

Mastering the Art of M&A: Proven Strategies for Successful Post-M&A Integrations

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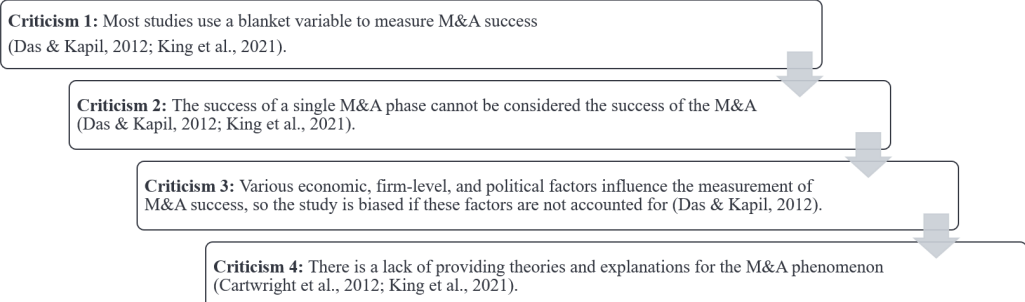
High-tech companies in the United States spend over US \$1.4 trillion in annual merger and acquisition (M&A) activity. Yet, most research studies between 1995 and 2020 indicate that 70%-90% of M&As fail due to post-M&A integration issues! What strategies can be used by high-tech companies to achieve successful M&As?

01 Introduction

The lack of resource reconfiguration during post-M&A integration is considered the primary reason for M&A failure (Bodner & Capron, 2018).

This research addresses scholarly criticisms of prior M&A research and uses the lens of dynamic capabilities (DC) theory, to investigate the impact of post-merger resource reconfiguration on M&A success at high-tech, public companies in the United States and identify the strategies for successful post-merger integrations.

Criticisms of prior M&A research



02 Research Questions

How does post-merger resource reconfiguration impact M&A success?
AND

What are the antecedents to successfully implementing post-merger integrations at high-tech companies within the United States?

SPIDER Framework

SPIDER (Cooke et al., 2012)	
Sample	Public, high-technology companies in the United States Jan 2011 – June 2020
Phenomenon of Interest	Post-merger integration in M&A transactions.
Design	Sequential explanatory, exploratory mixed method research based on dynamic capability theory.
Evaluation	Quantitative phase: Market measures, Accounting measures Qualitative phase: Subjective measures
Research Type	Sequential mixed method design

03 Methodology

Quantitative Data Analysis

How does post-merger resource reconfiguration activity impact M&A success?

• Financial data of 100 high-tech, public companies in the United States

Data source: WRDS, Mergent Online, press releases

Qualitative Data Analysis

What are the processes that serve as antecedents to successfully implementing post-merger integrations?

• Semi-structured interviews with 17 high-tech companies. 12 out of 17 companies were part of the quantitative data analysis.

Data source: M&A professionals

Triangulation of qualitative and quantitative data analysis.

• Triangulation of data and identification of additional antecedents to M&A success.

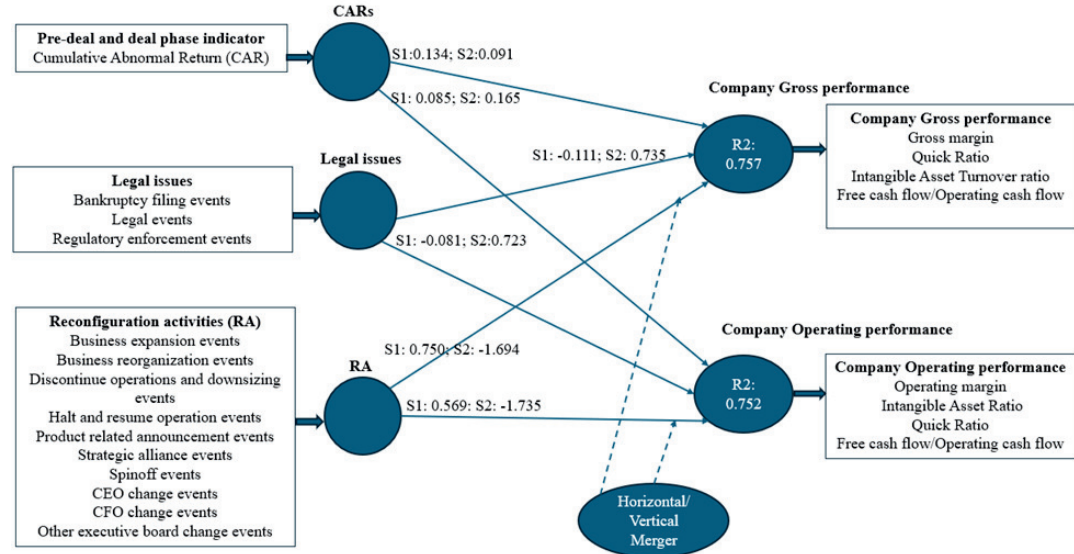
Subject Matter Expert Review
Bias and validity considerations.

04 Analysis

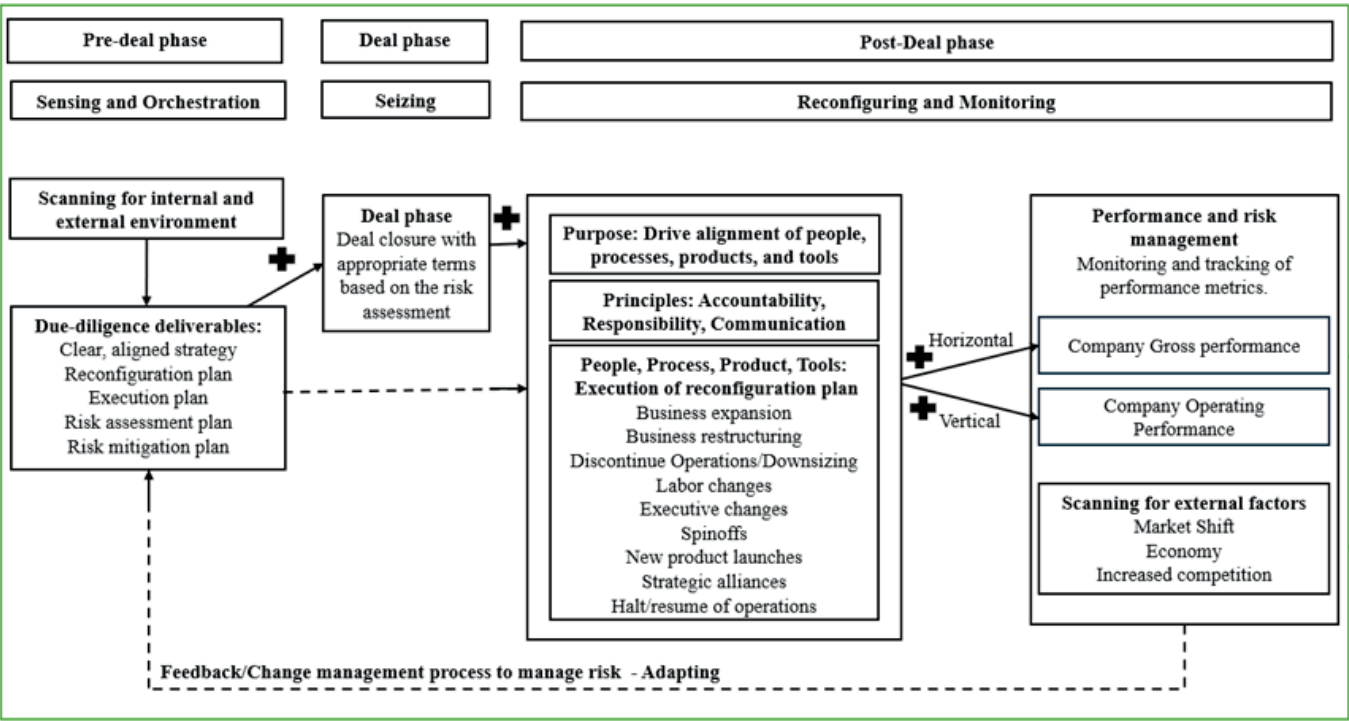
Data Analysis

- Correlation matrix and multiple regression
- PLS-POS (Becker et al., 2013), PLS-Predict (Shmueli et al., 2016)
- Thematic analysis of qualitative data – interview transcripts (Atlas.ti)

Quantitative Analysis: PLS-SEM



05 Results/Findings



06 Conclusion

How does post-merger resource reconfiguration impact M&A success?

Post-M&A resource reconfiguration activities improved firm performance; however, insufficient or excessive resource reconfiguration decreased firm performance.

What are the antecedents to successfully implementing post-merger integrations at high-tech public companies within the United States?

- Sensing the internal and external environment for M&A opportunities.
- Orchestrating the M&A deal through adequate due diligence.
- Seizing M&A deals based on the risk assessment and risk management plan.
- Reconfiguring resources (people, process, products, tools).
- Monitoring performance metrics.
- Adapting the plan to changes discovered during the integration.

Theoretical Implications

The dynamic capabilities theory emerged as a comprehensive framework that encompasses the entirety of the M&A process, distinguishing itself from other M&A theories. The study extends the DC theory and discovers that in the M&A context, the organization's ability to sense, orchestrate, seize, reconfigure, monitor, and adapt determines firm performance.

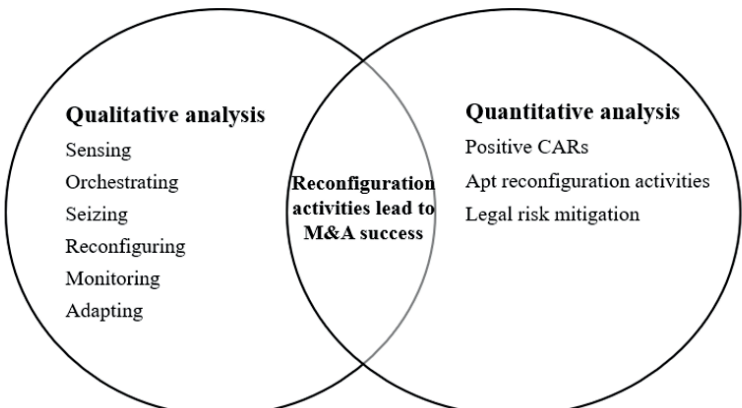
Practical Implications

This study recommends management to pay attention to all phases of the M&A for M&A success. The due diligence process during the pre-deal phases should evaluate risks and orchestrate the deal by determining deal phase negotiations and post-deal integration, monitoring and adapting. The due diligence process needs to evaluate people, processes, products, and tools for risk.

Qualitative Analysis: Thematic Coding

Quotations	Codes	Categories	Themes
All companies go through an annual planning process. That process is to look ahead for the next year, to budget it, to forecast what initiatives are we going to do, what M&A, what we do, but that also then leads into usually like a three- or five-year plan that is on a rolling basis.	Proactive planning	Pre-deal: Internal scanning	Sensing: Internal and external environment
The organization who makes decisions, how are decisions made? Who are the influencers vetting your strategic rationale of why you're doing the deal, which would be very? Focused internally and aligned them before you get into diligence with another company, and you should use diligence to vet out that those indeed strategic rationales or a lot of people refer to them as value drivers.	Due-diligence: Alignment Due-diligence: Decision-makers Due-diligence: Identify value drivers Due-diligence: Strategic rationale.	Clear strategy Alignment on strategy	Orchestrating: Due diligence: Purpose: Clear, aligned strategy
You do that planning during diligence, and you have those conversations. Internally and you, you should be aligning on that. So where I like to get to. On in terms of integration plan before we close...Of exactly what you plan to do across all the functions at a high level, and then also what that would include, are there going to be potential redundancies, layoffs, things of that nature which?	Due diligence: Reconfiguration plan	Reconfiguration plan for all functional units	Orchestrating: Due diligence: People, Processes, Products, Tools: Reconfiguration plan
Diligence is focused on highlighting any potential risks and/or issues and validating any assumptions made during deal development.	Due-diligence: Risk assessment	Risk assessment	Orchestrating: Due diligence: Risk assessment and management plan
And then pulling that model out and continuing to track, we said in a year we were going to add, you know this much in revenue and this much in EBITDA in the 1 st 12 months	Factors for success: Due diligence: Decision on financial metrics	Performance metrics determination	Orchestrating: Due-diligence: Determination of performance metrics
Like if I have similar to buying a house, if I have to make like you know 100K of repairs. I'm going to negotiate my Purchase price. Down by 100K, so it also helps. Really, you know, with the whole negotiation process as well.	Due-diligence: Risk management (2)	Risk management	Seizing: Deal phase: Risk assessment and management plan helps deal phase
So yeah, I mean, that's the next level, and then there is the operational level, right? So, but I think that senior level leadership and really driving the incentives the motives you know really keeping this team going	Integration: Senior leadership alignment Integration: Senior leadership incentives	Alignment of leadership	Reconfiguring: Post-merger integration phase: Purpose: Drive alignment across people, processes, products, and tools, and mitigate risk.
Our integration activities focus on strategy, value enablement & realization, functional processes, culture, and change management.	Integration: Change management, culture compatibility, functional processes, integration of strategy, value realization mechanics	Integration of strategy, people, and processes	Reconfiguring: Post-merger integration phase: People, Process, Product, and Tools : Execution of reconfiguration plan
That business case is essentially a full P&L and some balance sheet metrics. Things like CapEx and so forth, you know, things that are important to our investors. And that business case is monitored against the actual performance every quarter and management is held responsible for achieving that business case and there's board-level visibility even on the smallest transactions that we do in that performance.	Integration: Regular cadence meetings Factors for success: Integration: Tracking of KPIs Factors for success: Integration: Tracking progress of integration plan	Monitoring and tracking of performance metrics	Monitoring: Post-merger integration phase: Performance: Tracking performance metrics
It was not successful for many reasons. The primary reason. Being the shift in the market, the market itself has changed.	External factors: Market shift	Market shift	Factors for failure: External market conditions/shift Need for adaptation

Antecedents to M&A success



Related Literature

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