Understanding how to handle the acquisition process
- a case study of ITAB Shop Concept AB

Master’s thesis within Business Administration
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Abstract

Acquisitions for a value of approximately $2 trillion are conducted globally every year with the motives of i.e., enhanced market power and increased shareholder value. Despite the interest in acquisitions the failure rate on acquisitions in 2011 was estimated to 70-90 %. Thus researchers have called for further examination on acquisitions and especially on the acquisition process, and strategic fit and organizational fit, which is believed to facilitate the outcome of the acquisitions. The acquisition process is described as a linear process consisting of two sub processes, pre-acquisition and post-acquisition, that acquiring organizations progress through step-wise.

The purpose of this study is to examine how the acquisition process and strategic fit and organizational fit can be handled to facilitate successful acquisitions.

In order to get a deep and comprehensive understanding of the acquisitions process, the authors of this thesis have conducted a case study. The company, ITAB Shop Concept AB, has a background of 20 successful acquisitions, which have contributed to a steady growth in both turnover and share price. ITAB Shop Concept AB has been researched through in-depth interviews with key persons in the management, responsible for the acquisitions conducted.

By adopting a dynamic approach to the acquisition process and taking an overall view of the strategic fit and organizational fit in each phase of the acquisition process, organizations can understand and prevent the possible issues leading to failure. Furthermore organizations might benefit from having an acquisition process adapted for each acquisition target. For example it is found that by conducting due-diligence in the post-acquisition process instead of the pre-acquisition process, and keeping the same persons in the acquisition team, more efficient use of resources and prior experience is facilitated.
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I Introduction

1.1 Problem definition

Despite the many years of research in the field of mergers and acquisitions\(^1\) the field still call for continuous research (Carmeli, Glebard, & Gefen, 2010; Cartwright & Schoenberg, 2006; Halebian, Devers, McNamara, Carpenter, & Davison, 2009). According to Christensen, Alton, Rising & Waldeck (2011) one reason for the continuous need for further understanding in the M&A field is due to the fact that M&As for a value of approximately $2 trillion are made every year with a failure rate between 70-90\%. Failing means that the outcome of the acquisition does not improve the financial performance of the organization or reach pre-determined goals (Hitt, Harrison, Ireland, & Best, 1998). Still, companies continue to conduct M&As due to the large potential and strong motives, such as value creation, market power, firm characteristics and increased shareholder value (Bower, 2001; Halebian et al., 2009; McCarthy & Dolfísa, 2013; Schweiger & Very, 2003). With the aim of identifying factors for success, and thus increase financial performance, researchers have examined the acquisition process and found that an acquired company must match the acquiring organization in both the pre-acquisition evaluation as well as in the post-acquisition process to minimize risk of failure and increase the possibility of success (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986b; Larsson & Finkelstein, 1999; Stahl & Mendenhall, 2005). The acquisition process itself is described as linear, starting with pre-acquisition and ending with the post-acquisition stage (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986b; Lassette, 2003).

One major issue in the process perspective is the concept of strategic fit, which has developed into an interrelation between the factors of strategic- and organizational fit (Larsson & Finkelstein, 1999; Rottig, Reus, & Tarba, 2013; Stahl & Mendenhall, 2005). These factors have been identified as means of risk reduction in the pre-acquisition and post-acquisition processes as well as performance indicators for the acquisition (Clarke, 1987; Pablo, Sitkin, & Jemison, 1996; Rottig et al., 2013). Strategic fit between two companies is also said to create an increased corporate value, which would not have been reachable as separate entities (Shelton, 1988). Hence strategic fit has become a factor used when identifying targets for acquisitions in the pre-acquisition process (Haspeslagh & Jemison, 1991).

Despite earlier research on the issues of strategic fit, organizational fit, and the acquisition process, which are proposed to facilitate the success in mergers and acquisitions the failure rate of acquisitions has been constant over the years (Christensen et al., 2011; Jemison & Sitkin, 1986b; Kitching, 1974). Hence researchers have proposed further examination of how the acquisition process can be better understood from both a strategy and process perspective and especially how strategic fit and organizational fit can be taken into consideration during the pre-acquisition and post-acquisition processes (Cartwright & Schoen-

\(^{1}\) This thesis will only handle the acquisition aspect and refer to acquisitions as M&A due to the nature of M&A abbreviation in acquisition research.
berg, 2006; Gomes, Angwin, Weber, & Tarba, 2013; Haleblian et al., 2009; King, Daily, & Covin, 2004; King, Slotegraaf, & Kesner, 2008). As the majority of research on M&As is of a quantitative approach it is also proposed that a qualitative approach is taken to understand the issues in depth, examples given are interviews and case studies (Haleblian et al., 2009; Meglio & Risberg, 2010; Rouzies, 2013). Thus the question remains, how can the acquisition process, strategic fit and organizational fit be handled more efficient to reach successful acquisitions?

1.2 Purpose

The purpose of this study is to examine how the acquisition process and strategic fit and organizational fit can be handled to facilitate successful acquisitions.
2 Theoretical framework

The theories used, as the authors’ basis for research, are M&A theory as well as the theories of strategic fit and organizational fit. Haspeslagh and Jemison (1991) argue that there exists a broad scope of theory regarding acquisitions in fields of i.e., management, finance and behavioral sciences. An in-depth analysis of all previous research is not possible within the existing time frame for this study. Thus the body of theory has been related to the acquisition process perspective, which is believed to have a general impact on the acquisition success rate (Cartwright & Schoenberg, 2006; Gomes et al., 2013; Haspeslagh & Jemison, 1991).

This chapter begins with giving the reader an understanding of M&As. Then the theoretical perspective on the acquisition process and its different phases is presented in a linear layout accordingly to the acquisition process. At the end of the chapter the authors explain the concepts of strategic fit and organizational fit to enhance the understanding of them in the acquisition process.

2.1 Understanding M&As

Researchers have stated that M&As are based on financial and strategic motives with the goal of creating value that would not emerge if the two companies continued to act separately (Bower, 2001; McCarthy & Dolfsma, 2013; Schweiger & Very, 2003; Seth, Song, & Pettit, 2000; Shelton, 1988). Harrison, Hitt, Hoskisson and Duane (1991) stated that synergy is the essence of value creation. Hence it is important for acquiring companies to identify factors for synergy creation when finding acquisition objects. Haspeslagh and Jemison (1991) identified that the synergies depends on the strategic and organizational fit between the acquired company and the acquiring organization. The reasons for acquisitions are for example the aim of gaining new resources, reaching new markets or increase the efficiency of existing resources (Bower, 2001; Haspeslagh & Jemison, 1991; Hubbard, 2001; Schweiger & Very, 2003).

Bower (2001) made an outline of the different strategic activities he proposed to be the reasons for why companies engage in M&As. The five strategies he identified were:

1. The overcapacity M&A
2. The geographic roll-up M&A
3. The product or market extension M&A
4. The M&A as R&D
5. The industry convergence M&A

An extended explanation of the strategic acquisition objectives came from Hubbard (2001) which related the strategic motives for acquiring companies to future growth and strengthened market position. The acquisition objectives were sorted in six categories:

1. Market penetration
2. Vertical expansion
3. Financial synergies
4. Market entry
5. Asset potential or synergy / Horizontal acquisition
6. Economies of scale

Schweiger and Very (2003) took a similar approach to the objectives for undertaking an acquisition which, combined with Hubbard’s (2001) explanation, gave rise to the following description of the acquisition objectives:

Market penetration means that an acquisition is made with the intent of gaining greater market power and market share. Vertical integration acquisitions are made with the intent to increase the control over resources, distribution channels or technology by acquiring companies with similar characteristics. Financial synergies come from acquisitions made with the intent to improve earnings through accounting variations, enhanced financial terms and extended facility ownership. Market entry acquisitions are made with the intent to enter new related or unrelated markets, regions, or industries in order to enhance the market coverage. Asset potential or synergy acquisitions, also called horizontal acquisitions, are made with the intent to optimize the use of the acquired company’s assets. Economies of scale acquisitions are made with the intent to integrate fragments or the entire acquired company in the mother organization in order to optimize the earnings abilities (Hubbard, 2001; Schweiger & Very, 2003).

2.2 Acquisition process perspective

Regardless what strategic objective an organization has, the value from the acquisition depends on the management’s ability to handle the acquisition process (Cartwright & Schoenberg, 2006; Gomes et al., 2013; Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986b). The acquisition process theory focuses on the acquisition process and propose that the eventual outcome of the acquisition is determined by activities and factors in the acquisition process (Jemison & Sitkin, 1986b). Moreover the acquisition process is used to understand how to create value in an acquisition instead of determining the value of a company (Haspeslagh & Jemison, 1991).

The acquisition process is seen as two major underlying sub-processes, which are the pre-acquisition process and post-acquisition process (Gomes et al., 2013; Haspeslagh & Jemison, 1991; Hubbard, 2001; Jemison & Sitkin, 1986b; Lasserre, 2003). The pre-acquisition process contains the decision-making issues related to the acquisition, which includes the rationales for a justified acquisition such as screening, analyzing and strategically evaluating acquisition prospects (Haspeslagh & Jemison, 1991). The post-acquisition process includes the implementation phase of the acquired company such as integrating processes, cultures, values and products, which are capabilities that contributes to the value of the acquisition (Haspeslagh & Jemison, 1991; Pablo et al., 1996).

2.2.1 Pre-Acquisition process

Essential in the pre-acquisition process is the importance of finding the right acquisition target, analyzing and evaluating the target, and assessing the degree of fit to the acquiring organization (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986b; Lasserre, 2003). The
pre-acquisition process builds on Jemison and Sitkin’s (1986b) and Haspeslagh and Jemison’s (1991) strategic approach, which identified that the pre-acquisition process were supposed to facilitate the decision making, including evaluations of strategic fit and organizational fit. Lasserre (2003) contributed to the modeling of the pre-acquisition process based on the theoretical framework of Haspeslagh and Jemison (1991) with the categorization into value creation, target selection, and due-diligence and valuation. During the pre-acquisition process fundamentals for the outcome of the acquisition is built and serves as a base for how the process will proceed (Gomes et al., 2013; Haspeslagh & Jemison, 1991; Hubbard, 2001; Jemison & Sitkin, 1986b). The pre-acquisition process is influenced by different phases and factors, supposed to facilitate the acquisition, which Jemison and Sitkin’s (1986b) paper on the process perspective made a still valid contribution to (Gomes et al., 2013; Harrison, O’Neill, & Hoskisson, 2000; Hubbard, 2001; Jemison & Sitkin, 1986b; Lasserre, 2003).

Jemison and Sitkin (1986b) brought attention to the process view of acquisitions and Haspeslagh and Jemison (1991) were among the first researchers to specify the determinants of the process. Their model of the pre-acquisition process consists of six criteria: 1, Strategic Assessment; 2, Widely Shared View of the Purpose; 3, Specificity in Sources of Benefit and Problems; 4, Regard for Organizational Conditions; 5, Timing and Implementation; 6, Maximum Price.

Lasserre (2003) categorized Haspeslagh and Jemison’s (1991) criteria into three decision-making processes: 1, Value-creation; 2, Target selection; 3, Due-diligence and valuation (see Figure 2.1 Summary of the pre-acquisition process model adapted from Haspeslagh and Jemison (1991) and Lasserre (2003)). Using this categorization makes it easier to interpret what other research states about the pre-acquisition process.

![Figure 2.1 Summary of the pre-acquisition process model adapted from Haspeslagh and Jemison (1991) and Lasserre (2003).](image-url)
2.2.1.1 Value creation
Lasserre (2003) stated that there must be strategic reasons to undertake an acquisition that creates some type of value either through consolidation, extension to global markets, vertical integration, diversification, or with the aim to acquire new technology or markets. This statement related to the need for analyzing the possible strategic and organizational contributions that can be assessed from an acquisition (Jemison & Sitkin, 1986b). Further action, based on the reasons for engaging in an acquisition and the possible contributions an acquisition may have, is the need for screening the market for acquisition prospects (Hubbard, 2001). These actions helps management understand the purpose with the acquisition, which facilitates the decision making process and acts as a foundation for the post-acquisition integration phase (Jemison & Sitkin, 1986b).

2.2.1.2 Target selection
Lasserre (2003) stressed the importance of finding an acquisition target that will create strategic or financial value. To find the right target, the acquiring organization need to collect as much financial data and strategic information as possible, i.e., finding out if a target fulfills the strategic motives for the acquisition, to reduce ambiguity in the acquisition process (Hubbard, 2001). The acquiring organization also has to specify what sources create benefits and problems respectively and then analyze them to determine whether an acquisition can be justified or not (Jemison & Sitkin, 1986b). Common factors to examine and collect information about are the strategic fit and organizational fit (Gomes et al., 2013; Hubbard, 2001; Jemison & Sitkin, 1986b). These two factors are then subject for analysis to create understanding for how the acquisition facilitates the general acquisition objective (Hubbard, 2001).

2.2.1.3 Due diligence and valuation
Lasserre (2003) highlighted the importance of generating a financial valuation of the target to determine what price range to set for the acquisition. Jemison and Sitkin (1986b) stated that the price assigned to a target company for an acquisition should account for the financial values and synergies as well as the strategic and organizational synergies. The accumulated information that management have assessed about the target company should be taken into careful consideration when making the valuation and act as decision support (Hubbard, 2001). This process refers to the due-diligence, in which analyzing the acquisition and searching for ways to provide synergies strive for the best possible deal. The process is often time consuming and tend to focus on the hard, financial, aspects such as numbers and systems, whilst almost no time is spent on the soft organizational aspects (Bing & Wingrove, 2012). Furthermore the information should be analyzed to identify the resources and actions needed during the integration process and in deciding and planning for when and to what extent the company will be integrated (Hubbard, 2001; Jemison & Sitkin, 1986b).

2.2.2 Post-acquisition process
The post-acquisition process is when the intended acquisition value is created as the two firms are being brought together (Haseslag & Jemison, 1991). According to Datta (1991)
the goal in the post-acquisition process is to increase the efficiency of the use of the existing capabilities. During the post-acquisition process there are two major sources for implications in the value creation process namely integration and transition (see Figure 2.2 Summary of the post-acquisition process model adapted from Haspeslagh and Jemison (1991) and Lasserre (2003)).

![Integration and Transition Diagram](image)

Figure 2.2 Summary of the post-acquisition process model adapted from Haspeslagh and Jemison (1991) and Lasserre (2003).

### 2.2.2.1 Integration

Integration is a phase of interaction taking place when the two firms come together. During the integration phase strategic capability transfer and value creation depend on the ability to understand the organizational context (Haspeslagh & Jemison, 1991). Proper integration is essential as the value and efficiency of the acquisition relies on how well the integration facilitates the acquisition objectives, and the organizational and strategic fit recognized prior to the acquisition (Christensen et al., 2011; Haspeslagh & Jemison, 1991; Schweiger & Very, 2003). According to Gomes et al., (2013) and Lasserre (2003) the four integration approaches that Haspeslagh and Jemison (1991) identified represents a generally known post-acquisition integration framework (see Figure 2.3 Integration framework). The integration framework consists of the four different integration approaches: Symbiosis, Preservation, Absorption and Holding, each of which is determined by the needed level of organizational autonomy and operational interdependencies (Haspeslagh & Jemison, 1991).
The preservation approach is proper when little operational synergies are believed to be derived from the acquisition. The value a preservation acquisition is supposed to contribute with is related to the strategic objectives of increased market coverage and product range as well as gains from transferring resources and competencies between the acquiring and acquired company (Lasserre, 2003).

The symbiotic approach is used to achieve a high degree of both need for organizational autonomy and strategic interdependence. Values are gained from the achievement of synergies from strategic capability transfers such of management and functions undertaken with continuous interactions to mitigate the process (Haspeslagh & Jemison, 1991).

The absorption approach has the objective to reach a complete consolidation of the two businesses’ organizations, operations, processes and culture. The value in this approach is created in the realization of the organizational, strategic and operational synergies (Haspeslagh & Jemison, 1991; Lasserre, 2003).

The holding approach means no implications for either of the companies as no integration is planned, instead the value created and reason for the holding approach is to ease financial transfers and risk-sharing (Haspeslagh & Jemison, 1991).

### Transition

Regardless the type of integration approach the acquiring organization has to go through the critical transition phase, which is characterized by uncertainties and problems emerging when the acquiring organization prepares for capability transfer and value creation (Haspeslagh & Jemison, 1991; Lasserre, 2003). It is generally believed that the legal and financial aspects are well handled, however the organizational aspects, which seemed to be of good fit in the pre-acquisition process, attracts less attention and gives rise to problems during this phase (Bower, 2001; Gomes et al., 2013; Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986a). Examples of challenges leading to success or failure include post-
acquisition leadership, management of organizational culture and matching of the sources of strategic fit and synergies according to the acquisition objectives (Gomes et al., 2013; Haspeslagh & Jemison, 1991; Hubbard, 2001; Lasserre, 2003).

A general view among researchers is that a major source to these problems is the management’s inability to handle the organizational fit and instead shift focus to the integration of business operations (Gomes et al., 2013; Haspeslagh & Jemison, 1991). The integration activities focus on the operational resources such as the sales force, facilities, brands and distribution channels from which economies of scale can be derived (Haspeslagh & Jemison, 1991). Problems related to ignorance of cultural understanding, shared purpose, common operational focus, mutual understanding and valuation of people are overlooked and hinder the value creation (Haspeslagh & Jemison, 1991; Kim & Olsen, 1999; Lasserre, 2003). The biased focus on business operations instead of organizational integration may be due to the belief that organizational integration issues is a timely process, which can be postponed and the strive for speedy integrations leads to an overlook of the organizational matters (Gomes et al., 2013). Furthermore the strive for a quick finalization of an acquisition causes managerial neglect of strategic fit and organizational fit issues which leads to hasty decisions (Jemison & Sitkin, 1986a). Hence management lack understanding that the potential synergies identified in the earlier phase will not be fully capitalized unless the organizational issues are solved (Haspeslagh & Jemison, 1991).

In order to facilitate the integration, management must pay attention to the need for renewed organizational structure, processes and culture (Gomes et al., 2013; Kim & Olsen, 1999). Hence the need to understand the cultural implications to organizational fit becomes an important aspect for the acquiring managers (Gomes et al., 2013; Haspeslagh & Jemison, 1991). Research has related the strategic and organizational factors in the pre-acquisition process to those of the post-acquisition process and found that they might differ depending on how the transition unfold (Gomes et al., 2013; Weber, Tarba, & Reichel, 2011). Furthermore the transfer of strategic and organizational skills, and capabilities observed in the pre-acquisition is enabled if the organizational cultures are understood (Gomes et al., 2013; Weber et al., 2011).

2.3 Strategic fit

When connecting the concept of strategic fit to the theory of acquisitions, some inductive definitions are appropriate. The definitions differ among authors, but one definition of strategic fit is "the degree to which the target firm augments or complements the parent’s strategy and thus makes identifiable contributions to the financial and nonfinancial goals of the parent" (Jemison & Sitkin, 1986b, p. 146). The core focus is divided to the financial, hard, factors and the nonfinancial or strategically, soft, factors such as industry, market, technology, customers and organizational issues (Carmeli et al., 2010; Rappaport, 1979; Shelton, 1988). Nadler and Tushman (1980) explained overall concept of fit as the degree of which demands, needs, structure and/or goal of one firm are equivalent with the demands, needs, structure and/or goal of another firm.

According to Cartwright and Schoenberg (2006, p. 2) “The strategic fit literature has been con-
cerned with the link between performance and the strategic attributes of the combining firms, in particular the extent to which a target company’s business should be related to that of the acquirer”. Shelton’s (1988) related-complementary fit versus related-supplementary fit explained the subject (see Figure 2.4 Shelton's Strategic Fit Matrix.).

Related-complementary fit refers to vertical integration, meaning new competencies such as skills and/or products while related-supplementary refers to horizontal integration of reaching new customer segments and/or markets. These guidelines of strategic fit show different combinations of assets that could provide opportunities for value creation. If the assets of the firms in an acquisition process are related, economies of scope may be created. Contrary, if the assets are unrelated, meaning not in the same business, the potential for economies of scope is low. The potential value creation is not low though. Market imperfections give the opportunity to provide, for example, new products or enter new markets (Shelton, 1988).

![Figure 2.4 Shelton's Strategic Fit Matrix.](image)

Source: (Shelton, 1988)

Strategic fit is considered to have been reached when two firms have gained synergy effects and created value that had not been created if the firms would have continued on their own (Shelton, 1988). Strategic fit has a mediating role in reaching an acquired company’s full benefits in enhanced business strategy (Pablo et al., 1996). It is complex to reach these benefits and synergies so it is important to look at the strategic fit in a wider integration process of an acquisition (Cartwright & Schoenberg, 2006; Haspeslagh & Jemison, 1991).

Achieving strategic fit should always be the goal of organizations during acquisitions, since this may enhance the performance outcome of the merger (Gomes et al., 2013; Jemison & Sitkin, 1986b; Pablo et al., 1996). Something to have in mind though is that “although an organization may achieve perfect alignment at a specific point in time, the dynamic nature of competitive situations and organizations makes this a moving target. Fit is, therefore, somewhat elusive” (Chorn, 1991, p.
Carmeli et al. (2010) and Tushman and O'Reilly III (1996) emphasized the importance of strategic fit for the organization to be able to adapt and change, not only to unexpected contingencies, but also to the environment the organization is active within. The concept of strategic fit is developed into different areas of organizational research with the core elements consisting of internal capacity and adaption to the external environment (Haberberg & Rieple, 2008).

The pre-acquisition process is influenced by external strategic fit and it is of significance that “…the organizational system as a whole is aligned with its external competitive environment” (Carmeli et al., 2010, p. 340). The acquiring firm needs to adapt and change to the external environment, when recognizing a need for an acquisition. Then an analysis of appropriate candidates meeting the strategic criteria for an acquisition should be conducted (Gomes et al., 2013; Haspeslagh & Jemison, 1991). If strategic fit, meaning synergy potential (Haspeslagh & Jemison, 1991; Shelton, 1988), is reached and present in the pre-acquisition process and considered when selecting a post-acquisition integration approach, it is likely that the M&A performance will be positive and it exists value-creating potential (Gomes et al., 2013; Haspeslagh & Jemison, 1991).

The post-acquisition process is believed to be associated with less degree of risk for failure when having a good strategic fit (Jemison & Sitkin, 1986b; Pablo et al., 1996). The strategic fit in this phase refers to the internal strategic relationships between a parent organization and the company it has acquired. The better fit, the bigger is the chance to increase organizational performance, enhancing the strategy, and also structure and system balance of an organization (Carmeli et al., 2010).

As mentioned, the concept of strategic fit is suggesting that relatedness between the acquiring and the target organization creates synergy potential, which may lead to value creation. However, a consistent relationship between this potential of synergy and performance of M&As has not been found. Therefore researchers have acknowledged that organizational fit between firms during the acquisition perhaps is the comprehensive determinant of M&A outcome (Gomes et al., 2013).

2.4 Organizational fit

Organizational fit is a topic that has gotten much observance in the M&A literature (Stahl & Mendenhall, 2005). Jemison and Sitkin (1986b) related organizational fit to the consistency of administrative practices, leadership styles, organizational structures and cultures. Datta (1991, p. 281) emphasized the influence organizational fit has on the “ease with which two organizations can be assimilated after an acquisition…” and mentioned differences in management styles and organizational systems as important in the perspective of post-acquisition integration. Management styles are unique for every organization and may differ a lot between two firms that are about to be integrated. An example can be the attitude towards decision-making differ, with the acquiring firm as a very controlled and planned organization regarding decisions in their business, while the target firm which may be used to trust their ‘gut-feeling’ (Datta, 1991).
Contradictions about whether organizational fit is, or is not, part of strategic fit is present within the M&A literature. Jemison and Sitkin (1986b) and Haspeslagh and Jemison (1991) separated strategic fit and organizational fit, as they meant that strategic fit is how target firm match the strategic incentives of an acquiring firm, while organizational fit is the match between target company and acquiring organization regarding administrative and cultural practices, and personnel characteristics. Carmeli et al. (2010) on the other hand, did not separate strategic fit and organizational fit. Instead they suggested that organizational fit, in relation to the environment and the strategic relationships with external stakeholders, is known as external strategic fit. Furthermore, they suggested that organizational fit in relation to structure of relationships regarding intra-organizational elements is known as internal strategic fit.

Differences in both corporate and natural culture between the firms in an acquisition, and difficulties with cultural change, are well-known barriers to success of post-acquisition integration (Rottig et al., 2013). Within M&A literature, a much-cited reason for poor M&A performance is the lack of cultural fit (Cartwright & Schoenberg, 2006; Gomes et al., 2013; Weber et al., 2011). Even though cultural influences are well recognized amongst practitioners and academics, disagreement about the cultural affects on M&As exists, how to manage differences in culture and how to integrate two culturally different firms still has no clear answer (Cartwright & Schoenberg, 2006; Rottig et al., 2013). The subject is emergent, with increasing focus on the response of the employees involved in an acquisition, both emotional and behavioral. The literatures of psychology, organizational behavior and human-resource management have tried to explain the reason for the poor performance of M&As and the effect of the integrating process on individual members of the firm (Cartwright & Schoenberg, 2006).

It has been stated that it is important not to overemphasize on organizational or cultural struggles in acquisitions. Doing so may scare acquirers away from making what could have been a good investment considering the strategic benefits of the acquisition. Since organizational and strategic fit tend to point in different directions, the difficulty and key issue is to handle the organizational dimension so that the strategically apparent opportunity of a integration is recognized, along with needs of independency of the acquired firm and the needs of making each individual person involved feel respect, honesty and trustworthiness (Haspeslagh & Jemison, 1991).
2.5 Summarized view of the acquisition process

Haseslagh and Jemison (1991) founded the acquisition process perspective which researchers have continued explaining through decades. The acquisition process is described as a linear process, starting with the pre-acquisition process and ending with the post-acquisition process (see Figure 2.5 Summarized Acquisition process model adapted from Haseslagh & Jemison (1991), Lasserre (2003), and Gomes et al., (2013)).

The pre-acquisition process is characterized by the set of strategic motives for undertaking an acquisition and the evaluation of different acquisition targets to see which target best creates synergies for the acquirer (Hubbard, 2001; Lasserre, 2003). This process is mainly evaluated by the strategic fit, which is used to identify what contributions an acquisition can make and then to determine if the proposed acquisition target fulfill the strategic contributions e.g. in terms of new customers or products that contributes to increased financial or non-financial goals (Jemison & Sitkin, 1986b). Organizational fit is used to a lower extent, mainly to identify possible problems that might lead to an interruption in the value creation process (Bing & Wingrove, 2012).

The post-acquisition process is directed to the integration of the acquired company and the transition to the new standards and cultures as well as transferring the business operations that is supposed to create increased value (Lasserre, 2003). This process is mainly taking the organizational fit into consideration as the organizational differences often causes issues which decreases the likelihood of succeeding with extracting the financial and operational gains (Gomes et al., 2013). Another aspect, in which an acquiring organization often encounters problems, is the willingness to make quick finalizations of the acquisition process. Hence the risk of neglecting important strategic and organizational fit issues is high and likely to disturb the transition from two separate entities into one acquisition (Gomes et al., 2013; Jemison & Sitkin, 1986a).
3 Methodology and Method

The purpose of this study is to examine how the acquisition process and strategic fit and organizational fit can be handled to facilitate successful acquisitions. In this chapter the authors give an explanation of how the theoretical and empirical findings have been collected and interpreted. Different choices that have been made during the study are motivated and also a description of the case company used in the study and the different interviewees who were interviewed is included.

3.1 Research philosophy

Myers (2009) stated that distinguishing between the underlying philosophical assumptions, which guide the research, is a useful way to classify research methods. “All research, whether quantitative or qualitative, is based on some underlying assumptions about what constitutes ‘valid’ research and which research methods are appropriate” (Myers, 2009, p. 35). Thus it is significant to know what these assumptions are.

The two most well known forms of research philosophies in most business and management disciplines are positivism and interpretivism. In positivism it is generally assumed that reality is objective and can be explained by quantifiable characteristics, regardless of the researcher and belonging instruments. Within positivism theory is often tested in studies and researchers generally frame statements which try to explain the independent variables and the dependent variables regarding the researched subject, and the relationships between them (Myers, 2009).

In interpretivism access to reality is assumed to be only through social structures as language, consciousness and instruments. Researchers within interpretivism do not specify dependent and independent variables in advance, but instead seeks to get understanding of phenomena by interpreting what people tell them about their experience. The importance of understanding the context is significant and extracted generalizations from the subject are dependent on the researcher and the methods used (Myers, 2009).

An interpretive approach have been chosen by the authors for this study since its characteristics, such as seeking understanding of phenomena by interpreting what people tell the authors about them, matches the purpose of the study which is to examine how the acquisition process and strategic- and organizational fit can be handled to facilitate successful acquisitions.

3.2 Data collection

According to Zikmund, Babin, Carr & Griffin (2010) there are two main types of data collection; secondary and primary data. Secondary data is the type of data that has been assembled and recorded prior to, and for other reasons than, the purpose of the research. Primary data on the other hand is generated and obtained by the researchers for a specific purpose.
3.2.1 Secondary data

Secondary data concerning the theoretical aspects was gathered through online databases such as Google Scholar, Jstor, Business Source Premier and DiVA as well as textbooks, handbooks and journals. The data were evaluated and chosen from well reputable publishers and frequently cited authors to legitimate the use.

Our keywords when searching for secondary data were: Strategic fit, Organizational Fit, Mergers and Acquisitions, Acquisition Process, M&A Process, Process Perspective, Acquisition strategy.

3.2.2 Primary data

The authors’ primary data collection has consisted of semi-structured interviews with key persons of the management at ITAB Shop Concept AB. The purpose of the data gathering was to examine how the acquisition process and strategic fit and organizational fit can be handled to facilitate successful acquisitions.

3.3 Choice of study

When conducting a research there are three types of studies to choose from: exploratory, descriptive and explanatory (Saunders, Lewis, & Thornhill, 2009). An exploratory approach is appropriate when uncertainty of the precise nature of the problem and clarification of the understanding of the problem is the aim. Conducting an exploratory research, willingness to change direction in your study is needed, as new data appear and insights occur. A descriptive approach is useful when the goal is to describe a profile of events, situations or persons (Saunders et al., 2009).

According to Saunders et al. (2009) causal relationships between variables may be established and explained through explanatory research. Myers (2009) suggested that when there already exist a vast amount of literature on a subject, explanatory research can be used to test or compare theories, or develop explanations. Explanatory studies are also suitable to include interviews, in order for the authors to imply casual relationships between variables, and to understand attitudes, opinions and why certain decisions have been taken (Saunders et al., 2009).

The authors consider the explanatory research appropriate for this study due to the aim of examine how the acquisition process and strategic- and organizational fit can be handled to facilitate successful acquisitions.

3.4 Research approach

The research approach is believed to guide researchers in their way to design and develop the research conducted (Saunders et al., 2009). There are three major research approaches: inductive, deductive and abductive approach (Dubois & Gadde, 2002; Järvensivu & Törnroos, 2010).
With an inductive approach data is gathered and a theory is developed as an outcome of the analysis of the data. Contrary, with a deductive approach a theory is incubated with a hypothesis, or hypotheses, and a research strategy is designed to test this hypothesis (Saunders et al., 2009).

The authors of this thesis have taken an abductive research approach which is different from both inductive and deductive approaches as it accepts existing theory as well as theory development based on information gathered from research (Järvensivu & Törnroos, 2010). The abductive approach facilitates greater understanding of the researched phenomena compared to an inductive or deductive approach as it takes both theory and empirical findings into consideration in a ‘back and forth’ process. Hence the approach is suitable when research is aiming at discovering new relationships and variables in theoretical models, rather than confirming it (Dubois & Gadde, 2002). Due to its characteristics, abductive approach is also especially suitable for case driven research as prior theory is used as a framework for empirical material and analysis (Dubois & Gadde, 2002; Järvensivu & Törnroos, 2010; Yin, 2003).

The authors started by examining existing theory on the acquisition process, strategic fit and organizational fit. The theory was presented in a theoretical framework, which served as a guideline for the development of the research. Secondly the empirical material was gathered via interviews related to the theoretical framework. The empirical data was presented and analyzed in comparison to the theoretical data and the outcome of the process in comparing theory and empirical findings resulted in a presentation of similarities and differences between them. Lastly the findings were concluded and presented with the aim of examine how the acquisition process and strategic- and organizational fit can be handled to facilitate successful acquisitions.

3.5 Case study

Conducting a case study has not always been seen as an appropriate scientific method, as it has been argued not to provide enough foundation for scientific generalization (Myers, 2009). However, the attitude towards case studies has changed and to learn from a specific case is now considered to be a strength instead of a weakness, as the interplay between a phenomenon and its context is most properly understood through case studies, by asking how and why questions (Dubois & Gadde, 2002; Myers, 2009).

ITAB has been selected due to the great potential of useful information regarding the topic of the thesis, since it is illustrating the phenomenon that is being investigated in this study. The sampling aims at insight regarding the phenomenon, and not generalization of the empirical data from a sample to population (Patton, 2002). The authors used ITAB as a single case since it is rare, allows deep information supply and also due to the limited time, which is why a single case is proposed to use by Saunders et al., (2009) and Yin (2003). One evidence of the need for, and the rare characteristics of, the qualitative case study conducted relates to following statement by Halebian et al.: “...the vast majority of acquisition research has focused on larger, publicly traded U.S. corporate entities, using mainly quantitative archival data. To a large degree, archival-based methodologies are a consequence of data availability; however, although such
methods have provided scholars with valuable insights into the antecedents and consequences of acquisitions, they limit scholars’ abilities to get “inside” the phenomenon” (Haleblian et al., 2009, p. 492).

Hence the rare characteristics of this study responds to the rareness of making a case study analysis in the field of M&As, which mainly is driven by quantitative research on large U.S corporate entities. Furthermore ITAB is suitable due to their history of successful acquisitions, which enables accessibility to valid information.

### 3.5.1 Case description of ITAB Shop Concept AB

Table 3-1 ITAB Key figures

<table>
<thead>
<tr>
<th>ITAB Shop Concept key figures end of 2013</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover:</td>
<td>3,574 m SEK</td>
</tr>
<tr>
<td>Result:</td>
<td>217.1 m SEK</td>
</tr>
<tr>
<td>Employees:</td>
<td>2,306</td>
</tr>
<tr>
<td>Production and logistics area:</td>
<td>260,000 m²</td>
</tr>
<tr>
<td>Number of countries present 2013:</td>
<td>20</td>
</tr>
<tr>
<td>Number of acquisitions between 2004 and 2013:</td>
<td>20</td>
</tr>
</tbody>
</table>

ITAB Industrier AB was founded 1969 and took the direction into shop interior production in the mid 1990’s when the Nordic operations merged into a group. In 2004 the organization went public and at the same time they switched name to ITAB Shop Concept AB (ITAB). ITAB is a global actor in the shop fitting industry with operations in 20 countries, with northern Europe as the biggest market, and 2 306 employees (See Table 3-1 ITAB Key figures). The group’s three key areas of operations are shop fitting, products and lightning systems, these tree areas includes everything from self-checkouts and interior to lightning and entrance systems. The business idea is “ITAB will offer complete shop concepts for retail chain stores. With its expertise, long-term business relationships and innovative products, ITAB will secure a market-leading position in selected markets.” (ITAB Shop Concept, 2014a)

In this thesis, ITAB will be presented from the year 2004 when the current name and corporate structure were set, and due to the availability of information and key persons for the interviews as well as organizational uniformity.

Since 2004 the organization has grown substantially, mainly through acquisitions, of which approximately 90% have been successful within the first year and the remaining 10 % after two to three years according to the Vice CEO (M. Gustavsson, personal communication, 2014-04-04). An evidence of the success the acquisitions have brought is the development of the company’s turnover and share price. In 2004 when ITAB, as we know it today, was founded the turnover was 953.2 mSEK and the per share price at the IPO² was at 31 SEK (ITAB Shop Concept, 2005). In 2013 the turnover was 3,574 mSEK and the share price at March 31 2014 was 196 SEK per share (See Figure 3.1) (ITAB Shop Concept, 2014b). Hence ITAB has had a growth in the turnover with 275 % and growth in share price with

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² Initial Public Offering – the first time a company is available for public investment.

Figure 3.1 ITAB Shop Concept AB Stock Chart (The Wall Street Journal, 2014)

The organization is characterized by a strong entrepreneurial spirit where growth, results and customer care are in focus. Even though it is categorized as a large company it is managed as a mid-sized company with high managerial autonomy and a lot of responsibilities put on the CEO and Vice CEO, who have been with ITAB since 2004 respectively 2003. The responsibility distribution becomes highly evident when it comes to the acquisitions ITAB has made. In the majority of them the Vice CEO has had the lead of the acquisition, supported by the CEO and CFO. During acquisitions when the Vice CEO has not been in the lead it has been the CEO. Hence the key persons for this thesis are the CEO, the Vice CEO and the CFO as they are the main responsible persons having knowledge of how and why acquisitions have been made.

3.6 Generalizability

The generalizability of single case studies has been questioned by theorists, arguing that one case is not enough as the sample is too limited and instead three cases and more have been proposed (Yin, 2003). However Myers (2009) stated that three or four cases still are too few to increase confidence level and thus it is better to generalize one case to theory as it is possible to generalize from single experiments.

Lee and Baskerville (2003) highlighted Walsham’s (1995) identification of case generalization, that a rich description of a case enables generalization to concepts, theory, specific implications or to rich insight. Myers (2009) further explained that the validity on generalization rely on the logic behind the description of the case findings and the conclusions extracted from them. Interpretive generalizations are contextual in nature and depending on the researchers interpretation and methods (Myers, 2009). Yin (2011) stated that qualitative case studies provide scientific generalization which makes it possible to generate logics applicable to situations other than the case specific.
To facilitate scientific generalizability the authors have been thorough when describing the case studied and the relationship between the study object and researchers. Furthermore, the authors have connected the case with the theory i.e., when constructing the interviews and categorizing the empirical findings in accordance with theory. When findings and conclusions were derived the authors related the findings to theory and kept the contextual boundaries in mind.

### 3.7 Qualitative research

Patton (2002) and Saunders et al., (2009) argued that there are two main methods: quantitative and qualitative. The quantitative method is characterized by numerical or statistical data used to test theories or explanations as well as statistical validation of questions or hypotheses. Qualitative method on the other hand is characterized by non-numerical data such as interviews and open-ended data used to develop theory through environmental studies (Patton, 2002).

As the authors of this research examine how the acquisition process and strategic- and organizational fit can be handled to facilitate successful acquisitions the case study strategy was presented earlier. To facilitate the case study it is essential to collect as much information as possible which is the aim of the qualitative research method (Patton, 2002; Saunders et al., 2009). The qualitative method creates understanding for the researched phenomenon as the examination is conducted in depth, with openness and focus on the details (Patton, 2002). When examining questions with the aim to understand a certain phenomenon the qualitative method is superior to the quantitative method due to its in-depth knowledge (Saunders et al., 2009).

#### 3.7.1 In-depth interviews

The used method is in-depth interviews with questions of open-ended character as it facilitates in-depth responses about experiences, opinions and knowledge (Patton, 2002). Further, Yin (2003, p. 89) stated that "one of the most important sources of case study information is the interview". Probing questions will also be used to get more developed answers (Saunders et al., 2009). One fallacy the authors are aware of is that open-ended qualitative questions are difficult to analyze due to the lack of standardization (Patton, 2002). However the advantages of understanding a phenomenon from the respondents point of view is argued to overcome the lack of standardization, which then becomes the reason why qualitative methods are used (Patton, 2002). This matter is also something the authors have had in mind and thus the qualitative data collected was categorized and carefully analyzed so that the presented findings could bring accurate information to this thesis.

When conducting interviews there are three types of interviews according to Myers (2009) and Saunders et al., (2009):

- Structured interviews – uses strict, regulated, pre-formulated questions to ensure consistency between several interviews.
• Semi-structured interviews – uses some pre-formulated questions but gives room to improvisation to pursue new enquiry that emerge during the interview.

• Unstructured interviews – no use of pre-formulated questions in order for the interviewee to speak freely from his or her mind.

The authors of this thesis have chosen to conduct semi-structured interviews as it, according to Myers (2009), gives the benefit of a comparable structure between different interviews yet it gives the interviewer room to add probing questions to pick up on important insights which are personal for each interviewee.

In order to make the interviews as reliable and honest as possible it is proposed to identify interviewees suitable for the intended purpose of the study, establish a trustworthy relationship and ask the right questions in a situation without time-pressure (Myers, 2009). The authors have taken actions to create a fruitful interview setting. Relationships where created two months before the actual interviews with all interviewees as the authors made regular contact via e-mail and had informal meetings. The authors were also invited by ITAB to be present at a fair for the retail shopping industry. This gave the authors the opportunity to create relationships with the persons who were going to be interviewed, which enabled the authors to get deeper and more meaningful answers during the actual interview. Furthermore the authors had the opportunity to experience the organization from more than the head quarter perspective, which enriched the insights and ability to relate interview material to the organizational setting.

Myers (2009) proposed that interviews should be conducted with people on different positions to get a wider understanding for the phenomena. Further he proposed that questions should be open-ended, appropriate for new lines of enquiry, taped and transcribed to increase validity. Hence the authors interviewed four people on different positions, yet with influence of the subject area to research: the CEO, Vice CEO, the CFO and the HR responsible, however the HR responsible did not have any direct influence or hands-on effect on the acquisitions and have thus not been included in the findings of this thesis.

• Ulf Rostedt, CEO, started his career at ITAB Industrier AB in 1997, in 2004 he became Vice President of ITAB and in 2008 he was appointed CEO. He has been in the executive group in over 20 acquisitions.

• Mikael Gustavsson, Vice CEO, employed since 2003 and became Vice President 2008. He has been in the executive group for over 20 acquisitions.

• Samuel Wingren, CFO, has been controller since 2003 and joined the management group in 2013. Has taken part in over 20 acquisitions.

• Viveca Lindberg, HR responsible, employed since 2013 and part of the management group. Has not taken part in any acquisition.

The questions were constructed as open-ended, semi-structured and open for improvisation, probing questions, to ensure a depth of enquiry. To secure that the information were transparently transcribed the interviews were recorded with three recording devices to min-
imize technically problems and transcribed close after the interviews. The settings for the different interviews were as follows:

**Interviews with Ulf Rostedt, CEO**

Location: ITAB Shop Concept AB Headquarter, Jönköping


Setting: The office of the CEO at ITAB, together with the HR responsible, quiet surroundings, behind shut doors and no risk for overhearing or interruption.

Immediate impressions of the interview: Openhearted answers to the questions asked, about company culture, structure, acquisition process and ITABs ways of thinking. A good connection and relationship between the authors and the interviewee was established and a feeling of trust was present, which enabled the authors to gain deeper knowledge.

An additional meeting with the CEO was conducted, since the possibility to get confirmation and additional information arose.

Location: ITAB Shop Concept AB Headquarter, Jönköping

Time: 12.50 – 13.07, April 4 – 2014

Setting: Lunchroom with some noise in the surroundings, the two interviewers and the CEO eating lunch together.

Immediate impressions of the interview: Rapid interview, trying to gain as much knowledge as possible over a quick lunch. Since the person has been involved in the acquisitions and knew what we are writing about he could provide us with useful information. Some stress was felt but was understandable; the interview was a reschedule due to unforeseen circumstances for the CEO.

**Interview with Samuel Wingren, CFO**

Location: ITAB Shop Concept AB Headquarter, Jönköping

Time: 13.00 – 13.45, March 27 – 2014

Setting: Quiet meeting room with a good setting for a relaxed interview and no risk for overhearing or interruption.

Immediate impressions of the interview: Slow start, required some efforts from the interviewers to explain the questions and our intentions. After some minutes of getting into the right context the interview went on in a highly qualitative manner. The interviewee answered the questions with details and good elaborations on the answers. It became evident that he had been a part of many acquisitions as he could develop how they thought and worked in the acquisition processes and how they evaluated the fit.
Interview with Mikael Gustavsson, Vice CEO

Location: ITAB Shop Concept AB Headquarter, Jönköping

Time: 10.00 – 12.10, April 4 – 2014

Setting: The office of the Vice President at ITAB, quiet surroundings, behind shut doors and no risk for overhearing or interruption.

Immediate impressions of the interview: This was a very unstructured interview with a lot of explaining through stories and anecdotes. If one question was asked, then the person being interview mentioned a lot and went on with his own thoughts instead of making sure he answered the right questions. A long meeting, which was appreciated by the interviewers, in which detailed information was given due to the fact that the person who was being interviewed had been deeply involved in over 20 acquisitions.

As the interviews were held in Swedish they were translated into English when transcribed. Due to the semi-structured nature of the questions the interviews contained information unrelated to the actual research. As proposed by Saunders et al., (2009) the interviews are not presented to full length but instead the information appropriate for this thesis. This was done to reduce irrelevant data and instead provide the reader relevant information for coming analysis.

The interview material was sorted into a matrix where data from all interview objects were categorized into themes in order to create common frames for the empirical findings (see appendix 1). As the interviews were of different characteristics, i.e. in the amount of probing questions and the authors need to direct the conversations, the matrix structure enabled the authors to extract similarities in their answers to enhance the empirical uniformity.

3.8 Interview themes

The authors have decided to use open questions related to the theoretical aspects brought up in the theoretical framework. In order to guide the reader the themes and questions are following the linear acquisition process order in consideration to the phases of pre-acquisition and post-acquisition.

Value creation

Jemison and Sitkin (1986b), Haspeslagh and Jemison (1991) and Lasserre (2003) highlighted the importance that the company find the right acquisition target in the pre-acquisition process, based on certain motives of the acquisition. Following questions were created to the theme:

Which have been the motives for acquisitions?

Why do you make acquisitions?
Target selection

Essential for the pre-acquisition process is the importance of finding the right acquisition target, analyzing and evaluating the target (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986b; Lasserre, 2003). Following questions were created to the theme:

*How do you act in the pre-acquisition process?*

*How to find the acquisition targets?*

Due-diligence and valuation

Lasserre (2003) highlighted the importance of generating a financial valuation of the target to determine what price range to set for the acquisition. The accumulated information that management has assessed about the target company should be taken into careful consideration when making the valuation and act as decision support (Hubbard, 2001). Following question were created to the theme:

*How does ITAB determine the valuation of their target organizations?*

The due-diligence process is where the best possible deal is pursued, by analyzing the acquisition and searching for ways to provide synergies. The process is often time consuming and tend to focus on the hard, financial, aspects, as numbers and systems, and almost no time is spent on the soft organizational aspects (Bing & Wingrove, 2012). Following question were created to the theme:

*How does the due-diligence process work at ITAB?*

Integration

Integration is the phase when the two firms come together. During the integration phase strategic capability transfer and value creation depend on the ability to understand the organizational context and the needed level of organizational autonomy and operational interdependencies (Haspeslagh & Jemison, 1991). Following questions were created to the theme:

*How do you integrate acquired companies?*

*Cultural consideration, organizational issues, management, practices.*

Datta (1991, p. 281) emphasized the influence organizational fit has on the “ease with which two organizations can be assimilated after an acquisition…” and mention differences in management styles and organizational systems as important in the perspective of post-acquisition integration. Following questions were created to the theme:

*Do you take the post-acquisition process into consideration already during the pre-acquisition process?*
Are you considering the integration issues on beforehand?

**Transition**

The transition phase is characterized by uncertainties and problems emerging when the acquiring organization prepares for capability transfer and value creation (Haspeslagh & Jemison, 1991; Lasserre, 2003). Following questions were created to the theme:

**How do you approach the transition the phase?**

**What do you focus on during the transition? (Managerial activities, strategy, process?)**

Harrison, Hitt, Hoskisson and Duane (1991) stated that synergy is the essence of value creation. Hence it is important for acquiring companies to identify factors for synergy creation when finding acquisition objects. Regardless of what strategic objective an organization has, the value from the acquisition depends on how well the management handle the acquisition process (Cartwright & Schoenberg, 2006; Gomes et al., 2013; Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986b). Following question were created to the theme:

**How do you act in order to facilitate the synergies identified in the pre-acquisition process?**

**Strategic and organizational fit**

Assessing the degree of fit to the acquiring organization is essential (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986b; Lasserre, 2003). Strategic fit is "the degree to which the target firm augments or complements the parent’s strategy and thus makes identifiable contributions to the financial and nonfinancial goals of the parent" (Jemison & Sitkin, 1986b, p. 146). Jemison and Sitkin (1986b) related organizational fit to the consistency of administrative practices, leadership styles, organizational structures and cultures. Following questions were created to the theme:

**What role does fit have in the pre-acquisition process?**

**How do you identify the organizational and strategic contributions?**

**What objectives are you looking at? (Culture, risk, processes, customers, financials, management, owners etc.)**

**ITAB’s process view**

When summarizing, researchers describes the acquisition process as linear. Since ITAB has been successful regarding the acquisitions made, an interesting aspect was to understand their view of the process, hence the theme:

**How do you recognize the process from the stage you identify a need for acquisition until the implementation is done?**
4 Presentation and analysis of empirical findings

In this section empirical findings from the different interviews is presented and analyzed respectively for easier interpretation. The chapter is structured in the same way as the theoretical framework and interview themes, following the acquisition process setting to guide the reader from pre-acquisition to post-acquisition process.

4.1 Pre-acquisition process

4.1.1 Value creation

Researchers have stated that M&As are based on financial and strategic motives with the goal of creating value that would not emerge if the two companies continued to act independently (Bower, 2001; McCarthy & Dolfsma, 2013; Schweiger & Very, 2003; Seth et al., 2000; Shelton, 1988). Harrison et al., (1991) stated that synergy is the essence of value creation. Lasserre (2003) identified that there must be strategic reasons for undertaking an acquisition that creates some type of value. This relates to the need for analyzing the possible strategic and organizational contributions that can be assessed from an acquisition (Jemison & Sitkin, 1986b).

During the interviews with the CEO, the Vice CEO and the CFO it is described how a long term organizational growth strategy is acknowledged, which enables the company to search for specific acquisition targets based on customer portfolio, geographical spread and concept platform. The Vice CEO says: “We want to find companies that would fit with ours” (M. Gustavsson, personal communication, 2014-04-04).

The CEO explains this as: “First of all, it is important to know what you, as a company, want. The strategy is of great importance. An example can be that now, we at ITAB feel like we have really good and capable production resources. So we would search for a company that does not have these production resources, but instead maybe is more of a selling company. It fits our company strategically” (U. Rostedt, personal communication, 2014-04-04).

The CFO explained that the acquisitions made by ITAB have different motives depending on the strategic conditions. “The company has a strategy of following main customers to new markets, and the customers feeling of closeness and presence from ITAB is very important to us” (S. Wingren, personal communication, 2014-03-27). The customers should experience the same service from ITAB, all over the world. If their customers expand to a new market ITAB follows them if the conditions are right. If ITAB already exist in the market, acquisitions are made to strengthen the market position, or to complement the range of service in that market. “ITAB seeks complementary acquisition targets when needed. If the company is competitive and strong in shop fitting and check outs in a certain market, but not so strong in lighting, then it may be an opportunity for value creation to find a company that has a distinct lighting business” (S. Wingren, personal communication, 2014-03-27).

4.1.1.1 Analysis of Value creation

ITAB’s actions to identify how an acquired company can contribute to the organizations growth are foremost based on the three pillars of “customer portfolio, geographical spread and con-
cept platform” (M. Gustavsson, personal communication, 2014-04-04). Hence ITAB has clear strategic reasons, in line with what Lasserre (2003) described as a must for undertaking an acquisition to create value. ITAB’s desire to be able to follow their customers on new markets might lead to acquisitions not following all, but one or two, of the three pillars of customer portfolio, geographical spread and concept platform. In these cases where closeness is prioritized the acquisition’s geography and concept platform creates more value than the customer base.

Furthermore ITAB’s analysis of strategic and organizational contributions highly relates to what Jemison and Sitkin (1986b) and Hubbard (2001) argued necessary for specification of prospects and creates understanding for the purpose of the acquisition. This can be seen as the acquisitions made always relate to what ITAB describe as their long term strategy and once again emphasizes on the right geographical spread, customer portfolio and concept platform.

4.1.2 Target selection

Lasserre (2003) stressed the importance of finding an acquisition target that will create strategic or/and financial value. The acquiring organization has to specify what sources creates benefits and problems respectively and then analyze them and determine whether an acquisition can be justified or not (Jemison & Sitkin, 1986b). Common factors to examine and collect information about are the strategic fit and organizational fit (Gomes et al., 2013; Hubbard, 2001; Jemison & Sitkin, 1986b). These two factors are then subject for analysis to create understanding for how the acquisition facilitates the general acquisition objective (Hubbard, 2001).

ITAB has a clear long-term operational strategy of how they want the company to develop and all acquisitions made have been to carry the development forward. The CEO explains it as following: “Yes, we have a quite clear strategy of how we want to develop ITAB. Of course, we do not make any acquisitions unless we believe that they can support this development and strategy” (U. Rostedt, personal communication, 2014-04-04).

ITAB focus on finding companies with skilled employees and management. Furthermore the target company must understand the ITAB culture and how they think. According to the CFO: “We acquire organizations with the right kind of people, that fits in with ITAB and whom we believe can be built on. We often build upon the management we acquire and we are good at finding companies that fits with our strategy and way of thinking. How do we know it is the right kind of people? Informal meetings, dinners, talking to one another of record, is very important” (S. Wingren, personal communication, 2014-03-27).

Another important aspect for ITAB is to identify a target company that fits the organization and they analyze the organizational similarities and differences when determining upon the right acquisition target. Also, the Vice CEO explained the importance of the possible integration aspect and that it is analyzed already when analyzing the different targets.

Further, the CFO describes that they collect information about the incentives of the target firm’s willingness to sell. It is not always by the book and an important attribute is informal meetings and dinners. The incentives is important if the seller is going to continue working
in the acquired firm, since it is crucial to convince key persons that the acquisition will benefit, and create value for, both the acquirer and the acquired organization.

4.1.2.1 Analysis of Target selection

In line with what Lasserre (2003) stated, ITAB is focusing on finding targets that will create value. The clear operational strategy of how ITAB want the company to develop contributes to the ability of specifying what sources within the target organization will create value. When ITAB is able to specify this, it makes it easier for ITAB to sort out potential targets among the organizations that are available.

The strategic fit is very important to ITAB when acquiring a company. This relates to ITAB’s search for companies to contribute to the three criteria for ITAB’s long term growth as stated in the value creation: Customer portfolio, the geographical spread and the concept platform. Hence ITAB always analyze for these factors when selecting their prospects for acquisitions, as they are keen on keeping the right track of the core business. This implies that ITAB has a clear framework of what kinds of companies to look for and thus never even considers acquisition proposals from companies different from them.

Also the organizational fit is examined when selecting a target to acquire. This aspect is important when potential target organizations have similar strategic fit. Then the organizational fit may be decisive, how the target’s features match ITAB’s organization, such as culture, key personnel and flexibility. This relates to Gomes et al., (2013), Jemison and Sitkin’s (1986b) and Hubbard’s (2001) statement that strategic and organizational fit are common factors to examine.

When examining the organizational aspects, as key persons and the company culture, ITAB manage to get deep knowledge about how the key personnel within the target company thinks and works. This is done through meetings and dinners, formal and informal, which contributes to the ability to get a proper understanding of the organization and its attributes.

4.1.3 Due-diligence and valuation

The M&A theory states that due-diligence takes part in the pre-acquisition process to get the best deal and identify possible synergies by focusing on the financial parts (Bing & Wingrove, 2012).

ITAB’s due-diligence is conducted in the post-acquisition process, after both seller and acquirer have agreed upon the deal. According to the Vice CEO, it is during the due-diligence many companies make mistakes when bringing in external parties, i.e., company brokers and auditors, who does not have the same insight in the company as the company’s members or owners. Usually due-diligence is a long process, with high costs, made before agreeing to a deal. ITAB argues that they wants to avoid it by establishing mutual trust, having informal meetings, and getting to know the seller and the target company better. The Vice CEO explains the process: ‘We, as buyers, spend a lot of time with the seller during meetings and dinners and so on. If the seller says things about his or her company we believe that is the truth of course. Why lie? We have these kinds of discussions on the third day maybe, discussions about the conditions of the
sellers company” (M. Gustavsson, personal communication, 2014-04-04). To be able to conduct the due-diligence process in the post-acquisition process, ITAB uses guarantees and clauses if the information gathered from the seller should turn out to be untrue or incorrect.

Lasserre (2003) and Jemison and Sitkin (1986b) highlighted the importance of generating a financial valuation and set a price on the target based on the financial values, and the strategic and organizational synergies.

ITAB sees the price setting as an important implication to the likelihood of an acquisition, meaning that the price is related to the risk in acquiring a company. The CEO said: “An acquisition is not just opportunities, but also risks. You buy something new. It does not matter how good you are, at due diligence and analysis, it can still go wrong. Then of course the price issue is important. If you believe that you are making a good deal, then you are ready to take a little more risks than if not. But if you believe that the price is a little high but still acceptable, you do not want to take those risks” (U. Rostedt, personal communication, 2014-04-04).

Further ITAB mentioned the importance to understand why the target company is for sale and match, not only by financial incentives but also future organizational commitments. The CFO explains it: “The thing is to understand the agenda of the other company (target company). It is really important to be attentive. It gives us the opportunity to understand what the seller wants, and by this reach the right valuation and find the keys in the negotiation” (S. Wingren, personal communication, 2014-03-27).

4.1.3.1 Analysis of Due-diligence and valuation

Jemison and Sitkin (1986b) and Lasserre (2003) argued that due-diligence takes part in the pre-acquisition process. This is contrary to what the Vice CEO describes about the way ITAB work regarding due-diligence. He believes that many acquisitions fail in this phase due to the fact that the seller or acquirer often brings in a company broker or auditor who may not have the same insights and intentions to reach a smooth agreement. ITAB wants to get a close to relationship with the seller, to avoid complex processes, and reach an agreement before the due-diligence is made. In turn it gives them the ability to conduct more efficient negotiations and avoid unnecessary struggles regarding the due-diligence.

The outcome of having due-diligence in the post-acquisition process is that the time from target identification to agreement becomes shorter, thus less resource consuming meaning less risks of ambiguity in the sense of differing opinions between seller and buyer. Further, ITAB value the mutual trust between the seller and ITAB as they base a lot of the fundamentals for acquisitions on what information they have gotten from the seller. This does not come without obligations though as they set up different clauses in the contract as a back up if the information given is misleading or showing different values.

Lasserre (2003) and Jemison and Sitkin (1986b) argued that financial values together with strategic fit and organizational fit comprise the price of an acquisition. ITAB finds the valuation of a target company important to be able to compare and evaluate the risks regarding the acquisition. The analysis gives ITAB the possibility to see whether the strategic value and the degree of risk match the financial valuation, which affect the decision whether
to acquire or not. If there is low risk together with high strategic value, then it is motivated
to pay a higher price. If high risk, then the price should be lower. When evaluating a target
ITAB try to identify appropriate strategic fitting synergies, which comes from the value
creation and target analysis steps, relating to geography, customers and concept platform.
The better strategic fit means less ambiguity and thus less risk.

Further ITAB want to understand the seller’s agenda, something that the theories in the
theoretical framework conducted by the authors do not mention. According to the CFO of
ITAB, this is something that is emphasized within the company during the acquisition ne-
egotiation. An understanding of the seller’s agenda strengthens the possibility for ITAB to
see to mutual benefits. For example they value retained management, hence if the intention
of the seller is to stay, ITAB can account for that by offering an attractive position. This
helps in the process of reaching a suitable price setting and to convince the seller that
ITAB is the right buyer as it proves understanding for the company.

4.2 Post-acquisition process

4.2.1 Integration

The need for proper integration is essential as the value and efficiency of the acquisition relies on how well
the integration facilitates the acquisition objectives and the organizational and strategic fit recognized prior
to the acquisition (Christensen et al., 2011; Haspeslagh & Jemison, 1991; Schweiger & Very, 2003).

ITAB has a flexible approach when it comes to integration of acquired companies. The de-
gree of integration depends on the purpose of the acquisition, the current structure and po-
sition of the target company according to ITAB. First focus is put on implementing the
ITAB culture and way of doing business. Then ITAB implements operations when they re-
ally know the company. Furthermore ITAB describes a development in the way of han-
dling the integration from being careful to quick. The CEO explained it as following: “Ten
years ago, we were very humble when acquiring a local company. We were quite careful with the integration.
But now, we are much quicker when integrating the ITAB thinking and strategy. It depends on the profi-
tability of the target company though. If it is profitable we are more careful with the integration. If it is not,
then it is no problem for us to go in and flip the company around with a lot of integration” (U. Rostedt,
personal communication, 2014-04-04).

The Vice CEO had a similar view of the process but did not describe the careful integra-
tion approach in the same way, instead he emphasized that they were present and active in
the integration phase no matter what the acquired company look like. The Vice CEO:
“When we acquire weaker companies we are constantly present. But on the other hand, when we acquire
strong companies we are there as well. But then we do not correct or change to that extent. It depends on
how each business looks” (M. Gustavsson, personal communication, 2014-04-04).

According to the CFO of ITAB, it is important that the integration matches the objective
with acquiring the company. Hence they need to keep an overall view of all aspects in the
process throughout the different phases of the pre-acquisition and post-acquisition pro-
cesses. “At ITAB, there is a distinct direction from the start what is wanted with the acquisition. There
is a pressure from the board and the top management that the goals and objectives, that were set in the pre-acquisition process, should be fulfilled and as an acquirer you always has to go back and check if everything has been done” (S. Wingren, personal communication, 2014-03-27).

ITAB describes the importance of taking the integration aspects in mind already when analyzing the acquisition targets. The CFO mention the importance of considering the integration beforehand: “Even in the beginning we look at the integration. Of course we have made acquisitions where we early see things that will not fit, for instance if certain people (in the target organization) not is going to fit in. Then we start planning on how to deal with it” (S. Wingren, personal communication, 2014-03-27).

4.2.1.1 Analysis of Integration

During the integration phase it is important to understand the organizational context of the respective companies (Haseslagh & Jemison, 1991). ITAB explains that they are flexible in their integration approach and emphasizes the understanding of the organizational context before integrating the business to a greater extent. Instead of focusing on organizational autonomy and operational interdependencies, which is what Haseslagh and Jemison (1991), Gomes et al., (2013), and Lasserre (2003) emphasized, ITAB first focuses on integrating the ITAB thinking and strategy into the acquired companies. When an acquired company understands ITAB’s way of working, it enables ITAB to handle the organizational autonomy and operational interdependencies. Otherwise resistance may arise when a new owner enters to change existing routines in the acquired company. However, by having this approach, it may take longer time to change the acquired organization from an operational aspect, since the resources available will focus on organizational aspects.

Whilst the Vice CEO states that they often are on site at the acquired company after just some days, the CFO states that it is important that the integration matches the objective of the acquisition and sometimes it is beneficial not to rush with changing the targeted organization. The different view between the two might depend on the roles they have. The Vice CEO is in most cases the key person of the acquisitions; hence he has more responsibility and a more hands-on approach than the CFO, whose main responsibilities is the united financial reporting systems and valuations. Hence, what the CFO mean might be that they do not rush with operational or reporting changes whilst the Vice CEO focus on getting the company to understand how ITAB works.

ITAB does not explicitly focus on what type of integration approach they use, which is less in line with Haseslagh and Jemison’s integration framework (1991). Instead ITAB adhere to the need for proper integration, which according to Christensen et al., (2011), Haseslagh and Jemison (1991), and Schweiger and Very (2003) depends on the goal with the acquisition. That becomes obvious when it is common for the ITAB executives that the emphasis is on using different integration approaches suitable for the acquired company, with the common denominator to fulfill the goals with the acquisition established in the first phase.

The integration aspect of ITAB can be related to the theories of Hubbard (2001) and Jemison and Sitkin (1986b) who explained the importance of identifying what resources to
use and what actions to take in the integration phase. In ITAB’s case this is done already in the pre-acquisition process instead of the post-acquisition process. ITAB is analyzing the target organization, what type of culture and personnel the target has, and prepares for problems that may arise and how to prevent them.

4.2.2 Transition

The transition phase is characterized by uncertainties and problems emerging when the acquiring organization prepares for capability transfer and value creation. (Haspeslagh & Jemison, 1991; Lasserre, 2003) A general view among researchers is that a major source to these problems is the management’s inability to handle the organizational fit and instead shift focus to the integration of business operations (Gomes et al., 2013; Haspeslagh & Jemison, 1991).

The CFO emphasize ITAB’s ability to be humble and not to just step in and re-organize an acquired firm from the beginning, unless it is motivated to do so, i.e., when the target company does not perform well. Instead, the company pays attention to how different internal processes currently works and try to learn from that by being present and close to the target firm. If there is no sense of humbleness, efficiency in the acquiring process and successful outcomes will decrease. But when it is obvious that changes have to be done it is important to act with power to make sure the success and synergies will be reached.

Furthermore ITAB maintain close contacts with the companies they acquire, often they are present already after a day or two to make sure everything works fine. However as they emphasize the importance of being humble they do not start to interfere too much with the acquired companies daily operations. Instead they watch and observe and point out the direction as it goes along. They also focus on having similar cultures and understandings already before making the acquisition as it enables an easier transition with less need to work with changing people’s minds and corporate cultures.

However, ITAB not always acquire organizations with similar cultures. The Vice CEO describes an example where they acquired a company with completely different values because it was part of a group they acquired. In that case ITAB was “… there after two days and changed and cleared some parts.” “After that we started to change the organization to how we wanted it to be. So the customers are still there, the warehouse is still there. So that company we integrated to a very high extent with our current organization. But that was due to the fact that it was in the red zone” (M. Gustavsson, personal communication, 2014-04-04).

As mentioned earlier, the management has a pressure from the board to fulfill certain objectives and always go back and see what the purpose of the acquisition was. In this way ITAB is dynamic. Everything does not always turn out as planned and then ITAB is flexible and quick at adapting new strategies to fulfill the objectives. According to the CFO this emphasize the entrepreneurial perspective on the process.

4.2.2.1 Analysis of Transition

ITAB’s acting in the transition phase does not align with the theoretical generalization of a focus on the acquired company’s operations (Gomes et al., 2013). Instead of focusing on
transfer of sales force or brands, ITAB focus on understanding the internal processes and cultures with the explanation that they need to be humble. That is done to increase trust and minimize the risk of alienation and interfere with the synergy extraction. The organizational focus ITAB has adhere to the approach of seeking similar acquisition targets in the pre-acquisition phase as ITAB knows that it will facilitate the transition of the organizations. Hence ITAB seems to have an approach that makes them overcome the integration problems stated by Gomes et al., (2013) and Haspeslagh and Jemison (1991) who mean that organizational aspects are overlooked with regards to operational aspects.

Furthermore the fact that ITAB does their due-diligence after the acquisition is agreed upon can also make implications on the transition process. It is proposed that legal and financial aspects are well handled and organizational aspects attract less attention during the transition phase (Bower, 2001; Gomes et al., 2013; Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986a). In ITAB’s case this is turned around as they start working on the legal and financial aspects during the transition phase. That enables them to have one team focusing on the due-diligence (financial and legal aspects) and another focusing on deriving the organizational fit between the two companies.

4.3 Strategic fit

Strategic fit is “the degree to which the target firm augments or complements the parent’s strategy and thus makes identifiable contributions to the financial and nonfinancial goals of the parent”(Jemison & Sitkin, 1986b, p. 146). This means that the core focus is divided to the financial, hard, factors and the nonfinancial or strategically, soft, factors such as industry, market, technology, customers and organizational issues (Carmeli et al., 2010; Rappaport, 1979; Shelton, 1988).

In 2004 ITAB created a vision with a clear strategy containing growth via customers, geographical locations and certain products and concepts. The acquisitions made have all been made with the purpose to reach the strategic goals. Again, as the CEO put it: “…we do not make any acquisitions unless we believe that they can support this development and strategy” (U. Rostedt, personal communication, 2014-04-04). The Vice CEO confirmed the strategically important aspect: “We figured out that we need to acquire companies with certain features: customer base, right geographical location and right products. We wanted to find companies that would fit with ours” (M. Gustavsson, personal communication, 2014-04-04).

The CFO further explained the importance of strategically fitting companies: “That a target fits with the company is of course extremely important and to be able to conduct successful acquisitions the target firms need to fit in our business model. ITAB believe that they are really good at finding firms that match their strategy and incentives” (S. Wingren, personal communication, 2014-03-27).

The Vice CEO also told the authors about different strategic approaches regarding market position: “…then we have the different approaches, attack or defensive strategy. We might experience a situation where we have to engage in an acquisition to defend our market position. Otherwise someone else could acquire the organization and become a major issue for us in some way. We also have an attack strategy, if we need to acquire a company due to the market reach” (M. Gustavsson, personal communication, 2014-04-04).
4.3.1 Analysis of Strategic fit

It has been made clear to the authors that ITAB does not make an acquisition unless it has strategic value creation for the organization, in line with what Jemison and Sitkin (1986b), Pablo et al. (1996) and Gomes et al. (2013) implied.

ITAB adapts to the external environment, by recognizing what will be needed to be able to compete in the industry in the future. An important ability according to Gomes et al. (2013), Carmeli et al. (2010), Tushman and O’Reilly III (1996) and Haspeslagh and Jemison (1991) who all emphasized the importance of being able to adapt and change to the environment the organization is active within. Every acquisition has a purpose in ITAB’s strategic plans, which is confirmed by all the three interviewees. This is a crucial factor in enhancing the success of an acquisition. Strategic fit has a mediating role in reaching an acquired corporation’s full benefits in enhanced business strategy (Pablo et al., 1996).

Cartwright and Schoenberg (2006) argued that the link between performance and strategic attributes of firms being combined has been concerned in the strategic fit literature, and especially how important the relatedness between the firms is. Considering Shelton’s (1988) strategic fit matrix, when looking at ITAB, unrelated acquisitions has not been conducted. Instead they have been mostly related-supplementary, gaining new customers and markets when following current customer’s expansion. Some have been related-complementary, with new products, and some have been identical, when defending their market position. This shows that, inline with theory, the degree of relatedness between two firms in an acquisition matters (Shelton, 1988).

However, according to Chorn (1991) the dynamic nature of competitive situations and organizations makes the strategic fit somewhat elusive, and a moving target. ITAB has managed to understand what is demanded within their industry and have found a good strategy, which enables them to conduct acquisitions based on this. Without stating a specific flexible approach in how to identify strategic fit, ITAB describes flexibility in how to evaluate targets in customer portfolio, geographic spread and product concept. This is necessary to stay competitive.

4.4 Organizational fit

Jemison and Sitkin (1986b) related organizational fit to the consistency of administrative practices, leadership styles, organizational structures and cultures. Datta (1991, p. 281) emphasized the influence organizational fit has on the “ease with which two organizations can be assimilated after an acquisition…” and mention differences in management styles and organizational systems as important in the perspective of post-acquisition integration.

ITAB takes the organizational aspects into consideration in many phases throughout the acquisition process as they try to have a complete picture of the company they acquire on beforehand. The Vice CEO emphasizes the ability to understand all aspects regarding the beneficial possibilities in acquisitions: “We (the individuals at ITAB responsible for acquisitions) have a wider perspective and approach than lawyers, auditors, brokers and other might have. We look at the whole picture. The financial aspect, the numbers, is everything to an auditor for example. The organiza-
tional aspect will not be considered, which may be excellent in this case. If something is wrong, I will look on how to improve it. Is it something to worry about or can it be fixed?” (M. Gustavsson, personal communication, 2014-04-04).

As described by the CFO, ITAB targets companies with the right people and mindset that enhances mutual understanding for values and visions. These kinds of persons within target organizations management is something that ITAB aim to find and build upon to ensure success, hence ITAB search for organizational synergies. Thus firms with similar corporate culture, especially an entrepreneurial spirit, are important.

Furthermore the CEO relates the importance of organizational fit to where the target is located geographically and how well ITAB is established on the market: “In England we are strong already, with a good management team, and could easily replace some positions in an acquired organization. But if it would be in France we would be more careful. We would make sure that we acquire the right kind of people, since we in that case would be entering a new market. Entering a new market always means bigger risks. Then the organization is much more important. Also the distance matters. If you experience problem in an organization far away from your headquarters, they will be much harder to solve. Then you need to know that you have skilled persons in the organization” (U. Rostedt, personal communication, 2014-04-04).

Moreover the CFO explains that the organizational fit consciousness is present during the entire acquisition process and states that the integration is considered already in the pre-acquisition process. In previous acquisitions, in the early phases of the process, ITAB has discovered that certain persons do not fit in the organization. Planning on how to deal with them during integration then starts instantly. He says that: “The integration process depends on the target firm and ITAB take cultural considerations seriously. If a company has a sort of culture that may differ a bit from ITAB’s culture, then the integration can take longer time to make sure that the existing business is not affected negatively” (S. Wingren, personal communication, 2014-03-27).

4.4.1 Analysis of Organizational fit

ITAB values the aspect of organizational fit throughout the most phases of the acquisition process. During the pre-acquisition process they seek companies with similar cultures in order to ease the post-acquisition process of integration and transition of capabilities. What they foremost focus on is the management styles of the companies they acquire, which is in line with the theoretical belief to reduce the barriers to acquisition success (Rottig et al., 2013). ITAB explains that the companies they acquire needs to have a management that is able to develop. This enables sharing of the thinking and values that ITAB has. In cases where the strategic fit is driving the acquisition and the company’s organizational fit is a mismatch, ITAB starts preparing for how to transfer organizational values and cultures into it already when preparing for the acquisition.

Looking at the post-acquisition process and the influence of organizational fit ITAB explain that there always is a way to solve possible issues and not letting them interfere what can be a good acquisition. Hence they seem to adhere to Haspeslagh and Jemison’s (1991) belief that organizational problems must not be overemphasized. What seems to be of big-
gest concern for ITAB is the organizational culture and management styles, they do not specifically mention administrative practices or national culture to the same extent. However, national culture might affect the organizational culture and also be underlying in their view of distance from headquarter. The reason for the focus on organizational cultures might be due to the fact that ITAB is described as entrepreneurial and has very hands on management and thus keeps the entrepreneurial focus in everything they do.

4.5 Process view

Haspeslagh and Jemison (1991) founded the acquisition process perspective which researchers have continued explaining through decades. The acquisition process itself is described as a linear process, starting with pre-acquisition process and ending with the post-acquisition process (Haspeslagh & Jemison, 1991; Lasserre, 2003).

Asking the Vice CEO regarding ITABs view of the acquisition process after going through the phases with pre and post-acquisition processes he explains his view: “According to me, and this is no criticism, you started at the totally wrong end. When talking about processes and such things…” (M. Gustavsson, personal communication, 2014-04-04).

The Vice CEO states that the responsibility of conducting the acquisition and its process should not be handed over to auditors or lawyers, but instead should be kept by the buyer. Otherwise there is a risk that the lawyers and auditors make it a more complex process, than ITAB do. “I believe it is in this step where a lot of companies do the wrong thing and loses the opportunity. The important thing is the core business, what the company wants to do. It is about selling and the relationships, the relationship to the organization, how you develop it, working together as a team. These goddamn processes… There is no need to make things bigger than they actually are. Large and complicated processes are a reason that many acquisitions fail” (M. Gustavsson, personal communication, 2014-04-04).

Later during the interview, he gets back to this: "This is a traditional acquisition process (showing the authors a PowerPoint slide on his computer), according to books etc., with a buyer's strategy and a seller's strategy. The buyer shows some kind of interest, and here comes the first mistake that often is been made, because then the seller make sure to bring in a company broker if the seller feels insecure. This leads to an emphasis to do everything by the book instead of using common sense, which is ripped apart because people stop thinking by themselves. Like is he or she a proper person. Instead, complex processes is started since the company broker, the lawyer or the auditor wants to make sure that everything follows the rules and frames, with a lot of writing and documents and so on. To sit down and talk about a potential acquisition, discussing face to face with each other, the buyer and the seller, that is how it should be done. Instead of having a bunch of people telling the seller what to do next, which is really confusing” (M. Gustavsson, personal communication, 2014-04-04).

4.5.1 Analysis of process view

The general view among researchers on the acquisition process is based on Haspeslagh and Jemison’s (1991) findings, which explained the process as a linear, non-dynamic, process from pre-acquisition process to post-acquisition process. ITAB want to keep the acquisi-
tion process short and flexible with a common vision of the acquisition from both the seller and buyer’s point. The strive for a short and effective process is also the reason why ITAB always try to keep the acquisition team the same, with the Vice CEO in the lead, mainly supported by the CEO and CFO. Keeping the same team, instead of using external parties, also enables to have a better overview of the acquisition, as there are the same persons in all steps.

Furthermore ITAB describes a lot of actions during both the pre-acquisition process and post-acquisition process as not being by the book. What they mean is that a lot of contact, information gathering, analysis and negotiation between the seller and the main persons, takes place outside of the negotiation room. Hence they get an understanding of what the seller want to accomplish with the acquisition and they can also make sure that they understand what they acquire on a deeper level than just due-diligence numbers and raw-data in the corporate books. One example of the flexible and dynamic approach is the fact that they conduct their due-diligence after the acquisition has been made. That allows them to focus on the crucial issues in deriving the strategic and organizational synergies identified in the first phase of value creation, without interference from a lengthy due-diligence which might cause ambiguity from either the buyer’s or seller’s sides.
5 Interpretation

This section will focus on the differences between ITAB’s way of designing the acquisition process compared to the general theoretical process perspective, with the purpose of examine how the acquisition process and strategic fit and organizational fit can be handled to facilitate successful acquisitions.

According to Gomes et al. (2013), Haspeslagh and Jemison (1991), Jemison and Sitkin (1986b) and Lasserre (2003) the acquisition process has looked the same for decades. What the authors have identified as potential explanations for how the acquisition process could be handled more efficient is foremost three things:

- Simplify the acquisition process

ITAB’s view of the acquisition can be compared to a simple purchase of one item from another person: “To sit down and talk about a potential acquisition, discussing face to face with each other, the buyer and the seller, that is how it should be done” (M. Gustavsson, personal communication, 2014-04-04). ITAB tries not to make it more complicated than that. Hence, whilst earlier research has shown that the acquisition process is time and resource consuming according to a pre-set pattern, ITAB sticks to a simple approach with the same key persons each time. The CEO mentioned the fact that they have been acquiring for around 10 years, which have given them more confidence in their acting now. The authors believe that the experience and the fact that ITAB has a solid history of successful acquisitions, from which they, deliberately or not, have had opportunities to learn and tune their acquisition approach from time to time, makes a significant contribution. The experience might be one reason why ITAB for example understand that they have to take different integration approaches and wait and see before transferring some values and capabilities.

- Conduct due-diligence in the post-acquisition process

The fact that ITAB does not conduct the due-diligence in the pre-acquisition phase is another aspect, which might facilitate more successful acquisitions, since theory stated that it should (Jemison & Sitkin, 1986b; Lasserre, 2003). According to the Vice CEO this is the phase, which commonly sabotage an acquisition due to the fact that many buyers and sellers hesitate when they take advice from auditors, and brokers who are trying to get an advantageous deal as possible for their client. ITAB wants the due-diligence to take place in the post-acquisition process, when a deal already has been agreed upon and hands have been shaken. To be able to do this, ITAB emphasize the relationship between buyer and seller and puts a lot of effort in getting to know the seller and its agenda and motives. By gaining mutual trust, a deal can be settled by trusting each other’s information regarding the different important aspects. ITAB spends a lot of time with its target organization, through both formal and informal meetings to build this trust. Using guarantees in the due-diligence allows ITAB to make a deal with the seller without having expensive and time consuming in-detail analyses made by different hired specialists. Instead, if something turns out to be wrong or not meet the expectations, the price can be changed.
Keep the organizational fit in mind throughout the whole process

In acquisition theory organizational fit generally is used to see if a target company fits the acquiring organization, and it is not until the post-acquisition phase of transition the organizational fit receives full focus from the management as problems arise (Bower, 2001; Gomes et al., 2013; Haspeslagh & Jemison, 1991). Looking at ITAB, the authors have identified that organizational fit is used as a criteria for acquisition in the target selection phase. Unless proper organizational fit is identified, in terms of culture and management’s values, an acquisition is less likely to be conducted. Depending on the degree of organizational fit, ITAB starts planning for possible issues in the pre-acquisition process and outlines different strategies on how to align the companies. By identifying factors that might cause problems i.e., key persons who acts as spokespersons and organizational values, ITAB can prepare for how to create mutual understanding or replace persons. In the post-acquisition transition phase ITAB also differ from the general theoretical aspect of focusing on the operational synergies and thus losing focus on the organizational fitting aspects (Gomes et al., 2013; Haspeslagh & Jemison, 1991). Instead ITAB focus on making sure to implement a mutual understanding of the organizational culture and visions. In some companies this is done immediately, in some others they are more careful with it, depending on how strong the prior culture is. This also relates to the fact that ITAB is dynamic in their way of handling acquisitions and thus is prepared to adapt their acquisition approach to fit the company acquired.

5.1 Acquisitions and the impact of experience

ITAB has conducted several acquisitions through the years and the management is e.g., faster in integrating their culture on the acquired companies today in comparison to ten years ago. Hence the experience aspect might affect how they act in their acquisitions and be one explanation to ITAB’s success. In order to better understand the phenomenon, the authors have brought theory on experience and M&As into the analysis.

Emerging from the behavioral learning theory, Halebian and Finkelstein (1999) argued that companies conducting similar acquisitions repeatedly are able to learn and improve their acquisition process and acquisition performance. However, when conducting different types of acquisitions i.e., unrelated vs. related acquisitions, the learning showed negative outcomes as the characteristics differ (Haleblian & Finkelstein, 1999). Al-Laham, Schweizer and Amburgey (2010) also showed that a company conducting acquisitions of industry peers are more likely to gain from the experience gained. McDonald, Westphal and Graebner (2008) argued that similarity between acquisitions can be in: industry and product market, related acquisitions and unrelated acquisitions. The experience is shown to affect both the individual (i.e., CEO) and organizational behavior, thus the executive and/or organization can learn from previous acquisition (Haleblian & Finkelstein, 1999).

As ITAB has conducted over twenty acquisitions they have had the potential to learn from each of them and develop their acquisition process. The experience is foremost related to the individuals conducting the acquisitions, as they have been the same since 2004. Hence
they, in line with what Halebian and Finkelstein (1999) stated, have been able to gather individual experience. Further, as the majority of the acquisitions have had similar characteristics relating to customer portfolio, geographical spread and concept platform, the likelihood of improving the acquisition process and performance outcome increases (Haleblian & Finkelstein, 1999; McDonald et al., 2008). Though this may explain why ITAB has developed a different approach of the acquisition process, it does not necessarily explain why they conduct successful acquisitions. As they have been successful since the first acquisition in 2004. Further there might be a risk in having the same persons engaged in the acquisition process, as the distribution of the acquired knowledge may be limited. Losing one of the key persons would imply a considerable knowledge loss and threat to future growth of ITAB due to their nature of strategic acquisition growth.
6 Conclusion

The acquisition process has been researched for decades since it is complex and crucial for the outcome of acquisitions. This section concludes the main points of the thesis and presents an examination of how the acquisition process and strategic fit and organizational fit can be handled to facilitate successful acquisitions. Based on the ITAB case, the conclusion is generalized for extended professional and theoretical interpretation.

Handling the acquisition process

This thesis have identified that ITAB, which is a successful acquirer, follow the acquisition process of having a pre-acquisition and post-acquisition process. However the authors identified that a more dynamic process, than the one presented in the theoretical framework, may enhance the likelihood of successful acquisitions. Keeping an overall view of the acquisition process instead of focusing on step-wise progression facilitate the ability of evaluating organizational fit and strategic fit in each phase for improved ability to reduce the likelihood of problems and misunderstandings.

Another example of how to alter the acquisition process is to conduct the due-diligence in the post-acquisition process. This is identified to be possible when mutual trust is established between the seller and buyer as an agreement can be based on the seller’s words and backed up with guarantees and clauses. Mutual trust and informal relations is also found important for understanding what is acquired as well as understanding how to approach the company in the acquisition process. Furthermore, keeping the pre-acquisition process short and efficient is identified as beneficial as fewer resources are used. This is possible when always engaging the same set of people in the process as augmented expertise and experience from prior acquisitions are taken advantage of.

Handling the strategic fit and organizational fit

It is identified that an organization benefits from keeping acquisitions in line with a long-term growth strategy. In this case strategic fit serves as a motivator for why an acquisition is needed and what synergies a target company can contribute with in line with existing strategy. When organizations understand the core strategic contributions, the target specification is more influenced by the organizational fit, which enhances the possibility of a successful acquisition. Thus identifying the right management and cultures in target companies becomes decisive when deciding upon prospective targets.

Furthermore, understanding that the acquisition process gives raise to different problems, mainly related to organizational fit, gives acquiring organizations the possibility to act preventively. Thus it is important to identify, analyze and plan for organizational issues already in the pre-acquisition process to facilitate a successful transition and eventually successful acquisition. Another example is that the transfer of culture and aligned mindset should be focused on before extraction of strategic synergies and operational resources.
7 Discussion

The theory of acquisition process perspective describes the process as linear consisting of the two parts pre-acquisition process and post-acquisition process (Haseslagh & Jemison, 1991; Jemison & Sitkin, 1986b; Lassere, 2003). The authors of this thesis adhere to the process view, however the efficiency of the linearity is questioned and an explanation of a dynamic approach to the acquisition process is presented. The disadvantage of the linear process view is that it does not take the different aspects of the acquisition process into consideration dynamically, but instead the aspects are considered in a step-by-step perspective. The dynamic process view enhances the ability to be flexible and foresee problems when having all aspects in mind during the process. The organizational fit, and problems that might occur in relation to it, has more influence and is considered during the whole process due to the dynamic process view.

One example of that this thesis is not sharing the same opinion as the linear acquisition process perspective is the aspect of due-diligence. The common view is that the due-diligence is conducted in the pre-acquisition process, before a deal is agreed upon. The process view, which is explained in this thesis, conduct due-diligence after a deal has been agreed upon. However that might not be suitable for all organizations or acquisitions. Conducting due-diligence in the post-acquisition process may instead be one aspect of a dynamic acquisition process. The authors explain that the acquisition process should be seen as dynamic and companies ought to understand the advantages of adapting the process to a specific acquisition.

The ITAB case in this research is unique in research perspective due to the fact that the majority of all studies on M&As have been of quantitative nature with predominant focus on publicly traded U.S. corporate entities (Haleblian et al., 2009). The benefits of conducting a case study are the availability of deep understanding of the research phenomenon (Yin, 2003). The ability to generalize the findings presented can be discussed. One fallacy is that only one company has been researched, hence the patterns might be biased by company, manager or industry specific characteristics. Further it can be discussed whether ITAB represents all acquiring companies. However Yin (2011) stated that analytical generalization is used to generalize results to a wider theory and can be used as evidence applicable to other situations than the researched.

Thus the findings presented could be taken into consideration by all kinds of companies, not solely relied upon, as the problem of conducting successful acquisitions are common for many companies in different industries (Christensen et al., 2011; Kirching, 1974). For example, it can be seen as guidance for a non-linear acquisition process and how to take the organizational fit and strategic fit into consideration throughout the entire acquisition process. Further, it might be more appropriate for companies with similar corporate culture and management style as ITAB to adapt to a more dynamic acquisition process, whilst it might not be as applicable to others.

Due to the limited amount of time the research was conducted, the authors made a narrow
focus to examine how the acquisition process and strategic- and organizational fit can be handled to facilitate successful acquisitions. The authors have identified that the acquisition process might be affected by the organizational characteristics. For example, the matter of previous acquisition experience might affect the way of handling the acquisition process. Further characteristics that might affect how an organization handles the acquisition process are: corporate culture, management style, board members and size. The differences between the acquisition process perspective of this thesis and prior research might also be due to the types of companies studied and the use of quantitative methods. Thus ITAB might not be unique; instead the depth of information affects the findings.

7.1 Further research

The authors identified that the acquisition process must not necessarily be linear and that successful acquisitions are those taking an overview of the acquisition process from the start. The authors propose that quantitative and/or semi-quantitative studies on successful acquirers are conducted to see if the fact of a dynamic acquisition perspective appears common. Furthermore researchers have examined whether acquisition experience facilitates acquisition success (Halebian et al., 2009; McDonald et al., 2008). From the acquisition process perspective it would be interesting to see if acquisition experience affects the acquisition process. Moreover the authors propose research on the effects of organizational culture and the acting in the acquisition process to see if for example entrepreneurial companies are more dynamic in their acquisition process than non-entrepreneurial companies.
List of references


# Appendix 1 – ITAB’s Acquisitions since 2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Acquisitions</th>
</tr>
</thead>
</table>
| 2004 | Stenestams Industri, Sweden  
Lindco, Norway  
APOS Blansko a.s, Czech  
ABL s.r.o, Czech |
| 2005 | None |
| 2006 | Novena, Lithuania  
PremOers, Netherlands  
City Group, United Kingdom  
Radford CGC, United Kingdom  
PharmaService, Norway |
| 2007 | Sintek, Sweden |
| 2008 | Hansa Kontor Shopfitting Group (Hansa Harr, Hansa Kontor, Hansa Mertens and Hansa GWS), Europe  
Pan-Oston, Finland  
L-Form, Sweden  
Scangineers - Netherlands |
| 2009 | None |
| 2010 | None |
| 2011 | Nordic Light Group AB, Sweden |
| 2012 | Europe – United Kingdom  
Prolight Försäljning, Sweden |
| 2013 | None |
## Appendix 2 – Interview matrix

<table>
<thead>
<tr>
<th>Pre-acquisition</th>
<th>Interview Comments CFO</th>
<th>Interview Comments Vice CEO</th>
<th>Interview Comments CEO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motivation</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| - Value Creation: Recognition of acquisition reasons
  - Identification of strategic and organizational contribution
    - Market screening |
| - Target selection: Information gathering
  - Specification of synergies and problems.
  - Examination of strategic and organizational fit |
| - Due-Diligence, valuation, preparation for implementation
  - Determine bid-price
  - Integration planning
  - Resource, action and timing assessment |
| Post-acquisition | Interview Comments CFO | Interview Comments Vice CEO | Interview Comments CEO |
| Integration     |                        |                            |                        |
| Transition      |                        |                            |                        |
| **Organizational fit:** |                        |                            |                        |
| **Strategic fit:** |                        |                            |                        |
| **Additional findings** |                        |                            |                        |