Mergers and Acquisition Strategy in the IT-consulting Industry

A capability perspective on the decision-making process

Master's thesis in Quality and Operations Management

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by OSCAR JOHANSSON and EMIL SEGERLUND

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Abstract

Mergers and Acquisitions (M&A) are a central part of corporate strategy as a useful measure for several strategic business goals. However, realising predicted values has proven to be very complicated and troublesome. Research has shown that superior acquisition performance is related to pre-deal decisions and planning with a view on the entire M&A process. Despite the extensive scholarly work on the pre-deal phase, vital questions remain unanswered, especially regarding process capabilities. This study aims to determine the pre-deal decision-making capabilities that acquirers in IT-consulting should develop to make value-creating acquisitions. To answer this, we conducted 34 interviews with executives and M&A experts active in the IT-consulting industry, together with a case study of a Swedish IT-consulting company. An analysis of the literature review revealed three main areas: strategy trade-offs, operational tactics, and process development. Under each area, the empirical findings revealed success factors regarding ambition trade-offs, strategic implementation trade-offs, efficient decision-making, negotiations, post-merger integration considerations, learning, and capability development. In the end, we concluded both implications for theory and practitioners. The most interesting theoretical implications were how to initiate deals by attracting targets through effective branding rather than searching for and approaching targets. Practical implications provide four M&A strategies and a process toolbox together with a sustainable M&A road-map.

Keywords: Mergers and Acquisitions, Decision-Making Process, M&A Strategy, Pre-Deal Capabilities, IT-Consulting Industry, Corporate Finance, Corporate Strategy, Sweden, Management Research

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Oscar Johansson and Emil Segerlund,
Gothenburg, May 2020

Abbreviations

CEO Chief Executive Officer
CFO Chief Financial Officer
CMO Chief Marketing Officer
HR Human Resources
IT Information Technology
M&A Mergers and Acquisitions
PMI Post-Merger Integration
vs versus

Contents

1

Introduction

> "We started buying several companies without having a clear strategy and process for acquisitions, and it is first now, after 15 years, we have learned the true value of them which would have eased our decision-making back then"
> - Senior Executive, large Swedish IT-consulting firm.

Decisions on mergers and acquisitions (M&A) are hard because of the high risk and uncertainty that comes with it. No wonder that 60%-70% of all acquisitions across industries are value-destroying (Ming, 2010; Lewis and Mckone, 2016). As a result, thousands of worrying questions arise before a deal. To effectively make the right decisions, strong decision-making capabilities must be in place. Therefore, this study will analyse what the needed decision-making capabilities are and how organisations should develop them.

The growth determines if a company will thrive or slowly die, and M&A is an effective tool for growth, especially in this tech-driven world (Dinnen, Kutcher, Mahdavian, and Sprague, 2015). M&A is also an effective measure for several other strategic business goals: to quickly expand into new markets, to achieve economies of scope and scale, to elaborate positions within markets by removing competitors or to develop technology portfolios (Weber, Knyphausen-Aufseß, and Schweizer, 2019). For these reasons, building M&A decision-making capabilities is of high strategic importance for business leaders to acquire successfully, i.e. make acquisitions that creates value for stakeholders (Weirens, 2014; Barkema and Schijven, 2008).

Even though extensive research on M&A strategy has been done and increased over the years, there is still no consensus of what the main decision-making process capabilities are and how to develop them (Welch, Pavićević, Keil, and Laamanen, 2019; Barkema and Schijven, 2008). Some researchers argue that prior M&A experience can be an explanatory factor for superior M&A performance (Trichterborn, Knyphausen-Aufseß and Schweizer, 2016; Nolop, 2007). Others argue that a total consensus would be wrong because every merger or acquisition is unique, and although that is true, they do share some similarities (Nogeste, 2010). Based on the deal similarities, executives can learn and refine the pre-deal phase, also known as the M&A decision-making process, to have competitive acquisition capabilities (Haspeslagh and Jamison, 1991; Gomes, Angwin, Duncan and Weber, 2013). The decision-making process can include everything from developing a high-performance culture that captures revenue and cost synergies (Weirens, 2014), to negotiation tactics and approaches to acquisitions (Martin, 2016).

Early research described the decision-making as a stage-gate process with separate activities, such as, target selection, due diligence, negotiation, and integration (Jemison and Sitkin, 1986). However, later research have portrayed a more iterative acquisition process by demonstrating that the above presented activities are interdependent and that execution typically needs to be customised to the specific deal at hand (Stern, 2002). The decision-making process is generally accepted as an extremely complex process, especially considering the various stakeholders with individual opinions and personal motives (Weber et al., 2019; Barkema and Schijven, 2008). Adding the fact that the vitality of the deal fluctuate with each new emerging piece of information (Welch et al., 2019), really prompts organisations to be more flexible, proactive and better at sensing change, to react fast on changed circumstances (Steindl, 2005). Accordingly, scholars are urging for more studies on the decision-making process capabilities that allow acquirers to realise more value from M&A (Barkema and Schijven, 2008; Haleblian et al., 2009; Welch et al., 2019).

Decision-making process capabilities are needed for industry leading companies that wants to grow with acquisitions, especially in consolidating markets. During recent years, the information technology (IT) industry have had significant increased M&A activity (Arstad Djurberg, 2019). Nobody has missed the vast impact that information technology has on businesses. The need for technology solutions is an issue raised even more in turbulent times. With accelerating demand for IT-consulting services as the underlying growth trend, the IT-consulting firms are thriving. The attractive margins and stable income makes it attractive for acquisitions to capture the growth opportunities with attractive returns. With increased M&A activity, the demand for tailor-made M&A advises have increased. In addition, there is a need for more internal strategic academic studies (Haleblian, Devers, McNamara, Carpenter and Davison, 2009). Therefore, this study uses an internal strategic perspective to make it more relevant for both scholars academics and IT-consulting practitioners facing radical challenges in volatile and uncertain markets. Moreover, executives in the consolidating IT consulting industry needs to make the right trade-offs and develop process capabilities that pave the way for sustainable acquisitions that generates both short- and long-term values.

The purpose of this report is to explain and list essential M&A decision-making process capabilities that IT-consulting companies should develop to make value creating acquisitions. Accordingly, the research question for this study is: *What M&A decision-making process capabilities should IT-consulting companies build to make value creating acquisitions?*. To answer this, we used an inductive comparative qualitative study involving a comprehensive literature study and empirical data from 34 interviews. Based on the data, the study concluded several process capabilities that IT-consulting companies could develop to use M&A as a valuable growth tool.

From an originality point of view, this study adds value to the body of the M&A capability literature, from a management research perspective, by presenting an updated overview of the competitive M&A decision-making capabilities in the IT-consulting industry in Sweden. Moreover, the study applies a capability and learning perspective to reveal gaps in the literature and seek to provide advice on how IT-consulting executives can improve their decision-making process.

2

Literature Review

This literature review section presents the latest relevant literature on the M&A decision-making process. Figure 2.1. presents the structure of the literature review. The three main areas of the study are Strategy Trade-offs, Operational Tactics, and Process Development. Each area will present research from scholars and practitioners on how companies can learn and build a process capability that enables them to make successful acquisitions. Strategy Trade-offs presents how executives take significant decisions on M&A in the strategy board room. Operational Tactics describes operational capabilities such as activities, processes, and considerations that organisations need for successful deal-execution. Lastly, Process Development presents ways to develop and capture capabilities.

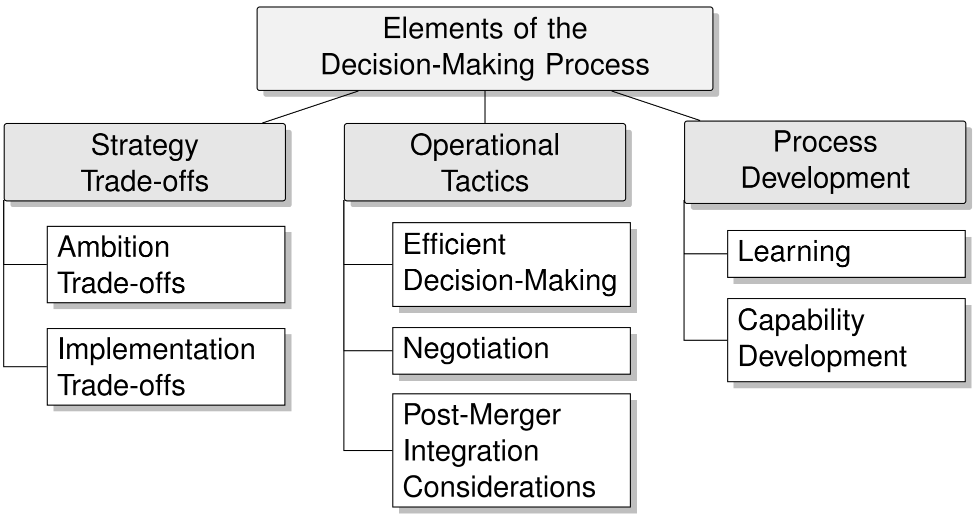

Figure 2.1: This figure shows the structure of the literature review divided it into the three main areas: Strategy Trade-offs, Operational Tactics, and Process Development.

The classical attitude towards M&A decision-making process has been to view it as a stage-gate process, starting with target searching and ending with deal closing (Welch et al., 2019). However, today's view is a bit more nuanced and therefore need a new framework. As a result, we developed the three presented main areas to capture the broader picture of the M&A decision-making process. This new process framework is a resource capability, both intangible and tangible, including organisational processes and routines, management skills, and the information and knowledge the organisation controls (Barney, 1991). Moreover, the framework should be impossible to imitate by competitors to make it a valuable competitive resource and organisations can build this resource into their organisational memory through the right information acquisition, distribution, and interpretation (Barney, 1991).

2.1 Strategy Trade-offs

Over the years, several different perspectives on M&A strategy have evolved, but one area where practitioners and scholars agree on is that successful acquisitions are well aligned with the company's corporate growth strategy (Dinneen et al., 2015; Jeff Rudnicki and West, 2019). In the corporate strategy research, a competitive strategy is about being unique by differentiation from competitors to achieve a sustainable competitive position which requires trade-offs (Porter, 1996). Similar to corporate strategy, acquisitions strategies may involve trade-offs, i.e. sacrifices that executives must make to get a particular outcome (Jensen, 1988). This section presents a range of trade-offs executives need to consider in M&A Strategy, first a few strategic ambition trade-offs that focuses overarching purpose and then some strategic implementation trade-offs that focus more on strategies that acquirers can implement in their acquisition strategy.

2.1.1 Ambition Trade-offs

For many organisations, M&A is one of the most critical decisions a firm can make, and it is therefore vital to linking the acquisition strategy trade-offs with the company's corporate strategy and vision (Côté et al., 1999; Baird et al., 2020). In the same way, companies will have a different rationale behind the decision and approach deals differently depending on their corporate strategy and ambition with the acquisition (Nolop, 2007).

The first ambition trade-off is regarding having a *giving vs taking attitude*. In recent years, scholars have picked up new ideas on how the attitude and approach can effect M&A decisions, from both sides of the table (Graebner and Eisenhardt, 2004; Martin, 2016). It is more natural to view the deal of how the buyer will benefit from the deal, rather than how the seller will benefit (Graebner and Eisenhardt, 2004). Executives that focus on what they can offer to the target company, i.e. an offering mindset, is a successful acquisition attitude (Martin, 2016). Sellers are more attracted to buyers that can offer strong deal synergies with long-term interest (Graebner and Eisenhardt, 2004).

Second ambition trade-off is between becoming a *single vs serial acquirer*. Single acquirers does not acquirer company often, maybe once a decade, whereas the frequent acquirers, often called serial acquirers, perform multiple interrelated acquisitions aimed at strategic targets, rather than stand-alone and isolated deals (Laamanen and Keil, 2008). There are different views on exactly how many acquisitions a company needs to do in order to become a serial acquirer (Karolyi et al., 2015; Fuller et al., 2002). The vaguest definition is that a company that execute more than one deal within any rolling three year period is regarded as a serial acquirer (Kengelbach et al., 2012). Moreover, studies show that serial acquirers with more frequent acquisitions accelerate growth more aggressively (Dinneen et al., 2015). Another advantage of being a serial acquirer compared to a single acquirer is when they create an end-to-end process, i.e. a process that never stops, which helps executives to incorporate M&A as a central part of the corporate strategy (Baird et al., 2020).

A third ambition trade-off is regarding initiating a deal by *attracting vs approaching* targets. During the initiation of a deal, it is either the buyer that approaches a potential target or the seller who approaches a potential buyer (Masulis and Simsir, 2018). Occasionally, it can be an external party, e.g. an investment bank, that influence a deal initiation (Hayward, 2003). Because of this, there is a trade-off between approaching, i.e. improving how acquirers finds good targets, and attracting, i.e. improving how good targets will find the acquirers. The first, can be improved by building a qualified screening and selecting process (Ebeling et al., 1983) and the second can be improved by building a reputation (Haleblian et al., 2017).

In terms of the attracting way of initiating a deal, it is only recently that the influence of reputation in M&A has been acknowledged, as some companies develop a reputation in the market as the acquirer of choice (Ferrer et al., 2013), that is, becoming an attractive buyer that the targets would prefer over other acquirer's (Chatterjee, 2009; Haleblian et al., 2017; Chalençon et al., 2017). A favourable reputation is based on the perception of an acquirers capability to create value compared to competitors (Chalençon et al., 2017), and having a compatible organisational culture founded on mutual trust and understanding (Graebner and Eisenhardt, 2004). The main benefits of having an attractive reputation involve being approached by potential targets, rather than the other way around, therefore, reducing the efforts to search and approach potential targets as well as having an informational advantage in identifying potential targets (Chatterjee, 2009; Smith and Lajoux, 2012). Additionally, the reputation act as support for honesty and promote the development of cooperative behaviours (Chalençon et al., 2017). However, establishing a reputation as an attractive acquirer takes time (Graebner and Eisenhardt, 2004). Companies can improve their reputation by clearly communicating the company's value proposition and handling the post-merger integration phase with structure and professionalism (Chalençon et al., 2017), in combination with openness, honesty and empathy throughout the process (Smith and Lajoux, 2012). In short, a good reputation will make the acquirer more attractive than other acquirers, i.e. the acquirer of choice, if they accomplish several successful acquisitions (Ferrer et al., 2013).

2.1.2 Implementation Trade-offs

Discussions on M&A have a central part strategy board room, even if some argue that M&A is a tactic rather than a strategy (Bradt, 2012; Stark and Stewart, 2012). When executives build their growth agenda, they must understand that acquisitions are not the objective but instead means to achieve a goal (Stark and Stewart, 2012). Additionally, some view M&A as a strategy amplifier, i.e. amplifying and accelerating the corporate growth strategies (Bradt, 2012). With this in mind, this subsection presents a few strategic implementation trade-offs that executives faces when developing their M&A strategy.

The first implementation trade-off is between having an *deliberate vs emergent* decision-making process, similar to the classical corporate strategy trade-off theory of deliberate or emergent strategies (Mintzberg and Waters, 1985). A deliberate process is standardised and straight forward, whereas emergent process is developed along the way which is a more flexible and opportunistic way of making decisions (Mintzberg and Waters, 1985). By the same token, decisions on acquisitions can also be deliberate and emergent (Côté et al., 1999). On the one hand, an emerging decision-making process can enable executives to capture emerging opportunities by being prepared (Côté et al., 1999). To develop an emergent decision-making process organisations need dynamic capabilities, i.e. the ability to restructure, integrate and combine resources in new ways (Eisenhardt and Martin, 2000). On the other hand, a deliberate, i.e. well-articulated, process allows companies to make more effective decisions and reduces the probability of failure (Chatterjee, 2009). In this case, an acquisition program is a good way to develop a deliberate M&A strategy and it complements the organic growth plans (Dinneen et al., 2015). An acquisition program is a plan of sequence of acquisitions to reach a business goal or a market positions (Keil et al., 2012). Not only does an acquisition program help with planning the acquisitions but also clarifies the business arguments for how the acquisitions, individually and collectively, will generate value for the company (Laamanen and Keil, 2008).

The second implementation trade-off is whether to pursue *smaller or larger deals*. Most literature by both scholars and practitioners suggests that companies should focus on smaller or moderate acquisitions rather than large deals (Chatterjee, 2009; Nolop, 2007; Jeff Rudnicki and West, 2019). By pursuing numerous deal, companies spread the risk and manage their bets better with a portfolio investment approach (Nolop, 2007). Studies show that companies that regularly and systematically pursue many small acquisitions with a portfolio approach deliver higher shareholder returns because they have learned from experience (Chatterjee, 2009) and therefore made more accurate estimations of revenue and cost synergies Jeff Rudnicki and West (2019). The acquisitions of small companies should be in their early phases, as acquirers can get an informational upper hand in the deal negotiation about potential market value and deal terms, and before the opportunity draws the interest of competitors (Chatterjee, 2009).

The third implementation trade-off is about choosing to have *high vs low organi-*

sational autonomy post-deal closing. The autonomy level of the target post-deal is a natural trade-off that is often a core question for the seller, and the best way to structure the integration depends on the core activities and history of the target (Côté et al., 1999). For example, managers of target companies prefer acquirers that treats them as important which could be done by a high level of autonomy (Graebner and Eisenhardt, 2004). To chose the autonomy level there are first some considerations to do regarding the post-merger integration presented in section 2.2.3.

A fourth implementation trade-off is about acquiring *healthy vs distressed companies*. From the seller's point of view, acquisitions, both distressed and prosperous, are most often perceived positively by the target's shareholders (Faelten and Vitkova, 2014). However, the acquirers' shareholders can both be sceptical to buy healthy companies because of paying to high premium, i.e. overpaying, or to buy distressed acquisitions because of the high risk (Bruyland and Maeseneire, 2011; Kim et al., 2011). Healthy targets are less risky but companies are vulnerable to overpaying when they become desperate to acquire for growth, because acquisitions may be one of the few options for growth or because the company have become dependent on acquisitions for continuing growth (Kim et al., 2011). Distressed targets, i.e. companies that are facing bankruptcy or liquidation problems, are usually sold on fire sale because assets are below fundamental value (Meier and Servaes, 2014). By acquiring distressed assets, the risk is transferred to the acquirer, which is affected differently depending on the acquirers attitude and previous exposure to risk (Bruyland and Maeseneire, 2011). Furthermore, acquirers that pursue distressed acquisitions need to have strong knowledge about the acquisition process and how to integrate and manage the assets of distressed firms (Bruton et al., 1994).

The fifth implementation trade-off is about both having *internal and external timing*. Companies need to time their M&A decisions well to optimise value (Collan and Kinnunen, 2009). However, the relationship between timing and returns is still unclear, and only a few scholars have tried to model it (Morellec and Zhdanov, 2005). From a internal perspective, decision-makers should reflect over the internal business cycle because business phenomena occurs in cycles of five year period (Fuqua, 1988). From an external market view, executives can have a preference to pursue acquisitions in stable markets with low risk or enter changing markets with higher risk, but also more significant opportunities if the acquirer possesses the essential information (Chatterjee, 2009). For example, a successful M&A strategy can be to utilise markets going through a change, e.g. regulatory changes or changes by disruptive technology, because these markets will have information inefficiencies (Chatterjee, 2009). Furthermore, the best deals, on average, occur during depressed markets, and the worst deals in booming markets (Faelten and Vitkova, 2014). Next, this literature review will examine operational tactics.

2.2 Operational Tactics

After the decision-makers have determined the M&A strategy trade-offs, the step is to focus on the execution where decision-makers can adopt different operational tactics. This section describes concepts to improve the efficiency of the decision-making, negotiation tactics, and considerations for the post-merger integration phase.

2.2.1 Efficient Decision-Making

The first success factor in improving M&A decision-making process is to have an efficient and effective process (Gomes et al., 2013). Acquirers evaluate targets through a thorough due diligence process that comprises the prescreening of prospective targets evaluated along numerous dimensions, such as strategic- and organisational fit (Shelton, 1988). A prosperous due diligence process identifies inaccuracies and problems early enough for the deal to be renegotiated or avoided entirely (Datta, 1991). The main categories of the due diligence consist of financial-, legal-, human resources-, strategic-, and operational due diligence (Howson, 2017), and in general, the legal and financial parts of the due diligence are often well handled. However, acquirers often fail to thoroughly examine how the new combined organisation will be run and managed after the acquisition (Gomes et al., 2013).

Furthermore, a notable factor influencing the decision-making is the information asymmetries between the two parties, as both sides have limited information about each other and their characteristics (Rottig, 2013; Osarenkhoe and Hyder, 2015). To decrease the imbalance in information, acquirers will most likely focus on targets that they have a personal relationship to, such as, former partners, targets they share the same clients with, or have a relationship with the targets management team (Welch et al., 2019). Additionally, institutional factors, such as quality of accounting and the strictness of antitrust laws, will also likely influence the target selection (Erel et al., 2012). To further mitigate the aspect of asymmetric information, acquirers can use a "courtship period" where both parties can, for example, work together on projects or have an arms-length relationship, and hence establish trust and mutual understanding before deciding to proceed (Jemison and Sitkin, 1986; Gomes et al., 2013).

Moreover, to support the decision-making, and more generally the overall M&A process, acquirers can implement a dedicated M&A function that is a separate organisational unit with clearly defined roles and responsibilities (Nogeste, 2010; Weber et al., 2019). The dedicated function helps companies to adopt a proactive acquisition approach instead of having a reactive one. Hence, the activities and organisational setup of the dedicated function need to be firmly aligned with the overall corporate vision and strategy (Trichterborn et al., 2016). Prevalent among best-in-class acquirers is that they are developing M&A capabilities and combining them with the presence of an active, dedicated function that looks holistically at the two companies and are involving people across the organisation into the acquisition process (Chatterjee, 2009; Trichterborn et al., 2016; Welch et al., 2019). Practitioners also support this by stating that establishing a separate business development group but let business unit leaders from various units drive the acquisition (Nolop, 2007).

2.2.2 Negotiation

After the acquirer has identified a suitable target, the pre-deal phase continues with a negotiation process where the acquirer strives to reach an agreement with the target about an acceptable price, terms, and conditions, ideally reaching an agreement that is satisfying for both sides (Roberts et al., 2011). Besides the formalised legal and financial prerequisites, such as signing a letter of intent, deal structures, and the set price, companies strive to establish trust and a relationship (Welch et al., 2019). Trust develops over time and has a substantial effect on the agreement during the negotiation process (Stahl et al., 2011). Establishing trust may sometimes be troublesome since there is an asymmetric informational advantage that the target has over the acquirer or the fact that there is a risk that target possibly is misleading about the presence of other potential options or deadlines (Gomes et al., 2013). Additionally, the negotiation often takes place under some time pressure, especially in public takeovers, where the board of the target firm must make an initial statement to the shareholders within a few days after placing the initial offer (Welch et al., 2019). To cope with the fact that trust takes time to build and negotiations might be taking place under, sometimes narrow, time constraints, spending more time in earlier phases of the M&A process can save time overall and enhance the acquisition (Meglio et al., 2017).

2.2.3 Post-Merger Integration Considerations

The final category during the operational tactics handles the consciousness and preparations for the integration of the companies, i.e. post-merger integration (PMI). Imperative for successful acquisitions is to prepare and facilitate for the PMI since most of the acquisitions fail during this stage (Datta, 1991; Osarenkhoe and Hyder, 2015). Several of the challenges emerging during the PMI-process can be traced back to decisions, inconsideration, and misinterpretations during the pre-deal decision-making process (Haspeslagh and Jemison, 1991; Gomes et al., 2013). The foundation for a successful PMI-process is the integration strategies that determine how the two organisations will coexist and cooperate (Schweiger and Weber, 1989).

The most prominent framework on PMI-considerations, presents two distinct dimensions, the strategic interdependence between the two companies and the organisational autonomy of the target company (Haspeslagh and Jemison, 1991). These two dimensions creates a matrix with four distinguished integration strategies: Holding, Preservation, Absorption, and Symbiosis (Haspeslagh and Jemison, 1991). The first integration strategy, holding, is where the acquired firm acts as a holding company with no intention of integrating the two companies; as a consequence, the acquired firm is likely to be kept at a distance or eventually separate as a cultural entity (Ellis and Lamont, 2004). The second integration strategy, preservation, has a robust operational autonomy in both companies and involves minor changes in either of the two involved companies, allowing the target firm to continue to operate independently following the deal (Ellis and Lamont, 2004). The higher levels of operational independence suggest greater tolerance of corporate differences, lower levels of organisational transformation and an increased probability of keeping the targets management team (Angwin and Meadows, 2009).

The third integration strategy, absorption, is an integration strategy that has the ambition for the acquiring company to incorporate and fully consolidate the activities of both companies and thus integrate the operations and company cultures (Haspeslagh and Jemison, 1991). The absorption integration strategy involves a significant amount of change, especially for the target company; therefore, it is vital to have a clear plan and structured approach (Ellis and Lamont, 2004). The final integration strategy, symbiosis, often explained as "merger of equals" or as "best of both", as the corporations start to coexist, they gradually become more interdependent as they are combining the best practices from both firms (Angwin and Meadows, 2009).

Similarly, central to acquisitions is the ambition to utilise and create synergies between the two companies (Roberts et al., 2011; Berk and DeMarzo, 2017). In general, synergies are the source of strategic capabilities that create value in the M&A activity, meaning, the value for the two companies together should be worth more than the two companies stand-alone (Seth, 1990). As synergies can be found and used all over the organisation, synergies may take many different forms depending on the type of M&A. In general, synergies usually fall into two main categories, cost reductions, often related to economies of scale, such as administrative and overhead costs, and revenue enhancements, that usually refer to economies of scope, for example, expansions of customers and offerings (Berk and DeMarzo, 2017). Furthermore, more specific synergies are related to, for example, market synergies, that embodies the synergies that might be realised by negotiation capabilities with customers and suppliers, and the financial synergies, that incorporate the synergies related to the costs of capital, financial margins, and cash flow (De Graaf and Pienaar, 2013).

Moreover, a large body of literature argues that not taking cultural aspects and differences into sufficient considerations are one of the main common explanations for not realising potential value, as when poorly planned for and managed, can have a long-lasting negative impact on the acquisition (Welch et al., 2019). There is a wide range of concerns causing stress for employees from both sides, especially the target, that is associated with acquisitions, such as job loss or demotion, lack of information, new rules and regulations, reward systems, new working relationships and management, the working environments, transfers, and so on (Bruckman and Peters, 1987; Cartwright and Cooper, 1990). The negative effects are not necessarily entirely a result of the change itself but influenced by the acquirers communication and handling of future intentions and expectations for the target (Teerikangas, 2012). On the other hand the changes in both organisations following an acquisition can also be a source of value creation. For example, employees from both companies, especially the target, can get energised and excited about the acquisition if the integration is done correctly. For many, the acquisition is not necessary a threat but could be viewed as an opportunity (Stahl and Voigt, 2008). The balance between uncertainty or motivation depends on how the pre-acquisition period was experienced, and more specifically, if employees in the targets organisation perceive the acquiring company's, for example, business opportunities or image and reputation, positively (Teerikangas, 2012). To conclude, even though superior post-acquisition performance is related to target selection and negotiation, the likelihood of realising this depends on planning and the overall M&A process (Gomes et al., 2013; Weber et al., 2019). In the following section, the characteristics related to enhancing the process through continuous learning and by developing capabilities are reviewed.

2.3 Process Development

The final section, Process Development, focuses on learning aspects and capability development that is influencing and present throughout the entire M&A process. Learning and developing capabilities, either from experience or from others, is a complicated procedure. The acquisition process involves several interdependent sub-activities, each of which is complicated by itself, combined with the fact that these sub-activities most often need to be modified to the specific deal at hand (Barkema and Schijven, 2008).

2.3.1 Learning

Early literature on the learning topic has assumed that the basic learning curve arguments, i.e. learning always implies better results, and stated that prior experience should improve the performance of subsequent acquisition and, thus, improve the companies overall M&A performance (Barkema and Schijven, 2008; Keil et al., 2012). However, recent research that has studied this argument in a more fine-grained manner does not present consistent results (Trichterborn et al., 2016). The literature on *learning by experiences* is ambiguous, as some scholars argue that acquirers should focus on a series of similar targets to promote specialised learning about that industry and type of transaction (Haleblian et al., 2009; Kengelbach et al., 2012). While others elaborate on the fact that there is a balance between utilising existing opportunities and exploring new ones, therefore, acquiring a series of different targets may help companies to discover new bases of knowledge and experiences (Hayward, 2002; Laamanen and Keil, 2008). Approaching this, acquirers should first develop proficiency in one industry and then slowly extending into others, thus, first develop the specialised learnings and expertise in one area, then decide if and when expanding into new ones is beneficial (Barkema and Schijven, 2008).

When companies pursue a series of acquisitions, the overall performance may not only be motivated by the features of individual acquisition but may also be influenced by the pattern of the acquisitions (Laamanen and Keil, 2008). For example, by learning from failed acquisitions, companies can gain valuable insights and experiences to improve their acquisition capabilities. Therefore, although the acquisition failed, the learning effects may improve the overall acquisition capability (Laamanen and Keil, 2008). Furthermore, the time between deals is another essential aspect, as a short period do not allow experience building processes to take place, whereas acquisitions that are too far in time hamper organisational learning due to, for example, memory losses (Hayward, 2002). To conclude, although no clear answer on right or wrong, the literature highlights that acquisitions should be consistent with corporate strategy and the acquirer should develop acquisition capabilities by capture learnings and experiences (Haspeslagh and Jemison, 1991; Keil et al., 2012; Weber et al., 2019). In the following section, a second mode of learning in the acquisition process, learning from others, is briefly reviewed.

There is a rich body of literature that states that *vicarious learning*, in other words, learning through the behaviours of others, is a widespread practice used by companies, as it enables to explore different ways of performing acquisitions, and the possible errors, without taking the associated costs and risks (Beckman and Haunschild, 2002; Barkema and Schijven, 2008). More specifically, the report by practitioners Baird et al. (2020) explains that many of the successful acquirers have learned from and resemble private equity funds, i.e. financial buyers, by how they scan for and evaluate potential acquisitions. However, learning from others can be a troublesome way of gaining knowledge since neither acquisition benefits and learnings, or the integration costs and risks might be directly noticeable to the external market (Aktas et al., 2013). Additionally, companies should be cautious when transferring acquisition experiences and routines from one setting to another, as it might be equal to transferring old lessons to new environments where they perhaps do not apply (Haleblian and Finkelstein, 1999).

2.3.2 Capability Development

Building on the two sources of knowledge above is the capability development that encompasses the improvements of processes and internal structures to *capture learnings*. The term capabilities refer to the organisational processes that transform resources into strategic outcomes, and capabilities are the function of previous knowledge and experience that the firm has acquired (Teece et al., 1997). Experience from acquisition alone is insufficient for acquisition capabilities development, and to cope with the complicated nature of acquisitions, companies should aim to develop dynamic capabilities (Weber et al., 2018), thus enabling the organisation to alter the existing operating resources and capabilities to gain competitive advantages in changing environments (Müller-Stewens et al., 2016). Dynamic capabilities diverge from capabilities in a way that dynamic capabilities utilise resources, specifically the processes that combine, reconfigure, gain and open up resources for achieving competitive advantage and to adapting to changes in the business environment (Eisenhardt and Martin, 2000). Related to the dynamic capabilities is the aspect of organisational learning, that is an iterative, dynamic process in which organisations engage in activities that provide experiences, draw conclusions from them, and store the inferred learnings for future use (Hayward, 2002). Moreover, organisational learning is a way to incorporate the dynamic capabilities in central organisational processes (Giniuniene and Jurksiene, 2015).

Moreover, to develop the dynamic capabilities and cope with the complicated procedure of acquisitions, companies should strive to develop heuristics, also called “simple rules", to capture learnings and experiences within a given process (Bingham and Eisenhardt, 2011). For acquirers active in dynamic markets, simple rules mean articulated learning and rules-of-thumb that are shared by the company (Bingham and Eisenhardt, 2011). When companies have distinguished relationships between activities and performance in relatively simple contexts, they are likely to have the ability to proceed with a wider variety of activities and know the right action to use under that circumstance (Barkema and Schijven, 2008). Additionally, there is a distinction between lower and higher order heuristics. The lower order heuristics tries to capture single opportunities, such as selection criteria for a target; on the other hand, the higher-order heuristics connect these single opportunities (Bingham et al., 2007). Both lower and higher-order heuristics have a positive influence on performance; therefore, companies should strive to develop heuristics since a higher amount of heuristics contributes positively to performance (Bingham et al., 2007).

On a more specific note, the literature on M&A capability development argues that a dedicated M&A function can help to capture the prior experiences (Welch et al., 2019), as the dedicated M&A function facilitates the capturing of previous experiences and helps to collect all M&A related knowledge within the company to support the development of M&A capabilities (Trichterborn et al., 2016). To conclude, in general, the acquirers having a continuous learning approach, and a structured way of capture learning, to the activities throughout the acquisition process, tend to be more successful because they obtain learnings and develop capabilities that are vital to the acquisition process (Gomes et al., 2013).

To sum up the literature review, scholars and practitioners present a wide range of considerations and ideas around how to improve the M&A decision-making process. The company-specific strategic trade-offs lay the ground for the second area, about what tactic operational capabilities executives could develop. Furthermore, the third area described how to develop process capabilities. , this study will present the methods used to examine and reveal gaps in the literature to add new perspectives on how IT-consulting executives could improve their decision-making.

3

Methods

The research design is an inductive comparative qualitative study involving 34 interviews. First, a few initial pilot interviews to get an overview of the subject and the industry dynamics and later interviews were in more depth. In total, the interviewees originated from 21 different companies, including both investment firms, IT-consulting companies and the case study company. This comparative qualitative approach is a useful method to use in order to theorise about the M&A decision process (Welch et al., 2019). To create a solid and credible literature review, we aimed to mostly use prominent academic journals, such as the Journal of Management, Journal of Financial Economics, and Strategic Management Journal, and ideas from well-cited professionals, such as Harvard Business Review articles or professional research institutes. To frame the research question, we used the research agendas on the M&A pre-deal phase. From these research agendas, we understood that researchers requested a more granular and multi-viewed perspective on the M&A decision-making process. As a consequence, we also included a case-study to capture the internal view on M&A decision-making process (Welch et al., 2019). Several respondents also requested the internal view during the pilot interviews. This chapter describes the participants, case study, procedure and limitations of the study.

3.1 Participants

The 34 interviews include interviews with 12 IT-consulting executives, 16 IT-consulting non-executives, and six investment professionals. Out of these 34 respondents, eleven respondents worked with the case-study company. We included interviews with investment professionals to get a more objective perspective on acquisition performance and industry dynamics and also because they have more extensive M&A experience.

To select respondents to interview in more depth, we choose Swedish IT-consulting companies based on factors we believed would get the most accurate and exciting results. To find the companies, we used a summary of all consulting companies in Sweden (Cinode, 2020). Based on the Swedish consulting companies, we selected companies that offered some IT-consulting service with at least 15 co-workers and a growth rate of at least five percent in terms of people or having more than 30 people on board, in 2018. We are aware of the bias of only selecting growing IT-companies that we might miss more negative views on acquisitions but since we want best practise this is not an issue. Next, we researched the companies websites and selected the most relevant based on their recent M&A activity or expressed ambition to pursue M&A. Then, we contacted the CEOs of these companies to set up the interviews. If the company had a specific M&A division, we interviewed members of such division.

To understand in what way the report might be biased, we present an overview of the company sample in Table 3.1. The table shows the size of the firms the various respondents represent and are divided into micro, small, medium, and large. A micro company have between zero to ten employees, a small between 11-50, a medium 51-250, and a large company have more than 250 employees (The European Commission, 2003). As seen in Table 3.1, we mostly interviewed large firms because they are more likely to have a M&A strategy process that we could investigate. Experienced executives also have more valuable M&A information to share.

Table 3.1: This table shows the distribution of the sample size of the interviewed investment firms and the IT-consulting companies. companies divided into the different sizes. Participants from total of 21 different companies were interviewed and most companies were large size with over 250 co-workers.

Company Size[1]	**Investment Firms**	**IT-Consulting Companies**	**Total**
Micro (<10)	0	0	0
Small (<50)	2	2	4
Medium (<250)	2	0	2
Large (>250)	3	12	15
Total	7	14	21

1. Number of employees 2018 according to Cinode (2020)

3.2 Case Study

To capture the company's internal perspective on the decision-making process, we conducted 11 in-depth interviews at this study case-study company. The case-study company is a Swedish IT-consulting company with over 300 co-workers that recently went through an acquisition of another IT-consulting company. The deal motives were mostly to increase delivering capabilities, both with coveted expertise and a new office location. We interviewed all the different functions of the company to capture as many perspectives and insights as possible. Correspondingly, a case study is an excellent complementary method to capture contextual conditions Yin (2014). The represented company functions were human resources, software developers, sales representatives, executive strategy team, administration, finance, marketing and founders from both the acquiring and target company.

Case-studies are challenging, but if handled correctly, it can lead to substantial contribution and provide good examples (Yin, 2014). Without examples, scientific research becomes inefficient Flyvbjerg (2006). Moreover, there is a delicate balance between having a large sample for breadth and smaller case studies to provide invaluable depth information (Flyvbjerg, 2006). With this in mind, this case study provides invaluable depth and is complemented with the external interviews to get enough breadth. Additionally, this case study aims to uncover the academic blind spots that Welch et al. (2019) explained existed in the research field of the pre-deal M&A phase.

Each respondent from the case-study described their view on the decision-making process of their company's most recent M&A transaction. The latest transaction closed in late November 2019, and we conducted the case-study interviews five months later, in March 2020, which increases the likelihood that respondents remember the events accurately (Huber and Power, 1985). To understand the power dynamics of the acquisition, the acquirer was approximately ten times larger than the target company size. The acquiring company had experience from a couple of previous M&A decisions. Organisational wise, the M&A decision was taken in the Executive Strategy Team with advice from a few people from finance, legal and internal operational leaders. There was no dedicated M&A team in place, so the due diligence was distributed among the various company functions.

The case-study object was chosen based on its relative modern approach to organisational structures with low hierarchies and high transparency and its ambition to improve their decision-making process. Moreover, with 400 co-workers, the case-study company is a representative company considering it is between the average size of an IT-consulting company, 640 people and the median size, 175 people (Cinode, 2020). The case study company had seen a reduction of their extremely high growth rate and had started to consider more non-organic growth as a way to reach its ambitious growth targets. Hence, they were ready to take the next step of improving their M&A decision-making process. Lastly, the case-study object was a suitable study object because it had an unusual combination of experience from both a standard central decision-making function and from larger cross-functional decision-making meetings.

3.3 Procedure

The research uses an embedded design (i.e. analysis of multiple levels) which permits induction of richer and more reliable findings (Yin, 2014; David and Sutton, 2011; Eriksson and Kovalainen, 2008) and adopts a process ontology of how organisations make decisions. Recently, M&A research agendas have urged for more processual theories to bridge academic gaps in M&A (Welch et al., 2019). This section describes the setup and procedure of the pilot interviews and in-depth interviews and how the thematic analysis.

As described earlier, we conducted initial pilot interviews in an unstructured and open way, which is an excellent way to get an overview understanding of the industry dynamics Allen (2018). We interviewed most of the pilot interviews with companies that participated in a local career fair for engineers. We spent a full day interviewing people from the IT consulting industry with different backgrounds and corporate positions. Each pilot interview lasted between 10 to 20 minutes. We held the most insightful interviews with respondents from companies with recent involvement in M&A activity. To understand the dynamics of the industry, we asked for oral histories to make sense of past events of their organisation's lives, so-called organisational narratives (Allen, 2018). Even if we mostly listened to get every exciting angle, we facilitated the conversations slightly to not let narrative too much out of scope. The narrative was thus co-constructed together with the participant (Allen, 2018). The be clear, we did not used the pilot interviews to determine the frequency of events but rather to find out what kind of things are happening in the industry.

We chose in-depth interviews because of the versatility of the method since it provides the advantage of being able to control the direction and content of the discussions yet not prevent the participants to freely elaborate or take new but related directions (Given, 2012). In-depth interviews are the most popular and effective methods of data collection in qualitative research (Boyce and Neale, 2006). Each interview was between 20 to 90 minutes and was conducted both in-person and through phone calls. To ensure that feelings and non-verbal communications were collected, we summarised our interview notes and thoughts directly after the interviews. The interviews were later transcribed verbatim to get all the nuances of the data. Moreover, we always focused on what the interview respondent said, to avoid the risk of colour the interview by analysing and jumping quickly to conclusions (Ritchie and Lewis, 2003). However, sometimes we repeated what the interviewed just said to mitigate the risk of incorrect interpretation (Denscombe, 2017).

We used an iterative thematic analysis to identify the broader themes of the data. The individual transcript was then re-read line by line and further broken down and refined into codes and then clustered into themes, to help us to tell the story of the data (Gibson and Brown, 2011; Boyce and Neale, 2006). To ensure mutual understanding and identification of the codes, quotations and themes from the data collection, both read the transcripts and notes from the interviews. Further, the codes and themes were gradually refined by identifying interrelationships and similarities and then grouped to a manageable and illuminating set consisting of the main-areas, factors, and categories presented in the empirical findings (Guest and Mclellan, 2003).

3.4 Limitations

There are a few potential limitations to the presented study regarding methods reliability, validity and generalisability. Only one internal case study was used, which Yin (2014) argues could make the study narrow or biased. To mitigate this risk, over half of the total interviews were conducted with other external companies. Additionally, we choose the case study object carefully, which increases the possibility that the findings correlate with population (Flyvbjerg, 2006), and thus we are not too pessimistic about the study's generalisability. To strengthen the reliability and validity of the findings, we have kept the empirical findings more detailed to allow readers to draw different valuable conclusions.

The used interview methods have many advantages, but also a few pitfalls. Regarding the pilot interviews, we need to be aware of that the respondents' previous experience, worldviews, and characteristics influence the narratives they shared, which affects the meanings of their stories (Allen, 2018). One criticism of in-depth interviews is that we did not replicate an actual observation of experience that would reveal the actual motivations of the various actors involved, thus limiting the interpretation opportunity (Given, 2012). The time frame of the interviews is another limitation of the study because the respondent cannot fully articulate his or her experience within the given time frame. To mitigate this, we have been fact-checking some data points and complementing with the concepts from the literature review. To ensure the generalisability of the in-depth interviews, we were interviewing as many respondents until we finally reach a point when the same issues, stories, themes and topics were emerging from the respondents, which is a good indication that we reached a sufficient sample size (Boyce and Neale, 2006).

Moreover, the reliability of the study could be affected because of the various experience of the respondents. As some respondents had extensive experience, while others were relatively new and inexperienced, especially in the case study. Although a variety of experience may present different points of view, it may also lead to non-reliable findings, i.e. due to wild guesses of the respondents with lower experience. To cope with this, using a more significant number of respondents and having a more fine-grained purposeful sampling and classification of respondents may lead to a more reliable and robust study.

4

Empirical Findings

In what follows, the collected empirical data have been structured in Table 4.1 and will be further outlined below. Overall, the structure follows the literature review.

Table 4.1: Identified decision-making process capabilities elements and categories.

Main Areas	Elements	Categories
Strategy Trade-offs	Ambition Trade-offs	Giving vs Taking Attitude Single vs Serial Acquirer Attracting vs Approaching
	Implementation Trade-offs	Deliberate vs Emergent High vs Low Autonomy Small vs Large Deals Healthy vs Distressed Targets External vs Internal Timing
Operational Tactics	Efficient Decision-Making	Due Diligence Funnel Dedicated M&A Function
	Negotiation	Honesty and Transparency Selling Motives Deal as a Marriage Embrace Success Cases
	Post-Merger Integration Considerations	Cultural Fit and Integration Commitment through Involvement Synergies Resources Dry-Powder Change Awareness
Process Development	Learning	Learn by Doing Learn from Others
	Capability Development	Capture Learnings Standardisation

Together, all the categories and elements aim to explain the decision-making process capabilities IT-consulting firms need to develop. The results from the case study are incorporated under each category, and each category will start with the results from the IT-consulting companies and investment firms, followed by the findings from the case study.

4.1 Strategy Trade-offs

M&A strategy trade-offs embodies the companies adopted ambition trade-offs in relationship to the strategic implementation trade-offs. The ambition trade-offs influence the execution of the M&A strategy, and companies should be well aware of attitudes and mindset. Furthermore, the strategic implementation trade-offs are considerations companies have to make to balance and align the acquisition with the broader corporate strategy.

4.1.1 Ambition Trade-offs

How executives and organisations view M&A is critical and respondents argue that the right attitude can completely increase the odds of successful acquisitions. The first trade-off category, *giving vs taking attitude*, captures the mindset of giving or offering rather than taking benefits from an acquisition target. Respondents argue that companies that acquire should have a giving mindset by not only focus on what you get from the acquisition, but more importantly, focus on what you can give and contribute. The giving vs taking attitude may be exemplified by the quote from Executive A: “We have to constantly work with a lot of imagination to find ways for them to get value from us and for us to get value from them. [...] we are highly committed to creating these values in both directions”. Furthermore, a more specific part of the category is what could be described as customer-centric M&A, that focuses on enhancing the customer value proposition. A statement that well describe the customer-centric M&A are from Executive G: “When evaluating potential acquisition candidates, we consider how much value the acquisition adds to our customers. Involve your own business and the target company in a collective agenda, to create the highest value for our customers, together”. Moreover, the category of giving vs. taking attitude was highly present during the case study. The case study company’s CEO and CFO explained that having an offering mindset is a central part of their beliefs and values as the company have a strong focus on social sustainability, and giving vs. taking attitude will, therefore, also influence their way of doing M&A. Additionally, the results from the case study were also in line with the previously presented results on customer-centric M&A, as illustrated well by a quote from the head of sales: “Focus on what you truly need, and in what order you should acquire those to enhance the value proposition to our customers successfully”.

The second ambition trade-off is *single vs serial acquirer*, that embodies the number and frequency of acquisitions the company pursue. Although the executives, in general, were hesitant to classify themselves as a single or serial acquirer, it was clear that it was a distinction between the interviewed companies, as some companies acquired multiple targets over three years, while others acquired one target every seven to ten years. Common between all respondents was the emphasis that the decision should be firmly based on the company growth strategy. The serial acquirers had acquisitions as a vital means of growth, exemplified by the quote from Executive H: “Looking back, we have acquired a large number of companies. Over the past 20 years, we have grown 10% on average by acquisition”. On the contrary, single acquirers focused mainly on organic growth, as illustrated by Executive F: “We want to grow organically, and there is a strategy in place for enablers like, for example, recruitment. However, going forward, it might be challenging to manage growth organically, and then we will have to look more at acquisitions”. Moreover, respondents from the case study recognised and elaborated on benefits related to being a serial acquirer. The company in the case study had the ambition to have acquisitions as a way of growth and to become a serial acquirer and, therefore, focused on benefits related to, for example, process development and learning.

The most discussed trade-off category is the third trade-off, named *attracting vs approaching*. The category covers the importance of having a reliable name and position as an acquirer. Several respondents emphasised the significance of having a reputation as a favourable acquirer. As Executive G described: “the companies we are looking to acquire, have the opportunity to sell to someone else, so we have to be an attractive buyer”. Moreover, the respondents discussed the two critical components of building the reputation, openness with intentions of acquiring companies and have experience with a proven track record. Investment Professional C highlighted the importance of establishing credibility and trust to build a reliable reputation as a favourable acquirer. The reasoning on credibility and trust is supported by Investment Professional B that explained that if the acquirer did not succeed in their previous deals or handled them poorly, a bad reputation may spread and the new target may find that out. The internal perspective from the case study showed the effects of having a reputation as may be exemplified by the quote from the CEO: “We have started to get a reputation as an acquirer after the first acquisition. In general, it is important to be on the map, where the sellers feel that our company seems favourable to be integrated into”. Additionally, the head of HR stressed the importance of having a strong reputation: “For us, we cannot fail the first time. Vital to keep face and show the world that we can do it”. Furthermore, the CMO explained that in general, the best way to build a reputation is to make some successful completions, in this case, acquisitions, possibly in a new and modern manner, and to repeat that enough times to make it commonly known.

4.1.2 Implementation Trade-offs

First, one of the more apparent categories under the heading implementation trade-offs was the category *deliberate vs emergent*, which illustrates the relationships between having a clear strategy for targets to acquire compared to being opportunistic. The majority of the respondents stated that they have a clear strategy for what companies they want to acquire. The statement by Executive H illustrate this well: “It is extremely important to have a clear M&A strategy. Which type of company fits into our strategy. We never acquire something that does not fit our strategy". However, the respondents also discussed that companies should be opportunistic to some degree to act when there are opportunities. Executive A exemplified the aspect of being opportunistic by saying: "We run two approaches in parallel as we are both opportunistic and curious about what emerges, but also have a systematic process where we look for companies to acquire. But I guess you could say that we are probably quite opportunistic". The shared view regarding deliberate vs emergent is that there is a balance between being strategically strict and having an opportunistic approach, of various degrees.

From the internal perspective, the case study showed that the relationship between having a clear strategy for the targets compared to being opportunistic might vary in the organisation. The case study CEO explained that he has an opportunistic approach combined with awareness to see if the acquisition fits into the strategy of the company, while the other parts of the organisation focused more on being strategic. The head of HR illustrated their strategic focus mindset well, by saying: "Have a clear view on why we are buying the company, not just buy because you can or because it looks good in the books. It is always good to ask yourself why". Furthermore, the operational coordinator stated: "we should have some plan and business perspective behind the deal". Meaning that only because a target approaches an acquirer with an offer to acquire them, it does not always make business sense.

The second strategic implementation trade-off is *high vs low autonomy*, which was well discussed by the various respondents. All of the respondents elaborated on the differences, their respective advantages, and disadvantages, between fully integrating the acquired company in the organisation compared to keeping it standalone, for example, as a subsidiary company. The interviewed companies had different approaches to the trade-off between high vs low autonomy. Two statements that well illustrate this are from Executive H: "We will always integrate 100%. We believe that to get synergies and the maximum possible value, you must fully integrate the acquired company". And, Executive A: "We practically always let the companies continue as their own standalone companies. Then we work gradually to create mutual benefits quite slowly". Although they would argue that one way might be better than the other, the shared belief is that there is no right or wrong answer and that there are different benefits to them both. Executive A captured this concisely: "Both fully integrating the acquired company and keeping it standalone have been successful, just in different ways". Additionally, the case study showed that the general perception was that full integration is favourable. The CEO stated that: "full integration is how you realise the full synergy potential". Further elaborating, the CEO suggested that a strong brand is critical in the IT-consulting industry, especially to attract new employees, and to realise synergies related to the brand, the acquirer needs to integrate the acquired company fully. The following quote from the CEO illustrates this: "If you are going to capture synergies, building several brands in parallel is probably very hard. Especially for our part, we have put extremely much effort into our brand in relation to our size".

The third strategic implementation trade-off is *small vs large deals* that focuses on the size of the target compared to the acquirer. The respondents discussed some differences between targeting smaller or larger companies and explained that for the smaller targets, the acquisition is mainly the targets management team and an existing customer portfolio. On the other hand, a larger target has longer framework agreements and more extended customer contracts that bring a lot more bureaucracy and inertia. Additionally, the aspect of company culture between acquiring smaller or larger companies may be described by the following quotes from Executive F: "If you acquire small companies, it is easier to get them on board the same journey. If you make large acquisitions, you are risking the current company culture quite a lot". Correspondingly, the discussion regarding the category small vs large deals during the case study was in line with the presented results, but also added some financial and learning aspects, explained by the following quote from the CEO: "A reason we don't want to do big deals is that it might lead to giving up ownership in the company". The CEO also argued that a good deal should be around 10-20 % of the acquirers overall size, which was in line with other executive respondents. Moreover, the CFO explained that acquirers learn mostly by doing but also from preparing for a deal, especially for a company that is starting to build their capabilities. However, there was no clear answer to what was the preferred alternative, illustrated by the quote from the CFO: "Might look more attractive to do the smaller deals. However, we may spend the same amount of resources in integration, and then the bigger deal might be more favourable".

A fourth strategic implementation trade-off is *healthy vs distressed targets* that covers the current performance of the target. The respondents explained that although they were open to both healthy and struggling companies that can be a turnaround case, preferred the healthy targets. Two statements that well illustrate this are from Executive A: "We are probably more interested in really good companies than companies that have problems. The thing is that if you have a great company, then you also have excellent people, you have a strong business". and from Executive E: "In our case, I would rather focus on businesses that have a strong market position, have a clear idea of the business they are doing, and that you also make money from it. I would rather pay more to get a reliable company". Furthermore, the company studied in the case had perhaps a more positive view on acquiring distressed targets than the other respondents. Reasons behind the positive view on distressed targets may be the financial aspects described in the category giving vs taking attitude in the previous element, that was exemplified with the statement from the CEO: "When we acquired our last company, we saved them from bankruptcy and it became a win-win because they do not have to shut down the company, and we get more employees for a low cost".

The fifth strategic implementation trade-off category is *internal vs external timing*, which involves an ability to act when the time is right, and the opportunity given. Respondents mentioned aspects both on general market trends, like the market stage, currency valuation, to more company-specific timings like, for example, willingness to sell the company, if the target is looking to scale up. Two statements that well illustrate this category are, Executive G: "the acquisition will usually be prosperous if the timing is right". And Executive H: "[...] you must be opportunistic to act when there are opportunities". Furthermore, Executive A stressed that in the IT-consulting industry, there are faster cycles than other more mature industries, and explained that acquirers need to be aware of the timing of the target. Executive A emphasised that the targets need to continually try to improve and become better, especially if there is high organisational autonomy post-deal, well illustrated by the following quote: "Companies eventually reach a plateau, their peak, and when you reach that plateau, you have to start working to renew yourself again. Because if you don't, you begin to slow down". Moreover, the executives explained that these internal business cycles are usually three to five years in the IT-consulting industry. Another internal timing factor is regarding talent retention. Executive B and Investment Professional A explained that one of the major concerns for larger companies is the ability to hire and retain talent; therefore, acquisitions become an essential part of growing. Moreover, the case study added the aspect of acting at the right timing with potential sales by aligning the targets competencies with customer requests, for example, IT developers in a specific programming language. The following quote from the head of sales may exemplify this: "Ask if sales department have potential leads, could be a strategy to acquire someone if you get a request for several, for example, .net developers".

4.2 Operational Tactics

The second main area, operational tactics, comprises the elements needed to prepare and plan for to enhance capabilities related to seeing the deal through and ensure long term success. Involving, efficient decision-making process, negotiations, and the post-merger integration considerations.

4.2.1 Efficient Decision-Making

The element of efficient decision-making regards how to improve and streamline the decision-making process. Starting with the category *due diligence funnel*, which focuses on how to select relevant targets and make the decision-making process more effective. The category may be represented by the following quote by Executive G: "We are trying to build a clear funnel of potential companies that we screen according to multiple criteria that we have established. These criteria are strongly based on our corporate strategy".

Additionally, several respondents stated that the operational due diligence is the most important, and also hardest, of the different steps in the general due diligence process. Executive D explained that the operational due diligence is: "Getting a thorough understanding of how the company truly operates and what are the real benefits and associated risks. You try to understand the kind of employees, the type of culture, the social values and norms you have". The results from the case study were in line with the previously presented findings, but also added the aspect of retrieving information. This may be exemplified by the following reasoning from the legal counsel: "Define the core information to make the initial decisions as information takes time to collect and might be hard to retrieve sometimes. Therefore, obtain the essential type of information required to make a decision"

The second category that is placed within the efficient decision-making element is having a *dedicated M&A function* with clearly defined roles and responsibilities. There was one of the interviewed companies that currently has a separate dedicated M&A function, that explained that the M&A function is: "The dedicated function drive the process and make sure the quality of the work meets certain standards. We are supporting the leaders that do not have experience with M&A". Additionally, the respondent emphasised: "We will always make acquisitions with the local management, we will always have a local attachment in everything we acquire. Our role is more like a support function that works with the local units". Moreover, the second category was presumably one of the most discussed categories during the case study. Several of the respondents stated that it would be beneficial to have a team with people responsible for specific events, to coordinate, and to support people that have questions and concerns. Although the majority focused on the integration part of the deal and described it as an integration team, it was clear that it was meant as part of the whole M&A process, for example, illustrated by the quote from the head of sales: "[...] have a team that looks holistically at their organisation and relates it to our organisation. For example, what will the acquisition mean to our marketing team, what will change for the sales team, etc".

4.2.2 Negotiation

The second element placed in the M&A operational tactics main area outlines aspects related to the negotiation and relationships with the target. The first category, *honesty and transparency*, highlights the importance of being trustworthy and transparent when establishing relationships and during the negotiation. Be open with expectations and needs for both the acquirer and the target. Executive E stressed that: "Ensuring an open and transparent discussion during the process is one of the critical and most difficult parts. Be open and transparent, talk about success factors, do not promise the moon to attract people on board and promise things you cannot keep". The Executive E further emphasises that acquirers should strive to be honest, well illustrated by the following quote: "It's almost better to point out possible problems that may arise, and if they still find it interesting, the chances are that you are positively surprised rather than the other way around". The internal perspective from the case study followed the same reasoning. A statement that well illustrates this are from the CFO: "Not over promising things, people will only become disappointed if you promise to much. [...] Think we should be very transparent. If we have nothing to lose from it and have the possibilities, then we should be as transparent as possible". Additionally, the case study also focused more on being transparent internally, as the quote from the CEO states: "I do not think the answer is to involve a lot of people in the decision-making process. The answer is rather to explain up-front that acquisitions are a strategy we have and why you cannot include the entire organisation. Be open and transparent with it".

A second category that is placed within the negotiation element is the category, *selling motives*, that highlights the importance of knowing the reasons the target have for selling the company. The category may be illustrated by the following quote from Executive E: "The hardest part is probably to be sure that you have a mutually open dialogue. As an acquirer, it is vital to understand the seller's motives for the sale, and many motives are okay, but the important thing is to understand it". The internal perspective from the case study was in line with the reasoning from the executives, as exemplified by the statements from the CFO: "Understand the goal of the seller and what actually happened with the company, why are they looking for a partner". And, the head of HR: "Understanding their motives for selling is a key factor".

Furthermore, related to the two previous categories on honesty, transparency and understanding the seller's motives is the third category named, *deal as a marriage*, that explains the significance for companies to maintain relationships and establish trust. The statement by Executive G illustrates the importance of relationships: "you can have your checklists, but one of the key factors for success in the acquisition process is about relationships and people. A deal can fail on a relationship, and it can be fantastic thanks to a relationship". The notion on relationships and trust is supported by the Investment Professional A that emphasised the importance of relationships and personal contact. Additionally, Executive A explained that: "relational fit is probably more critical when acquiring smaller targets. The value that you are acquiring is the management team, and you become more dependent on the relationships". Moreover, the case study added a more concrete example of how relationships can be used to both identify and have an advantage in negotiations. The statement by the CEO captures this well: "We have an extensive partner network of companies that we have some relationship, interaction, and relation too. Getting a chance to deals with companies that are not on the market". Additionally, the case-study company's last acquisition was initiated when a company approached them with the hope that they would be acquired by them. In an interview with the target company's CEO that initiated the deal negotiation, he stressed the importance of the pre-deal relationship with the company he approached.

Finally, a more specific category under the element of negotiation is named, *embrace success cases*, and focuses on how to use previous experience and track-record as negotiation capabilities. As reported in the previous main area, M&A strategy trade-offs, a strong reputation as a favourable acquirer is a competitive feature that can be used during negotiations. Executive H explained that their previous experience and trustworthy reputation most definitely support their negotiations and helps to establish trust and mitigate some anxiety the seller might have. From the case study, the CEO explained how previous success cases can be used to show honesty and establish trust: "If there is someone who wants to be integrated into our company, then you would like to connect them with the previous founders in targets that have become integrated into our company, and they can share their experiences. It's easier to trust someone who has been in the same situation as yourself".

4.2.3 Post-Merger Integration Considerations

The last, but presumably the most discussed element under the main area of M&A operations tactics is that of having a strategy in place to ensure long term success of the acquisition and to gain the full value of the deal.

First, one of the most accentuated categories is *cultural fit and integration*. All of the respondents stressed that its vital to evaluate the cultural match and try to predict how the two organisations will react, especially in IT consulting. Highlighted very well by Executive C: "The integration and staff management are the big question mark, both before and after that you have acquired a company". And Executive D: "You try to understand what kind of employees, the type of culture, the social values and norms you have, so you probably try to look at companies that are reasonable to integrate". Additionally, when asked what some common errors in the post-merger integration strategy are, multiple respondents highlighted the cultural fit and employee's reactions. This is captured by the quotes from Executive C: "It is complicated to predict how the organisation will react and how to deal with the employees to retain them; that's the critical question". And Executive D: "There is also a cultural aspects, that the corporate culture that the two companies have if it differs too much, staff turnover will go up".

From the internal perspective, the category *cultural fit and integration* was one of the most emphasised categories as several respondents in the case study stated that their company culture is one of their key features, and words as welcoming, family, open and helping, were used to describe the company culture. Well illustrated by the CEO: "We have an influential culture. Might clash if the other companies have a strong culture. Our ambition is that the owners of the target will feel that they are handing over their employees to a reliable company that will take care of people". Furthermore, the respondents from the case study focused more on how to prepare for the cultural transferring. The respondents from the case study emphasised the importance of having clear structures and guidelines. Two statements that describe this are from the operational coordinator: "Should have some clear guidelines. How we do feedback, what are our policies, etc.". And from the head of sales: "We definitely lack in process and structure. Hard to integrate a company when you are less structured than the company acquired". Additionally, the respondents from the case study explained that when the acquired company is operating from another office, have someone physically there to spread the culture and facilitate the process, captured concisely by the legal counsel: "No people from our company there in the acquired company to spread the culture. I think someone should be there to make that process more effective and be there to show it". Moreover, another aspect of the cultural fit and integration highlighted by the respondents from the case study is the words used to describe the acquisition. The CFO reported that: "We should stop using the word acquiring and alternately using words like new people on board, new team members or network. The large company "eating" a small company could be seen as a bad thing, and people will be leaving because of that". However, the reasoning on the words used to described the acquisition depends on who the information was intended to, as exemplified by the quote from the CEO:

“We call it integration, for the founders and teams that become integrated, it feels psychologically more comfortable. On the other hand, to the outside market and potential investors, we use the word acquiring and are clear with the fact that we are acquiring”.

Further, the second category, *commitment through involvement*, focuses on promoting commitment and responsibility in the current organisation for the acquisition. The category may be represented by the following quotes by Executive G: “The internal organisation that will work with the target company is part of the process, rather than the decision coming top-down. Want to create engagement and a sense of belonging for that acquisition.”. And Executive H: “Have a clear interest and willingness in the part of the organisation that will work closely with the acquired company, and it is the one that will execute. The local part should drive the integration process from day one.”. From the internal perspective, the case study described the significance of involving the internal organisation. Two statements that well illustrate this are from the CEO: “Think its good if the integration process is done mainly by people who will be involved operationally”. And more generally: “You can involve the internal organisation by having every part of the organisation providing input on the important factors for them”.

Third, another category that falls within the post-merger integration considerations element is named *synergies* that comprise if the acquirer and the target will be more valuable together then separate. The category may be illustrated by the following quote from Executive G: “We try to figure out if one plus one can equal three, or is it just equal to two. We try to create extra values so that our businesses become more valuable together”. However, the respondents explained that synergies in the consulting industry are difficult to capture and realise. The respondents explained that there might be some synergies in back-office and support structures, but there are almost no synergies between the consultancy staff. The statement from Executive C emphasised this well: “You have almost no synergies if you consider the consultancy staff. You may have synergies in that you can get bigger in some accounts, perhaps that you can find some cross-sell between different types of offers”. Furthermore, the internal perspective from the case study corresponded with the previously reported statements. Two statements that well exemplify this are from the CEO: “In the long term, the deal is not successful if what you integrated did not become profitable, but it should also be more profitable than it would otherwise. The alternative cost should be lower than doing the growth yourself”. And from the CFO: “The path together should be more beneficial than the separate parts, otherwise there is no reason to integrate”. Moreover, the case study also added a more internal point of view as exemplified by the quote from the operational coordinator: “Should be synergies between departments. So we know what we can offer at any given moment to the client, maybe have one person with an overview that has close contacts with different team leaders in the units”.

The category *resource dry-powder* has to do with having available resources ready to be able to complete the deal and facilitate the integration. Executive H captured this concisely: “After the acquisition, there must be resources available to drive and see the integration through”. Correspondingly, the discussion during the case study was in line with the reasoning that it’s vital to have the internal resources ready to carry out the deal. The aspect of resource readiness was emphasised by the head of sales that discussed that the required means and time should be made available for the people involved in the integration of the target company. As well as the two statements from operational coordinator: “If we could be ready with things, for example, have a large office ready and don’t need to evaluate that every time”. And the CEO: “If you are overloaded, an acquisition with bad timing can put too much stress on people”.

The final category, named *change awareness*, involves the changes that the organisation will have to face that decision-makers need to be aware of when evaluating the deal. The interviews focused on three aspects for this category, namely changes in benefits, changes in brand prestige, and finally, finding new roles. As reported in the previous main area, M&A strategy trade-offs, and more specifically, the decision between fully integrating the acquired company compared to keeping it standalone, will have an impact on the categories in the element of post-merger integration considerations as they become more evident with full integration of the target. The first type of change are, changes in benefits, which involves the potential changes in, for example, office location, salaries, bonus systems, management, and so on. Executive C empathised that employees want to know that their situation is becoming better, not worse and that these changes are all, from what appears small to more significant, relevant for the employees getting acquired and will most certainly raise anxiety. From the internal perspective, the case study emphasised the importance of moving to an improved or equal situation. A statement from the CEO that well illustrates this is: “One of the main worries in our acquisition was that the employees would not like it, and people would feel that their previous situation was better”.

The second type of change are changes in brands, which comprise of how the brand of the acquirer and the target are perceived and their differences. Several respondents stated that there are both the potential emotional attachments that employees have to their current brand, but perhaps more importantly, how the brands are perceived and their reputation. Executive D explained that the changes in brand prestige is a common issue and will most likely be a problem, especially if the target company considers itself being acquired by a brand with less prestige. Furthermore, the case study added to the aspect of change in brand by stressing the fact that brand perception might be highly subjective and that there are probably strong emotional attachments to the brand, especially for the founders of the company. This may be exemplified by the following quote from the CEO: “People often have an emotional connection to the brand. The founders we have talked to have often said that it is very important for them to keep their brand”. The CEO further elaborated on the fact that comparing the two brands should not be entirely objective, and acquirers need to consider the subjective opinions and personal attachments; the following quote may exemplify this reasoning: “Then you do an objective analysis of their brand and find out that it is probably not worth anything, but for those as founders who have worked with the brand for 5-10 years, it is their baby". Additionally, the Chief Marketing Officer (CMO) elaborated on how to build an attractive brand: "Using what is called thought leadership, that is fortifying a position as a leader in a particular area, through communication. Promote the social impact we have and show that we are in the process of creating social sustainability".

The third highlighted change are changes in roles, comprising the importance of finding positions for the acquired company in the new organisation. Not knowing your place and the expectations there is on you is a stressful situation. Executive G stated that for the employees, especially people in leading positions, from smaller companies, one of their major concerns is becoming just a tiny part of a large group and not being able to influence as much as in their current situation. Adding to the reasoning on changes in roles is Executive D that reported: "Then there are a number of leading people, either formal or informal leaders, and making sure these people find their new role and knowing their place is a crucial factor". In general, Executive C and Executive D stressed that in the beginning, almost everyone is afraid of the word change and, in most cases, jumps to the conclusion that the new situation will be for the worse. Similarly, the case study emphasised the importance of finding new roles. The head of HR captured this distinctly: "Have clear roles for key people and role expectations. Both sides have the same questions, and it's essential to have a clear plan. You can find the roles before the decision, do the due-diligence on key people, and how you can integrate them".

When roles are changing, motivations incentives change too. The respondents highlighted the importance of a clear succession plan which denotes the importance of motivational aspects, both for the acquired company and the current organisation, and has been a well-discussed category throughout the interviews. Motivational change is emphasised by the majority of the respondents as vital to ensure success after the deal is completed. The shared view was that you have to facilitate and promote further growth for the new employees by having a structured plan.

Beyond the implications of integrating a company with high or low autonomy, there are a few other aspects to elaborate on when creating a motivation plan for new employees. First general aspects for the motivational plan that respondents stressed is to facilitate and promote continued growth and stimulate motivation for both management and employees. Executive G reported that: "After an acquisition, we try to keep much of the ambition in the acquired company even though we try to fully integrate and get as many synergies as possible". Second additional aspect is to make sure the acquirer have a common understanding of the future, ambitions, and how to move forward together. An example is provided by Executive H: "We make a business case together with the company we acquire to make sure we have the same view on the market and what we want to achieve. So it becomes very evident what we should accomplish together".

A third general aspect for the motivational plan is to make the target company feel unique and as an essential part of the new combined organisation. Executive

G stated that: “When the newly acquired target comes in here, they should feel that they are unique even if they come into a larger company. We want them to experience that they are included as a vital part, and contributing to us as a collective to growing and progressing”.

The fourth and final general aspect for the motivational plan regards the aspect of fully integrating compared to keeping it standalone explained in the previous main area, will influence the motivational plan. Executive A and Executive F explained that when having the acquired company standalone, it is vital to make sure the acquired company has the resilience and ability to drive innovation to stay competitive in the long run. The respondents emphasised that since the company will be a separate unit, it places more responsibility on the acquired company to continue to drive innovation and have the ability to withstand competition. Perhaps more critical for smaller targets as they do not have the long-term stability that larger companies have. Executive A explained that: “companies will eventually reach a plateau where their offering is perhaps not unique or competitive on the market. When you reach that plateau, you have to start working to renew yourself again”. The internal perspective from the case study, although perhaps not as well discussed as the previously presented results, also highlighted the importance of nurturing motivation. The CEO and the head of HR explained that long-term commitment, motivational plan, and role expectations for key players, especially for the founders when acquiring smaller targets, are highly essential. However, the CEO further elaborated that perhaps keeping the founders is not needed in all cases, as exemplified by the following quote: “I first thought that founders staying is important, but maybe it is not in all cases. They can even be toxic”.

4.3 Process Development

The third main area, process development, embodies the company’s process of developing and learning to build and refine the M&A capabilities.

4.3.1 Learning

The element learning illustrate how companies acquire lessons, success factors and potential obstacles from previous acquisitions. The first category is *learning by doing* that describes how the companies’ prior acquisition experience, or acquisition-related experience, can be used to enhance the M&A capability. A statement that well demonstrate this category are from Executive H that stated: “The more acquisitions you make, the more you learn, you learn something from each acquisition. I think there is a considerable correlation between the frequency of acquisitions and the success rate”. The reasoning on learning by doing is supported by Executive E that stated: “Acquisitions are a lot about people and leadership, where I think you need to have some experience of your own in order for it to be successful”. Moreover, the internal perspective from the case study stressed the fact that although the deal did not go through, there are learnings to obtain. The CFO discussed that for a company that is starting to build their M&A capabilities and perhaps have not performed several acquisitions, the preparations for the acquisitions is also a way of learning to be better and improve the decision-making process.

The second category placed within the element of learning is *learning from others*. Although not as well discussed as the previous one, it is still highlighted as a significant category. Executive E reported that: "You can try to use other people's experiences and lessons learned by, for example, reading, talking to people, etc. You do not have to make all the mistakes yourself". Additionally, the case study followed the same reasoning, although with more emphasis on learning by doing, as well illustrated by the quote from the CFO: "Learn mostly by doing, and look at the larger mistakes that others do".

4.3.2 Capability Development

The second element encompasses how acquirers can continuously improve the processes and develop capabilities. The category, *capture learnings*, is related to the previous categories within this main area. The category denotes how the output from learnings during and after the acquisitions are collected and utilised. Executive H emphasised the aspect of capture learnings with a statement that elucidate the category well: "You could say that we are accumulating learnings. Everything we do today is accumulated historical experience. We have an apparent formula that we use for every acquisition, that is constantly refined". Moreover, the internal perspective from the case study had perhaps a more detailed and hands-on approach to capture learnings. When asked how to capture learnings, the head of HR explained that for the first acquisition, the documentation of the procedure combined with internal discussions and feedback by having some retrospective meetings are vital features to capture learnings.

The second category illustrated under the element of capability development is named *standardisation* and describes the balance between having a standardised process and having a changeable procedure. The category may be exemplified by the following quote from Executive A: "Standardise what you can, like the due-diligence processes. We have a defined search process, talk to people, appear in the market, but we are very open to what falls into our lap, regardless of its character". Executive A further elaborated that there are different needs for standardisation depending on the size of the target, illustrated by the following quote: "You can't standardise and process it too much. However, the larger the target, the more benefit you have from a standardised process, and the smaller the target, the more harmful I think the process could be". On the other hand, the respondents from the case study described how they want to develop and improve structured processes. Two statements that well illustrate this are from the CFO: "For us, it is to make more processes". And the operational coordinator: "First thing, have all these structured processes in place". Additionally, the legal counsel emphasised the importance of having a structured process as it will facilitate the decision-making process and help them understand the information needed in each step and how to retrieve it.

5

Discussion

As presented in the introduction, this study aims to provide the decision-making process capabilities that IT-consulting companies should develop to make value creating acquisitions. The three overall main areas in the literature review and empirical findings support the study's general framework to approach the problem. This discussion section will explore the underlying meaning of the empirical data together with literature review, and highlight the contributions to existing literature gaps. In short, the empirical data provided interesting ideas on trade-offs, tactics and process development approaches.

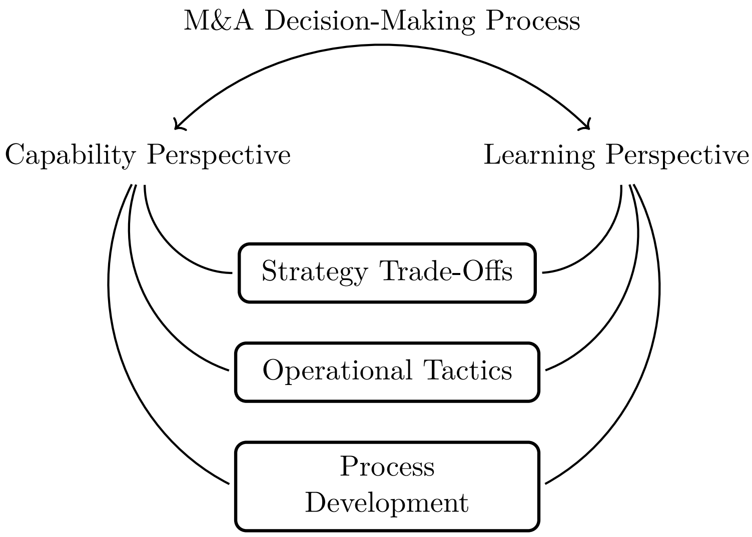

Figure 5.1: This figure shows the structure and framework for analysing the decision-making process from both a capability and learning perspective. Each main areas will be analysed from both perspectives.

The analysis of the decision-making process has been from two perspectives, capability and learning perspective because the decision-making process is a capability that organisations can learn and develop. Figure 5.1. shows the analysis structure and approach. The first perspective, the capability perspective, is a part of the resource-based view of a firm, which is a robust theoretical framework that argues that sustainable competitive advantage derives from the capabilities and resources a firm controls (Barney, 1991). The second perspective, the learning perspective, evaluates how to develop these capabilities and resources. Hence, the perspectives complement each other well.

5.1 Strategy Trade-offs

Overall, the empirical data for strategy trade-offs aligns well with several parts of the literature review, especially on the new trend with building a reputation to become the acquirer of choice (Haleblian et al., 2017; Ferrer et al., 2013), and adds a few new exciting perspectives and concepts, e.g. customer-centric M&A and right timing business cycles. Now, each ambition trade-offs and implementation trade-off will be discussed.

5.1.1 Ambition Trade-offs

Making the right choices when it comes to the ambition trade-offs are small changes in the mindset and approach, which can make all the difference. As presented in the literature review, softer capabilities, such as *reputation* (Haleblian et al., 2017; Ferrer et al., 2013) and the negotiation mindset of an executive that approaching deals with a *giving rather than taking mindset* (Graebner and Eisenhardt, 2004; Martin, 2016), have been a more central research area for scholars and practitioners in recent years. Correspondingly, the empirical findings around these significant ambition trade-offs had a recurrent appearance in the interviews. As expected, several CEOs and Investment Professionals outed the importance of a strong and positive reputation, and the case-study company was cautious about succeeding with their first acquisition to build the right reputation. Nonetheless, an interesting mindset approach revealed in the interviews stood out was when Executive G presented his *customer-oriented approach* to acquisitions and emphasised how a collective agenda could create increased value for the customers. A customer-oriented approach must be a practical perspective to M&A decision-making because the ideas were not expected based on scholar literature. However, the customer-oriented approach was only highlighted by a few respondents and no literature was found on the concept, which might indicate that it is a relative new perspective on M&A. These findings indicates that companies should start evaluating how much value acquisitions brings to the customers, both the target's and the acquirer's customers.

Moreover, it was not expected that so many interviewees would take the sellers point of view and apply a *giving rather than taking mindset*. Even if it is known that sellers prefer acquirers that offer strong synergies (Graebner and Eisenhardt, 2004), this giving mindset have only briefly been discussed by a few scholars Martin (2016). The respondents argued that by being highly committed to creating these values in both directions, there is a substantial increase in acquisition success rates because higher value is created with more synergies in both directions. Unlike the giving mindset, the empirical data aligned well with the concepts and benefits of becoming a serial acquirer (Jeff Rudnicki and West, 2019; Laamanen and Keil, 2008; Welch et al., 2019). Even if the opinions divide regarding the trade-off to become a strategic acquirer or not, it seems that smaller companies tend to focus more on organic growth and only make single acquisition sporadically. In comparison, executives at larger companies tend to organise their acquisition plans more. The larger companies are more in line with the concept of serial acquirers as the literature advocates (Dinneen et al., 2015). The general agreement between the respondents from the case study, as well as executives and investment professionals, was that the frequency of acquisitions would influence several other elements in the acquisition process, such as learning from experience and risk diversification. Risk diversification is easiest achieved when having a portfolio approach as expected from the literature Nolop (2007), which is best done by planning future acquisitions with an acquisition program (Keil et al., 2012; Chatterjee, 2009; Laamanen and Keil, 2008).

The most exciting ambition trade-off that the empirical data validates is, without doubt, the *attracting vs approaching* trade-off. The reputation mindset of attracting companies and thus becoming the *acquirer of choice* have several benefits. It is more natural to attracting companies if the acquirer is a serial acquirer because they get more media exposure and can show their previous success cases to brand themselves as a suitable acquirer (Laamanen and Keil, 2008; Dinneen et al., 2015). The empirical data revealed how effective an acquisition reputation is because it showed that sellers sometimes exclusively approach only one acquirer; therefore, the acquirer gets an opportunity to acquirer target that are not openly declaring that they are 'for sale' and thus avoiding bidding wars.

Accordingly, the study showed that when the sellers approach the acquirer, the deals bring more value to the acquirer's shareholders, mainly because of the improved negotiation position that tends to imply a lower acquisition premium. The lower premium are mostly due to the informational advantage presented by (Chatterjee, 2009). Additionally, when companies approach the acquirer, it increases the chances of right timing because the target company is more ready to sell because of a more suitable timing of their business cycle. As presented in the findings and literature (Fuqua, 1988), consulting companies follow a business cycle that repeats every three to five years. Organisations need to renew themselves every cycle not to slow down, and acquisition take-overs can be a part of the needed transition. Henceforth, the study suggests that acquirers should build process capabilities to make decisions that establish a reputation of a successful and thoughtful acquirer, i.e. an attractive acquirer that can be called acquirer of choice.

Provided that a company want to become the acquirer of choice, the executives must make the right strategic implementation trade-offs and operational tactics accordingly. To explain, it is especially relevant to choose a dynamic emergent decision-making process not to miss the incoming opportunities, and having the appropriate operational tactics in place, for example, establishing a responsive, dedicated M&A team and standardising as much as possible, to be able to act fast when time is limited. For organisations that pursues distressed targets in changing markets, time is always a critical factor. By and large, above evidence is presented in favour for the attracting way of initiating deal because of lower premium, less resources and better timing. Lower premium because of informational and negotiation advantage. The initial contact and negotiation for the acquirer will most likely be helped by having the target approach the acquirer, rather than the other way around. Less resources because of no searching resources is needed. Better timing because the targets chose to approach acquirers when they are ready to take the next step and thus the right timing.

5.1.2 Implementation Trade-offs

Provided that the interviewed organisations see themselves as unique, none of the strategic implementation trade-off choices is by default wrong because the different consulting companies had pursued different trade-off choices and still accomplished value-adding acquisitions. However, it was not a surprise that different trade-off choices would be successful because it is by making different strategic implementation trade-offs that companies create competitive advantage (Jensen, 1988; Porter, 1996). Nevertheless, there seems to be a pattern of in what trade-off choices that most respondents prefer to apply in their decision-making processes.

The trade-off between having a *deliberate process vs emergent* process seems to differ depending on the size of the acquirer. Smaller acquirers with less experience tend to have a more opportunistic emergent process while the larger companies with more experience tend to have a more strict deliberate decision-making process, more like a stage-gate method presented in previous literature (Welch et al., 2019). Moreover, it seems like that companies chose deliberate or emergent process depending on how the company's general corporate processes are structured. This can be because the M&A strategy choices are tightly linked with the company's strategy. Those companies with a highly sophisticated M&A search and due diligence team had a more deliberate process than smaller actors with less experience.

When it comes to acquiring *small or large* companies, the most convenient size-ratio seems to be to target companies that are around 10-20% of the acquirer's organisation size because they are easier to integrate fully according to several external executives and the case-study. Another benefit of pursuing smaller deals are the advantage of having a more powerful negotiation position, and also that many smaller deals will spread out the risk of failure.

Furthermore, the empirical data on the decision to give the target company *high or low organisational autonomy* was ambiguous and was mostly depending on the characteristics of the target. Most respondents believed that a full company integration with low autonomy level allows the acquisition to capture maximal synergies. Several interview respondents seem to agree that synergy levels in the IT-consulting industry are generally low. However, there are still examples of larger companies that do well by keeping the targets separate with high autonomy level.

Regarding the trade-off *healthy vs distress companies*, several executives argued that acquisitions of healthy companies are more successful because they more often have great people which is the most critical assets in the consulting industry. At the same time, people can change if they get the right tools and gets motivated, for example, with a strong and engaging culture. Since there are too many factors that can affect how successful healthy vs distressed acquisition can be, executives should first review their own capabilities. For example organisations with a strong leadership can deliver enough organisational change at a distressed company to raise it from the aches by applying a low level of autonomy.

The empirical findings strengthen the importance of timing both the *external and internal timing*. The decision-making processes are affected by the internal business cycles and internal readiness and the external market dynamics as expected by the literature (Collan and Kinnunen, 2009; Morellec and Zhdanov, 2005; Chatterjee, 2009). Several respondents stated that acquisition will usually be value adding if the timing is right. Although true, respondents argue that it is not only important to acquire targets when they need to take the next step in their development curve but also to consider the acquirer's organisation *internal timing*. Moreover, depending on the market dynamics companies should have a constant research process in place to more quickly being able to act on opportunities when they occur, especially in fast moving industries. As expected from the literature (Fuqua, 1988), empirical data also suggested that IT-consulting companies evolves in about three to five year cycles before they need to re-new themselves in order to maintain the most attractive employees and clients. Given these points, the empirical data shows that executives should incorporate a process for evaluating the timing of the acquisition from an internal and external perspective. Having one ear to the ground to feeling the beat of the market, enables decision makers to have a business acumen for the specific industry which boost their decision-making capabilities.

As has been noted in this M&A strategy trade-off discussion, it is clear that whatever *trade-offs* companies choose to pursue, all practitioners have some sort of dynamic approach similar to the strategy practice approach presented by (Eisenhardt and Martin, 2000) when deciding on what deals to engage in. From a corporate strategy perspective, the best practice seems to be to first create "simple rules" to ensure the deal aligns with the corporate strategy and vision, then have an opportunistic process that constantly evaluating new potential targets that you from start have the aim of fully integrating which is easier to do with smaller companies rather than large companies. With all this in mind, it is preferable to go for distressed companies in the IT-consulting industry only if the acquirer believe that people of the target company, could thrive with the capability toolbox that the acquirer could provide. Next, operational tactics will be discussed.

5.2 Operational Tactics

As showed by both literature and empirical data, the operational tactics are where the rubber meets the road and where companies can develop operational processes that enhances decision-making capabilities that can be the difference between dying or thriving on M&A investments. The basic understanding about M&A seems to be that it is a tactic, not a strategy, but can be viewed as a strategy amplifier (Bradt, 2012) and is usually used as tool for growth. Additionally, this study treat decisions on M&A as business process as suggested by both scholars and practitioners (Welch et al., 2019; Nolop, 2007), which revealed three important elements to consider when developing decision-making capabilities, namely: Efficient Decision-Making, Negotiation, and Post-Merger Integration Considerations.

5.2.1 Efficient Decision-Making

Starting with the element efficient decision-making that depicts that by having a well-organised and efficient decision process, companies can improve their accuracy and reach the right decisions in a shorter time. Regarding the *due diligence funnel*, although the findings were expected, the significance of operational due-diligence was not as foreseen. Several respondents stressed that operational due-diligence is the hardest part, and the other steps of due-diligence, for example, financial and legal, are more standardised procedures. This is slightly deviant from the literature that, although it suggests that operational due-diligence might be most difficult in getting right, don't put the same amount of emphasis as the respondents. However, as respondents focused on the IT-consulting industry may be an explanatory factor for the higher consideration on operational due diligence. Moreover, to build a clear funnel with criterias to make the decision-making process more effective, the respondents strongly agreed with the literature (Shelton, 1988; Gomes et al., 2013), that this must be firmly based on the corporate strategy. However, this will depend on the previously discussed ambition- and implementation trade-offs, as a more opportunistic approach will not be able to have as distinct criteria in the funnel. Perhaps there are, as the report from practitioners (Baird et al., 2020) suggests, lessons to be learned from private equity funds on how they scan and evaluate targets. Adding to this, the aspect of having the right information at each step in the funnel, and perhaps more important, the effort to gather necessary information, was highlighted by the case study. More generally, compared to the literature, the findings had a more hands-on approach and emphasised how time and resource-consuming the acquisition process can be.

Furthermore, the proposed use and advantages of a *dedicated M&A function* was consistent with the literature (Trichterborn et al., 2016; Weber et al., 2019), as the findings indicated that the dedicated organisational unit ensures that the process proceeds according to plan and have the right actions carried out at the right time. However, the findings also showed that although the dedicated M&A function is a separate unit, it has a strong interrelationship with the internal organisation and act as a supportive function to internal managers and employees, rather than a separate unit taking all the M&A related decisions. In retrospect, this study suggests that the general steps to establish efficient decision-making is, first, to structure the process and get the necessary and supportive functions and documentation in place. Second, evaluate if having a dedicated M&A function is beneficial and justified, and in that case, how it would be composed.

5.2.2 Negotiation

The second element, *negotiation*, comprises the attitudes and abilities companies should strive for when reaching an agreement and establishing trust. The findings were expected and in line with the literature, as these abilities and attitudes may be similar to those found in most negotiations. However, the findings added stronger emphasis on *honesty, transparency, and relationships*, compared to the literature that has a stronger focus on the actual negotiation process and negotiation tactics (Roberts et al., 2011). Moreover, in line with the literature, (Teerikangas, 2012) because the findings also emphasised the aspect of being transparent to the internal organisation and that the balance between the information you are allowed to share due to legal obligations, and the information that the internal organisation wants might be troublesome to find. Striving for openness on why and how things are proceeding is imperative, as highlighted by both the executives and the fact that one of the main concerns for respondents from the case study was not to be excluded from the decision-making, but rather not knowing what is going on and why. Furthermore, accentuated by the findings is having a thorough understanding of the *seller's motives* is essential, not only to decide if it is the right reasons but, more importantly, to be prepared and frame the motivational plan in the right way. Finally, added by the findings was the aspect of *utilising previous successful acquisitions*, and possibly one step further, connect the founders of prior acquisitions with new targets to support the establishment of trust and mitigate anxiety.

In short, essential to successful negotiations from a relationship oriented point of view is to adopt a long-term view and togetherness how to move forward. This study suggests, in line with the literature (Stahl et al., 2011), that emphasise trust is central to negotiations, as trust is imperative to have long-term relationships, preferably build through honesty and transparency, both internally and with potential targets.

5.2.3 Post-Merger Integration Considerations

In the final element in this main area, the post-merger integration considerations, the majority of the findings were expected, with the exception of the distinct focus on *cultural aspects* and the category *commitment through involvement*. Although it could be anticipated that the IT-consulting industry will focus on cultural aspects, the magnitude of emphasis on this category was not as expected. The respondent discussed a wide range of *changes to be aware of*, and the three most highlighted was changes in benefits, brands and roles. It was expected that both roles and benefits were of high importance for the employees, but the changes in the brand have not been widely spread in the M&A literature. The acquirer needs to have a more attractive brand than the target company to ensure that people feel that their situation is getting better, not worse, as consulting companies consist of people that easily can leave the company. Additionally, the findings emphasised the importance of acknowledging the personal attachments to the brand that the target employees, and especially founders, most certainly will have.

Similarly, the early involvement of the internal organisation that will work closely with the acquired company in the decision-making process was also expected, but not to the extent as highlighted by the findings. Moreover, the findings aligned with the statements from the literature (Trichterborn et al., 2016; Weber et al., 2019), that emphasised that a dedicated M&A function will support the shaping of a successful post-merger integration (PMI) strategy and implementation. It was evident from both executives and case-study that the dedicated M&A function should be a supportive function for the organisation, rather than the one doing all the M&A related assignments. Hence, further emphasising the aspect of involving and establishing the proposed acquisition with the local part of the organisation that will integrate the target. Furthermore, the reasoning from the literature (Haspeslagh and Jemison, 1991) that problems arising during the PMI can be traced back to the pre-deal phase were fully supported by the findings. The respondents stated that companies can plan for the expected challenges, and be prepared to *have the necessary resources in place* to face unforeseen problems, that for certain will arise. Finally, the previously discussed M&A strategy trade-offs, and more specifically, the decision on high vs low organisational autonomy will have a significant influence on this element. The findings were in line with the literature (Schweiger and Weber, 1989; Haspeslagh and Jemison, 1991; Ellis and Lamont, 2004) and put a great emphasis on this category. Respondents elaborated on pros and cons with high vs low organisational autonomy in the eyes of the PMI strategy, and similar to the main area M&A strategy trade-offs the views were deviant. However, looking more closely, when discussing the category *synergies*, and although synergies are relatively hard to obtain in IT-consulting, there seems to be a common understanding that to realise the synergies companies should fully integrate the target. The motivation behind this was to utilise some of the back-office and support structures. Nevertheless, all respondents agreed that there are benefits with both the high and low organisational autonomy in terms of the PMI strategy and that the important thing is to be aware of their respective advantages and disadvantages, and put them into the context of the acquiring company.

All together, the discussion on port-merger integration considerations underlines the fact that acquirers need to acknowledge the personal attachments and fully understand the potential changes, tangible like office location and salaries, as well as intangible like brand prestige and company culture, that comes with the acquisition. Furthermore, planning and resource readiness are essential to be prepared for both the expected and unexpected challenges with the PMI. More specifically, involving the internal organisation that will work closely with the acquired target, and have the necessary resources ready, are vital for a successful PMI strategy. Finally, as synergies in IT-consulting are minor, striving for full integration of the target seems imperative if the ambition is to fully utilise the potential synergies. In the following section, process development capabilities will be discussed.

5.3 Process Development

The third main area embodies the company's process of learning and capability development. The following section presents discussions on how the acquirer should interpret and adapt the knowledge gained from previous acquisitions, to develop the capabilities to manage the forthcoming ones.

5.3.1 Learning

The first category, the *learning by doing* way of building decision-making process capabilities was in line with the literature (Barkema and Schijven, 2008; Keil et al., 2012), as several respondents considered a association between the frequency of acquisitions and the success rate. The findings accentuated that acquirers should ensure that the key lessons and insights are classified into accessible knowledge that can assist the existing decision-makers, as well as serve as instructions for new employees.

Moreover, from a learning perspective, the respondents had an optimistic approach and acknowledged the fact that there might be positive outcomes even from failed acquisitions, in terms of valuable experiences. Although this was in line with the literature (Laamanen and Keil, 2008), the respondents had a broader point of view and elaborated on the fact that success can be defined in numerous ways, compared to the literature that has a more definite approach to defining success. When relating the aspect of learning by doing, and more specifically learning from failure to the previously discussed aspect of reputation and the theory of acquirer of choice, the findings stressed the fact of managing the reputation and succeed with the acquisitions, especially in the beginning of establishing the reputation. Therefore, although from a learning perspective the failed acquisition might in the end be positive, it can have negative effects on other areas, such as reputation.

Complementing the learning by doing is the second category, *learning from others* way of building decision-making process capabilities and, similar to the literature, was relatively briefly discussed. This could be given the high complexity of M&A, no common understanding of best practices or measuring success has been identified, and therefore, it's harder to determine success and mistakes at others. Another explanatory factor could be the hesitation to transfer knowledge from one setting to the other where it might not apply.

In short, acquirers should enhance organisational learning by thorough documentation and codification to capture experiences and inferences. Additionally, the findings suggest that acquirers should apply the reasoning by the literature (Hayward, 2002), that learning relates to the quality rather than the quantity of the company's experience.

5.3.2 Capability Development

The second element in the main area of process development section are the capability development. The respondents emphasised the highly complex nature of M&A that involves several interdependent sub-activities, each of which is complicated by itself. As a result, the findings suggest, in line with the literature (Eisenhardt and Martin, 2000), that companies should develop dynamic capabilities as a deliberate effort to *capture learnings* and continually improve the underlying processes and adapting to the changing environments. With this in mind, further support for the notion that companies should adopt a more dynamic view on the acquisition process, as the dynamic process enhances the ability to be flexible and anticipate difficulties by acknowledging how the activities are interlinked. Moreover, the findings were in agreement with the proposition of simple rules by (Bingham and Eisenhardt, 2011), as respondents explained that companies should balance concrete guidance with the freedom to execute personal decisions. Additionally, when relating the aspect of simple rules to the M&A operations tactics. It was evident that both the literature and empirical findings emphasised that simple rules as a foundation to decision-making on the sub-activities throughout the operational phase of the M&A process, is highly beneficial. Furthermore, the proposed use and advantages of a dedicated M&A function were consistent with the literature (Trichterborn et al., 2016; Weber et al., 2019) as the dedicated function positively related to the company's M&A learning process. The findings emphasised the positive impact to have a dedicated function that supports the documentation of experiences, especially tacit knowledge, that was consistent with (Trichterborn et al., 2016).

The second category in the capability development element is the category *standardisation*. From the empirical findings, it was evident that there is no level of standardisation that is general and applicable to all acquirers and the various types of targets. Instead, the findings showed that acquirers should align the right balance of standardised processes with the categories in the main area M&A strategy trade-offs, especially the deliberate vs emergent process, as the complex and unique situations of M&A activities require both structure and flexibility. Additionally, relating to the previous discussion on dynamic capabilities and simple rules. As suggested by the literature (Bingham et al., 2007), companies acting in changing environments should focus on dynamic capabilities that should be developed continuously to foster organisational development, instead of trying to compose a standardised formula to use on every acquisition.

Given this, the study suggests that given the complexity of M&A involving several interdependent sub-activities, companies should strive to develop dynamic capabilities and simple rules as a way to enable change and to adapt to changes in the external environment.

5.4 Discussion Summary

The discussion shows that the theoretical perspectives presented in the literature review resonate well with different aspects of the decision-making process. The two most essential trade-offs, showed to be attracting vs approaching and low vs high organisational autonomy. Regarding the attracting vs approaching trade-off the results were in favour for the approaching way of initiating deals. As discussed, a strong and positive reputation not only attracts and retain good talent, but also attracts good acquisition targets. Attracting target with reputation will support a more cooperative behaviours along the long-term integration process. Moreover, as evidence suggested that acquisitions made when acquisition target approached the acquirer was more favourable because the acquirer paid lower premiums, used less resources and timed acquisitions better. Regarding the other essential trade-off, high vs low organisation autonomy level, was showed to be highly dependent on what type of company the acquirer want to pursue. For example, healthy companies prefer higher autonomy level not to become limited to too much restriction; however, distressed companies need more robust support and therefore prefer a lower level of autonomy.

In terms of operational tactics, the study emphasises the importance of aligning the decision-making process with the overall corporate strategy and give significant attention to the organisational due-diligence, especially in IT-consulting. Moreover, the study indicates that negotiations from a relationship-oriented point of view are to adopt a long-term view and togetherness. Additionally, the study suggest that trust is central to negotiations, as trust is imperative to have long term relationships. Trust is built by honesty and transparency, both internally and with potential targets. Furthermore, in the consulting industry, the company valuations are revolving around their main assets, the talented people of the organisation, which during acquisition are sensitive to change. As a consequence, talent retention should be a key concern in the decision-making process.

To summaries the process development discussion, the empirical findings and the literature review suggests that companies should develop dynamic capabilities as a deliberate effort to constantly improve the underlying processes and adapting to the changing environments. More generally, the view on the acquisition process should shift from the traditional linear stage-gate process, to a more dynamic and iterative process. Additionally, the discussion suggest that acquirers should develop simple rules as a concrete way of organisational learning and thus developing the process, and that acquirers should acknowledge the fact that learning relates to quality rather than the quantity of the company's experience.

6

Implications for Theory

This paper has examined on strategy and operational level of the merger and acquisition decision-making process and how this process capability is developed based on qualitative data from interviews and well-established research. We have presented different trade-offs that decision-makers need to consider in order to select the most suitable operational tactics for their decision-making process.

The most non-intuitive trade-off strategy, and also the most exciting, is to either become good at attracting the right targets with reputation or approaching, i.e. good at finding the right targets. The discussion concluded that the attracting way of initiating deal were more favourable because of the benefits of paying lower premiums, using less resources and timing the acquisitions better. Moreover, this study demonstrated that an acquisition process could be viewed as an dynamic, iterative process with several parallel interconnected activities, rather than the current notion that it is a linear process. More value creating acquisitions could be made by taking a more holistic view on the different sub-process of the decision-making process.

Depending on what type of M&A strategies the organisation wants to pursue, the executives should develop process capabilities that operationalise different M&A tactics, including change awareness, and involve the internal organisation early in the M&A decisions process to build the right commitment that paves the way for a successful post-merger integration. Sustainable acquisitions also include a relationship-oriented negotiation process that builds trust through honest and transparent decision-making processes.

Furthermore, we have discussed strategies to speed up the decision-making process without losing the quality, for example, through developing a more structured process with “simple rules” that enable organisations to act on the right opportunities to capture maximum value quickly. Depending on the company size, a dedicated M&A function is helpful to strengthen the available resources to execute at a higher speed. Given these points, the findings contribute to M&A strategy research mainly by confirming the use of attracting by reputation and how decision-makers should navigate through the necessary M&A strategic trade-offs with a dynamic process approach.

There are several paths for future research. First, we suggest more qualitative research on how the dynamic way of viewing the acquisition process to further strengthen the understanding of the benefits of having a dynamic process approach. Second, further research on the role and effectiveness of the dedicated M&A team could be interesting by conducting multiple case studies for more nuances about how the M&A teams should interact with the rest of the organisation. Third, more empirical research on the impact on creating a reputation as the acquirer of choice would be interesting.

7

Implication for Practitioners

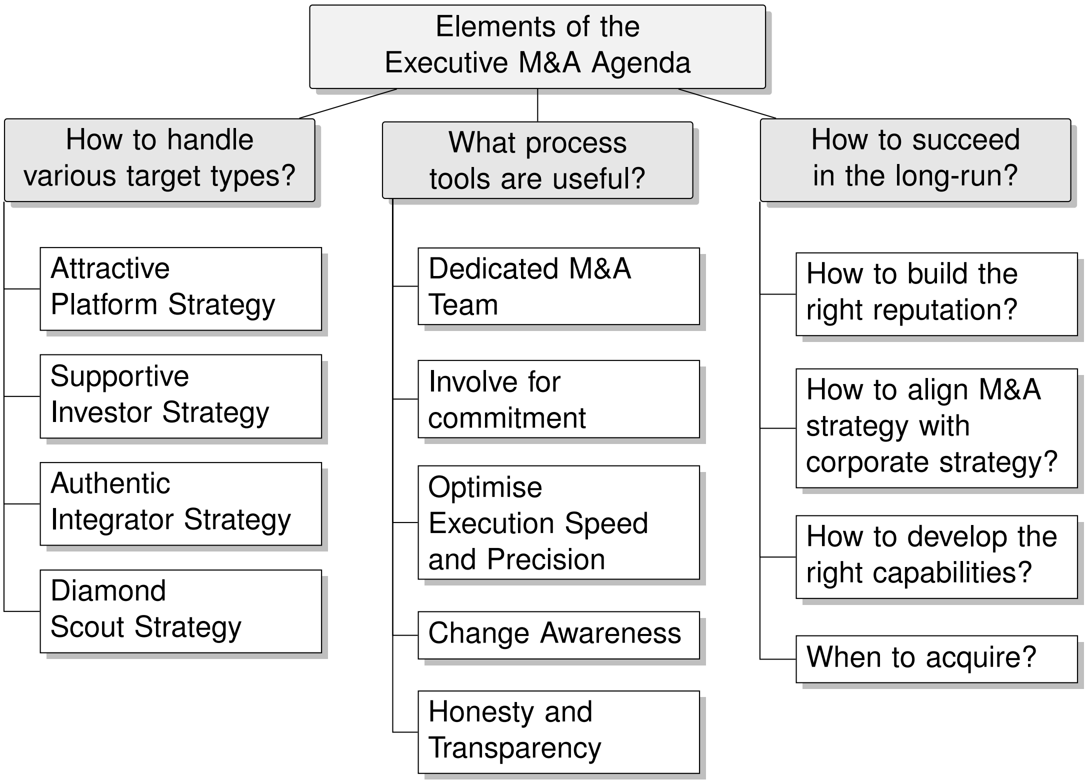

Figure 7.1: Elements of the Executive M&A Agenda that present the structure of the practical implication chapter.

Beyond theory building, this paper aims to provide advice for practitioners in developing their M&A Strategy to advance their decision-making process. This chapter are structured according to elements of the executive agenda, presented in Figure 7.1.. First, we present advice on how to handle the various types of acquisition targets by showing four types of M&A strategies. Second, we introduce useful process tools to improve the decision-making process. Lastly, we demonstrate how to succeed with M&A in the long-run by answering four core questions that practitioners need to get right.

7.1 How to handle various target types?

All companies are different and requires customised M&A strategies and approaches. As presented throughout this thesis, acquirers face a number of strategic trade-offs when trying to establish a unique and differentiated position compared to competitors. The two most significant are the trade-off between attracting potential target through reputation as a favourable acquirer, compared to approaching the target, and the trade-off regarding the level of organisational autonomy for the target post-deal. In order to better comprehend the relation between these strategic trade-offs and how the acquirer can position themselves, we have divided and named the M&A strategies into four types of acquirers, as shown in Figure 7.2. and further outlined below. Although the boundaries might not be as distinct, provides guidance and a better understanding of how to approach the M&A strategic trade-offs.

	Attracting/ Marketing	Approaching/ Searching
High Organisational Autonomy Level	*Attractive Platform Strategy*	*Supportive Investor Strategy*
Low Organisational Autonomy Level	*Authentic Integrator Strategy*	*Diamond Scout Strategy*

Figure 7.2: Four M&A strategies that are combinations of the two dimensions, post-deal organisation's autonomy level, high or low, and how to finding and initiating deal, through attracting or approaching the companies to acquire. Alternatively, the second dimension can be explained in other words, either initiating deals through marketing vs active searching for acquisition targets.

The first strategy, *Attractive Platform Strategy*, focuses on growth companies built by talented leaders that need space to grow and that refuses to sell their soul to the highest bidder. They will approach the acquirers with similar vision and values. Growth companies with talented leaders have superior potential but need the platform to succeed. To acquire these types of companies, the acquirer needs to market themselves as an attractive acquirer that can provide the right tools to take the next step without overruling them.

The second strategy, *Supportive Investor Strategy*, focuses on growth companies with less talented leaders. Not all growth companies are aware of the benefit from an acquisition, maybe because they are scared to shatter their unique close-family culture. These companies therefore do not approach acquirers. To capture the potential value in these companies, acquirers can search and approach them in a friendly manner to offer them support, like a supportive investor with a portfolio approach

The third strategy, *Authentic Integrator Strategy*, focuses on attracting companies that want to grow together with the acquirer. Like authentic leaders that inspire, empower and attracts those around them, the acquirer could become an authentic integrator. Attracting companies that want to grow together with the acquirer ensures a smooth post-deal integration that propels the combined growth. Strong culture and vision are core capabilities to become the authentic integrator.

The fourth strategy, *Diamond Scout Strategy*, focuses on finding smaller companies with high potential and fully integrating them. If the acquirers company want to provide their customers with cutting edge technology capabilities, it might be worth to actively search for potential start-up targets that the acquirer quickly can integrate into their organisation and thus extending the value proposition to their customers. Smaller companies are more open to have lower organisation autonomy which also provides more synergies. Be proactive and put enough resources to build relationship early with the aspiring diamond companies.

7.2 What process tools are useful?

To execute the adopted M&A strategy, this process toolbox outlines action points that practitioners need to consider to become better acquirers. The first tool is to set up a *Dedicated M&A Team*. Not everyone has M&A experience; therefore, it is useful to have a dedicated M&A team in place that manage the complicated process and supporting internal leaders. However, do not leave everything for the M&A team since it is crucial with local attachment to create ownership and responsibility. A M&A team helps to bundle and capture all M&A related knowledge and experience within the firm.

The second tool is *Involve for commitment*, that might seem unnecessarily but make major difference long-term. Executives should involve internal unofficial leaders and affected business unit managers in the decision-making to ensure organisation-wide commitment in the post-merger integration. With a sense of belonging, these leaders can be a deal breaker to create an engaging and transparent culture that drives the integration.

A third tool is to *Optimise Execution Speed and Precision*, to evaluate opportunities faster and with higher quality. Proper investments always start with a strong investment rationale and thorough due diligence, but if analysed for too long, one might miss the opportunity. To being able to act with speed, quality and precision when opportunities arise, the organisation must optimise the decision-making by standardising processes and preparing available resources. The decision-making team should be cross-functional to strengthen investment rational with more perspective and organisational commitment.

Moreover, the fourth tool is *Change Awareness* in both organisations. People never like to worsen their situation, especially not their work location, benefits, salary, bosses and brand reputation. To ensure that the talents do not leave out the door, make sure to acknowledge peoples subjective opinions and feelings. Aim for a post-deal situation that is better for all involved and be aware of the changes the deal implies. From day one after deal closing, anxiety spreads through both organisations because people want answers oncoming changes. Therefore, communication is vital, and decision-makers need a communication plan to convey the message right and clearly. If possible, post-deal discussions might even start during the operational due diligence to proactively prepare for change.

The fifth tool is *Honesty and Transparency to Build Trust*, that improves the negotiation process by building trust-based relationships. Trust and shared vision is essential for sustainable relationships and partnerships. Like partnerships, build mergers and acquisitions relationships on mutual trust and long term commitment. To succeed in the long run, practitioners should establish trust through an honest, open and transparent negotiation process. Do not promise the moon to get people on board a sinking ship. People will be disappointed. Instead, point out possible obstacles and problems to rather surprise them along the way. Also, clearly understand the motivation why previous owners what to sell to plan post-deal actions accordingly.

7.3 How to succeed in the long-run?

Acquisitions are not something that is done and then forgotten, it requires constant effort with refinements to succeed in the long-run. This road-map outlines strategic considerations to make sustainable acquisitions. The first recommendation answer the question: *how to build the right reputation?* Marketing towards customers and recruitment have had impact on organisations over the last decades, the same concept can be applied to mergers and acquisitions in the consulting industry. To build a reputation worth talking about, it is important to be bold and walk the talk. The consulting industry is all about people, and the people is the identity. Create and continuous renew the culture to attract the right talents. Advocate the organisations value proposition, not only to customers and employees, but also for towards future acquisition targets.

The second recommendation answers the question: *how to develop the right capabilities?* Capabilities are cumulative knowledge that are captured in organisations through processes, people and documentation. By observing the industry's M&A market and pursuing acquisition continuously, organisations can develop, so called, "simple rules" through experience, that tailors and strengthen process capabilities. But be aware of that it is the quality rather than the quantity of the company's capabilities that matters

The third recommendation answers the question: *how to align M&A with corporate strategy?* It is vital to link the M&A strategy with the company's corporate growth strategy and vision. To do that, decision-makers must be aware of the organisations identity and vision. Be clear about the organisation's values and craft a strong culture that will sustain in the long-run. If the organisation have the resources to become a serial acquirer, it will enjoy the benefits of risk minimisation with a portfolio approach, crafting the organisation's acquisition brand with an inclusive culture that embraces the people of acquisition targets.

The fourth recommendation answers the question: *when to acquire?* Like most business actions, a critical factor for value creating acquisition is timing. Not only timing of underlying market trends, but also timing of the target business cycle and internal timing of the acquirers ability to integrate. The business cycle can be well timed both with healthy and distressed targets if the acquirer can provide capabilities that can take the targets to the next level. The risk is higher in distressed acquisitions, but the growth potential is also higher. Sustainable timing business cycles is done through operational due diligence and market analysis. Internal timing can be mitigated by creating a culture of constant change and continuously pursuing acquisitions because then the organisation is proactively prepared when deal opportunities emerge or when market timing is right.

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