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The Role of Speed of Integration in the Integration Effectiveness and Mergers & Acquisitions Success

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1.   Introduction

1.1   Research Problem

This dissertation presents a research in the field of business strategy and focuses on the strategy of mergers and acquisitions (M&A), at the stage of the performance of the post merger integration between the firms. The dissertation focuses on the making of decisions regarding the speed of integration (SOI) and integration approach, assuming that they influence the integration effectiveness and M&A success.

The chapter of the literature review shows that although the strategy of M&A is very popular and in a constant trend of increase, the percentage of the success of the M&A is very low and is only about 30-50%. Therefore, many researchers in the field of business strategy attempt to identify the variables that influence the success or failure rate.

Till now the impact of many variables on the success of M&A has been examined. Some of the variables are external to the companies and related to the market or the industry, and some are internal variables, related to the organizational culture, the management style, the manner of performance of the process, etc. However, the insights in the hands of the researchers on the variables that influence the success of M&A are still only very partial, due to two primary reasons. The first reason is the great difference in every M&A transaction, since every company involved in the process is unique and different from other companies. Second, there are many variables that influence the degree of success of the M&A but their success depends also on a combination that is comprised among them, so that the isolation of one variable without examining together the entire constellation of the other variables does not always depict the full picture.

Many variables were examined in research studies using a number of research methods. However, the fact is that till now the winning 'formula' or the appropriate combination of the variables known to predict the high likelihood of the success of M&A has not yet been found. Therefore, apparently, the percentage of the failures continues to be high. Even variables with an impact on the increase of the chances of M&A success that appears to be very logical, such as acquirer previous M&A

experience, have not been proven to predict success. Some of the research studies even show conflicting findings (King et al., 2004).

The main reason for the success or failure in M&A lies in the way in which the integration is performed between the companies. Thus, the present research focuses on the stage of the post merger integration (PMI) with emphasis on the impact of the variable SOI on the integration effectiveness and M&A success. Only few research studies have been performed till now on the influence of the speed of the integration on the success of the M&A (see sub-chapter 4.5) and the researches that have been conducted have focused only on part of the integration process. Some researchers (Angwin, 2004) examined how the integration was managed in general (in all the organizational functions) but focused only on the beginning of the integration period, in the period of the first 90-100 days alone, since this a defined period, precisely bound in time. It is easier to analyze what occurs in this defined – and short – period and it can be assumed that it is disconnected from long-term outside impacts.

Since the integration does not end after the first 100 days and may continue in some cases even a number of years, limiting the research to a period of the first 100 days alone has an essential disadvantage since the research does not examine the processes that occurred after this period. It is possible that what happens after the first 100 days has a greater impact on the success of the acquisition. So, some of the researchers examine the impact of the integration throughout the entire period of the integration and not only in the first 100 days. However, they focus only on one organizational function in the companies that are involved in the acquisition such as the function of marketing and sales (Homburg and Bucerius, 2005, 2006).

These researches, too, have a limitation since the integration can succeed in one function but fail in another function. It is possible that isolation for the purposes of the research of one organizational function does not 'tell the whole story' of the reasons for the success or the failure. Moreover, the organizational functions depend for the most part on one another. For instance, the success of the integration in the sales and marketing function depends on the integration of other functions, such as HR, IT, R&D, etc. Therefore, to attempt to find additional insights into the relationship between the SOI and M&A success, I chose to focus in the present research on the entire period of the integration, from its start to its end, and on all the main

organizational functions – manufacturing, R&D, sales and marketing, finances, information systems, and service.

In addition, since I noted that many variables influence the M&A success, I chose in the present research to examine the impact of the SOI on M&A success while in parallel examining a number of variables: first, type of M&A: cross border or domestic, second, combination of different characteristics of the firms involved in the M&A like: cumulative and relative firms size, acquired age, acquirer previous M&A experience, level of relatedness between the firms, organizational culture differences, acquirer nationality and third, the integration approach. The assumption is that as more combinations of variables that influence the relationship between the SOI and the M&A success are examined, there is more chance to find in the research many more insights into the way in which the different variables influence the M&A success. As the literature review chapter will present, there is a relationship between SOI and M&A success. However, this relationship has barely been studied in the previous researches, which focus on the integration process, and so far there are few findings and some are even contradictory.

1.2   The Idea of M&A Success

The only reason to perform M&A, which usually come together with high business risk and need of the investment of considerable organizational resources (capital, managerial efforts etc.), is to raise the firm's value in a reasonable period of time, in general in a period of 2-5 years. The firm's value will in general increase if the firm succeeds in significantly improving its performances. The improvement of performances can occur by increasing the market share, by increasing sales, or by reducing the firm costs. But the most important performance variables are to increase the firm's level of growth and the firm's net profit. The firm's improved performance following the M&A leads to the firm's increased value. This value increase can be stable or temporary, and the challenge of the firm's management is to achieve the firm's continuous performance and value growth.

However, the main question of the shareholders is: what are the sufficient firm performance and value growth that pays for the entire M&A costs (direct and indirect costs)?

In general, like in every investment, there is a common benchmark for measuring M&A deal profitability (or success) by measuring the shareholders' (the investors') returns and comparing them to the return shareholders could have earned on other investment opportunities of similar risk. According to Bruner (2001), there are three possible outcome scenarios from M&A deals:

A. Value conserved scenario - Here, the M&A costs returns equal the shareholders' required returns. In this case the shareholders get just what they require. The shareholders' investment in the M&A has a net present value of zero; it breaks even in present value terms. If the shareholders require a return of 15 percent for example, and get it, the shareholders' wealth will double in five years.

B. Value created scenario - This scenario occurs where the shareholders' returns exceed the returns required. This investment bears a positive net present value so the shareholders' wealth grew higher than was required. Given high competition in the firm's markets, it is difficult to earn "supernormal" returns, and it is very difficult to earn them on a sustained basis over time. The creation of a successful M&A deal can break this general rule.

C. Value destroyed scenario - In this case, shareholders' returns are less than required so the shareholders could have done better investing in another opportunity of similar risk. Unfortunately this scenario occurs in more than 50% of M&A.

To evaluate the M&A success, firms used to compare their previous performance before the M&A with their performance after the deal. Another comparison is between the firm and other similar competitors in the industry that didn't make M&A deals in the same period. If the firm performs scientifically better and can return the M&A costs in a reasonable time, then it had clear M&A success. But this measurement is not so simple because as time passes from the execution of the M&A, it is not easy to eliminate the influence of the M&A alone on the firm performance and value changes from the influences of other business events, inside or outside the firm. The methods of measurement of M&A success are presented in more detail in sub chapter 2.3.

1.3   Research Objective

The research objective is to add managerial knowledge in the field of M&A, when the assumption is that additional variables that influence the integration effectiveness and M&A success will be found. The research is supposed to add theoretical knowledge in the field of management and practical knowledge for managers who are facing a decision in the stage of planning and performing the integration between companies, after the closing of the M&A deal.

The research question is: What is the Role of the Speed of Integration in the Integration Effectiveness and in the M&A Success? The research assumption is that the variable SOI has an important influence on the integration effectiveness and on the M&A success.

1.4   The Added Value of the Thesis

The added value of the thesis to the field of M&A is as follows:

a. The research makes another contribution to the understanding of the impact of the variable SOI on the integration effectiveness and on the M&A success. Therefore it will help managers that will be involved in M&A deals to make better decisions about the desired SOI and how to manage the PMI in a better way.

b. The research uses a number of variables (like 'acquired age', 'organizational culture difference', and more) that have not been examined in the context of the impact of the SOI on the integration effectiveness and the M&A success.

c. The research examines the impact of the variable SOI on the integration effectiveness and on the M&A success in 3 different measurement approaches of the speed and this is a new approach.

d. The research takes into account for the first time the influence of the SOI on every organizational function and not only on the total integration time.

The research examines M&A in which Israeli firms are involved (as acquirer or as acquired companies). This is only the second research (to the best of my knowledge) on this topic in the Israeli market. The Israeli market is influenced by many M&A transactions, primarily of Israeli start-up firms that were acquired by large high-tech companies such as Cisco, Microsoft, and HP.

1.5 Research Methodology

The methodological task is to find out whether there is any significant connection between SOI and integration effectiveness or M&A success. To be more specific, the methodological task is to find out whether it is better to speed-up or to slow-down the SOI to get better M&A performances. Because the SOI is not a clear cut period, three methods of SOI definition were chosen in the research: the total SOI, the average SOI in nine organizational functions (ASOI), and the sales and marketing SOI (S&MSOI).

The research is a quantitative method research type that was performed in Israel during the years 2007-2010. The research population includes all the Israeli companies that performed M&A transactions in Israel or outside of Israel (as acquirer or acquired firms) in the years 1992-2007. Between these years approximately 1,000 M&A were performed in Israel. The research sample includes 138 M&A performed in Israel during the years 1990-2007 with aggregate revenue of more than $10 million. Because there is no M&A database that includes data about SOI or data about the integration effectiveness, the only possible way to get the research data was to collect it through interviews of senior managers who were involved in those M&A throughout the entire integration period. To get more accurate data, the research data collected by questionnaires during personal meetings (and not by Email) with senior managers (general managers, VPs, etc.) from the companies that were included in the research sample. This research population includes cross-border and domestic M&A and companies with a wide variety of characteristics: large and small companies, younger and older companies, companies with previous experience in the performance of M&A, and companies without prior experience, etc., so as to cover all possibilities of characteristics and types of M&A found in the research model. Most of the acquiring companies in the research sample, 60.1% (83 companies), are Israeli companies while the rest, 39.9% (55 companies) are non-Israeli companies (from Canada, France, Germany, India, Sweden, Taiwan, England, and the United States (see the research sample composition in appendix 8.1).

To get more insights from the research, the research includes an array of nine independent variables that represent the M&A characteristics: combined and relative firm size by revenue and by number of employees, acquired firm age, acquirer

previous M&A experience, organizational culture difference, synergy potential, and level of relatedness; two mediators variables: speed of integration and level of autonomy given to the acquired firm; and two dependent variables: integration effectiveness and M&A success.

The research includes 26 hypotheses, and the research statistical procedures include correlations analysis and regression analysis between all the research variables.

2.   Literature Review

The literature review begins from the macro-level with a general description of the basic business strategies. After that, the review will concentrate on the strategy of mergers and acquisitions (M&A). Then, the research literature that addresses the main factors of success and failure is described, when at the center is the manner of performance of the integration. The topic of the speed is expressed first in the general level of its impact in the world of business strategy and then in the micro-level of the impact of the speed of the integration on the success of M&A.

2.1 M&A Strategy - General Background

In the global business world of the 21st century, a world characterized by a high level of dynamism and steadily increasing competition, companies and corporations need to have the ability to grow rapidly, to act efficiently and effectively, to be profitable, to be flexible, to develop dominant competitive positioning, and to be on a high level of readiness for the future. Without these attributes, they will have difficulties being competitive (Schuler and Jackson, 2001).

Life in the business domain is becoming steadily more difficult due to the growth in the dynamism, complexity, and uncertainty of the market, through frequent changes in technologies, in the structure of the competition, in the borders of the field, and in the rules of the game (Asch and Salaman, 2002). Therefore, companies and corporations search incessantly for new business models and business strategies that will improve these qualities, as fast as possible, so that they can respond in the best possible way to the changing demand of the clients and to the changes in the map of competition in the domain.

Growth can be achieved in an internal manner through organic growth, which is generally slower and is limited, more or less, to the growth rates of the field (if it is growing). Organic growth can be performed through the self-diversification of the line of products and of the markets where the firm operates and by the establishment of a start-up company in another area of activity. Beyond the limitation of the growth ability, organic growth has a prominent disadvantage – the limitation of the resources and abilities of the company that sometimes sets a glass ceiling in terms of its ability to develop products, markets, and areas of activity and to meet the pace of competition in

the industry. This is most significant in industries where the level of dynamism and competition is most high. Alternatively, growth can be achieved in a faster manner through external growth (non organic growth) that allows growth at nearly unlimited rates through strategies of alliances, licensing or through a strategy of M&A. In external growth the company is aided by the resources and abilities of other companies and this synergy can significantly improve the company's competitive ability.

When a company wants to achieve competitive advantages in a broad geographic realm such as a geographic region that includes a number of countries or in a full global manner, sometimes organic growth will not allow this to happen since competitors who adopt strategies of external growth will promote them in the approach to new markets and clients. The strategy of M&A is one of the main strategies adopted today by companies and corporations so as to expand into new markets, diversify products and services, and increase the competition in the field (Shimizu et al., 2004).

Even the mega-companies leading in their fields perform mega - M&A to achieve additional advantages in growth and diversification. Among these companies, we can present as examples the mergers between Exxon and Mobile, between America Online and Time Warner, and between Chrysler and Daimler and the acquisition of the German communication company Mannesmann by its competitor Vodafone AirTouch for 179 billion dollars. Some companies, such as Cisco, adopt this strategy as their leading competitive strategy (buy vs. build) and have an acquisition minded culture, which is appropriate to the market in which they function (Chatterjee and Bourgeois, 2002). The Cisco Company has performed more than 60 acquisitions during the years 1996-2000 and in this period the company's stocks raised an average of more than 50% a year (Gadiesh et al., 2003). Another example is IBM that performed 17 acquisitions of an overall value of about 1.5 billion dollars in 1999 (Fowler et al., 2003).

Successful performance of M&A has become one of the core abilities of the companies and a source of competitive advantage of the competitors. Since these companies engage in the constant search for opportunities for M&A and constantly are integrating the companies that have been acquired, they sometimes maintain a regular organizational unit that engages solely in the M&A. Technological developments, primarily in the fields of computerization, communication, and information, along with the process of globalization, processes of privatization of governmental companies, the

liberalization in the transfer of merchandise and services between countries, and the trend of unification between fields and industries and companies and regions – all accelerate the popularity of the use of this strategy. All these factors create many more opportunities to perform M&A and also exert pressure on managers to join this trend (Hitt et al., 2001).

The quantity and financial scope of M&A in the world have been constantly rising from the 1980s and the popularity of this strategy is steadily accelerating. In 2007, for example, the scope of the M&A in the world had a financial worth of 4.2 trillion American dollars. But, after the 2008 world economic crisis the total value of the worldwide M&A declined dramatically to 2.7 trillion in 2008 and 2.0 trillion in 2009. This happens because of the lack of financial sources to finance the M&A. In the areas of hi-tech, most of the acquisitions are of the 'technology acquisitions' type. In this type, small and young companies that excel in innovation and the development of novel products are acquired by the large and leading companies that need the technologies and developmental abilities of the acquired companies to ensure the constant flow of new products to be placed in the market with fast time to market (Puranam et al., 2003).

In the empirical research literature in the field, it is accepted that the phenomenon of M&A comes in wave format. Until today, five such waves have been identified: in the beginning of the 20th century, at the end of 1920s, at the end of the 1960s, 1980s, and 1990s (Gugler et al., 2002). The first waves of mergers were primarily in the United States and only in the fifth wave, in the 1990s, did the M&A in Europe reached a similar level to those in the United States (Martynova and Renneboog, 2006). The leading domains are biochemistry, pharmaceuticals, telecommunication, banking, natural resources, and infrastructures (in light of the trends of privatization). In regards to the type of ownership of companies, the number of private companies that performed M&A is greater today than the number of public companies (Capron and Shen, 2004).

The realm of M&A is a very complex field in which different disciplines from the management sciences are involved, disciplines such as strategic management, international managements, organizational behavior, and finance. Two main approaches are accepted for analysis: the business strategy approach and the organizational cultural approach. Of the other competitive strategies accepted today such as licensing, strategic

alliances, collaborations, and new enterprises, the strategy of M&A is considered most complex and risky to implement since it includes a combination of need for relatively high investment, at a relatively high level of risk, need for a high level of control and integration, and the solution of complex problems in the domain of the human resource.

To better understand the complexity of this strategy it is necessary to discern between different types of M&A, when each type has its characteristics and uniqueness. First, a distinction is drawn between acquisition and merger. Although the pair of words for the most part appears together, there is an essential difference between them in terms of the legal status. An acquisition occurs when the acquiring company acquires control of the acquired company. In contrast, in a merger, both companies become one entity on a rather equal basis, although it is definitely possible that one side in the merger is the more dominant (Sliburyte, 2005). Second distinction is drawn between the acquirer types, a company or corporation and the acquired/merged company can also be a company or corporation. M&A between two corporations are the most complicated in this field, since two corporations are involved – as well as the tens or hundreds of companies in them. 54% of the acquisitions are undertaken by corporations (Gugler et al., 2002).

Another distinction is drawn between acquisitions of a private company and acquisitions of a public company. The acquisition of a private company can be performed more quietly, when there are no clear data regarding the value of the market and the resources that the company brings with it. This type of acquisition can also be performed when there is only one candidate for acquisition. In contrast, an acquisition of a public company is a more publicized event in the media, when generally several companies compete for the acquisition in what is a quasi-tender in which the company that is willing to pay the most wins the acquisition. This competition generally raises the sum of payment for the acquired company (because of the competition) – and this influences, in the continuation, the chances of the acquisition succeeding.

The acquisition of a competing company in the same field is called *horizontal acquisition*, an acquisition that reduces the competition in the field since there is one competitor less in the field. This type of acquisition immediately increases the acquiring company's market share. This is a very frequent acquisition since, relatively, when two companies come from the same field it is easier to accomplish.

The acquisition of a company that is found at a different stage in the value chain, for example, the acquisition of a distributor or supplier (and sometimes of a main client) is called a *vertical acquisition*. It allows the acquirer to better control additional elements in the value chain and to reduce expenditures, to reduce risk, and to increase market power. A larger part of the researches addresses horizontal acquisitions and only a small part addresses vertical acquisitions, since there are fewer vertical acquisitions and it is more difficult to measure them (Fan and Goyal, 2006).

Another type of acquisition is the acquisition of a company with a realm of activity that is not related to the acquired company's realm of activity – and it is called an *unrelated acquisition*. In other words, this is an acquisition of a company that is not from the same field or the same realm of activity of the acquiring company. The lack of familiarity and experience of the acquiring company with the realm of activity of the acquired company makes this type of acquisition most risky and therefore less widespread. Empirically, a larger part of the acquisitions are related acquisitions. In the fifth wave of acquisitions (in the 1990s), 64% of the acquisitions in Europe were related acquisitions (Martynova and Renneboog, 2006).

Another distinction is between a *domestic acquisition*, in which the two companies, the acquiring company and the acquired company, come from the same country and a *cross-borders acquisition*, in which the two companies each come from a different country. This acquisition is more complex since two different national cultures are involved and the accessibility of the information of the acquired company is more problematic.

The separation between domestic acquisitions and cross-border acquisitions is not always trivial. In more than a few acquisitions defined as domestic, the involved companies conduct some of their activities in a global manner so that they are coping with more than a few problems similar to those that characterize cross-borders acquisitions.

An acquisition can be conducted in a *friendly* manner, in other words, in a meeting of desires of the seller and the buyer. An acquisition can also be accomplished in a non-friendly manner (*hostile*) through the acquiring company's takeover of a significant portion of stocks of the acquired company and the achievement of a core of

control therein, without the acquired company having made a managerial decision to be sold to another company.

Another distinction is between a *full acquisition* in which the acquirer acquires 100% of the ownership of the acquired company, and a *partial acquisition*, in which only part of the ownership of the acquired company is acquired, giving the acquiring company core control of the company but not complete ownership. Sometimes the partial acquisition is the first stage of the planned full acquisition to allow the acquiring company to better examine the acquired company through a partial acquisition with an option to acquire the rest of the ownership (and make the acquisition full) depending on its performances after the partial acquisition. The present research study addressed only transactions of M&A in which there is full acquisition.

The payment for the acquired company can be in cash, in the allotment of stocks of the acquiring company (through the reduction of the owner stocks) to the owners of the acquired company, or in a combination of both methods. The mode of payment is important both in terms of financing and in terms of the financial risk that the acquiring company assumes. Additionally, it influences the acquisition's chances of success, although the present research does not address this topic.

The mode of payment in stocks is characteristic of cases in which the acquiring company cannot finance the acquisition in cash and when the owners feel that their stock is traded on the market at an overprice or when the acquiring company wants to reduce risk and in essence to share it with the owners of the acquired company. Today the most popular manner of payment is a combination between payment in cash and payment in stocks. In the years 1991-2001, 75% of the M&A were performed with this method of payment (Martynova and Renneboog, 2006). The following figure shows the different classifications of M&A.

Figure Number 2-1: M&A Types

Related	**vs.**	Unrelated
Domestic	**vs.**	Cross Border
Public	**vs.**	Private
Hostile	**vs.**	Friendly
Full	**vs.**	Partial
Horizontal	**vs.**	Vertical
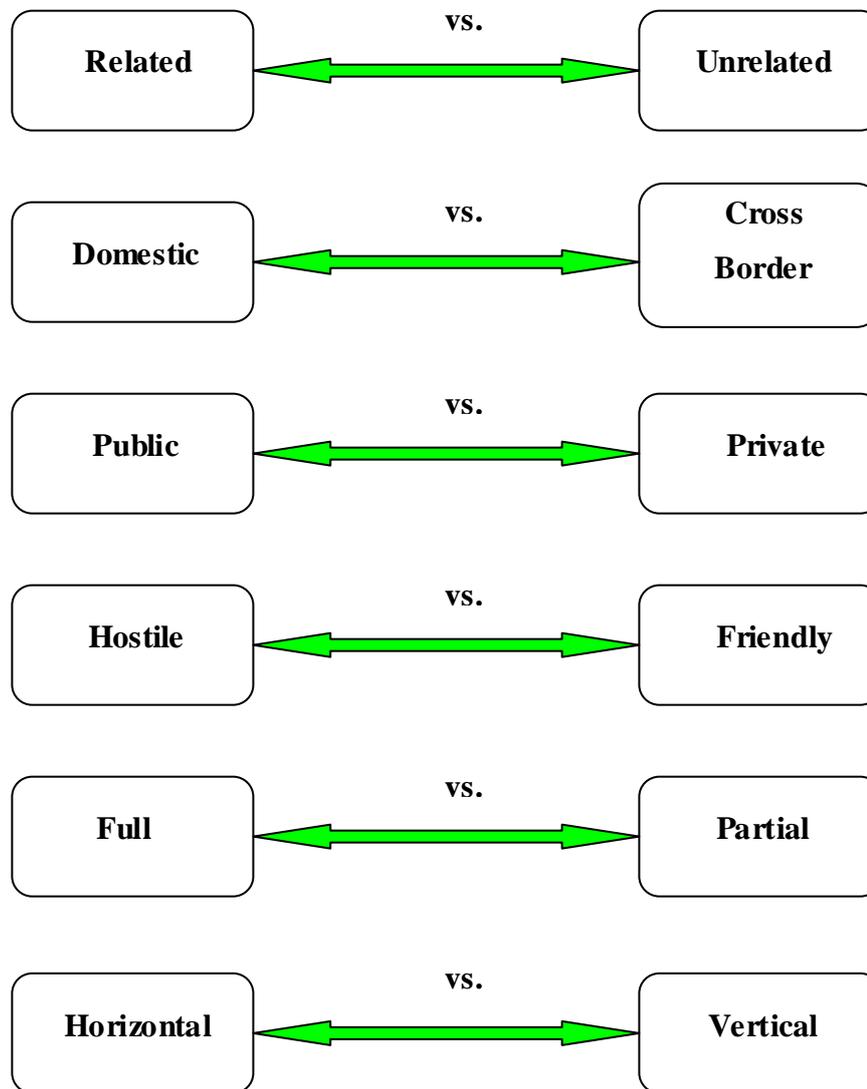
It is customary to divide the process of M&A into two primary stages. The first stage is the stage before the acquisition, the pre-merger stage, which includes the process of negotiations, due diligence, signing the contract, and the public announcement. This phase generally lasts only a few months. The second stage is the stage after the announcement of the merger and is called the post merger integration. In this phase, the acquisition/merger is implemented in actuality through a process of integration between the companies.

The present research study focuses on the second stage and barely addresses the first stage, although this stage obviously has considerable impact on the success of the second stage.

Figure Number 2-2: M&A Sequence Chart
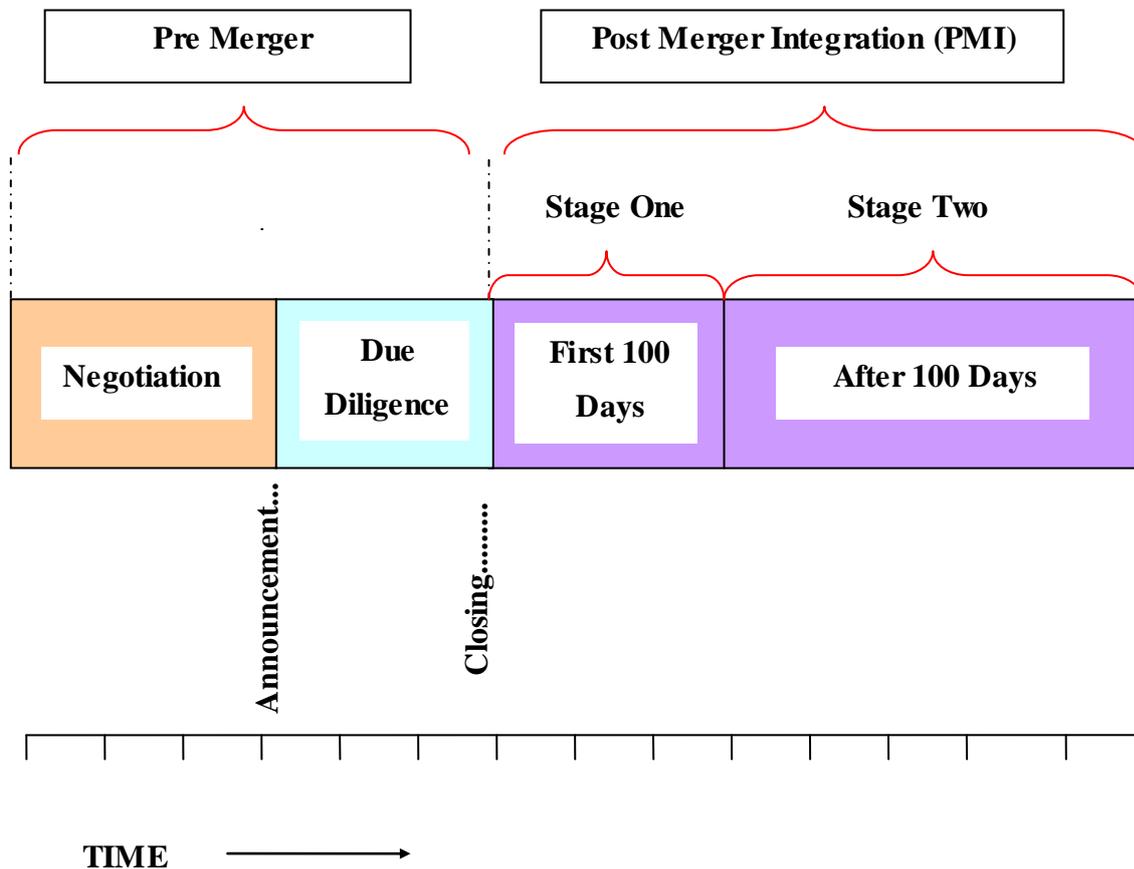
Chatterjee and Bourgeois (2002) divide the process of performance of M&A into four stages: negotiation, integration, valuation, and identification. Three of the four phases are performed in the pre-merger stage, before the announcement of the acquisition, and the last phase, integration, is performed afterwards.

The main reason the company decided to acquire another company is the desire to increase the company's value and profit by increasing the strategic competitiveness in one or more of the following ways: reduction of competition in the field, extension of the line of products and services, penetration into a new country or new market, increase of market power, increase of market share, acquisition of new technologies, increase of the control of the value chain, increase of efficiency (reduction of expenses), access to new clients, and others.

Obviously, as in every business procedure, here too the personal interests of the managers and people in control are involved in the performance of the acquisitions, to maximize personal benefits that can be linked to salary, interest, experience, and personal advancement. Another reason for the performance of the acquisition can be the reduction of the business risk through the distribution of the company's activity in additional fields, products, or markets or the reduction of the risk to be acquired by another company (Sliburyte, 2005).

Generally, the acquiring company examines four main issues before the acquisition (Srivastava and Datta, 2000): the attractiveness of the field or sub-field in which the acquired company acts the competitive strengths of the acquired company, the synergetic benefits the acquiring company expects from the acquisition and the degree of organization suitability of the acquired company.

While the first two topics are supposed to examine the acquired company's degree of attractiveness as an independent company (regardless of the acquisition), the two additional topics examine the benefits expected from the integration between the companies after the acquisition.

The owners of the acquired company also have good reasons to want to be acquired (in a friendly acquisition). Several of these are as follows.

- Poor business performance (ongoing losses) that, in the opinion of the company owners, are not expected to change in the immediate future as a result of the company's own activity.
- The acquired company feels 'stuck in place' due to a lack of resources or abilities required to continue the company's development and growth.
- The owners of private companies have reached an advanced age and there is no following family generation and the owners are interested in realizing the asset in their hands or they have an offer that 'cannot be refused', which tempts the acquired company's owners to sell their company at an attractive price even if they had not intended to do so ahead of time.

Chatterjee and Bourgeious (2002) maintain that the growth in the competitive advantage following M&A has three possible sources: information advantage,

advantage from the way of managing acquisitions and advantage as a result of an acquisition that creates a unique model that competitors have difficulties imitating.

However, to achieve the goals for which the acquisition is executed, a successful match between the two companies is required so that the 'marriage' will be successful. The process of the choice of the company that is a candidate for an M&A is a complex process that may sometimes also be long. During this process several candidates for acquisition are examined. However, since the time and cost of the examination of the process are necessary restricted, in some cases the most optimal companies are not selected for acquisition and therefore sometimes acquisitions are carried out as a compromise; in other words, the acquisition is not of the best alternative but of the best possible alternative.

The topic of the review of the environment, the identification of companies, filtering, and classification of the companies suited for acquisition, and the final selection of the candidate for acquisition is not the issue of the present research study. This study focuses only on the stage after the acquisition, when this is a fact – 'the couple have already married'.

An acquisition creates a type of organizational change. Therefore, many researches that address organizational changes focus on the serious process of organizational change that generally occurs in M&A in all of its aspects. These aspects include management of the change, coping with objections, change in the organizational structure, change in the role definitions, change in the authorities and staffing of positions, change in the very processes of change, change in the supervision of the change, etc. Organizational change is not an easy process to implement and it is even more complex and difficult when between the two companies involved in this process there are gaps in the organizational culture, in the national culture, in the management style, in the work conditions, in the manner of recompense, in the organizational processes, in the infrastructures, etc.

2.2   Research in the Realm of M&A

Scholars from multiple fields have shown increasing interest in the causes and consequences of M&A (Haleblian and Finkelstein, 2009). So the realm of M&A has been a subject of hundreds if not thousands of researches over the course of the past decades, especially since the beginning of the 1980s. There are two main currents of researches. One type examines, on the level of the companies involved in the acquisition, the cross-sectional relationship of the financial performances and the degree of strategic suitability between the companies. A second type examines the degree of cultural suitability between the companies and the impact on the success of the integration between the companies (Chatterjee et al., 1992).

The research in this field commenced primarily in the United States, where for years there was the highest rate of M&A, and then it spread to the other geographic regions following the adoption of this strategy by many companies throughout the world. The researches in the field of M&A show a very broad spectrum of results and conclusions, some of which are frequently even contradictory to one another. A great many researches examine the impact of one factor on the success of the M&A using different research methods, but the general influence of all the factors together is complex and different and is very important to the understanding of M&A (Tichy, 2001).

Most of the researches in this field are quantitative researches that include a sampling size of 100-300 acquisitions, some from the same country while others include acquisition transactions that cross borders. The data for the quantitative researches are generally obtained through querying using questionnaires aimed at managers from the acquiring companies. Since many of the managers in the acquired companies are changed following the M&A, it is difficult to find many managers who were in the acquired company before and after the acquisitions for a sufficiently long period that enables them to have a full perspective of the entire integration process. A second way is to choose a sample from data bases in which the financial results of the M&A are documented.

The comprehensive research of Bruner (2001) examined the question of whether it is worthwhile to perform M&A. The research examined 130 researches in the field of M&A conducted in the years 1971-2001. The researcher divided the research methods

into four types: The first one is event studies: Researches that examine the return to the stockholders through the focus on the change in the value of the stock on the date around the acquisition announcement. These researches assume that the change in the stock value following the announcement of the acquisition presents in a good manner the present value of the future cash flow the stockholders can expect. The second is accounting studies: Researches that analyze the financial results of the companies before and after the acquisition. These researches focus on variables such as the clear profit, return on capital, EPS, leverage, and liquidity and compare them to the financial data in the same period of similarly sized companies in the same industry. The third is survey of executives: Researches that include querying of senior managers from companies involved in the acquisition regarding the value created following the transaction. The aggregative data of the responses lead the researches to general conclusions. This is a slightly problematic research method since the managers have a tendency to present the acquisition in which they were involved as better than the dry facts. The last one is clinical studies: Researches that focus on one transaction or a small number of transactions but in these the researchers go into depth through a series of interviews in the field of senior managers to obtain a more extensive background on the transaction so as to achieve new insights.

Since the types of M&A have changed over the past thirty years, the time period of the research has considerable importance and influences the relevance of the results and their validity today. In addition, most of the researches focus on relatively large M&A, while very many M&A are small and relatively little is known about their rate of success. The reason is that the M&A of large companies are publicized more in the media and it is easier for researchers to examine these companies, in terms of the availability of and accessibility to data. Since it is difficult to impossible to attain data on the M&A of private companies, most of the researches focus on public companies and therefore there is a knowledge gap in the field regarding private companies.

Tichy (2001) indicates four paradoxes related to M&A that require research attention: The paradox of acquisitions: Why do the owners and managements of companies press to perform M&A when it is clear that their rate of success is so low? The paradox of the capital market: Why does the capital market generally react with rises in the stock value of the acquiring company when the transaction is announced when it is known that most M&A fail? The paradox of the halo of the large companies:

Why does the announcement of an acquisition of large and known companies achieve, on the average, higher rates of increase in the stock value on the day of the announcement, although empirically these are the less successful M&A? And the layoff paradox: Why does academic research focus very little, if at all, one the impact of M&A on layoff, when this topic greatly interests the media and the public?

Some of the researches in the field analyze tens of other researches so as to find shared resultant insights and to delineate a broader picture of the uniformity of the derived conclusions. A number of researches are of the meta-analysis type, based on the analysis of many researches and examining tens of thousands of M&A transactions.

2.3   Success and Failures in M&A

2.3.1   M&A Success Rate

Since the research engages in the influence of the SOI on the success (or failure) of M&A, a review of the literature on the topic of M&A success rate. Although for many years many researches have been conducted endeavoring to identify and examine the parameters that influence the success of M&A and although considerable knowledge and experience have been accumulated, in the academia, in the field of business consultancy, and in business practice, the rate of failures of M&A is very high and reaches at least 60-80%, depending on the type of research/survey performed (Marks and Mirvis, 2001). Shelton and Sias (2002) maintain that the percentage of success of M&A never will exceed 50% since if it does, it will encourage the acquiring companies to take more risk and pay for the acquisition a higher premium – and this will limit the potential of success on a financial basis and will reduce the rate of successes in return.

One thing is very clear – most of the M&A do not meet the financial objectives of the managers who led them (Schweiger et al., 1993). Shay et al. (2000) found in his research that companies pay for the acquisition, on the average, a premium of 40% and more above the market value of the acquired company. This fact later makes it difficult for them to achieve an increase in earnings and/or reduction in expenditures at a rate that compensates for the investment of the premium in the acquisition. In addition, the acquiring companies do not always take into account the additional increases entailed by the implementation of the acquisition, which are generally greater than the prediction, due to the acquirer's incomplete information on the investments required following the acquisition.

The meaning of these numbers is that the increase of the value for the companies through the process of M&A is not at all a trivial matter and entails a considerable business risk, even when there seemingly is a high potential of synergy between the companies. The rate of risk increases when the M&A cross borders and by their very nature are therefore more difficult to successfully implement and set tremendous managerial challenges, especially the issue of the integration between the companies (Barkema et al., 1996; Child et al., 2001).

A research of the consultancy company KPMG conducted in 1999 found that only 17% of the cross border M&A produce a positive value for the stockholders, as opposed

to 30% that do not evince a change and 53% that impair the value (Economist, 1999). Regarding the same research, 75% of the M&A were defined by their senior managers as a success, a fact that indicates a gap between the financial results and the managers' evaluations of the degree of success of this course of action. Similar findings were shown by a survey of the same consultancy company in 2001. In regards to the target country of the acquiring company, the research showed that American companies succeed, on the average, to produce value following M&A more than do European companies.

The high rate of failures of cross border M&A is explained in light of the more complex starting data of these M&A, which include gaps in the economy, in the national culture, in the organizational culture, and different regulation (Hofstede, 1986). Differences between different national cultures create tensions, foster negative approaches and attitudes, and reduce the cooperation between the managers of the companies involved in the M&A (Weber et al., 1996). Thus, these differences also lessen the chances of success. This topic will be discussed in greater breadth in the continuation.

Shay et al. (2000) found in his research that on the average M&A lessen the value of the companies according to their stock value by 3.7% in comparison to other, similar companies that did not perform M&A in the parallel period of a year from the performance of the transaction.

One of the most comprehensive researches conducted till now, the research of Gugler et al. (2002), examined performance: the percentage of increase in profitability and increase of sales of about 45,000 acquisitions that were performed in the entire world in the years 1987-2002. Acquisition was defined as acquisition of the ownership of 50% and more of the ownership of the acquired company. The researchers found that the acquisitions significantly boost the profitability of the companies involved in it (in 56% of the companies) but conversely, there is a drop in the sales in a similar percentage of companies. According to Gugler et al. (2002), only 29% of the M&A succeeded in simultaneously improving both the profitability and the sales in a higher manner, in comparison to similar companies in the control group, which included companies that did not perform acquisitions in the parallel period. 28% of the companies increased their profitability, but conversely their sales dropped, apparently as

a result of the increase in their market power that enabled them to raise prices. 29% of the companies failed totally; in other words, there was a simultaneous decline both in profitability and in sales. The remaining 15% of the companies succeeded in increasing sales but this rise came at the expense of the decrease of profitability.

This trend significantly occurred in each one of the five years after the date of acquisition, which is the research study's time of the measurement of the performances. The companies' performances after the acquisition were measured empirically, both in industrial companies and in services companies, and a significant difference was not found in the research results between domestic acquisitions and cross border acquisitions. The percentage of change in the profitability and in the sales was performed in comparison to the average change in the profitability and in the percentage of the sales of similar companies in the parallel field after the acquisition.

In light of the poor M&A success rate, it is completely natural to ask the following questions. Why, then, is the strategy of M&A so popular and what is the reason for the incessant increase in the number and value of the M&A in recent years? According to Tichy (2001), there are several reasons. The *first* reason is the great competitive pressure that pushes the company owners and managers to take greater risks and to search for any way to grow and improve the company's performances and market value. The strategy of M&A allows significant strategic actions to be undertaken in a relatively short period of time and thus captivates many managers. The *second* reason is the *hubris* of some of the managers, who ignore the discouraging statistics on the percentages of success. They are confident that they will succeed in increasing the company's value by the M&A and will not make the mistakes of other managers who did not succeed in this undertaking. In other words, these managers have an outlook of 'it won't happen to me'. Generally, this over-confidence leads to an excessive payment for the acquired company and to the endeavor's failure (Seth et al., 2000). The *third* reason is that nevertheless some of the M&A succeed very nicely and there are companies that succeeded in achieving their global leadership in their fields because they adopted this strategy. The companies CISCO and General Electric are two good examples of this. The *fourth* reason is the managers' fear that their competitors will adopt the strategy of M&A. The competitors thus will succeed in developing competitive advantages that will harm them. The *fifth* possible reason is the personal

interest of the managers, who think that their involvement in the processes of the M&A is worthwhile for them personally: it will improve their managerial experience, the interest and professional challenge, and their remuneration – and perhaps also their occupational security. Seth et al. (2000) call this *managerialism*. The *sixth* reason is the performance of M&A as a result of significant changes in the market, such as M&A performed by competitors, great technological changes, de-regulation, etc.

2.3.2   Factors that Influence the M&A Success

Since the percentage of proven successes of M&A is lower than expected, many researches have focused on the analysis of the successful M&A and on the companies that have high percentages of the success in the successful performance of a series of M&A in the attempt to identify the main causes of their success. Many empirical researches attempted to identify external variables (related to the field and the environment) and internal variables (related to the companies involved in the process) that will help predict the success of the M&A. However, we know very little and there is a large gap between the dominance and number of the M&A in the world and the products of academic research in this field (Shimizu et al., 2004).

This assertion is reinforced in a comprehensive meta-analysis research that is perhaps the most comprehensive research conducted till now in the field of M&A, at least in terms of the sample size (King et al., 2004). King et al. (2004) examined about 207,000 M&A performed in the past decades. The researchers argue that even when the impact of variables such as previous experience in acquisition, mode of payment for the acquisition, level of relatedness between the companies and the type of acquired company, variables that seem to greatly influence the acquisition success, a significant correlation is not identified between them and the chances of the acquisition success. This argument presents a great and complex challenge to the researchers in the field of M&A and indicates the need to continue to research in-depth and in-breadth the parameters that influence the chances of success. We now review a number of main parameters whose impact on the chances of success of the M&A has been investigated in many research studies.

a. The Acquirer Previous M&A Experience

There is an argument both in the business press and in academic research whether a company's previous success will positively contribute to a company that is performing M&A (Lubatkin, 1983). It is not natural to question the impact of previous experience in the performance of M&A, since experience, in almost every area of our lives, is a tool that helps us succeed in similar courses of action we perform in the future. However, in the field of M&A it is possible to see many examples of cases in which the success in the acquisition does not indicate the success of the following transaction. For example, Quaker Oat's success with Gatorade did not translate to success with Snapple and Phillip Morris's success with Miller did not lead to success with 7-Up.

On the one hand, many researches do not succeed in finding a positive relationship between previous experience in M&A and the success of the following acquisition (Heleblian and Finkelstein, 1999), when one of the explanations is that it is not the quantity that is important but rather the quality of the company's experience in previous M&A. A second explanation is that it is possible that too long or too short a period of time had passed between the previous and current acquisitions (Hayward, 2002). Another explanation is that every acquisition is special in its own right, just like every marriage between man and woman is never identical to another one. To make this point concrete, an acquisition that is performed to penetrate into a new market requires totally different abilities and skills from those necessitated by the acquisition of an industrial company to increase the manufacturing capacity (Haspeslagh and Jemimson, 1991). Hayward (2002) also maintains that an acquisition that is very similar to or different from previous acquisitions negatively influences the chances of success.

On the other hand, other researches show a positive relationship between previous M&A experience and M&A success (Hitt et al., 1994). The researchers found that previous M&A experience improves the achievement of effectiveness in the connection of the resources of the companies and the achievement of the expected synergy between the companies. The researchers maintain that previous experience shows the company three main things: when to perform an acquisition and when not to; when a company should use capital, external consultancy, or other external resources as an aid in the acquisition; and what the key points in the success of the integration between them are. The experience of companies that tend to perform acquisitions frequently allows them

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to develop effective processes for expected problems that they encountered in the past and to avoid beforehand some of the problems through the more correct planning of the implementation of the acquisition before the stage of the integration commences (Mallete et al., 2003).

There are more than a few examples of companies that developed a high level of abilities and skills for the performance of acquisitions and that have a success rate in many M&A that is considerably higher than the average (Anand and Singh, 1997). The generic pharmaceutics company Teva is a good example of a company that is leading on the global level the field in which it operates after it has performed about twenty successful acquisitions in the past fifteen years.

b. Transfer Effects

The M&A success is influenced by the transfer effects between the companies. This concept is borrowed from the field of psychology and describes the relationship between previous events (before the acquisition) and the present event. The transfer effects can be positive, in other words, they can contribute to success and can be negative. In other words, the starting point of companies before the date of the acquisition greatly influences the chances of the success. Capron and Pistre (2002) maintain that it is possible to expect a greater chance of success when resources move bilaterally between the two involved companies and not only unilaterally from the acquired company to the acquiring company. Larsson and Finkelstein (1999) define the potential of the combination of significant production and marketing complementarities as one of the three main factors that influence the success of M&A (along with the integration between the organization and the employee's objections).

The following figure shows the types of resources and abilities that transfer between the companies in the process of M&A.

Figure Number 2-3: Resources Transfer in M&A
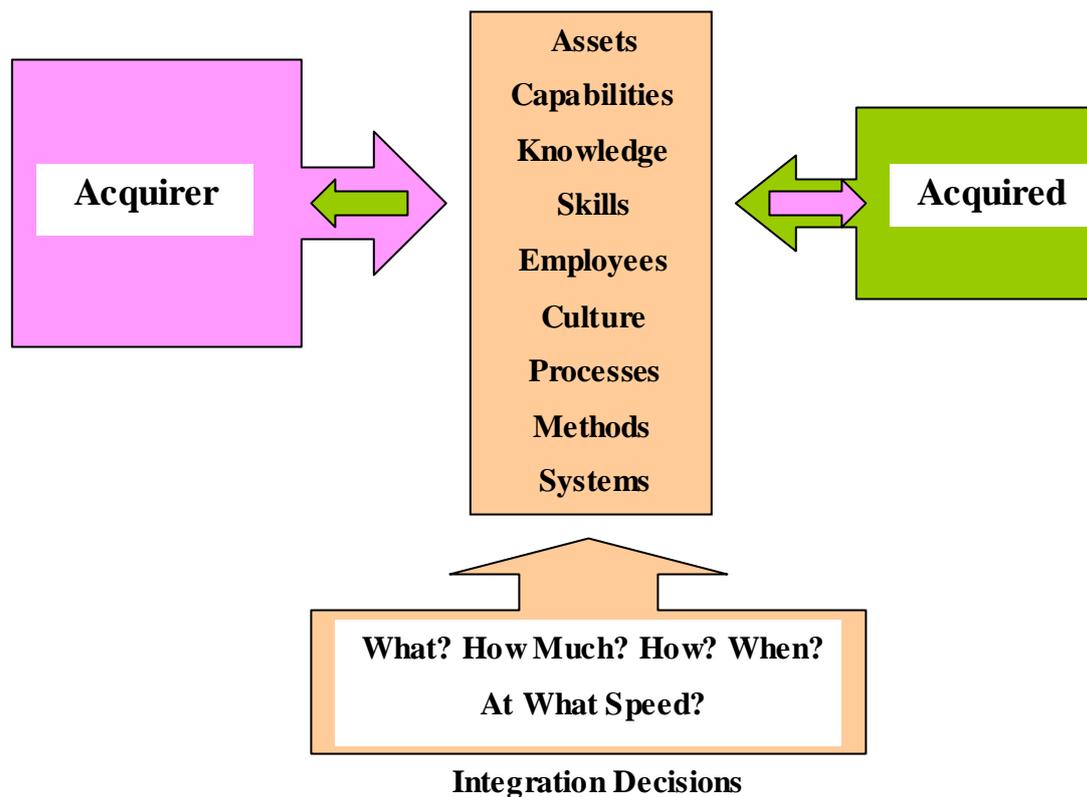
c. Combined and Relative Firms Size

This variable, too, has been accorded considerable research attention. One of the most comprehensive research studies that examined the impact of the size of the companies on the success of the M&A was performed by Moeller et al. (2003). The research included a sample of 12,000 domestic M&A in the United States in the period 1980-2001 by public companies for a total sum of 3.4 billion dollars.

The research study showed that on the average the worth of the companies at the time of announcement of the acquisition rose by only 1.1% but over time they lost of their value an average of 25.2 million dollars each. The researchers found that on the average small companies succeed more than do large companies in the performance of acquisitions since the managers of large companies tend to suffer from hubris more and to take larger risks. Therefore, they also generally pay a higher premium for the acquisitions and are more confident in the success of their course of action. This confidence also relies on the fact that they are managers of a large and successful

company, a company with many resources that allow them more maneuvering space after the acquisition.

In addition, the integration of large companies is more complex and complicated than that of small companies or than the integration occurring when a large company acquires a small company. In terms of the relative size, when the transaction is an M&A between equals, the chances of success are smaller than in cases in which a large company acquires a small company. In the latter cases, the balance of powers and who has the power and authority after the acquisition are completely clear, a fact that makes the integration between them easier (Haspeslagh and Jemison, 1991).

d. The Quality of the Acquired Firm

It is natural that it is easier to succeed if the acquired firm is of higher quality, especially the quality of its senior management. There are several reasons for this. First, in terms of trade-off between quality and cost of M&A, there are no real negotiations and therefore it is possible to acquire quality companies at relatively attractive prices. Second, managers may err in the evaluation of their ability to perform a business turning point in acquired firms whose business situation is not good. A third possible reason is that it apparently is easier to perform integration in a quality company that is managed well than in a less quality company (Haspeslagh and Jemison, 1991).

e. The Ownership Type of the Firms

Capron and Shen (2004) researched the impact of a type of ownership (private versus public) of the performances of the acquisition. They maintain that it is harder to create value when a public company is acquired since a public company generally has greater bargaining power in negotiations, which eventually lead to the payment of a higher premium for the acquisition. Since the acquisition of a public firm is an open course for discovery for every pre-purchase, in the coping with the acquisition of a public company, there generally are more potential acquirers that struggle in the bid. This raises the price paid for the acquired company and in the end makes the increase of the company's value after the acquisition beyond the premium price paid for it more difficult. No sophisticated negotiations on the part of the acquired firm can compete with its success to raise the acquisition price in regards to the impact of the number of competitors for the acquisition. In empirical terms, this is hard to measure since its

worth on the day of acquisition is not absolute and clear as in a public company according to the value of its stocks.

f. Relatedness

This term refers to the level of similarity or distance between the areas of activity and businesses of the companies involved in the acquisition. Relatedness has a manifest impact on the performances of the acquisitions (Lubatkin, 1983).

Homburg and Buceruis (2006) divide relatedness into the following two types:

- External relatedness addresses the level of similarity in the target markets and the positioning of the companies in the market in terms of the level of quality and price.

- Internal relatedness addresses the level of similarity in the companies' management style, organizational culture, pre-acquisition performances, and strategic orientation.

Shelton (1988) draws a further distinction between two types of relatedness.

- Related complementary: Target businesses provide the acquirer with new products, assets, or skills for product markets currently served by the acquirer rather than with access to new markets.

- Related supplementary: Target businesses provide the acquirer with access to new customers and markets rather than with new assets or products.

Figure Number 2-4: Strategic Fit between Acquirer and Acquired
(Salter and Wienhold, 1979)

New Products **Similar Customers**	**New Products** **New Customers**
Similar Products **Similar Customers**	**Related Supplementary** **Similar Products** **New Customers**

Adding New Products (vertical axis)

Serving New Customers (horizontal axis)

According to the model described in the figure, the researcher found that in situations of related supplementary and identical, on the average the highest value is achieved following the acquisition. To define relatedness between two companies it is necessary to focus simultaneously on at least three of the following four criteria:

a. Serving a similar type of customers.
b. Engaging in a similar type of products.
c. Producing similar technologies.
d. Similar purpose served in use.

Another way accepted by many researchers for the measurement of the degree of relatedness is giving SIC codes to each one of the companies. In this method, every company receives a SIC (Standard Industries Code) consisting of four digits according to its area of activity (Taken from the American Bureau of Labor). The relatedness is obtained from the gap between the SIC codes of the two companies. Intuitively, it appears that as the level of relatedness is higher, for instance, in horizontal acquisitions, when the two companies come from the same field and have the same SIC, the synergy between them is clearer and this facilitates the increase of the chances of the success of the acquisition. The problem with this variable is that it is based only on secondary data.

The research of Lubatkin (1984) found that this assumption indeed holds. Berger and Ofek (1995) also found that there is a positive relationship between the degree of relatedness between the companies and the success of the acquisition. They measured that on the average there is a loss of value of 13-15% in the acquisitions to obtain a level of diversification (in which the level of relatedness is low). In contrast, Chatterjee (1986) found a contradictory finding: non-related acquisitions achieve better performances than related but not horizontal acquisitions.

g. Mode of Payment

The acquiring company can pay for the acquisition in three ways of payment: cash, stocks, or a combination of the two. The mode of payment has impact on the manner in which the capital market responds on the value of its stock following the M&A. A research that sampled about 1,200 acquisitions found that the stock performances of the acquiring firm were better when the payment was in cash in relation to transactions in which the payment was in stocks. Moreover, the gap in the stock performances only increased with time (Rappaport and Sirower, 1999). Since in the acquisition in cash the acquirer assumes all the risk, one of the explanations for the difference in the stock performances is that the capital market evaluates that the acquisition in cash indicates the acquirer's degree of confidence in the achievement of post-acquisition 'assurance of performance improvement'. In addition, a cash acquisition may also indicate the acquirer's financial strength and this constitutes an additional point in its favor in the overall combination of the analysts who analyze M&A transactions.

h. M&A Types (Domestic or Cross Border)

A domestic M&A is essentially different from a cross borders acquisition since this is an acquired company that is geographically distant, with a different language and national culture, thus creating a more complex challenge for the acquirer and naturally influencing the chances of success (Shimizu et al., 2004). However, Gugler et al. (2002) did not find an essential difference in performances between domestic and cross border M&A.

i. Culture Differences

Many researches attempt to find 'softer' variables to explain the success or failure of M&A, such as culture differences, psychological reasons, degree of cultural

adjustment, degree of similarity in the management style of the two companies, etc. The impact of the variable of culture differences on the success of M&A has been investigated in many researches (Chatterjee et al., 1992; Lubatkin et al., 1999; Weber, 1996). Some researches address the differences between the organizational cultures of the companies; some address differences in the national cultures of the companies, in the case of a cross border acquisition (Morosini et al., 1998; Very et al., 1996). Some researches (Weber et al., 1996) engage in two types of culture differences, what is called 'double layered acculturation', which for the most part exists in cross borders acquisitions. It is clear that in reality it is not possible to separate between the impact of a gap between the organizational culture and the impact of the gap in the national culture on the success of the merger, since they come in a 'package deal' with the acquisition.

The importance of the variable of organizational culture in the analysis of M&A originates in the fact that culture differences can be the source of hostility, lack of cooperation, and many conflicts between the employees from both cultures who come into contact with one another (Hofstede, 1986). This may cause the increase of the difficulties, the increase of the risk and the costs of the acquisition (which exist regardless), and eventually may negatively impact the performances. Therefore, the widespread hypothesis proved in many researches is that culture differences have a negative influence on the performances of M&A (Chatterjee et al., 1992; Datta, 1991; Weber, 1996).

Weber et al. (1996) maintain that in cross border M&A the national cultural gap better predicts tension and negative attitudes of employees against the course of action, as well as cooperation in actuality as opposed to the impact of the gap in the organizational culture. Conversely, Morosini et al. (1989) maintain in their research that the national culture gap may be a positive influence on the performances since it creates a mechanism for the transfer of routines and repertoire between the companies that may improve over time the performances of an international company following a cross border acquisition. The research findings show that managers can dare more and not search for companies that are candidates for acquisition only in the countries that are close in their national culture. According to Hofstede (1986), the culture differences between countries derive from the fact that the people in every country share

experience, myths, governmental systems, economy, religion, media, language, educational systems, etc. These differences shape the organizational culture and create different shared values in every country.

The organizational culture influences the political, social, and psychological aspects of doing business (Hofstede, 1983). While the global strategy of companies and corporations pressure managers to treat their employees consistently and uniformly, regardless of the country, the special organizational culture of every country pushes managers to nevertheless build an administrative system that will make the correct adjustments required for every national culture (Very et al., 1996). Galley et al. (1996) have developed a model, which is reproduced below.

Figure Number 2-5: Organizational and/or National Culture Clashes
(Adapted from Galley et al., 1996)
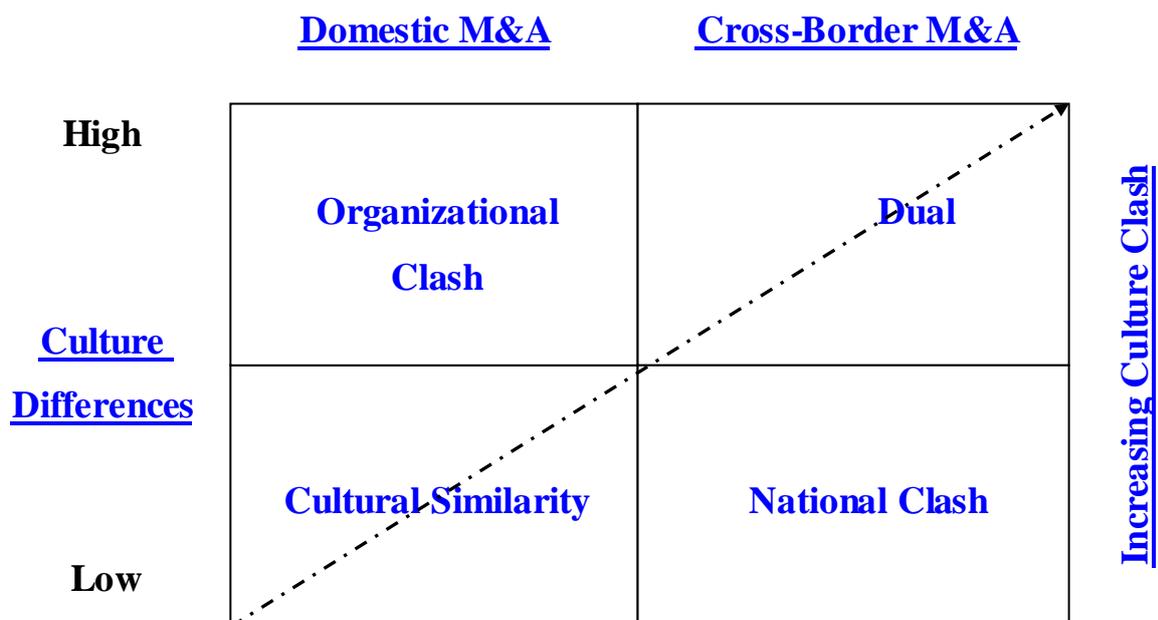
The figure shows the relative impact of corporate versus national culture clashes on the integration phase and the outcome of the consolidation. The authors say that one can expect that domestic M&A, with similar corporate cultures, have the highest degree of acculturation whereas cross-border M&A, with different corporate cultures, have the lowest. They further assert that in cross-border M&A, national culture disparities can

constitute additional barriers besides organizational culture differences and therefore provoke a dual clash (Sliburyte, 2005).

However, meta-analysis conducted by Stahl and Voigt (2003), which included an analysis of 35 empirical articles that examined the impact of culture differences, noted that examination of the impact of the culture differences cannot be performed in disconnection from additional variables such as type of acquisition, level of relatedness between the companies, relative size of the companies, etc. The findings of the research show that the culture differences have a negative impact on the socio-culture level (worker commitment, cooperation, tension, worker departure) but do not have a significant impact on the post-acquisition performances when the other variables are isolated.

In contrast to variables such as size and previous M&A experience, which can be measured relatively simply, the variable of organizational culture is a 'soft' variable that is measured by different researchers in different ways. Chatterjee et al. (1992) measured the organizational culture differences through a questionnaire that includes 29 questions on the attitudes of the managers towards different values in the firm's organizational culture. They are grouped into seven areas: approach to innovation and activity, approach to risk, cooperation and intra-organizational communication, vertical contact between managers and subordinates, autonomy in decision making, approach to performances, and approach to rewards. Hofstede (1980) defines a national culture through a score that every national culture receives in the following four dimensions:

- Power distance refers to the degree to which power differences are expected and indeed preferred by a society.
- Uncertainty avoidance refers to the degree to which society willingly accepted ambiguity and risk.
- Individualism (and its opposite collectivism) refers to the degree to which the society emphasizes the role of the individual versus the role of the group.
- Masculinity refers to the degree to which a society holds traditional 'male' values such as competitiveness, assertiveness, ambition, and the acquisition of money and other material possessions.

In this method of measurement, the national culture of the fifty countries researched is a known and regular value. This has an essential advantage since it does not depend on the sample of the companies in the research, the type of M&A, or the quality of memory of the managers who are asked about the definition of the national culture of the acquirer and the acquired. Conversely, this method has inspired criticism among some of the other researchers, since it is not clear that the same value of gap between national cultures has an effect for every given pair of countries and since the difference in the national culture that may be inside the countries, between regions or different populations groups, is ignored.

After we have defined, according to Hofstede's method, the organizational culture of the acquirer and the acquired, the following question is asked. How is the national cultural difference between the two firms measured? Does a simple calculation of the sum of the differences in the score that every national culture obtains in each one of the four indices indicate the cultural differences? This method is not correct, since the influence is due to not only the absolute value of the difference but also to the place of the score on the axis and to whether the difference of scores between the acquirer and acquired is positive or negative.

To summarize, more and more findings show that a lack of cultural fit is the single main reason for the departure of senior managers, for time-wasting conflicts, and for damage to the performances in the consolidation of businesses (Bijilsma-Frankema, 2003). For example, differences in culture between Chrysler and Daimler were largely responsible for this failure. Operations and management were not successfully integrated as 'equals' because of the different ways in which the Germans and Americans operated: while Daimler-Benz's culture stressed a more formal and structured management style, Chrysler favored a more relaxed, freewheeling style. In addition, the two units traditionally held entirely different views on important things like pay scales and travel expenses. As a result of these differences and the German unit's increasing dominance, performance and employee satisfaction at Chrysler took a steep downturn. There were large numbers of departures among key Chrysler executives and engineers, while the German unit became increasingly dissatisfied with the performance of the Chrysler division. Chrysler employees became extremely dissatisfied with what they perceived as the source of their division's problems:

Daimler's attempts to take over the entire organization and impose their culture on the whole firm (Nguyen and Kleiner, 2003).

j. Synergy Potential (Strategic Fit)

The addition of value following M&A is supposed to come from the realization of the potential of the synergy between the companies. Therefore, one of the main topics in the considerations weighed before the acquisition is the question of synergy – to what extent it exists and what is the degree of difficulty expected to implement it? Synergy derives from the resources and complementary abilities that exist in the two companies and the correct combination of them (manner of implementation) through the exploitation of opportunities creates added value that is greater than the sum of the combined parts (Chatterjee, 1986). This can be seen in the following function:

Expected economic value = function of (Scarcity of resources, Problems in implementing, Availability of opportunities)

Lubatkin (1983) defines three types of synergy that may increase the value of companies after the acquisition:

- Collusive synergy represents the class of scarce resources leading to market power. This type of synergy is expressed in horizontal M&A.

- Operational synergy represents the class of scarce resources that leads to production and/or administrative efficiencies. This type of synergy is generally expressed in related or vertical M&A.

- Financial synergy represents the class of scarce resources that leads to reduction in the cost of capital. This type of synergy is generally expressed in non-related acquisitions or in acquisitions performed by conglomerates.

Chatterjee (1986) asserts that on the average collusive synergy creates the highest value, then financial synergy, and last operational synergy. The following figure shows the types of synergy characteristic of different types of M&A.

Table 2-1: Different M&A Types and Associated Synergies
(Chatterjee, 1986)

M&A Type			
Types of Synergy	**Related**		**Unrelated**
	Horizontal	**Non-Horizontal**	
Collusive	Possible	Unlikely	Unlikely
Operational	Possible	Possible	Unlikely
Financial	Possible	Possible	Possible

Another, more general approach divides the synergy between the two companies into only two types. The first synergy is synergy based on the reduction of costs after the acquisition as a result of the unification of resources and abilities that cause an improvement in the structure of costs of the companies that causes an improvement in profit. This is primarily prominent in horizontal acquisitions in which the advantages of size influence the reduction of costs. Therefore, to examine the M&A success based on this type of synergy it is necessary to perform an internal examination of whether a meaningful saving is effected in the expenditures of the company after the acquisition. This is a relatively simple measurement.

The second type of synergy is synergy based on the increase of the income following the acquisition. The increase of the incomes can derive from the improvement in the market coverage or from the improvement in the ability to innovate. To examine the improvement in the market coverage, it is necessary to examine whether the line of products/services broadened and whether the company's geographic coverage expanded. To examine the improvement in innovation, it is necessary to examine the improvement in the development ability and/or shortening of the development process of new products and time to market (Capron, 1999). The consultancy company McKenzie maintains on the basis of its cumulative experience that synergy based on the increase of income is the key to the increase of the profit, since a small increase (2-3%) in the income can compensate for a large failure (even 50%) in the achievement of the estimated saving in the expenses following the merger (Bekier et al., 2001).

Omri Morag – Doctoral Dissertation, Pécs University

Figure Number 2-6: M&A Value Creation Scenario

(Adapted from Csiszar and Schweinger, 1994)

Ability to exploit sources of revenue enhancement

AND/OR

Ability to exploit sources of cost reduction

AND

Ability to preserve each firm's intrinsic value

= Value Creation
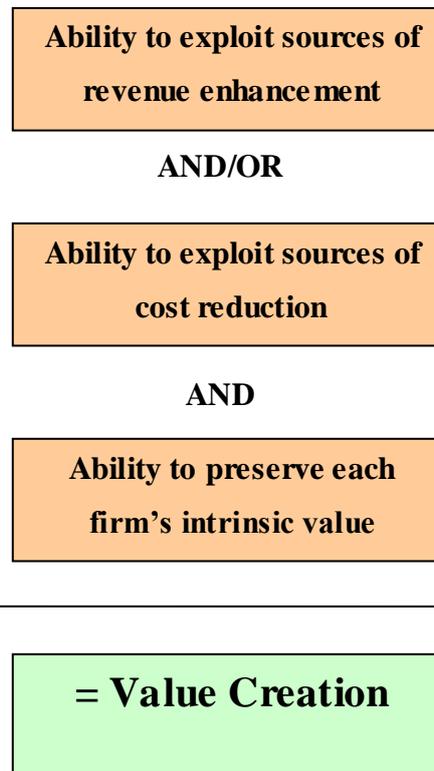
k. Post Merger Integration Effectiveness

It is possible that this is the most important parameter and therefore a separate section is dedicated to it in the continuation. To conclude, despite the large number of researches that attempt to understand the variables that bring about the M&A success, the knowledge is still very limited (Homburg and Bucerius, 2005). Therefore, researchers turn to another way of examining the factors that influence the failures of M&A, assuming that finding these factors can help companies increase the chances of the success of the acquisition through avoidance of the same factors.

2.3.3   The Main Reasons for M&A Failure

In light of the high rate of failures, many researches have studied the causes of the failures of M&A. Child et al. (2001) and Hitt et al. (2001) indicate two main points that explain failures in the field of M&A. The first point is a too high payment for the acquisition as a result of poor negotiations or as a result of the desire to perform the

transition 'at all costs'. The second point is as a result of meaningful and unavoidable problems that were created in the stage of the integration between the firms.

In contrast, Gadiesh et al. (2001) indicate the following three additional reasons: low level of strategic understanding and unclear rationale for acquisition, lack of leadership and strategic commitment of the management and extreme culture gaps between the companies. Lack of 'culture fit' appears in many researches as a significant potential factor in the failure of M&A (Cartwright and Cooper, 1995; Weber, 1996). The lack of culture fit causes a conflict between the cultures of the acquirer and the acquired, and this creates complex problems in the realm of human resources (lack of motivation, objections, etc.) and disrupts the integration process (Chatterjee et al., 1992). Every group, company, etc. has a unique culture created by its members on the background of shared history and experience (Schein, 1985). The culture influences all the aspects of the interaction among people and groups in the organization and cannot be easily changed, and this can easily be seen every time autonomous cultures create close contact between them.

The measurement of the firm's organizational culture is not a simple thing, since it is based on the questioning of managers and employees, but they themselves do not understand many elements of the culture and take them for granted (Schein, 1985). Therefore, the measurement of the culture differences of two organizational cultures is even more complex. Chatterjee et al. (1992) measured the differences of organizational culture of the acquirer and acquired through the measurement of seven parameters: Innovation and action orientation, risk taking orientation, lateral integration, top management contact, autonomy and decision making, performance orientation and reward orientation.

The main conclusion of the researchers (Finkelstein and Haleblian, 2002) is that company managers need to be more suspicious and skeptical regarding the chances of M&A success even when there seems to be synergy between the companies. Schweiger et al. (1993) hold that when the primary motivation that pushes managers to perform M&A is opportunism – a good deal – or the desire to perform a transaction and not clear strategic reasons, then this is a recipe for the reduction of the chances for success. One of the surveys conducted among managers examined where the first seeds of the failures of M&A. The survey indicates that 30% of the failures originate in the stage before the

signing of the contract, 17% originate in the quality of the contract itself, and 53% in the stage after the signing of the contract. In other words, the stage of implementation or the stage of integration is apparently the critical stage in the process, although it is influenced by what preceded it.

2.3.4   Measurement of the M&A Success

Whatever the reason for the acquisition, the success of the acquisition is the creation of added value for the companies involved in it. This value is achieved in the short term if the capital market evaluates that the company's performances will improve in the long term as a result of the acquisition or in the intermediate and long term if, as a result of the acquisition, the performances improved in actuality. If so, how is the success of M&A measured and at what point in time should the measurement be performed? This topic, too, like many topics in the field of M&A is complex and challenging (Hayward, 2002).

The accepted way of measuring the success of M&A, in most researches in the field, is to examine the change in the variables that can be precisely measured and that represent the performances of the companies post-acquisition and to compare them to the pre-acquisition performances when the companies functioned independently. The variables can be financial variables such as the change in the stock value, in the sales turnover, in the clear profit, in profit relative to the average in the field, etc. or in other variables such as the change in the market share, in the brand strength, in the client satisfaction, etc. One of the indices that researchers frequently use (Datta, 1991; Haspeslagh and Jemison, 1991) is the percentage of increase in the sales after a period of two years from the date of acquisition. The intention of this period of time is to ensure that the impact of the integration will be taken into consideration.

However, even if the post-acquisition performances improved, how do we know that they would not have improved even more had the acquisition not taken place? Therefore, it is accepted to examine the performances of the companies post-acquisition in relation to similar companies in the field that did not perform an acquisition in the parallel period of time. Since the process of the implementation of the acquisition takes time (ranging generally from three months to a number of years), this method of measurement is not precise and is not totally objective. This method also includes an

impact of additional variables, aside from the acquisition event itself, which influence the performances of the companies in the post-acquisition period. These variables can be changes in the map of competition in the field, regulatory changes, and changes in the demands or levels of prices in the field.

Therefore, it is difficult to isolate only the influence of the acquisition on the performance since the change in the company's performances post-acquisition can derive from additional reasons, which are not related to the course of the acquisition. Hence, as we measure the performances of the companies in longer terms of time, the performances will be more influenced by the intervention of additional variables that are not linked to the acquisition (Capron, 1999). It is also possible to base on analyses regarding the success of the acquisition, analyses that are performed after the end of the integration stage, a stage at which it is possible to see indications of success or failure. The analysts analyze all aspects of the performances after the M&A when the parameters that determine the success or failure are already known and clear.

A second way of examining success of M&A is to base on the judgment ability of the managers involved in the acquisitions and to question them, through field interviews or through the distribution of questionnaires, whether the acquisition targets, determined before the acquisition, were indeed achieved. Assuming the acquiring company's management determines pre-acquisition objectives and measures of success for the acquisition, and then the same management also knows well whether these objectives were achieved. The advantages of this measurement method is that in this way it is possible to examine many aspects related to the acquisition success and it is possible to isolate in a better way the impact of the acquisition on the success from the other impacts (Datta, 1991).

However, this measurement method is subjective and may include bias of the final conclusion. Bias in the measurement of the success can derive from the managers' natural tendency to 'beautify' the business processes in which they were personally involved (a psychological phenomenon knows by the name of cognitive dissonance). Therefore, it is not certain that this type of questioning will precisely present a picture of the success. Support of this can be found in the research of Bruner (2001), who queried using a questionnaire distributed via the Internet fifty senior managers who were involved in an acquisition on the degree of success of M&A. When the managers

were asked in general about M&A, on the average they replied that only 37% of the acquisitions produce value for the acquirers and 21% of the acquisitions achieve the acquirer's strategic goals. However, when managers were asked the same question, but this time regarding the acquisition in which they were personally involved, 58% believed that the acquisition in which they were involved created value for the acquirer and 51% believed that the acquisition achieved the strategic goals. This example makes the difference between the facts and the managers' subjective opinions concrete.

To overcome this possible bias, it is possible to question a large number of managers, preferably from all the firms involved in the acquisition, and not rely on only one source. In addition, it is possible to attack the data obtained in this method by examining the correlation between the data based on the respondents' subjective feeling and judgment and the objective data obtained from the analysis of the performances in actuality.

Another way to measure success of M&A is to examine the successes in a negative manner, through the failures. In other words, this method examines the acquisitions that have certainly failed since they eventually ended in the dissolution of the M&A by the closing of the acquired company or by the sale at a lower price than the acquisition price (Hussey, 2000). According to this approach, for example, the acquisition of the Rover Car Company by BMW is considered a failure, since BMW sold Rover to Phoenix Company due to their lack of success in creating value and the severe disappointment of many interested parties who had great hopes for the merger. This approach is a long-term approach for the measurement of success and it assumes that every M&A that did not end with separation will be defined a success. This is a problematic assumption since there are many unsuccessful acquisitions that did not end with 'divorce' due to different reasons.

It is also possible that the acquisition will succeed in increasing the revenues and/or reducing the expenses of the company as expected and in achieving additional managerial goals that were defined but will still fail due to the excessively high premium that was paid for the acquisition. The next question that should be examined is as follows. When should the impact of the acquisition on the performances and value of the company be measured? What is the earliest date at which it is possible to place the stamp of success or lack of success on the process?

One of the widespread approaches is to determine the index of success of the acquisition according to the examination of the change in the value of the company (stock value) following the official declaration of the acquisition. The change in the stock value reflects the aggregate analysis of the analysts in the capital market on the nature of the transaction and its chance to succeed in raising the company's value for its owners. The advantage of this method is its immediacy (few days after the announcement) and its disadvantage is that it is more an instrument for the prediction of success and not a tool for the measurement of the actual success.

In this method, the variable of CAR (cumulative abnormal returns of firm's stock prize during the merger announcement period) is measured. The key question is whether this tool of prediction indeed appropriately reflects the success of the acquisition in actuality in the continuation. This method assumes that there is a high correlation, according to the experience of the past, between the analysts' evaluation, which is reflected in the change in the value of the stock adjacent to the announcement date and the success of the acquisition in actuality to raise the company's value over time. There is a correlation of 0.31 between the measurement of the success of the acquisition according to this method and the measurement of long term success according to the performances in actuality after the end of the integration. Therefore, this method is a possible method for use and is at least as efficient as the other methods (Hayward, 2002).

Conversely, the change in the value of the stock with the announcement of the acquisition may also be influenced by additional factors that should be taken into consideration and are not related to the acquisition itself. Rosen (2006) performed in his research a cross sectional analysis on a broad sample of 6,259 acquisitions performed in the years 1982-2001 and discovered that the percentage of change in the stock value following the announcement is related to two additional factors. The success of the acquisitions of other companies performed in the previous period (a 'hot' merger market) has a positive influence on the increase of the stock value with the announcement, as well as a good general situation of the capital market in the same period (a market characterized by the rise in the stock rates). However, the researchers also found that the impact of these factors is reversible in the long term and that the stock value corrects itself in the continuation. Therefore, firms that performed a poor

acquisition in a hot market situation will suffer in the long term from a negative change in the stock value even if the stock value rose at the time of the announcement.

2.4   The Post Merger Integration Process

The process of integration between the companies begins to occur in actuality after the announcement of the acquisition in the period called the post merger integration or in short, PMI. In this stage, every increase in the value of the companies occurs (Haspeslagh and Jemison, 1991). The research focuses on the process of integration because an effective integration is one of the key success factors that influence M&A success. Therefore this topic is detailed extensively, first through a description of the process itself and then through an analysis of the impact of the mode of performance of the process on the chances of success of the M&A. The researcher Srivastava, (1986) defines three levels of integration, as follows: Procedural – including change of processes, physical – including physical mobility of resources between the companies, and managerial and socio-cultural – including changes in the manner of management and organizational culture.

The planning of the integration begins from the stage of the negotiations and the examination of due diligence. From this stage an integration staff, comprised of managers from different functions in the acquiring organization, is established and operates. Its role is to identify beforehand the key points for the success of the integration, to identify the main problems that require special consideration, and to build an integration program that includes objectives and time frames. One of the issues that acquirers have to deal with in the stage of the planning of the integration is what to unify and to what depth to bring the unification. One of the widespread mistakes is the desire 'to unify everything', even if it is not essential (Rouse et al., 2004). Correct planning helps the success of the performance of the integration in actuality. The lack of planning of the integration process was found in 80% of the M&A that did not attain good performances (Charman, 1999; Habeck et al., 2000).

The stage of implementation of the strategy after the contract was signed, in other words, the stage of integration between the companies, is a critical stage to the success of the M&A (Child et al., 2001). This is generally a very complex process that requires attention and managerial effort, since many forces act above and beneath the surface

and influence the implementation process and since interests and conflicts of different parties are involved in the process. The stage of the integration between the firms is a sensitive situation in the process of the implementation of the M&A since in such a complex situation of organizational change the organization is found in a situation of temporary instability and uncertainty, which influences some of the interested parties – managers, employees, clients, suppliers, etc. This may impair the firm's business outcomes. The efforts required in this stage differ and depend on the characteristics of the companies involved in the process. Therefore, it is necessary to 'tailor' an integration program that includes the decisions in what to perform the integration and how to perform it according to the strong and weak points of the acquired company (Schuler and Jackson, 2001).

Chatterjee et al. (2002) differentiate between a regular integration program of acquirers with considerable experience in the performance of M&A who have specialized in the implementation of a regular integration program (with slight adjustments) and *ad hoc* integration, in which the acquiring company adjusts the integration method to every acquisition that it performs.

As in every organizational change, in M&A, too, it is necessary to make decisions on the 'depth' of the change, its positioning in the organization, its speed, its performance processes, and the order of priorities. These decisions depend on the source of the strategic advantages due to which the merger was performed (Schweiger et al., 1993). The integration process can occur in each one of the companies separately, through the transfer of the assets from one company to another, or it can be performed through the unification of the better of each one of the companies. In addition, in the integration process there are three types of changes in the different functions in the organization.

- Reduction or closing of organizational units as a result of superfluousness or lack of need of the outputs of the same unit after the acquisition.
- Unification between organizational units.
- Establishment of new organizational units.

Gadiesh et al. (2003) note that there are three primary obstacles on the way to successful integration: non-coordinated information systems, gap in the managerial

philosophy of the companies, and lack of managerial practice in this type of strategic process. Other researchers, Chatterjee et al. (2002), divide the problems characteristic of the stage of integration into five primary groups: problems related to the size of the acquisition, problems related to the complexity of the acquisition, problems related to the speed of the integration, problems related to the management of the human resource, and problems related to the conflict between different organizational cultures. The process of the integration includes a number of stages, most of which are performed in parallel: communication of the process to the employees, change in the organizational structure, including the staffing of the senior management (not always), employment terminations and role changes of some of the managers and employees, integration of information systems of both the companies, changes in the lines of products and services, and changes in the organizational culture and creation of a shared organizational culture.

2.4.1   The Impact of the Integration Process

Many researches have investigated the impact of different variables on the success of M&A, such as level of the cultural differences between the companies, level of similarity/difference between the companies, type of acquisition, characteristics of the acquiring company, previous experience of the acquiring company in the performance of M&A, type of field in which the acquisition was performed, mode of payment for the acquisition, mode of performance of the integration process, etc. It becomes clear that the mode of performance of the integration is the single most common reason that explains the success of M&A according to the senior managers (Larsson and Finkelstein, 1999).

The performance of the integration includes managerial aspects and human-sociological aspects that necessitate reference in the integration program and influence its quality. For the acquisition to be successful, the integration needs to be successful, but generally this is not the only condition of the success. It is possible that the integration itself will be successful and will be held exactly according to the early program but the acquisition will fail since it did not create the expected increase of value for the acquirers due to different reasons, such as the payment of too high a premium or due to the selection of incorrect firm for acquisition. In many researches

that interviewed senior managers, the topic of integration as one of the variables that receive the highest importance regarding the acquisition success always appeared. The following question is therefore asked: What are the factors that influence the success of the integration and hence the success of the acquisition? The following discourse presents a number of the more meaningful factors.

2.4.2   Factors that Influence the Integration Effectiveness

A. Integration Approach

Every acquisition is unique and has its own characteristics. Therefore, a different approach is required for the performance of the integration suited to these characteristics. There is no one 'winning' integration for every acquisition and the correct way of performing the integration needs to depend on the companies involved in the process and on the source from which the added value needs to be obtained. Three leading approaches for the performance of the integration were developed by Haspeslagh and Jemison (1991). Their model is based on two main dimensions. The first dimension is the degree of interdependence required between the companies so as to be able to perform the transfer of the strategic abilities between them as expected. The second dimension is the degree of autonomy required for the acquired company (need for organizational autonomy) so as to retain its strategic abilities after the acquisition. The degree of autonomy given to the acquired company is a complex management issue and on the practical level it needs to answer three basic questions. Is giving autonomy to the acquired company essential to the retention of its strategic abilities? If the answer is affirmative, then two questions are asked. What is the desired degree of autonomy and in which areas of the organization is the autonomy important?

On the basis of these two dimensions, the researchers developed the three different integration approaches, as described in the figure.

Figure Number 2-7: Integration Approaches
(Aspeslagh and Jemison, 1991)

Low

	Preservation	**Symbiosis**
Need for Organizational Autonomy	**(Holding)**	**Absorption**

High   **Low**

Need for Strategic Interdependence
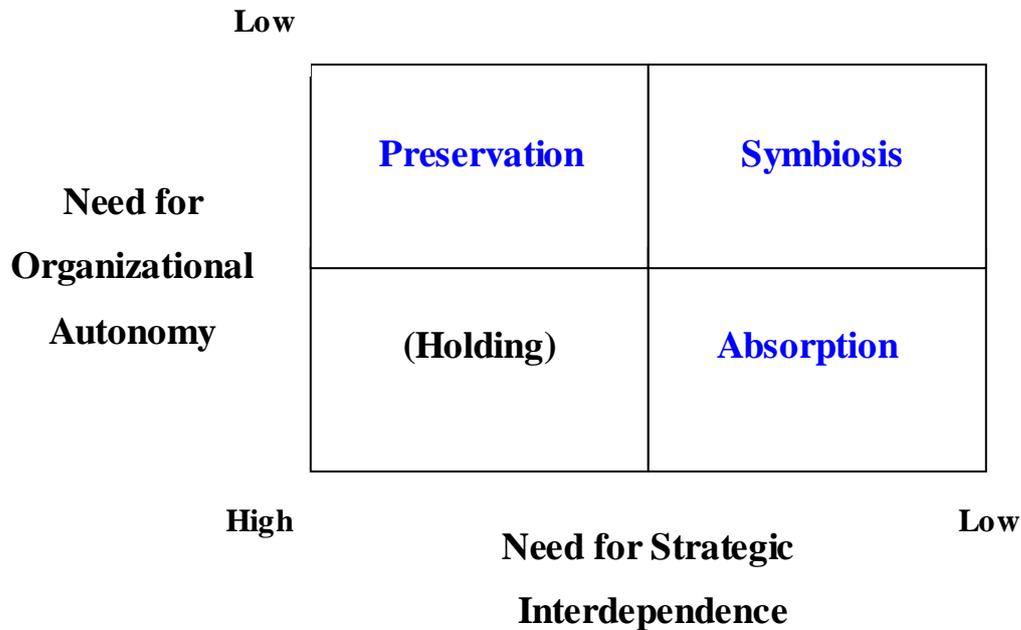
The first approach is *absorption acquisition*. It is necessary to adopt this approach in cases in which a high level of interdependence is required between the companies and a low level of autonomy for the acquired company. Integration in these cases is the deepest and it means the complete unification of companies, over time, in terms of operations, organizational structure, and culture. To achieve full unification and to minimize all the differences between two firms, it is necessary to take into consideration a process that requires considerable time and especially cases in which the acquired company is not very small. In this approach, the key question is more a question of the timing of the integration rather than the way in which it is to be performed. The second approach is *preservation*. It is necessary to adopt this approach in cases in which a low level of interdependence is required (since the transference of significant abilities between the companies is required) and a high level of autonomy for the acquired company (since it is necessary to maintain its special and different abilities).

The third approach is *symbiotic* and it is the most complex one. It is necessary to adopt this approach in cases in which a high level of interdependence is required and a

high level of autonomy for the acquired company (since it is necessary to maintain its special and different abilities). The last quadrant in the model matrix is *holdings*. A low level of interdependence is required between the companies and a high level of autonomy for the acquired company characterizes the situation in which the acquiring company does not at all intend to perform integration with the acquired company. The creation of the value is supposed to occur only from the transfer of financial abilities, sharing of risk, or transfer of general management abilities, even when these are companies that act in similar businesses.

Lind and Stevens (2004) developed a different model for the performance of the integration based on the following two dimensions: *disparity*, the degree to which businesses are different or similar, and *good will,* across such parameters as products, channels, culture, customer relationships, and intellectual property. The model includes the four approaches presented in the following figure.

Figure Number 2-8: Types of M&A Integration
(Lind and Stevens, 2004)

The following paragraphs present the researchers' recommendations regarding the mode of performance of the integration in each one of the approaches: *Merge and grow* - Focus on merging quickly and demonstrating early success for both internal and

external audiences. *Plan and prosper* - Consciously try to retain as much good will as possible, use incentives, and more deliberately retain key people and preserve value. *Stand and hold* - Seek ways of assuring knowledge transfer and succession inside the newly acquired entity. This may entail holding some operations separately or creating a freestanding subsidiary and *segment and sell* - Managers must rescue an acquisition that shouldn't have happened and quickly prepare it for sale before it loses value.

Morosini et al. (1998) present an additional model for the performance of the integration that includes three strategies for the post-acquisition stage: *Integration* - significant changes in both firms' businesses and functions. The source of value resides predominantly in combination both firms' resources. *Restructuring* - significant changes in the targets firm businesses and functions. The source of value resides predominantly in the target firm. *Independence* - very limited or no businesses or functional changes in any of the merging companies following the acquisition.

Another integration model concludes four different types of M&A. The can be found by combining the integration mode and the acculturation/co-operation-domination mode (Olie, 1994). These four types of M&A announce the kind of difficulties in the post-merger integration, particularly the culture related problems, and to what extent these occur. These four types are shown in the next figure.

Figure Number 2-9: Integration Model

(Olie, 1994)

	Low	**High**
Cooperation	**Portfolio**	**Merger**
Domination	**Redesign**	**Absorption**

- Portfolio: The motives, expectations, and bargaining power factors influence the positioning of organizational combinations. The upper left corner of the matrix shows M&A, which have dominant modes of co-operation and which also have a low extent of integration with the acquiring firm. These combinations are mostly found in unrelated/conglomerate mergers. In these cases, the acquiring firm leaves the acquired firm alone and makes only minor changes in its operations or management.

- Merger: The type of consolidation that is perhaps the most complicated is the merger. Here the two companies are next to equal and the intention is to blend the operational as well as managerial functions. In this case, the two parties have to develop a third culture; hence both companies need to change their corporate identity and organizational culture.

- Absorption: The third and the most common type of M&A is the absorptive acquisition. In this type as well as in mergers the main intention is to create synergies. Integration is therefore of great importance. In absorptive acquisitions there is a clear power difference between the two parties.

- Redesign: In the last type of M&A, the intention is not to reach synergies; still the acquirer may impose its management style on the acquired firm and the management

of the acquired firm is often replaced. Also in this case there is a great power distance between the two parties.

In sum, the role of problems related to culture will be less important in unrelated M&A compared to related M&A. In related M&A, where a high degree of integration is required, changes in both organizations take place and a third culture has to be developed to overcome disagreements. In acquisitions (redesign and absorption consolidations) conversely, it is only the acquired firm that undergoes changes. There is one dominant culture that has to be accepted because of the power differential. In these types of consolidations, the impact of cultural differences depends on a third factor (Sliburyte, 2005).

For companies involved in multiple M&A, 'beating the odds' means that they must find a replicable approach to making mergers work after the deal is done (Stopper, 1999). One company that has developed such an approach is GE Capital Services. After experiencing mixed results from a number of M&A in the 1990-1994 periods, GE Capital took the time to rethink its M&A process. Based on its analysis, 'integration' became the watchword in 1995 and beyond. The combination of stages, focus areas, and best practices is known today as GE's Pathfinder Model. The model points the way, but it is recognized that every M&A presents new and unexpected situations and some improvisation will be necessary. Application of the Pathfinder Model shifted the odds for success to the positive side, and highlighted 5 lessons for making the deal real: *start early* - Be thinking about integration during due diligence. Develop a working vision and create an acquisition *integration plan. Identify talent. Implement restructuring sooner rather than later* - make structural changes quickly and decisively. Acknowledge uncertainty about jobs and reporting relationships with straightforward information. Treat with respect and support those negatively affected. Remember that the pace of integration affects outcomes, *dedicate resources* - Select a full-time integration manager. Assign accountabilities for major deliverables. Mobilize the necessary resources and commitment. *Integrate operations and cultures by focusing on results* - Assess cultural issues and determine strategy. Draft a 100-day plan for acquisition integration. The objective of the 100-day plan is to integrate the operations and culture of the merged companies as quickly as possible. Get people to work quickly resolving important business issues. Use short-term, results-focused projects to drive all

aspects of the integration and *communicate strategically* - Identify constituencies. Clarify messages, modes, and timing. Continue communication over time.

To conclude, the choice of the integration approach has a considerable impact in the short term and long term on the acquisition success. Puranam et al. (2003) found that the integration approach in technology-focused acquisitions can bring in the short term to the quick time-to-market of new products that were already in the works but can impair the development ability of additional products in the future. Therefore, in-depth thinking is required regarding what the firm wants to achieve after the integration as a basis for the choice of the correct approach.

B. <u>Acculturation Effectiveness</u>

The connection between the two different cultures causes more than once cultural conflict that impairs integration between the firms. This causes the reduction of the employees' commitment, the lack of cooperation, abandonment of employees in the acquired firm (Lubatkin et al., 1999), reduction in the value that is created for owners following the acquisition (Catterjee et al., 1992), and harm of the operational performance of the acquired company (Weber, 1996). In cases of national culture differences between companies, the problem is more severe. The national culture differences have an even greater negative impact on the creation of tensions between the employees, negative attitudes towards the process, and the lack of cooperation rather than differences of the organizational culture (Weber et al., 1996). Therefore, it is more difficult to build a shared culture in cross borders acquisition.

Hence, for the companies involved in the acquisition to function better after the acquisition, it is necessary to manage the connection process between the cultures to create a shared organizational culture (acculturation) in the best possible way. The definition of acculturation according to Larsson and Lubatkin (2001) is "the level of jointly shared meanings fostering cooperation between joining firms towards the end of the integration period". These researchers found that the achievement of acculturation depends primarily on the way in which the acquirer manages the non-formal process of integration and degree of social control (the amount of coordination and socialization efforts expended by the buying firm) that it exerts.

In the acquisition process, the acquirer uses formal processes to perform changes in the acquired company, such as the change of the firm name, of the organizational structure, of the management structure, of the operations system, of the compensation system, and of the prestige. However, the researchers note that the non-formal processes – such as the establishment of transition staffs and task forces that push for cooperation among the employees, non-formal communication, instruction sessions, reciprocal visits of the employees, holding joint ceremonies and parties, and encouragement of teamwork – have a greater impact on the achievement of acculturation. They cause the members of the organization of the acquired firm to cooperate, to feel that they are 'partners' in the process and not only 'subjects' of the acquirer. All these require a strategic decision of the management of the integration through the granting of an adequate degree of autonomy to the acquiring company so that these non-formal processes will occur successfully (Larson and Lubatkin, 2001).

Krug (2003) studied the post-acquisition rate of turnover of managers and found that on the average 23% of the senior managers n the acquired firm leaves the organization in the first year post-acquisition. The numbers are even higher in the research of Tetenbaum (1999), who found that in the first year 47% of the senior managers leave the organization and 72% leave within three years. A similar datum is indicated in the research of Walsh (1995), who found that in the first three years after the acquisition 75% of the senior managers leave, whether due to termination or their initiative. This turnover has a negative impact on the performances of the acquired company and one of the main reasons is the great culture gaps between companies.

C. Extent of the Integration

Among the questions that companies need to ask themselves in the stage of the planning of the integration are the following questions. In which areas should they perform the integration? To what 'depth' should they perform the integration? Nahavandi and Malekzade (1988) maintain that the acquiring company must choose the implementation strategy that defines both the extent of the integration according to the type of acquisition and its main motive. For instance, in non-related acquisitions with the main goal of achieving financial synergy little operational integration is required between the two companies and therefore minimal contact between their employees is also required (Srivastava, 1988). Vestring et al. (2004) maintain that too much

integration may prevent companies from understanding the main benefits of the acquisition, as in the case of too little integration. Therefore, it is necessary to focus on integration only in the organizational functions and places in which a difference will be made to the value of the company, in other words, the places in which integration therein will influence the firm's performances.

The following figure shows two different situations of integration extent. In the first case, less deep integration is performed, when only part of the chain of the acquirer's organizational value performs integration interactions with the acquired company. In contrast, in the second case there is a deep integration, in which all the organizational units are involved.

Figure Number 2-10: Scheme of Integration Depth

Acquirer Value Chain

Link Integration

Acquired Value Chain
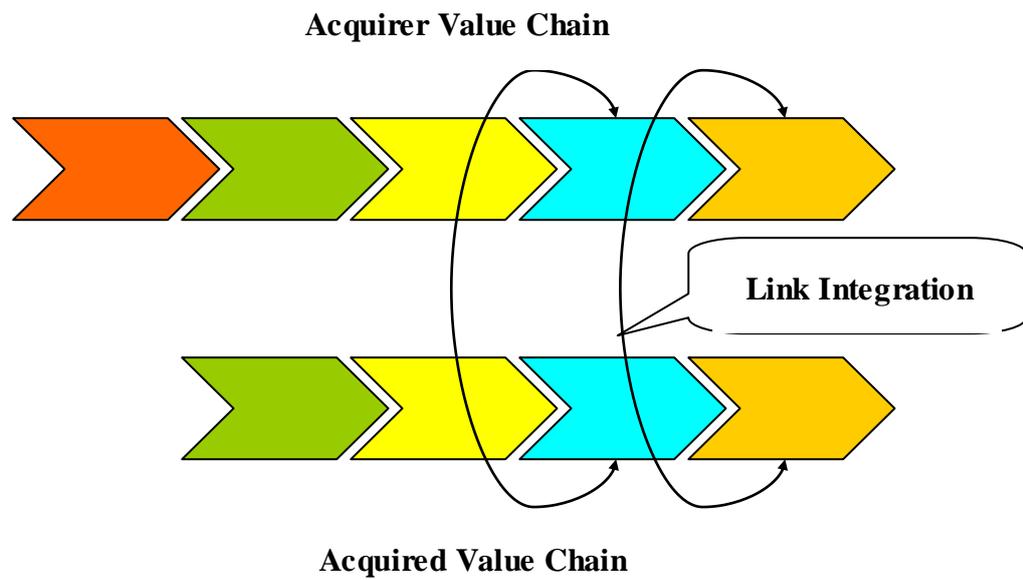
Case One: Partial Value Chain Integration

Acquirer Value Chain

Acquired Value Chain
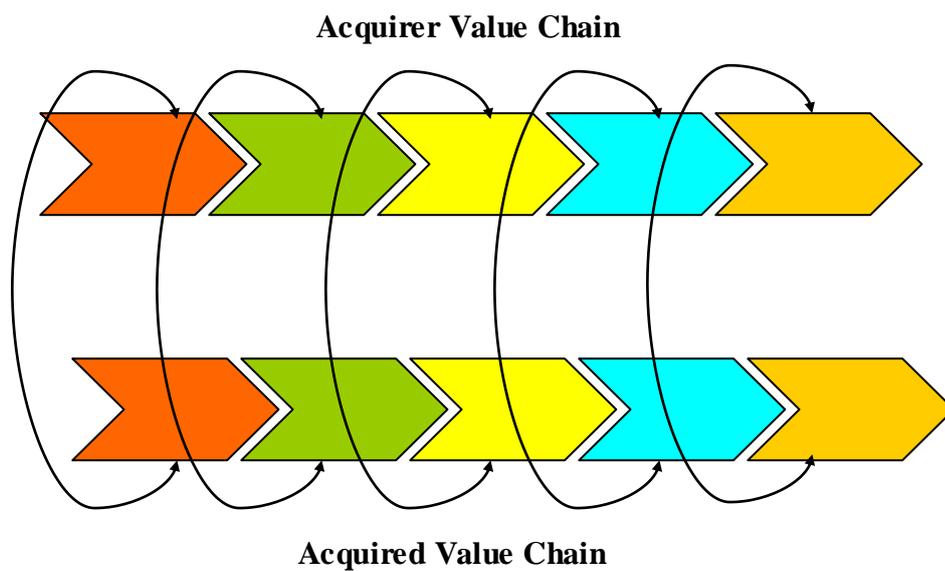
Case Two: Full Value Chain Integration

2.5   The Role of Speed in Business Strategy

The strategy is directly related to time and speed. Expressions such as time-based strategy, time-based organization, just in time, response time, and so on have become an inseparable part of the terms of the world of strategy. In such a dynamic business world, business management obligates the rapid execution of strategic decisions. Jeff Bezos, the founder of Amazon.com, calls it, "business at the speed of thought". The legendary CEO of the INTEL Corporation said, "Speed has become everything in the world of business" (Fortune, 1992). We act in a world that does not rest for a moment and more than a few companies today operate without stop 'around the clock' – 24/7 – every year in a great number of time regions around the globe.

Concepts of time vary dramatically across individuals and cultures. Work is drawn from anthropology, psychology, sociology, and management to identify five dimensions of time that guide the review and discussion of dynamic strategic management research. Although strategy researchers incorporate time in many ways, they generally ignore a subjective view of time and the temporal perceptions of actors in their models. Strategy researchers and practitioners can incorporate an unambiguous and multifaceted view of time explicitly into their work (Mosakowski and Earley, 2000). The five time dimensions are: *nature of time*: Real or epiphenomenal, *experience of time* - Objective or subjective, *time flow* - novel, cyclical, or punctuated, *time structure* - discrete time, continuous time, or epochal time and *temporal referent point* - past, present, or future. Therefore, the perception of time of the company's management influences the behavior related to the resource of time in the context of the decisions related to the speed of performance of the firm's strategic courses of action.

The development of information and communication systems allow us to live at a steadily increasing pace of life that pushes us to perform more activities at a given time and at a more rapid speed. Our expectation of ourselves and of others is for a faster response time and thus companies act in regards to changes in the market (changes related to regulation, competitors' activity, clients' needs, etc.). The new generations of managers was born and adjusted to a rapid, shifting world that changes without stop and their expectations are to perform rapid processes, even instant ones. They sometimes lack the patience for long-term processes that do not bear fruit in the short term (Cottrel, 2000). The intensiveness of the management work steadily increases

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in aspects of load and time. These developments explain the rise in the attention dedicated to the topic of the execution time of strategic processes. Therefore, managers are required to make more decisions on a higher level of uncertainty or lack of information and at a more aggressive level of competition (Eisenhardt, 1992).

The execution speed of strategic processes is one of the key variables that influence the companies' success. The advantages of the first mover, such as increase in the sales and profits, improvement in the image in the clients' opinion, and achievement of a competitive advantage, tempt many managers but require a high speed. The speed at which a company performs strategic processes is comprised of the speed of decision making, the time that passes from the beginning of the examination of the alternatives to the decision to the time at which the commitment to the decision execution is announced (Mintzberg, 1987), and the speed of execution, until the decision is implemented in actuality.

The indicators of time are related to four areas of the company's performances: the process of development of new products, the processes of the making of strategic decisions, the processes of manufacturing, and the processes of customer services (Stalk and Hout, 1990). In every such realm, many researches have been conducted intended to examine the impact of the shortening of the time (the increase of the speed) on the performances. According to the researchers, the time (speed), expenses, and quality are inter-related and the analysis of the time has greater importance than the analysis of the expenses. It is necessary to ask the right questions related to time such as why do we repeat the same stage or process twice? Why do we perform a certain activity in sequence and not in parallel? Why does a certain process occur in only half the time? Why are there too long waiting times between processes? These questions and others enable, in addition to the shortening of the time, the reduction of expenses, since 'time is money', and the improvement of quality.

The following figure shows the important time factors in each one of the four areas that are influenced by time according to Stalk and Hout (1990): new product development, decision making, processing and production and customer service.

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Figure Number 2-11: Time Based Performance Measures
(Stalk and Hout, 1990)

New Product Development	Decision Making
Time to market. Rate of new product introduction. Percent first competitor to market.	Decision cycle time. Time lost waiting for decisions.
Processing & Production	Customer Service
Value added as percent of total elapsed time. Uptime x yield. Inventory turnover. Cycle time (per major phase of main sequence).	Response time. Quoted lead time. Percent delivery on time. Time from customer's recognition of need to delivery.

The conclusion that speed and performances are interrelated was proved by the experience of a steadily increasing number of companies (Judge and Miller, 1991). Most managers acknowledge the fact that speed influences. A slow strategy is not effective, just like a mistaken strategy isn't (Eisenhardt, 1990). One of the senior managers summarizes the importance of speed as follows, "No competitive advantage lasts in the long term and the field is not static; the only competitive advantage is to move rapidly". Companies that do not adjust themselves to the pace of the 21st century, that do not develop new abilities and products quickly, and that act in lengthy and awkward processes of the making and implementing of decisions will not survive in the long-term since other companies will always be ahead of them. The 'graveyards' for companies are filled with such companies. Slowness in the making and implementation of strategic decisions can cause a company to miss its window of technological or marketing opportunity to reach a market with new technologies and products. The average life span of Fortune 500 firms is only forty to fifty years, and this time is

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steadily growing shorter (Gandossy, 2003). Therefore, only companies that will intelligently develop quick response time to the consumers' changing requirements can survive.

Stalk and Hout (1990) researched the impact of time based strategies on the competitive advantage of technological companies. The researchers maintain that the way in which leading companies manage their time constitutes a source of competitive advantage. Field after field, firms with a rapid innovative cycle of products and services can move from the situation of 'follower' of the market leaders in their field to the situation of 'leader' in the field in only ten years. These companies do not wait for the 'next great innovation'; rather, continuously and incrementally they renew their products every time, small step after small step forward, and this allows customers to enjoy each time improvements in relatively short time periods. The researchers also discovered that the studied Japanese companies sometimes create large gaps in the shortening of the development cycles of the following generation of the products relative to competing American companies to the level of half the time that the competitors took. The Japanese companies had a development cycle of 12 to 16 months versus 36 to 48 months on the part of the American competitors.

The researchers divide the development time into six primary stages: design concept, design engineering, design review, detail design, field test, and first prototype or first production. The studied Japanese companies do not have a special advantage in each one of the development stages but in their ability to combine between them in such a way that the sum of the entire process is shortened. In these firms the important performance variables are cost and quality but 'the calendar is the king' and the time objectives are determined as shorter than those of the competitors.

Time based companies determine time measures for every activity and build the operational goals around the dimension of time. These companies compare their 'time performances' to those of the best competitors or to the best practices in other fields (Stalk and Hout, 1990). Stonich (1990) notes that time based companies need time based management based on time based leaders who never stop watching the clock. The topic of the performance speed is one of the main values that need to be assimilated in the company's organizational culture.

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In certain fields in which the consumers are very sensitive to time and accord the manufacture or supply time considerable importance in the making of their decisions (for instance, in the field of international shipping), time based competition develops (Hum and Sim, 1996). In certain fields time wars even develop between the companies. One of the best examples is in the field of motorcycles, when Honda used time as a strategic weapon against its main competitor in the field, Yamaha (Stonich, 1990). Honda shortened its development time schedule and succeeded in tripling in only eighteen months the number of new models in the market. Therefore, Honda succeeded in taking over significant market segments from the competitor.

Conversely, in many areas the word 'high speed' awakens in us an association of high risk and potential for damage or harm. In the business atmosphere today, the rapid management style is a significant and essential need in the super-competitive world and sometimes it constitutes the difference between success and failure in the supply of the consumer needs, in the rapid manufacture of the products, in the development of the correct system for the solution of the consumer's problems, etc. Speed, in any type of strategic decision, requires clarity, confidence, and clear definition of a vision so as to perform the strategic adjustments the company requires in a clear manner (Cottrell, 2000).

Organizations differ from one another in their perception of time (Ancona et al., 2001). This also influences the reference to the speed of execution of strategic decisions as a part of the organizational culture. The speed of the decision making in the global, dynamic, and competitive world in which we are found today is an incomparably important parameter. The making of strategic decisions quickly and the rapid execution of the strategic courses of action are considered an instrument in the achievement of a competitive advantage that helps exploit opportunities. This allows, for instance, to advance ahead of the competitors in the penetration time to a new market, in the time to market of new technologies or products and new services, in the time to take over global market shares, in the speed of forging strategic alliances, etc. (Stalk and Hout, 1991).

Beyond the influence on the performances, the pace of the performance of strategic actions makes the organization more proactive. Thus, it allows more strategic processes to be executed in a given time, facilitating the organizational learning and

accumulation of competitive knowledge. Speed is more important in areas in which the growth rate is high, in areas in which the technological changes are rapid, and in areas in which the consumer needs change rapidly, since being first and having a fast response time have critical importance on the firm's positioning in the market. The hi-tech field is a good example of such a market (Bourgeois and Eisenhardt, 1988). Quicker decisions are not necessarily better decisions but they must not harm the quality of the decisions (Baum and Wally, 1994). Conversely, Ancona et al. (2001) maintain that excessive speed can get the organization caught in a 'time trap', which eventually will harm the performances. Organizations that 'sanctify' time may make incorrect decisions only to meet the schedule they set for themselves.

The speed of performance of strategic processes is comprised of the time dedicated to the making of the strategic decisions and the time dedicated to the execution. Most researchers focus on the decision making processes and on the impact of the time and speed on the performances. Several variables influence the speed of execution of strategic processes:

a. Degree of urgency of the process that is influenced by the company's competitive need.

b. Characteristics of the company's organizational culture and its reference to the speed of performance, to control, and to measurements of continuousness of the task performance, meeting milestones and schedule constraints.

c. The personal characteristics of the managers and their attitude to time, for instance, Forbes (2005) holds that older managers make strategic decisions more rapidly.

d. The processes of the design and collection of information in real time (Eisenhardt, 1989). The researcher shows that more information facilitates the acceleration of the performance than lack of information. The first reason is that information in real time allows problems and opportunities to be identified and defined faster. The second reason is that information in real time creates an intuitive need among the managers to respond more rapidly, while a third reason is that information in real time creates work patterns of a rapid response in the organization.

e. The number of alternatives at the disposal of the decision makers. Eisenhardt (1989) maintains that the multiplicity of alternatives accelerates the decision making and this is reinforced in the research of Judge and Miller (1991). When managers have a great number of alternatives, they feel more prepared to make a more rapid decision and to execute it. The multiplicity of options also allows a quick change to another alternative, if the chosen option does not succeed as planned.

f. The resources allotted to the process (personnel, etc.).

g. Use of counselors/experts in the topic.

h. Level of centralization in the organization: Baum and Wally (1994) assert that in the centralized organization the decisions are made and performed more rapidly than in the very formal organization.

i. The degree of tolerance of risk: A strategic leadership of an organization that is more tolerant of risk will have a tendency to decide and execute more rapidly the strategic decisions and will be less hesitant (Baum and Wally, 1994).

To summarize, according to the considerable research evidence the importance of the topic of time (and speed) in the business strategy world is significant. Thus, in continuation of economies of scale and economies of scope, it is necessary to take into account the economy of time. Speed is not a strategy (Gilbert, 1993) but it is another tool that facilitates the achievement of strategic objectives. Obviously, the importance of speed changes according to the field and its characteristic product life cycle. For example, while in the field of fashion a delay of three months in a new line of products reaching the market is critical, in the airplane industry such a delay is not so significant (Gilbert, 1993).

After we have examined the general relationship between speed and strategy, we now examine the research literature that pertains specifically to the topic of the present research study: the relationship between the SOI in M&A and success.

2.6   Speed of Integration (SOI)

Despite the importance of the dimension of time in the world of competitive strategy, as emphasized in the previous section, very few researches have focused till now on the issue of the speed of the integration in the process of M&A and its impact on the Integration effectiveness and M&A success (Humburg and Bucerius, 2005). But in the few research on M&A that include the variable SOI there is no agreement in regards to the ideal speed at which the integration should be performed (Stahl and Larsson, 2004/5). Bijilisma-Frankema (2004) asserts that the issue of speed versus carefulness is one of the four main issues in the performance of the integration. They maintain there is a constant conflict between the managers involved in the strategy in the company's headquarters, who in general support a higher speed of integration, and the human resources managers who generally prefer a slower approach that enables the formation of trust, which is an essential and basic condition of cooperation between the two sides and which in the continuation leads, according to their approach, to better results. In the research the managers involved in the strategy supported rapid integration since they felt that many problems might be avoided if most of the changes are performed in the first month of the process. They assert that if they explain to the employees what exactly is to change, then they adopt these changes since they do not have much choice.

Shay et al. (2000) and PriceWaterhouseCoopers survey (2008) found that companies that performed the integration process quicker attained better performances than did slower companies. Reinforcement of this is also obtained from the research of Vester (2002), who argues that the speed of integration is one of the six factors of success of the integration process in the M&A of technology firms. The speed is essential to the integration process and it is necessary to move rapidly and consistently till even some of the managers and the employees may feel a certain discomfort from the high speed. The high speed of the integration allows employees to stop guessing and to hypothesize how things will change following the acquisition and for those who will not be a part of the change it allows a quick continuation onwards.

Angwin (2004) found in his research that the rate of success of M&A declines with the lengthening of the integration time. However, he did not find significant support of the hypothesis that the speed of the integration in the first one hundred days,

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the time period on which the research focused, is related to the degree of success of the acquisition. This 'honeymoon' period (the first hundred days) is a window of opportunity to produce early desired results of the acquisition. Therefore, the acquirer should act and perform the adjustments required in the continuation (Walker and price, 2003).

The researchers Gadish et al. (2003) examined the ability to achieve the maximum of the increase of value at the maximum of speed. They, too, support accelerated activity of integration on a recommended schedule, as presented in the following figure, which is then explained in the following text.

Figure Number 2-12: Phases of Integration Time
(Adopted from Gadiesh et al., 2003)

Make Major Announcements	Operate as One Business	Execute Integration Plans	Hand-Off to Operating Managers
First 10 Days	After 100 Days	0-1 Years	At About 1 Year

Time
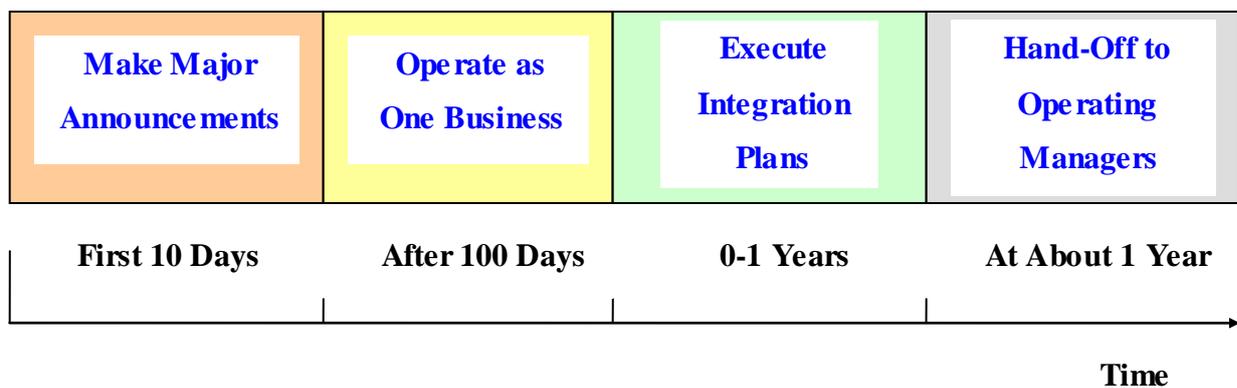
Day one: The first day dawns with a whopping to-do list. Hundreds of basic tasks – from registering legal details to changing invoices to editing the receptionists' welcome scripts – must be checked off urgently just to maintain business as usual.

Day 10: Make all the major announcements by this point. If there is going to be only one headquarters, say so. If factories or other facilities will close, identify how many. Don't shy away from bad news – people would rather hear the worst than be held in suspense,

Day 100: By now, the new company should be operating as one company and be well on its way to seeing value from the two to three high priority sources. Within ninety days of an acquisition by Cisco, the integration team has put together management systems; consolidated suppliers, made outsourcing decisions, slapped a

Cisco label on the acquired company's products, and channeled new research and development projects into Cisco's pipeline.

Beyond 100 days: Much of the value of M&A appears after the first 100 days. Managers need to turn their attention to opportunities they may not have anticipated when they conceived the deal. At the same time, transition teams may still be working – and must stick to their aggressive schedules. After one year, most integration activities should trail off and those managers in charge of day-to-day operations should take on full responsibility for delivering results.

Bower (2001) recommends that in M&A with the goal of reducing excessive capacity in the field or the achievement of new technologies it is necessary to act as fast as possible.   Schweiger and Csiszer (1993) maintain that it is not possible to unequivocally determine how fast the organizational change following the M&A should occur and that there are two schools of thought on the topic. The first school supports executing the organizational change as fast as possible so as to reduce to a minimum the employees' trauma related to the uncertainty and the ongoing lack of confidence. The second school supports extending the change so as to allow both companies to learn about and get to know each other better before the execution of such meaningful changes.

In the other hand, Olie (1994) provides support of the approach of slow integration and notes on the basis of case studies he examined that slow integration helps reduce the conflicts between the parties involved in the process. Ranft and Lord (2002) found, also on the basis of a number of case studies, that slow integration helps build trust among the employees of the companies. Bragado (1992) notes that under certain conditions the slow integration approach is preferable to fast integration. The key point, from his perspective, is the need for time to learn and understand among the employees of the companies involved in the acquisition. The researcher Goh (2001) support this approach and holds that exaggerated push for rapid integration can bring about failure. Therefore, he recommends beginning the integration slowly, with the focus on the human side of the integration, so as to build a basis of mutual trust and respect among the employees of the firms, since this will later bring about better results.

The 'slow' approach is not so popular among the M&A researchers and most of them agree that the process of re-organization of the companies is a critical process that should be accomplished early, quickly, and correctly the first time. A slow process negatively influences the human resource more than the change itself in the structure or in the processes in the company. In any case, the time required to complete the integration must not be undefined (Schuler and Jackson, 2001). Cording et al. (2008) found that the faster integration, the greater the internal reorganization achievement. Even if there is a clear definition of the schedule for the performance of the integration, then in the execution there may be changes in the schedule according to the progress in the program according to what was planned. A quarter or two from the execution of the integration, during which the business results do not advance as planned, can cause pressure to be placed on the managers and lead to a sharper cut in the expenses and an acceleration of the speed of integration in regards to the initial planning (Smith, 2005). Chatterjee et al. (2002) maintain from an analysis of the companies that their percentages of success in the performance of acquisitions is high. It becomes clear that, as the process of integration lengthens, the unexpected problems with which it is necessary to cope also increase.

Ashkenas and Francis (2000) maintain that the decisions on the new management structure, terminations, reporting mechanism, the new organizational structure, and other activities that influence the career of the people involved in the process need to be made as fast as possible from the moment of the announcement of the transaction, within a number of days, if possible. The continuance of the performance of the changes and the uncertainty entailed by it lasting a number of months begin to reduce the value of the transaction. Conversely, to build trust time is requisite and the speed of the integration is one of the five parameters that should be weighed in a decision in order to build trust between the companies (Stahl and Sitkin, 2002).

Humburg and Bucerius (2005) examined the influence of the speed on the success of the integration as a function of the marketing and the sales alone. They found different relations between the speed of the integration and the success of the acquisition, as dependence in combination with internal relatedness and external relatedness, as the following figure describes.

Figure Number 2-13: The Effect of SOI on M&A Success

(Homburg and Bucerius, 2006)

	Low Internal Relatedness High
High (External Relatedness)	Beneficial effects of speed: **weak.** Detrimental effects of speed: **strong.** Overall effects of speed on M&A success: **strongly negative.**	Beneficial effects of speed: **weak.** Detrimental effects of speed: **weak.** Overall effects of speed on M&A success: **weak.**
Low	Beneficial effects of speed: **strong.** Detrimental effects of speed: **strong.** Overall effects of speed on M&A success: **weak.**	Beneficial effects of speed: **strong.** Detrimental effects of speed: **weak.** Overall effects of speed on M&A success: **strongly positive.**

As can be seen in the four cells of the figure, the speed of integration has a different impact on the acquisition success according to the different combinations of internal relatedness and external relatedness. Conversely, when addressing M&A, we speak of a complex organizational change and therefore it is necessary to be careful not to conduct it too quickly, since this may impair the chances of the success of the integration, due to the following reasons: this may impair the quality of the decision making (too hasty decisions), this may harm the learning ability of the managers and employees who changed their role to enter their new role in a proper and orderly manner, and this may impair their functioning in the continuation and this may impair the employees' ability to adjust to the many changes in the organization. Therefore, the speed of the integration needs to be, on the one hand, as fast as possible and, on the other hand, on a realistic time schedule that allows the process to be executed on a high

level of quality through the consideration of the human factor. This necessitates very pro-active involvement on the part of the management (Gadiesh et al., 2001).

When the speed of the integration of the M&A is examined, it is possible to find a time scale that ranges from a number of months to a number of years. However, in many cases the integration takes more time than planned. Integration is a process of multi-stage change, when each stage needs to be defined with the activities that need to be performed therein and with its own time schedule. The Cisco corporation, for example, one of the corporations that performed the most acquisitions until now, developed a model for the performance of integration that succeeds in assimilating new technologies of the acquired companies within the corporation's spread of products very rapidly, generally within three months. The company's great experience in the performance of M&A as well as the existence of a fixed and special organizational unit that addresses the M&A allow it to achieve such a fast pace of integration. In some cases, the companies to be acquired are not acquired by Cisco since it evaluates that the expected speed of integration will be too low.

Cisco defines the beginning of the integration immediately after the announcement and divides the integration period into four main stages (Gates and Very, 2003): announcement (from announcement to closing), getting started (first 90 days after closing), leveraging Cisco (from 90-180 days) and maintaining Cisco (180 days and onward). In the merger of the gas companies Amoco and BP, a war room was established in which an integration staff worked 24 hours a day to achieve the maximum of reduction of the expenses as a result of the merger in the first one hundred days. GE Capital tends to begin as early as possible the integration stage. The company prepares in every acquisition an aggressive integration program for the first one hundred days so as to perform an operational and cultural unification between the companies as fast as possible (Stopper, 1999).

Gadiesh et al. (2003) note three primary goals of M&A: going for scale, broadening scope, and reinventing an industry / redefining the business. For each one of these goals they recommend different approach to the speed of integration. When the M&A main goal is to achieve advantages for size, speed has critical importance, but when the reason is to achieve advantage for diversity or when a new business model is

to be developed, it is necessary to sacrifice the speed of integration in favor of other parameters, as the following figure presents.

Figure Number 2-14: M&A Strategic Goals and SOI

(Adopted from Gadiesh et al., 2003)
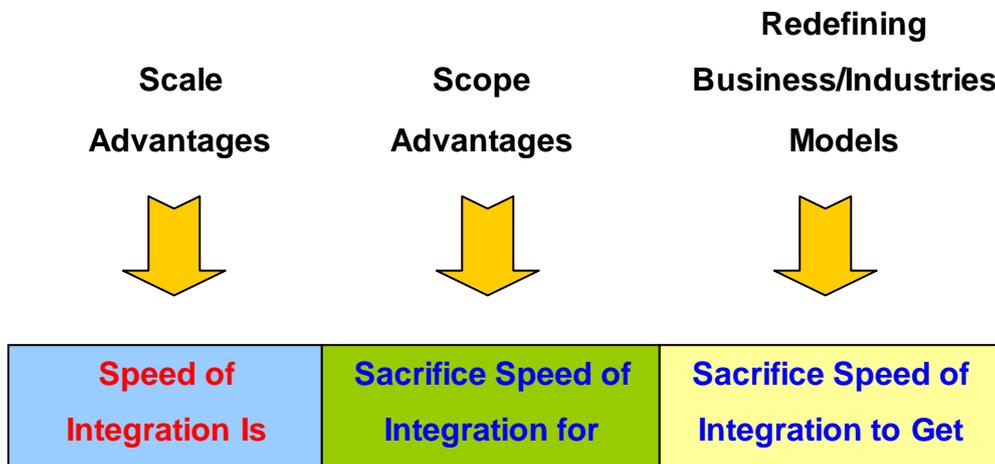
Great commitment of the management to the company owners and banks to improve the business performances creates greater pressure to end the integration process in a shorter period of time, generally one to two years (Schweiger and Csiszer, 1993). Therefore, it is likely that as the investment and level of leverage of the acquirer following the acquisition are greater, greater pressure is exerted on the management to achieve results faster.

The acquirer's identity may have an impact on the speed of integration. A financial acquirer generally has a short 'fuse' and little patience for the period of time required to realize the promise of the improvement of the performances of the M&A. In contrast, the industrial acquirer will generally be less sensitive to time since the level of integration between industrial companies is more complex and must go as smoothly as possible.

A long and correct examination of suitability shortens the learning curve required after the acquisition to know the acquiring company in-depth. In contrast, in an examination of suitability performed in an insufficiently deep manner due to different constraints it is necessary to earmark a period of in-depth learning on the part of the acquired company in the beginning of the integration and to therefore slow down the integration process. In other words, the acquirer's degree of familiarity with the

business of the acquired company influences the speed of integration (Capron et al., 2002).

Chanmurgam et al. (2005) argue that most acquiring companies focus their post-merger attention on bringing the two entities together as quickly as possible. Yet they believe that the goal of post-merger integration should be value creation, not just quick integration, and that post merger activities should be prioritized according to the value they create. For example, if the greatest value in a merger is cross-selling opportunities to the new base of common customers, as is often the case, the integration process needs to enable and ensure the rapid transfer of customer information and the development of integrated account plans. Lower-value activities can be postponed. This value-creating approach to post-merger integration is more akin to business transformation in its emphasis on unlocking value through meticulous planning and the process of proactively designing a new organization. When the business situation of the acquired company is good, there is less urgency to perform the integration quickly. In contrast, when the acquired company is in a poor business situation and is losing money, it is urgent to rapidly implement the integration so as to end the 'financial hemorrhage' and put the company quickly back on the track to growth and performance improvement.

To summarize, the speed of integration is influenced by many constraints and apparently, there is no right speed at which to perform the integration process, a speed appropriate for all the cases. Therefore, every acquirer has to adjust the optimal speed to the specific acquisition. However, it is important to attain 'early victories', in other words, the first fruits that will indicate the success of the process, so as to instill confidence in the employees that they are partners in a correct strategic process that will lead to improvement in the future, both on the level of the company and on the personal level (Barsoux et al., 2002). The reason for the M&A may also dictate the SOI. For instance, the acquisition of a company so as to acquire new technologies it develops is influenced by the time margins of the window of marketing opportunities for the realization of the new technology in the market. In contrast, a company that acquires a local company so as to penetrate into a new market found at its beginning of growth can perform the integration slower.

3. Development of the Research Hypotheses

3.1 Research Rationale

The speed of the integration is considered already in the stage of the planning and is supposed to be decided upon before the close of the transaction since the planning of the speed influences the analysis of the cash flow and the performances of the companies after the merger. The merger of the two companies with different background, tradition, and culture into one unit is a process that takes a considerable amount of time (Olie, 1994). However, nevertheless, it is possible to shorten this process through correct planning and management.

The natural tendency of the management that faces a decision regarding the speed of the integration is to pass the integration stage at the most rapid speed possible from the following reasons: The first reason is to quickly stabilize the organization and to reduce the period of uncertainty of all the interested parties influenced by the process: clients, employees, suppliers, distributors, etc. (Angwin, 2004; Shay et al., 2000). In the stage of the integration, the managerial focus is for the most part directed inwards, into the organization and less to the external factors, such as clients (Hitt, Hoskisson, and Ireland, 1990). As a result, the uncertainty of the client's increases and the following questions engage the clients and further increase their uncertainty. What will be the supply of the products and services of the company after the acquisition? What will be the new policy of prices? Who will be the liaison person who works with them? This uncertainty can cause for some of them a reduction in their satisfaction, to the point of transfer to the competitors (Humburg and Bucerius, 2005). Therefore, the speed of the integration is significant to the lessening of the clients' uncertainty, especially in industries where client loyalty is not high, in industries where there are low switching barriers, and in service-heavy industries where the contact between the supplier and the client is closer and more frequent. The uncertainty of the employees themselves, in regards to their future in the organization and how they are integrated therein, sometimes causes a decline in their motivation and even a certain degree of client 'neglect', which may cause the managers and employees to leave and harm the company's performances. The making of rapid decisions regarding the new policy and processes and their rapid execution inspire confidence among the employees that there is somebody who is managing and

controlling the entire complex process of the acquisition (Shay et al., 2000). The achievement of earlier victories in the improvement of the performance lessens the inner forces that object to change, since this shows that apparently the change is in the right direction and that the integration is succeeding (Elsas and Veiga, 1994). Cording et al. (2008) also support fast integration approach and shows that the faster the integration the greater the internal reorganization goal achievement that lead latter to better M&A performance.

The second reason is to reduce to a minimum the cost of the performance of the integration, which depends, among other factors, on the duration of the time that it lasts (Angwin, 2004). From a financial perspective, time has a cost. As the integration is faster, the time period in which there are many redundancies in the resources (personnel, facilities, etc.) is shorter and the costs are subsequently less. The cost of the integration is taken into account in the program of the integration but the continuation of the integration beyond what was planned may cause a need to divert resources (money, manpower, etc.) from other important activities to finance the cost of the unplanned extension of the integration. This diverting of resources may also be to the detriment of the organization's performances.

The third reason is to begin to enjoy, as soon as possible, the fruits of the synergy between the firms and to hasten the time of the return on investment in the acquisition (Shay et al., 2000). Since an acquisition generally requires a high investment on the part of the acquiring firm and the financing costs are burdensome (if an external source of financing is used), the expectation is, both on the part of the owners and the managers and on the part of the capital market, for a return on investment time that is as soon as possible, thus influencing the estimates of the analysts in the capital market and the stock value. Rapid integration generally creates a positive momentum for the company's image in the capital market, which is good for the company.

The fourth reason is to utilize the manager's managerial focus on the implementation of the acquisition, a focus that steadily weakens as time passes from the time of the acquisition (Angwin, 2004). After the acquisition, considerable managerial effort is devoted to the stage of integration, including the work of managers who solely engage in a full-time position in the integration process. Since

the organization from time to time makes additional strategic decisions that also require managerial focus, there is a lessening of the managerial attention to the integration stage, since additional topics require the managers' attention. Consequently, over time fewer and fewer management resources are dedicated to the integration. In the initial stage of the integration, there is general enthusiasm on the part of the owners and the management and the exploitation of this enthusiasm can produce 'early victories' immediately with the start of the integration, which will create momentum and impetus, which will facilitate the continuation of the process. The extension of the process impairs the momentum and weakens the employees' commitment to the process (Tetenbaum, 1999).

The fifth reason is that from the perspective of competition, the shortening of the period of integration reduces the period in which the company is more vulnerable to a competitive attack from the competitors and in addition creates high protective barriers against imitation by the competitors (Angwin, 2004; Shay et al., 2000). After the acquisition, there is a period in which the firm's productivity declines significantly and can reach 35-50%, when there is a broad organizational change that charges the company a high price (Tetenbaum, 1999). It is known from business practice that a company's competitors exploit the period of organization after an acquisition and the uncertainty of its clients following the process to increase their marketing and sales efforts to persuade some of the clients to shift to them (Clemente and Greenspan, 1997).

The sixth reason is to free as fast as possible limited organizational resources, such as management resources and personnel, for other strategic processes of the organization, including the possibility to perform additional M&A, collaborations, research and development efforts, etc. In the research of Shay (2000), the senior managers who participated in the survey were asked what is the main thing that they regretted regarding the management of the acquisition process. Eight out of ten managers responded that in retrospect they should have moved far faster in the integration stage. Conversely, two of the ten managers responded that they would have conducted the integration slower. This provides us with an indication that speed does not constitute an advantage in every acquisition.

Companies aspire to end the integration in a period of time that is determined in the planning stage. However, sometimes the SOI in actuality is lower than what is planned due to different types of difficulties.

a. The need for a learning time longer than is planned (learning curves): In light of the time limitation in the duration of the performance of an examination of due diligence, often there is a large gap between the information on the acquired company's activity on the eve of the acquisition and the situation in actuality. The gap in the information is created following the time constraints in the due diligence examination, which derive from the fear of losing the transaction to a competitor and the multiplicity of the required items of information to be collected within the time limitation of the managers (Schweiger et al., 1993). This gap necessitates an additional certain period of learning, immediately after the acquisition, which requires additional time. In addition, in unrelated M&A a period of learning is required to better learn and understand the acquired company's activity in all of its aspects. This learning curve also requires time.

b. Stronger than expected opposition of the managers and employees: Resistance is a natural product of organizational change, especially in the acquired company. There are many reasons for resistance, such as the lack of understanding of the need for the transaction, the fear of employment termination or detriment to the work conditions, fear of the company's future, etc. These objections impede the SOI following the lack of cooperation between employees and managers and a slower than usual work pace, as presented earlier in breadth in the review of the literature.

c. Difficulties on the background of culture gaps: Large culture gaps may create lack of trust, tension, and lack of cooperation, misunderstandings, and conflicts that cause in the end the slow of the pace of the integration execution, as presented in breadth earlier in the review of the literature.

d. Legal/regulatory limitations: Legal limits, bureaucratic difficulties in the achievement of different approvals, need to negotiate with the employees organizations and employees' committees on the post-acquisition conditions of

employment delay the speed of the integration execution. Limitations like these can delay the processes of employment termination following the objections of the worker committees or the professional unions, which can implement different sanctions such as strikes against the acquiring company.

The aspiration of every manager of integration is to perform as many activities in parallel to shorten times. However, some of the activities depend on one another; in other words, for a certain activity to begin, previous activity needs to end. Sometimes a delay in a certain activity, for instance, in the integration of the information systems of the two organizations causes the entire process to get stuck and delays it. The response of the employees, clients, and competitors, as well as the technological developments, change the duration of the integration program and sometimes its content as well (Allio, 2005).

Therefore, it is possible to draw three primary conclusions, as follows:
  a. It is necessary to supervise the progress of the integration in terms of the schedule and how it meets the time objectives.
  b. It is necessary to determine correct priorities (what is performed first).
  c. It is necessary to determine what the critical processes for the planned integration schedule are and to focus on the management effort on them.

To conclude, there are forces that increase and forces that retard the SOI, as presented in the following figure.

Figure 3-1: Forces that Influence the SOI

Speed of integration - Pushing Forces			LOW
Stock Market	Owners & Managers	Competition	

INTEGRATION PROCESS

SPEED

Knowledge Transfer	Organizational Culture	Employee Resistances
Speed of Integration - Braking Forces		

HIGH
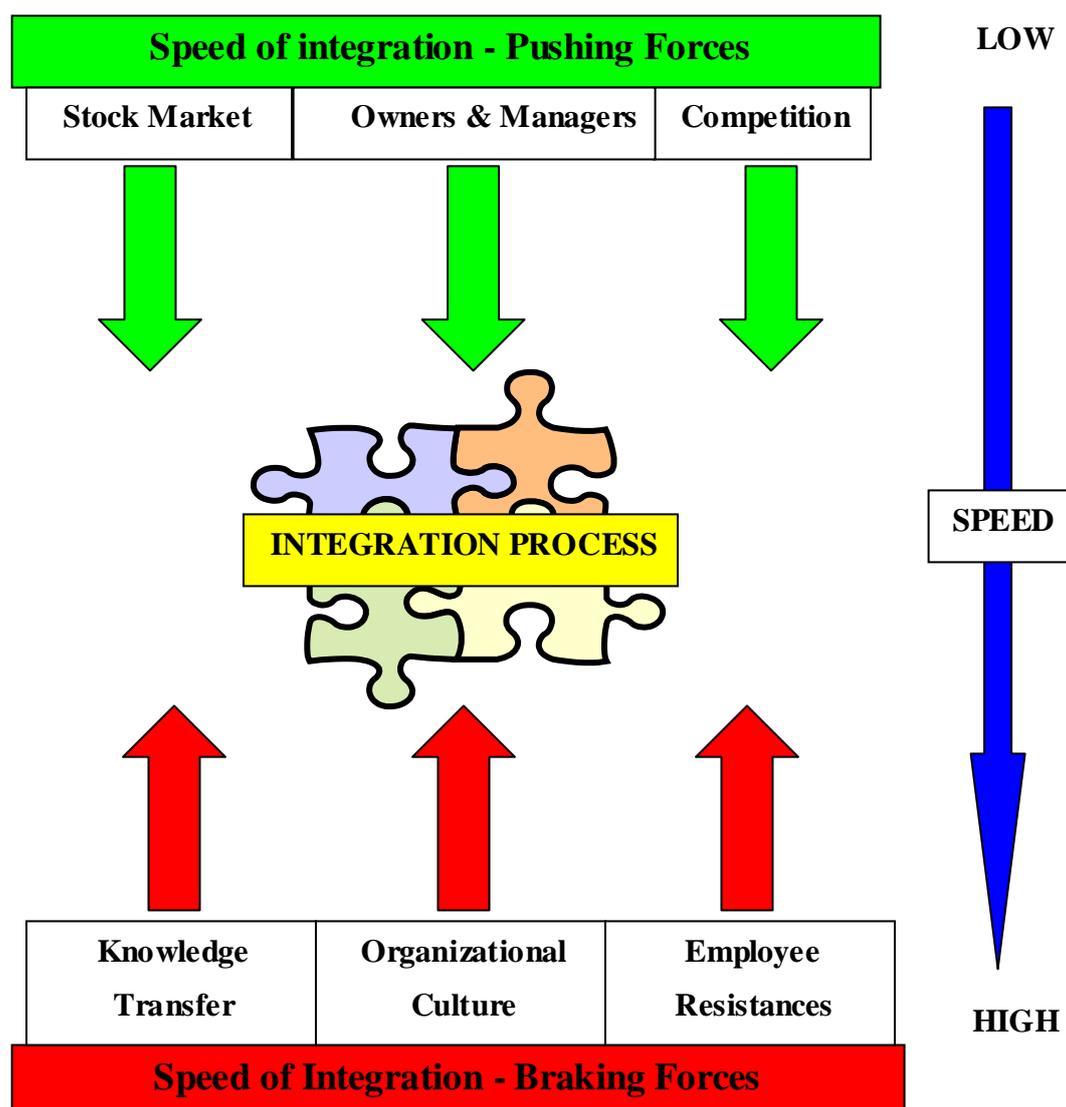
To define the first research hypothesis on the topic of the relationship between the SOI and the integration effectiveness and the overall M&A deal success, it is necessary to first define how the SOI is measured.

We define the speed of integration in three different ways:

a. **SOI** – overall speed of integration.

The time difference from the moment that the integration commences, generally immediately after the M&A deal closing, and the estimated integration final time. It's not always easy to know exactly what is the earliest time at which we can say that the integration was finished.

Anguin (2004) maintains that following the difficulty in determining when the integration has been completed, most M&A researches focus on the examination of the integration process during a given period of time, such as the first year or the first one hundred days, from the beginning of the integration.

b. **S&MSOI** –sales and marketing speed of integration.

This method of measurement of speed of integration assumes that the integration in the marketing and sales function is the most important, since the moment it is completed both organizations offer the customers their united mixture of products and services, and this is, in essence, the main goal of most acquisitions. The assumption is that the rest of the organizational functions in essence support the marketing and sales functions, which is supposed to increase the revenues of the companies after the acquisition. This method of measurement of speed of integration was used in the research of Homburg and Bucerius (2006).

c. **AVSOI** – average speed of integration in 9 main organizational functions.

The changes in each one of the organizational functions, regarding which it was decided to perform the integration, do not necessarily all begin at the same time and some are even dependent on one another in terms of the start date. Therefore, the integration program needs to also determine the priorities in the execution of the activities. For instance, in the realm of finance, the acquirer must merge its data with the acquired company's data in one quarter according to the rules of the stock market and therefore it is natural that this activity will begin quickly and end quickly. Another example is in the field of information systems, which generally is accorded a high priority in the rapid performance of the integration, since most of the organization's other activities, is influenced by and depends on the information systems.

The time needed for the performance of the changes required during the integration in each one of the organizational functions following the M&A is different. The integration of information systems can take, let's assume, a number of months and the integration of the constellation of the sales and marketing can last a year or more.

As can be seen for the purpose of concretization in the following figure, the integration in every function begins and ends at different times but we assume that the average SOI of the 9 organizational functions indicate well the overall speed of integration.

Figure Number 3-2: Integration Timetable Chart
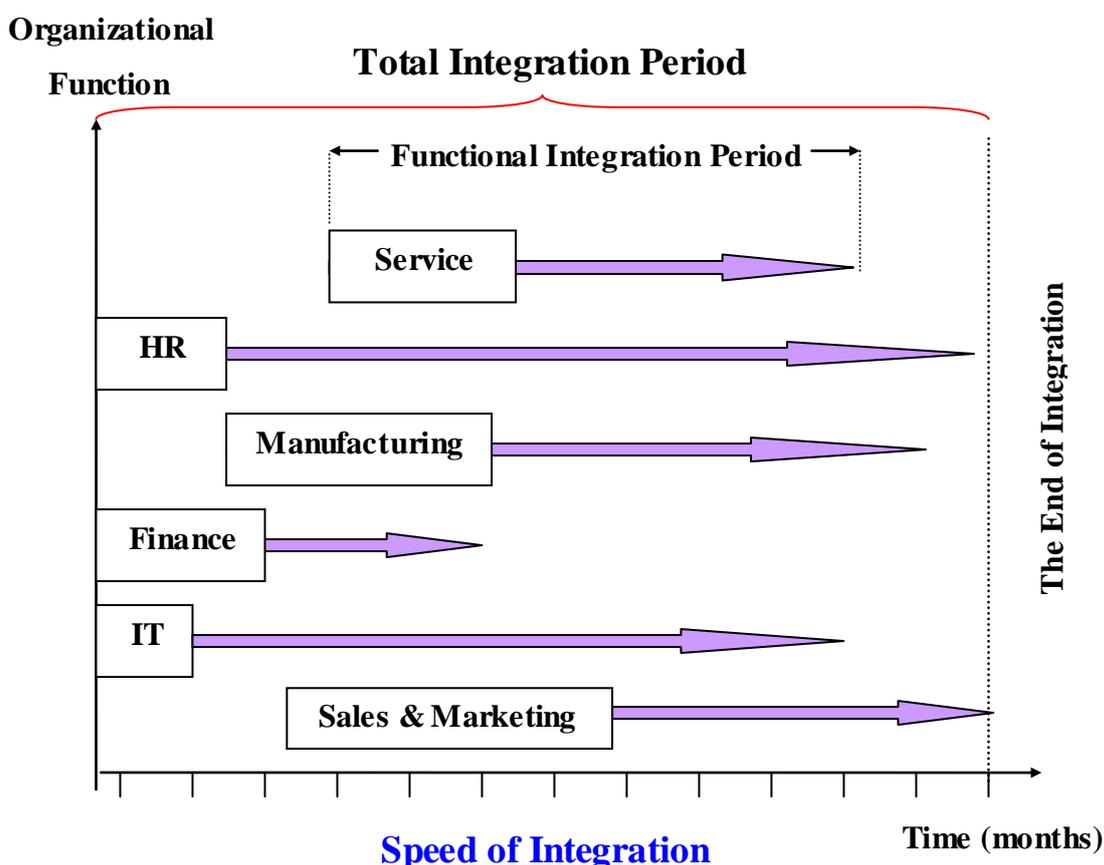
Therefore, the following question is asked. How will we know that the integration has indeed ended? Is this an absolute and objective date or is it a subjective date that depends on the opinion of the organization's managers regarding the time at which the integration has ended? Since the end of the integration is not always a completely clear date that is indicated by an event or end ritual, there is no choice but to rely on querying the managers in regards to the date that in their opinion best defines the end date of the integration. However, it is possible that according to the management the integration has ended but this may not be the feeling of the employees, who still may feel that this is a process that has not yet concluded.

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3.2   Research Model

. The research model is constructed so that it will examine the impact of the SOI on the integration effectiveness and the M&A success due to the M&A deal characteristics as: the M&A main goal, the characteristics of the companies involved in the M&A and the selected integration approach. The research model includes a number of basic assumptions that will be examined in the research framework:

a. The speed of the integration has a certain impact on the integration effectiveness and on the overall M&A deal success, an impact that changes depending on the combination of a number of variables.

b. The decision on the SOI depends on the M&A deal characteristics and the M&A main goal.

c. The decision on the SOI is also influenced by the choice of the integration approach, so there is reciprocal influence.

d. The SOI is not only an issue of decision but also of what happens in actuality in the process of the integration implementation. It is possible that in actuality the SOI is higher or lower than the planned speed and thus it is necessary to base on the measurement of the SOI in actuality and not to base on the speed planned in the beginning of the process.

The following presents a detailed description of the research model. The starting point is the company strategy. A company adopts a strategic process of M&A to achieve strategic goals and accordingly chooses the firm intended for the acquisition. The company can have a number of main reasons for the performance of the M&A:

a. To expand markets / penetrate into new countries (products/existing services).

b. To extend the company's line of products by acquiring technologies/products of the acquired company.

c. To reduce the competition in the field.

d. To reduce the structure of costs of the company.

e. To enter a new field / area of activity.

Given the acquired company, these goals need to be translated in the end to an effective integration between the companies, a process in which the synergy between

the companies should be expressed, supposedly producing the added value expected from the M&A. Already in the stage before the close of the transaction, the integration team is supposed to crystallize recommendations in regards to the chosen integration approach (level of autonomy that given to the acquired company) and in regards to the desired SOI. These two main decisions are influenced are influenced by one another and depend on the type of acquisition and the characteristics of the companies.

After these decisions were crystallized, a precise and detailed planning of the process of the integration was performed and additional decisions were reached, such as objectives and milestones, the budget allocated to the process, the definition of stages and processes, and the definition of schedules. After the stage of the closing, the implementation in actuality of the integration program begins, till it is completed, through the implementation of continuous supervision of the successful progress of the integration.

Follow-up and supervision of how the integration progresses and of the realization of the potential of synergy between the companies create a process of feedback for the performance of the changes and corrections required for the integration process, according to need and according to the responses of the main interested parties who are influenced by the integration – the employees, the clients, and the competitors.

Figure Number 3-3: The Research Model Chart
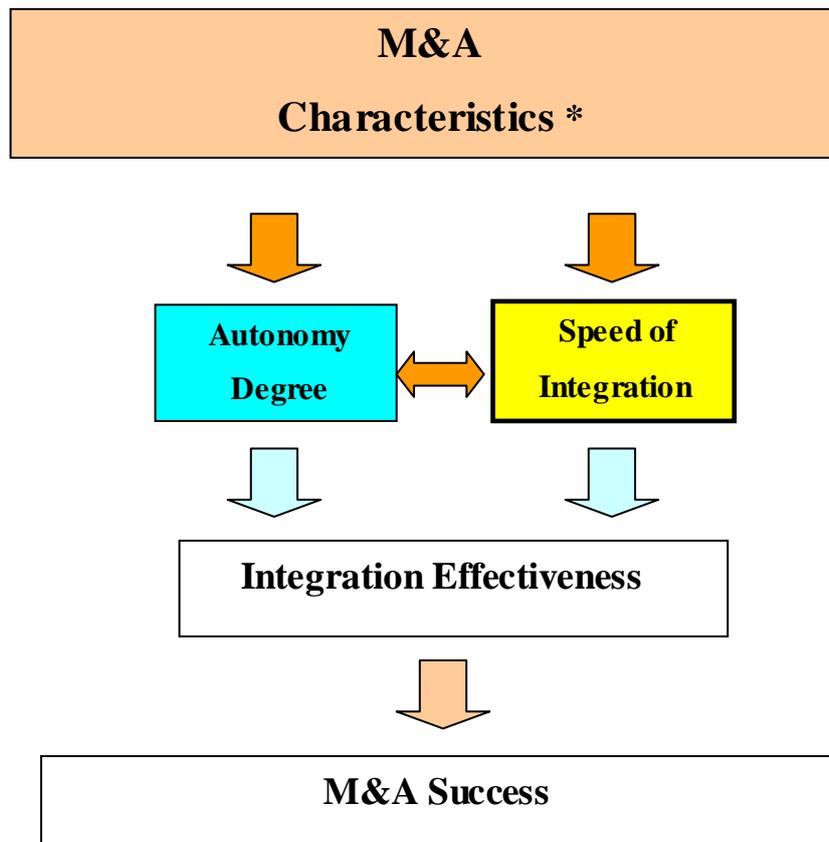
* M&A Characteristics: M&A Type (Cross Border / Domestic), Combined Firms Size/Relative Firms size, Acquired Age, Acquirer Previous M&A Experience, Relatedness, Organizational Culture Differences, Acquirer Nationality, M&A main goal, Synergy Potential.

3.3   The Research Hypotheses

After we have defined the importance of the SOI, it is possible to formulate the following hypotheses: hypotheses for the examination of the relationship between the dependent Variables and the independent variables (type A hypotheses) and between the independent variables and the moderating variables (type B hypotheses).

3.3.1   Speed of Integration and Combined Size / Relative Size

We assume that the size of the companies involved in integration, has impact, on the one hand, on the SOI and, on the other hand, on the M&A success (Hitt et al., 1993). It is reasonable to assume that when a large firm acquires a small firm, the desired SOI for success in the course of action will generally be faster than when two large companies are involved in the transaction. In large companies, it is harder to motivate and implement processes of change because of a high level of organizational inertia.

Since the combined size of the two companies involved in the transaction does not fully reflect the variable of size, the variable of the relative size of the companies is also added, one in relation to the next. For instance, a M&A in which two companies with a combined size of one billion dollars are involved can be a M&A of two companies of a similar size of 500 million dollars each or an acquisition of a company of 50 million dollars by an acquirer of 950 million dollars. It is clear that these are two essentially different transactions in terms of the integration process although in both cases the combined size is identical. Therefore, we add the following hypotheses:

Hypothesis 1a – Positive relationships will be found between the combined size by revenue and the integration effectiveness and M&A success.

Hypothesis 1b – Positive relationships will be found between the combined size by revenue and the level of autonomy of the acquired company and the SOI.

Hypothesis 2a – Negative relationships will be found between the combined size by number of employees and the integration effectiveness and M&A success.

Hypothesis 2b – Negative relationships will be found between the combined size by No. of employees and the level of autonomy of the acquired company and the SOI.

Hypothesis 3a – Positive relationships will be found between the relative size by revenue and the integration effectiveness and M&A success.

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Hypothesis 3b – Positive relationships will be found between the relative size by revenue and the level of autonomy of the acquired company and the SOI.

Hypothesis 4a – Negative relationships will be found between the relative size by No. of employees and the integration effectiveness and M&A success.

Hypothesis 4b – Negative relationships will be found between the relative size by No. of employees and the level of autonomy of the acquired company and the SOI.

3.3.2   Speed of Integration and Acquirer Nationality

In the research sample, some of the acquirers are Israeli and some are non-Israeli. Therefore, it will be interesting to examine the impact of the acquirer's nationality on the impact of the dimension of speed on the success of the integration and acquisition. The Israeli national culture is characterized by a high degree of improvisation ability, sometimes at the expense of methodical planning. Therefore, it can be expected that the Israeli acquirer will act more quickly than will the non-Israeli acquirer and will perform the integration more quickly. Therefore, we add the following hypotheses:

Hypothesis 5a – Differences will be found between the Israeli acquirers and the non-Israeli acquirers in integration effectiveness and M&A success.

Hypothesis 5b – Differences will be found between the Israeli acquirers and the non-Israeli acquirers in the level of autonomy of the acquired company and in the SOI.

3.3.3   Speed of Integration and Acquirer Previous M&A Experience

As noted in the chapter of the literature review, there is an argument in regards to the influence of the previous experience of the acquiring company in the performance of M&A on the success of M&A. However, it is reasonable to assume that it is likely that there is a relationship between the acquirer previous M&A experience and the SOI. When we perform a certain activity after we have accumulated similar previous experience, we generally perform the same activity more rapidly and more correctly the next time as a part of the process of improvement that derives from learning. Conversely, it is likely that previous experience 'pushes' managers to too-rapid performance of integration, something that impairs the

performances of the action. Therefore, the following research hypotheses were formulated:

Hypothesis 6a – Positive relationships will be found between the acquirer's previous M&A experience and the integration effectiveness and M&A success.

Hypothesis 6b – Positive relationships will be found between the acquirer's previous M&A experience and the level of autonomy of the acquired company and SOI.

3.3.4   Speed of Integration and Acquired Age

As the acquired firm is older, it suffers more from organizational rigidity and inertia, which are more difficult to change (Amburgey et al., 1993). An older company is comprised of older employees (on the average), it is more institutionalized in terms of the processes, procedures, and organizational culture, and therefore it is harder to accomplish changes in it rapidly. In contrast, a young company has not yet solidified itself in terms of its mode of activity and therefore it is easier and quicker to perform in it the changes required in the integration stage. Therefore, it is possible that in the acquisition of a young company a high SOI can bring about better results and the reverse is true in an older company. Therefore, we add the following hypotheses:

Hypothesis 7a – Positive relationships will be found between the acquired age and the integration effectiveness and M&A success.

Hypothesis 7b – Positive relationships will be found between the acquired age and the autonomy of the acquired company and SOI.

3.3.5   Speed of Integration and M&A Type

The difference between domestic M&A and cross-border M&A has been investigated in many researches, primarily in the context of the impact of the differences of national culture and the companies involved in the course of the success (Chatterjee et al., 1992; Datta, 1991; Weber, 1996). When there is a larger national cultural difference, the assumption is that the integration process will be planned more slowly so as to allow the employees of the two companies to practice and connect to one another under the constraints of different language and culture. Therefore, it is

reasonable to assume that cross-border M&A will on the average take longer than domestic M&A, especially when the acquirer does not have previous in-depth experience with the nationality state of the acquired company.

Lubatkin et al. (1999) and Olie (1994) found that a large national cultural difference creates problems in the cross-border M&A, problems that slow the integration process. Conversely, it is not only the gap that is important but also, primarily, the acquirer's national culture, since it makes the decision in regards to the SOI and therefore the understanding of its national culture may be more important than the acquired firm's national culture or the cultural gap between them.

In general, it is accepted among most researchers in the field to assume that it is more complex to perform integration in cross-border acquisitions than in domestic acquisitions due to the gap in the national culture, language, distance, ability to achieve information on the acquired firm that do not exist in a domestic acquisition. The SOI needs to be influenced by the M&A type and it is reasonable to assume that cross-border M&A will be slower due to its complexity than will domestic M&A. Therefore, the following hypotheses were formulated:

Hypothesis 8a – Differences will be found between domestic acquisition and cross-border acquisition in the integration effectiveness and M&A success.

Hypothesis 8b – Differences will be found between domestic acquisition and cross-border acquisition in the level of autonomy of the acquired company and SOI.

3.3.6   Speed of Integration and M&A Main Goal

The main reason why the organization embarks on such a significant, complicated, investment-heavy, and risky course of action is supposed to be influence on the decision regarding the speed of the integration performance and influence of the speed on the success. Therefore, it is possible that the relationship between the speed and the success depends on the primary motive of the company to perform the course of action and what the company wants to achieve from it.

There are several main reasons for the strategic decision on the part of the company to perform acquisition/merger:

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a. The acceleration of the development of new products or the diversification of the existing line of products through the acquisition of the ownership of technologies/products of the acquired company.

b. The acceleration of the penetration into new markets/new countries.

c. The reduction of the competition in the industry and the increase of the market share (horizontal M&A).

d. The improvement of the operational effectiveness and the reduction of costs through the acquisition of another link in the value chain (vertical M&A).

e. To enter a new area of activity in an existing industry or to enter a new industry.

Therefore, we add the following hypotheses:

Hypothesis 9a – Differences will be found in integration effectiveness and M&A success as a function of the M&A main goal.

Hypothesis 9b – Differences will be found in the level of autonomy of the acquired company and SOI as a function of M&A main goal.

3.3.7   Speed of Integration and Organizational Culture Difference

The organizational culture is a collection of values, beliefs, and basic assumptions shared by members of the organization and deeply imprinted in the organization and in its members (Hofstede, 1985). The merger of organizations is in essence an encounter between two organizational cultures. Sometimes, when a large company acquires a smaller company, this involves a cultural takeover or even cultural coercion. In other cases, when there is a merger between organizations of equal powers, in economic terms, a struggle between the cultures may develop, when every side believes in its way, which brought its successes in the past.

The organizational culture is to a great extent also organizational identity, exactly like the personality is for a person. The culture is the tool through which the organization conveys its values from generation to generation and uses them for organizational socialization. The encounter between the cultures threatens the integrity of the identity and people may feel feelings of loss of the identity in the process of the merger. The natural response to the threat to the identity is

convergence, defensiveness, and lacks of openness to changes and these delays the pace of the progress of the integration.

The merger is a very significant change in the organization. People tend to fear changes, primarily when the change leads to the lack of certainty and lack of instability. An organizational culture is one of the most stable bases in the organization. Therefore, when an M&A is performed, threatening to change the organizational culture, there is a threat to the stability, and this may encounter considerable objections.

An organizational culture is greatly influenced by strategy. An organization that directs itself to a certain market adjusts itself to the market requirements and thus an organizational culture that attaches importance to values that suit it to the market develops. An acquisition or merger with a company with a different strategy may lead to conflict, even if there is agreement with the strategy that is shared by the two organizations. The change of a strategic direction is a perceptual-intellectual change, which can be accomplished rapidly. A change in the organizational culture is a process that requires considerable time, since this is a value-oriented change.

While the managers are enthusiastic to rapidly perform the organizational change to provide rapid results, to unify structures, to eliminate duplicate positions, to change geographic positions, etc., there are in the organization people who have difficulties holding a simple dialogue between them, due to difficulties with language and culture. Employees who were accustomed to act in a certain way are asked to change their methods. The difficulty is that the original methods of these employees are what led them to successes till this point. Now foreign factors come and force a different way of thinking and performance. Many employees see in this a non-legitimate invasion of their domains and they are harmed by this process personally, and this leads to a decline in motivation and outputs.

The main problem in the encounter between cultures is ignorance and lack of openness of one culture to another. People develop a psychological constellation of 'we and them' and it takes much time until a shared identity develops, if it does at all. The culture of 'us' is always better than and superior to the culture of 'them'. The prevalent approach is "we will show them how things are managed correctly..." This

leads to mutual loss: it is hard for the sides to learn from one another and it is hard for them to teach one another.

One of the keys to the success of the M&A process is to understand the process and the stages that the merged organization needs to experience and to perform them gradually at the correct speed. The described process can take a number of months and even a number of years. Covin et al. (1997) maintain that even in the best of circumstances, generally only after five to seven years, the members of the organization identify truly with the integrated organization that was built from the M&A and stop speaking in terms of 'them' and 'us'. Time, through correct preparation and planning of the processes of M&A, enables reciprocal learning of the connecting organizations, assessment of the organizational culture, shared learning and thinking encounters of the two sides, understanding and sensitivity of the employees' needs, reflection and utmost cooperation of employees in information, refutation of incorrect rumors in real-time, intelligent placement of new managers, shared management of the change, etc. Therefore, we add the following hypotheses:

Hypothesis 10a – Negative relationships will be found between the organizational culture differences and its dimensions and the integration effectiveness and M&A success.

Hypothesis 10b – Negative relationships will be found between the organizational culture differences and its dimensions and the level of autonomy of the acquired company and the SOI.

3.3.8   Speed of Integration and Synergy Potential

When the synergy potential between the companies on the eve of the acquisition is high, it is reasonable to assume that the acquiring company will want to realize the potential as soon as possible. It is reasonable that it will be easier for the company, since as the synergy potential is greater, there is similarity in resources and in complementary resources. Therefore, we add the following hypotheses:

Hypothesis 11a – Positive relationships will be found between the synergy potential and its dimensions and the integration effectiveness and M&A success.

Hypothesis 11b – Positive relationships will be found between the synergy potential and its dimensions and the level of autonomy of the acquired company and the SOI.

3.3.9   Speed of Integration and Relatedness

The relationship between relatedness and speed is examined by Homburg and Bucerius (2006), who separated the variable into two types – internal relatedness and external relatedness. The researchers found that the relationship between relatedness and SOI depends on the combination of internal relatedness and external relatedness. The present research addresses the variable of relatedness in general; in other words, the level of similarity in the realms of activity of the companies in terms of the products and the markets to which they turn. Therefore, the following research hypotheses were formulated:

Hypothesis 12a – Positive relationships will be found between the level of relatedness and the integration effectiveness and M&A success.

Hypothesis 12b – Positive relationships will be found between the level of relatedness and the level of autonomy of the acquired company and the SOI.

Additional hypotheses for the examination of the relationship between the dependent variables and the independent variables are as follows:

Hypothesis 13 – A positive relationship will be found between the level of autonomy of the acquired company and the integration effectiveness and M&A success.

In the PMI stage, every increase in the value of the companies occurs (Haspeslagh and Jemison, 1991). So the next hypothesis is critically to confirm because one of the research main assumptions is that the integration effectiveness is one of the key success factors that influence the M&A success.

Hypothesis 14 – A positive relationship will be found between the SOI and the integration effectiveness and M&A success.

4. Empirical Research

4.1 Research Population

The research population includes all the Israeli companies that performed M&A transactions in Israel or outside of Israel (as acquirer or acquired) in the years 1992-2007. Companies that performed M&A more than fifteen years ago were not chosen since the memory of the survey participants regarding the M&A process may only be partial. In addition, companies that perform the M&A in a period of time of less than two years before the survey were not chosen so as not to engage in companies that have not yet finished their integration process. Furthermore, the research population did not include companies with an aggregate size of less than $10 million. Between these years approximately 1,000 M&A were performed in Israel (according to the data of the Israeli association of venture capital funds).

This research population was involved in all M&A types: cross-border and domestic M&A. It includes companies with a wide variety of characteristics, large and small companies, younger and older companies, companies with previous experience in the performance of M&A, and companies without prior experience, etc., so as to cover all possibilities of characteristics and types of M&A found in the research model.

4.2 Research Sample and Data Collection Procedure

The research population is all the transactions of M&A performed in Israel during the years 1992-2007. In this period, about 1,000 M&A were performed in the Israeli market, when in most of these transactions the Israeli companies were the acquired companies. During the 2008 world economic crisis the amount of the M&A in Israel (and worldwide) declined dramatically and started to recover on 2010. The research sample was chosen from the research population according to a number of parameters:

a. M&A transactions in which there was the ability to reach the senior managers who were involved in M&A transactions on the side of the acquirer or the side of the acquired, throughout the entire integration period. It is necessary to take into consideration that in this realm some of the managers are not interested in

revealing business data from their pasts, some were not available, and some have left the organization over the course of the integration.

b. M&A transactions of a scope of more than 10 million US dollars to neutralize transactions in which relatively small companies were chosen in which the integration process may not be so significant.

c. Only complete M&A (in which the complete ownership of the acquired company is acquired) since in these transactions the acquirer is the sole decision maker regarding the integration approach and speed.

d. Some of the managers agreed to be interviewed following personal relations and some agreed following a preceding letter that was sent to them by E-mail.

Eventually interviews were conducted with and questionnaires were filled out by senior managers who were involved in 138 M&A transactions. Some of the managers filled out questionnaires on more than one transaction in which they were involved. A table that presents the data of the sample of the companies participating in the survey appears in appendix number 1. I want to emphasize that 12 (8%) M&A from the research sample has been done in 2007 and probably effected by the 2008 world economic crisis.

4.3 Research Procedure

In the first stage, the research population was constructed by preparing a list of the transactions of M&A in which Israeli companies were involved in the period 1990-2006. The list of companies was constructed according to information obtained by a search of relevant Internet sites and according to information obtained from the database of the venture capital fund association in Israel. The specific period of time was selected so that the research population would be large enough, so that on the one hand the interviewees would have strong memories of the main data of the transaction in which they were involved and on the other hand the integration would have been completed so that its impact would already have been expressed on the success of the course of action. The research population includes about 1,000 acquisitions performed in the cited time period.

In the next stage, several in-depth frontal interviews were conducted with a number of senior managers who were involved in the M&A so as to understand the degree of importance of the variable of SOI in the constellation of considerations of the decision makers in the integration stage and to crystallize the research model. These interviews also helped in the crystallization of some of the research questions.

After the questionnaire was constructed, a pilot of the use of the questionnaires was conducted through the experiment with the questionnaire with a number of senior managers who were involved in the M&A so as to examine whether the questionnaire was phrased clearly for the respondents and what was the average time required to complete the questionnaire. Following the pilot, several changes were performed in the phrasing of the final questionnaire, which appears in appendix number 2.

In the next stage, the research data were collected in personal meetings with the senior managers in the companies included in the population sample, when the research questionnaires were completed. Filling out the questionnaire frontally is important in regards to the quality of the questionnaire completion by the respondent, since it is possible to immediately answer every question the respondent has related to the understanding of the questions. Such meetings can be held with greater relative ease in Israel as opposed to other countries in Europe or in the United States, since most of the population of senior managers work or live in a rather restricted geographic area in the center of Israel and since Israel is a very small country where 'everybody knows everybody'.

In a number of cases, the research participants completed questionnaires on a number of M&A transactions in which they had been actively involved. From the 138 questionnaires that were completed, 133 were filled out in personal meetings and the rest were completed in via the Internet. In the next stage, the following data were filled for each of the questionnaires: SIC code was given to the variable of relatedness of every M&A transaction according to the SIC codes taken from the website http://www.osha.gov. The next stage was statistical analysis of the questionnaires. The results appear in chapter 5.

4.4 Research Variables

4.4.1   Dependent Variables

a. M&A Success

The M&A success is measured in the research in a procedure that was adopted from previous researches (Capron, 1999; Datta, 1991) and that was used in the research of Homburg and Bucerius (2006). Each one of the managers who participated in the survey was asked about his opinion on the impact of the M&A on the early expectations before the action to improve the acquiring company's performances in five criteria that describes performances: ROI, ESP, stock price, cash flow, and sales growth. The managers' opinion regarding the improvement in the performances in each one of the five criteria was measured according to a ranking scale of five points.

In addition, every manager was asked to rank the importance of each one of the five performance criteria according to its relative importance by giving a weight in percentage to every criterion (the total sum of the weights reaches 100%). The success of the acquisition/merger was calculated by multiplying every criterion by the evaluation of the improvement in the performances by every criterion.

Furthermore, another control question was asked regarding the manager's opinion on the 'overall performances' of the acquisition/merger on a ranking scale of five points. This question was asked to examine the correlation between the five questions in regards to each one of the performance criteria and the manager's opinion on the general improvement in the performances.

b. Integration Effectiveness

Integration effectiveness is essential to the success of the entire course of the M&A. The integration effectiveness depends on the management decisions obtained before and during the performance of the integration and on how they are implemented. The integration effectiveness depends on the independent variables in the research and on the moderating variables – the integration approach and the SOI. The integration effectiveness is measured in the research by asking the managers who completed the research questionnaire about their opinion on the integration effectiveness in 12 subjects: Operating facilities, Purchasing, Research and Development, Accounting/finance, Legal department, Government relations, Human

resources, Distribution channels, Customer service, Promotion and advertising, Information systems.

The integration effectiveness is measured by 12 questions that are measured on a five point ranking scale, when 1 is given when the integration effectiveness was not effective and when 5 given when the integration effectiveness was highly effective. The measurement of the integration success in the research is based on common measurement method that was used in organizational research (Larsson & Finkelstein, 1999; Weber, 1996).

4.4.2   Moderating Variables

a. Speed of Integration

The SOI was measured in the research using three different methods:

Method 1: Overall speed of integration (SOI)

The overall speed of integration is the period of time that passed from the beginning of the performance of the integration (the closing day) to the date when all the activities related to the integration plan have ended. This date is not necessarily the date announced by the company management but is the date according to the best judgment of the managers who participated in the research.

The SOI is measured by one question, which is measured on a five point rating scale, as follows:

1 = more than 24 months.
2 = 19-24 months.
3 = 13-18 months.
4 = 6-12 months.
5 = less than 6 months.

Method 2: Sales & Marketing speed of integration (S&MSOI)

This speed is measured according to the time period that passed from the start of the integration till the end in the marketing and sales function. The end date of the integration in the marketing and sales function is when the portfolios of products or

services of the two companies were united and in essence this is the basis for the beginning of the realization of the synergy between the companies through the increase of the sales.

The sales & marketing speed of integration is also measured by one question that is measured on a five point ranking scale, when 0 is given when the speed of integration was not defined at the beginning of the process.

0 = not planned.

1 = more than 24 months.

2 = 19-24 months.

3 = 13-18 months.

4 = 6-12 months.

5 = less than 6 months.

Method 3: Average speed of integration (AVSOI)

The speed of integration is measured in the following nine organization functions:

1. Marketing and sales channels.

2. R&D.

3. H.R (Hiring, promoting, firing etc.).

4. Production and operational systems.

5. Accounting/finance.

6. Purchasing.

7. Information technology systems.

8. Customer service.

9. Supply chain.

The measurement method of speed of integration in each one of the organizational functions is identical to the method according to which the speed was measured in the marketing and sales function.

In addition, two additional topics related to speed of integration were examined.

Planned speed of integration (PSOI):

The planned speed of integration is measured by one question that is measured on a five point ranking scale, when 0 is given when the speed of integration was not defined at the beginning of the process.

0 = not planned.

1 = more than 24 months.

2 = 19-24 months.

3 = 13-18 months.

4 = 6-12 months.

5 = less than 6 months.

Retroactive Recommended Speed of Integration (RSOI):

The evaluation of the speed of integration, which in retrospect was the desired speed, was examined by one question in which the respondent was asked to choose from three possibilities:

a. We should proceed with the integration faster.

b. We should proceed with the integration slower.

c. The SOI was optimal.

b. Integration Approach – Level of autonomy for the acquired firm

Measurement of the level of autonomy given to the acquired company after the acquisition is based on the interviewees' assessment regarding the autonomy given to the managers of the acquired company when making different strategic and operational decisions – seventeen types of different decisions in the following areas:

1. Determination of goals of profitability.

2. Determination of goals of productivity.

3. Expanding into new marketing territories with existing products.

4. Introducing new products.

5. Determination of goals of physical resources.

6. Determination of goals of managerial resources.

7. Determination and changing budget plans.

8. Financing major investments.

9. Changing selling and market techniques.

10. Purchasing important raw materials.

11. Production schedules and plans

12. Determining rewards and compensation levels for high – level managers.

13. Determining research and development budget.

14. Changing product design.

15. Changing product prices.

16. Hiring, promoting, and firing high – level managers.

17. Changing information technology systems.

4.4.3   Independent Variables

a. Relatedness

The data for this variable were inputted into the statistical analysis according to the SIC (Standard Industrial Classification) codes of every company, which were taken from the website of the U.S. Department of labor (http://www.osha.gov).

These codes define the main area of activity of each of the companies involved in the transaction.

This variable is ranked according to the difference in the SIC of every company according to the amount of different digits of the codes on a five point scale.

It is clear from the SIC method that as there are more different digits in the codes of the two companies there is less relatedness between them according to the following description.

1. High relatedness, there is no difference in the digits, in other words, the companies act in exactly the same industry in the same area of activity.

2. There is a difference of one digit, in other words, the companies act in the same industry but in a different area of activity.

3 There is a difference of two digits.

4 There is a difference of three digits, in other words, the companies act in a different industry.

5   Low relatedness. There is a difference of four digits, in other words the companies act in totally different industry groups.

b. <u>Organizational Culture Differences</u>

The measurement of the Organizational Culture Differences in the research is based on the measurement method that was developed by Chatterjee et al. (1992) and that was used in other research studies that focused on differences in the organizational culture (Lubatkin et al., 1999; Weber, 1996).

The measurement of the organizational culture differences between the companies is based on a questionnaire that includes 29 questions on the attitudes of the managers towards different values in the organizational culture of the companies involved in the M&A, which are grouped into seven dimensions:

a.   Innovation and action orientation.
b.   Risk taking orientation.
c.   Lateral integration (intra-organizational involvement and communication).
d.   Top management contact (relationship between managers and subordinates).
e.   Autonomy and decision making.
f.   Performance orientation.
g.   Reward orientation.

The respondents were asked to rank the level of similarity in the organizational culture of the two companies in the seven dimensions of organizational culture on a five point scale that ranges from very different to very similar.

The following paragraphs explain the seven dimensions of the organizational culture.

First Dimension – Innovation and Action Orientation

Managers with a strong orientation to innovation and dynamic activity encourage rapid response to changes and to competition in the external environment. In addition, they encourage innovation to cope with what exists in the environment and to win in the competition in the industry. They will attempt to exploit opportunities for new products and markets. In contrast, in the organizations that are

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different in terms of the management culture, the managers prefer stability, intensive planning, and a relatively high level of formality. These managers do not want to rush and grab every opportunity due to the risk in the uncertainty. In addition, the difference in the management approaches derives from the fact that there are different perceptions in regards to the frequency required to act and respond to changes in the industry. This dimension is measured by five questions.

Second Dimension – Risk Taking Orientation

The management philosophy and beliefs in regards to taking risks are one of the primary factors that differentiate between organizations. The tendency to risks influences many decisions such as impacts in new initiatives, acquisitions and investments in equipment and technologies for manufacturing, levels of investment in research and development, management of cash and credit flow, etc.

For this dimension and its predecessor, an approach to innovation and activity, a relatively high relationship was found. For instance, the achievement of a competitive advantage through innovation will require investments in research and development that may be dangerous due to the lack of successes and uncertainty in the development ability, required time, and fit to market. In essence, the degree of perceived frequency indicates the perception of the threat and danger entailed by lack of activity or response. This is true also for the exploitation of opportunities. In other words, the degree of frequency derived from the approach to risk influences the approach to the need for activity and dynamism. This dimension was measured by five questions.

Third Dimension – Lateral Integration

The managements have different management approaches in beliefs on the importance of cooperation and linkage between organizational units to achieve the organization's goals and to encourage competition between them to increase motivation and effort. There are organizations where there are complex coordination mechanisms and in contrast, others use simple forms to coordinate, such as schedules and standardization. The importance that the managements ascribe to the cooperation and communication is reflected in the encouragement that is given to the sharing of information, understanding of the difficulties and problems that your parallel in the

position has, and helping other organizational units instead of competing with them. Obviously, some management encourages the competition between the units. This dimension is measured by four questions.

Fourth Dimension – Top Management Contact

This dimension addresses the beliefs of the management in regards to the relationship that should be given to subordinates such as support, warmth, understanding, and encouragement. These beliefs address human nature in organizations and differ from management to management. The managements are different in their belief regarding the encouragement that should be given to subordinates to attempt new ideas, to be creative, and to take risks. Similarly, there are different management approaches that enable the employees to openly critique the management and bring up conflicts in the organization for discussion. This dimension is measured by three questions.

Fifth Dimension – Autonomy and Decision Making

A basic characteristic of managements is the different belief on the level of the autonomy and responsibility that should be delegated in important decisions. These beliefs influence, in the end, the form of the organizational structure. They influence the definitions of the roles, the definitions of the procedures, and the level of formality in these definitions. This dimension is measured by five questions

Sixth Dimension – Performance Orientation

The characterizations of the requirements from the managers and employees and the focus on the evaluations of performances are aspects that are important and special to different managements. Managements differ in their beliefs regarding the need to require constant improvement and to achieve even very challenging goals. Some of the managements believe that almost anything can be performed and therefore they push to the performance of even very difficult activities. Other beliefs of some of the managements address the importance of the requirement of managers to bear the responsibility for their performances and the requirement is that expectations for performances will always be clear and measurable. Other emphases address types of performances, such as requirement for effectiveness and manner of

performance of the tasks, as opposed to the requirement for effectiveness and the achievement of all the goals, even at the expense of effectiveness. This dimension is measured by three questions.

The Seventh Dimension – Reward Orientation

The management culture is expressed also in the manner of recompense. The response to the question – who is rewarded and when? – is a clear announcement of the beliefs and values preferred by the management on the topic of rewards. The rewards approach is related to beliefs on the need to reward fairly and competitively in regards to other organizations in the industry. In addition, some of this dimension is the belief in regards to the need to tie between reward and the performances and to the extent to which this relation is emphasized in salary, benefits, and accompanying conditions. This dimension is measured by four questions

c. Combined Firms Size and Relative Size (By revenue)

Measurement of the size of the companies is accomplished by two questions, every question on the size of one of the companies. The shared size of the two companies involved in the M&A process is calculated according to their aggregate sales turnover at the end of the year that preceded the acquisition date in units of million dollars according to the following seven point scale.

Combined firm size (annual turnover of the consolidated businesses):
1 = 10-25 million $.
2 = 26-49 million $.
3 = 50-99 million $.
4 = 100-249 million $.
5 = 250-499 million $.
6 = 500-1,000 million $.
7 >= 1,000 million $.

The measurement of the relative size is important since the measurement of the shared size alone does not provide a sufficiently good picture of the size compositions in the acquisition. For example, there is a difference between the acquisition of a company of $20 million by a company with a turnover of $180 million as opposed to

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a transaction with a similar shared sized (of $200 million) but when each company is around $100 million in size.

The measurement of the relative size between the acquirer and the acquired is performed by dividing the sales turnover of the acquired company at the end of the year preceding the acquisition by the sales turnover of the acquirer at the end of this year in units of percentage in a 5 point scale.

Relative size of target to acquirer (annual revenue):

1 < 25%.

2 25-49%.

3 50-74%.

4 75-100%.

5 > 100%.

c1. Combined Firms Size and Relative Size (By No. of employees)

Measurement of the size of the companies is accomplished by two questions, every question on the size of one of the companies. The shared size of the two companies involved in the M&A process is calculated according to their aggregate No. of employees that proceeded the M&A date according to the following seven point scale.

Combined firm size:

1 = 50-250 employees.

2 = 251-499 employees.

3 = 500-999 employees.

4 = 1,000-1,999 employees.

5 = 2,000-4,999 employees.

6 = 5,000-9,999 employees.

7 >= 10,000 employees.

The measurement of the relative size is important since the measurement of the combined size alone does not provide a sufficiently good picture of the size compositions in the M&A. For example, there is a difference between the acquisition of a company with 500 employees by a company with 4,500 employees as opposed to

a transaction with a similar combined sized (of 5,000 employees) but when each company is around 2,500 employees.

The measurement of the relative size between the acquirer and the acquired is performed by dividing the No. of employees in the acquirer company at the end of the year preceding the M&A by the No. of employees in the acquired company at the end of this year in units of percentage in a 5 point scale.

Relative size of acquired to acquirer (No. of employees):
1 < 25%.
2 25-49%.
3 50-74%.
4 75-100%.
5 > 100%.

d. Acquired Age

The measurement is based on the number of years that pass from the date at which the acquired company is founded till the date at which the transaction is performed in units of years and on a five point scale:

Acquired age:
1 < 1 year.
2 2-3 years.
3 4-6 years.
4 7-10 years.
5 >10 years.

e. Acquirer Previous M&A Experience

The acquirer previous M&A experience is measured by the number of previous M&A that the acquiring company performed in the ten years that preceded that acquisition date examined in the survey. The previous M&A experience was ranked on a five point scale.

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The Acquirer M&A Previous Experience is measured according to a measurement scale of five points.

1 - The acquirer has no previous M&A experience.

2 - The acquirer has previous M&A experience of one M&A.

3 - The acquirer has previous M&A experience of two-four M&A.

4 - The acquirer has previous M&A experience of five-ten M&A.

5 - The acquirer has previous M&A experience of more than ten M&A.

f. Acquirer M&A Main Goal

In this part the respondents were asked to choose from five reasons the main reason for the performance of the M&A transaction. The five reasons are as follows:

1. To expand markets / penetrate into new countries (with existing products/services).

2. To extend the company's line of products by acquiring technologies/products of the acquired company.

3. To reduce the competition in the field.

4. To reduce the structure of costs of the company.

5. To enter a new field / area of activity.

g. Acquirer Nationality

The acquirer makes all the decisions regarding the process of the implementation of the M&A. The acquirer's nationality and national culture that derives from it influence the decision making processes regarding how the M&A is implemented and therefore the variable of the acquirer's nationality was added to the research to examine whether it influences the research model.

In this variable a distinction is drawn between an Israeli acquirer, which receives the value 1, and a foreign acquirer (non Israeli), which receives the value of 2.

h. Synergy potential

The synergy potential is measured according to the degree of similarities and complementarities between the companies in the following eleven areas of activity of the companies:

1. Marketing

2. Production

3. R&D

4. Logistics

5. Information technologies

6. Finance and accounting

7. Control and evaluation systems

8. Distribution channels

9. Human resources

10. Purchasing

11. General managerial capabilities

The questionnaire is taken from the article of Larsson and Finkelstein (1999) and it includes 22 questions, eleven on the degree of similarity in activity of the companies in different areas of activity and eleven on the degree of complementarities between the companies in all these areas of activity.

The degree of similarities and complementarities is measured on a five point rating scale, as follows: a score of "1" means very low similarity/complementarity, while a score of "5" means very high similarity/complementarity.

The research examined the general impact of the variable of synergy potential according to the mean of the scores of all 22 questions that address the level of similarity and level of complementarity between companies. In addition, the partial impact of the synergy potential according to the level of similarity between the companies alone was examined, according to the mean of eleven questions that engage in the level of similarity, and the impact of level of complementarity between the companies according to the mean of eleven questions that engage in the level of complementarity between companies was examined.

4.5 Previous Researches about SOI

It is possible to see in the following table the research variables of the researches that have been conducted until today on the topic of the relationship between the SOI and the M&A success, and the main conclusions of these researches. The present research, its variables, and its conclusions are also added to the table.

Table 4-1: Summery of Previous Researches about SOI

Scholars	Year	Sample Size	Dependent Variables	Independent Variables	Moderators	Main conclusions
Shay et al. (PWC)	2000	125	M&A Success	Speed of Transition		Speed increases success rates. Companies that make fast transition report better financial performance, moral, productivity and time to market, along with fewer system and management integration problems.
Angwin	2004	70	M&A Success	Volume of changes started within the first 100 days of integration		Perceptions of M&A success tend to decline over time, even in a positive context for M&A activity.

A critical examination of the first 100 days shows little overall support for SOI as a good indicator for M&A success |
| Homburg | 2004 | 232 | M&A | Extent of | Customer | For market related |

Scholars	Year	Sample Size	Dependent Variables	Independent Variables	Moderators	Main conclusions
& Bucerius			Financial Performance	Marketing Integration Speed of Marketing Integration	orientation of integration Relatedness of the firms' market positioning Relative size of the acquired firm Market growth before the M&A Product Vs. Service firm	Aspects of M&A performance, speed of marketing integration is beneficial.
Homburg & Bucerius	2006	232	M&A Success	Speed of Marketing & Sales Integration	Combined firm size Internal Relatedness External Relatedness	SOI exhibits a strong positive impact on M&A success in the case of low external / high internal relatedness while the impact is strongly negative in the opposite case.
Morag (This Research)	2010	138	Integration Effectiveness M&A	Relatedness Organizational culture	Speed of Integration Integration	Presented in the findings and conclusions chapter

Scholars	Year	Sample Size	Dependent Variables	Independent Variables	Moderators	Main conclusions
			Success	Differences Acquirer Nationality Acquired Age Synergy Potential Combined & Relative firm size M&A Type (Cross-Border Vs. Domestic)	approach – Level of autonomy given to the acquired firm	

5.   Findings and Analysis

Chapter Outline and Stages of Statistical Analysis

The chapter of the findings consists of three parts that incorporate the flow of information from one to another:

Part 5.1: This part describes the composition of the research sample, in other words, the composition of the companies involved in transactions of M&A and sampled in the research according to the following characteristics: acquirer nationality, acquirer previous M&A experience, acquired age, and combined size and relative size according to the revenue and number of employees.

Part 5.2: This part describes the continuous variables in the research and examines their level of reliability. These continuous variables are: organizational culture differences , combined size and relative size between the companies (according to the revenue and number of employees), synergy potential, acquired age, acquirer previous M&A experience, level of relatedness between the companies, speed of integration, integration effectiveness, and M&A success. In addition, a one-variable description is presented of each one of the research variables, performed in light of the presentation of the initial statistical findings – mean, median, standard deviation, and extreme values (minimum and maximum).

Part 5.3: This part examined the research hypotheses and described how they were examined, combining performance of regression analyses and multivariate models for the models – partial and full.

The Preliminary Activity Performed Before the Statistical Analysis

- All the questionnaires were completely filled out and were not lacking information regarding the different parts.

- All the data in the research were coded and processed using SPSS version 16.

5.1   Sample Composition – General Characteristics

The research sample includes 138 M&A transactions and thus senior managers, who were involved in these deals from the acquiring company or the acquired company, were interviewed. Most of the acquiring companies in the sample, 60.1% (83), are Israeli companies while the rest, 39.9% (55) are non-Israeli companies (from Canada, France, Germany, India, Sweden, Taiwan, England, and the United States), as the following diagram depicts.

Figure Number 5-1: Distribution of the Research Acquirers Nationality
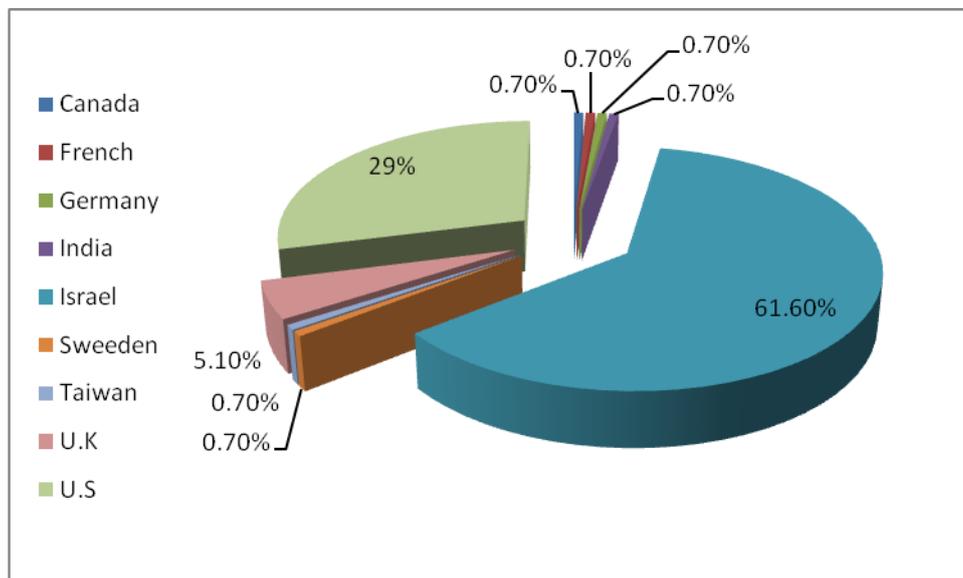
The acquirer previous M&A experience ranges from 0 (in other words, no previous experience) to 30 M&A, when about 28% of the acquirers have M&A previous experience of one M&A, as table number 5-1 shows.

Table Number 5.1: Distribution of the Acquirers Previous M&A Experience

Acquirer Previous M&A Experience (No.)	% (N)
0	19.6% (27)
1	8.0% (11)
2-4	29.7% (41)
5-10	26.8% (37)
> 10	15.9% (22)

Table number 5-2 describes the acquired age (in years) at the time of the acquisition. The table shows that about one-half of all the acquired companies are more than ten years old.

Table Number 5-2: Distribution of the acquired Firms

Acquired Age (Years)	(N) %
2-3	7 (5.1%)
4-6	34 (24.6%)
7-10	25 (18.1%)
> 10	72 (52.2%)

Table number 5-3 describes the distribution of the positions of the managers who participated in the research and filled out the questionnaires. The table shows that about 67% (92) of the managers are on the highest organizational level, holding the position of the VP/CEO in the acquiring or acquired company:

Table Number 5-3: Distribution of the Positions of the Managers Participating in the
Research

Manager Position	(N)%
Managing director / CEO	19.6% (27)
V .P	47.1% (65)
Head of M&A	4.3% (6)
Head of S.B.U	4.3% (6)
Other	24.6% (34)

Table number 5-4 describes the distribution of the frequency of the primary goal
of the M&A according to the following five goals presented to the managers who
were interviewed in the research.

- To expand markets.
- To acquire technologies/productions.
- To reduce the competition.
- To reduce costs.
- To enter a new field

Table Number 5-4: Distribution of the Main M&A Goal

M&A Main Goal	% (N)
To expand markets	24.6% (34)
To acquire technologies/productions	55.1% (76)
To reduce the competition	10.9% (15)
To reduce costs	7% (1)
To enter a new field	8.7% (12)

The findings of table number 5-4 indicate that most of the companies (76, 55%)
performed the M&A because of the main goal of extending the variety of
technologies or products. One-quarter of all the respondents noted that the main goal
of performing the M&A was to expand to additional markets.

Table number 5-5 describes the distribution of the frequency of the M&A type (domestic/cross-border).

Table Number 5-5: Distribution of the M&A Type

M&A type	% (N)
Cross-Border	73.2% (101)
Domestic	26.8% (37)

Table number 5-5 shows that most (73%) of the M&A in the sample are cross-border and only 27% of the M&A are domestic.

5.2 Description of the Continuous Research Variables

The theoretical model includes a number of continuous variables that were built according to the research subjects' ranking of their responses in the questionnaire. Every variable was calculated by the mean of the relevant items and according to the level of reliability (Cronbach's alpha).

Composition and Reliability of the Questionnaires

All the respondents responded to the research questionnaire while indicating their responses in the questionnaire in each one of the parts. For each one of the questionnaires research scores were calculated according to the questionnaire composition and reliability, as the following tables present.

Table number 5-6 presents the reliability of the independent variable – organizational culture differences between the companies and the seven dimensions of organizational culture. Table number 5-7 presents the reliability of the independent variable – synergy potential and its two dimensions. Table number 5-8 presents the reliability of the two moderating variables in the research model, the level of autonomy given to the acquired company and the speed of integration. Table number 5-9 presents the reliability of the two continuous dependent variables in the research model, integration effectiveness and M&A success.

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Table Number 5-6: Reliability of the Variable of Organizational Culture Differences and Its Seven Dimensions

Variable	Items	Ranking Scale	Reliability
Organizational Culture Difference	1-29	[very similar to very different] 1-5	0.95
Innovation and Action Orientation (Iao)	2,8,14,17,21	[very similar to very different] 1-5	0.88
Risk-Taking Orientation (Ra)	3,9,20,22,25	[very similar to very different] 1-5	0.80
Lateral Integration (Li)	13,23,27	[very similar to very different] 1-5	0.82
Top Management Contact (Tmc)	6,15,28	[very similar to very different] 1-5	0.78
Autonomy and Decision-Making (Adm)	7,12,16,19,26	[very similar to very different] 1-5	0.80
Performance orientation (Po)	5,10,11	[very similar to very different] 1-5	0.69
Reward orientation (Ro)	4,18,24,29	[very similar to very different] 1-5	0.84

Table Number 5-7: Reliability of the Synergy Potential and Its Two Dimensions

Variable	Items	Ranking Scale	Reliability
Synergy potential	1-22	[Very low to very high] 1-5	0.79
Synergy potential by similarities	1-11	[Very low to very high] 1-5	0.81
Synergy potential complementarities	12-22	[Very low to very high] 1-5	0.80

Table Number 5-8: Reliability of the Mediating Variables – Level of Autonomy Given to the Acquired Company and AVSOI

Variable	Items	Ranking Scale	Reliability
Autonomy degree for the acquired firm	1-16	[Very low to very high] 1-5	0.94
Average Speed of Integration	1-9	[Very low to very high] 1-5	0.88

Table Number 5-9: Reliability of the Dependent Variables - Integration Effectiveness and M&A Success

Variable	Items	Ranking Scale	Reliability
Integration Effectiveness	1-12	[Not effective to high effective] 1-5	0.84
M&A Success	1-5	[Very high to very low] 1-5	0.96

As customary in research studies performed in the social sciences, a reliability value greater than 0.65 indicates a high consistency of items and thus the content worlds can be addressed as one unit. This information led to the grading of the responses to the different items using the averaging of the responses relevant to each content world and dimension.

To measure the distribution of the different variables among the examined companies, statistical measures were calculated (descriptive statistics) such as mean, standard deviation, median, and range of the distribution values.

Descriptive Statistics of the Continuous Independent Variables

Table's number 5-10 and 5-11 present the descriptive statistics for the continuous independent variables.

Table Number 5-10: Distribution of the Independent Descriptive Dimensions - Combined and Relative Size according to the Revenue and Number of Employees, Synergy Potential, Acquired Age, Acquirer Previous M&A Experience, and Relatedness.

Table Number 5-10: Distribution of the independent Descriptive Dimensions

Variable	Mean	Std. Dev.	Median	Min.	Max.
Combined size by revenue	1,934	6,345	367.5	6.5	50,020
Combined size by employees	5,041	9,416	1,525.0	53.0	55,750
Relative size by revenue	0.29	0.53	0.10	0.00	3.40
Relative size by employees	0.35	0.63	0.13	0.00	4.00
Synergy potential by similarities	2.71	0.75	2.78	1.00	4.82
Synergy potential by complementarities	2.84	0.76	2.82	1.00	5.00
Synergy potential	2.78	0.56	2.73	1.50	4.82
Acquired Age	16.48	15.83	11.00	2.00	100.00
Previous M&A Experience	6.40	7.42	4.00	0.00	30.00
Relatedness	1.37	1.38	1.00	0.00	4.00

Table number 5-10 shows that the level of relatedness between the companies is related high, so that in most of M&A the companies act in the same industry (horizontal acquisition) or in similar areas of activity.

The combined size of the companies involved in the M&A according to the revenue is moderate, as is the combined size of the companies according to the number of employees. The relative size of between the companies is relatively small, both according to the relative number of employees and according to the relative revenue.

The acquired age is relatively old and there are a number of acquired companies that are older and well-established: about 72 (52.2%) of the acquired companies in the sample are older than ten years old.

The acquirer previous M&A experience is relatively high and 22 (15.9%) of the acquirers in the research sample have previous M&A experiences of more than eleven M&A.

The synergy potential between the companies is moderate, both according to the dimension of degree of similarity between the companies and according to the dimension of degree of complementarity between the companies.

Table Number 5-11: Distribution of the Descriptive Variable-Organizational Culture Difference

Variable	Mean	Std. Dev.	Median	Min.	Max.
Organizational culture difference	2.89	0.73	2.92	1.00	5.00
Innovation and Action Orientation (Iao)	2.92	0.86	3.00	1.00	5.00
Risk-Taking Orientation (Ra)	3.00	0.84	3.00	1.00	5.00
Lateral Integration (Li)	2.82	0.87	2.75	1.00	5.00
Top Management Contact (Tmc)	3.04	0.97	3.00	1.00	5.00
Autonomy and Decision-Making (Adm)	3.11	0.86	3.00	1.20	5.00
Performance orientation (Po)	2.67	0.94	2.67	1.00	5.00
Reward orientation (Ro)	2.58	0.94	2.50	1.00	5.00

Table number 5-11 shows that the degree of differences in the organizational culture between the companies is perceived as average, as is the dimension of differences between all seven dimensions of organizational culture. Among the companies ranked on a moderate level the organizational cultural dimension perceived as most similar between the companies is the fifth dimension – the degree of similarity in 'independence and decision making'. The fourth dimension, too – 'perception of the relationship with the senior management' is slightly higher and the dispersion in this dimension was the highest relatively.

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**Descriptive Statistics of the Mediating Research Variables and the Continuous
Dependent Variables**

Table Number 5-12: Distribution of the Descriptive for the Moderators and
Dependent Variables

Variable	Mean	Std. Dev.	Median	Min.	Max.
Autonomy degree	3.42	0.95	3.31	1.00	5.00
AVSOI	4.12	0.92	4.33	1.22	5.00
S&MSOI	3.97	1.43	5.00	1.00	5.00
SOI	3.15	1.39	3.5	1.00	5.00
Integration Effectiveness	3.75	0.78	3.83	1.50	5.67
M&A Success	2.93	1.36	3.00	0.60	5.00

Table number 5-12 shows that the SOI is fast (as the score is higher on the scale of 1-5, the SOI is higher). The S&MSOI was faster than the SOI. In other words, for the most part after the end of the integration in the marketing and sales function the integration actions in some of the other organizational functions still continued. The AVSOI was even faster. This is logical since the integration in some of the organizational functions occurs rapidly, and this reduces the mean of the speed of all the nine organizational functions.

The autonomy degree given to the acquired company was relatively high and the opinion of the managers who participated in the research was that the integration is effective at a relatively high level but the M&A success is moderate.

For some of the continuous variables, as described using statistical indices in table's number 5-10 to 5-12, the values were collected categorically. The variable of SOI was one of these.

Table number 5-13 describes the distribution of the variable of SOI.

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Table Number 5-13: Distribution of the SOI

SOI (Months)	N (%)
< 6	27 (19.6%)
6-12	42 (30.4%)
13-18	18 (13.0%)
19-24	28 (20.3)
> 24	23 (16.7%)

The findings in table number 5-13 indicate a similar distribution at the edges: above 24 months and under 6 months (15%-20%). For 20% of all the companies in the sample the integration was performed at a SOI that ranges from 19 to 24 months, while for 30% of the companies the SOI ranges from 6 to 12 months. The statistical analysis in the continuation addresses the collected values of 1-5.

Table number 5-14 presents the distribution of the planned speed of integration on the eve of the beginning of the integration.

Table Number 5-14: Distribution of the Planned Speed of Integration

PSOI (Months)	N (%)
Not Planned	17 (12%)
> 24 Months	3 (2%)
19-24	8 (6%)
13-18	8 (6%)
6-12	79 (57%)
< 6 Months	23 (17%)

According to the distribution of the planned speed of integration (PSOI) presented in table number 5-14, only three companies planned to perform the integration slowly in a period of time of more than two years. At least 79 companies (out of 138) planned to perform the integration in a quick period of time that ranges from six to twelve months.

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Table number 5-15 describes the distribution of the S&MSOI according to the different categories of time.

Table Number 5-15: Distribution of the Sales & Marketing Speed of Integration

S&MSOI (Months)	(%) N
< 6	54.3% (75)
6-12	20.3% (28)
13-18	8% (11)
29-24	2.9 (4)
> 24	14.5% (20)

It is interesting to see in the data in table number 154-15 that 75 (54.3%) of the companies performed the integration in the marketing and sales function at a high speed of up to six months from the starting day of the integration.

Table number 5-16 presents the distribution of the use of the three different integration approaches.

Table Number 5-16: Distribution of the of the Three Different Integration Approaches

Integration Approach	% (N=110)
Absorption	21.8% (24)
Symbiosis	50.0% (55)
Preservation	28.2% (31)

As table number 5-16 shows, half of the companies adopted the symbiosis approach, 22% adopted the absorption approach, and 28% adopted the preservation approach. It should be noted that of the sample of 138 M&A, only in 110 M&A did the managers answer the question regarding the adopted integration approach.

5.3 Statistical Inference – Examination of the Research Hypotheses

The stage of the initial analysis addresses the correlations that exist between the three different groups of variables: the independent variables, the moderating variables, and the dependent variables. The correlations are presented in three separate groups.

1. Correlations between the independent variables and the moderating variables.
2. Correlations between the independent variables and the dependent variables.
3. Correlations between the moderating variables and the dependent variables.

Thus, the research hypotheses can be addressed, while at the end of the chapter the model as a whole is examined using a series of regression tests. All the correlations were performed using Pearson correlations to examine significance, intensity and direction of the relationship.

Since the research examined three different indices of the moderating variable – overall speed of integration (SOI), speed of integration in the marketing and sales function (S&MSOI), and average speed of integration in the nine organizational functions (AVSOI) the correlations were calculated between all the variables and the three indices.

However, in the statistical analysis significant relationships were not found between the different variables and the first two indices of the variable of speed of integration, SOI and S&MSOI (with the exception of one relationship), as table number 5-17 shows.

Table Number 5-17: Statistical Relationships between the Independent Variables and the Speed of Integration (SOI and S&MSOI)

Moderators Var. / Independent Var.	S&MSOI	SOI
Combined size by revenue	-0.052	-0.091
Relative size by revenue	-0.100	0.006
Combined size by employees	-0.011	-0.021
Relative size by employees	-0.091	-0.034
Acquirer Age	-0.065	**-0.185***
Acquirer Previous M&A Experience	0.021	0.091
Organizational Culture Difference	0.097	-0.017
Innovation and Action Orientation (Iao)	0.022	0.089
Risk-Taking Orientation (Ra)	0.007	0.072
Lateral Integration (Li)	0.161	0.009
Top Management Contact (Tmc)	0.007	0.007
Autonomy and Decision-Making (Adm)	0.002	0.003
Performance orientation (Po)	0.017	-0.017
Reward orientation (Ro)	-0.023	0.067
Synergy potential	0.027	-0.062
Synergy potential by similarities	0.107	-0.013
Synergy potential by complementarities	0.015	630.0
Relatedness	-0.05	-0.009

The only relationship found significant and negative in table number 5-17 is the relationship between the acquired age and SOI. As the acquired age is greater, the SOI is slower.

In contrast, significant relationships were found between a number of independent variables and speed of integration in the third index - AVSOI.

Thus, from this point onwards in the chapter of the research findings the tables that include an examination of the impact of speed of integration in the research model use the index of AVSOI, unless otherwise noted.

5.3.1   Analysis of the Correlations between the Independent Variables and the Moderating Variables

Table number 5-18 presents the analysis of the correlations for the continuous independent Variables.

Table Number 5-18: Matrix of Correlations between the Continuous Independent Variables and the Moderating Variables

Dependent Var. Independent Var.	AVSOI	Autonomy Degree
Combined Size by Revenue	-0.076	0.040
Relative Size by Revenue	-0.041	0.038
Combined Size by Employees	**-0.238****	-0.100
Relative Size by Employees	-0.025	0.055
Acquired Age	-0.120	-0.114
Acquirer Previous M&A Experience	0.078	-0.045
Organizational Culture Differences	-0.088	0.026
Innovation and Action Orientation (Iao)	-0.110	-0.034
Risk-Taking Orientation (Ra)	-0.072	0.061
Lateral Integration (Li)	-0.042	-0.031
Top Management Contact (Tmc)	-0.052	0.017
Autonomy and Decision-Making (Adm)	**-0.186***	0.065
Performance orientation (Po)	-0.015	0.066
Reward orientation (Ro)	-0.008	-0.006
Synergy potential	-0.021	0.134
Synergy Potential by similarities	0.008	0.161
Synergy Potential complementarities	-0.037	0.038
Relatedness	0.082	0.021

*$p<0.05$, **$p<0.01$, ***$p<0.001$

It can be seen table number 5-18 that as the degree of similarity in the fifth dimension of the organizational culture 'perception of the level of autonomy and responsibility that should be delegated in important decisions' is higher among the

companies and as the combined size of the companies in terms of the number of employees is greater, the AVSOI was slower.

Analysis of the Correlations for the Categorical Independent Variables

Table number 5-19 summarizes the correlations between the M&A type and the moderating variables AVSOI autonomy degree adopted in the integration.

Table Number 5-19: Matrix of Correlations between the M&A Type and the Moderating Variables (AVSOI and Autonomy Degree)

Variable	Cross-Border M&A (n=101)		Domestic M&A (n=37)		
	Mean	S.d.	Mean	S.d.	t(136)
AVSOI	4.14	.96	4.07	.80	.371 Sig=0.712
Autonomy Degree	3.35	.93	3.61	.96	-1.448 p=0.159

The findings of table 5-19 show that there are no significant differences in the AVSOI between domestic M&A and cross-border M&A. In other words, **hypothesis number 8B rejected.**

Table number 5-20 describes the correlations between the variable of acquirer nationality (Israeli / non-Israeli) and the moderating variables – autonomy degree and AVSOI.

Table Number 5-20: Differences of AVSOI and Autonomy Degree According to the
Acquirer Nationality

Variable	Israeli Acquirer (n=83)		Non Israeli Acquirer (n=55)		
	Mean	Std. Deviation	Mean	Std. Deviation	t(136)
AVSOI	4.26	0.74	3.92	1.12	2.125 Sig=0.035
Autonomy Degree	3.47	0.96	3.34	0.93	0.798 p=0.426

The findings of table number 5-20 show that there are significant differences in the level of AVSOI adopted among Israeli acquirers in comparison to non-Israeli acquirers (t(136)=2.125, sig<0.05). The AVSOI was found to be higher (4.26) among Israeli acquirers. However, significant differences were not found between both types of acquirers regarding the autonomy degree. **Thus, hypothesis number 5B was partially confirmed.**

Table number 5-21 describes the correlations between the variable of the M&A main goal and the moderating variables –autonomy degree and average speed of integration.

Table Number 5-21: Differences in AVSOI and Autonomy Degree According to the M&A Main Goal

M&A Main Goal		Autonomy Degree[1]		[2]AVSOI	
	N	Mean	S.d.	Mean	S.d.
To expand markets	34	3.26	1.00	4.17	1.05
To acquire technologies	76	3.52	0.86	4.18	0.87
To reduce the competition	15	3.43	1.16	3.98	0.83
To reduce costs +To enter a new field	13	3.25	1.02	3.84	0.96
Total	138	3.42	0.95	4.12	0.92

The findings of table number 5-21 indicate the lack of significant differences in the level of autonomy degree between the different companies according to the M&A main goal ([1]$F(3,134)=0.766$, sig>0.05). The level of autonomy degree ranges from 3.25 to 3.52. In addition, there are no significant differences in the AVSOI according to the M&A main goal ([2]$F(3,134)=0.663$, sig>0.05). The AVSOI ranges from 3.84 to 4.18. **Thus, hypothesis number 9B was not confirmed.**

Table number 5-22 describes the relationship between the acquirer nationality and the retrospective speed of integration (RSOI).

Table Number 5-22: Cross-Tabulation between Acquirer Nationality and Retrospective Recommended Speed of Integration

RSOI	Israeli Acquirer	Non-Israeli Acquirer	% (n)
Faster	42.2% (35)	34.5% (19)	39.1% (54)
Slower	7.2% (6)	12.7% (7)	9.4% (13)
Optimal	50.6% (42)	52.7% (29)	51.4% (71)
Total	100% (83)	100% (55)	100% (138)

The findings of table number 5-21 indicate a lack of a significant relationship ($X^2(2)=1.582$, n.s.) between acquirer nationality and retrospective recommended

speed of integration (according to the three ordinal categories – faster, slower, or optimal) according to the interviewee's perception of the speed at which the integration should have been performed in retrospect so that the integration would be more effective. A significant relationship was not found between the variables, since a similar percentage (51%) of all the Israeli acquirers as well as 53% of all the non-Israeli acquirers adopted an optimal speed of integration, according to the opinion of the interviewed managers. In addition, 7% of the Israeli acquirers as well as 13% of the non-Israeli acquirers adopted a speed of integration that was too slow.

Table number 5-23 describes the relationship of the M&A type and retroactive speed of integration (RSOI).

Table Number 5-23: Cross-Tabulation between M&A Type and Retrospective Recommended Speed of Integration

RSOI	Cross-Border M&A	Domestic M&A	% (n)
Faster	37.6% (38)	43.2% (16)	39.1% (54)
Slower	9.9% (10)	8.1% (3)	9.4% (13)
Optimal	52.5% (53)	48.6% (18)	51.4% (71)
Total	100% (101)	100% (37)	100% (138)

The findings of table number 5-23 indicate the lack of a significant relationship $(X^2(2)=0.388$, n.s.) between the M&A type and the retrospective speed of integration (RSOI). It was found that the research hypothesis was not confirmed since a similar percentage (53% versus 49%) of all companies that performed cross-border M&A or domestic M&A adopted optimal speed. The lack of confirmation is also apparent regarding the relationship between retrospective speed of integration and the acquirer nationality $(X^2(4)=3.780$, n.s.).

To conclude, the hypothesis that was confirmed till now from part 3 is 3a. The hypotheses number 3a, 4a, 6a, 7a, 11a, and 12a were partially confirmed.

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5.3.2   Analysis of the Correlations between the Independent Variables and the Dependent Variables

Correlations of Continuous Independent Variables

Table number 5-24 presents the analysis of the correlations between the continuous independent variables and the two dependent variables – integration effectiveness and M&A success.

Table Number 5-24: Correlations between the Independent and Mediating Variables
(Integration Effectiveness and M&A Success)

Moderate Var. / Independent Var.	Integration Effectiveness	M&A Success
Combined Size by Revenue	0.027	0.085
Relative Size by Revenue	**0.21***	**0.331****
Combined Size by Employees	-0.038	-0.0130
Relative Size by Employees	0.136	**0.252****
Acquired Age	0.065	**0.338****
Acquirer Previous M&A Experience	**0.211***	-0.114
Organizational Culture Difference	-0.016	0.061
Innovation and Action Orientation (Iao)	0.014	0.047
Risk-Taking Orientation (Ra)	0.018	0.040
Lateral Integration (Li)	0.030	0.068
Top Management Contact (Tmc)	-0.053	0.022
Autonomy and Decision-Making (Adm)	-0.050	0.092
Performance orientation (Po)	-0.046	-0.025
Reward orientation (Ro)	-0.023	0.067
Synergy potential	**0.248****	0.152
Synergy Potential by similarities	**0.180***	0.151
Synergy Potential by complementarities	**0.185***	0.075
Relatedness	-0.121	**-0.17***

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In terms of the integration effectiveness, table number 5-24 shows significant relationships between the acquirer previous M&A experience, relative size of the companies according to revenue, synergy potential and the integration effectiveness. As the acquirer had greater previous M&A experience, as the relative size between the companies in terms of their revenue was greater, and as the synergy potential between the companies was greater, the integration effectiveness was also greater.

The other correlations between the independent variables and the integration effectiveness were not found to be significant.

In terms of the success of the M&A, significant relationships were found between the variables age of the acquired company and relative size between the acquired company and the acquiring company in terms of the revenue and in terms of the number of employees and the success of the M&A. The managers who participated in the research experienced greater success for the M&A as the relative size between the companies was greater (both according to revenue ratio and according to number of employee's ratio) and as the size of the acquired company was greater.

In addition, a significant negative relationship was found between the level of relatedness of the companies and the success of the M&A, so that as the gaps in the areas of activity of the companies are greater, the success of the M&A was less.

The other correlations between the independent variables and the success of the M&A were not found to be significant.

The Correlations of the Categorical Independent Variables

The relationship between the acquirer nationality (Israeli / non-Israeli) and the integration effectiveness and M&A success was examined using t-test for the examination of the means on independent samples. The findings summarized in table 5-25 indicate the lack of significant differences between the two types of acquirer nationality and the integration effectiveness but marginal significance was found in the differences in the M&A success. It was found that managers of Israeli acquiring companies assessed the degree of M&A success as greater than did managers of non-Israeli companies. **Thus, hypothesis numbers 5a was partially confirmed.**

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Table Number 5-25: Differences of Integration Effectiveness and M&A Success
According to Acquirer Nationality

Variable	Israeli Acquirer (n=83)		Non-Israeli Acquirer (n=55)		
	Mean	Std. Deviation	Mean	Std. Deviation	t(136)
M&A Success	3.1078	1.378	2.6655	1.29960	1.888 p=0.061
Integration Effectiveness	3.8213	.728	3.6439	.83664	1.319 p=0.189

When the relationships between the acquirer nationality (Israeli/non-Israeli) and the integration effectiveness and M&A success were examined, significant differences were not found. **Thus, hypothesis number 8a was rejected**.

Table number 5-26 describes the relationship between the M&A main goal and the integration effectiveness and the M&A success, using univariate anova.

Table Number 5-26: The Relationship between the M&A Min Goal and the
Integration Effectiveness and M&A Success

Variable		Integration Effectiveness		M&A Success	
M&A main goal	N	Mean	Std. Deviation	Mean	Std. Deviation
To expand markets	34	4.00a	0.57	3.46a	1.46
To acquire technologies	76	3.74a	0.69	2.82b	1.22
To reduce the competition	15	3.75a	0.99	2.67b	1.70
To reduce costs +To enter a new field	13	3.15b	1.11	2.51b	1.19
Total	138	3.75	0.78	2.93	1.36

The findings in table number 5-26 indicate significant differences regarding the integration effectiveness with respect to the M&A main goal ($F_{(3,134)}=4.052$, sig<0.01). The mean of the integration effectiveness score was found the highest among companies that performed an M&A so as to broaden the markets (4.00), achieve new technologies (3.74), or reduce competition (3.75), in comparison to companies that performed an M&A so as to reduce costs and enter new areas. Differences in scores of the M&A success were found to be significant regarding the M&A main goal ($F_{(3,134)}=2.767$, sig<0.05). Here too it was found that companies that made M&A for the main goal of extending market borders had the highest M&A success (3.46) while companies that did this for different main goals perceive lower M&A success (2.51-2.82). There is no doubt that the integration effectiveness, as well as the perception of the M&A success, is the highest among companies that made M&A with the main goal of extending the market borders. **Thus, hypothesis number 9a was partially confirmed.**

Table number 5-27 presents the examination of the relationship between the acquirer previous M&A experience of and integration effectiveness and M&A success. The relationship was examined using univariate Anova.

Table Number 5-27: Differences in Integration Effectiveness and M&A Success
According to Acquirer Previous M&A Experience

Variable		M&A Success		Integration Effectiveness	
Previous Experience	N	Mean	Std. Deviation	Mean	Std. Deviation
0	27	3.32	1.489	3.79	0.876
1	11	2.69	1.467	3.78	0.799
2-4	41	3.25	1.349	3.58	0.614
5-10	37	2.53	1.201	3.69	0.819
11+	22	2.63	1.249	4.07	0.787
Total	138	2.93	1.360	3.75	0.775

The findings in table number 5-27 indicating that the lack of significant differences between the different categories of the acquirer previous M&A experience regarding the M&A success ($F(4,133)=4.162$, sig.>0.05). In all the categories of the previous M&A experience it is possible to see that the means of the M&A success range from 2.53 to 3.32, which note only a moderate perception of M&A success in relation to the integration effectiveness among the different previous M&A experience categories ($F(4,133)=1.560$, sig.>0.05). The means of the scores of integration effectiveness are high and range from 3.58 to 4.07, without consideration of the acquirer previous M&A experience.

Table number 5-28 describes the examination of the relationships between the acquired age and the integration effectiveness and M&A success. The relationships were examined using univariate anova.

Table Number 5-28: Differences in the Integration Effectiveness and M&A Success According Acquired Age

Variable		Integration Effectiveness		M&A Success	
Acquired Age	N	Mean	Std. Deviation	Mean	Std. Deviation
2-3	7	4.38	0.652	2.48	0.985
4-6	34	3.69	0.743	2.26	1.234
7-10	25	3.56	0.916	3.13	1.239
> 10	72	3.77	0.727	3.22	1.388
Total	138	3.75	0.775	2.93	1.360

The findings in table number 5-28 indicate the lack of significant differences between the different categories of the acquired age regarding the integration effectiveness ($F(3,134)=2.166$, sig.>0.05). In all the different age categories it is possible to see means that range from 3.56 to 4.38, which indicate a high perception of integration effectiveness, no matter what the acquired age. However, there are significant differences in the scores of the M&A success between the different age categories ($F(3,134)=4.568$, sig.<0.01). The means of the M&A success scores range

from 2.26 in younger companies (four to six years) to 3.22 in companies older than ten years.

To conclude, from part 3b hypotheses number 2b and 10b were partially confirmed since significant differences were not found for the variable of autonomy degree. The rest of the hypotheses in parts 1 and 2 were rejected.

5.3.3   Analysis of the Correlations between the Moderating Variables and the Dependent Variables

Table number 5-29 presents the correlations between the variable of speed of integration according to its three different definitions and level of autonomy degree and the integration effectiveness and M&A success.

Table Number 5-29: Matrix of Correlations between the Three Indices of Speed of Integration and Autonomy Degree and the Integration Effectiveness and M&A Success

Variable	Autonomy Degree	Integration Effectiveness	M&A Success
AVSOI	0.162	**0.315****	0.0188
SOI	0.07	0.10	-0.01
S&MSOI	**0.293****	**0.272****	0.122
M&A Success	0.040	**0.226****	
Integration Effectiveness	0.133		

*p<0.05, **p<0.01, ***p<0.001

Examination of the relationship between the group of continuous mediating variables and the group of continuous dependent variables yielded a number of significant correlations. A significant relationship was found between average speed of integration and integration effectiveness (rp=0.315, p<0.01). In addition, a significant relationship was found between speed of integration in the marketing and sales function and integration effectiveness (rp=0.272, p<0.01). The meaning of these significances is that the speed of integration is related to the integration effectiveness so that when there is a rise it is visible in both of them and alternatively when there was a decline it was also apparent in both of them.

Thus, hypothesis number 14 was partially confirmed.

In contrast, significant relationships were not found between speed of integration in each one of its three dimensions and the M&A success.

In addition, an interesting relationship was found between the two dependent variables, integration effectiveness and M&A success (rp=0.226, p<0.05), so that the M&A success is greater as the integration effectiveness is greater. **This confirms the assumption that integration effectiveness facilitates the M&A success although it is not the exclusive condition of it.**

Significant differences were not found between the level of autonomy degree given to the acquired company and the integration effectiveness and M&A success. **Thus, hypothesis 13 was rejected.**

Another interesting relationship was found between the two moderating variables – S&MSOI and the level of autonomy degree to the acquired company. As the level of autonomy degree given to the acquired company is greater, the S&MSOI is greater (rp=0.293, p<0.01).

Table number 5-30 describes the relationship between the retrospective speed of integration and the integration effectiveness and M&A success.

Table Number 5-30: Differences in Integration Effectiveness and M&A Success according to Retrospective Recommended Speed of Integration

RSOI	Faster (n=54)		Slower (n=13)		Optimal (n=17)		
Dependent Variable	**Mean**	**S.d.**	**Mean**	**S.d.**	**Mean**	**S.d.**	
M&A Success	2.55	1.21	3.00	1.46	3.21	1.40	F(2,135)= 3.865 sig=0.023
Integration Effectiveness	3.69	0.77	3.33	0.82	3.87	0.75	F(2,135)= 3.050 sig=0.051

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Table number 5-30 found two significant relationships. The first relationship indicates significant differences in the scores of integration effectiveness between the different companies according to retrospective speed of integration ($F(2,135)=3.050$, sig=0.051), so that companies that adopted optimal speed noted greater integration effectiveness than companies that in retrospect should have slowed the speed of integration. In addition, the M&A success was found to be significantly higher among companies that adopted an optimal speed of integration and lower among companies that in retrospective should have adopted a slower speed of integration ($F(2,135)=3.865$, sig=0.023).

5.4 Regression Analyses

To predict the dependent variable 'M&A success', regressions were performed in different stages. In the first stage the group of independent variables was entered into the model and in the second stage the two moderating variables, level of autonomy degree given to the acquired company in the integration and the AVSOI, were entered.

The predicting variables that were entered into the model for the prediction of the dependent variable are the organizational culture difference, acquirer nationality, the combined size and the relative size of the companies according to the number of employees and revenue, the acquirer previous M&A, the acquired age, the synergy potential, relatedness, the M&A type, and the M&A main goal. In the second step the moderating variables – level of autonomy degree given to the acquired company and AVSOI – were entered into the model. It should be noted that all the categorical independent variables were entered into the regression after they were transformed into dummy variables.

Table Number 5-31: Matrix of the Regression Analysis for the Variable M&A
Success

	Variable	Independent Variables			With the moderators		
Model 1		B	β	t	B	β	t
	(Constant)	1.774		2.192*			
	Culture Differences	0.006	0.003	0.040			
	Acquirer Nationality	0.44-	-0.15	-1.74*			
	Combined Size by revenue	0.000385	0.179	1.775*			
	Relative size by revenue	0.680	0.264	2.936*			
	Combined Size by employees	0.000084	-0.058	-0.515			
	Relative size by employees	-0.047	-0.022	-0.171			
	Acquirer Previous M&A experience	-0.008	-0.045	-0.483			
	Acquired Age	0.021	0.241	2.772**			
	M&A Main goal	0.35	0.21	2.644**			
	Synergy Potential	0.230	0.094	1.110			
	Relatedness	-0.08	-0.08	-1.06			
	M&A Type	0.017	0.06	0.66			
Model 2	AVSOI				0.103	0.070	0.814
	Autonomy Degree				0.035	0.025	0.297

1) $F_{(8,129)}=4.022$; $p<0.001$, $R^2=0.200$
2) $F_{(10,127)}=3.272$; $p<0.001$, $R^2=0.205$

***$p<0.001$

Table number 5-31 summarizes the findings of the regression using the ENTER
method in blocks for the prediction of the M&A success. The model that includes the
independent variables indicates general significance ($F_{(8,129)}=4.022$, $R^2=0.200$,
$p<0.001$) but in a focused manner indicates significance of five variables that predict
the M&A success: the combined size and relative size according to the revenue,
acquired age, acquirer nationality, and M&A main goal. These variables have the

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power to predict 20% of the changes that occur in the M&A success. As the acquired age increases, as the combined and relative size between the companies according to revenue is greater, when the acquirer's nationality is Israeli, and when the M&A main goal is the first goal 'to acquire advanced technologies and to extend markets', then the M&A success is greater. The relative size between the companies according to the revenue is the predictor with the highest relative contribution to the prediction of the M&A success. When the two moderating variables – level of autonomy degree granted to the acquired company and AVSOI – were added to the regression model, it was found that they have no statistical significance.

To the prediction of the variable 'integration effectiveness' all the independent variables were entered into the first stage, like in the previous regression stage (table number 5-31), and in the second stage again the two moderating variables, level of autonomy degree given to the acquired company and AVSOI, were entered.

Table Number 5-32: Matrix of the Regression Analysis for the Variable Integration Effectiveness

Model 1	Variable	Independent Variables			With the moderators		
		B	β	t	B	β	t
	(Constant)	2.561		5.469***			
	Culture Differences	0.053	0.049	0.578			
	Acquirer Nationality	-0.17	-0.11	-1.31			
	Combined size by revenue	4.19E-006	0.034	0.334			
	Relative size by revenue	0.414	0.283	**2.143***			
	Combined size by employees	-1.53E-005	-0.186	-1.639			
	Relative size by employees	-0.101	-0.082	-0.631			
	Acquirer Previous M&A Experience	0.035	0.334	**3.512****			
	Acquirer Age	0.001	0.015	0.173			
	M&A Main goal	0.27	0.29	**3.151****			
	Synergy Potential	0.283	0.203	**2.366***			
	Relatedness	-0.06	-0.11	-1.41			
	M&A Type	0.13	0.07	0.92			
Model 2	**AVSOI**				0.250	0.297	**3.603****
	Autonomy Degree				0.051	0.062	0.771

1) $F_{(8,129)}=3.435$; $p<0.001$, $R^2=0.176$
2) $F_{(10,127)}=4.485$; $p<0.001$, $R^2=0.261$

***$p<0.001$

The findings of table number 5-32 indicate a significant model in the method of ENTER in blocks ($F_{(8,129)}=3.435$, $p<0.001$, $R^2=0.176$) that includes four variables the predict significantly the integration effectiveness: synergy potential, acquirer previous M&A experience, the relative size between the companies according to the revenue, and the M&A main goal. These variables may explain 17.6% of the changes that occur in the dependent variable of integration effectiveness. The acquirer

previous M&A experience constituted the relative predictor with the most significant contribution to the prediction of integration effectiveness with the addition of two moderating variables – average speed of integration and level of autonomy degree given to the acquired company. It was apparent that the average speed of integration alone has the mediation ability that enables the increase of the explained variance by 10%, $F_{(10,127)}=4.485$, $p<0.001$, $R^2=0.261$. **Thus, hypothesis 13 was partially confirmed.**

In the next regression step the seven dimensions of the difference in the organizational culture between the companies was entered into the prediction of the dependent variable of M&A success. The findings appear in table number 5-33.

Table Number 5-33: Matrix of the Regression Analysis for the Variable 'M&A Success' According to the Dimensions of the Organizational Culture Differences

Variable – Culture Differences	B	β	t
(Constant)	2.490		5.098***
Innovation and Action Orientation (Iao)	0.075	0.047	0.246
Risk-Taking Orientation (Ra)	-0.021	-0.013	-0.065
Lateral Integration (Li)	0.100	0.064	0.496
Top Management Contact (Tmc)	-0.099	-0.071	-0.504
Autonomy and Decision-Making (Adm)	0.199	0.125	0.869
Performance orientation (Po)	-0.328	-0.227	-1.513
Reward orientation (Ro)	0.218	0.151	1.069

F(7,130)=0.617; n.s, $R^2=0.032$

***p<0.001

Table number 5-33 indicates a non-significant model that includes the dimensions of organizational culture differences ($F_{(7,130)}=0.617$, n.s., $R^2=0.032$). In essence, not one dimension of the variable of organizational culture difference was found statistically significant. Thus, it is not possible to confirm the direct relationship between the independent variable 'organizational culture difference' and the dependent variable 'M&A success'.

Table number 5-34 presents the matrix of the results of the regression analysis for the prediction of the integration effectiveness using the seven dimensions of the variable of the organizational culture differences.

Table Number 5-34: Matrix of the Regression Analysis for the Variable 'Integration Effectiveness' According to the Dimensions of the Organizational Culture Differences

Variable – Culture differences	B	β	t
(Constant)	3.766		13.460
Innovation and Action Orientation (Iao)	0.048	0.053	0.275
Risk-Taking Orientation (Ra)	0.084	0.091	0.448
Lateral Integration (Li)	0.123	0.138	1.064
Top Management Contact (Tmc)	-0.093	-0.117	-0.827
Autonomy and Decision-Making (Adm)	-0.107	-0.118	-0.814
Performance orientation (Po)	-0.081	-0.098	-0.654
Reward orientation (Ro)	0.029	0.036	0.252

$F_{(7,130)}=0.431$; n.s, $R^2=0.023$

***$p<0.001$

Like the results of the regression model for the prediction of the M&A success presented in table number 5-33, the results in table number 5-34 also indicate the lack of significance of the dimensions of the organizational culture differences for the prediction of the integration effectiveness.

Another independent variable in the model, synergy potential, was divided into its two dimensions – synergy potential according to degree of similarity and synergy potential according to the level of complementarity between the companies. In the regression model of two dimensions of synergy potential in the prediction of the dependent variables a pattern was found that reinforced the contribution of the general variable of synergy potential between the companies for the prediction of the integration effectiveness but without the prediction of the M&A success.

Table Number 5-35: Matrix of Regression Analysis for the Variable 'Integration Effectiveness' Using the Dimensions of Synergy Potential

Variable - Synergy Potential	B	β	t
(Constant)	2.787		8.472***
Synergy potential by degree of similarities	0.173	0.166	1.990*
Synergy potential by degree of complementarities	0.174	0.172	2.055*

$F_{(2,135)}=4.462$; sig<0.05, $R^2=0.062$

***p<0.001

Table number 5-35 indicates the significance of the model for the prediction of the integration effectiveness, ($F_{(2,135)}=4.462$, sig<0.05, $R^2=0.062$), when the dimensions of the synergy potential can predict 6% of all the changes of integration effectiveness. The two dimensions are equally effective and thus their β values are nearly identical.

In contrast to the findings in table number 5-35, it is not possible to predict the M&A success using the dimensions of synergy potential. The regression model for this variable that is presented in table number 5-36 indicates a lack of statistical significance.

Table Number 5-36: Matrix of the Regression Analysis for the Prediction of the M&A Success Using Dimensions of Synergy Potential

Variable - Synergy Potential	B	B	t
(Constant)	1.892		3.219**
Synergy potential by degree of similarities	0.265	0.146	1.713
Synergy potential by degree of complementarities	0.112	0.063	0.742

$F_{(2,135)}=1.860$; n.s, $R^2=0.027$

The figure below presents all the significant relationships found in the study and influencing the integration effectiveness and M&A success.

Figure Number 5-2: Summary of the Significant Models According to the Regression
Processes
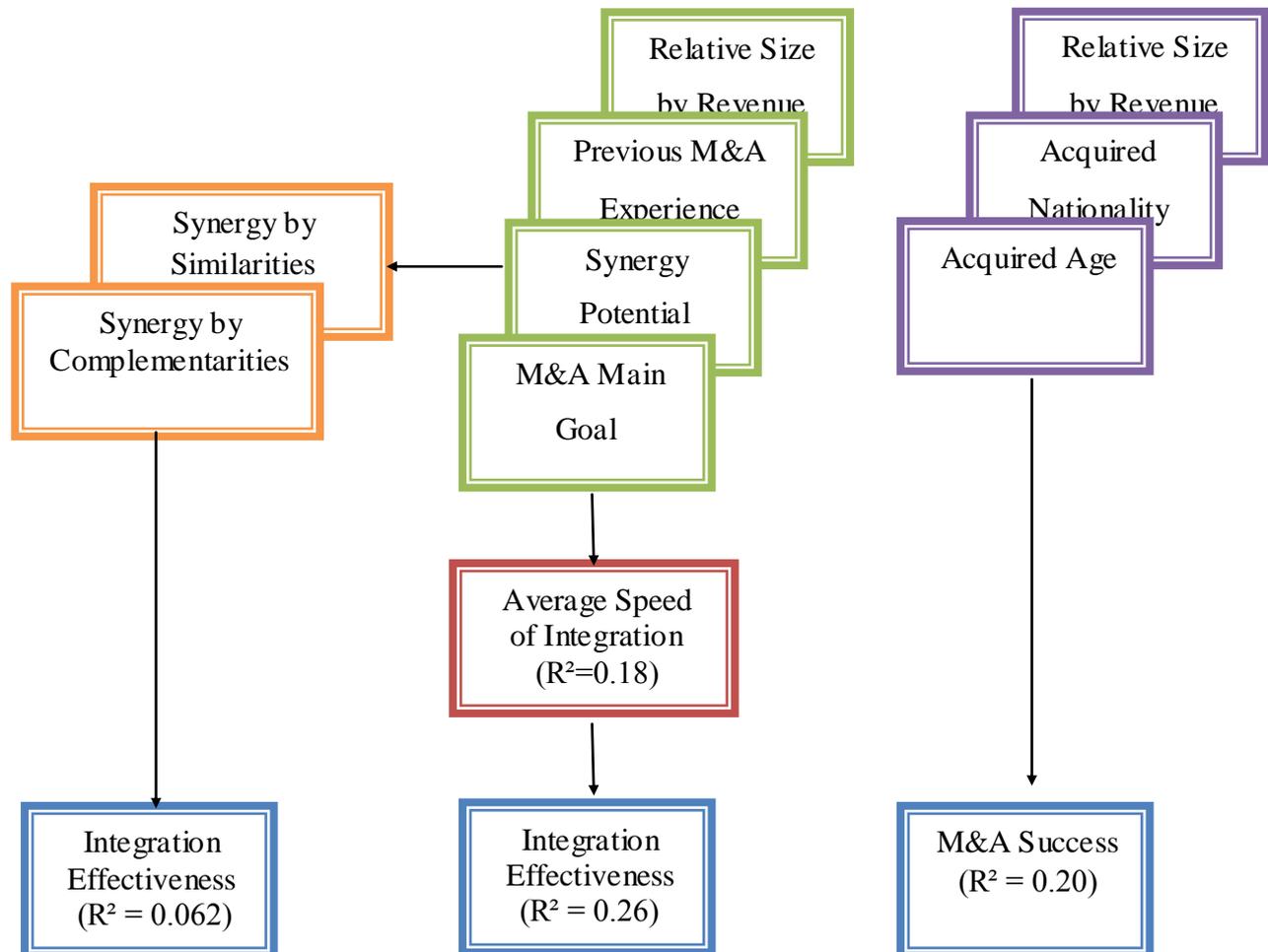
6.   Discussion and Conclusions

Numerous empirical studies have attempted to identify external variables (related to the field and the environment) and internal variables (related to the companies involved in the process) that predict the success of M&A. But there is still a wide gap between the prevalence of M&A worldwide and the outcomes of academic research in this field (Shimizu et al., 2004). King et al. (2004) maintained that even in the case of variables such as previous M&A experience, mode of payment for the M&A, level of relatedness between the companies, and the type of the acquired company, which appear to influence greatly the success of the M&A, no significant correlation has been identified between them and M&A success. These findings pose a great and complex challenge to researchers in the field of M&A and indicate a need to continue studying in depth and in breadth the parameters that affect overall M&A success.

Although some M&A scholars (e.g. Angwin, 2004; Humburg and Bucerius, 2005; Vester, 2002) have noted the influence of SOI on M&A, they have paid relatively little attention to the mechanisms by which these variables may influence the post-acquisition performance.

The present study is a step toward developing a more elaborate understanding of the role of SOI between amalgamating firms in the post-acquisition integration process. As such, it delineates the mechanisms by which SOI affect integration effectiveness and overall M&A performance. More specifically, we tried, on the one hand, to reconcile the recent empirical findings about the effect of SOI and, on the other hand, to add new knowledge about the linkage between SOI on the integration effectiveness and overall M&A performance. Our intention has been to develop a model that incorporates the key factors that mediate the effect of SOI on M&A performance.

6.1 The Variables that Influence the Integration Effectiveness

Integration effectiveness is not a goal in its own right but rather serves the M&A success. During the integration the synergy potential between the companies is supposed to be realized and without effective integration it is not possible to speak about the M&A success.

While definitely the integration can be effective and the M&A not succeed, because of many diverse reasons such as sharp change in the business environment, too-high payment for the acquired company, choice of the incorrect company for M&A, etc., an effective integration is an essential but not single condition for the M&A and hence it has considerable importance in the M&A processes.

To examine this issue in the research sample, the relationship between integration effectiveness and M&A success was examined. The relationship was found to be significant in table number 5-29. In other words, as the integration effectiveness is higher, the M&A success are higher.

This research examined the impact of the following eleven independent variables on the integration effectiveness: combined size by revenue, combined size by number of employees, relative size by revenue, relative size by number of employees, acquired age, acquirer previous M&A experience, synergy potential, and the M&A main goal. In addition, the impact of the two mediating variables – level of autonomy and speed of integration – on the integration effectiveness was examined. Of these variables, the impact of the variable acquired age has not yet been studied in the field of M&A. In addition, the impact of the variable of speed of integration has barely been examined as dependent on these variables.

The research results indicate that the following three variables – relative size by revenue, acquirer previous M&A experience, and synergy potential positively and significantly influence the integration effectiveness. In other words, as the relative size between the companies according to revenue is greater, as the acquirer has greater previous M&A experience, and as the synergy potential is greater, the integration effectiveness is greater.

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Each one of the variables that influence the integration effectiveness is now addressed separately.

The relative size between the companies according to their revenue indicates the ratio of the revenues of the two companies and in essence the level of the difference in the size of the companies. It is reasonable that when a company that is larger in terms of its revenue acquires a smaller company, it will be easier for it to perform the integration process with the small company, since the acquirer needs less resources (relative to its size) to perform the integration with the smaller company and has greater power and authority with the acquired company. In addition, fewer changes need to be performed in the framework of the integration process with a small company than in the performance of integration with a large company and these changes are less complex. This research finding reinforces a similar finding of the researchers Haspeslagh and Jemison (1991).

The impact of the combined size and relative size of the companies in terms of the number of employees on the integration effectiveness was examined and the relationship according to the research is not significant. It was perhaps possible to expect that in this variable, too, as the relative size between the companies is greater the integration effectiveness is greater. However, this relationship was not found be significant. The conclusion is that apparently there isn't always a correlation between the two indices for the measurement of the relative size of the companies (according to the revenue and number of employees). In addition, the number of employees is not necessarily the organizational resource that best predicts the impact of the relative size on the integration effectiveness.

In terms of the variable of acquirer previous M&A experience, it is logical and reasonable that when the company has greater prior M&A experience in the performance of integration processes in the framework of an M&A strategy it will be expressed in the following M&A. Thus, it performs the integration more effectively.

This research finding adds to the existing knowledge on the topic of the integration effectiveness. All previous research studies that linked the acquirers previous M&A experience examine the impact of the experience on the M&A

success) and not according to the integration effectiveness (e.g. Hayward, 2002; Heleblian and Finkelstein, 1999; Hitt et al., 1993).

In terms of the variable of synergy potential, it is possible to explain the impact of the variable on the integration effectiveness in that when the companies have similar and complementary resources and abilities it is easier to link effectively between the companies and it is easier for the employees to 'connect' to the M&A goal and to the business rationale it embodies. Therefore, naturally they will also act and help to assure its success. It is interesting that when the impact of the two dimensions of synergy potential is examined – according to level of similarity and level of complementarity – in both dimensions there is a significant positive relationship to the integration effectiveness, but the relationship of the overall variable is stronger.

In the regression analysis for the examination of the relationship between the independent variables and the dependent variables with the mediation of the variable of average speed of integration, another independent variable, M&A main goal, arose as a variable that influences the integration effectiveness (see table number 5-32). All four M&A main goals were presented in the model as a dummy variable and only the first goal (which is the main goal for about 80% of the M&A) – to expand markets and to acquire technologies/products – was found to influence the integration effectiveness. In other words, given this M&A main goal, the increase of the average speed of integration reinforces this relationship. The conclusion is that for companies the M&A main goal is the expansion of markets or the acquisition of new technologies or products so as to accelerate the SOI.

It is surprising (and slightly disappointing) that a significant relationship was not found in the research between the organizational cultural difference and the integration effectiveness. Many research studies have indicated this variable as one of the main factors that influence the integration (e.g. Catterjee et al., 1992; Lubatkin et al., 1999; Weber, 1996).

6.2   The Variables that Influence the M&A Success

In many researches the M&A success rate is relatively low, reaching only 20-40% (e.g., Gugler et al., 2002; Marks and Mirvis, 2001; Tetenbum, 1999).

To check that this research is not exceptional in this regard and that a research sample was not selected that randomly includes an exceptional mixture of only successful M&A; the rate of the M&A success in the research was examined. In 44 of the 138 M&A in the sample (31.8%) the managers who participated in the research defined the M&A as successful (these managers assessed the M&A success with a score of 4 or higher on a scale of 1-5). This datum is similar, as noted previously, to data of other researches in the field of M&A that indicate that the rates of success in any event are lower than 50%.

The research findings indicate that the four variables that significantly influence the M&A success are the relative size between the companies, both according to relative revenue and according to ratio of number of employees, the of the acquired age, and the level of relatedness between the companies. In addition, it was found that Israeli acquirers succeeded more in M&A than did non-Israeli acquirers. Every variable that influences the M&A success is now addressed separately.

The relative size between the companies indicates the large gap between them. Most of the M&A in the world are of small companies that are acquired by much larger companies. In the research sample 70% of the acquired companies were smaller than 25% of the size of the acquirers in terms of their revenue and 62% of the acquired companies were smaller than 25% of the size of the acquirers in terms of the number of their employees.

It is easier for a large company to acquire a much smaller company. The M&A will require of it fewer financial resources and management resources, the business risk will be lower, and the business challenges will be less significant. The research results show this but conversely a larger business step upwards is achieved through the M&A of large and significant companies but the price, according to the research results, is lower success rate of the M&A.

The variable of acquired age positively influences the M&A success. In general, it can be said that as the company is older, it acquires more experience, knowledge, and resources, all of which help it cope successfully with the competition in the industry. These resources and abilities of the acquired company help the acquirer derive benefit from the M&A. In addition, it is easier to examine on the eve of the M&A the degree of fit of an older company that is a potential candidate for M&A and to perform an effective examination of its appropriateness than it is for a new company, since even if the new company appears very promising, it does not yet have a business record that has been proven over the years.

Conversely, theoretically the acquired age may influence the company's level of difficulty to adjust to changes. As the company is older, it may suffer from rigidity in the organizational structure, a set and fixed organizational culture, and older employees who have been a long time in their positions and who are thus accustomed to doing their work in a certain way. This also holds true for people who in general are less capable of adjusting to sharp changes in the environment as they grow older. All these may lead to phenomena of greater resistance of the employees in the acquired company to the very fact of the M&A deal, to difficulty adjusting to the changes that the acquirer dictates at all levels of the organization, and to the departure of key employees, etc. However, according to the research results the age of the acquired company does not influence the integration effectiveness but only the M&A success.

The variable of the relatedness between the companies indicates a level of similarity or difference in the companies' areas of activity in terms of the target market. According to the research findings, as the level of change in the areas of activity (target market) of the companies is greater, the M&A success are significantly lower.

This relationship appears logical since the acquirer is a company that operates in an essentially different area and thus there are gaps of knowledge, experience, and resources that are more difficult to surmount and bridge. In addition, the environment of the acquired company is different in many respects such as types of suppliers and clients and the acquirer must adjust to the new area of activity and even to a new industry in a short period of time. This adjustment is not always simple and trivial,

although it would seem that the employees and managers of the acquired company already have experience in their original area of activity before the acquisition.

A similar result was obtained in the research (Humburg and Bucerius, 2005) in a sample of 232 M&A performed in Europe. This is one of the reasons why many more horizontal M&A, when the two companies operate in a similar field, are performed than other M&A types, such as related M&A or non-related M&A.

There is no unequivocal explanation regarding the research results that show that Israeli acquirers succeeded in M&A more significantly than did non-Israeli acquirers. It is possible that the management skills and management culture of Israeli companies are better in the field of management of M&A and it is possible that this derives from the fact that when the acquiring company is not Israeli it is most likely that the interviewee came from the side of the acquired company (the Israeli company) since it is harder, of course, to interview managers who are not found in Israel. In this situation the interviewee indicates the success or non-success of the M&A that was performed by the foreign company and he may do this more objectively. In contrast, when the acquirer is Israeli and the interviewee comes from the same company, it is likely that his natural tendency is to slightly 'upgrade' his opinion regarding the M&A success (in psychology this phenomenon of the natural need to justify our behavior even if it is not very successful is called cognitive dissonance) since he was involved in the M&A decision. There is a correlation between the number of Israeli acquirers in the sample – 85 and the number of interviewed managers from the acquirer – 92 and the reverse is also true.

The Impact of SOI on the Integration Effectiveness and M&A Success

Since the SOI is the main variable in the research, most of the chapter of the conclusion is dedicated to this variable. As noted in the research model, the SOI is a variable that is slightly complicated for measurement since the end date of the integration is not a date that is unequivocally defined and can be interpreted and seen subjectively by the managers who 'feel' when, more or less, the integration has ended. To overcome and bypass this complexity, previous research studies that address the SOI limited themselves to the examination of the SOI as a function of marketing and sales alone (e.g. Humburg and Bucerius, 2005) or researched the impact of the speed

in a set period of time or the first 90 or 100 days of the integration (e.g. Angwin, 2004).

The present research attempts to solve the problem of the measurement of the average speed of integration (AVSOI). According to this definition, the managers who participated in the research were asked about the speed of integration in each one of the main nine organizational functions, under the condition that integration was performed (see part 6 of the research questionnaire, which is presented in appendix number 2).

The two basic assumptions behind this measurement method are as follows. First, it is easier for the managers to evaluate the speed of integration in each function separately than for the entire length of the integration period. Second, the average speed of integration of the nine organizational functions is supposed to better reflect the speed of integration in actuality since an incorrect evaluation of the speed of integration as an organizational function does not significantly slant the average, while an incorrect evaluation of the overall speed of integration significantly impairs the research results.

In addition, it is possible that the integration was performed more rapidly in most organizational functions but in a slower manner in one or more of the functions. An example is a situation in which the integration ended in all the organizational functions within a year but in the information systems (IT) function, because of its complexity, the integration ended in two years.

In the method of the measurement of the overall integration a distorted picture of a slow integration caused by the lengthening in the information system function that defines the end date of the overall integration as two years but in actuality the integration was very quick. Therefore, in the measurement method the average speed of integration, the 'true' speed of integration, is better reflected and therefore it is used in the present research. In any event, the research used three different indices of speed of integration, but most of the significant relationships between these variables were obtained while using the index of average speed of integration.

First the overall speed of integration was examined. The overall speed of integration (SOI) of all 138 M&A deals in the research sample was about eighteen

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months. In contrast, the planned speed of integration (PSOI) of all the M&A deals in the sample was about ten months.

The comparison of the gap between the planned speed of integration on the eve of the M&A and the actual speed of integration shows that in 68 of the M&A in the sample, which constitute 49% of the sample, the integration took longer than was first planned. The integration took an average 50% longer than it was planned ahead of time. The conclusion is that the integration process has a 'natural' tendency to take longer because of its complexity and the many unexpected variables. Another possibility is that from the beginning the integration planners were too optimistic in the evaluation of the schedule required for the integration performance, as happens in many cases of in-depth and in-breadth strategic and organizational change. In some cases this happens since the integration planners are expected to present an aggressive schedule.

The average speed of integration (AVSOI) of all the M&A deals in the research sample was about 15.5 months. This speed is, of course, much lower than the overall speed of integration, which depends on the conclusion of the integration in the organizational function where the integration was the slowest. In other words, it can be said that the weak link in terms of the speed of integration delays the end of the process by an average of an additional two and a half months (the gap between the overall speed of integration and the average speed of integration).

The average speed of integration in the sales and marketing function alone (S&MSOI) was about 11 months.

A significant difference was not found in the speed of integration between domestic M&A and cross-border M&A and this is a rather surprising datum since the integration in a cross-border M&A is supposed to be more complicated and therefore a slower speed of integration would be expected. In addition, a significant relationship was not found between the speed of integration and the following variables – the M&A main goal, the level of relatedness between the companies, the synergy potential, the relative size between the companies according to the number of employees, and the organizational cultural differences between the companies.

Another interesting finding is that the average speed of integration of the Israeli acquirers companies is higher than the average speed of integration of the non-Israeli acquirers. This finding can be explained in that the Israeli management, like the Israeli national culture, is a less formal management, tending to improvisation and greater flexibility, and this tendency apparently is expressed in the speed of integration as well. As the process is more planned, arranged, and structured, it is expected to take longer, and the reverse is true.

A significant negative relationship was found (as presented in table number 5-17) between the variable of the acquired age and the overall speed of integration. This can be explained by the fact that as the company is older, it is more fixed in its organizational culture, in its organizational processes, and in its employees' perceptions, and in essence it has 'organizational inertia' that makes the performance of integration difficult and thus it is more complicated to perform changes, in comparison to younger companies. This complexity apparently causes a lengthening of the integration period. As noted previously, when the relationship between the acquired company's age and the average speed of integration (AVSOI) was examined, a significant relationship between the variables was not found.

Another variable that significantly influences the average speed of integration is the variable of the combined size of the companies according to number of employees. The relationship is negative; as the combined size of the companies according to the number of employees is greater, the speed of integration is lower. It is clear that as there are more employees from both companies, more employees are required to perform functional changes such as change in their place in the organizational structure, in their role definition, in their authorities, and in their areas of responsibility. All this takes time and apparently is the explanation why the speed of integration depends on the combined size and tends to be slower as the two companies are larger and include more employees.

When the impact of the organizational culture difference on the average speed of integration was examined, a significant relationship was not found. However, when the seven dimensions of the organizational culture were examined separately, a significant negative relationship was found in the fifth dimension of the variable – autonomy and decision making. In other words, as the two organizations are different

in the manner of the company's management in terms of centralization versus decentralization (degree of delegation of authorities) in the decision making processes, greater organizational conflicts are expected and they are expected to delay the implementation of the integration plan and cause its duration to lengthen.

When the impact of speed of integration on the integration effectiveness was examined, it was found that according to two dimensions of speed, average speed of integration (AVSOI) and speed of integration in the sales and marketing function (S&MSOI) there is a significant positive impact on the integration effectiveness (see table number 5-29). In other words, as the average speed of integration (or speed of integration in the marketing and sales function) is higher, the integration is more effective. A similar relationship was not found when the dimension of speed was according to the overall speed of integration (SOI).

When the impact of the speed of integration on the M&A success was examined, a significant relationship was not found according to three dimensions of speed of integration (see table number 5-29). This result is slightly disappointing since it was expected that all that contributes to a more effective integration also helps the success of the M&A. It is possible that the explanation is that in many cases the integration was performed slowly but still the acquisition succeeded, or alternatively the integration was performed too quickly and thus the acquisition failed.

This finding from the research regarding the relationship between speed of integration and M&A success does not support the results of the research conducted by the American consultation company PWC (Shay et al., 2008) in a sample of 123 companies, mostly American. The researchers found that companies using a faster post-deal transition process were far more likely to consider their deals financial and strategic successes. Among fast-transitioning companies, 75% consider their deal a strategic success and 58% considered it a financial success. Comparable figures for slow-transitioning companies were significantly lower – 43% and 24%.

Another interesting datum related to the speed of integration is the opinion of managers who participated in the research regarding the retrospective desired speed of integration (RSOI). The managers who participated in the research were asked to express their opinion in retrospect regarding the desired speed of integration that

should have been adopted. They had to choose one of the following three options: the speed of integration should have been faster, the speed of integration should have been slower, and the speed of integration was optimal. 39% of the interviewed managers noted that 'in hindsight' the integration should have been performed more quickly. A similar finding was also presented in the research of the consultation company PWC (Shay et al., 2008), which found that 79% of the respondents supported the need for a faster speed of integration in retrospect. In contrast, only 9% of the managers who participated in the research study noted that the speed of integration should have been reduced in retrospect, as opposed to 21% in the parallel PWC research.

It should be emphasized that the moderating variable 'level of autonomy given to the acquired company' was added to the research model, since it was thought that there would be an impact both on the integration effectiveness and on the M&A success. In addition, the correlation to the speed of integration was examined from the assumption that the level of autonomy given to the acquired company also influences the decision regarding the speed of integration. In actuality, the research findings do not support any one of these basic assumptions and the level of autonomy given to the acquired company is not a variable that predicts integration effectiveness or acquisition success.

6.3 Applicative Conclusions for Managers

1. The research shows that the speed of integration has a positive impact on the integration effectiveness. Therefore, apparently 'faster is also better' for the integration effectiveness. However, there is no one optimal speed that should be adhered to during the entire integration process and thus definitely the integration can be too fast and thus can be more detrimental than beneficial to the integration. Hence, it is necessary to suit the desired speed of integration according to the different conditions of the particular deal. Evidence of the necessity for adjustment is that in 9% of the deals the interviewed managers thought that the speed of integration was too fast and in retrospect should have been reduced. When the speed of integration is too fast, the possible outcome is that managers and employees do not have a period of acclimatization to the

new organizational structure and to the new roles, and thus the creation of trust between the two sides is more difficult, since time is needed (e.g. Ranft and Lord, 2002).

2. When an integration plan is designed, it is necessary to take into account ahead of time that it may last longer than planned. In light of the fact that the gap between the planning and the performance, in terms of speed of integration, was about 50% greater than what was planned, this possibility must be taken into account from the beginning. Hence, it is recommended to determine close mechanisms of control to meet the objectives of speed of integration set in the integration plan.

3. The average speed of integration found in the research was about 18 months. This speed needs to be a type of index that can be taken into consideration in the planning of the integration so that the plan will be realistic in terms of its duration.

4. As the relative size between the companies in terms of the revenue is greater, as the acquiring company has greater previous experience in the performance of M&A, as the synergy potential between the companies is greater, and when the M&A main goal is the need to acquire new technologies or products or the need to broaden markets, it is recommended to accelerate the speed of integration since it contributes to the integration effectiveness.

5. According to the research results, as the acquired company is older, the chances of M&A success are higher. Therefore, in the stage of the choice of the acquired company it is necessary to take into account the acquired age as another parameter during the decision making.

6.4 The Research Limitations

1. The research is based on interviews with senior managers who were involved in M&A deals in the past fifteen years. Use of the tool of interviews with managers so as to obtain internal information regarding the parameters related to the mode of integration performance is essential, but nevertheless it is

possible that the managers' attitudes regarding different variables measured in the research, primarily regarding older M&A deals, change in light of the long-term perspective and do not always reflect the exact facts regarding the integration process as it was actually performed. It should be emphasized that this limitation exists in all research studies in the field of M&A, since these studies address 'soft' variables that can only be addressed in interviews with managers.

2. The research study was conducted in Israel and thus deals from a sample of Israeli companies, as acquiring companies or as acquired companies, are involved. It is possible that the research is influenced by the geographic and cultural factor typical of Israeli companies and does not indicate similar results for M&A in other places.

3. The research included 138 M&A deals, most of which (74%) are from the high-tech industry. The reason is that Israeli is characterized by a developed high-tech industry that includes hundreds of technological start-up companies that are very attractive to potential acquirers. It is possible that the relations that characterize M&A in the high-tech industry differ from those in other industries, such as the banking industry, the pharmaceutical industry, the food industry, and the chemical industry.

6.5 Recommendations for Future Research

1. It is recommended to validate the research results using a larger sample and another cultural environment. For instance, the research results should be validated using a sample that includes M&A that were conducted in Europe or in the United States. In addition, it is recommended to examine whether the speed of integration and its impact on integration effectiveness and M&A success are different between companies in the high-tech industry and companies in other industries.

2. It is recommended to examine non-linear impacts of the speed of integration on the integration effectiveness and M&A success. It is possible that there are, for example, U-shaped relationships that the research study has not revealed.

3. The variable of M&A success is based in the present research on the attitudes of the senior managers who were interviewed in the research and who were involved in the M&A included in the research sample. This is only one way to measure the M&A success. It is recommended to examine in a future research the impact of the variable of speed of integration by using additional and more objective parameters to determine the M&A success, such as analysis of the change in profitability or price of the stock of the acquirer as a result of the M&A, etc.

4. The variable of the acquired age was not studied previously (to the best of my knowledge) in research studies in the field of M&A and was found in the present study to be a variable that significantly influences the M&A success. It is recommended to examine in future research the impact of the acquired age and perhaps the impact of the age gap between the acquirer and the acquired company on the integration effectiveness and M&A success.

5. The variable 'level of autonomy granted to the acquired company', which in the present research represents the integration approach that was adopted, was not found to have impact on the integration effectiveness and M&A success. However, it is recommended in future research to examine additional variables related to the integration approach, such as depth of the integration (full integration in all functions versus partial integration in some of the organizational functions), and to examine how they influence, along with speed of integration, the integration effectiveness and M&A success.

6. It is recommended to examine in future research the variable of 'quality of the acquired company' and to add it to the model. It is possible that the results will indicate that as the acquired company is of higher quality, or in other words, it is a company that is well-established and successful in its field, and then the integration should be performed more quickly since this contributes to the increase of the integration effectiveness and M&A success.

7. Additional research studies should examine the relationship between integration effectiveness and M&A success. Since the integration can be excellent yet the M&A fail because of factors that are not related to the quality

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of the integration, it is recommended to neutralize in a research factors of failure such as reasons related to changes in the industry or M&A at an exorbitantly high price.

Final Conclusion

This research adds further information to the existing knowledge in the field of M&A and focuses the impact of speed of integration on integration effectiveness and M&A success. In light of the research results, it is necessary to emphasize the speed of integration as a part of the main parameters that should be taken into consideration when the integration between companies is planned and performed in the field of M&A.

7.   Bibliography

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8. Appendixes

8.1 Research Sample Composition (138 M&A)

Type of Acquirer Industry		
Industry Classification	**#**	**%**
Communication	50	0.36
Electronics	9	0.07
Finance	3	0.02
Food & Beverage	10	0.07
Retail	4	0.03
Software	34	0.25
Chemicals	4	0.03
Medical Devices	5	0.04
Others	19	0.14
Total	**138**	100%

Acquirer Nationality			
Nationality	**Code**	**#**	**%**
Israeli	1	85	0.62
Non-Israeli	2	53	0.38
Acquirer Nationality - Nationality Distribution			
Nationality	**Code**	**#**	**%**
Israeli	1	85	0.62
U.S	2	40	0.29
U.K	2	7	0.05
India	2	1	0.01
Sweden	2	1	0.01
Taiwan	2	1	0.01
France	2	1	0.01
Canada	2	1	0.01
Germany	2	1	0.01

M&A Type			
Type	**Code**	**#**	**%**
Cross-Border	1	101	0.73
Domestic	2	37	0.27

Target (Acquired) Age			
Age	**Code**	**#**	**%**
< 1 Year	1	0	0
2-3 Years	2	7	0.05
4-6 Years	3	34	0.25
7-10 years	4	25	0.18
> 10 Years	5	72	0.52

Combined Firm Size (By Revenue) - CFSR			
Revenue	Code	#	%
50-250	1	11	0.08
251-499	2	9	0.07
500-999	3	16	0.12
1,000-1,999	4	21	0.15
2,000-4,999	5	28	0.20
5,000-9,999	6	18	0.13
>10,000	7	35	0.25

Relative Firm Size (By Revenue) - RFSR			
Acquired/Acquirer (%)	Code	#	%
< 25	1	97	0.70
26-49	2	18	0.13
50-74	3	7	0.05
75-99	4	6	0.04
> 100	5	10	0.07

Combined Firm Size (By No. of Employees) - CFSE			
No. of Employees	Code	#	%
50-250	1	20	0.14
251-499	2	14	0.10
500-999	3	18	0.13
1,000-1,999	4	25	0.18
2,000-4,999	5	30	0.22
5,000-9,999	6	16	0.12
> 10,000	7	15	0.11

Relative Firm Size (By No. of Employees) – RFSE			
Acquired/Acquirer (%)	Code	#	%
< 25	1	85	0.62
26-49	2	25	0.18
50-74	3	12	0.09
75-99	4	4	0.03
> 100	5	12	0.09

8.2 Research Questionnaire

International Ph.D. Program in Business Administration, University of Pécs, Hungary

UNIVERSITY OF PÉCS
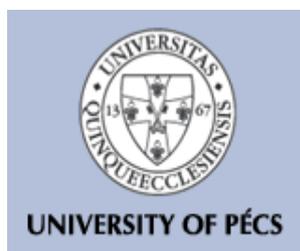
Research Questionnaire on Mergers and Acquisitions in the Israeli market during 1990-2006 years

---

Date: _____

Part 1: General M&A details:

Acquiring firm's details:

Acquiring firm's name: _____

Acquiring firm's number of employees at the time of the deal: _____ employees.

Acquiring firm's revenues at the time of the deal: _____US$.

Acquiring firm's nationality: _____

Acquiring firm's Industry Classification: _____

Acquiring firm's Previous M&A Experience: _____ M&A deals.

Acquired firm's details:

Acquired firm's name: _____

Acquired firm's number of employees at the time of the deal: _____ employees.

Acquired firm's revenues at the time of the deal: _____US$.

Acquired firm's nationality: _____

Acquired firm's Industry Classification: _____

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Acquired firm's age: _____ years.

Year of deal consummation:_____

Amount paid for the acquired firm: _____US$ AND/OR _____% from
acquiring firm ownership that worth _____US$ in market share price .

Combined firm size (annual turnover of the consolidated business): _____ M$.

Relative size of acquired to acquirer (annual turnover): _____%

Background of the Respondent:

Name: _____

The Respondent work for:

1. The acquired firm.

2. The acquiring firm.

3. Other.

Position of the Respondent at the time of acquisition:

1. Managing director or CEO.

2. V.P

3. Head of M&A.

4. Head of SBU.

5. Other.

Part 2: Perceptions of cultural differences:

**The following items relate to the BELIEFS AND ASSUMPTIONS that top
management had prior to the merger or acquisition about the IMPORTANCE of
some business practices and procedures, and how things should be done for the
success of a business. Please, indicate your perceptions about the extent to which
the following items were DIFFERENT for the top management group of your
company VERSUS the top management group of the acquiring/acquired firm.
Please, circle for each item the most appropriate answer: a score of "1" means
that the two top management groups are very similar, while a score of "5"
means that they are very different.**

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| | **Very** | | | **Very** |
| | **Different** | | | **Similar** |

1. Managers should share information and communicate with other subunits of the company …………………………………….   1   2   3   4   5

2. Managers should quickly respond to changes in the business environment.........   1   2   3   4   5

3. In the long run managers can get ahead fastest by playing it safe, sure, and slow…..   1   2   3   4   5

4. Compensation for managers should be competitive with similar companies ……….   1   2   3   4   5

5. Measures used to judge managerial performance should be clear………………   1   2   3   4   5

6. Top management should provide support and warmth to those managers below them..   1   2   3   4   5

7. High autonomy in decision making should be given to managers……………………..   1   2   3   4   5

8. Managers should recognize and seize good opportunities as they arise………………..   1   2   3   4   5

9. Managers should take chances on good ideas   1   2   3   4   5

10. Rewards and recognition should be based on a manager's performance…………….   1   2   3   4   5

	Very			**Very**	
	Different			**Similar**	
11. There should be continuous pressure to improve personal and group performance….	1	2	3	4	5
12. Formal authority for decision making should be made clear to all employees.....	1	2	3	4	5
13. Managers should maintain and/or develop interrelationships with managers of other departments……………………….	1	2	3	4	5
14. Managers should be encouraged to be innovative, take independent actions and reasonable risks….	1	2	3	4	5
15. Managers should be encouraged to air conflicts and constructive criticism openly…..	1	2	3	4	5
16. Formal rules and procedures should be followed in making decisions and carrying out all activities ……………………………..	1	2	3	4	5
17. Managers should be innovative rather than conservative in decision making……………	1	2	3	4	5
18. Managerial promotions should be highly associated with excellence in performing the job ………………………………………..	1	2	3	4	5
19. Managers should be free to make independent decisions ………………………….	1	2	3	4	5

	Very Different				**Very Similar**

20. Calculated risks should be taken at the right time…………………………………   1   2   3   4   5

21. Decision-making should be timely………….   1   2   3   4   5

22. Goals should be venturesome……………….   1   2   3   4   5

23. Various subunit managers should make efforts to understand each other's problems and difficulties. . . . .……….. .   1   2   3   4   5

24. Managers should be held personally accountable for the end results they produce.   1   2   3   4   5

25. To be effective, decision makers should be very cautious…………………………..   1   2   3   4   5

26. Responsibility for decisions should be clearly communicated to all managers……………..   1   2   3   4   5

27. Managers should create and maintain effective communication and cooperation with peers. . . .   1   2   3   4   5

28. Managers should be encouraged to expose conflicts and to seek ways to resolve them.   1   2   3   4   5

29. Promotion of managers should be based on competence as reflected by their performance. . .   1   2   3   4   5

Part 3: Post merger integration approach:

Please, identify the post merger integration approach implemented in your M&A from three provided below:

Approach – A:

- **Cost savings and enhanced market position as key motives.**
- **Acquiring firms' practices/procedures being used in target firm.**
- **Plans for restructuring and downsizing mentioned.**
- **References made only to the acquiring firm's name.**
- **Use of the words "assimilate" or "absorb".**
- **Limited retention of executive leaders of the target firm.**

Approach – B:

- **Expand product offerings or geographic markets as key motives**
- **Use of the phrases "best of both" or "best practices"**
- **No plans to integrate or a delay in integrating of many functional areas**
- **References to both original firms' names**
- **Some retention of top managers of the target firm**

Approach – C:
- **Revenue growth and market position as key motives.**
- **No plans to integrate key functional (business) areas.**
- **Neither firm changed significantly.**
- **Retention of majority of acquired company's top managers and and/or brand name of the target firm.**

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Part 4: Integration success (or effectiveness) estimation:

Listed below are areas in which linkages between two firms may be established. Please, indicate on the following scale, how effective the linkages are to the success of the M&A.
Please, circle for each item the most appropriate answer: a score of "1" means that the linking is not effective, a score "3" means that a linking is moderately effective, while a score of "5" means that a linking is highly effective.

	Highly Effective				Not Effective
1. Operating facilities……………………	1	2	3	4	5
2. Purchasing…………………...................	1	2	3	4	5
3. Research and Development…………….	1	2	3	4	5
4. Accounting/finance……………………..	1	2	3	4	5
5. Legal department…………………………	1	2	3	4	5
6. Government relations……………………	1	2	3	4	5
7. Human resources…………………………	1	2	3	4	5
8. Distribution channels……………………	1	2	3	4	5
9. Customer service…………………………	1	2	3	4	5
10. Promotion and advertising……………	1	2	3	4	5
11. Strategic planning……………………..	1	2	3	4	5
12. Information systems …………………	1	2	3	4	5

Part 5: M&A Success estimation:

The following items relate to the M&A Success estimation.
Please, indicate your perceptions about the M&A Success.
Please, circle for each item the most appropriate answer: a score of "5" means that the success is very high, while a score of "1" means that the success is very low. Please give to every item weight factor from 0 to 100% according to your opinion about the importance of the factor on the overall M&A success. PLEASE NOTIFY THAT THE SUM OF ALL WEIGHTS SHOULD BE 100%.

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	Very				**Very**
	Low				**High**

1. What was the influence of the M&A   1   2   3   4   5

on the improving of the **ROI?**

Weight factor _____ %.

2. What was the influence of the M&A   1   2   3   4   5

on the improving of the **EPS?**

Weight factor _____ %.

3. What was the influence of the M&A   1   2   3   4   5

on the improving of the **stock price?**

Weight factor _____ %.

4. What was the influence of the M&A   1   2   3   4   5

on the improving of the **cash flow**

Weight factor _____ %.

5. What was the influence of the M&A   1   2   3   4   5

on the improving of the **sales growth?**

Weight factor _____ %.

6. What was the influence of the M&A   1   2   3   4   5

on the **total acquirer performance?**

Part 6: M&A Speed of integration estimation:

The following items relate to the M&A speed of integration.

Please, identify the speed of integration (in months) and circle for each item the most appropriate answer.

1. What was the planed M&A speed of integration? _____ months.

2. What was the actual M&A speed of integration (from the M&A announcement day to the time that all of the integration process and activities finished? _____ months.

3. In retrospect, do you think that the speed of integration was:

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a. The appropriate speed of integration.

b. It was slower then it has to be.

c. It was faster then it has to be.

4. How long did it take to complete the intended integration of the following aspects?

5-point rating scale: 1 = more than 24 months, 2 = 19–24 months, 3 = 13–18 months, 4 = 6–12 months, 5 = less than 6 months.

1. Marketing and sales channels ……………….............   **1**   **2**   **3**   **4**   **5**

2. R&D ………………..   **1**   **2**   **3**   **4**   **5**

3. H.R (Hiring, promoting, firing etc.) ……….................   **1**   **2**   **3**   **4**   **5**

4. Production and operational systems…………………   **1**   **2**   **3**   **4**   **5**

5. Accounting/finance ....………. ………………....   **1**   **2**   **3**   **4**   **5**

6. Purchasing ....…….... ……… …………   **1**   **2**   **3**   **4**   **5**

7. Information technology systems...………...................…   **1**   **2**   **3**   **4**   **5**

8. Customer service...………   **1**   **2**   **3**   **4**   **5**

9. **Supply chain** **1**   **2**   **3**   **4**   **5**

_____

Respondent signature

Thank you for your kind cooperation

8.3 Research Sample – Firm's Profile

Acquirer Firm's Profile

No.	Acquirer Firm	Employees	Revenue	Nationality	Industry	*Exp.
1	Juniper	4,000	2,000	U.S	Communication - networking	5
2	Orbot	600	60	Israel	Equip. for PCB Industry	0
3	Elbit	20,000	400	Israel	Army electrical systems	10
4	Siemens	10,000	2,000	Germany	Telecommunication Infrastructure	10
5	ECI Telecom	1,000	350	Israel	Telecomm. - Transmission	0
6	Comverse	5,000	1,000	Israel	Telecom VAS	3
7	Broadcom	6,500	3,000	U.S	Semiconductor	30
8	Vcon	120	34	Israel	communication - video conference	0
9	IDI Carmel	35	10	Israel	Banking - Debt collection	0
10	Radware	1,000	80	Israel	IT Security	0
11	Strauss	5,000	1,000	Israel	Food manufacture	10
12	Hogla Kimberly	1,000	180	Israel	Health $ hygiene	0
13	Hamashbir	1,500	150	Israel	Retail	0
14	Polycom	1,000	300	U.S	Com. Audio/Video Conference	2
15	Grafiti	150	35	Israel	Office Equipment	3
16	Retalix	1,000	150	Israel	Retail Software	4
17	Memscop	600	50	French	Electrical Chips	1
18	Gilat	500	150	Israel	Satellite Com.	1
19	Comverse	1,000	260	Israel	Com. VAS	4
20	Winbond	4,000	1,000	Taiwan	Semiconductor	5
21	Verint	300	100	Israel	Gov. Com. Security Sys.	1
22	Allot	120	12	Israel	Com IP Traffic	0
23	ECI Telecom	160	80	Israel	Telecom Fixed Line	5
24	Aol	4,000	4,000	U.S	ISP	10
25	CBC	1,000	300	Israel	Beverage	3
26	Microsoft	40,000	50,000	U.S	Software	20
27	Nice	900	150	Israel	Voice Recording	3
28	Madge - Net'	600	250	U.K	Data Networking	0
29	Unipier	100	10	Israel	Mobile data services	0
30	Checkpoint	2,500	400	Israel	Internet Security	0
31	Tdsoft	70	5	Israel	Access GWs - telecom	3
32	ECI Telecom	4,000	1,250	Israel	Telecom Fixed Line	4
33	NDS Group	3,600	700	U.K	Media Technology	5
34	NDS Group	3,800	700	U.K	Media Technology	6
35	NDS Group	3,000	356	U.K	Media Technology	2

No.	Acquirer Firm	Employees	Revenue	Nationality	Industry	*Exp.
36	NDS Group	3,000	240	U.K	Media Technology	0
37	NDS Group	3,000	360	U.K	Media Technology	1
38	Hexagon	8,500	2,500	Sweden	Polymers / metrology	20
39	VocalTec	300	25	Israel	Voip communication	0
40	CD Packaging	60	40	Israel	Carton Packaging	0
41	KCC	55,000	13,000	U.S	health $ hygiene	20
42	BMC	6,500	1,200	U.S	Software - infrastructure	15
43	BMC	7,000	1,400	U.S	Software - infrastructure	15
44	BMC	6,500	1,200	U.S	Software - infrastructure	15
45	ADC	6,500	1,000	U.S	Telecom	4
46	Frutarom	450	80	Israel	Extracting	3
47	Frutarom	600	100	Israel	Extracting	4
48	Frutarom	800	140	Israel	Extracting	5
49	Brizcom	200	100	Israel	Wireless Access	0
50	Alvarion	300	180	Israel	Wireless Access	1
51	HP	20,000	2,000	U.S	Printing Imaging	10
52	Nice	150	400	Israel	Video/Audio Recording	5
53	Nice	1,000	350	Israel	Video/Audio Recording	4
54	Nice	1,000	350	Israel	Video/Audio Recording	3
55	Nice	1,000	300	Israel	Video/Audio Recording	2
56	Nice	1,000	300	Israel	Video/Audio Recording	3
57	DSP	300	220	Israel	Telephone cheeps	2
58	DSP	300	220	Israel	Telephone cheeps	3
59	UGS	7,000	1,000	U.S	Product life cycle management	10
60	Terayon	100	50	Israel	Broadband Equipment	2
61	Terayon	100	50	Israel	Broadband Equipment	3
62	Terayon	100	50	Israel	Broadband Equipment	4
63	AVT	120	40	Israel	Printing - defect analysis	1
64	Lucent	10,000	5,000	U.S	Communication - networking	15
65	MediVision	33	1.5	Israel	Medical Imaging Equipment	1
66	Opal	300	33	Israel	Microscope Metallurgy	0
67	Comverse	5,000	1,000	Israel	Com. VAS	8
68	Ness	4,000	300	Israel	IT System Integrator	10
69	Ness	4,000	300	Israel	IT System Integrator	10
70	Nilit	750	220	Israel	Spinning of Textile	0
71	Nilit	750	220	Israel	Spinning of Textile	2
72	HP	30,000	40,000	U.S	Printing Equip.	10
73	HP-Scitex	450	220	U.S	Printing Equip.	3

No.	Acquirer Firm	Employees	Revenue	Nationality	Industry	*Exp.
74	Cisco	1,800	250	U.S	Network Management	6
75	Machteshim-Agan	2,000	550	Israel	Agro chemical	2
76	Machteshim-Agan	2,000	550	Israel	Agro chemical	4
77	Dor Chemicals	200	50	Israel	Petrochemical +Plastic foil	0
78	Dmatek	125	26	Israel	Electronic Equip.	0
79	keter	2,000	500	Israel	Home Improvement Product	9
80	keter	2,000	1,000	Israel	Home Improvement Product	10
81	keter	2,000	1,000	Israel	Home Improvement Product	11
82	Kodak	35,000	20,000	U.S	Imaging Equip.	10
83	HP - Software	15,000	30,000	U.S	Software	15
84	CA	16,000	4,000	U.S	Software for management	15
85	CA	16,000	4,000	U.S	Software for management	15
86	Tnuva	4,000	1,000	Israel	Fresh Food	10
87	Retalix	1,300	186	Israel	Software for retail	8
88	Retalix	1,200	170	Israel	Software for retail	7
89	Texas Instrument	200	50	U.S	Broad Band Communication	30
90	Comverse	3,500	800	Israel	Com. VAS	7
91	Comverse	400	100	Israel	Com. VAS	4
92	Comverse	4,500	1,100	Israel	Com. VAS	10
93	Taldor	900	100	Israel	Software Integrator	1
94	StanleyWorks	5,000	900	U.S	Working Tools	10
95	Amdocs	100	50	U.S	Billing System	20
96	Gyrus	1,000	250	U.K	medical devices	4
97	TI Wireless	300	300	U.S	Wireless Chips	3
98	Lipman	600	200	Israel	Accounting machines	0
99	Verifone	1,500	600	U.S	Payment Systems	0
100	Sapiens	750	70	Israel	IT solutions	3
101	Sapiens	750	80	Israel	IT solutions	4
102	Jain	3,000	450	India	Irrigation	6
103	Cisco	30,000	2,000	U.S	Communication Equipment	30
104	Cisco	30,000	2,000	U.S	Communication Equipment	30
105	Convergys	50,000	2,000	U.S	Billing System	4
106	Kodak	5,000	2,000	U.S	Medical Care Imaging	5
107	Aladdin	100	11	Israel	Software Protection	0
108	Aladdin	250	34	Israel	Software Protection	1

No.	Acquirer Firm	Employees	Revenue	Nationality	Industry	*Exp.
109	Aladdin	400	50	Israel	Software Protection	6
110	Aladdin	400	50	Israel	Software Protection	3
112	Cisco	1,500	1,500	U.S	Software Protection	30
113	Lipman	600	250	Israel	Accounting machines	0
114	Mey eden	80	12	Israel	Coffee Vending machine	15
115	Cisco	150	80	U.S	Network Optimization	30
116	PMC Sierra	1,000	450	Canada	Fables Semiconductor	6
117	Strauss	2,000	400	Israel	Food manufacture	3
118	Appllied Materials	1,200	10,000	U.S	Semiconductor Equipment.	6
119	TIS	100	20	Israel	Data Entry (collection)	1
120	Osem-Nestle	4,500	700	Israel	Food manufacture	6
121	Veritas	10,000	7,000	U.S	Software (Backup Recovery)	10
122	Retalix	700	140	Israel	Software for retail	10
123	Tambour	550	125	Israel	Paintings Manufacture	7
124	EMC	3,000	500	U.S	Storage	15
125	EMC	3,000	500	U.S	Storage	15
126	Strauss	2,000	400	Israel	Milk product Manufacture	3
127	Mercury	7,000	600	U.S	Business Tech. Optimization	3
128	Team	400	75	Israel	Hardware integrator	4
129	Matrix	1,400	250	Israel	Software integrator	3
130	Sysnet	220	18	Israel	IT Services	0
131	Cisco	30,000	2,000	U.S	Communication Equipment	30
132	Aruzei Zahav	1,500	50	Israel	Cable T.V	2
133	Amdocs	9,500	4,000	U.S	Billing System	10
134	ESC	700	300	Israel	Esthetic Lasers	0
135	Harel	1,000	500	Israel	Insurance	3
136	Mizrachi	3,200	50	Israel	Banking	0
137	SanDisk	2,200	3,000	U.S	Computer storage devices	1
138	RSA	1,400	380	U.S	Software security	3
139	Picker	5,000	1,500	U.S	Medical Imaging	0

* Exp = No. of previous M&A.

Acquired Firms Profile

No.	Acquired Firm	Employees	Revenue	Nationality	Industry	Age
1	Kagoor	80	5	Israel	Same as acquirer	5
2	Optrotech	750	70	Israel	Same as acquirer	11
3	El-Op	1,000	300	Israel	Mnfr electro-optic components	60
4	Radnet	35	0.2	Israel	Same as acquirer	4
5	CTEL	10	5	U.S	Telecomm - Testing Equipment.	5
6	Netcentrex	300	70	France	Telecom Voip	6
7	Octalica	27	2	Israel	Semi (privet Telecom networking)	2
8	Phonet	48	4	Israel	Voip - switching	6
9	JKW	35	4	U.S	Same as acquirer	3
10	V-Secure	45	5	Israel	Same as acquirer	5
11	A.N.F	100	4	Israel	Fresh food - Vegetables	8
12	Orisan	125	15	Turkey	baby Diapers	15
13	Aviation Links	120	20	Israel	Travel	25
14	Acuord	200	80	Israel	Same as acquirer	8
15	Moran	35	7	Israel	Same as acquirer	12
16	Unit	60	10	Italy	Same + Hard ware	15
17	Galey Or	50	5	Israel	Same as acquirer	4
18	Spacenet	200	150	U.S	Same as acquirer	15
19	Boston	900	130	U.S	Same as acquirer	10
20	National Semi.	150	40	U.S	Same as acquirer	25
21	Ectel	80	40	Israel	Same as acquirer	5
22	Net Riality	70	4	Israel	Same as acquirer	8
23	Ipverse	60	1	U.S	Soft Switch	5
24	ICQ	30	0	Israel	Internet Application	2
25	Tara	400	100	Israel	Dairy	50
26	Gteco	150	20	U.S	Software	12
27	Thales Reco..	300	60	U.K	Same as acquirer	40
28	Lannet	300	100	Israel	Switches & Hubs	9
29	Niragongo	28	3	Israel	Same as acquirer	5
30	Zore Labs	300	250	U.S	Same as acquirer	8
31	Vocaltech	28	3	Israel	Voip - Telecom	15
32	Tadiran Kesher	2,400	250	Israel	Same as acquirer	30
33	Jungo	120	16	Israel	Same as acquirer	7
34	CastUp Inc	30	2	Israel	Same as acquirer	8
35	Mediahighway	300	50	France	Same as acquirer	8
36	Orbis	40	16	U.K	Betting Technology	5

No.	Acquired Firm	Employees	Revenue	Nationality	Industry	Age
37	Visionik	40	3	Denmark	Same as acquirer	4
38	Cognitens	50	25	Israel	measurement systems	13
39	Radfax	15	1	Israel	Same as acquirer	5
40	Frenkel&sons	180	70	Israel	Same as acquirer	70
41	Hogla	750	100	Israel	Same as acquirer	35
42	Optisystems	100	7	Israel	Software -application	13
43	Identify	230	20	Israel	Software- Transaction Man.	10
44	New Dimension	250	100	Israel	Software- security management	16
45	Teledata	420	65	Israel	access Networking	18
46	CPL Aromas	120	17	U.K	Same as acquirer	30
47	Flachsman	170	20	Swiss	Flavors	80
48	IFF	180	80	Swiss	Fruit Preparation	30
49	Flowar	130	40	Israel	Same	5
50	Inowave	170	40	Israel	Same	10
51	Indigo	500	400	Israel	Digital Printing	25
52	IEX	100	50	U.S	Workforce Management	15
53	Performix	30	12	U.S	Data Analysis	5
54	Fast	50	15	Swiss	Video Security	10
55	DICTAPHON/crs	200	60	U.S	Voice Recording	30
56	Hana Max	30	5	Australia	Services for Nice	8
57	Bermai	50	0	U.S	WiFi communication	3
58	NXP	180	180	Swiss	Telephone cheeps	15
59	Technomatix	650	100	Israel	Manufacturing process manage.	20
60	Radwiz	50	3	Israel	Modem + SDSL	4
61	Telegate	120	7	Israel	Telephone over Cable	7
62	Combox	70	0	Israel	Cable Modem -satellite com	4
63	GMI	115	30	U.S	Printing - color analysis	20
64	Chromatis	130	0	Israel	Optical Communication	2
65	OIS	20	5	U.S	Same as acquirer	15
66	ICT	30	5	Germany	Same as acquirer	11
67	GCS	1,000	160	U.S	Billing	20
68	Selesta	30	10	Italy	Software Distributor	13
69	IBS	500	30	India	Same as acquirer	10
70	Invista	300	150	Germany	Same as acquirer	50
71	Frizetta	220	85	Germany	Plastic Compounding	20
72	Scitex	300	170	Israel	Same as acquirer	12
73	Nur Macro.	350	80	Israel	Same as acquirer	12
74	Sheer Network	106	10	Israel	Same as acquirer	6

No.	Acquired Firm	Employees	Revenue	Nationality	Industry	Age
75	Defensa	250	65	Brazil	Same as acquirer	20
76	Praficol	250	40	Colombia	Same as acquirer	30
77	Moplefan	700	170	Italia	Same as acquirer	30
78	Protech	80	12	U.S	Same as acquirer	12
79	Allibert	700	100	France	Same as acquirer	30
80	Curver	1,500	150	Holland	Same as acquirer	30
81	Cortice	100	40	U.K	Same as acquirer	30
82	Creo-Scitex	3,000	600	Canada	Digital Graphic	20
83	Mercury	7,000	1,200	U.S	Software Optimization	17
84	Netegrity	300	100	U.S	Software Security	5
85	Xosoft	30	30	Israel	Storage	5
86	Sunfrost	300	50	Israel	Frozen Food	15
87	IDS	50	40	U.S	Software for distributors	15
88	OMI	60	15	U.S	Software for H.Qs	15
89	Libit	80	3	Israel	Cable Modem -satellite com	5
90	Kenan	1,000	160	U.S	Billing	20
91	DGMS	80	10	U.S	Software for Telecom	25
92	Netonomy	50	10	France	Self service systems	7
93	Pitron Systems	35	3	Israel	ERP	16
94	Zag	200	68	Israel	Plastic DIY	5
95	A	400	120	U.K	OSS	10
96	ACMI	1,000	250	U.S	Same as acquirer	100
97	Butterfly	50	10	Israel	RF wireless communications	5
98	Dione	100	70	U.K	Same as acquirer	20
99	Lipman	1,000	240	Israel	Same as acquirer	30
100	SAIC	40	4	France	IT services	8
101	Syspart	50	6	Germany	IT services	10
102	Naandan	500	80	Israel	Same as acquirer	40
103	P-Cube	110	12	Israel	Packet classification	5
104	Pentacom	60	3	Israel	Switching Equipment	2
105	Wiztec	100	30	Israel	Billing for cable TV	7
106	Algotec	65	20	Israel	Medical Imaging Software	11
107	FAST	100	13	Germany	Same as acquirer	7
108	Eliashim	120	5	Israel	Software Security	15
109	Aladdin Spain	15	2	Spain	Software distributor	4
110	Preview	100	3	U.S	Software Rights Management	5
112	Riverhead	30	3	Israel	Software Security	4
113	Lipserv	50	2	Brazil	Same as acquirer + services	2

No.	Acquired Firm	Employees	Revenue	Nationality	Industry	Age
114	Normat	24	4	Israel	Same as acquirer	6
115	Actona	45	1	Israel	Same as acquirer	4
116	Passave	180	50	Israel	Same as acquirer	4
117	Elit	2,500	300	Israel	Same as acquirer	40
118	Opal	400	90	Israel	Semiconductor Checking Equip.	10
119	CPL	35	5	G.B	System Integrator	7
120	Bonzour	120	30	Israel	Frozen Food Manufacture	15
121	Precise	200	100	Israel	Application Performance manage.	18
122	TCI	100	18	U.S	Back office software for retail	20
123	Gesher Geves	35	7	Israel	Raw materials for constructing	30
124	Kashya	55	50	Israel	Data Replication	5
125	Nlayers	20	1	Israel	Networking Resource Manag.	3
126	Yotveta	60	25	Israel	Diary	40
127	Systinet	60	5	Czech Rep.	Service oriented architecture	5
128	Malam	1,400	125	Israel	Software integrator	40
129	New Aplicom	600	150	Israel	Software integrator	10
130	Tadiad	100	5	Israel	IT Services	35
131	A (Secret)	300	500	U.S	Consumer Electronics	10
132	Tevel+Matav	1,800	50	Israel	Cable T.V	12
133	Long Shine	800	60	China	Billing	10
134	Coherent	750	300	U.S	Surgical Lasers	30
135	Zion	300	200	Israel	Insurance	50
136	Tefachot	660	50	Israel	Banking	50
137	M-Systems	900	1,000	Israel	Semiconductors devices	17
138	Cyota	120	12	Israel	Same as acquirer	6
139	Elscint	200	160	Israel	C.T Medical Imaging	23

8.4 Research Hypotheses Table

No.	Hypothesis	Result
1a	**Hypothesis 1a –** Positive relationships will be found between the combined size by revenue and the integration effectiveness and M&A success.	**Rejected**
1b	**Hypothesis 1b –** Positive relationships will be found between the combined size by revenue and the level of autonomy of the acquired company and the SOI.	**Rejected**
2a	**Hypothesis 2a –** Negative relationships will be found between the combined size by number of employees and the integration effectiveness and M&A success.	**Rejected**
2b	**Hypothesis 2b –** Negative relationships will be found between the combined size by No. of employees and the level of autonomy degree of the acquired company and the SOI.	**Partially Confirmed**
3a	**Hypothesis 3a –** Positive relationships will be found between the relative size by revenue and the integration effectiveness and M&A success.	**Confirmed**
3b	**Hypothesis 3b –** Positive relationships will be found between the relative size by revenue and the level of autonomy degree of the acquired company and the SOI.	**Rejected**
4a	**Hypothesis 4a –** Negative relationships will be found between the relative size by No. of employees and the integration effectiveness and M&A success.	**Partially Confirmed**
4b	**Hypothesis 4b –** Negative relationships will be found between the relative size by No. of employees and the level of autonomy degree of the acquired company and the SOI.	**Rejected**
5a	**Hypothesis 5a –** Differences will be found between the Israeli acquirers and the non-Israeli acquirers in integration effectiveness and M&A success.	**Confirmed**
5b	**Hypothesis 5b –** Differences will be found between the Israeli acquirers and the non-Israeli acquirers in the level of autonomy degree of the acquired company and in the SOI.	**Rejected**
6a	**Hypothesis 6a –** Positive relationships will be found between the acquirer's previous M&A experience and the integration effectiveness and M&A success.	**Partially Confirmed**
6b	**Hypothesis 6b -** Positive relationships will be found between the acquirer's previous M&A experience and the level of autonomy degree of the acquired company and SOI.	**Rejected**

No.	Hypothesis	Result
7a	**Hypothesis 7a** – Positive relationships will be found between the acquired age and the integration effectiveness and M&A success.	**Partially Confirmed**
7b	**Hypothesis 7b** – Positive relationships will be found between the acquired age and the level of autonomy degree of the acquired company and SOI.	**Rejected**
8a	**Hypothesis 8a** – Differences will be found between domestic acquisition and cross-border acquisition in the integration effectiveness and M&A success.	**Rejected**
8b	**Hypothesis 8b** – Differences will be found between domestic acquisition and cross-border acquisition in the level of autonomy degree of the acquired company and SOI.	**Rejected**
9a	**Hypothesis 9a** – Differences will be found in integration effectiveness and M&A success as a function of the M&A main goal.	**Partially Confirmed**
9b	**Hypothesis 9b** – Differences will be found in the level of autonomy degree of the acquired company and SOI as a function of M&A main goal.	**Rejected**
10a	**Hypothesis 10a** – Negative relationships will be found between the organizational culture differences and its dimensions and the integration effectiveness and M&A success.	**Rejected**
10b	**Hypothesis 10b** – Negative relationships will be found between the organizational culture differences and its dimensions and the level of autonomy degree of the acquired company and the SOI.	**Partially Confirmed**
11a	**Hypothesis 11a** – Positive relationships will be found between the synergy potential and its dimensions and dimensions and the level of autonomy of the acquired company and the SOI.	**Partially Confirmed**
11b	**Hypothesis 11b** – Positive relationships will be found between the synergy potential and its dimensions and the integration effectiveness and M&A success.	**Rejected**
12a	**Hypothesis 12a** – Positive relationships will be found between the level of relatedness and the integration effectiveness and M&A success.	**Partially Confirmed**
12b	**Hypothesis 12b** – Positive relationships will be found between the level of relatedness and the level of autonomy degree of the acquired company and the SOI.	**Rejected**
13	**Hypothesis 13** – A positive relationship will be found between the level of autonomy degree of the acquired company and the integration effectiveness	**Rejected**

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No.	Hypothesis	Result
	and M&A success.	
14	**Hypothesis 14** - A positive relationship will be found between the SOI and the integration effectiveness and M&A success.	**Partially Confirmed**

9.   Others

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9.3 Abbreviations

AVSOI	**Average Speed of Integration**
CAR	**Cumulative Abnormal Return**
CEO	**Chief Executive Officer**
EPS	**Earnings per Share**
e.g.	**exempli gratia (for example)**
HR	**Human Resources**
IT	**Information Technologies**
M&A	**Mergers and Acquisitions**
PSOI	**Planed Speed of Integration**
PMI	**Post Merger Integration**
ROI	**Return on Investment**
RSOI	**Respective Speed of Integration**
SIC	**Standard Industrial Classification**
SOI	**Speed of Integration**
V.P	**Vice President**
Vs.	**Versus**

9.4 Acknowledgements

"There are no speed limits on the road to excellence".
David W. Johnson

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Omri Morag – List of Publications

Journals/Periodicals:

Morag O. and Barakonyi K., (2009), "The influence of Speed of integration on M&A success", **Veztéstudomány**. University of Budapest. pp. 55-59.

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New Trends and Tendencies in the Human Resource Management - East meets West, University of Pécs: 13 -14 June 2008.

The 28th annul SMS (Strategic Management Society) Annual International Conference, 12 - 15 October 2008, Cologne, Germany.

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