A Project Management Approach to M&A Deals and their Post-Integration Projects

A Case Study

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Delivering my thesis project would not be fulfilled without the support of some people. I would like to take the opportunity to thank them for their help and encouragement:

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Mergers and acquisitions (M&A) projects have long been considered as a strategy for organizational growth and gain of market share. Top management teams of companies take M&As into consideration since it is faster and less costly compared to internal growth and development programs. M&A project has variety of benefits such as growth in market share, increase in shareholder wealth, access to new markets, technological advantages and so on and so forth. Another benefit of such projects is the expected synergies which happen in financial, production, value chain and technological aspects of the existing company. However, according to many authors there is a high rate of failure in M&A industry. One of the main reasons of failure identified as the poor performance of post-M&A integration projects. Based on literature, a project perspective to these highly complex projects will reduce the risk of failure and will result in successful performance of new companies. However, there is a research gap in this field.

After identifying the research gap and formulating the problem statement, research was designed in order to study the applicability of a project management (PM) approach toward M&A and their integration projects. Through performing a case study on a Swedish company who has undergone a number of M&A projects, interviews were conducted with top management team involved in such projects in order to collect empirical data. Based on qualitative data analysis methods, the primary data was integrated into pattern and themes and then analyzed.

Based on the findings of the research, it was identified that in acquisition projects of small and medium size companies the strategic fit is more significant than organizational fit since the new company will dissolve completely and the rest of the integration is in control of the company. Furthermore, after identifying M&A projects as temporary organizations, three aspects: project organization, human resource and governance were verified based on literature. In the context of this study, human resource and governance is considered key elements in terms of acquisition projects. Finally, a framework was proposed in order to implement project management approach by fulfilling three dimension of PM which are project organization, project life-cycle and project governance.

Keywords: Mergers and Acquisitions, strategy, project management, integration phase, temporary organization, project life-cycle.
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1 INTRODUCTION

1.1 Background of the Study

Mergers & Acquisitions (M&A) projects are known as a strategic tool for top management level of corporations (Meckl 2004; Picot 2002). Since the beginning of the 20th century, mergers and acquisitions deals played a key role in fulfilling the need for strategic growth and organizational change throughout the corporate world (Baughn et al. 2009; Guaghan 2002). Different authors have identified various motives and reasons for companies that involve in an M&A project such as increase in shareholder wealth, creation of opportunities for managers, fostering organizational growth and responding to pressure from M&A industry (Risberg 2006; Baughn et al. 2009; Epstein 2005). However, numerous empirical researches show that M&A projects have a very high failure rate (Hitt et al. 2001; King et al. 2004; Sirower 1997; Kaplan and Weisbach 1992; Meckl 2004). Sirower (1997) found that near 70% of the M&A deals did not deliver the necessary results. Kaplan and Weisbach (1992) based on their samples discuss that 44% of the firms that have been acquired, have been divested after a few years with much lower premium price than the original deal they paid for. Moreover, Hitt et al. (2009) looked into the problem from value adding point of view. Based on their empirical research he implies that acquisitions added very little or no value to the main company on the average. Picot (2002) in his book argues that success rates of M&A projects are less than 50% in general which is resulted from 44% in service and banking and 50% in manufacturing industries. In spite of all these facts still M&A is a popular tool for large corporations which amount to a multi-billion dollar industry (Mesensky 2008).

The high failure rates have variety of causes since M&A projects are considered highly complex in terms of amount of deliverables and communications among wide range of stakeholders (Shrivatsava 1986; Meckl 2004). This complexity along with other factors such as poor choice of partners, inappropriate premerger analysis, lack of a well defined strategy and low-quality integration are the causes of failures identified in such deals (Meier 2008; Shrivastava 1986; Marks and Mervis 2000). The reasons for failure cannot be easily identified because of the heavy structure of M&A deals with regards to the timing of the closure of the deal which is known to be in a wide range of 2 to 7 years. Majority of research both from practitioner and academic side have been undertaken in the past century to look at the subject with a process-oriented perspective in order to identify and derive the project life-cycle with different phases that deliver the project and hence pinpointing the problems and issues arises from each phase that lead to failure. Mergers and acquisitions projects’ final product is a change in organizational structure in three different ways which are merger, acquisition and conglomerate (Picot 2002; Gaughan 2002). Each type, basically, consists of three phases that can be categorized in preparation, execution and post-merger integration (Meckl 2004; Marks 2009; Sodeik 2009). Many authors have argued that a key element to truly achieve the expected benefits from integration of two
organizations lies in the successful delivery of post-merger integration phase, where synergies and economies of scale are key objectives of top management (Epstein, 2005) out of a successful M&A deal (Shrivastava 1986; Picot 2002; Marks et al. 2000; King et al. 2004; Quah and Young 2005; Fubini et al. 2007).

The post-merger integration phase depending on complexity and scope of the project will approximately take 1 or 2 years and it is comprised of many individual fragmented projects from two companies with a major amount of communication between sub-projects and projects. Therefore, managing these projects on time and budget with the desired deliverables is a key factor for successful decommissioning of a merger deal. Picot (2002) argues that almost half of the M&A projects fail because of failure in the integration phase. Shrivastava (1986) also discuss that one third of failures of mergers is because of low performance in integration process and he refer it to the degree and level of which each deal need to be integrated. Furthermore, he argues that it is ‘imperative’ to understand the key problems of post-merger integration. Risberg (2006) emphasizes that a lot of attention in terms of M&A projects has been paid to strategic fit of the project i.e. selection of target firm, but the organizational fit has been neglected. All this research resulted in identifying the integration phase as a key success factor to the successful M&A projects and from this point on researchers and practitioners focused more on solutions to achieve these objectives. According to Quah and Young (2005), successful implementation of post-acquisition is dependent on a phase approach perspective. Project management is considered a major approach to manage post-merger integration since it provides with the appropriate tools and techniques in order for management to engage in such amounts of deliverables and communications needed from different sections of organizations (Meckl 2004; Sodeik 2009; Meier 2008; Koch 2002). Management of integration projects has become more and more sophisticated and challenging. The dominant approach to integration was purely considered technical but as the integration projects among mergers have grown in size, the technicality alone is not able to deal with the high volume of deliverables and communications needed to undertake all the necessary tasks. Therefore, the challenge of integration managers shifted from technical to more managerial and organizational aspects. As the project management tools and techniques has become more sophisticated and improved, the successful implementation of integration faces more project management challenges (Fubini et al. 2007).
In this research, after undergoing a gap analyses in the field (figure 1), a comprehensive literature review from mergers and acquisition point of view, project management point of view and the colliding field of utilising project management in the integration process of M&A projects has been conducted in order to answer the research question below. Furthermore, through conducting semi-structured interviews with people involved in the mergers and acquisition projects in different corporations and in different projects of M&A, the findings and proposed project management framework will be examined.

1.2 Research Question

“How applicable is the implementation of a project management approach to deliver an M&A project and its integration phase?”

1.3 Purpose of Research

The dependency of a successful M&A project on its integration phase has been mentioned by a majority of authors in the field. But the question is how a company can achieve a successful integration phase, in other words, implementation of what approach will result in successful performance of post-merger integration phase. Taking a project management approach in order for managers to perform the necessary activities and then benefit from a successful integration lead to a successful M&A deal that will be a strategic achievement for their organizations. Hence the above research question is chosen to be addressed through this research. Therefore, the purpose of this research is to develop understanding of M&A deals and how the whole project is managed by project teams. In addition, the critical factors in terms of proper project management will be investigated. Moreover, following the investigation of different aspects of project management, a framework for the implementation of project management into M&A and integration project will be proposed. The following questions will be answered during this research:

- What are the success criteria for an integration process in mergers and acquisitions projects?
- What aspects of project management are of importance for such projects?

1.4 Structure of Research

This literature review was designed in order to find a well-established framework for M&A projects as well as their life-cycle and investigate the success and failure factors of M&A project especially in the post-merger integration phase which is a key element of reaching the long term objectives of an M&A deal. In this research, literature review section includes two fields, M&A literature and project and temporary organization literature. Both academic and practitioner sources was used in order to find these factors. Since consultant firms play a key role in M&A projects, relevant resources of Mckinsey
and Ernst&Young was used in order to see if they are on the same path as academic literature which found out they are heavily integrated with academic view points. In the end, a framework for structure of the post-M&A integration with project management approach will be developed to be tested with empirical data.
2 LITERATURE REVIEW

2.1 Definitions and Classifications of M&A

The main idea behind mergers and acquisitions is the ultimate synergy resulting or at least expected from adding up two companies and create a new company with new structure and competences. Especially in the tough economic times, larger corporation make such strategic decision to purchase smaller firms in order to benefit from cost efficiency and competitive advantages of the other company in the downturn market because it is in such times when the companies and their assets are undervalued and negotiation with their management teams will be easier. Although in practice the term ‘Mergers and Acquisitions’ are used together, there are quite differences in the definition of merger and definition of acquisition. Acquisition is when a large company takes over a smaller company and become the “owner” of the smaller company. So it will impose its structure in terms of processes, human resources and so on, altogether with its culture. In other words, the larger corporation “swallows” the smaller one and its stocks will still be traded as usual although there might be fluctuations in response to the acquisition project. On the other hand, a merger occurs when two companies, often of the same size, agree to continue operating as one single company under the umbrella of one management or, in other words, combine together. Therefore, the stocks of two companies will be eliminated and new stocks will be issued for shareholders by the new company in the stock market. The point is that distinguishing a merger from an acquisition is highly affected by the perception of top management level of both companies and the agreed announcement. If the deal is on friendly basis and no such thing as hostile take-over, especially when it is between equal-sized firms, usually the parties announce it as a merger in order to get a positive response from the market. Because of this ambiguity in the definitions and perceptions, in this research the term Mergers and Acquisition (M&A) will be used (Gaughan 2002; Weston et al. 2004; Epstein 2005).

In addition to mergers and acquisitions, there is another way toward growth and synergies which is known as conglomerates. In this type of re-structuring, corporations come together as separate entities in order to keep the advantages of decentralization of decision making and autonomy, for more flexibility as well as making barriers for new entrants. Classification of different type of corporate renewal and restructuring is shown in Figure 2.

Since the term ‘mergers’ is mostly used to refer to combination of companies, as discussed above, a definition of different categories of mergers will give a good insight into the matter. There are three main different types of mergers in terms of the relationship between two companies in the market: Vertical, Horizontal and Conglomerate. Vertical merger happens when a company merges with another company existing in its own value chain, either a customer or a supplier. In this instance, the cost reduction in areas such as
contracting, inventories, transportations and communications is highly expected; Horizontal merger is when two competitors in the market with same products and product lines combine in order to form a stronger firm in terms of market share and competition. These types of mergers have the advantages of economies of scale since their products are more or less the same. However, they are closely observed by government entities since the possibility of creating a monopoly in the market is high; and conglomerate is when two companies that do not share any common business area merge together (Gaughan 2002).

Regardless of this categorization and types of re-structuring, mergers and acquisitions share a common vision and that is creating and generating synergy through combination of two organizations and increase the value of the new merged or acquired corporation for its stakeholders. Later it will be discussed that achieving this synergy is the utmost goal of such M&A projects which decides the success of the deal.

In the global economic developments, more and more corporations are going down the road of mergers and acquisitions. Over 37,000 mergers and acquisitions were transacted worldwide in 2006. The global value of M&A deals increased from US$462 billion in 1990 to over US$3.5 trillion in 2000 (Stahl and Mendenhall 2005; cited in Marks 2009). A typical large corporation derives 30% of its revenue growth from acquisitions (Lovallo et al. 2007). Management of firms looking into mergers and acquisitions as an answer to ever increasing speed of change and as a basis for growth in order to survive in the hostile corporate world (Harrison 2002). During time, since 19th century, mergers and acquisitions projects maintain a unique potential and source of advantage in order for firms to transform and evolve and it contributes to their renewal in terms of market position, market share and competitive advantage (Gaughan 2002). One of the many features that makes managers to consider M&A projects an option for growth and renewal is its speed toward corporate renewal which no other internal development project can deliver (Salama et al. 2003; Angwin 2001).
Through evolution of M&A industry from its first wave in United States in 1883 to the fifth wave across the world specifically in Europe and Asia, focus of motives has shifted from technological growth factors to more strategic approaches such as entry into new markets and gaining cost reductions from generated synergies. Figure 3 and 4 illustrates a glimpse at the M&A industry in Europe until the second quarter of 2008. By looking at the graphs, it becomes clearer why top management teams in corporations find more and more motives and drivers to consider M&A projects and why the practitioners and academics are very concerned about the successful implementation and termination of merger and acquisition deals.

[Figure 3 European M&A deals volume (Million Euros) (Source: Mesensky 2008, pp. 9)]

[Figure 4 European M&A deals- Number of deals (more than 5 million Euros) (Source: Mesensky 2008, pp. 10)]
2.2 The Strategy of M&A and Its Drivers

Mergers and acquisitions deals play a key role in fulfilling the need for strategic growth and organizational change throughout the corporate world (Baughn et al. 2009). One reason is that pursuing the growth of the company and entry into new markets can be obtained faster through mergers or acquisitions in comparison to planning and implementing internal and organizational developments inside the existing structure of corporations since it will incur greater risk of losing the opportunity of innovation. Also in some cases, acquiring a smaller company or merging with a competitor is less costly than developing a technology or a competency in-house and nurture it in order for it to be a core competency. Rather, adopting an existing model or system- that has been tested in another company- is more convenient and faster in spite of having problems of its own kind. In terms of market, merger or acquisition can help firms to gain or at least maintain their share of market and defend their position from new entrants or from hostile bidders (Marks 2009). In principle, a merger or acquisition should enable a company to realize its strategy and vision. However, there are many short-term and long-term objectives and motives accompanying a proposal for initiating such projects. After announcement of a deal publically, often shareholders will profit from higher stock market prices for a short period of time as well as speculators, but the main concern of long-term gains will be the key issue for keeping up the company’s inertia of growth. The determinant of long-term development and long-term growth in stock market prices is the extent to which the expectation of improvement after an M&A deal has been decommissioned and terminated (Koch 2002). The long-term objectives, or in other words long-term expectations from an M&A project, have strong influence on the well being of organization after the deal since the efficiency and productivity in terms of human resources i.e. employees as well as financial resources, lies in the successful fulfillment of the integration of the M&A deal .

Variety of motives has provoked management to undertake heavy and complex mergers in the past. According to Shrivastava (1986) main motives comprises of the increase of market share, reduction or elimination of competition, quick and economical entry into a business, impulse purchase of a bargain-priced business, reduction of overdependence on geographical presence, acquisition of new technology, exploiting multiple synergies, and desire to grow rapidly. Risberg (2006) mention that the main objectives which lead a company to take into account undergoing M&A deals are increase shareholder wealth, create opportunities for managers, fostering organizational legitimacy and responding to pressure from M&A industry.

Figure 5 illustrates the main drivers that were taken into account by a majority of authors. What is interesting is that new opportunities for managers has always been a major motive for mergers since by creating a bigger and stronger corporation the power as well as financial benefits of the managers will increase drastically.

Some authors identified M&A motives as forces imposed by change. Weston et al. (2004) has recognized ‘change forces’ that encourage the M&A activities in organizations. He believes that it is the change that drives corporations to the mergers and acquisitions. Furthermore, Weston et al. (2004) classifies so called changes in four groups: technological, operation efficiency, industry organization and favorable financial
conditions. Each of these change factors is an objective of completion of a merger as other authors identified. Among these four, better financial conditions has been a place for speculations with its own aspects and strategies such as liquidation and hence a major raison d’être for creation of the “industry” of M&A (Gugler et al. 2003).

![M&A Drivers Diagram](image)

Figure 5 Mergers and acquisitions drivers (Developed from: Risberg 2006; Shrivastava 1986; Weston et al. 2004)

On the other hand, when M&A deals are reviewed as a whole, the various researches indicate three aspects which are strategic, organizational behavior and financial variables which play important roles. M&As’ project performance has been mainly examined according to these three aspects. In terms of strategy, basically mergers are considered as a means of diversification, concentrating on both the motives for different types of combinations, and their performances’ effects (King et al. 2004). Factors such as economies of scale and market power are also motives for M&A (Straub 2007). Straub (2007) investigate the mergers and acquisitions strategy implementation from two point of view; financial and organizational behaviour or integration. In terms of financial aspects, the focus has been on stock market improvements and premium price evaluation. In terms of integration point of view, successful M&As concentrate on post-merger integration processes. They pay attention to cultural issues, human resources management, conflict resolution and communication channels.

Views of Koch (2002) on mergers and acquisitions share the same background. He discusses the pros and cons of M&As. Among pros, there is creating new corporate and performance cultures and improving the operational excellence through intensive exchange of know-how which of course depends on the type of merger. On the other hand, he look at the cons of an M&A project in terms of time constraint of the project, which is slow integration process and slow decision making because of unclear roles and responsibilities among project teams which also is dependent on the size of two companies whether they are of equal size and power or not.

In general, all these motives and visions directly or indirectly connect and materialize through synergies that happen after a successful M&A project. By looking more closely to
the literature, some major types of desired synergies can be identified: Technological synergies which result in access to new technology or know-how; Product synergies that will widen the range of product lines and a full spectrum of products in a market; Value chain synergies which facilitate the inventories, time to reach the end customer, volume discount rates etc.; and Financial synergies in terms of capitalisation, higher rates of return and less cost of capital. Based on these synergies identified in literature, the following illustration will clarify four major synergies which are most desired by companies (Figure 6). It is worth mentioning here that economies of scale which is the result of all these synergies in all aspects of the organization, are always an indirect motive for M&A deals.

![Figure 6 Types of desired synergies after completion of an M&A project (Synthesized by author)](image)

**2.3 Success and Failure of M&A**

M&A projects have a high tendency to failure (Hitt et al. 2001; King et al. 2004; Sirower 1997; Kaplan and Weisbach 1992; Meckl 2004). Kaplan and Weisbach (1992) identified that 44% of the acquired firms have been divested after a few years with much lower premium price than the original deal they were paid for. Sirower (1997) found that near 70% of the M&A deals did not deliver the desired objectives. In addition, Based on empirical research of Hitt et al. (2009) acquisitions added very little or no value to the main company on the average. As mentioned earlier, Picot (2002) in his book argues that success rates of M&A projects are less than 50% in general which is resulted from 44% in service and banking and 50% in manufacturing industries. The interesting point is during the past 30 years, failure rates of M&A projects had not changed (Marks 2009). So there is the need to determine reasons for failure by academic society. There have been a few studies that paid attention to this matter specifically and reviewed the existing literature in order to find the areas lacking empirical studies (Straub 2007; Tichy 2001; Epstein 2005).
Epstein (2005) addresses three major reasons for failure including organizational culture clash, lack of synergies, and flawed strategy. In order to overcome such problems, management need a clear knowledge on key factors of success as well as limitations of such projects. He argues that the main cause of failure in an M&A project is because of poor execution of post-merger integration phase. Furthermore, the factors which result in success of such projects are identified as follows:

- Strong leadership: fast implementation of decisions
- High aspiration level: strong vision and value creation strategy
- Shared performance culture: introduction of new performance culture

Two main problems arise here because of complexity and high volume of communications and alignment among a large number of project teams. Firstly, it is Lack of clear direction where the employees do not understand the vision and the motives of the projects and therefore, the leadership and engagement of management team play important role. Secondly, is lack of appropriate assignment of responsibilities to project teams and team members (project governance) which will be discussed later.

Another success factor for M&A projects has been identified as the right strategic choice of the target company (Straub 2007; Risberg 2006). This is a main issue in the pre-M&A phase of the project. The main decision-making tool here is a variety of quantitative methods such as corporate evaluation methods and so on (Gaughan 2002). However, Risberg (2006) argues that successful M&A does not only depend on the right choice but also the process oriented perspective to successful execution of the post-merger phase determines the success of the deal. According to this way of identifying the problem of failure in M&A projects some frameworks has been designed and approved by several authors in order for recognize the success factors and spread them throughout the project not just in the starting point or even before that in the pre-M&A phase but continuously through the implementation and decommissioning phases. This framework which is called dimensions of integration framework (Risberg, 2006) and also process perspective framework (Straub, 2007) determines that there are three major ‘fits’ that needs to be taken into account in order to achieve high post-merger performance. Shrivastava (1986) identified that not considering these three factors will result in:

- low financial performance
- low capital productivity
- high market-related risks
- high degree of variance in performance

An illustration of the framework below will shed more light on the proposed model by academic literature in the field (Risberg 2006; Straub 2007; Gaughan 2002; Shrivastava 1986):
It is important that the post-M&A phases must be equally significant in comparison to pre-M&A phases. It is argued that this framework must be applied in both pre- M&A and post-M&A projects in order to achieve the desired objectives.

In relation to pre-M&A success factors, the following issues have been recognized by Meier (2008) which take into account the measures needed to be taken before execution of the project and basically in term of project management, it could be fit in the design and initiation phase tasks and strategies in the project life-cycle:

- Overzealous advocacy: move to execution phase early. Development of a comprehensive stakeholder communication plan, consistent reporting method will be a good solution.
- Immature technology: fully review technology prior to start a merger or an acquisition.
- Lack of corporate technology roadmap.
- Requirement instability: addition or modification of requirements constantly through project life-cycle.
- Ineffective merger or acquisition strategy.
- Unrealistic program baseline: initial program estimates do not precisely reflect the total program life-cycle costs. The baseline should be established at the time of proposal.
- Inadequate systems engineering.
- Inexperienced workforce and high turnover of employees: the staff must be familiar with their roles and responsibilities in such projects and therefore no frequent change of positions.

Until now, a variety of reasons for failure and success have been introduced and developed by authors who consider an M&A project in general. From now on, focus of literature review will be on authors who argue that success in post-M&A integration project will result in fully realized objectives of the deal since the issues of cultural and organizational integration after a merger affect the whole rational of selecting strategic choice and all the quantitative evaluation of the pre-M&A project. A majority of sources recognizes that the successful post-integration phase determines the success of the whole M&A project (Koch 2002; King et al. 2004; Quah and Young 2005; Hitt et al. 2009; Shrivastava 1986; Meckl 2004).
Because of the continuing failures in post-M&A integration, "divestments" are becoming almost as frequent as mergers and acquisitions. Given the difficulties in assessing the performance of mergers and acquisitions throughout the whole three phases of M&A projects, it becomes imperative to comprehend the problems and success criteria for post-merger performance. In order to be able to have a successful integration two pre-M&A activity needs to be done that we address here (Shrivastava 1986); one is enabling ‘to be’ managers to participate in the M&A analysis and decision making prior implementation of integration since they will be project managers of the M&A project and as Turner (2008) discusses that cascading the strategy of the project is a key factor for a successful project; and Communicating with all stakeholders about the impact of M&A to their interests which is a part of change management.

Moreover, in accordance to the process perspective framework, six key success factors were outlined taking into account both the strategic and process determinants (Epstein 2005, pp. 41)

Figure 8 Six success factors of M&A project (Source: Epstein 2005, pp. 41)
In identification of these six factors, it can be seen that external factors have been added regarding the environment in which the M&A deal is taking place. In Figure 7, these factors are illustrated in an M&A process-view consequence in order to maintain the process perspective approach.

2.4 The Project Structure of an M&A Deal

Although M&A projects are mega-projects in terms of resource allocation, communication and coordination, they have different implementing phases in terms of life-cycle like all projects. As mentioned earlier, authors in the field paid attention to the process of M&A deals in order to find out reasons and causes of high failure rates in such projects. Four obstacles have been identified in order to explain why ‘well-intentioned’ and ‘well-advised’ M&As fail (Risberg 2006):

1- Activity segmentation: the lack of an appropriate break-down structures and unclear deliverables result in fragmented and segmented pieces of works that do not align to the strategy.

2- Escalating momentum:
   - Stimulating forces: participant commitment, secrecy, decision-maker isolation, overconfidence, decision making under conditions of ambiguity, self interest of participants, target resistance.
   - Restraining forces: board approval, target resistance, regulatory obstacles, prior experience.

3- Expectational ambiguity: employees are not clear about what is expected from the deal and what the objectives are.

4- Management system misapplication.

Therefore, integration across departments of two companies must entail three main activities given the nature of such projects. Shrivastava (1986) discuss that these activities must involve in following managerial tasks:

- Coordinating activities to achieve overall organizational goals;
- Monitoring and controlling individual departmental activities to ensure that they are complementary and are being performed at adequate levels of quality and output;
- Resolving conflicts between the fragmented interests of specialized departments, individuals, and their inconsistent sub-goals.

Some authors have argued that the matter of choice is not the answer to all projects since it is only an element of pre-M&A phase and what needs to be researched is what happens after the completion of transaction. Although some believe that post-M&A activities consist of three phases (Quah and Young 2005), but the majority of authors
presented a two phase approach to the post-M&A integration (Meckl 2004; Koch 2002; Marks 2000). Post-M&A integration itself has two distinguishing phases to be considered:

- Design of integration
- Implementation of integration.

In the design phase of integration three main issues must be considered in order to be able to start a healthy implementation phase since, as mentioned earlier, lack of direction and ambiguity of expectations are causes for failure in this crucial phase of project. Therefore, developing new vision, identifying new value creation opportunities and safeguarding functionality in the mean time are critical aspects to be taken into account. From the moment of spreading the rumors of an M&A deal, the functionality of the firm will be diminished since the employees are more concerned about their future in the new organization (Larsson et al. 2001). Koch (2002) by referring to Mckinsey model of the post-M&A integration phase, argues that the design phase with the mentioned critical aspects should help a firm to direct the activities from fragmented entities toward the new integrated company (Quah et al. 2005).

![Figure 9 Integration project (Developed from: Sodeik 2009; Meckl 2004)](image)

The ‘design integration’ phase sometimes overlaps with the pre-M&A activities. The whole aim of this phase is to produce high level of aspiration through understanding of individual perspectives and development of a shared perspective among leadership team. Overall, creating a shared and respected performance culture is the objective of design phase. Koch (2002) believes that according to needs of this phase which are initiating, coordinating, monitoring and control of the project as Shrivastava (1986) identified earlier, superior performance will be achieved through competencies and utilisation of general management approaches.

The design phase duration will usually last from couple of month to one year which overlaps with pre-M&A activities (Quah and Young 2005; Koch 2002). However, the implementation phase is more timely and will generally take place from 1-2 years to 5-7
years. The timetable of the integration phase gives a good insight of why project management can be of benefit in order to manage a huge number of deliverables and communication (Meckl 2004).

2.5 Project Management of Post-M&A Integration Phase

After completion of the design phase, the M&A project enters the challenging part of the whole deal which is implementing integration of operational functions, financial issues and human resources of two companies. In this stage, the role of Project Management in terms of delivering the objectives in a timely manner with the limited resources available is significant. Therefore, taking a look at the definition of a project is of relevance and it is important to discuss the reasons why a project management approach will decrease the rate of failure in the post-M&A stages. In this part of the literature review, a look at the project management and temporary organization literature has been taken in order to justify that the integration phase of an M&A deal can be considered as a project and a temporary organization and then implement the project management approach to improve the performance of the integration phase and reduce the failure rate.

Turner (2008, pp.23) in his seminal work, which was published first in 1993, gives a definition of a project which was also accepted by PMBOK (2004). A project is:

“An endeavour in which human, material and financial resources are organized in a novel way, to undertake a unique scope of work, of given specification, within constraints of cost and time, so as to achieve beneficial change defined by quantitative and qualitative objectives.”

There are three aspects to this definition worth mentioning here. A project is unique, no such project has happened before or is going to happen after; it is executed by novel processes; and it is transient which means a project has a beginning and an ending (Turner et al. 2003). Therefore, projects are exposed to uncertainty, integration of resources among different parts of organization and they need to be undertaken in a timely manner. The following table shows the features of a project.

<table>
<thead>
<tr>
<th>Aim</th>
<th>Feature</th>
<th>Pressures</th>
<th>Processes</th>
</tr>
</thead>
<tbody>
<tr>
<td>To deliver beneficial change</td>
<td>Unique</td>
<td>Uncertainty</td>
<td>Flexible</td>
</tr>
<tr>
<td></td>
<td>Novel</td>
<td>Integration</td>
<td>Goal Oriented</td>
</tr>
<tr>
<td></td>
<td>Transient</td>
<td>Transience</td>
<td>Staged</td>
</tr>
</tbody>
</table>

Figure 10 Features of projects as temporary organization (Source: Turner 2008, pp. 4)

Turner et al. (2003) suggests that such endeavours which enclose these features are better to be managed as projects. There is an acceptable match between these features and the features of post-M&A integration project which was discussed in the previous section.
Therefore, it can be implied that the approach that authors took in order to deliver the integration process was projectified in order to be able to manage high volume of deliverables in a timely way.

Moreover, Marks et al. (2000) argues that the transition structure (integration phase in this research) is a temporary system in order to provide for coordination and support during implementation of change. Furthermore, he explains that determining deliverables and allocating resources is a responsibility of the transition structure managers. In this perspective, viewing the project as a temporary organization necessitates many of the elements of project management, comprising:

- The conflict of interest between the various stakeholders;
- The role of the manager and leadership;
- The information and communication systems to monitor delivery of the project.

Here we take a look at projects in terms of temporary organizations. A project is “a temporary organization to which resources are assigned to undertake a unique, novel and transient endeavour managing the inherent uncertainty and need for integration in order to deliver beneficial objectives of change” (Turner et al. 2003). Lundin and Söderholm (1995) looked into four features of a temporary organization which are time, task, team and transition. These features of a temporary organization -here M&A project- if developed in a phase perspective will depict the project life-cycle and its three stages which are Initiation, Implementation and Termination (PMBok 2004).

![Project Life-Cycle](source: PMBoK 2004, pp. 21)

Project management (PM) can be described as a set of models and techniques for the planning and control of complex undertakings (Packendorff 1995). Projects are recognised as instruments for achieving continuous improvement and innovation (Kreiner 1992). Packendorff (1995) mentions that planning is the core of project management, however, the human side of it include controlling, structuring and leading as well. Project effectiveness is heavily dependent on the quantity of communication during project life-cycle as well as in
the project organization; however, the quality of the communication within the project environment should be effective in order to have positive results. Lundin and Söderholm (1995) explicitly recognized projects as temporary organizations. They used this definition mainly to distinguish it from a hierarchical, functional organization as being a permanent setting.

In term of project categorization, mergers and acquisitions are considered to be type two according to Packendorff (2002) which are known to be as Renewal Project Participation. Renewal Project Participation is an exception in terms of project work and affiliate with organizational context. M&A projects will fit in the type D of projects which are ‘one of a kind organization’ as a project based setting which focuses on projects to achieve goals (Anell 2002). Sahlin (2002) in explaining the boundaries of work in projects talks about restructuring of organizations which are considered as a project since they match with the four Ts of Lundin and Söderholm (time, task, team and transition) (1995).

By taking a look into project management literature, it becomes clearer why authors in the field of mergers and acquisitions have tried to take a project management approach in the post-M&A integration process and consider it as a temporary organization in order to be able to manage the high volume of deliverables in time. Koch (2002) and Meier (2008) argue that time is a significant issue in order to get the best out of motivation generated among employees in the first few month to benefit from momentum created by the announcement of the deal. However, the integration process schedule must not be driven by this momentum since the change in culture of the new organization resulting from M&A deal needs consistency and persistency (Baughn et al. 2009). Furthermore, Meckl (2004) argues that M&A projects can be characterized as all temporary activities undertaken to plan and execute necessary measures in connection with a transaction in which companies merge with or acquire another company.

2.6 Project Management Framework for Successful Implementation of Post-M&A Integration Phase

Projects need to achieve important targets in the framework starting with the implementation phase. The project structure consists of integration board, steering committee, integration office and project clusters (Koch 2002). The structure has been conceptualized in the design phase and ‘to be’ managers already took responsibility. In the implementation of integration phase, the structure will be divided into projects and subprojects. Since there are many sub-projects in this phase, two important steps must be taken in order to be able to allocate resources efficiently; including: prioritising projects and development of project organization in order to be able to establish proper project governance (Koch 2002). An illustration of project organization has been presented by Picot (2002) in the following graph which is a good sample of how it is being implemented in large organizations; however in small and medium size organizations, a simpler version might be used.
In development process of the project organization, individual projects should be managed with clear project governance in three different layers, Integration board and the steering committee, integration office and project teams. For easier communication project clusters must be established. The roles of each layer are as such (Koch 2002):

- **Role of the integration board**: set the direction and guidelines for individual project teams, allocate necessary human and financial resources and approve actions that help achieve objectives.
- **Role of steering committee**: assigned to individual projects
- **Role of integration office**: control the merger overall (process control). Develop and manage critical path for the integration project.
- **Role of project teams**: Actions to support functionality and generate value. Day-to-day work. Team charter made in consensus workshops and guidance from steering committee and integration board. Progress in three areas of value-creation, functionality and vision.

Project clusters will be shaped in order to deliver targets for each section/department which can be categorized as below, each with its own deliverables and milestones:

- Corporate centre
- Business unit
- Sites/services: strategic project with long-term view
- Regions/sales office
- Communication: overall project communication
- Special projects
In order to justify implementation of the project management approach in an M&A transaction, two main factors have been identified by Meckl (2002) accordingly:

- The content and methods of the different activities of M&A are very heterogeneous and at least partially intellectually challenging.
- The number and interactions of participants with partially differing interests makes the internal and external coordination difficult.

Therefore, coordination of participants is the main challenge for Project Management in managing the post-M&A integration phase. In order to apply project management throughout a mergers and acquisition deal, it is proposed that three classical aspects of project management must be taken into account (Meckl 2002; Baughn et al. 2009; Salama et al. 2003).

- **Organization:** The most important task in this field is to develop the macro- and the micro-organization of the project. The macro-organization mainly deals with the teams and sub-teams, whereas the micro-organization covers the work flow within the project.

- **Human Resources:** The allocation of sufficient human resources with a view to quantity and quality of the personnel employed is the central issue in this field.

- **Governance:** The synthesis of structure and people is to allocate competences and as a consequence of that responsibilities to the various project members in dependence of their positions in the organization and their tasks within the project.

![Figure 13 Aspects of Project Management to be taken into account in post-M&A integration project (Developed from: Meckl 2002; Baughn et al. 2009; Salama et al. 2003)](image_url)
is a framework for decision-making (Müller 2009). By taking the project management approach in executing a successful merger and acquisition project in the post-M&A integration phase, three dimensions can be identified which are heavily interacted (Sodeik 2009):

- Project management processes and parameters
- Project life-cycle
- Project governance

Therefore, the following framework is proposed which illustrates the three dimensions of project management approach to the post-M&A integration project as well as the aspects of each dimension to be fulfilled in each in order to achieve the objectives of a project management approach.

The research will continue by conducting semi-structured interviews with people responsible in the context of the researched organization in this study that has undergone strategically some mergers and acquisition project with variety of motives in order to collect the empirical data. Furthermore, the analysis of the transcripts of the interviews will be done in order to test if this framework was used or basically, if it is applicable in mergers and acquisitions integration projects.
3 RESEARCH METHODOLOGY

3.1 Theoretical Methodology

Having created the background for the research with a comprehensive literature review, now the way to answer the research question should be clarified and the methodology to conduct the research must be chosen in order to be able to continue the research by gathering empirical data and later analyze the gathered information. In this chapter, the suitable methodology for this research will be discussed with application of a model proposed by Saunders et al. (2009). According to him the methodology choice for research will inherently influence the final output of the research, hence the importance of this part of undertaking research. Therefore, the research approach and research design issues will be discussed and the techniques of data collection and analysis will be justified. Also the context of research will be described in order to have a bigger picture of the data collection process. To present a clear and structured development of the research process, the ‘research onion’ model adopted from Saunders et al. (2009) will be used.

The research methodology consists of both the theoretical and practical parts. The theoretical part will focus more on what strategy and approach is taken in the research as well as the research philosophy. These areas will be classified and then discussed separately. In other words, this section clarifies the adopted research paradigm in which different techniques are applicable. Moreover, it implies the way the researcher looks at world and how he/she deals with the concept of reality (Bryman and Bell 2003). The practical part will touch areas such as data collection methods and analysis of obtained data. The data collection and the analysis process will be context specific and therefore a description of the target organization and interviewee will follow. Figure 15 illustrates a graphical view of different layers of methodology that needs to be peeled off concerning this research.

Figure 15 Research Design (Source: Saunders et al. 2009, pp. 108)
3.1.1 Research Philosophy

The philosophy of a research can be referred to as a foundation stone of the research. Some researchers think that the methodology of a research is just the data collection techniques and tools; however, before doing any research, the researcher should establish and determine how the reality is perceived in the research (Saunders et al. 2009). Philosophical issues will help determine and clarify the research design as well. It will provide basis for suitable approaches and methods to conduct the research, obtain and analyze the data (Hussey 2003).

Saunders et al. (2009) classifies research philosophy into four different philosophies which are Positivism, Realism, Interpretivism and Pragmatism. In the social science all these four are considered in Epistemology which addresses the question of acceptable knowledge that is going to be developed by the researcher. Two common philosophies that are used by the researchers are positivism and interpretivism. Authors in the field of business research agree that these two philosophies are at the two ends of a spectrum, or in other words, they contrast each other (Saunders et al. 2009; Bryman and Bell 2003).

Positivism, in social science research, was adopted from natural science, in which the researcher or observer, look at the world from external point of view and tries to develop rules by means of quantitative methods such as statistics (Hair et al. 2007; Saunders et al. 2009). On the other hand, in Interpretivism philosophy, the methods mentioned above are not applicable in the context of social science since the relationships and variables are too complex in the business research and also most of the researches are case specific and context dependent. Taking into the above, the generalizability of the studies will decrease. Therefore, interpretivism is known as a subjective and descriptive philosophy in business research (Bryman and Bell 2003; Saunders et al. 2009).

With a preview of different possible philosophies in business research, interpretivism position is the selected philosophy for this study since the study is context specific in an organization. In order to answer the research question, qualitative methods will help conclude a better result and an overall view of the problem. Undertaking quantitative and statistical data collection here cannot give a good idea whether taking the project management approach to integration phase of M&A is applicable or not since a lot of other reasons can affect the quantitative data; however, the qualitative method will help to view this aspect from different points in the organization. Moreover, the nature of M&A and the approaches to it in every project is unique as projects are ‘unique endeavors’; therefore, interpretivism could be the proper philosophy because of the need to understand the reality of the area of choice as Remenyi et al. (1998) discusses.

Regarding ontology, Saunders et al. refer to it as ‘the nature of reality’ as a metaphysical approach to reality. The ontological stand of a researcher demonstrates his assumptions of how the world works. There are two distinct views in ontological views according to Bryman and Bell (2003) which are objectivism and subjectivism. These two aspects discuss whether reality is an external phenomenon to social actors or it is being built by the behavior of social actors. Objectivism is an ontological stance where ‘social entities exist in reality external to social actors’ (Saunders et al., 2007, p.122). Therefore, it
can be implied that the individuals are unable to influence the world outside. However, **Subjectivism** discusses that social reality is being created by the effect of social entities. Thus, it implies that reality can be affected and changed by individuals as well as interaction among individuals in the society. In this philosophical stance, reality is highly ephemeral and can be influenced by other factors (Saunders et al. 2009). In the case of this study, the nature of subjectivity of such areas as M&A projects is assumed and hence the subjectivism stance has been taken.

### 3.1.2 Research Approach

According to the position taken in research philosophy, an inductive or deductive approach should be taken to conduct the research. Selected approach will provide a basis for the research in order to determine how to analyze the findings and how to answer the research question in conclusion (Saunders et al. 2009).

In deductive approach, a theory will be developed and a hypothesis will be formulated and then tested through the conduction of study (Ghauri and Gronhaug 2002). Since deduction comprises reality as objective, it basically tests the existing theories through research. Therefore, Saunders et al. (2009) consider it as scientific research. The structure of a deductive approach is introduced as a process in Bryman and Bell (2003) as follows:

- Deducing hypothesis from the existing theory
- Scrutinizing the hypothesis
- Collecting data in relation to the concept inherent in the hypothesis
- Drawing of the findings
- Confirmation or rejection of hypothesis according to findings
- Revising the existing theory (if the hypothesis was rejected)

Since deduction has a clear and structured approach, it is usually associated with a positivist position (Saunders et al. 2009). The data in this approach is mostly obtained through quantitative methods where there are clear rules in order to determine the situation (Hussey and Hussey 1997).

However, when researcher concludes based on results taken from findings in the data collection phase and tests the hypothesis for the theory, the approach is inductive. According to Saunders et al. (2009) inductive researches emphasizes on six points which are:

- Understanding of the effect of human behavior on events
- Deep knowledge of the research context
- Collection of qualitative data
- Flexible structure in order to let changes of research objective as it progresses
- Acceptance of the researcher as a part of the research
- No emphasis on generalizability of the conclusions
The inductive approach is associated with interpretivism position and makes the argument that the research concept cannot be deduced and generalized and therefore it needs to be supported by gathering empirical data in order for researcher to be able to reach conclusion of his/her research (Saunders et al. 2009; Ghauri and Gronhaug 2002). By taking the inductive approach, the researcher will need to get deeper into the subject to get more insight about the context specific study and that could be possible with obtaining qualitative data to develop conclusions based on empirical evidence and hence a better understanding of the context (Saunders et al. 2009).

In this study, the chosen approach is basically inductive but in some points a mix of deductive approach is added in order to connect existing theories with the research question. The integration phase of M&As is a context specific process since, as discussed earlier, it is considered a temporary organization and a project and therefore, in most companies, a one-time endeavor which differs from past and future similar projects. However, a basis of deduction cannot be a major approach according to the generalization considerations since integration will be different in an M&A based company from a company that implements its strategy by using M&A. Moreover, Saunders et al. (2009) in his ‘research onion’ model argues that induction is more suitable with interpretivism research philosophy complemented with qualitative methods. Also Bryman and Bell (2003) point out that for interpretivism researches an inductive approach is more appropriate.

3.1.3 Research Strategy

After choosing the suitable approach to the research, the strategy of putting research into action must be selected. Research strategy is how the researcher takes it into practice and answer the research question (Ghauri and Gronhaug 2002). From this part and onward, the practical part of the research methodology commences. In other words, research strategy will help comprehend how the data will be collected. According to Saunders et al. (2009) with the selection of a proper strategy, the constraints and borders of the research must be taken into account such as time, cost and accessibility.

Before going into different sources of data, it is worthwhile to talk about the Qualitative and Quantitative researches. Quantitative research is a way of research to gather and analyze data through numerical data collection techniques either for collection or for analysis procedure (Bryman and Bell 2003; Saunders et al. 2009). On the contrary, qualitative research focuses more on empirical data gathered not by numbers but by words. It usually follows the inductive research and in this research because of being case specific with mainly inductive approach, it is going to be used. In order to make a distinction between qualitative and quantitative data, the characteristic of each is presented in the table below:
Table 1: Distinction between qualitative and quantitative data (Source: Saunders et al. 2009, pp.482)

<table>
<thead>
<tr>
<th>Qualitative data</th>
<th>Quantitative data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on meanings expressed through words</td>
<td>Based on meaning derived from numbers</td>
</tr>
<tr>
<td>Collection results in non-standardized data requiring classification to categories</td>
<td>Collection results in numerical and standardized data</td>
</tr>
<tr>
<td>Analysis conducted through the use of conceptualization</td>
<td>Analysis conducted through the use of diagrams and statistics</td>
</tr>
</tbody>
</table>

The strategy of a study will consist of the various sources that can be utilised to gather data with respect to the philosophy and approach of the research. Saunders et al. (2009) emphasize that the alignment of strategy of the research and its approach is important because then the proper analysis of the collected data will be done and later on, the research objectives will be reached. Further, he introduces the various strategies in the business research which can be used separately or as a combination:
- Experiment
- Survey
- Case study
- Grounded theory
- Ethnography
- Action research
- Archival research

3.1.3.1 Case Study

Since in this research, a Case Study is going to be the strategy, it will be discussed more in depth. According to Robson (2002; cited in Saunders et al. 2009) case study is “a strategy that involves empirical investigation of a contemporary phenomenon”. The empirical investigation will be in a real-life context and could have multiple sources of evidence. Since the collected data is case specific, case study is not a highly controlled context. Morris and Wood (1991; cited in Saunders et al. 2009) argue that for situations where the researcher wants to obtain insightful understanding of the context as well as the processes being performed in an organization, case study strategy is of interest. Case study, according to Saunders et al. (2009) is used to answer research questions more concerned with “why?” as well as “What? and How?”. Furthermore, he mentions that if the aim of the research is exploratory, case study should be selected as the strategy of the research. Bryman and Bell (2003) look at this strategy from the point of qualitative research and mention that for the strategy of case study, non-standardized (semi-structured) interviews is a suitable data collection method. Therefore for this research which focuses only on the integration phase of M&As, an in-depth investigation will be possible by selecting a case study and then conducting semi-structured interviews to have a better understanding of the situation.

Since this research will be mostly focused on the M&As and their integration phase in one company who undergone several M&As, the strategy will be a single case study. However, in some parts that additional data was needed, semi-structured interviews was conducted accordingly. Since M&A, the strategies and integration processes are unique in
each project, the generalization will not be the case; therefore, it is another reason why a single case study will be appropriate to answer the research question.

3.1.4 Research Design

Research design is considered the general plan of how the researcher will conduct the study in order to answer the proposed research question. It also discusses the possible sources needed to be considered for data collection and specify the techniques (Bryman and Bell 2003). According to Saunders et al. (2009) a good approach to design the research is to take into account the constraints and external influences. In order to design a study, another issue needs to be addressed; in which category does the research question lies. Saunders et al (2009) describes three categories:

- Exploratory
- Explanatory
- Descriptive

Another point that needs to be clarified is about the nature of explanatory and exploratory research in this study. Based on the research question of this research, it is considered an exploratory research since the M&A structure and then its integration phase will be discussed and afterwards, the relationship with project management will be explored; however, in some points, it will be explanatory because there is a need to explain the reasons for failure of such projects in the industry as well as different perspectives to the integration phase and its implementation.

3.1.5 Data Collection Method

3.1.5.1 Semi-Structured Interview

According to the ‘research onion’ model developed by Saunders et al. (2009), the last step in methodology and designing a study is data collection and the method to do it. Data is crucial for research since it enables the researcher to make a comparison between the literature review and findings and then make the conclusion of the research (Polonsky and Waller 2004). In business research, because of its nature of social science, an important method of data collection is conducting interviews to gather qualitative empirical information. A categorization of different types of interviews is presented in the seminal work of Saunders which includes three types, as follows:

- Structured interviews
- Semi-structured interviews
- Unstructured interviews
However, Bryman and Bell (2003) categorizes in two main categories which are Standardized and Non-standardized interviews. In comparison to Saunders categorization, Non-standardized interviews include semi-structured and unstructured interviews.

The data collected from interviews in this research will be considered as primary data since it is the first time the researcher collects such data in order to answer the research question and it is not the data previously used by other researchers (Secondary data) since the research gap proposed in the introduction is not very well explored before in terms of project management approach in M&As. Since integration phase is considered as projects and is unique in each M&A, the primary data collection is advised in order for conclusion to be credible.

Taking all the mentioned considerations into account, semi-structured interview was chosen as the method of data collection. According to Kan and Cannell (1957; cited in Saunders et al. 2009) an interview is a purposeful discussion between two or more persons. The questions are aimed at finding out what the interviewee thinks feels and does. Conducting interviews is a method to gather reliable primary data which are relevant to research question and research objectives. The interview starts with some open and wide questions and then narrows down to probing questions in order to obtain the required and desired information (Saunders et al. 2009). This advantage of interviews, especially semi-structured interviews, was one of the reasons of selecting this method. Moreover, King (2004) refers to semi-structured or non-standardized interviews as ‘qualitative research interviews’. According to Collins and Hussey (2003) there are three situations where semi-structured interview is considered an appropriate method of data collection:

• Necessity to explore opinions of person in charge about a particular research topic;
• Clarify some specific aspects of the research topic; and
• Involvement of confidentiality or commercial sensitivity in the information.

In this research, all the three was important for choosing the data collection method. The research area was developed because of a gap identified in the literature; therefore the opinions of the people involved in post-M&A activities could help clarify the approaches usually taken in the industry. The structure of the project of integration as well as the best possible approach to it needed to be clarified from the point of view of the company going through the M&A. The commercial sensitivity was also an issue since the project management approach is highly used and recommended by consultants in the field at the moment.

Overall, since the area of integration after closing an M&A deal is case specific and as discussed earlier is of commercial sensitivity, semi-structured interview seems to be the most proper method of data collection. With exploratory nature of this research with need of explanatory in some parts, personal experience of people involved in such project could reveal new findings in the area and therefore enables the researcher to draw conclusions after comparison with the literature. Moreover, according to Saunders et al (2009) managers are keener to interviews since it is easier for them to reflect their ideas than writing in questionnaires and the confidentiality is more preserved. Based on the nature of
M&A projects and the active involvement of the managers in the process, gathering information through interviews with managers is more appropriate for this research.

3.2 Practical Methodology

3.2.1 Research Case

Before beginning with the process of data collection, it is necessary to select the right case for the research; a case that is relevant to the research area and also has been through some mergers and acquisitions and has accumulated some experience in the field. Since it is a single case study, the criteria of choosing the right organization is the key to choose properly; however, the constraints and limitations must be taken into account in term of geographical and schedule issues. The aspects that the single case study must have in order to fit the criteria were determined through analyzing the literature review in accordance to the research question:

- The organization must have undertaken two or more mergers and acquisitions.
- It must not be a speculative organization in terms of M&A since the concept will totally change and the integration phase is not of interest for such organization.
- It must not be a consulting company since they are only involved until the deal is closed, hence they do not access to information of the integration phase.
- Possibility of conducting interview with the managers and people in charge.

In order to select the company a list of available companies was made with considering of the above criteria as well as accessibility. The next step was to find the contacts of the appropriate persons to start the first correspondence. It is very important to mention an overview of the research to get the proper first response since it determine if the company or the people involved in such projects has the right knowledge and experience which is useful for data collection. After the first contact, contact with the experienced persons was made and an overview of the research and the interview process was presented in the email and the suggestion for the time slot was proposed. Below a brief history of the selected company will be presented.

3.2.1.1 Company A

Founded in 40s in Umea, Sweden, its products range from front loaders to their implements and sub-frames. Company A is the first Swedish company to produce front loaders since 1949. As a leader in front loader industry, it owns production facilities worldwide in US and Europe (Figure 16). Mergers and acquisitions both nationally and internationally have been considered a growth strategy since 60s and resulted in branches and sales networks in eight countries in 2009. Mostly, by targeting competitors in the industry and acquiring them, company A has increased its market share in Europe. Acquisition is a strategy for organic growth in company A in order to achieve an annual
growth rates that exceed 10% according to their 2008 annual report. In the 2008 annual report it is stated that the target of the company is to continuously increase sales volumes through organic growth and acquisition of market shares. Based on this historical strategy, there is a competency in implementing acquisition projects throughout the organization.

Since 2002, a change project has been introduced in order to implement generic processes in the acquired companies and plants in order to homogenize the production units and related costs as well as specialize each acquired plant in one specific production line to reduce costs of assembly and transportation; therefore, the integration of production, organization and monitoring plays an important role in achieving planned objectives of this significant project. Moreover, the production and financial integration of the new companies is also considered as key projects that should be implemented after closing out the deals. Until 2009, company A has undertaken seven significant acquisitions and one merger (MX) which did not work out because of financial and legal (anti-trust) reasons. In the table below the list of completed M&A projects by company A has been shown.

According to its 2008 annual report, the organization structure is under umbrella of the parent company which comprises 12 sales and production companies in 8 countries. The parent company’s role is to coordinate and direct activities in two business areas: Production and Marketing & Sales by means of an efficient organization and strategic guidelines.
Group management comprises the Managing Director, the Business Area Directors, the R&D Director and the Directors of the staff organizations Finance/IT and HR. However, since the company is owned by a private equity firm, the board has to report to the owner company. In terms of M&A projects, the main people involved in M&As are in production department and finance department, since the new acquired companies and plants need to be run in accordance with company A’s guidelines and cultures as well as specifications; Hence the selection of the interviewees.

### Table 2 List of M&A projects undertaken by company A

<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>MO</td>
<td>Sweden</td>
<td>1965</td>
</tr>
<tr>
<td>KM</td>
<td>USA</td>
<td>1988</td>
</tr>
<tr>
<td>AG</td>
<td>France</td>
<td>1992</td>
</tr>
<tr>
<td>VE</td>
<td>Denmark</td>
<td>1999</td>
</tr>
<tr>
<td>AL</td>
<td>UK</td>
<td>1999</td>
</tr>
<tr>
<td>TR</td>
<td>Sweden</td>
<td>2000</td>
</tr>
<tr>
<td>MX</td>
<td>France</td>
<td>2008</td>
</tr>
<tr>
<td>BH</td>
<td>USA</td>
<td>2009</td>
</tr>
</tbody>
</table>

3.2.2 Interview Procedure

3.2.2.1 Interview Design

After correspondence with the company A and getting the contacts of the competent personnel and sending a presentation of the research and the research question, the interview guide and the questions must be designed and then sent to the interviewees one day before the interview. According to Saunders et al. (2009) there are two different types of questions, common set of factual questions and a semi-structure qualitative approach. In this study a mix of both of them has been used although depending on the position of the interviewee a semi-structure approach was used more often. Key point in conducting semi-structure interviews is consistency between the research question and objectives, strategy and method of data collection which means that all the questions must have fitness for purpose (Bryman and Bell 2003; Saunders et al. 2009). Moreover, Bryman and Bell (2003) mention that design of the interview guide and asking the right question is a key success factor for data collection.

The questions in the interview guide must be phrased clearly for the interviewee to be understandable (Saunders et al. 2009). In order to design the right question, the literature review was the main source in order to understand which parts needs to be elaborated in the data collection phase and also how the flow of questions should be; since Saunders et al. (2009) suggest that the questions should start more openly and then the researcher should
try to ask more probing questions in order to go deeper into the knowledge area. In this research since there are a lot of frameworks and models in the literature for the project management approach and integration phase, apart from self explaining questions, some graphs was designed in order to make it illustrative for the interviewees who was not very familiar with the academic literature. Furthermore, for a better direction of the interview, questions where designed in different themes in order to let the interviewee know where the focus of the question is and not to deviate from since according to Saunders et al. (2009) and Bryman and Bell (2003) one problem of semi-structured interview (non-standardized interview) and open-ended questions is that the interviewee might not focus on the question and the answer will move away from the purpose of the question. The themes was also important for the interview, since the research question and then the literature review was divided in three different aspects which were overall M&A projects, the integration phase of them and the project management approach. So the themes helped the data collection method to be more fitted for purpose as Saunders mentioned.

The interview time was also an important issue in this phase of research. As mentioned earlier, the aim was to conduct interviews with the people in the management level because of their understanding of the overall process and phases of the M&A and therefore they will have a bigger picture of the problems and benefits of the project management approach in complex M&A projects. So having the appropriate time slot needed to be negotiated with the managers. In order to be more efficient, a time slot on Fridays in the evening was proposed in the correspondence and then according to their time table, a meeting schedule would be agreed on. Overall, the interviewees were very cooperative and the interview was arranged accordingly. Moreover, concerning the way of conducting the interview, the options of telephone conference and e-mail interviews was not considered efficient and effective since managers usually do not have enough time to answering via e-mail or telephone; however, further arrangement was made for contact in case there were any unclear areas left after the interviews.

It is worth mentioning here, that the number of samples could not be bigger because of two reasons: Firstly, because of time constraints for the research and also time consuming correspondence with the companies; and Secondly, the managers interviewed was the main managers involved in the recent M&As of the company therefore, other personnel could not have added more knowledge to what has already derived from the interviewees since two of the managers already were members of the board of the company.

3.2.2.2 Interviewees

In addition to three managers of the company, a financial consultant was also interviewed in order to get an outsider view to the process of M&As and its integration in the companies. This was value adding to the research since some concepts such as target screening and the pre-merger processes was elaborated more based on consultant company’s know-how and structure and then used for data analysis. List of the interviewees with their position as well as the time of the interview is shown in the table below (Table 3).
Before the questions, a brief history of the M&A projects and a list of the companies acquired was presented in order to put more focus on such projects and enable each interviewee to identify the projects that he was involved in and make it more easier for them to think of critical incidents and critical activities in the projects based on Saunders et al. (2009) and Bryman and Bell (2003) argument that these critical incidents will help researcher get the real-life data and help to interpret and draw patterns for the analysis of the data collection phase. As mentioned, the interview guide was divided into three themes in order to achieve more comprehensive answers which were:

- Over all M&A deals (strategy, drivers, etc.)
- M&A projects (life-cycle, structure, etc.)
- Integration phase (project management, governance, etc.)
- The proposed framework

In terms of persons who were involved more with financial matters, the questions were asked from finance point of view; In the case of MB (finance director), since he was the director of the finances of the company and a member of the steering committee for the M&A projects, he has an overall knowledge of all aspects of such projects. Therefore, it was very useful for the research to have knowledge and experience of both project management of M&As and financial matters of an M&A.

Furthermore, the production manager was interviewed. Because of the nature of the company which is production and manufacturing, all the acquired companies and plants must be integrated into the production unit of the company. Therefore, for the last two M&As, JS (production director) was the project manager of the whole project who reports directly to the steering committee. JS’s (production director) knowledge was very useful for the research since he was directly involved in all the phases of the acquisition. Furthermore, the engineering manager was interviewed.

<table>
<thead>
<tr>
<th>Company A</th>
<th>Consulting Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>JS</td>
<td>VC</td>
</tr>
<tr>
<td>Production Director</td>
<td>Financial Advisor</td>
</tr>
<tr>
<td>45 min.</td>
<td>35 min.</td>
</tr>
<tr>
<td>MB</td>
<td>JG</td>
</tr>
<tr>
<td>Financial Director</td>
<td>Engineering Manager</td>
</tr>
<tr>
<td>22 Dec. 2009</td>
<td>27 Nov. 2009</td>
</tr>
<tr>
<td>60 min.</td>
<td>60 min.</td>
</tr>
</tbody>
</table>
JG (engineering manager)’s experience was valuable to the research since he was the engineer manager and he was on site in order to push the integration phase ahead and control the progress of the acquired company.

VC (financial advisor)’s knowledge was more on the pre-merger activities, since he was the senior advisor for the target screening and the initiation of the correspondence with the target companies.

3.2.3 Data Analysis

The process of data analysis begins after the data collection process. There are two approaches to the analysis: quantitative and qualitative according to Saunders et al. (2009) which in this research the qualitative approach was taken in alignment with the inductive approach of qualitative nature of the study. The first step is to prepare the raw data in this case with the recorded interviews for the analysis. Therefore, the interviews were transcribed and transformed from voice to text in order to be able to move on to the next stage of analyzing. However, according to Saunders et al. (2009), the processes of data collection, data analysis and the development of discussion are interactive and they occurs parallel to each other. Since the qualitative data has a diverse nature, the analysis of such data cannot be standardized; however, Saunders et al. (2009) group data into three main types of processes:

- Summarizing (condensation) of meanings
- Categorization (grouping) of meanings
- Structuring (ordering) of meanings using narrative

In order to analyze data for a research, all of these or a combination of them can be used. Based on these processes, according to Kvale (1996; cited in Saunders et al. 2009) the researcher will be able to comprehend, integrate, identify themes, develop and conclude. This process of analyzing qualitative data is illustrated graphically in the figure below.

In this research, after integrating the forms of data and generating the interview guide based on literature review and the research question, based on a matrix designed in an excel sheet, the patterns and themes was further derived and the quotations were set into different themes accordingly. A sample of such sheets has been presented in Appendix 3 for a better understanding of the analysis phase. Therefore, based on these categorization and patterns the discussion and then conclusions were made.
3.3 Research Quality and Limitations of the Research Methodology

Saunders et al. (2009) mentions the quality issues of research findings affected by the choice of methodology. Data quality issues must be taken into account in research since after analysis, the conclusions and new models and frameworks will be developed in accordance with findings. In terms of data quality, there are two main issues to be considered in quantitative research which pay more attention to the measurement undergone by researcher (Saunders et al. 2009):

- Reliability: whether same results will be achieved in case the research will be repeated.
- Validity: whether the intended area was measured properly.

However, in qualitative research as in the case of this study, the subjective nature of the research is often criticized in the way that results in the interpretations of the researcher influencing the results of the research (Bryman and Bell 2003). In qualitative research the measurement is not of importance since the human understandings and meanings are important. Guba and Lincoln (1994; cited in Bryman and Bell 2003) discuss four criteria to address the quality of a qualitative research which are:

Credibility: Whether the respondents validate their accounts in the interview in the final research presented by researcher. In this case, the final version of the research was presented to the interviewees for their validation prior to submission.

Transformability: Whether the findings of a context of one research can be applied to another context. It is important since in qualitative research, the findings are context specific and therefore maximum level of detail must be provided from the side of researcher. In the case of this research, the basic general models derived from literature and empirical data, are more general and can be used for further research such as the three fit model and three aspects of project management (human resources, project organization and governance) as well as the life-cycle of an integration phase. However, the contextual aspects of this research are fit for small and medium size organizations utilization of a project management approach to M&As.

Dependability: Whether the steps to conduct the research are relevant and can be referred to in future researches. The research process such as problem statement, sample selection, interview design, data analysis and so on must be available in case of any peer validation. Although there was not a peer validation in this research, all the steps undertaken was studied profoundly by supervisor in order to be appropriate to achieve desired targets.

Confirmability: Bryman and Bell (2003) argue that full objectivity cannot be reached in business research; however, it is necessary that research must be conducted in good faith without bias generated neither from researcher interests nor preferences. In this research, all forms of personal bias was kept minimized with help of supervisor in terms of designing open-ended questions for interview and also prevent interview from being influenced by
interviewees preferences. And as can be seen in the question (Appendix 1), the questions were short and clear in order for interviewee to be focused on the subject and not to be confused (Saunders et al. 2009).

When case study is selected as the suitable strategy for a research, conclusions drawn from qualitative research using semi-structured method of data collection cannot be generalized to the entire population because the research was conducted on small and unrepresentative number of samples or cases (Bryman and Bell 2003; Saunders et al. 2009). Another issue is the repeatability in the case of time horizon. The issue arises where the data from non-standardized research methods are not repeatable since they only reflect the situation at the time that data is collected and in the dynamic environment, that situation is subject to change (Marshal and Rossman 1999; cited in Saunders et al. 2009). In the context of this study, it should be taken into account since according to the future plans of the research case the whole perspective of M&A is going to be changed since the strategy of M&A will move from small businesses to mergers with bigger corporations. Therefore the matter of integration and organizational fit in M&A will be of more concerns and the project structure of the company will change.

3.3.1 Ethical Considerations

The integrity of a research is a result of taking ethical issues into consideration. According to Bryman and Bell (2003), ethical considerations include the disciplines that were involved in conducting the research. Furthermore, Diener and Crandal (1979; cited in Bryman and Bell 2003) mention that in terms of ethical issues four aspects must be taken into account which are:

- Harm to participants.
- Lack of consent.
- Invasion to privacy.
- Deception involved.

Prior to conducting the interviews, both in correspondence with the Human Resources representative and interviewees, the issue of confidentiality was discussed and assured by the researcher. Therefore, only the initials of the participants have been mentioned in the research. Moreover, since all the interviewees were from the top management team, the issue of consent was totally taken into consideration and full coordination was provided from their side. During the process of data collection, the matter of privacy was taken into account and only the organizational aspects and the processes involved were discussed and the question was not directed at the person’s competencies but at how the company perceives the problems. In the areas where the sensitivity of the information were high, such as critical incidents or events where human behavior were involved, the participants were allowed to express as much they were comfortable with. Therefore, none of the above aspects were of concern during the research and the integrity of the study was remained significant.
As discussed in the previous chapter, in a qualitative research, after data collection process, a proper analysis should be done on acquired primary data in order to be able to draw conclusions. Having transcribed the interviews, according to Saunders et al (2009) the qualitative data requires to be classified into categories and then patterns should be drawn in order to structure the next phase of research which is discussion and analysis. Although full transcription of interviews is a very time consuming process and needs to be overviewed again and again, it proved to be a very useful strategy to derive patterns from the data. Therefore, the quality of the data can also be tested in terms of validity since the outcome of the semi-structured interviews from different participants resulted into categories of useful information.

Three main categories could be found in the interviews, which were basically considered the most important in answering the research question. In order to structure the analysis phase each of them will be narrowed down into sub-categories in order to better clarify the discussions. In the end the proposed framework of PM dimensions will be compared with the findings and its suitability will be discussed.

4.1 M&A Deals, Strategy and Drivers

4.1.1 M&A strategy

According to Baughn et al. (2009) strategic growth and organizational change are considered main factors that corporations decide to do M&As. Moreover, other authors such as Shrivastava (1986) identify market share as one of the important motives for considering M&A projects although they are known to be complex and tricky. Other factors that he mention are reduction or elimination of competitors. It will be discussed later but one clear reason for not to adopt changes and growth through inside development plans is the time and resources needed; however by acquiring another company, all the production lines, plants as well as the distribution networks will also be acquired. Basically, all the foundation for growth is already established and the only aspect that will remain is the integration of the new company to the buyer organization. Therefore, M&A strategy provides a rapid basis for growth of market share and sales networks. By looking at the empirical data obtained in the data collection phase of this research, it can be seen that Company A is no exception in this case. Having used the M&A strategy since 60s and 70s, company A management team, always looked beyond the current market position and had a simple vision which was being the market leader in Europe and North America. The production director of company A states that:

"strategy for growth in our company is both through organic growth and acquisition … the strategy to use acquisition is a quick way to grow and increase market share as well as enter new markets.” (JS, Production Director)
From the financial point of view, the finance director also emphasized such a strategy in a more direct way:

“We focus on the market share. As you can see, through acquisition of TR, we acquired the biggest competitor in Europe and therefore increased our market share in Nordic countries to 80-90%.” (MB, finance Director)

In the case of engineer manager, the focus was more on the production lines. He puts the position of competitors in context and also mention the point discussed earlier on acquisition being a rapid way to organizational growth:

“If we didn’t buy these competitors (VE) it would be trickier for us because we need to make the plants ourselves but now we had them and only had to change them to operate our way.” (JG, Engineer Manager)

It can be identified from the empirical evidence that the market share or market dominance as well as reduction of competition are two main strategies being implemented by company A. Since according to Swedish structure company A is considered a small and medium size company, the acquisition strategy is utilizing resources in the best possible way to penetrate to other markets and gain market share through distribution channels of acquired companies. One should bear in mind that one side of acquisition is the machinery, human resources and plants. The other side is the sales personnel and distribution channels. And through the latter the growth of market share is made possible for the company A.

### 4.1.2 Synergies

When top management is deciding to undergo an M&A project, apart from implementation of the growth strategy, they are considered with the synergies that will happen after the integration of the new company. In the literature review, figure 5, four categories of synergies have been identified which are synergies in technology, production, value chain and financial issues. The synergies outcome will become tangible after the integration; however in some cases like TR acquisition in the context of this research, the outcome became tangible after combining production programs of two plants. It was possible because of high amount of synergies since TR was the main competitor hence same production lines, products, skills and raw material.

However, in this case, synergies for company A was only cost synergies which were a result of harmonizing the value chain and benefiting from economies of scale in the production plan. It was important to find in the empirical data that synergies achieved from M&A projects is not influencing the strategy of M&A; however, it is considered as a benefit factor in parallel with fulfilling and implementing the strategy of market share and growth. JS (production director) and MB (finance director) elaborate on this issue as follows:
“I would say the synergies were not the most important, the most important was to enter and grow markets and sales... Market growth was the main concern and the objective of acquisition.” (JS, Production Director)

“Cost savings and synergies are also important for acquisition. For TR, synergies paid for the whole deal. In purchasing components you get benefits from economy of scale and also we coordinate and substitute and harmonize product programs. However, most important is market share.” (MB, Finance Director)

However, as the empirical data shows, the main desired effect of synergies that is a part of the base business case and is considered an important milestone in the project, is cutting costs by integrating and generalizing processes of the new company into the acquirer company. According to MB (finance director), it needs to be calculated and planned accordingly and then presented to the board to decide go/no go of the project. Regarding company A, all the managers interviewed agreed on the point that the synergies they expect from the acquisition are more production oriented and the results of achieving them will be visible on the annual statement of the company. In terms of technology, since they are the market leader for some decades, it can be inferred that it is not of main concern.

Regarding competitive advantage, since some authors (Straub 2007; King 2004; Koch 2002) mention it as a driver for M&A projects, it also needed to be explained in the interviews. MB (finance director) stated that:

“M&As helped our company to become market leader and therefore, it gave us competitive advantage and we became price leader and the dominant supplier of front loaders in the market. So we could handle pricing issues much better in comparison to other players in the market.” (MB, Finance Director)

So it can be implied from the qualitative data, that by implementing growth strategies though M&A projects, companies achieve competitive advantages over others which will fulfill their medium-long term objectives and improve their position (TR case in Europe) and sustain their market position. However, it should not be mistaken with the competency of the company. Competency is the core of the business which in this context means, according to finance director:

“The technology is out there but the difference among us and competitors is our market organization and the sales organizations that we have in eight countries. Our main asset is our sales network, it is not the technology.” (MB, Finance Director)

Therefore, it can be implied from comparison of the empirical data and the academic literature that the strategies associated with M&A projects are mainly planned with the vision of gaining market share (market dominance) and gaining competitive advantage (reduction of competition). Therefore after proposing the base case to the board of the directors, a more in detailed calculation of synergies and cost cuts will justify and prove if the right target has been chosen or not. In other words, synergies are expected in any proposed M&A project but the question is how much benefit and with what cost.
Figure 18 illustrates the relation of strategies and synergies in an M&A project. It should not be forgotten that growth of market share has also the implications of entry to new markets.

![Figure 18 Relationship between strategies and synergies in an M&A project for company A](image)

### 4.2 M&A projects: Success and Failure

Regarding the background of the research, it was mentioned that most authors agree upon the fact that a considerable number of M&A projects fail. In order to prevent failure and reduce the chances of undesired events, some authors identified factors which had significance effect on the outcome of M&A projects. These factors were then classified into three fits from a process perspective point of view to M&A projects specifically the integration phase because of its complexity and time consuming nature. In order to have a successful M&A integration, these three fits much be considered from the pre-M&A activities to post-M&A activities that is integration phase (Straub 2007; Risberg 2006; Meier 2008). Strategic fit in the pre-M&A phase takes into account the screening and selection of the target company; Financial fit discusses the due diligence process and calculations related to the premium price and cost synergies after the closure of the deal as mentioned above; and organizational fit which consider the integration of two organization into each other dependant of type of the deal whether it is a merger or an acquisition.

In the literature, a high emphasis has been put on the importance of the organizational fit; however, for company A it was not the case which results in a pre-condition to see which fit is more significant in an M&A project. Since almost all of the company A’s M&A projects were acquisitions, therefore the organizational fit of the integration phase was not of concern because of the fact that the new company will dissolve completely in the company A. Its plants, facilities, production lines, production programs as well as the processes will transform to company A’s way of doing business. However, in the case of a merger (MX), since both companies were of the same size in France, the organizational fit needed to be addressed carefully. Although the project halted in 2009, but in the pre-merger phase, according to interviewees, the organizational fit of the post-merger especially in the decision making and human resources issues was being negotiated. In terms of three fits, JS (production director) stated that:
“We could have had it in MX since they had a big size in comparison to us. In that case we would have more organizational works to be done since they had a big organization. But in our cases we bought (acquired) the companies.” (JS, Production Director)

Moreover, regarding the strategic fit for company A, MB (finance director) mentions that:

“It is because we are adding companies not integrating two same size companies. So organizational fit is not that important for us.” (MB, Finance Director)

But the issue of size of the company was discussed more clearly in the interview with JG (engineering manager), the engineering manager. He stated that:

“The strategic fit is more important. We are still working on the organization fit in our company. For example in Volvo there is a Volvo way but in our company, we have not reached that. In each factory there is specific and different way. We are struggling for having the organizational fit.” (JG, Engineering Manager)

Moreover, in relation to the importance of strategic fit for the small and medium sized companies, JS (production director) addresses the importance of the pre-M&A activities such as due diligence in making the decision of go/no go for the project. It is in his statements that:

“Because after closing the deal, it is (problems) in your hands. There are price, environmental, legal issues to be considered before closing the deal. If there is big inefficiency in the processes of the new company. So according to your business case, you might need to provide more resources than before … so to know not do the deal or re-negotiate the deal.” (JS, Production Director)

However, the emphasis put on the integration and organization fit from academic authors should be only applied for big mergers and large organizations where the size of two company are more or less the same and closing the deal is only the head of an iceberg since because of complexity of the integration, there would be conflicts of power, governance issues and decision making issues which according to literature results in high rate of failure. So actually there is a research gap identified here which is the M&A projects in small and medium size corporations illustrating that the strategic fit plays more significant role than others.

However, with consideration of the empirical data findings, a better model for the success of the M&A projects in all kinds of companies will fit more with the suggestions of Epstein (2005) which focuses on the most important factors of each step of the project (Figure 8, Six success factors of M&A project). In terms of project management, each of the six can be a milestone for the project as mentioned by JS (production director) and MB (finance director) that for pre-M&A and post-M&A activities concerns both operational integration and financial integration.
The success factors in each stage are also well reflected in the interviews. According to JS (production director), the due diligence in both financial and non-financial issues is very critical in the success of the project. He further mentioned that it should be done in production, financial, legal, environmental aspects in order to have the strategic fit and then move on to next steps. Better reflection can be found in the statements of MB (finance director), the finance director which comply with the model of Epstein. He merges the crucial activities into the life-cycle of the project as in pre-merger and post-merger phases. He stated:

“For pre-merger, the premium price you pay for the company is critical. We deal with family owned companies. Since it is their only asset and single divestment, the perception of the price is far from what our parent company has in mind. It is. As in post-merger, it is the people that are critical, both customers and human resources. You may lose customers of the new company as a result of acquisition and in human resources, because they might leave the company because of uncertainty in the future. So it is important to secure people who are significant as well as dealing with people who are bottlenecks.” (MB, Finance Director)

It is interesting to derive from the empirical data that a critical point in integration phase is the human resources and securing, or in bigger picture, managing the people that are facing uncertainty in their future. According to Figure 12 in the literature review section, human resources is identified as one of the three important aspects of project management approach to M&A projects (Meckl 2004; Baughn et al. 2009; Salama et al. 2003). Moreover this issue is well developed in the interview with MB (finance director) as the ‘most critical incident’ in the post-merger phase of acquisition projects of company A. It can be also inferred that human resources is a common point both for small and medium enterprises as well as big corporations. However, the integration of the new personnel in to the new company is a very sensitive issue since it usually contains redundancies. The management of this issue is reflected in the interview with JG (engineering manager), the engineer manager, who is more involved with the line people. He stated that in order to manage this issue ‘We have meetings every week to let people take part in discussions for
4.3 Post-M&A Integration as Project and Temporary Organization

Based on the works of Turner and Söderholm in the project management, authors in the field of M&A projects identify the deal structure as a temporary organization (Marks 2009; Koch 2002; Sahlin 2002; Meier 2008). However, some authors argue that M&As should be considered as more financial deals and should be managed based on technical perspective. Therefore, it was a matter of contrary and needed to be discussed more in depth by the empirical data where it was included in the interview guide as an important section. First of all, it should be verified if the M&As are managed as projects and then how the project management approach is executed in the projects.

4.3.1 M&A as a Project

In the background of the research, the reasons why M&A deal is a project and a temporary organization was discussed in detail. Having reviewed the Project Management literature, the characteristics of a project was identified and then applied to the M&A and integration phase. The integration phase is of importance in an M&A deal since the high volume of communication and complexity generate high risk of failure. The temporary organization way of working was reflected in the data collection phase in the context of this research. According to JS (production director), the production director who is in charge of all the acquired facilities and plants, addresses this issue on the basis of the company A’s way of doing M&A projects. He stated:

“We make a project team, but we do not formalize to project organization in our company chart. We create project teams across functional teams in a matrix organization, so it is considered as a temporary organization for our company.” (JS, Production Director)

The difference between the large corporations and small and medium sized enterprises is obvious in the project organization of the M&A deals. In small and medium sized companies, because of the limited available resources, they have to take matrix project organization into account since M&A projects are one time and unique activities. However, as it was explained in the literature review, in larger corporations because of larger M&A deals, there is a need for the integration office that deals only with M&A projects and they have their own project teams not functional teams. This issue was reflected from all data collection sources; however, the conflict between the functional schedule and project schedule is always an issue in such companies. It can be derived from interview with MB (finance director) as well that a project structure is utilized toward the M&A deals; however, the conflict of schedules between functional and project teams still remains. He mentioned:
Normally you have this part time and also day to day job. I was in BH and MX deals. Our part in finance department, we are in the pre-deal and also post acquisition and both are projects but divided in smaller projects. In BH, we have to reach and deliver planned synergies. We also had a basic business case and a financial base case that says what kind of contribution we should have from this acquisition. And there are project teams and steering committees to achieve these goals and targets. We have a project organization but it is a mix of functional groups.” (MB, Finance Director)

In order to manage projects of this kind in small and medium sized companies, each big project will be divided to smaller projects and more tangible deliverables in order to achieve targets and objectives. The organization of such projects will be discussed more in the project governance section. Furthermore, regarding the duration of such projects, both from literature and empirical data, it is a very case dependant matter; however, the pre-deal process takes between one year and a year and half and for the integration and post-M&A projects, it varies because the duration depends heavily on the type of the merger or acquisition and the size of the company but according to literature and interviews, it can take between 2 to 5 years.

4.3.2 M&A Project Life-Cycle

Since the integration phase of M&As as well as the whole deal is managed as a project, the issue of a life-cycle comes to the mind. Some authors (Quah and Young 2005; Meckl 2004; Marks et al. 2000) argue that integration has a life cycle within the project which consists of two main stages: Design and Execution. Design stage is done mostly in the pre-merger activities where the execution is done after the deal is closed.

Regarding the life-cycle of acquisition in small and medium sized enterprises, two different aspects are taken into consideration from the point of view of management level of the company which comprises short-term planning and long-term planning. Short-term planning is project specific and considers only the initiation, planning, execution and not the integration of the specific M&A project. It ranges from the beginning of correspondence with the target company and start of contacts until final negotiations and closing out the deal. According to VC (financial advisor), financial advisor, the screenings of the best possible companies to be acquired are done before this phase and the duration varies depending on the type and volume of acquisition. Moreover, regarding the initiation phase, JS (production director) stated that:

“It lasted 18 month from the first contact to the sign of contract.” (JS, Production Director)

However, he argues that it depends on the expected synergies and implementation of the company’s generic processes in the way that if it is the production plant, the deal will go faster but if it involves more synergies, the time needed will be longer. Apart from short-term approach, there is also long-term planning with different life-cycle. It extends from proposing the project to the board until achieving the complete integration of the desired synergies and cost cuts. As mentioned earlier the duration and schedule of M&A projects
depend on variety of factors such as type of the deal, size of the target company, expected synergies and contributions. As MB (finance director) said:

“Normally 3 years in the business base case. Post merger for us will be divided into more projects and will be shown in the profit-loss statement. We also have an action plan. But TR took 5 years.” (MB, Finance Director)

But the statement above only takes into account the business case, which is the long-term planning of the company and often contains the financial targets and break-even points which were planned prior to the project and the results will be shown on the profit and loss statement of the company and needed to be reported to the owners, in this case, the parent company which is a private equity firm. But according to MB (finance director), the case of post-M&A integration project has another story:

“Integration is much more time consuming, difficult and risky than doing the deal. It is easier on the sheets than delivering it and reach milestones … I said risky in terms of estimates of time and cost. Because of market downturn, the estimated benefits and sales volume was not achieved. Also the customers, because they might turn to somebody else. It is more difficult to do post-merger than pre-merger projects.” (MB, Finance Director)

Altogether, the findings imply the same issue reflected in background study and that is, the duration of integration phase varies from project to project and depends on a number of variables; however, the life-cycle consisting of three main parts which include initiation of the deal through target company screening and top management contacts, planning and designing the project and in the end implementing the targets and objectives. In comparison to the literature model for integration phase, a model based on empirical data of the context company is illustrated in the figure below.

4.3.3 Project Governance and Communication

Another important dimension of the project management approach was identified as project governance. Based on the background study of this research, it was found that because of high volume of communication among different projects and higher and lower levels of hierarchy as well as high amount of deliverables and milestones, adding the factor
of uncertainty in such project, having clear roles and responsibilities is a critical factor for managing M&A projects. Therefore, the role of monitoring and control is significant in these kinds of project where efficient and precise reporting can help the project managers and steering committees to foresee some problems that are being developed in the duration of the project. In the context of this research, the data derived from the data collection phase strongly support this idea.

The production director of company A believed that project governance is important in aspects of reporting as well as monitor and control the progress of the acquisition. Since most of the M&A projects in company A was considered acquisitions, control and monitor comes as a priority in comparison to coordination and conflict resolution because the problems will be identified earlier based on the proper reporting system. And since company A is the owner after the acquisition there would be issues of authority and decision making that have to be solved through proper governance and supported by close monitoring and control of the projects. JS (production director) stated that:

“We put some efforts in defining governance because it’s important. The project leader has clear responsibility and he has all what he needs to make the project. We have a steering committee that the project leader reports to. Then of course, PL has responsibility to define what kind of team members he wants and what responsibilities those should have. The problems for the PL will be the conflict between the member’s time and their functional duties. And also some people are not used to work in projects and they report to the line manager and the Project Leader does not have enough authority.” (JS, Production Director)

This matter was also discussed with the finance director and engineering manager:

“We try to have clear objectives for each project and sub-projects and we have a structured way to control and monitor results and achievement. Everything is reported to parent company’s management team so it gives us early warnings of the problems.” (MB, Finance Director)

“To integrate, control is more important. There is a mixture of control and integration. Not only controlling but working together. So governance is very important.” (JG, Engineering Manager)

Therefore, in the aspect of governance, there seems to be a good match between the literature and findings of empirical data. As mentioned earlier, because of high amounts of communication as well as deliverables and targets, a proper project governance will facilitate the progress of the project according to the strategy and objectives of the M&A deal which is the critical factor for success of such projects.

Based on the discussions above, it is obvious that the matter of communication was also of concern both in academic articles and the empirical data. For communication, it is important to have a communication policy to let stakeholders and personnel be aware of what’s going on. The need for communication planning can be identified as the number of teams and sub-teams increases and also as the uncertainty escalated during integration.
phase of M&A projects. There can be identified two aspects that should be covered by proper communication; one is communication among projects and project teams with the management and two is the communication with other stakeholders such as the new human resources as well as personnel of the owner company. As mentioned by MB (finance director) in the context of this study both of them should be taken into account:

“For communication, it is important to have a communication policy to let stakeholders and personnel be aware of what’s going on. A letter from the project leader weekly. Because personnel are worried about what will happen in the future.” (MB, Finance Director)

Also from the point of view of production, it was stated that:

“We put a lot of effort in it because we think it is important you can never communicate too much. We try to be open and say to people as it is and you can always argue if you could have done more, we have a communication plan, what should be communicated, when, to whom and who is responsible to communicate.” (JS, Production Director)

In comparison with the literature, it can be inferred that high amount of communication is a significant issue for companies and they try to manage it through project communication planning as well as devising communication policy for each project in order to manage the reporting system and reduce uncertainties created throughout the project.

![Diagram](image) Figure 21 Aspects of Project Management to be taken into account in post-M&A integration project

The three aspects of the project management that where identified in the literature review, is taken into account as well in the empirical data. It can be identified that human resources and project governance must be clarified more in order to be more suitable for small and medium sized companies. Above, there is an illustration of three aspects with addition of important issues need to be considered for each aspect to be able to address the three aspects accordingly.
Regarding the three aspects discussed above, three dimensions emerged for delivering an M&A project more successfully. The aspects help to identify the practical dimensions needed to undertake the deliverables of such projects. All together, the proposed framework for the use of project management approach is presented in the figure below which is modified with considerations of analysis of findings. The three dimensions should be fulfilled in parallel and all through the life-cycle for achieving successful post-performance.

![Figure 22 Project management approach to the M&A integration phase.](image)

The modification made after obtaining empirical data was identified in the governance dimension since in medium and small sized enterprises, the project organization is a mixture of functional and project personnel with the restraint of human resources. The practical tools and techniques of project management will be considered in the PM process. All these tools and techniques will be implemented and help deliver objectives and milestones on the basis of planned project life-cycle. However, in order to have roles and responsibilities well-defined and control the progress of the project, governance dimension is set to provide the infrastructure for such need. Therefore, the three dimensions of the proposed framework, simultaneously will lead in a better implementation of the integration phase and hence the whole M&A project.
5.1 Conclusions

Based on the findings and discussions in previous chapters, the empirical data in the context of the research were aligned with the academic perspectives in most of the aspects of project management approach to M&A projects and their integration; however, some aspects was deferring from the findings in the literature which has reasons such as the size of the companies and the type of the project whether it is a merger or an acquisition. In small and medium sized companies, the M&A deal is considered a temporary organization in which people from different functional groups will make project teams. Although it is advantageous in terms of skill and insight to their specialized skill, there is always the conflict of schedule and authority between project and routine job. The type of M&A is also important since it determines the right fit for the project. In acquisition, the strategic fit is important because after closing the deal, the new company will dissolve completely. On the other hand, in merger, the organizational fit is more important since the integration of two organizations with the same size and same decision making power is the most challenging part of a merger deal. Therefore, adding the findings of the empirical data to the framework derived from literature, some amendments needed to be done to be more practical for small and medium enterprises which include mostly the project governance dimension. Basically, the propositions were confirming applicability of project management approach in small and medium size companies, since the ‘project’ organization is often preferred to a project-based organization that does only projects and does not have operational level especially in the manufacturing companies. It is because in the manufacturing companies, people have their own day to day job related to the production and operation but in case of M&A projects, they will be selected in the designated teams into a matrix organization and therefore, the conflict of functional and project duties must be addressed. Therefore, the application of the project management dimensions in undertaking the M&A project will reduce the failure rate mentioned in the literature. However, some organizations acquire other companies in order only to divest short after to gain speculative profits which is not the case in this study.

Having done the necessary steps of the research, now we should look back to the research question and purpose of the study in order to determine whether they have been answered and essential understandings have been achieved. So the research question will be asked again:

“How applicable is the implementation of a project management approach to deliver an M&A project and its integration phase?”

Based on the empirical data, the project management approach is applicable with considering three dimensions into account which are: Project Management Process, Project
Life-Cycle and Project Governance. Moreover, each dimension has different aspects that should be fulfilled in order to achieve a successful M&A deal according to factors derived from qualitative data in the previous chapter. Furthermore, regarding the purpose of the study, an understanding of the structure of M&A project and the integration phase has been obtained through the data collection process in terms of human resource, project organization and project governance. The success criteria mostly focus on the human resources in terms of integration phase as well as project governance and project organisation. Project governance is specifically important in acquisition projects in order to control and monitor the progress of integration phase and identify problems more rapidly.

As shown in the framework, the engagement of top management team plays an important role in order to push the project ahead and monitor the progress of projects and sub-projects in direct contact with steering committees through a proper report system which is designed according to project governance and stated in the communication plan. It is of grave importance that the firm takes three dimensions into action and implementation in parallel hence they are called ‘dimensions’. Delivering an M&A project with focusing only in one dimension have a high probability of failing according to the authors.

5.2 Recommendations for Further Research

As for recommendations for further research, they can be identified in two categories. Since it is shown in this research that there are differences between small and medium sized companies approach to M&A and large corporation, further research could be focused more on medium sized companies. However, the criteria of sample selection must be verified beforehand in order to choose the right context. In smaller companies, issues dealing with conflict of authority among functional and project teams are of relevance for research since establishing a department solely for M&A project is not economical because of relatively lower number of such projects. Also there is matter of integration after the closing of the deal that because of limited human resources, smaller companies face problems in managing and then implementing the integration which can be addressed by conducting a research from point of view of a consulting company. However, it is crucial to consider financial matters into account which, based on interviews, is more significant in such firms (proper due diligence and premium price calculations). Moreover, the governance of such projects could also be a research suggestion since the reporting system in medium sized companies might be less formalized and therefore the conflict of authority will arise between project teams and operational managers.

Second category for recommendations is more specific in terms of project management. In this research, as mentioned before, the applicability of project management approach was confirmed and three dimensions were identified. Now when such a question is answered and a framework has been proposed, an interesting subject could be narrowing down into each dimension of the framework and investigate each aspect of them separately; that is, the implication of each aspect to be investigated in order to identify critical success factors for the integration phase. In this category, the human resources and behavior plays important role since execution of numerous sub-projects involves high volume of
communication among teams. Also the cultural issues can be interesting for larger organizations which are the main barrier to proper integration after the deal.
LIST OF REFERENCES


Introduction of my research

- Research briefing and research gap

- My Research question

  “How applicable is the implementation of a project management approach to deliver an M&A project and its integration phase?”

  - What are the success criteria for an integration process in mergers and acquisitions projects?
  - What aspects of project management are of importance for such projects?

Overall M&A deals (strategy, drivers)

- It seems that M&A plays an important role in the strategy of growth in your company. Why the strategy of M&A is chosen (change, diversification, growth, market share, management, share holder)? What were the drivers behind it? How much was focused on expected synergies?

- Did you achieve expected synergies? What kinds of synergies? How long did it take to say confidently that synergies were achieved?
• What was the effect of M&A on competitive advantage of your company?

• Do you consider an M&A deal as a project and temporary organization? Do you have a projectified structure for M&A deals (matrix chart)?

M&A project (Critical Success Factors, structure, governance, phases)

• Can you identify a critical incident in an M&A project through its life-cycle? Which phase of M&A is more challenging (pre-M&A, deal and financial issues, Post-M&A and integration)?

• Can you think of critical activities during M&A projects that were important for success of the M&A? In other words, without them the project would have failed?

• Did you have any near failure M&A? Or considering divestments?

• In terms of duration of M&As, what was the duration of the whole project and the duration of two phases of integration (or more in your context)?

• Can you tell me how much M&A projects helped increase the percentage of revenues?
Integration phase (Project Management approach, Success Factors)

- Did you implement a project management approach to M&As? Did you consider 3 fits for successful performance of post-M&A integration? If yes, what weight do you give to each fit? If no, what were your criteria?

- Did you take project management approach (project organization, human resources and project governance) to implementing your post-M&A integration? In terms of Resource allocation, scope and time constraints?

- What do you identify as main activities of integrating two companies (such as: coordination, monitor, conflict resolution)?

- Can you elaborate on your M&A structure, Post-M&A integration phase life-cycle and Organizational structure of the integration phase (integration board, steering committee) in one of your recent projects?

- How you dealt with the high amount of communication and alignment between departments? How did you assign roles and responsibilities (project governance)?

Proposed Project Management framework according to literature review:
APPENDIX 2: INTRODUCTION LETTER TO THE INTERVIEWEES

Dear Mr/Ms ...

I am Pooria Habibbeigi, master student of Strategic Project Management at Umeå School of Business. I was a part of the group that visited your company in September 2 at the Strategy course.

At the moment, I am doing my master thesis on “Implementing post-mergers and acquisitions integration with project management approach” that should be finalized in January 2010. Since I would like to match my theoretical findings and frameworks with real-life M&A projects, my supervisor, Dr. Nils Wåhlin, and I would like to know if it is possible to have a short interview with you. Looking at Company A website, I noticed that you had 5 mergers and acquisitions projects so far (GR in France, VE in Denmark, an importer in UK and recently TR in Sweden).

I have been in contact with Ms. BM about the matter and she introduced you as an expert that I can have valuable data from. I know you must be busy enough, however I will be grateful if we can have a meeting later this month. I will send you the questions beforehand as a preparation. Of course the issues of confidentiality will be discussed.

Waiting for your response.

Best Regards,

Pooria Habibbeigi
APPENDIX 3: SAMPLE OF PRIMARY ANALYSIS OF DATA

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Position</th>
<th>Company</th>
<th>Interview Date</th>
<th>Transcription Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MB</td>
<td>Finance Director</td>
<td>A</td>
<td>22-Dec-09</td>
<td>25-Dec-09</td>
</tr>
</tbody>
</table>

Themes Derived from Interview

<table>
<thead>
<tr>
<th>Overall M&amp;A deals</th>
<th>M&amp;A projects (Success factors)</th>
<th>M&amp;A integration phase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>M&amp;A strategy</strong></td>
<td><strong>Drivers</strong></td>
<td><strong>As project and temporary organisation</strong></td>
</tr>
<tr>
<td>Cost savings and synergies are also important for acquisition. For Trima, synergies paid for the whole deal. In purchasing components you get benefits from economy of scale and also we coordinate and substitute and harmonize product program. Most important is market share.</td>
<td>It’s part of the due diligence, what kind of benefits are there, some bullet points, like market share and synergies. Report to the board of directors to justify why we do acquisition. Then we start DD and look into detail. Calculations of the product synergies. Maybe standalone it is profitable but integrating is not what you expect. And then it will be a memo to the board and the decision will be made.</td>
<td>Normally you have this part time and also day to day job. I was in bush hog, China and MX. Our part in finance dept. we are in the pre deal and also post acquisition is a project but divided in smaller projects. In bush hog, we have to reach and deliver planned synergies. We also had a basic business case and a financial base case that says what kind of contribution we should have from this acquisition. And there are project teams and steering committees to achieve these goals and targets. We have project organization but it is a mix of functional groups.</td>
</tr>
<tr>
<td>M&amp;A helped to become market leader and it gave us competitive advantage. We became price leader and market dominant. Then we handle price issues.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>