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Appendix A: Pilot Study - Summary of Research purpose document

Note: Given out to the first two pilot participants (A & B only) prior to interviews

Doctorate of Business Administration (DBA): Edinburgh Business School

Pilot study: Summary of Research Purpose (Rev.1)

Company expansion through Merger and Acquisition (M&A) is often chosen as an effective means of improving business prospects. Although M&A has proven to be fraught with risk of failure, this does not appear to have given much pause for reflection. Failure rates can be as high as 70% and poor integration is seen as a major contributory factor to these high failure rates (a third of all failures).

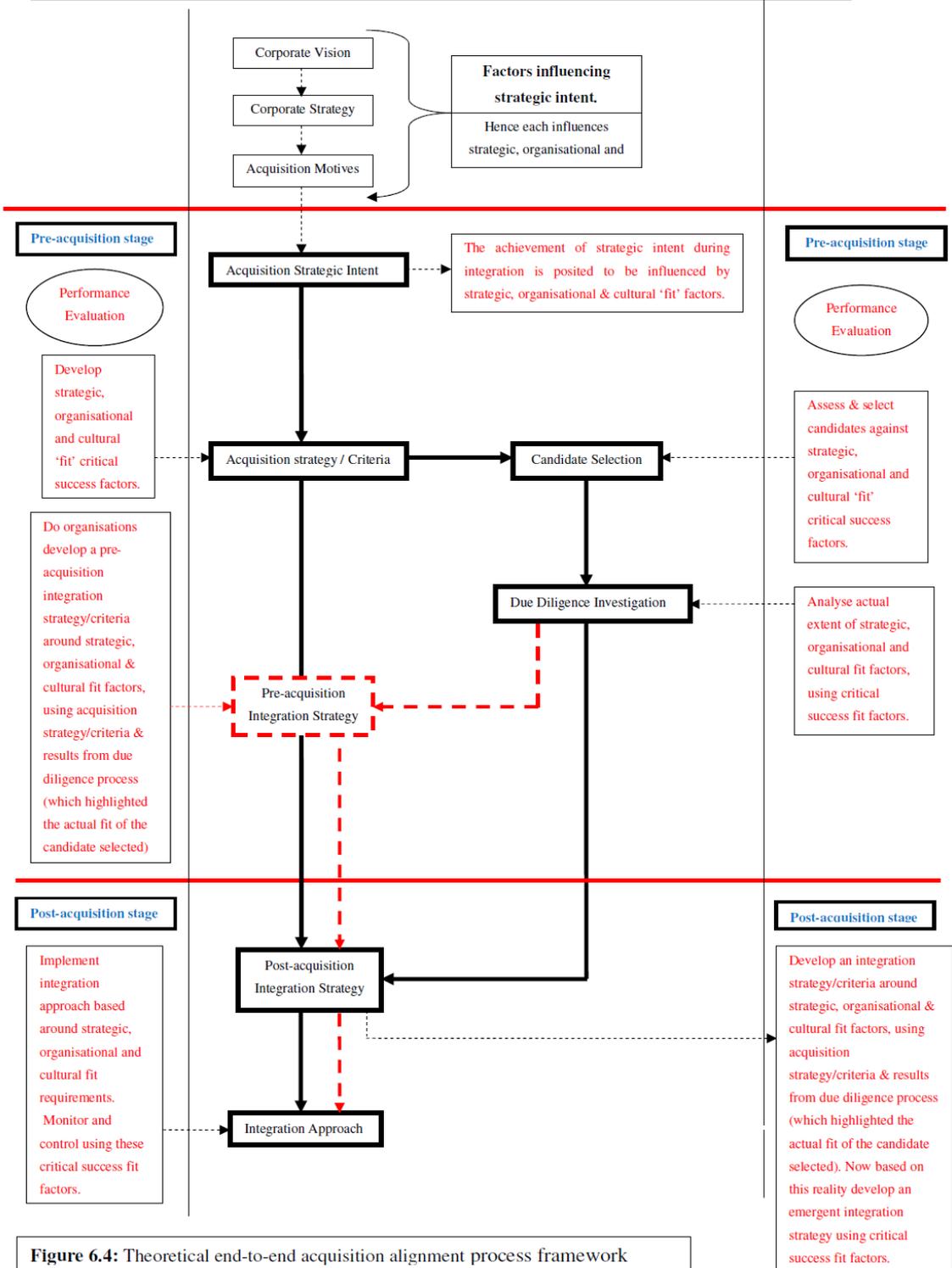
Some key factors in M&A success can be seen by examining actions both prior and subsequent to the M&A. Prior to the M&A the thinking behind the M&A decision must be considered, especially to see if it was not simply opportunistic, but rather carried out for strategic reasons. Subsequent to the M&A, poor integration management has been acknowledged as one of the factors contributing to these high failure rates and indeed in some cases research has shown that organisations do not even assess the performance of their acquisitions (i.e. measure performance) and hence they are not sure if the acquisition is contributing to the strategic objectives of the organisation.

Research has shown that in order to make M&As work, then strategic and organisational fit has a role to play, as they can influence acquisition performance through their effects on the firm's ability to integrate previously separate firms and therefore improve the chances of a successful acquisition integration outcome.

Strategic fit is to do with the relationship “between the acquirer and its target and the importance of ensuring that the proposed subsidiary can contribute to the parent's strategy” (Jemison & Sitkin, 1986b, p.107). **Organisational fit** (includes **cultural fit**) is to do with the “matching of administrative systems, corporate cultures, or demographic characteristics” (Jemison & Sitkin, 1986b, p.107).

Therefore in order to reduce the likelihood of acquisition failure and improve the chances of a successful acquisition outcome, there are good reasons why organisations need to align the M& strategic intent (via fit factors) with the acquisition process during integration.

In acquisition integration, how does the parent organisation align strategic intent?
 Theory posits that this is achieved by aligning strategic, organisational and cultural fit factors throughout the M&A process



Glossary of Key Terms

Alignment

A condition of congruity of goals / objectives / targets and priorities within an organisation. (Roberts, 1997, p. 22)

Critical Success Factors (CSFs)

Refer to a limited number of areas in which satisfactory results will ensure successful competitive performance for the organisation. CSFs are the few key areas where 'things must go right' for the business to flourish and managers' goals to be attained (Roberts (1997), p.22 citing Bullen and Rockart, (1991); Rockart, (1979))

Cultural Fit

Extent to which the beliefs, values and philosophy shared by the organisational members of the two firms are similar (Ellis, 2000). Rev. 1.

Failure

Not achieving ones M& strategic intent

'Fit'

A critical and overarching component of studies exploring issues of fit between two firms is that "fit" is posited to influence post-acquisition performance through its effect on the firm's ability to integrate the previously separate firms (Jemison & Sitkin, 1986)

"Goals", "Objectives", and "Targets"

Are the purposes toward which an endeavour is directed; ends. Goals may be explicitly stated or implicitly apparent. (Roberts, 1997, p.22)

Integration

The making of changes in the functional activity arrangements, organisational structures and systems, and cultures of combining organisations to facilitate their consolidation into a functioning whole (Pablo, 1994)

Integration Approach

Is a general term to distinguish between qualitatively different integration efforts where firms are transformed in systematically different ways, thus, creating different tasks and integration challenges (Ellis, 2000).

Integration Level

The degree of post-acquisition change in an organisations technical, administrative, and cultural configuration. (Pablo, 1994)

Integration Strategy

Integration serves to coordinate and control the activities of the combining organisations to realise the potential of the interdependencies which motivated the acquisition (Shrivastava, 1986)

Organisational Fit

Extent to which the reward systems, administrative practices, structures, systems, processes, etc. of the two firms are compatible (Ellis, 2000). Rev. 1.

Organisational Culture

Commonly defined as the set of beliefs and values shared by organisation members, encompasses characteristics such as employee attitudes and behaviours (Nahavandi & Malekzadeh, (1988); Schein, (1985)).

Strategic Fit

“The basic premise underlying the notion of strategic fit, is those firms operating in similar product markets gain synergistic benefits when engaging in an acquisition. This synergy occurs as firms operate more efficiently and effectively after an acquisition than either could do as separate entities. Moreover, higher levels of relatedness are likely to facilitate the acquired firm’s ability to achieve economies of scale and scope via combining and/or sharing resources and capabilities. As a result, related mergers are thought to create more value for shareholders and generate superior financial returns when compared to unrelated business combinations”. (Ellis, 2000).

“The better the strategic fit between the acquiring and acquired firm – that is, the more the respective environments of the two firms have in unifying features – the greater should be the performance gain to the acquired firm” (Lubatkin, 1983, p.218)

Extent to which products and markets of the two firms are similar (Ellis, 2000). Rev.1.

Private and Confidential

Name of student researcher: Nicholas Ingle

Institution of Regulation: Edinburgh Business School

Title of Research: Alignment of M&A strategic intent in M&A integrations.

Interview Schedule:

Company Name: _____

Interviewee: _____

Position in organisation: _____

Date of interview: _____

Important information:

- Firstly I would like to record this conversation, and then create a written transcript, which I will email to you for verification and comment. If something in the text requires clarification or if you are not comfortable with the way something was stated let me know and I can edit the transcript.
- Secondly I want to assure you I will keep your comments as confidential as you require. I may use your comments either with colleagues or in print with your permission. However your name or the organisations name or other descriptive information that would identify the source will be anonymised in the thesis or any other print media. I will identify you only with your professional title (e.g. VP Finance, organisation A)
- The interview will last approximately one hour.

(Badhe, 2003)

Pilot Interview Questions:

A. Introduction / Background Questions

1. Please outline the background to your acquisition case?

Prompts:

- Size of the organisation? (i.e. staff, turnover and acquisition value)
- What sector was the acquisition in?
- What was your role in the acquisition?
 - Pre-acquisition
 - Post-acquisition
- Did you appoint have an integration manager?
 - Pre- or Post?
- How important is strategic fit to the organisation?
- How important is organisational fit to the organisation?
- How important is cultural fit to the organisation?
- **If you had 100% to apportion among the three fit factors, when carrying out an acquisition, how would you apportion it?**

B. Acquisition strategic intent

2. What were the strategic intentions for the acquisition?

Prompts:

- Was it part of an overall growth strategy?
- If yes, what was that strategy?
- What was the motivation behind the acquisition?
(Cote, Langley & Pasquero, 1999).

C. Acquisition strategy / criteria

3. When you identified that an acquisition was the route forward for strategic expansion, did you develop an acquisition strategy or acquisition criteria?

Prompts:

- Was it a formal written strategy or informal one?
- What was the strategy or what were the criteria?
 - (State milestones, objectives and KPI's)?
 - Could I look at it?

- Did the strategy or the criteria include strategic, organisational or cultural fit factors? (See glossary of terms).
- If so, can you state the most important criteria for each fit factor?

D. Candidate Selection:

4. How were acquisition candidates identified and selected?

(Cote, Langley & Pasquero, 1999)

Prompts:

- What criteria were used to help select acquisition candidates?
- Where strategic, organisational or cultural fit factors used in the identification and selection of acquisition candidates?
- If so, can you state the most important criteria for each fit factor?
- How was each one assessed in the selection of candidates?

E. Due Diligence Investigation:

5. In the due diligence investigation process, did you analyse:

Strategic fit,

Organisational fit,

and Cultural fit elements of the target organisation?

Prompts:

- If yes, how did you analyse each?
- Did you use specific frameworks?
- If no, then what elements did you analyse?
- Did you look for compatibilities?

(Cote, Langley & Pasquero, (1999); Handler, (2006)).

6. Did any of the above 'fit' factors inform your decision making process?

Prompts:

- If so, how?
- Did they inform your approach to integration?
- How?
- What did you do with the information on fit factors?

F. Integration strategy:

7. Did you develop a pre-announcement integration strategy or was it developed in the post-acquisition stage of the process? (Badhe, 2003).

Prompts:

- When did you first start thinking about the integration process?
- Was there a clear integration strategy established at the time the combination was announced, or did the strategy emerge during the integration process? (Badhe, 2003).
- What was included in the integration plan?
- What specific milestones, objectives and KPI's did you set. (Cote, Langley & Pasquero, 1999).
- Could I see them?
- Did they include strategic, organisational or cultural fit factors?
- If so, what were they?
- Could you show me?

8. What were the integration priorities? (i.e. where will value be created) (Perry & Herd, (2003); Badhe, (2003); Gates & Very, (2003)).

Prompts:

- Were any of the priorities related to the strategic, organisational or cultural fit factors?
- If so, what were they?
- Could you show me?
- How did you measure these?

G. Integration Approach:

9. What degree of post-acquisition integration took place? (Cote, Langley & Pasquero, (1999); Handler, (2006))

Prompts:

- Extensive, moderate, no interruption of the target's autonomy?
- Did you incorporate elements of the target's strategic, organisational and cultural fit into your integration approach?
- If so, how? (Handler, 2006)
- How did you monitor this?

H. Pre-acquisition performance management

10. Were any key performance indicators developed in the pre-acquisition phase?

Prompts:

- If so, what were they?
- Did they include strategic, organisational and cultural fit elements?
- How did you measure and monitor them?

I. Post-acquisition performance management:

11. How did you measure post-acquisition integration?

(Gates & Very, (2003); Cote, Langley & Pasquero, (1999)).

Prompts:

- If it was measured, which measures did you use? (Gates & Very, 2003).
- Did they include strategic, organisational and cultural fit elements?
- What measures did you use?
- How did you monitor them?
- Did you feel that there were distinct phases in the integration process?
- If so did you use different criteria for these phases?

J. Success:

12. How would you define a successful acquisition?

Prompts:

- What were the reasons for success or failure?
(Cote, Langley & Pasquero, 1999).
- If it was successful, why so?
- Was it due to strategic, organisational or cultural fit factors?
- If unsuccessful, why so?
- Was it due to strategic, organisational or cultural fit factors?
- Would you carry out another acquisition differently?
- How important do you think that the M& strategic intent is to the success of the acquisition?
- Did you align acquisition intent and operating strategy to achieve integration success? (Handler, 2006).
- If not, why not?
- How did the acquisition add value to the organisation?

- How did you add value to the acquisition?

K. M&A Process

13. Do you think the M&A process caused strategic, organisational or cultural drift?

Prompts:

- If so how?
- In hindsight what would you do differently to overcome this?