers perceive a loss of identity, they contribute to post-acquisition capability transfers.

Studies have also examined the limitations to target managers' actions after an acquisition, such as that by Hambrick and Cannella (1993) who found that target managers experience a loss of status and decision-making power following the acquisition. Integrating the literature on acquisitions and newcomer adjustment in a study of target-firm managers' sense-making, (Chreim & Tafaghod, 2012) found that loss of autonomy impedes acquiring-firm managers ability to mitigate employees' concerns. As well, Vuori, Vuori, and Huy (2018) found in their recent study that the managerial practices of masking negative emotions and using efficiency-driven communication led to integration failure, pointing to the importance of managers expressing their emotions during post-acquisition integration.

The current literature thus emphasizes the importance of managerial action in facilitating capability transfers. However, the research reveals little empirical evidence, while also lacking conceptualizations of the dynamics of managerial agency and the interactions of post-acquisition integration (Graebner et al., 2017). In other words, whereas the importance of the interactions and dynamics inherent in the post-acquisition integration process has been recognized since the seminal works of Haspeslagh and Jemison (1991), studies on post-acquisition integration have focused on either the acquirer or the target side of the dyad. More specifically, we have limited knowledge about how acquiring and target firm managers' *combined efforts* play out in the integration process (Teerikangas, 2012).

3. Methods

To advance our knowledge of how the combined managerial actions of acquiring and target managers shape the evolving integration process and facilitate capability transfer, I chose a qualitative, longitudinal, and exploratory approach. Qualitative data and longitudinal data-gathering are well suited to study dynamic processes and to reveal patterned complexities, activities, and interpretations (Langley, 1999; Patton, 1990). They are sensitive to the sequences of activities and the organizational context in which they are embedded (Pettigrew, 1990), which makes them suitable to explore how post-acquisition integration processes develop over time.

3.1. Research setting and cases

In qualitative research, sampling is purposeful and not random. It is often characterized as theoretical sampling, involving sampling of cases that are "particularly suitable for illuminating and extending relationships and logic among constructs" (Eisenhardt & Graebner, 2007: 27). Given this, selection is towards information-rich cases for in-depth study. The firms involved in this study are the acquirer (Omega), a leading IT group in Scandinavia, and three of their acquired units (Alpha, Delta, and Epsilon). I gained extensive access to Omega as they were carrying out their acquisition integration processes; I continued exploring the cases over approximately four years. I chose three relatively large acquisitions that require more interrelated decisions, complex integration, and more capacity to realize synergies (Ellis, Reus, Lamont, & Ranft, 2011).

Omega had about 2500 employees in the beginning of the study period. They pursued a growth strategy that involved the acquisition of relatively smaller technology firms. Omega first focused on establishing a critical mass in IT operations (this included the acquisition of Alpha) and then building their application services (including the acquisitions of Delta and Epsilon). At the end of the study period, Omega had about 3500 employees.

The Alpha acquisition involved Alpha MNC transferring the operations of their IT systems, 26 customer contracts, and 470 employees to Omega. The acquisition was communicated as a means for Omega to strengthen its market position and contribute to growth in the Scandinavian market. Through the deal, Omega became Alpha MNC's preferred partner for all its Scandinavian IT operation services. Alpha was to be fully integrated into the Omega organization. The acquisition also included a substantial downsizing from both Alpha and Omega (about 150 person-years).

The strategic rationale behind the Delta acquisition was to expand the deliveries of application services to new industry sectors. The acquisition was expected to give Omega stronger customer relationships at a strategic level. Delta was the consultancy unit in Delta MNC, a supplier of IT infrastructure products and services in the Scandinavian region. Delta consisted of 241 employees, who were transferred to Omega. In addition to having technological expertise, Delta provided Omega with competency in project management, system development, and change management. Delta was to remain a relatively autonomous subsidiary to Omega. They were to employ the Omega HR systems, financial reporting and payroll system, and shared support services. No announced reductions of employees or other cost-reducing activities occurred in connection with this acquisition.

The acquisition of Epsilon provided Omega with ERP solutions they could offer to the Scandinavian market as well as giving it an entry into the application services market. At the time of the acquisition, Epsilon was a standalone firm with 114 employees. Managers and key personnel in Epsilon were contractually committed to Omega for 24 months. After the acquisition, approximately 40 people from Delta transferred to Epsilon, forming Omega's application services business.

All three acquisitions provided important technological, operational, and managerial capabilities, but in all three cases, capability transfer required close interaction between the acquiring and target firms. My cases are particularly revelatory cases because they highlight the process through which capabilities are transferred. Importantly, these cases represent contexts where the dynamics of the phenomenon under scrutiny are particularly transparent (Pettigrew, 1990). Opportunity also played in my choice of these cases, as I gained unusual access to Omega just as they were acquiring Alpha (Eisenhardt & Graebner, 2007). I included Delta and Epsilon because Omega acquired them about 18 months later, when I was already engaged in research; the three firms represented different types of acquisitions and were therefore an opportunity to expand the sample, based on variations in target characteristics, motivation behind the deal, and mode and level of integration.

3.2. Data gathering

The study includes several sources of data. The main data source was the 76 in-depth interviews. The formal interviews were conducted in three phases. Table 1 shows the number of interviews in each target firm and in Omega over the study period.

I picked respondents from different functional areas and organizational levels in Omega and in the target organizations, reflecting a depth and variety of viewpoints (Charmaz, 2006). In Omega, I interviewed the top management team, union representatives, integration managers, middle managers in staff functions (HR, communications), and key employees involved in the integration process. Some of the interviews with Omega managers covered all three acquisitions, while others were more narrowly focused on one or two of them, depending on the informant's role in the organization. In the three targets firms, I interviewed the top managers, middle managers, and key employees.

I developed an interview guide that consisted of open-ended questions to encourage respondents to recount their experiences. The interview guide covered the topics of interest, while allowing for exploration of new areas (Charmaz, 2006). I kept interviewing until saturation—that is, until each new interview provided little new knowledge. The interviews lasted between one to two hours and were recorded and transcribed verbatim, producing approximately 2000 pages of double-spaced text.

My data collection focused on tracing the integration processes as

Table 1
The number of interviews in Omega and each target firm over the study period.

	Phase 1	Phase 2	Phase 3	Total
Alpha	10	3	4	17
Delta		9	4	13
Epsilon		5	3	8
Omega	23	7	8	38
Total	**33**	**24**	**19**	**76**

they unfolded. I was present in the company throughout the study period, allowing for continual observation and informal conversations with the organization. I engaged in informal conversations with employees and attended top-management team meetings, staff meetings, project meetings, and information meetings held by the CEO at different office locations. These informal interactions gave me immediate access to events in real-time and provided knowledge of potentially important informants and topics to explore further in the interviews.

I also collected archival data, including published and unpublished material, and documents of various kinds (business cases presented to the board of directors prior to the acquisition, strategy documents, annual reports, newspaper articles, intranet articles, and internal documents made available for my research). These materials helped me construct a timeline of events and provided important information about the strategic rationale of the deals. I used Atlas.ti to store and organize the transcribed interviews, documents, and observation notes.

3.3. Data analysis

First, I initially read and reread the transcribed interviews across the three cases. I developed case histories and timelines for each of the integration processes. Second, I returned to my data to code the text. I identified first-order themes that emerged from the informants' stories of the integration process (Van Maanen, 1998). I then collapsed these first-order themes into second-order categories. For example, dominant themes in my informants' accounts were their perceptions of the strategy and the status of the acquisition partner; managerial actions described both by the acquiring and target managers about their own and the acquisition partner's actions; and their access to and the nature of the resources, technologies, and knowledge in the firms. I went back and forth between the data and the existing literature on post-acquisition integration and managerial actions, and condensed the raw data from the interviews into analyzable units by creating categories with and from the interviews (Gioia, Corley, & Hamilton, 2013). The approach taken was inductive in nature: I started with observations of the cases and built towards more general patterns. My analysis became more theory-driven as the process evolved. Categories and dimensions of analysis emerged as I juxtaposed the themes in the interview transcripts with available theory. I did not force existing concepts on my data. However, I applied existing concepts when they fit the data (Dubois & Gadde, 2002). Fig. 1 shows the structure of the data.

Third, as I explored the relationships between the second-order categories, I discovered that the cases varied in the sequence and nature of the managerial actions. I observed three temporal phases (pre-integration, early integration, and later integration) and then used these phases to structure the description of events that reflect the reality of the integration process (Langley, 1999). I observed how managers' perceptions of the firms' resources in the first months after the announcement of the deals influenced their actions in the second phase and the subsequent outcomes in the third phase. Two distinct patterns of capability transfer emerged—one trajectory driven by the target firm and one trajectory driven by the acquiring firm.

4. Findings

My findings show how capability transfer took place through an interactive, reciprocal, and dynamic process that is driven by the target- and acquiring-firm managers' perceptions and actions. All target firms perceived their valuable capabilities as threatened by the integration process and engaged in mobilizing actions and actions to protect their capabilities. Likewise, in all the acquisitions, Omega managers perceived a need to interact with the targets and therefore performed mobilizing actions. Managers at all levels in both the target and acquiring firms, project managers, key account managers, and different levels of line managers, carried out these managerial actions. However, the sequencing and timing of the managerial actions during the acquisition process varied. Table 2 displays an overview of the processes in each acquisition, over the three phases.

In this section, I first present my findings over the three phases: pre-integration (one to three months after the deal announcement), early integration phase (12 to18 months after deal announcement), and later integration phase (approximately two years after deal announcement). Structuring the presentation of the data in these three phases, consistent with "temporal bracketing" (Langley, 1999), enables a description that truly reflects the unfolding integration process, while also capturing the managers' evolving perceptions and actions. I present the detailed account of my observations in a narrative and temporal manner, including quotes from my informants. Additional quotes, which make my findings even more robust, are provided in Table 3.

Finally, I conceptualize my findings in an emergent theoretical model of post-acquisition capability transfer, recasting post-acquisition capability transfer as a reciprocal, dynamic process involving target- and acquiring-firm managers' interactions.

4.1. Pre-integration: Perceptions of the partner firm and the acquisition

Immediately following the announcement of the deals, Omega and the targets interacted very little in each case. The targets were not yet organizationally combined nor co-localized with Omega. Dominant themes in the interviews in this phase were employees' and managers' perceptions of their own and the partner firms' characteristics and capabilities. The target informants referred to Omega as having inferior resources and as being less attractive, more old-fashioned, and more bureaucratic than their pre-acquisition firm was. However, whereas Alpha informants in this early phase voiced that they felt the acquisition threatened their valuable capabilities, the Delta and Epsilon informants initially did not express strong concerns about the loss of their valued capabilities or status from the acquisition.

Alpha employees asserted their superiority over Omega on several dimensions. They characterized their "young and energetic culture" as distinctly different from the less attractive and "old-fashioned and sturdy" Omega:

> Omega has a boring image. In Alpha we've been allowed to be at the forefront in terms of technology and localization, you know, nice modern buildings and offices. (Alpha manager)

Alpha respondents voiced that Alpha was more "customer oriented" and quick to respond to customer demands, whereas Omega was characterized as slow to respond. They pointed out that Omega involved an excessive number of people and resources in their customer processes, making them unduly thorough and slow. Alpha informants focused on their own decision-making power and autonomy in managing their customer relationships, and their fear of limited decision-making power in Omega. As described by an Alpha manager: "In Omega we need permission from our managers to buy a cup of coffee for a customer." Furthermore, they perceived that Omega had "less cutting-edge technologies," as opposed to Alpha, which had developed "the best technological platform in (the country)." However, the Alpha informants also appreciated the strategic rationale of the deal, and saw that it made sense as the firms had complementary capabilities:

> First of all, I am entering an organization that was interested in the same areas as me. Here (in Omega) they talk about solutions, customer-specific solutions. Here it is a matter of developing more complexity in the deliveries; Alpha MNC, who we are leaving, is simplifying and standardizing—selling standard products and volume. (Alpha employee)

Delta informants described themselves as "consultants with master's degrees" that worked "higher in the value chain" than Omega. Omega was described as a less attractive employer, with a boring and unattractive image. The Delta informants focused on their unique competency and their unique deliveries. They felt they were entering an

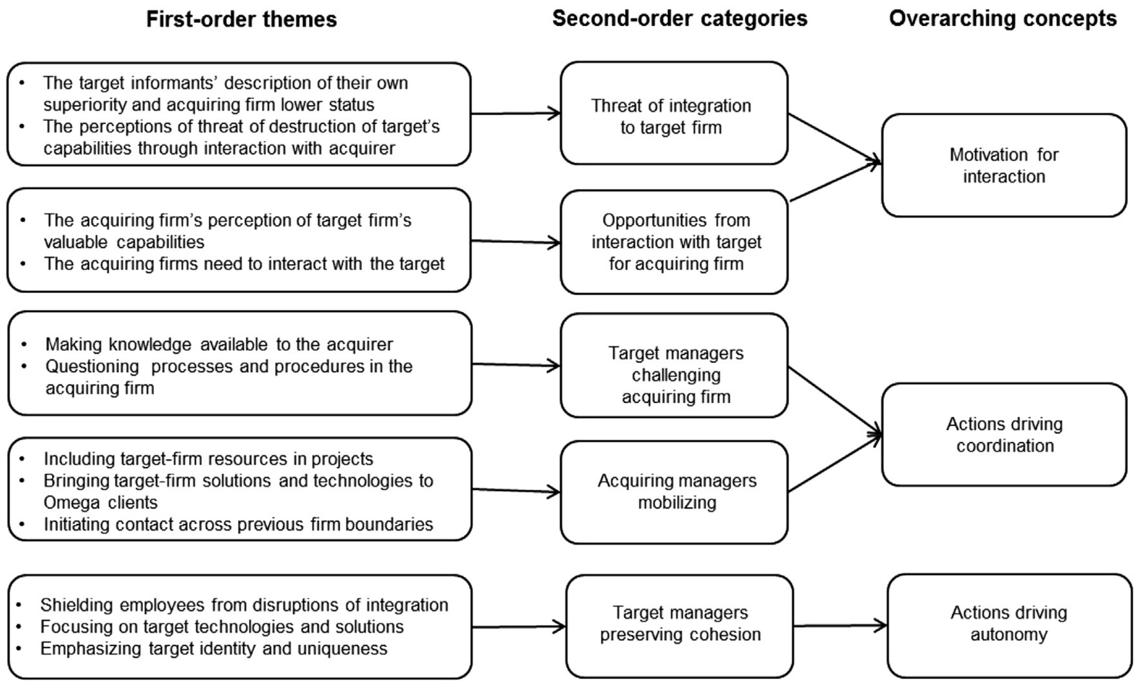

Fig. 1. Structure of the data.

Table 2
Variation in the cases over the time.

	T1 Pre-integration perceptions of the acquisition partner	T2 Early integration phase: integration decisions and managerial actions	T3 Later integration phase: acquisition outcomes and capability transfer
Alpha	● Acquiring firm did not perceive valuable capabilities in the target ● Target firm perceived the acquirer as less attractive	● Acquiring firm did not mobilize ● Target firm mobilized and preserved their capabilities	● Acquiring firm uncovered capabilities in the target ● Transfer of managerial, technological capabilities
Delta	● Acquiring firm perceived valuable capabilities in the target ● Target firm perceived the acquirer as less attractive	● Acquiring firm mobilized ● Target firm preserved their capabilities	● Target firm engaged in cooperative activities ● Transfer of managerial and technological capabilities
Epsilon	● Acquiring firm perceived valuable capabilities in the target ● Target firm perceived the acquirer as less attractive	● Acquiring firm mobilized ● Target firm preserved their capabilities	● Target firm engaged in cooperative activities ● Transfer of managerial and technological capabilities

organization that was less prestigious and more bureaucratic, one that afforded them less decision-making authority. They described how this led their employees to "not feel at home" in Omega:

> People want to be part of something that they can identify with, both the name and culturally. A consulting firm is something totally different from a large provider, like Omega. (Delta employee)

Epsilon informants characterized themselves as "agile and fast-paced," while they labelled Omega as "unsexy," "sturdy," "resistant to change," and "slow-paced." They emphasized that they were to be allowed a great deal of autonomy after the acquisition, and that they found the idea of becoming part of a large and bureaucratic organization, as they perceived it, to be unattractive:

> Omega's average age is high. There has been a low turnover rate for their employees. And what we are bringing to the party is an average age of 35, so our experience and goals are different. Our speed is different.…So here we have some challenges…they are a little slow—I don't want to say more than that—there's nothing we can do about it. You can only pull a 50-year old so far. (Epsilon employee)

Epsilon had been a standalone firm prior to the acquisition and Epsilon informants emphasized that they were attractive to Omega; importantly, they chose to be acquired:

> We were brought in to be the frontrunner for Omega.…It's not that we had to sell, or that we were so cheap. That was not the case, so we can stand up straight, we've built something in Epsilon that people were willing to pay good money for, and we're proud of that. We chose to be acquired. (Epsilon manager)

In the Delta and Epsilon acquisitions, the Omega management promised the target firms a certain level of autonomy. Delta and Epsilon informants asserted that they would remain autonomous add-on units to the Omega organization; it would be "business as usual" after the acquisition. They expressed that their brand, culture, and organization would remain unchanged:

> Omega made some very wise moves by not nagging us to move out here for example. We were allowed to be in peace on our location up until January 21, and then it was we who decided it was time to move closer to our mother. (Epsilon consultant)

Table 3
Representative quotes, first order themes and second order categories.

Motivation for interaction	
Second-order concepts	*First-order categories and exemplary quotes*
Threat of integration to target firm	*Perceptions of target superiority:* [Alpha MNE] was hyped up to being something big—and it was big.…It got attention abroad. We had the best technological platform in Norway. (Alpha employee) Acquiring firm is not sexy. They have an exceptionally boring logo. A really bureaucratic design—went out of date ages ago. (Delta manager) I hate it too (the logo), but I don't say anything. Above all else it is an incredibly sad logo. It is a sad name, when you approach an international client with Omega—they say—what's that?" (Epsilon employee) There's a huge potential culture crash with Omega. When we approach their offices, we notice there's a lot more spider webs; at least that is what we think we see. And we need to handle it. It's exciting—a meeting of two very different cultures. (Epsilon manager) *Perceptions of organizational changes to target post-acquisition:* We have the best of both worlds. Full, or a great deal of, freedom to run our business, as long as we deliver. And that is the threat. (Delta manager) What is exciting is that they [Omega] are a company that on their (company presentation) slide number one have what we do [in Alpha], and on slide number two and three, as well. (Alpha employee) The acquisition is strategically logical, and from a technical professional perspective, it makes sense. At least if Alpha MNC does not intend to develop Alpha (business). To be a player in this market, it is necessary as an owner to be committed to seek scale-advantage. You need scale-advantage, and we would have never achieved that in Alpha MNC. (Alpha manager)
Opportunities from interaction for acquiring firm	*Little need to interact with the target:* Well, Alpha probably has many good qualities, but they are more of an internal IT unit. I am cynical now. They bring a few small customers. (Omega manager) *Need to interact with the target:* Delta and Epsilon represent highly sought after resources.…Take Epsilon, they have had the explicit philosophy to build the strongest environment in Scandinavia with their technologies, where the best people want to work, since they represent the best environment.…They are on the A-team. (Omega manager) There are some projects where Omega employees are realizing what their colleagues from Delta and Epsilon can contribute with. They [Delta and Epsilon] have complementary competency. (Omega manager)
Managerial actions driving coordination	
Target managers' challenging actions	*Making knowledge available to the acquirer:* We have worked a lot to make known the competency and the solutions, call it the assets, which were in Alpha. It has been very important for us. Not to emphasize Alpha for their own sake.…But to make sure that we don't throw the baby out with the bath water. A large system, per definition, thinks that it can overtake the smaller system—and in doing so, making us worse…and then our resources and competency wouldn't be visible. (Alpha manager) We have approached them about their deliveries.…We help them in terms of driving the process, project management and such. There are assignments that Omega could not have done without us.…We see that it is easier to go through Omega to reach these customers—so then, of course—this is what we do. (Delta manager) *Challenging existing practices:* We've shaken up the established culture a little. Within the local government a lot of managers are happy about the speed and that somebody comes in and shakes things up a bit. (Epsilon employee) At the end of the day, it is the large and slow Omega that decides. At the end of the day, we control the resources.…There is a power struggle between the Alpha environments, who are creative and fast-paced, and the old, slow Omega. (Omega manager)
Acquiring managers' mobilizing actions	*Initiating contact across previous firm boundaries:* We do bring some pretty attractive clients for them.…There were some who thought they'd have a free trip, and they tried to put some gate keepers on the top, and said that "now you are under Omega and you have to adapt, and we need to control your clients." They tried to gain control over big clients. (Delta employee) *Acquiring-firm actions perceived as illegitimate:* Delta was to remain a brand and a separate organization, with the same CEO and same structure.… We got the impression it was more of a financial acquisition.…Many employees were asking themselves, "Are we to be an independent firm or not?" (Delta employee)
Managerial actions driving autonomy	
Target managers' preserving actions	*Inward focus in target to protect knowledge:* [We] have worked hard to emphasize Alpha (in the integration process)…and I was terrified that [our competence would be lost].… I know how much competency we bring with us into Omega, that they do not have (Alpha manager) *Not complying with acquiring firm:* I have not been to the information meetings, but it's one of those things we feel do not concern us. And we do get notes from the meetings. We have representatives that do attend and make notes for Epsilon use, so we get to know what's going on. (Epsilon manager) Occasionally some bureaucrat [from Omega] calls, nagging us. They send us some of these personnel surveys—it's important not to get caught up in those ridiculous things—they could drive you crazy. (Epsilon manager) There are corporate policies in many areas—there are thick books that describe what is allowed and what isn't allowed. For example, you have the famous security handbook that everyone refers to, that describes a lot of things, but no decision has been made in regards to which parts actually pertain to us…and are we to adhere to all the regulations in the handbook, we might as well just shut down. (Delta manager)

In light of this, all the targets voiced their superiority to Omega; they perceived their capabilities and technologies as more valuable and their target firms' image and culture as more attractive. However, they varied in terms of the degree to which they felt their organization to be threatened by the acquisition. Whereas Alpha informants spoke of their fears that their capabilities could be destroyed, Delta and Epsilon informants were not initially threatened by the acquisition, even though they perceived their capabilities to be superior to Omega's and were uninterested in interacting with Omega.

Omega informants' perceptions of the target firms' resources and their interest in interacting with the target firm employees also varied across the cases. Omega respondents initially considered Alpha to have few attractive resources and capabilities, and they expressed little need to interact with Alpha employees. Omega managers expressed that the acquisition was a means to gain access to the major outsourcing contracts of Alpha MNC; however, they also communicated that because Alpha had been an internal IT-unit in Alpha MNC, it could not provide access to important operations contracts in the market. Omega respondents emphasized that Alpha MNC had allowed Alpha to carry large costs, and had not focused sufficiently on this unit's profitability level—that they perceived represented some challenges for Omega:

> There are cultural differences—that's for sure. Alpha MNC has always had a much larger wallet than us. They've been allowed to spend money without making money. And we have to turn this into a profitable business fast. It's obvious that we have to do things different, be better at exploiting resources…but it will be difficult to turn…they lost millions every year on their external customers, and we need to turn that into a profitable business. (Omega manager)

Omega managers immediately acknowledged the valuable competency and resources in Delta and Epsilon. They explained how these acquisitions provided access to valuable competency and customer relationships.

4.2. Early integration phase: Integration decisions and managerial actions

In this phase, the targets were integrated into Omega organizational structures and relocated to Omega's offices. My data show that all the target managers perceived Omega to be a less attractive employer and to have lower status than their pre-acquisition unit had. The target managers endeavored to preserve the unity of their pre-acquisition organization by emphasizing their unique and attractive characteristics. They dealt with integration issues and conflicts with the top management, making efforts to protect the employees from disruptive integration issues, and keeping the target employees focused on their daily operations.

Alpha managers acted to preserve the boundaries of their unit. Even though Alpha was structurally integrated into the Omega organization, Alpha employees still referred to "us in Alpha," maintaining their organizational belonging and identity following the acquisition. The Alpha managers feared that their technologies would be underexploited and destroyed in the process of taking out synergies and aligning the organizations. One Alpha manager expressed this concern as his fear that "the baby would be thrown out with the bath-water": that is, that valuable capabilities and technologies would be diluted or discarded in the integration process. The pre-acquisition Alpha top manager remained as head of the Alpha unit after the acquisition, reporting directly to the Business Unit manager in Omega. This Alpha top manager remained a visible leader, emphasizing Alpha's distinctiveness and valuable resources. He described how he made efforts to mitigate, encourage, and shield the Alpha employees from the disruptions of the integration process.

The Alpha managers took active roles, by "selling" their solutions and capabilities and by questioning existing beliefs and "ways of doing things" in Omega. They "pushed" their capabilities on Omega, challenging Omega and focusing on making their own capabilities, technologies, and solutions visible. They also performed actions geared to coordinating and linking Alpha's competencies and resources to Omega's.

Omega informants echoed the descriptions of Alpha managers' perceptions and actions. They characterized the Alpha managers and employees as "proactive," noting that they constantly challenged decision-making processes, existing routines, and processes, and "questioned authority":

> Alpha employees are more proactive, they argue more….Alpha employees continuously ask questions as to how we do things here, clever questions, they are very development- oriented. (Omega manager).

The Alpha managers described this phase of the integration process as an uphill battle against the "counter forces" they perceived in the Omega organization and the "not-invented-here-syndrome" that permeated the Omega organization. Alpha informants portrayed Omega as "slow and sturdy," "lacking in change readiness" and as an "inflexible organization," which they characterized as having "inertia and unwillingness to change." Alpha managers expressed that Omega was not sufficiently hands-on in managing the integration process. For example, Alpha employees reported that Omega lacked the ability to motivate the new employees and did not have the flexibility to allow for incentives to ease employee frustration with a stressful integration process. One Alpha respondent explained:

> That is something Omega needs to work on—to motivate people to take on challenges and responsibilities for self-development. That's the only way to survive. Here it's like—well this is the way we've always done it.…But Omega needs to get better at thinking [about] change and motivating people to think in terms of change if we are to survive. (Alpha manager)

Omega managers initially did not perceive that Alpha had any valuable resources or capabilities, and thus, they lacked the motivation to interact with Alpha. However, as the integration process went on—and after Alpha managers had "pushed" and promoted their knowledge, capabilities, and "ways of doing things"—Omega managers and employees began to be aware of the managerial capabilities in Alpha:

> We did not see the value in Alpha right away, that we got access to an environment that was a little different, with a different culture that represented something positive, a younger, more dynamic culture…new project managers, and people with a different competency. But it took a while before we saw this (Omega manager).

As the Omega managers began to see the technological and managerial capabilities in Alpha, they started to mobilize for access to these capabilities to leverage them in the Omega organization. For example, they began assigning previous Alpha managers to management positions in Omega. One Omega top manager claimed that when Omega realized the managerial potential in Alpha this triggered a "struggle for positions" at the managerial level in Omega, where Omega managers where pushed out to make room for Alpha managers.

Delta and Epsilon consultants were highly skilled knowledge workers who required autonomy to perform their tasks and they asserted that they could not be subject to the same regulations as the Omega work force. Early in the integration process, they perceived that Omega managers acknowledged the importance of preserving Delta and Epsilon's cultures and decision-making autonomy.

One dominant theme that emerged in the interviews was the rising tension, as the integration process evolved, between Omega's drive to get access to the Delta and Epsilon resource and allowing the target employees to maintain autonomy. For example, Omega managers performed mobilizing actions, trying to gain access to Delta and Epsilons clients and competency. On the one hand, these initiatives were appreciated by Delta and Epsilon, such as when they included Delta and

Epsilon managers in meetings with the Scandinavian management team, to facilitate cross sales:

> They bring us to customers we normally wouldn't be with. We have an example, a customer Omega has had for a while, [but] we haven't. An Omega salesperson approached me and asked if I wanted to meet the management team in this firm. I had never thought that would have been an option. And now we have a pretty good project there. (Delta employee)

On the other hand, Delta and Epsilon managers grew increasingly worried about their organizations' autonomy and decision-making authority. Whereas the upper echelons in Omega initially had emphasized the need for autonomy in the Delta and Epsilon acquisitions, this message was not sufficiently communicated and operationalized throughout the Omega organization. It became obvious that some ambiguities surrounded what it meant to "leave the target firms autonomous." Employees in support functions, who had responsibilities for different aspects of the formal integration process, were not sufficiently sensitive to these issues. A Delta manager described a meeting in which the degree of integration with Omega became apparent to the Delta employees:

> People were a little surprised and a little put out in that meeting, when they realized that we were going to have Omega business cards and all that, because we'd pictured going back to the old days, when we were only Delta. (Delta employee)

Delta and Epsilon managers feared that further integration would push dissatisfied consultants to leave the firm. As the integration process advanced, Delta and Epsilon managers described some of Omega's efforts as incompatible with the targets' businesses and cultures. They considered them to be disruptive, taking significant time away from business as usual; deeming them illegitimate efforts to gain control over the targets' businesses. For example, a Delta manager described how the Omega managers tried to access their clients:

> We do bring some pretty attractive clients for them….There were some who thought they'd have a free trip, and they tried to put some gate-keepers on the top, and said that now you are under Omega and you have to adapt, and we need to control your clients. They tried to gain control over big clients. But it hasn't really amounted to anything. (Delta employee)

Delta and Epsilon managers engaged in actions to protect their employees from disruptions and shielded their organizations from what some described as a "time-wasting meeting culture in Omega," which took "a lot of their time away from business as usual." For example, integration mechanisms, such as employee information meetings or gatherings to mobilize competency across the firms, were not prioritized. For example, Epsilon managers described how they "institutionalized" not attending all-employee meetings initiated by Omega, and instead sent "representatives" to pick up any important information.

Delta managers described how their main objective was meeting their financial performance measures, which would secure continued autonomy and avoid further integration in Omega. By maintaining a risk averse style and short-term billable hours for Delta instead of investing valuable time and resources in project acquisition, they were aware they were sub-optimizing their overall performance for Omega, as one Delta manager describes:

> And our evaluation was that we'd spend way too much time and resources—to write a proposal. And the risk…well, one, we wouldn't meet the budget this year and would have to use billable resources to write the offer. And two, we would use so much capacity on this offer that other initiatives would be neglected; so three, if we didn't win the contract it would have cost me, and the loss would be all ours—so our answer [to Omega] was, no sorry! (Delta manager)

Put-down humor also seemed to play an important role in preserving the distinctiveness and handling the constraints and demands of Omega. Delta and Epsilon managers described how they, through own initiatives and in specific incidents, found ways around the system that allowed for satisfied consultants. An example is provided by a Delta manager who emphasized that even though Delta in general followed Omega instructions, certain incidents called for flexibility:

> What am I supposed to tell people? You have to get an Ericsson phone—those are the rules? No—I say "Buy yourself a Nokia and put it on your travel expenses." I don't want people to get pissed off unnecessarily because of a cell phone or some other administrative stuff. We need to find solutions; if not they quit and then we've lost. (Delta manager)

As the integration process evolved, respondents from Delta and Epsilon shifted their descriptions: initially they emphasized their own superiority and fear of integration, but later talked about seeing the opportunities of being part of Omega. An Epsilon employee described this shift:

> The first quarter we had record revenues in all the countries. Nobody had believed that was possible. I think everybody around us thought that Omega was going to destroy everything that Epsilon was—and they definitely have not. (Epsilon employee)

Whereas both Epsilon and Delta managers challenged "Omega's ways of doing things," they initially did not work to push their knowledge and resources. However, they eventually responded to initiatives from Omega and engaged in proactive behavior to link their firms' and Omega's activities. Delta and Epsilon employees began to focus on the synergies and benefits in the acquisition, both for their business and for the employees individually:

> There is a great deal of synergies for us being a part of Omega, and that we have several customers in common. Many of us have gotten new projects through Omega. (Delta employee)

Even though the target managers emphasized the importance of their continued autonomy in some areas, they now started criticizing the lack of integration in other areas, emphasizing the need for coordination between the target firms and Omega:

> Omega was very professional in selling the acquisition to us; they were very professional in preparing things, but they have been incredibly clumsy in implementation. Now I am contradicting us wanting to be an autonomous unit, but it is a question—on the one hand, what you get by granting us the freedom that we have is us strictly doing what's good for our business, optimizing for our business. But on the other hand, this can be considered sub-optimization. (Delta employee)

Delta and Epsilon managers had the legitimacy, and access to resources and informal decision-making arenas in Omega; a year into the integration process, they took on roles that linked their firms' resources with those of Omega. For example, target managers described how they took on the task of connecting customers from Omega with a service delivered from a target firm:

> We have approached them about their deliveries….We help them in terms of driving the process, project management, and such. There are assignments that Omega could not have done without us….We see that it is easier to go through Omega to reach these customers—so then, of course—this is what we do. (Delta manager).

4.3. Later integration phase: Acquisition outcomes and capability transfer

Approximately two years into the integration processes, dominant themes in the interviews oriented to the outcomes of the various acquisitions. The Alpha, Delta, and Epsilon acquisitions were all described as "huge successes," providing new managerial capabilities, renewal of the organization, and access to technologies. The Alpha acquisition provided increased volume and benefits from scale effects, through increased access to customers. Further, the scale advantage provided important technological capabilities. Over the course of the integration process, Omega managers' attitudes evolved from their earlier perspective (in the early post-acquisition phase), when they thought that Alpha managers had limited contributions to make to Omega:

> Alpha has been integrated according to plan. It went pretty fast and we did the downsizing and everything—it went pretty well and Alpha is now 100% integrated in Omega. They brought with them customers, they brought [the outsourcing contract with] Alpha MNC, and they brought technological concepts that were important to us, [including] the distributed platform—and that was for us an important platform. Alpha MNC had invested heavily in it; it was a very up-to-date platform. And it has contributed to Omega getting the operating contract for Alpha MNC in the Nordic countries. (Omega manager)

Notably, Alpha provided managerial capabilities and renewal of the Omega organization. Omega managers explained how Alpha managers had exposed their skills and knowledge, demonstrating that they were indeed qualified managers in the integration process. In Omega, more managers began to acknowledge that the Alpha acquisition contributed to the development of a highly skilled and competent workforce—Alpha provided "creative and innovative" people that "shook up the culture" and "pushed new ways of doing things," thereby contributing to organizational renewal:

> The most important issue in that acquisition [Alpha]—was that we got a lot of good, creative people. You can say…they challenged the slow and a little backwards culture [in Omega]. I think that was really good—the competence and younger, more creative people.… We've gotten a broader understanding and a broader culture through the acquisition. (Omega manager)

The Delta and Epsilon acquisitions also provided managerial capabilities to Omega. For example, Delta's top manager was described by an Omega manager as "somewhat of a star in the Omega system." Additionally, Omega managers appreciated Delta and Epsilon's project management and general managerial capabilities. For example, Delta and Epsilon managers took on roles that linked target- and acquiring-firm resources, such as key account roles that connected customers from the target firm with a service delivered from Omega. These acquisitions also led to a "renewal" of the Omega organization as the "spirit of these consulting firms rubbed off" on Omega:

> That we do wacky things like this (ad campaign) leads to Omega getting a little more updated and wild in their ways. Because they are very proper. But now all a sudden their managers are saying "hmm—yes, maybe we should do this as well."…You know it's a little more fun being insane. (Epsilon manager)

Delta and Epsilon employees emphasized that their uniqueness and "coolness" was preserved after the acquisition. In a business that "is nothing more than what is in the heads of the employees," according to Epsilon management, being an attractive employer is imperative. Following this line of thought, Epsilon management reported that recruiting employees for Epsilon was easier after they got a large, "legitimate" owner, than when they were a smaller, "crazy" firm. The targets gained legitimacy by being part of Omega, which then provided them with new opportunities for hiring consultants:

> All of the sudden people who weren't interested in working in a cowboy company—before we had problems attracting the serious consultants who dressed nicely.…Now we see with Omega's legitimacy, floods of applications are coming from people who, all of the sudden, think we are legitimate. So, we've hired 15 people now in the second quarter. For us that is amazing.…I think Omega, in their screwed-up ways, give us some sort of legitimacy. (Epsilon manager)

Being an attractive employer is also important to get access to technology talent:

> We have managed to prove to our clients that we are the same firm we were before the acquisition. There are a lot of positive effects, to have a large industrial owner like we have now; the potential career paths for our employees are doubled many times. In Epsilon your locked in a consultant role with one IT-system, maybe you don't want to do that the rest of your life. We do related business, and we are capable of handling Omega's world, as well. And maybe Omega will see things the same way. We notice that Omega employees think it's interesting and exciting, especially the younger ones,… [they] think that Epsilon is a cooler firm. (Epsilon manager)

Omega's top management described the Delta and Epsilon acquisitions as having performed according to the business cases, "and even better than the business case." As one manager in Omega reported on the Epsilon acquisition, "It was an extremely well-timed acquisition." Another Omega manager described that these acquisitions provided "not what we expected, [but] what we actually hoped for." Omega managers reported access to customer relationships and common projects with Delta and Epsilon:

> Delta has opened some customer doors to us.…We are starting to see better cooperation across the units, and there are customers we can have a dialogue with now that we didn't have access to before. (Omega manager)
>
> We've learned a lot from them (Epsilon) [such as] how to use ERP. They have been really important; without them we couldn't have chosen ERP as a platform—then maybe more years would have passed without us choosing a solution. So, they've been really important for us. (Omega manager)

Delta and Epsilon managers welcomed being part of a larger system that provided them with a financial backbone and legitimacy in the market. In particular, their status as Omega subsidiaries provided them with leverage with their suppliers and customers:

> And in a number of cases Omega really helps us. They have a financial size and solidity in the market [that] Delta alone would have been a little too slim [for]. In some cases, it is a benefit for us; if it is a large case…Omega fronts the offer to the customer, while we deliver resources to them. (Delta manager)

4.4. Two trajectories of post-acquisition capability transfer

My findings conceptualize the contingencies for capability transfer, by specifying the managerial actions that both preserve knowledge intensive capabilities, and facilitate transfer and application of capabilities in the acquiring firm. My data also demonstrate the dynamic and reciprocal nature of post-acquisition capability transfer, by identifying the interactive process between the target- and acquiring-firm managers. My emergent model (Fig. 2) illustrates the theorizing of managerial agency in post-acquisition capability transfers.

The model shows how perceptions of threats and opportunities drive managerial agency, and ultimately lead to capability transfer. When target managers feel the integration process is threatening their autonomy, superiority, and capabilities, they engage in actions to protect the target's cohesion (1). They shield employees from disruptions, emphasize target uniqueness, and focus on target technologies and solutions. Through these actions, they preserve the strategic capabilities of the target, making them available for capability transfer (2).

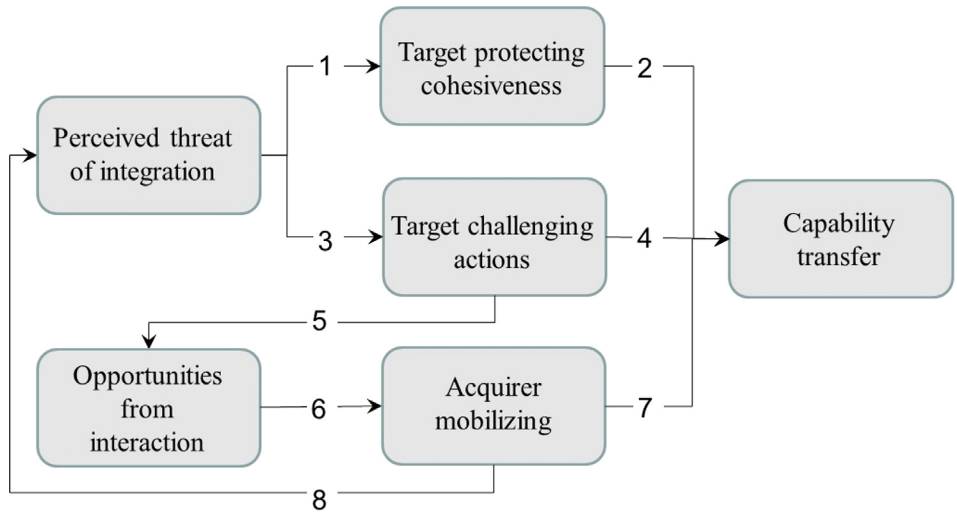

Fig. 2. Emergent theoretical model of post-acquisition capability transfer.

Threats from integration also trigger target managers to challenge the acquiring firm, questioning their processes and procedures (3). The target firm's challenging actions uncover and promote their superior capabilities, and thus make their capabilities available for capability transfer (4).

Furthermore, target managers challenging actions also allows the acquirer to discover the opportunities from interacting with the target (5). The acquiring firm's perceptions of opportunities in the target firm trigger acquiring-firm managers to mobilize (6), which subsequently lead them to access valuable capabilities in the target (7). As well, the acquiring firm's mobilizing actions lead to perceived threats to the target's autonomy (8). Ultimately then, both partners' perceptions and actions facilitate post-acquisition capability transfer.

Target managers in all the acquisitions eventually felt their autonomy was threatened and therefore engaged in actions to protect cohesion and challenge Omega. Likewise, Omega managers eventually felt a need to interact with all the targets and then mobilized in all the acquisitions. However, the timing and sequencing of these perceptions and actions varied over the cases, leading to two trajectories of post-acquisition capability transfer.

First, my findings identify a process of capability transfer driven by the target firms' threat of integration, as in the Alpha acquisition. Alpha managers initially voiced a need for autonomy, fearing that integration would lead to loss of their distinctiveness and valuable capabilities. This triggered them to preserve the cohesion of their organization, keeping employees focused on Alpha's business (1). In addition, motivated by the threat of Omega's inferior resources, Alpha managers challenged the existing routines, processes, and technologies of Omega (3). Through these challenges, Alpha's previously undetected capabilities became evident to Omega, leading Omega to perceive opportunities from interacting with Alpha (5). As a result, Omega managers subsequently performed mobilizing actions (6).

Second, my findings identify a process of capability transfer driven by the acquiring firm's desire to access valuable capabilities in the target, as in the Delta and Epsilon acquisitions. Omega initially perceived opportunities from interacting with Delta and Epsilon, as they had superior capabilities. This motivated the Omega managers to engage in mobilizing actions (6), as they coordinated with and encroached upon the targets' resources. Significantly, Delta and Epsilon managers perceived Omega to be a less attractive organization; however, they initially felt secure in their autonomy. Yet, as Omega mobilized, ambiguities about the level of integration emerged and the Delta and Epsilon managers increasingly perceived threats to their autonomy (8). This subsequently triggered defensive behavior aimed at protecting their firm cohesion (1) along with challenging behavior that questioned Omega's routines and processes (3). In both these trajectories the targets and the acquiring firm demonstrate agency: their perceptions and related actions each inform the other, ultimately leading to the preservation and transfer of the target's capabilities (2, 4, 7).

My findings show how post-acquisition capability transfer takes place through a dynamic, interactive, and recursive process involving both target- and acquiring-firm managers. Post-acquisition capability transfer requires both the preservation of the targets' capabilities (target protecting cohesiveness), and managerial actions that facilitate the transfer (target challenging and acquirer mobilizing). Perceptions of threats and opportunities both drive managerial action and are driven by the partners' actions. In all the acquisitions, the target-firm managers performed preserving actions (Graebner, 2004). They mitigated employees' concerns and protected the uniqueness and autonomy of the target, subsequently preserving the target firms' strategic capabilities (Puranam et al., 2009). Managers also performed mobilizing and challenging actions that facilitated coordination across previous firm boundaries, which is conducive to creating conduits for capability transfer (Björkman, Stahl, & Vaara, 2007; Graebner, 2004; Ranft & Lord, 2002). While the extant literature has conceptualized managerial actions performed in post-acquisition integration, my findings' novelty lies in theorizing the interactions between the target and acquiring firm.

5. Discussion and conclusion

I set out to explore how the combined actions of acquiring and target managers balance the need for integration and autonomy required for post-acquisition capability transfer. I find that strategic capabilities are preserved when target managers protect their unit's autonomy and cohesion; correspondingly, integration needs are met as acquiring and target managers mobilize to drive coordination, which eventually results in the transfer of capabilities. Moreover, I show how the interactions between the target- and acquiring-firm managers unfold, motivated by their partner's actions. Thus, I provide empirical evidence of the managerial actions involved in post-acquisition capability transfer, and I conceptualize the process of post-acquisition capability transfer as a dynamic, sequential, and reciprocal process of managerial interaction. Furthermore, I identify two distinct trajectories of capability transfer, with their origins in the target or acquiring firm. Initial perceptions of the partner's resources invoke managerial actions; in turn, the partner reciprocates, subsequently triggering renewed evaluations of resources and further managerial actions.

5.1. Contributions to the literature on post-acquisition integration

This study contributes to the literature on post-acquisition integration. First, I answer the call for a deeper understanding of the temporal, stage-wise, and dialogical nature of post-acquisition integration (Graebner et al., 2017). The literature has pointed to the gradual and multistage nature of integration (Birkinshaw, Bresman, & Håkanson, 2000; Haspeslagh & Jemison, 1991) and the dialectics involved in flows between the acquirer and the target in post-acquisition integration (Bresman et al., 1999; Langley et al., 2012). I identify the contingencies for interaction and the dynamics involved in the integration process by showing how both managers' perceptions and the partners' actions drive managerial agency in the post-acquisition integration process. Whereas previous studies have elucidated the importance of the actions of both target (Larsson & Finkelstein, 1999) and acquiring managers after an acquisition (Colman & Lunnan, 2011; Graebner, 2004), and alluded to the importance of their combined efforts (Graebner, 2004; Teerikangas, 2012), my findings recast the integration process as an emergent, reciprocal, and interactional process involving both pre-acquisition parties. This extends our view of the dyadic and dialogical nature of the integration process by emphasizing managerial responses and actions.

My findings complement previous studies, promoting simultaneous boundary preservation and boundary permeability (Haspeslagh & Jemison, 1991) by conceptualizing the trajectories of managerial actions involved in maintaining autonomy and achieving integration following an acquisition (Puranam et al., 2006; Ranft & Lord, 2002). My findings show how target managers are critical in preserving, discovering, and leveraging strategic capabilities. Early on, integration processes are driven by momentum and ambiguity, and acquiring-firm managers may have limited knowledge of the target's complementary capabilities (Ranft & Lord, 2002). Likewise, target-firm managers need to gain knowledge of the acquiring firm's capabilities to identify how their own strategic capabilities can complement the acquirer's. Maintaining the social cohesion of target firms by reproducing and emphasizing their distinctiveness helps preserve their strategic capabilities, which are key in knowledge-intensive acquisitions (Paruchuri, Nerkar, & Hambrick, 2006). This social cohesion also promotes collective actions from the target.

Second, I answer the call for empirical studies of actors beyond acquiring-firm managers (Sarala et al., 2017) and contribute to our understanding of the antecedents of managerial actions of both target and acquiring firms in post-acquisition integration. From studies on strategy work, we know that middle- and lower-level managers are important actors in the generation of organizational capabilities (Regnér, 2008) and strategy development (Regnér, 2003). Their agency may be shaped by role expectations and practices (Mantere, 2005, 2008), and by their technological status (Sears, 2017). Previous studies have documented how post-acquisition managerial actions are triggered by perceptions of the acquisition partner's inferiority (Empson, 2001; Langley et al., 2012), threats to the target's identity (Colman & Lunnan, 2011), and perceptions of opportunity (Teerikangas, 2012). I extend these findings by showing how the motivational factors evolve over time.

My findings indicate that perceptions and actions unfold in a reciprocal and dynamic manner—invoked by, and in response to, the acquisition partner's actions. Scholars have noted the need for predictable interactions between the acquiring and the target firm (Graebner, 2004). My findings show the inherent unpredictability of these interactions, as they are deeply embedded in managers' fluctuating perceptions of resources, opportunities, and actions. By conceptualizing the contingencies for the interaction between the target and the acquiring firm, I elaborate on process and motivational mechanisms not specified in the previous literature. These mechanisms may explain the unpredictability, uncertainty, and causal ambiguity of post-acquisition integration (Cording et al., 2008; Teerikangas & Thanos, 2018), while also shedding some needed light on why implementing integration strategies is so challenging for acquiring firms.

Third, my findings highlight how the acquiring firm's ability to access resources and technologies in the target firm is not a constant capacity, but rather a process that can evolve along various trajectories, either driven by the target or acquiring managers' perceptions and actions. Scholars have noted the importance of partner-specific experience in enhancing performance (Porrini, 2004), as well as the heterogeneity and idiosyncrasies of each new acquisition (Barkema & Schijven, 2008). This emphasizes the need to develop acquisition capabilities to improve the acquiring firm's absorption of new targets (Laamanen & Keil, 2008). My findings indicate that the ability of the target to transfer capabilities and the ability of the acquirer to absorb capabilities are not constant and static characteristics of the firms. Rather, the capacity to identify, assimilate, and exploit new knowledge develops during the unfolding of the post-acquisition integration process, it varies across acquisitions, and it depends on the dynamics in the relationship between the acquisition partners.

5.2. Managerial implications

The findings of this study have important managerial implications for acquiring-firm managers. First, my findings document how each new target represents a new set of capabilities embedded in a specific context. Furthermore, the acquiring firm will respond to each of these targets based on their perceptions of the target's status and the benefits of interacting with its members. This entails that in developing integration strategies, managers should be sensitive to organizational members' perceptions of the relative status of the two firms and the degree to which the partner is a source of valuable capabilities. If the target is perceived as attractive to the acquiring firm, acquiring-firm managers are more likely to proactively engage in mobilizing actions. Notably, this situation may elicit preserving actions from the target-firms' managers. Second, managers should be wary about the managerial potential in both the acquiring and target firm during the integration process. During post-acquisition integration, top management resources are often scarce and strained. Leveraging the managerial potential in lower-level managers of both the acquiring and target firms may enable coordination and prevent disruptions to the ongoing operations of the firms. Third, for acquiring firms that carry out a stream of acquisitions, being sensitive to the idiosyncrasies of each new acquisition is important. My findings indicate not only that each new target requires customized integration strategies, but also that the acquiring firm responds differently to each new target. Most importantly, given the reciprocity and dynamics involved, implementing acquisitions requires constant monitoring and adapting as the integration process unfolds.

5.3. Boundary conditions, limitations, and further research

This study sheds needed light on the dynamics of post-acquisition integration by emphasizing the emergent nature of post-acquisition integration; it recasts the unfolding integration process as the manifold and intertwined interactions between the acquiring and target organizations. My findings are based on an inductive, qualitative study, well-suited for the study of complex post-acquisition integration processes involving temporal dynamics and nuanced social interactions (Graebner, Martin, & Roundy, 2012). I chose cases where the progress of the phenomenon under study was transparently observable (Pettigrew, 1990); however, this also entails the inherent risk that the findings are idiosyncratic.

Given the nature of my study, I seek the transferability of my findings to understand the phenomenon in different contexts or settings (Lincoln & Guba, 1985). My cases are friendly acquisitions in the Scandinavian context, but I recognize that this context may be idiosyncratic in terms of leadership style and managerial discretion. In other institutional and cultural contexts, the opportunities and contingencies for managerial actions may differ (Child, Faulkner, & Pitkethly, 2000). The acquisitions examined in this study were relatively small technology acquisitions, acquired with the objective of accessing capabilities in the target firm. As such, the cases are well suited for studying capability transfers from the target to the acquiring firm. Future studies should inquire into acquisitions with different objectives and characteristics. I also acknowledge that my cases are unusual because they all were successful acquisitions, with a substantial transfer of capabilities following the acquisition. On the one hand, this provided a unique setting to understand the processes through which capability transfer takes place. On the other hand, this setting is not conducive to understanding the impediments to capability transfer. To that end, future studies should examine less successful acquisitions.

Nevertheless, I believe the core ideas of my theorizing are broadly transferable; it is not unlikely that the dynamic and reciprocal processes of managerial interactions observed in my cases similarly occur in other organizations, industries, or institutional contexts. Ultimately, the question of transferability is an empirical question, and future studies could build on my empirical insights, exploring the combined managerial agency of acquiring and target managers in other types of acquisitions and in other contexts.

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