Improving M&A:

Considering a Pre-Transaction Framework to Inform Post-Transaction Integration

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Abstract

We conducted a phenomenological evaluation of an investment banking firm's services to consider potential strategies for addressing the cultural aspects of Mergers and Acquisitions ("M&A") within the pre-transaction phase of the M&A activities. Underappreciation of the cultural aspects of organizational integration within the M&A planning process is attributed to most M&A failures (Weber & Tarba, 2013; Nguyen & Kleiner, 2003). Our partner organization believes that a more systematic assessment of the cultural aspects of M&A during the pre-transactional phases of their engagement would better position its clients to address post-transaction integration challenges and achieve the financial and business strategy objectives for the M&A while positioning our partner organization as an advisor of choice for such transactions. Ultimately, we conducted 22 semi-structured interviews across three informant categories, inviting our participants to "paint" their own picture of the M&A transaction processes. From our interviews, we identified six key themes that then aggregated to three key findings:

1. *Facilitation & Variation* highlights the consistency and proficiency with which much of the early-stage activities occur and captures how informal expertise and varied objectives lead to variation throughout the later stages of the pre-transaction processes.
2. *Tensions Impacting Understanding and Trust* revealed themselves primarily in relation to a) transparency and participation, b) price versus culture, and c) time constraints; and
3. Clarifying Assessment addresses three elements of assessing cultural fit as framed by our Informants: a) defining indicators of culture, b) understanding the impact of change on

clients and counterparts, and c) understanding the importance of the assessment to the transaction.

We recommend three interrelated opportunities for adjustments to our partner organization's services that may improve how their clients experience post-transaction integrations by moderating the degree of variance in service and better equipping clients to understand the M&A process more generally:

1. *Articulate* more formally the advisors' informal knowledge as captured through post-engagement debriefing.
2. *Formulate* an assessment framework that clarifies the importance of culture and guides clients (and Counterparts) through identifying elements of key cultural differences; and
3. *Educate* Clients regarding process-related tensions and best practices.

Key Words: mergers, acquisitions, corporate cultural, success factors, intermediary, investment banking, process evaluation, qualitative evaluation, inductive research, corporate identity, pre-transaction, post-transaction

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Introduction and Background

Our project team collaborated with professionals from Focus Investment Banking, LLC ("Focus" or "our partner organization") to evaluate their processes and consider potential strategies for addressing the cultural aspects of Mergers and Acquisitions ("M&A") within the pre-transaction phase of the M&A activities. Underappreciation of the cultural aspects of organizational integration within the M&A planning process is attributed to most M&A failures (Weber & Tarba, 2013; Nguyen & Kleiner, 2003). Focus believes that a more systematic assessment of the cultural aspects during the pre-transactional phases of their engagement would better position its clients to address post-transaction integration challenges and achieve the financial and business strategy objectives for M&As while positioning Focus more fully as an advisor of choice for such transactions.

Our Partner Organization

Established in 1982 and headquartered in the Washington DC area with corporate offices in the Los Angeles Metro area and Atlanta, GA, Focus advises clients seeking to buy or sell small to middle-market businesses (transactions ranging from $10 million to $300 million). Focus's team includes 35 senior bankers with previous C-level experience in one of 14 industry verticals and other support professionals. Over the five years from June 2017 to June 2022, Focus has facilitated 129 M&A transactions totaling $2.3 billion in transacted value. Generally, the M&A cycle consists of two primary phases: pre-transaction and post-transaction. Pre-transaction activity includes prospecting for a suitable target organization, due diligence, negotiations, and ultimately a final transaction. Post-transaction activities include integrating the companies and executing the acquisition's business strategy. Focus's team operates primarily within the pre-transaction period with little to no involvement with the post-transaction integration. Their team represents sellers

(60%) and buyers (30%) and helps business raise capital (10%). Our primary contacts at Focus include the two senior bankers who lead the government contracting, defense, and supply verticals. Both came to Focus after extensive C-level experience with corporations, including M&A-related integration activities.

Problem of Practice

Our partner organization contacts report that post-merger cultural integration experiences often represent a significant dissatisfier for its clients. However, Focus does not participate in the post-transaction activities. Focus also has only an informal framework for preparing clients for these challenges within the pre-transaction phases, a situation that our contacts expect is the status quo for the industry more broadly. Although M&A planning typically includes informal exploration of cultural fit, financial and business strategy-related considerations usually take precedence. Buy-side clients with a track record of building through acquisition tend to approach pre-acquisition cultural assessment with more sophistication but often still informally. Also, certain transactions under advisement may represent the one and only M&A experience for sell-side clients. Additionally, post-acquisition consideration may be significant, depending on the clients' motivations for the transaction. Our contacts believe that having a formalized framework within its pre-transaction processes for preparing clients for the cultural aspects of post-merger integration will result in 1) a higher probability of meeting the financial and business strategy objectives for the M&A, 2) higher client satisfaction with the overall M&A transaction experience, and 3) higher probability of repeat business or client referrals.

Available Evidence

Focus does not systematically track the cultural characteristics of companies that it advises, which we believe may be typical for this segment of the industry (M&A financial intermediaries) which limited the amount of pre-existing data specific to cultural integration for this engagement. However, we were provided access to documentation describing Focus's processes, including documents relating to two specific engagements (with the client's consent), one buy-side and one sell-side. We also conducted 22 interviews across three informant categories, including nine Focus professionals, seven related clients, two client counterparts, and four unrelated professionals involved to differing degrees in M&A activity.

Project Team Positionality

Our team brings together experiences working with a diverse set of organizations: from large publicly traded global corporations to smaller private startups, both for-profit and non-profit organizations, directly related to M&A as well as newly constituted teams or business units (See the individual positionality statements below). One constant stands out – we each have experienced the challenges of managing diverse groups and organizations coming together to pursue common objectives. We believe that the lessons from M&A research represent the intensification and compacting of dynamics that play out across organizations whether involved in an M&A transaction or not. So, while we intend this project to apply most directly to the M&A advisory services of our partner organization, we hope that our learnings seed future work in our respective fields towards affecting more effectively integrated organizations and teams.

Eduardo Marques

A seasoned industry and federal government leader, J. Eduardo Marques serves as Chief Operating Officer (COO) of Chickasaw Nation Industries, Inc. (CNI) Federal Services. He has over two decades of experience in corporate administration, M&A, business development, project management, and information technology. In 2006, Eduardo founded A+ Government Solutions ("A+"), LLC, to provide management consulting, program management, and information technology services to federal clients. In 2012, after six years of successful growth and performance, A+ was acquired by CNI, allowing A+ to expand in the federal marketplace and continue to deliver value-added solutions to its customers. His first-hand experience with M&A has broadened his perspective on this topic. As the COO, he is responsible for integrating newly acquired firms into the organization. Eduardo is passionate about M&A and culture integration and views this research as another building block to his professional experience and growth. His prior experience includes Information Technology Project Manager in the Office of the Secretary, U.S. Department of Health and Human Services (HHS); consulting for American Management Systems (AMS – now CGI Federal); and leading the implementation of technology solutions for several government organizations. This study will complement and add to his body of knowledge in the field of M&A.

Lawrence Green

Lawrence Green, leadership and organizational development consultant, serves as CEO at PurposedSpace, a social-impact advisory organization. A 2008 and 2012 Obama for America campaign veteran with extensive leadership experience in startup, expansion, and change management within for-profit and non-profit organizations, Lawrence served on the "Obama/Clinton campaign merger" committee during the 2008 democratic primary, where staff members from both presidential campaigns worked to integrate organizational structures. Additionally, Lawrence served as National Director at StudentsFirst, which functioned as a political lobbying organization before merging with 50Can, a national advocacy organization, in

2016. While Lawrence was not an employee at StudentsFirst during the merger, he was a part of due diligence discussions spearheaded by ecosystem funders. Both experiences have piqued a desire to learn more about mergers and acquisitions, particularly how cultural assessments impact post-integration outcomes and performance. Moreover, Lawrence seeks to identify transferability in this study in hopes of contributing to the social-impact space through M&A.

Benjamin Cotton

With over 25 years of pension asset management, treasury, and internal control experience, Benjamin ("Ben") Cotton presently serves as an independent business consultant. In addition to pension asset, securitization, and derivatives trading management, his experience with Ford Motor Company included international assignments in London (leading the internal audit team for Ford Credit across Europe and the Asia Pacific) and then in Hiroshima (facilitating internal controls for financial reporting across Mazda Motor Company in Japan, Europe, the U.S., and Australia). From Ford, he joined UAW Retiree Medical Benefits Trust in 2009 (overseeing teams responsible for investing over $30 billion across several asset classes), then newly established to administer healthcare benefits for retired hourly workers from each of the big three automotive companies in the U.S. (Ford, GM, and Chrysler). Ben recalls that the convergence of diverse groups of professionals (internationally or domestically) with various backgrounds, expertise, and expectations presented planning and integration challenges very similar to those experienced by newly merged companies. He expects to find direct relevance from the study of M&A to the due diligence of investment management organizations (e.g., general partners that focus on acquiring, merging, and re-selling companies) and, more broadly, to organizational leadership and learning.

Research Design

We performed a phenomenological evaluation of Focus's services, using inductive qualitative research methodologies to develop a baseline understanding of how these services are experienced and understood by Focus (the "advisor") and the merged or acquired company(ies) (as the "client" and "counterparts"). Together, the advisor, clients, and counterparts comprise the "informants." We also deductively synthesized the resulting baseline understanding with elements from the academic literature addressing success factors for M&A to conceptualize an intervention targeting pre-transaction activities that may help inform and improve post-transaction integration efforts, emphasizing the challenges associated with cultural integration. The dual nature of this objective presented an interesting tension between 1) reinforcing the inductive validity of our observations and 2) applying concepts and principles derived from academic literature review to design an appropriate intervention. Toward our first objective, we sought to minimize the imposition of "[…] prior constructs or theories on the informants as some sort of a priori explanation for understanding […] their experiences" (Gioia et al., 2013, p. 17). However, the second objective required understanding a priori constructs and theories. As noted throughout this research design section, we believe we balanced this tension. Also, we note that purely inductive research aligns more closely with the identification of grounded theory, while we seek primarily to identify practical applications for existing theory. Accordingly, we believe our hybridization of inductive/deductive methodologies better suits our needs. Our methodologies primarily involved semi-structured interviews with the informants, following the exemplar described by Gioia et al. (2013), combined with documentation review and interviews with third-party professionals involved in M&A to assist in triangulation and validation.

Research Questions

Our initial research questions (Q) were relatively straightforward and related to understanding how Focus's services are experienced and understood by the informants.

Q1. How do aspects of the pre-transaction planning and diligence phase, *as experienced by the advisor and client(s)*, impact the overall success of M&A?

Q2. How do aspects of post-transaction integration, *as experienced by the advisor and client(s)*, impact the overall success of M&A?

Q3. How can *the client's* post-transaction integration be improved through adjustments to *the advisor's* pre-transaction services?

Literature Review Questions

The first two questions that guided our initial literature review (LR) mirrored our first two primary research questions. However, we omitted the emphasis on our informants, focusing instead on the academic literature.

LR1. How do the various aspects of the pre-transaction planning and due diligence phase impact the overall success of M&A?

LR2. How do the various aspects of post-transaction integration impact the overall success of M&A?

Again, this distinction between our primary research questions and our literature review questions is essential and stems from the tension that evolves from the dual nature of our objective, as described above. Our literature review questions also extended to aspects relevant to our partner organization's concern regarding preparing their clients for the cultural aspects of post-merger integration:

LR3. How does the “price” imperative influence (positively/negatively) planning and due diligence activities?

LR4. How might an improved cultural assessment in M&A impact structuring and pricing?

LR5. How do elements of corporate culture impact M&A?

LR6. How important are sensemaking, employee engagement, trust, and transparency concepts to M&A?

Conceptual Framing

Ravitch and Carl (2021) recommend laying the conceptual framework out along four dimensions to argue for significance, grounding the topic in contexts, and guiding development. Accordingly, the following four subsections layout (or, as applicable, restate) elements of our conceptual framing along the dimensions recommended by Ravitch and Carl.

Objectives, Goals, and Key Terms

Our objective was twofold: a) to develop a baseline understanding of how Focus’s services are experienced and understood by the advisor and client, and b) to synthesize this resulting baseline understanding with elements from the academic literature addressing success factors for M&A. Our ultimate goal was to conceptualize an intervention targeting pre-transaction activities that could help inform and improve post-transaction integration efforts, expectedly with an emphasis on cultural integration. We set forth certain terms specific to this project (e.g., advisor, client, or informants) with in-text definitions as first utilized. The academic literature generally treats the terms *merger* and *acquisition* with differing connotations. The former often implies a combination of equals or near-equals, while the latter often implies the positioning of the acquiring organization over the acquired. In this report, we use these terms interchangeably or together (i.e., M&A) except where there is a significant observation regarding the relative positioning of combining companies, in which case we note the importance. The terms *Pre-transaction* and *Post-transaction* have particular importance to this study and refer to the periods in which activities occur – before (pre-transaction) or after (post-transaction) an M&A deal is finalized (or "closed"). Within our findings, we also introduce the term *Pre-engagement*, which relates to activities that occur prior to the advisor and client's decision to collaborate on an M&A project.

Methodological Approach

We conducted a phenomenological evaluation (See Table 1) that represents a hybridization of a) a meta-analysis-derived understanding of best practices in M&A (the "Idealization" phase) together with b) a qualitatively induced understanding of informants' experiences (the "Observation" phase) to facilitate the development of an appropriate intervention (the "Design" phase).

Table 1

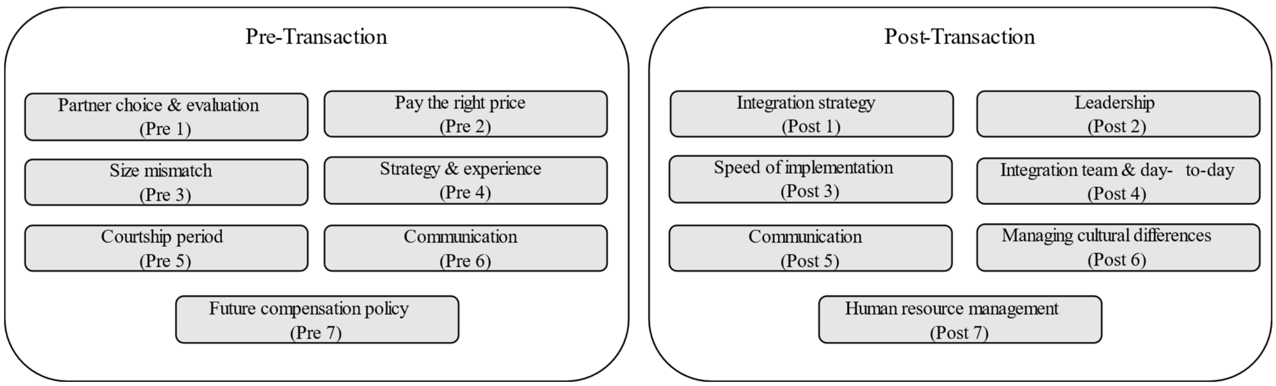
Visualization of Project Design

Idealization	Observation	Design
Meta-review leveraging Gomes et al. (2013)	Inductive style research leveraging Gioia et al. (2013)	Reconciling observations with theory
Building blocks for evaluation	Semi-structured interviews	Diagnoses of problem
Informs idealized comparator	Informants describe experiences	Additional literature research as required
Requires balancing bias(es)	Opportunities evolve from observations	Develop a theory of change and related measures

The Idealization phase leveraged academic studies of critical pre- and post-transaction success factors (See Figure 1, also in Appendix A) as initially cataloged by Gomes et al. (2013) and further augmented with our initial literature review. From this literature, we defined a framework for evaluating the M&A process(es) in terms of these critical success factors, which begins with an idealized conceptualization of these factors as may be implied from the academic research (See *Theories* below).

Figure 1

Visualization of Gomes et al. (2013)



We recognize that idealizing these identified success factors introduced methodological risks to our study. However, it also mitigated the risk of focusing too early on a specific potential concern as initially reported by our partner organization (i.e., cultural integration), providing a more holistic survey of factors upon which to reflect as we diagnosed the phenomenon related to the advisor/client relationships.

For the Observation phase, we leveraged research methodologies more broadly known as the Gioia Methodology that involve 1) coding and grouping of observations from interviews with informants into coherent first-order concepts (open codes), 2) analysis and consolidations of open codes into emerging themes relevant to the phenomenon under study as explained and understood by the informants, and 3) further consolidation of these themes into aggregate dimensions (Gioia et al., 2013). However, our approach deviates from a purely inductive process as we also included deductive coding related to success factors from our literature review to assist with the comparison/contrast of our observations to an idealized state. Also, as first-order concepts evolved from the interviews that were closely aligned to the literature review concepts, we avoided the introduction of duplicate inductive codes, using the deductive codes instead. Specific to our objectives, the Observation phase consisted of developing a baseline understanding of how Focus's services are experienced and understood by the informants, advisors, clients, and counterparts separately and then together; to derive critical factors representing opportunities for improvement in Focus's services.

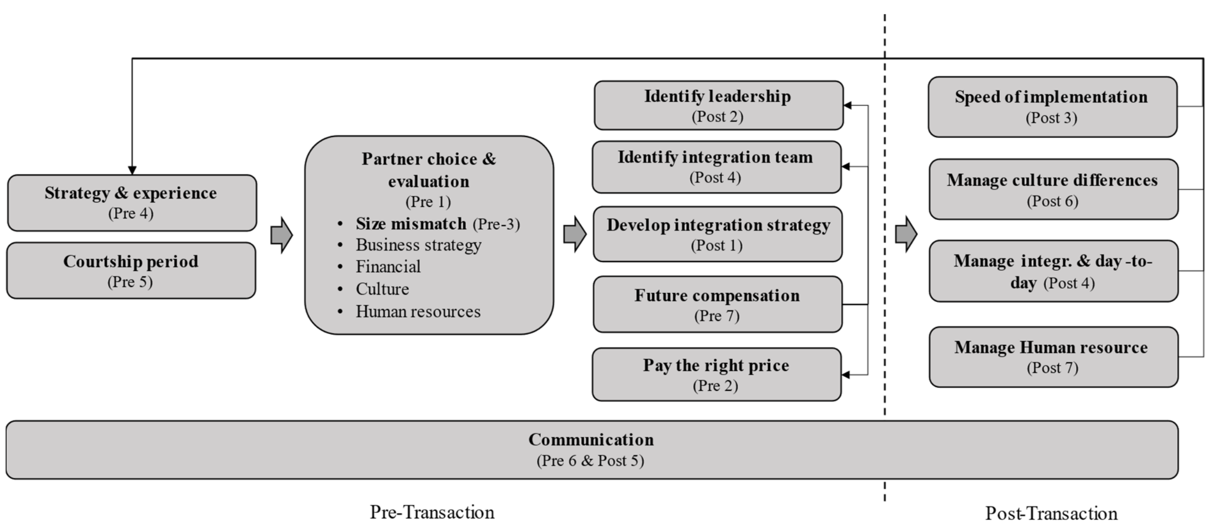
Theories

Our understanding of Focus's processes evolved from the interviews during our Observation phase and the review of process-related artifacts. Still, we leveraged the academically derived M&A success factors to facilitate our understanding of these processes and as a framework for comparing this understanding to the academic literature. To this end, we also conceptualized an "Idealized" sequencing of factors predicated primarily on the academic observations addressing the intersectionality of these critical success factors within and across pre- and post-transaction categories (See Figure 2, also in Appendix A).

In this idealized construct, we pulled several elements of post-integration planning into the pre-transaction phase, which for various reasons, is less common in practice (Marks & Mirvis, 2011; Trank et al., 2012). We recognize that this approach of idealizing the academic success factors introduced methodological risks to our study. Importantly, it risked the imposition of a priori explanations for understanding our informants' experiences. It also risked the fossilization of a solution before fully appreciating the advisor's services or diagnosing the root(s) of any problem(s). However, it mitigated the risk of focusing too early on a specific concern as initially reported by our partner organization (i.e., cultural integration), providing a more holistic survey of factors upon which to reflect as we entered the design phase. We also undertook specific research integrity measures to help mitigate the risks identified above. More specifically, we avoided using the term success factor or the use of identified success factors or other terms that approximate these identified terms in the design of our interview protocol. We made one exception: an interview with a member or partner organization's research team. The purpose of that interview had less emphasis on shared experiences (although this informant also recounted helpful information in that regard) and focused more on understanding the mechanics of the process overall, so sharing the research-derived factors allowed for the informant to explore with us the overlaps of theory and practice more fully. The content of this interview was not included in our analysis related to the theme or aggregate dimension identification. However, we did reference information from this interview for triangulation and validation.

Figure 2

Idealized Conceptualization of Pre- and Post-Transaction Factors



Relationship to Prior Research

This project allowed us to evaluate the role of a financial intermediary as it intersects with the M&A activity of its client(s). To our knowledge, it represents a novel context relative to the existing literature, which is more focused on the organizations that are combining. This project also offers an exemplar for assessing pre-transactional services provided by financial intermediaries (or embedded M&A development teams more generally) and designing interventions targeting them. Such an exemplar has application more broadly as the failure rate among mergers and acquisitions (M&A) is not inconsequential. Notably, a study published by KPMG estimated that somewhere between 75 percent to 85 percent of all mergers and acquisitions result in a loss of shareholder value due to lower productivity, labor issues, or loss of critical employees (Kelly & Cook, 1999, as cited in Nguyen & Kleiner, 2003). In 2004, Watson Wyatt published a survey of 1000 organizations, finding that 64 percent of the time, M&As did not meet their stated objectives (Boglarsky, 2005, as cited in Steynberg & Veldsman, 2011). Weber and Tarba (2013) point out that cultural differences are the main reason for failed M&As. Weber and Tarba also point out the surprising continuation of cultural differences as underappreciated in the M&A process. Still, some of the literature suggests that the challenge of culture may have less to do with organizational differences and more to do with integration experiences, participatory exclusion, or pricing concerns (Graham et al., 2022; Chase et al., 1997; Marks & Mirvis, 2011). Accordingly, we approached the initial literature review more broadly to construct a more holistic understanding of the pre- and post-transaction factors within which cultural integration is situated.

Literature Review

Approach

We reviewed 68 documents relevant to our project, developed a rhetorical précis for each article identified, and then cataloged and categorized these results. Our search tools included Vanderbilt's Jean and Alexander Heard Libraries and Google Scholar search engines using various combinations of key terms together with the terms *mergers* and *acquisitions* (See Table 2). We also reviewed the reference sections of particularly relevant articles and the bibliography sections of books addressing M&A to identify other articles of interest.

Table 2

Key Search Terms (in combination with M&A)

Key Terms			
Acculturation	Business management	Business organization	Corporate culture
Corporate identity	Corporate mergers	Cultural differences	Cultural values
Economic performance	Ethics	Financial performance	Group identity
Hostile takeovers	Human resources	Identity	Integration
Management philosophies	Mergers and acquisitions	Organizational analysis	Organizational behavior
Perceived identity	Post-acquisition integration	Pre-acquisition due diligence	Pricing considerations
Strategic management	Takeovers	Target acquisitions	Pre-Transactions
Hybridization	Employee engagement	Sensemaking	Post-Transactions

We then cataloged the results of our search in the Literature Review Table submitted separately, which we organized into seven tabs/categories: 1) all literature review documents, 2) due diligence and success factors, 3) importance of culture, 4) managing integration, 5) price imperatives, 6) human resources, identity, and trust, and 7) methodologies. This initial review included 57 peer-reviewed journal articles, four books, five whitepapers or dissertations, and two non-peer-reviewed but relevant articles.

Fortunately, M&A has received broad academic coverage over a long period, with cultural considerations receiving increased coverage over the past 20 years, so while we started wide in our documentation search, we narrowed our focus to understanding critical success factors in relation to our six literature review questions listed on pages 10 and 11 above. Throughout this literature review, and within certain aspects of our research design and conceptual framing, we leveraged the organizing structure initially used by Gomes et al. (2013). They conducted a comprehensive meta-analysis of the academic literature on M&A organized by critical success factors in the pre- and post-merger phases of M&A (See Table 3).

Table 3

Pre- and Post-acquisition Critical Success Factors (Gomes et al., 2013)

<table>
<tr><th colspan="2">Seven Pre-acquisition phase success factors</th><th colspan="2">Seven Pre-acquisition phase success factors</th></tr>
<tr><td rowspan="7">[Literature Review Question 1]</td><td>1. Choice and evaluation of strategic partner</td><td rowspan="7">[Literature Review Question 2]</td><td>1. Integration strategies</td></tr>
<tr><td>2. Pay the right price
[Literature Review Questions 3 and 4]</td><td>2. Post-merger leadership</td></tr>
<tr><td>3. Size mismatches and organization</td><td>3. Speed of implementation</td></tr>
<tr><td>4. Strategy and accumulated experience</td><td>4. Post-merger integration and disregard of day-to-day business activities</td></tr>
<tr><td>5. Courtship</td><td>5. Communication during integration</td></tr>
<tr><td>6. Communication before the merger</td><td rowspan="2">6. Managing cultural differences
7. Human Resource Management
[Literature Review questions 5 and 6]</td></tr>
<tr><td>7. Future compensation policy</td></tr>
</table>

Sections in this literature review generally begin with reference to Gomes et al. (2013), followed by updates, clarifications, or contending observations from other sources. Note that we address our first research questions (LR1) across the Seven Pre-acquisition Success Factors. We then address LR2 across the Seven Post-acquisition Success Factors. We address LR3 and LR4 within the subsection Pre-acquisition 2 (Pay the right price) while addressing LR5 and LR6 within the subsections Post-acquisition 6 (Managing cultural differences) and Post-acquisition 7 (Human resource management). Then, we describe the research addressing intersectionality among success factors supporting our idealized sequencing. Finally, we describe the primary research methodology exemplar underlying our project.

Seven Pre-Acquisition Success Factors

Pre-acquisition 1: Choice and evaluation of the strategic partner

Gomes et al. (2013) categorize studies addressing partner choice into two areas: “strategic fit” (Howell, 1970; Lubatkin, 1987; Napier, 1989; all as cited by Gomes et al., 2013) and “organizational fit” (Angwin, 2000; Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986; Leighton & Tod, 1969; Nahavandi & Malekzadeh, 1988; Schweiger et al., 1993; Weber et al., 1996; all as cited by Gomes et al., 2013), observing that mergers between companies more closely aligned in these two areas are more likely to succeed. However, Gomes et al. highlight that while issues like cultural differences receive extensive investigation in the literature, implications for the specific steps in pre- and post-merger activities to address such differences are rarely researched. Nevertheless, research assessing cultural differences has deep roots. For example, Datta (1991) evaluated 173 acquisitions in the U.S. manufacturing industry, identifying managing style as an important element in organizational fit. More recently, Bereskin et al. (2018) explored the use of Corporate Social Responsibility (CSR) characteristics across organizations as a proxy for cultural similarities, finding that those organizations with similar CSR characteristics were more likely to experience greater synergies and long-term performance along with fewer goodwill write-offs. Bereskin et al. (2018) then demonstrate, with considerable detail, a methodology for quantitatively assessing the similarity between two firms using data on firms' CSR practices related to employee relations, environmental practices, human rights, community involvement, and governance.

Pre-acquisition 2: Pay the right price

Gomes et al. (2013) find that much of the literature suggests that paying too much is a primary M&A failure mode (Copeland & Thomas, 1996; Bower, 2001; Datta & Puia, 1995; Hayward, 2002; Sundaram & Rockwood, 2000; Schweiger et al., 1993; Sirower, 1997; all as cited by Gomes et al., 2013). Payment form also seems critical, with friendly deals involving payment in stock faring better than payment in cash (Bower, 2001; Howell, 1970; Inkpen et al., 2000; Hayward, 2002; all as cited by Gomes et al., 2013). Conversely, hostile acquisitions paid for with cash instead of stock tended to perform better (Tuch & O'Sullivan, 2007, as cited by Gomes et al., 2013). There are several explanatory options for the persistence of overpayment. For example, Brander and Egan (2017) highlight consistent behavioral flaws related to pricing M&A, most notably the *winner's curse* (Cox & Isaac, 1984, Crosskopf et al., 2007; Varaiya & Ferris, 1987; all as cited by Brander & Egan, 2017), and *management overconfidence* (Roll, 1986; Masulis et al., 2011; Luders & Luo, 2009; all as cited by Brander & Egan, 2017) while Baker et al., (2012) demonstrate issues with *recency price biases*. Moreover, the inherent tension between buyers and sellers who focus primarily on price can also lead both sides to seek a limited group involved directly in the pre-transaction diligence and negotiations, negatively impacting the degree and type of diligence achieved in the early stages of an M&A by often excluding important constituents, such as human resources ("HR") professionals, from the pre-transactional planning and negotiation phases (Trank et al., 2012; Marks & Mirvis, 2011). This price focus potentially owes its importance to market-based ethics, which dates to Adam Smith (1776, as cited by Chase et al., 1997) as reinforced by Milton Freidman (1970, as cited by Hart & Zingales, 2017) and holds that so long as managers abide by the prevailing laws and regulation applicable to their businesses, they should focus solely on maximizing shareholder price. However, arguments against such a narrow focus on market value have more recently gained traction. For example, Hart and Zingales (2017, as cited by Cotton, 2022) suggest that market value too narrowly defines the concept of shareholder welfare, while Chase et al. (1997, as cited by Cotton, 2022) contend that it inadequately addresses moral issues more broadly. Meanwhile, evolving evidence supports a more holistic perspective in pricing and structuring M&A transactions, particularly among privately held companies, for important organizational culture issues like *employee satisfaction* and *corporate governance* (Edmans, 2011; Guiso et al., 2015; Gompers et al., 2003). More recently, a study by Graham et al. (2022) shows that more importance is assigned to cultural fit, as reported among executives with prior M&A experience, suggesting a potential premium from 10% to 30% for organizations representing a good cultural fit, as well as the avoidance of a transaction all together for organizations representing a poor fit.

Pre-acquisition 3: Size mismatches

Per Gomes et al. (2013), research suggests that acquisitions of organizations that were either much smaller or larger than the acquiring firm tended to perform sub-optimally (Kitching, 1967; Moeller et al., 2004; all as cited by Gomes et al., 2013). In contrast, organizations that were more balanced in size tended to perform favorably (Ahuja & Katila, 2001; Chung et al., 2000; Finkelstein & Haleblian, 2002; all as cited by Gomes et al., 2013). Calipha et al. (2010) attribute such size-mismatch challenges to a lack of empathy or misunderstanding among organizations of a considerably different scale. Calipha et al. (2010) indicate that size has been framed as various measures (including employee count, sales/revenue, or assets) and point out that the research on size is inconclusive. For example, Bruton et al. (1994, as cited by Calipha et al., 2010) expressed doubt regarding size inferences, stating that the effect was too weak, while Drori et al. (2011) posited that the perception of equality between two merging organizations of similar size and capabilities may serve to amplify culture-clash, often impeding post-merger integration efforts.

Pre-acquisition 4: Strategy and accumulated experience

Gomes et al. (2013) observed that the research suggests experience accrues positively to M&A success (Hayward, 2002; Inkpen et al., 2000; Jemison & Sitkin, 1986; Vermeulen & Barkema, 2001; all as cited by Gomes et al., 2013). Simply put, one gets better at M&A by doing M&A. However, Jemison and Sitkin (1986, as cited by Gomes 2013) suggest this benefit may not persist for companies that do not follow a continuous pattern of M&A, as this experience attrits over time when the knowledge attained is not codified and reinforced. More recently, Cuypers et al. (2017) tested their theory that experienced M&A participants would extract more value relative to less experienced counterparts. This study included a review of merger records from 1,241 M&As between listed (NYSE or NASDAQ) companies over 30 years, as sampled from the Thomson Financial Security Data Corporation database. Cuypers et al. (2017) characterized their findings as statistically and practically significant, recording an experience effect amounting to a 1.3% valuation premium ($27 million on average in the tested sample) for each standard deviation of experience differential.

Pre-acquisition 5 and 6: Courtship and communications before the merger

Courtships and purposeful communication can demystify the M&A process and level the experience differential between the participants by allowing members from both organizations to get to know each other better before agreeing to a combination; however, it can also serve to derail a transaction (Columbo et al., 2007; Jemison & Sitkin, 1986; Kitching, 1967; all as cited by Gomes et al., 2013). Courtship can take several forms, including participation in joint ventures, arm's length trade relationships, or active interlocking shareholder board representation (Stuart & Yim, 2010, as cited by Gomes et al., 2013), allowing each side of the transaction the opportunity to know more about the other. Likewise, fair, accurate, and reflexive communications can help manage the expectations of participants on both sides of the transaction (Hubbard & Purcell, 2011; Agwin, 2000; Teerikangas, 2012; all as cited by Gomes et al., 2013). On the other hand, poorly executed pre-merger communications or information vacuums can impact transactions negatively, resulting in uncertainty and the proliferation of rumors (Bastien, 1987, as cited by Gomes et al., 2013). Interestingly, these two factors (courtships and communication) may act to moderate the previous factor (accumulated experience). Again, referencing Cuypers et al. (2017), research indicates that the effect of experience was significantly negatively (positively) moderated in instances where the transaction was friendly (hostile). For example, more experience was critical and positively accrued benefit when transactions were hostile, holding for cases where either the acquirer or the target had the experience advantage. Conversely, the effect of experience was much less impactful when transactions were friendly (Cuypers et al., 2017).

Pre-acquisition 7: Future compensation policy

Research indicates that well-structured compensation policies can help retain essential employees within the acquired organization, while poorly structured policies can incentivize behavior harmful to shareholders (Grinstein & Hribar, 2004; Devers et al., 2007; all as cited by Gomes et al., 2013). While these findings tend to be more aligned with research addressing the behavioral implications of compensation on incumbent executives leading up to M&A pricing and structuring decisions (Lambert & Larcker, 1987; Datta et al., 2001; Jaggi & Dorata, 2006), research more directly addressing optimizing future compensation choices is more nascent. Gutknecht and Keys (1993) suggest that employee retention in acquisitions where individuals with important experience and expertise are involved intersects with other HR-related activities beyond just financial compensation. More recently, Degbey et al. (2021) explored the impact of psychological ownership on employee retention, which focuses on psychological possession, or the feeling that an entity or idea is "Mine" or "Ours" (Furby, 1978, as cited by Degbey et al., 2021).

Seven Post-Acquisition Success Factors

Post-acquisition 1: Integration strategies

A lack of integration planning results in an uncertain value proposition for M&A and represents a major reason for failure (Haspeslagh & Jemison, 1991; Schweiger et al., 1993; Schweiger & Goulet, 2005; Schweiger & Weber, 1989; Weber & Schweiger, 1992; all as cited by Gomes et al., 2013). Still, researchers have suggested several frameworks or typologies for addressing M&A integration (Angwin, 2012; Haspeslagh & Jemison, 1991; Howell, 1970; Schweiger et al., 1993; Schweiger & Weber, 1989; Weber & Schweiger, 1992; all as cited by Gomes et al., 2013). Gomes et al. (2013) suggest that the best-known post-acquisition integration framework comes from Haspeslagh and Jemison (1991, as cited by Gomes et al., 2013), as further developed by Haspeslagh and Farquhar (1994, as cited by Gomes et al., 2013), which proposes four integration types: *Symbiotic* (high interdependence and high autonomy), *Preservation* (low interdependence and high autonomy), *Absorption* (high interdependence and low autonomy), and *Holding* (low interdependence and low autonomy), each style with different levels of intended impact and performance. Similar research suggests that the integration of "culture" (not just command and control) has become a critical factor for the success of organizational integration and explores methods of hybridization, the phenomena of "blending [...] organizational cultures and managing knowledge" (Fink, 2008, p. 10, as cited by Dauber, 2011), as an intermediate stage in pursuit of cultural integration (Dauber, 2011; Dauber 2012; Dauber & Fink, 2008). While their targeted end-states (*Assimilation*, *Integration*, *Separation*, and *Marginalization*) generally correlate to the states suggested by Haspeslagh and Jemison (1991, as cited by Gomes et al., 2013), Dauber and Fink (2008) suggest several intermediate hybrid states (*task forces and teams*, *boundary spanning*, *deck of cards*, *negotiated knowledge*) each relating to a targeted integration end state.

Post-acquisition 2: Leadership

The lack of decisive action and clear direction from leadership inevitably leads to M&A underperformance or failure (Angwin & Meadows, 2009; Hyde & Paterson, 2002; Kitching, 1967; Nemanich & Keller, 2007; Schweiger et al., 1993; Sitkin & Pablo, 2005; Vasilaki, 2011; all as cited by Gomes et al., 2013). Meanwhile, several studies confirm that high turnover among executives from the acquired company often characterizes the period following a transaction (Krug & Hegarty, 1997, 2001; Krug & Nigh, 2001; Walsh, 1988; Walsh & Ellwood, 1991; all as cited by Gomes et al., 2013), often resulting in anxiety, mistrust, and the loss of organizational learning capacity during the integration (De Drue & West, 2001; Szulanski et al., 2004 as cited by Nemanich & Vera, 2009). Seeking methods for moderating this loss of learning, Nemanich and Vera (2009) studied 71 work teams within four divisions of a single organization formed from the merger of two large organizations finding positive relationships among transformational leadership, ambidexterity (the ability to develop new opportunities while exploiting existing resources) and the development of an effective learning culture.

Post-acquisition 3: Speed of implementation

Time may or may not impact integration implementation. Gomes et al. (2013) find mixed results in the research addressing the time element of M&A (Angwin, 2004; Homburg & Bucerius, 2005, 2006; all as cited by Gomes et al., 2013). One argument holds that a speedy integration most effectively captures the projected synergies while limiting the spread of misinformation associated with the development of mistrust (Angwin, 2004; Anslinger et al., 1996; Inkpen et al., 2000; Light, 2001; all as cited by Gomes et al., 2013). Conversely, a slow implementation may allow space for parties to resolve contentious issues, resulting in increased trust (Ranft & Lord, 2002; Homburg & Bucerius, 2005; all as cited by Gomes et al., 2013). Our review found no additional research specific to the speed of implementation post-Gomes et al.'s (2013) meta-review. Still, speed is typically advocated for more generally, as a quicker resolution to integration-related issues allows employees to "refocus more promptly on work, customers and results" (Galpin & Heardon, 2014, p. 16).

Post-acquisition 4: Integration team and disregard for day-to-day business activities

The post-merger integration process can often consume so much attention that day-to-day activities are neglected (Angwin, 2000; Ghemawat & Chadar, 2000; Howell, 1970; all as cited by Gomes et al., 2013). Accordingly, organizations often assign specific teams to manage post-merger integration. Researchers suggest that the integration teams should preferably be assembled and begin planning during the latter part of the pre-transaction phase while recognizing that issues of confidentiality may preclude such early formation (Inkpen et al., 2000; Jemison & Sitkin, 1986; Schweiger et al., 1993; Vasilaki & O'Regan, 2008; all as cited by Gomes et al., 2013). While a separate integration team may facilitate planning and tracking, integration activities are in many ways inseparable from the day-to-day. For example, Keiser and Arthur (2021) conducted a study that examined the effectiveness of the use of After-Action Reviews at the end of an acquisition, finding tools that focused on both tasks and individuals were most effective.

Similarly, Birkinshaw et al. (2000) studied the post-merger integration processes following transactions by three organizations while focusing on the challenges associated with these two distinct elements: task integration (the consolidation of day-to-day processes) and human integration (creating positive attitudes toward integration among employees). Their research identified a symbiosis between the two where an initial phase of task integration resulted in sufficient cross-team awareness to move forward with human integration activities. Human integration activities then cultivated the trust and understanding necessary to move forward with a more thorough round of task integration.

Post-acquisition 5: Communication during integration

Communication is instrumental in broadcasting the purpose of the acquisition and in transferring the integration message (Hubbard & Purcell, 2001; Inkpen et al., 2000; Marks & Mirvis, 1998; Morosini, 1998; Schweiger & DeNisi, 1991; Weber & Tarba, 2010; all as cited by Gomes et al., 2013). Similarly, Horwitz et al. (2002) reviewed primary data from five case studies on mergers and acquisitions, finding communication (along with formal "soft" due diligence assessment for culture) as central to driving effective integration. In a study involving a survey of over 200 executive respondents asked to select 12 factors critical to M&A integration success, 90% included communications among their choices. In contrast, only 43% suggested that their own integration communication efforts were successful (Galpin & Herndon, 2006, as cited by Galpin & Herndon, 2014). Galpin and Herndon (2014) suggest that communication is at once essential and extremely complicated. They suggest it be "waged" as an active campaign implying that communication efforts should be planned and sustained over time.

Post-acquisition 6: Managing cultural differences

The literature assessing cultural distance as it relates to M&A performance is extensive. It addresses multiple levels of identification at the national, regional, industrial, company, and professional levels (Gomes, 2012, as cited by Gomes et al., 2013). Our focus follows the suggestion of Zaheer et al. (2003), which posits that identity (who we are) may be at least as important to post-merger integration as a process (how we do things), an observation corroborated in the work of Vaara (2003), Corley and Gioia (2004), and Stahl et al. (2011). Bijlsma-Frankema (2001) points out the effects of friction between structure and cultures, and conflicts between different cultures, on the functioning of the organization. This author finds that cultures in organizations influence how members make sense of their experiences in the organization and how they define and interpret the situations they are in to be able to act in a meaningful way (Bijlsma-Frankema, 2001). Still, most of this research focuses on organizational groups, and there remains little research that examines how individual employee identity impacts pre- or post-integration phases (Green, 2021). For example, while Corley and Gioia (2004, as cited by Green, 2021) situate identity ambiguity in an organizational change and organizational identity context, this research does not consider how employee identity (status, power, or marginalization) impacts M&A outcomes. Also, Rickard and Finkelstein (1999, as cited by Green, 2021) researched human resource perspectives and their impact on mergers and acquisitions; however, the researchers used a conceptual framework grounded in the industry perspectives of economics and finance, thus impeding the transferability to the broader research area of employee engagement. Still, more recent research focuses on how trust impacts merger and acquisition outcomes. For example, Stahl et al. (2011) explored the role and importance of trust and examined the factors that influence, lead to, or impede trust in M&A. However, they suggest that trust issues could be addressed more appropriately by focusing on better planning and post-acquisition preparedness rather than focusing directly on trust considerations. More recently, Ahern et al. (2015) found strong evidence that three key dimensions of culture (trust, hierarchy, and individualism) affect merger volume and synergy gains. While finding these three attributes are essential for a strong integration, the authors also argue that the core of integration involves employees of the acquirer and target firms working together in coordination (Ahern et al., 2015), without which the two companies would continue operating as two separate entities, and no value would be created.

Post-acquisition 7: Human resource management

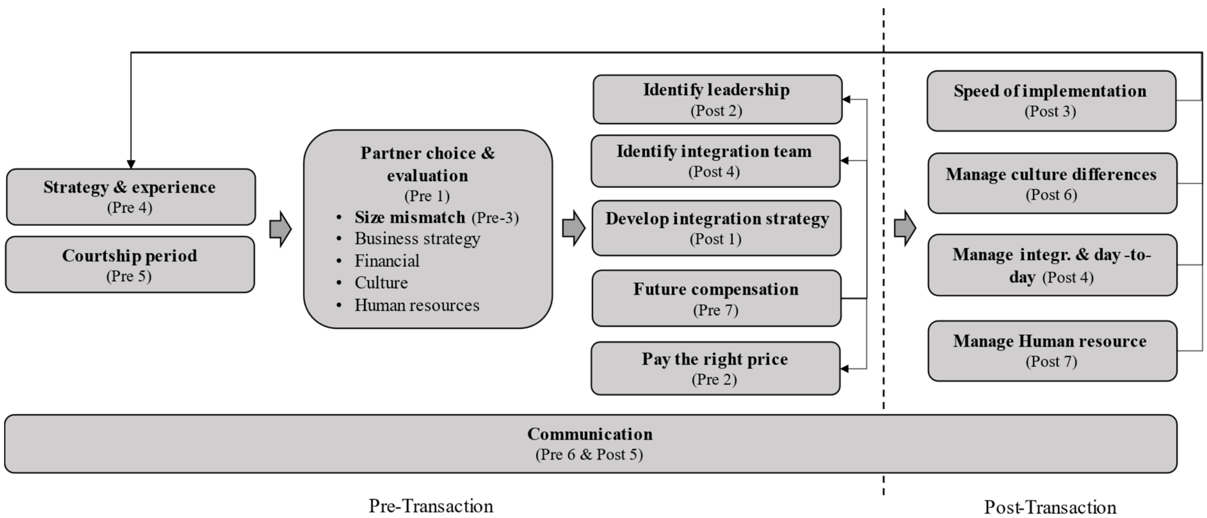
Gomes et al. (2013) recognize the breadth of research discussing human research management in relation to M&A while lamenting the scarcity of practical advice on the same. Still, studies confirm the need for companies to address human resource issues and activities and organizational culture in M&A decisions (Schorg et al., 2004), while others (Marks & Mirvis, 2011) advocate for more involvement by human resources professionals throughout the M&A process, from pre-transaction due diligence to post-transaction integration. As suggested by Rodríguez-Sánchez et al. (2019), human resource management is critical to the success of M&A, specifically in the integration activities and practices that follow the transaction: leadership and team integration, the change and restructuring process, managing resistance, and valuable talent retention. While people-centered research has been more of a focus recently, there are others who are more keenly focused on research that is related to keeping top management and deploying human resource (HR) tactics for managing the retention process over a period that represents a traumatic experience for employees, particularly for deals that occur under a hostile takeover (Siehl & Smith, 1990; Williams et al., 1990). Kummer (2008) builds on this work by outlining incentive elements that can be used to motivate and retain critical persons. Again, citing Degbey et al. (2021), work in this area is evolving from a focus solely on financial incentives to a focus on developing psychological ownership, potentially addressing issues of *merger syndrome*, an effect where many employees express high levels of stress, guilt, and anxiety after being a part of a merger or acquisition (Marks, 1982; Marks & Mirvis, 1985, 1986; as cited by Siehl & Smith 1990).

Intersectionality and Sequencing

We have written the following discussion of the literature to support our own conceptualization of an idealized sequencing model for M&A success factors introduced under our Research Design section above (Represented below as Figure 3). In doing so, we cross further into interpretation/extrapolation in this subsection than is typical of literature review sections. However, this approach also helps to illustrate the intersectionality of the existing literature while clarifying its framing in relation to our diagnostic objectives.

Figure 3

Idealized Conceptualization of Pre- and Post-Transaction Factors



We begin again with observations from Gomes et al. (2013). They characterize the literature addressing intersectionality among success factors within and across pre- and post-transaction phases as limited but informative with regard to the importance of planning for post-merger activities during the pre-transactional phase (Weber et al., 2012, as cited by Gomes et al., 2013), and with regard to the incorporation of HR and cultural assessment into the evaluation as well (Schorg et al., 2004; Marks & Mirvis, 2011; Noble et al., 1988; Galpin & Herndon, 2014). We extrapolate this reasoning within our model, first by more clearly stipulating elements of evaluation within *partner choice and evaluation* (Pre 1), for example, business strategy, financial, cultural, and HR, along with *size consideration* (Pre 3). We then pull several planning elements of the post-transactional success factors into the pre-transactional phase – *identifying key* *leadership* (Post 2) and *integration team members* (Post 4) along with the development of an *integration strategy* (Post 1). We posit that better pre-planning, in turn, may influence the intentionality with which the *speed of implementation* (Post 3) is pursued.

Researchers have also observed that an organization's propensity to position such post-transactional planning considerations into the pre-transaction phase increases with experience and that organizations that were experienced with M&A were also more likely to have well-defined strategy objectives underlying the M&A activity from the onset (Galpin & Herndon, 2014; Marks & Mirvis, 2011; Graham et al., 2022). Accordingly, we positioned *strategy and experience* (Pre 4) as an initiating node in our sequencing with a feedback indicator that links the end of the sequencing back to this beginning node – one enters a transaction with a given level of expertise and gets better at M&A by doing M&A (Hayward, 2002; Inkpen et al., 2000; Jemison & Sitkin, 1986; Vermeulen & Barkema, 2001; all as cited by Gomes et al., 2013). We have also positioned the *courtship period* (Pre 5) as an initiating node as the types of courtship activities contemplated by Stuart and Yim (2010, as cited by Gomes et al., 2013), participation in joint ventures, arm's length trade relationships, or active interlocking shareholder board representation, imply a pre-existing relationship.

In our model, we link the initiating attributes (*strategy and experience* and *courtship period*) directly to *partner choice and evaluation. We* also attribute the experience to the propensity for an organization to incorporate more aspects of planning for post-transaction activities during the pre-transactional phase, as described above. However, both initiating attributes, along with the *communication* attributes (Pre 6 and Post 5), impact attributes further downstream, such as *paying the right pric*e (Pre 2) and each of the managing related activities that occur post-transaction, *cultural differences* (Post 6), *integration and day-to-day* (Post 4), and *human resources* (Post 7). Regarding price, experienced teams tend to hold an advantage in negotiating (Cuypers et al., 2017), while courtship along with transparent communication improves information symmetry (Gomes et al., 2013) and may offset the pricing advantage from experience (Cuypers et al., 2017). Increased sensitivity to cultural differences has also been shown to impact pricing decisions (Edmans, 2011; Guiso et al., 2015; Gompers et al., 2003; Graham et al., 2022). Note that we use the attribute *communication* (Pre 6) to convey what is communicated and to consider with whom (how broadly) such communications are shared. We also link the pre- and post-communication-related attributes into a single factor to represent the importance of intentionality to this attribute across the entire process (Galpin & Herndon, 2014). Broader participation within the M&A planning, particularly by the individuals tasked with managing the post-transaction activities, improves the likelihood that the integration objectives are achieved (Marks & Mirvis, 2011; Trank et al., 2012). However, broader participation does not come without risk (Columbo et al., 2007; Jemison & Sitkin, 1986; Kitching, 1967; all, as cited by Gomes et al., 2013).

Our model recognizes one additional research intersection, the link between *future compensation policy* (Pre 7) and the aforementioned aspects of planning and managing the post-transaction activities. Again, research on this topic has evolved from retaining key employees with targeted financial compensation packages to the aspect of employee engagement and psychological ownership (Gutknecht & Keys, 1993; Degbey et al., 2021).

Research Methodology Exemplar

Corley and Gioia (2004) used interview coding and analysis methods to assess the processes by which organizational identity changed after one global technology provider spun off from a long-time Fortune 100 parent. These researchers interrogated the newly formed organization professionals over several rounds, which progressed from general, semi-structured interviews to more focused, structured sessions. In detail, Corley and Gioia document their sampling protocol and the inductive data analysis process. A companion article more directly addressing this “Gioia Method” for qualitative, inductive research (Gioia et al., 2013), taken together with Corley and Gioia (2004), provided an exceptionally robust exemplar for this specific research methodology. This model represents our preferred and primary exemplar, most applicable to our research objectives of contextualizing our partner organization’s pre-transactional activities while exploring how and where opportunities for academically-review supported improvements may apply.

Data Collection and Analysis

Participant Selection and Characteristics

As Carl and Ravitch (2021) state, "selection of the participant group requires a clear understanding of the goals of the research questions and about the context and populations at the center of the inquiry" (p. 83). Our project questions center on understanding the shared experiences of Focus and its clients, which results in a very specific demographic of potential participants. Recruitment, which further concentrated participation, followed a convenience, purposeful, and snowballing strategy, as informants needed to be available for interviews within a relatively tight timeframe, feel comfortable sharing otherwise confidential details about their experiences in the transactional and integration efforts, and relate to common transactional experiences.

Ultimately, we conducted 22 interviews across three informant categories. All interviews were audio and video recorded. Group A (advisor) included nine Focus staff members who offered their perspectives about transactions and processes that take place within the firm: seven bankers (six male, one female, all age 50+) regarding specific transactions and two senior members of the staff (both female, age 50+) supporting Focus's processes more broadly. Each of the nine interviews ranged from 30 to 80 minutes. Group B (clients and counterparts) consisted of seven clients who offered insight into their experiences as sellers or buyers and two additional informants who experienced a related transaction from the counterparty position (i.e., the counterpart-buyer to a client-seller). There were nine participants in this group (all male, eight age 50+, one age 30 to 40), and the semi-structured interviews ranged from 30 to 67 minutes. Group C (third parties) included four individuals (three male, one female, age 50+) who participated in M&A as a primary role but were not related to or included in either Groups A or B. We did not utilize insights from

Group C to develop our themes or aggregate dimensions. Rather, these interviews helped triangulate/validate our observations from Groups A and B. In this group, each interview lasted approximately 30 minutes.

Specific to transactions, we interviewed seven bankers, seven clients, and two counterparts. We initially categorized the participant into transaction-specific groupings as we considered emerging themes to ensure we connected participants' shared experiences from each transaction. However, once we agreed on the specific themes, our data mapping efforts occurred more globally (disregarding groupings). Also, given the small size and shared relationships among our participants, we omit such transaction-grouping references from our reported data, findings, and discussions to help protect the anonymity of our informants. The transactions involved organizations with the following industry/business characteristics: government contracting and related services; engineering and construction; industrial materials manufacturing; automotive salvage and recycling; software-based analytics and data management; recreational vehicles retail; and advanced research, development, and engineering. We have obfuscated these characteristics within our data, findings, and discussion again to help protect the anonymity of our informants.

Interview Protocol

We employed an interview approach between what Bhattacharya (2017) classifies as a formal, semi-structured interview and an informal, open-ended one. All interview participants received both a Participant Overview (Appendix B) as part of the recruitment effort and then a Thought Prompt document (Appendix C) with more detailed instructions not less than four days in advance of the interview. This prompt described our meeting logistics, solicited specific demographic characteristics, and encouraged reflection on the informant's M&A experience(s) ahead of the interview. Our topic-specific questions, also included in Appendix C, were not provided before the interview. These questions were designed to provide structure and consistency across the interviews while inviting the informant to "paint" their own picture of the phenomenon we wished to study. Accordingly, we favored general terminology in framing these questions instead of terms prevalent in the academic literature associated with various pre- and post-transaction success factors.

Data Collection

All interviews were recorded (audio and video) via Zoom and transcribed utilizing Otter.ai. After each interview, we imported the audio and transcript files to Dedoose, a web application for mixed methods research. While we did not use the video footage in our analysis, we felt video participation more closely approximated face-to-face style interviews and would lead to more open discussions with the participants. All interviews were with a single informant, and most included two project team members: one interviewing and the second observing. The observing member typically muted audio and disabled video after initial introductions. The observer also took notes and periodically suggested follow-up questions toward the end of each interview. We rotated the interviewer/observer role. Four interviews were conducted with only one project team member due to scheduling constraints.

Initial Analysis

After each interview, a project team member completed an initial analysis which included four steps: 1) Listen to the interview once/twice while taking notes on potential relationships to our project; 2) Relistening to identify independent datum (coherent statements, sentences, or groups of two or three sentences) and mark them as excerpts within Dedoose (over 1400 excerpts); 3) Relistening to interpret the excerpts and assign codes that were both deductively and inductively derived (over 3200 applications of 35 codes); 4) Drafting memos to capture observations or ideas that may assist in moving from the raw data to the underlying conceptual themes, aggregate dimension, or subsequent recommendations (over 95 memos). Before initiating this initial analysis, we established 16 deductive codes corresponding to elements from our initial literature review on M&A success factors. Throughout our analysis, we established 19 inductive codes based on the information categories we perceived our informants were frequently communicating but were not adequately captured by one of the deductive codes. Appendix D lists these codes and describes each code's application specifications. We also provide code-specific application counts in this appendix for information only. These counts did not drive the subsequent steps in the analysis. Instead, the counts helped inform the supportability of the observations within the interview transcripts. As applicable, we assigned more than one code to each excerpt. We noted the resulting intersectionality among codes and the emergent themes identified in the next phase of the analysis.

Identification of Emergent Themes

After substantially completing our initial analysis, we approached theme identification within each transaction-specific grouping described above. First, each project team member independently drafted an overview memo for each interview (three overview memos for each interview) describing 3 to 5 themes that each member found most relevant to our objectives as supported within the interview transcripts and informed by our initial coding. We transferred these themes as key terms to transaction-specific worksheets and then discussed and agreed on the aggregate themes relevant to each grouping. We then moved these agreed transaction-level themes to a global worksheet and continued the discussion, eventually deciding on six global themes (See Table 4). This process facilitated our crystallization of the identified themes while also serving as an inter-observer consistency check for the process. We have included anonymized populated examples for these discussion worksheets in Appendix E.

Table 4

Global Themes

Themes	Description
Communication	Descriptions of communication, including the open or closed nature of such communications (e.g., how broad participation was during the process) and how such communication impacted the transaction or integration activities.
Cultural assessment	Descriptions of the informal or formal process by which buyers, sellers, or bankers describe their own assessment of organizational culture.
Experience of advisors	Descriptions of the experience, skill, expertise, knowledge, advice, guidance, and support provided during the M&A activities by the advisors.
Leadership	Descriptions of a person or a group's activity that influenced and guided followers (positively or negatively). Also, descriptions of leadership as a proxy or a symbol by which culture or other characteristics of an organization were assessed.
Positioning	Descriptions of how an individual or company's standing within the organization or community is impacted by or during M&A activity or how the organization or its representative is portrayed to a potential buyer or seller during the due diligence phase.
Relation building	Describes previously existing relationships, or relationships built over the period of the transaction, and how such relationships influenced a transaction or integration.

Upon agreement regarding global themes, we linked the relevant excerpts (open codes) to the agreed emerging themes (See example in Appendix F) in a reporting format that allows us to quickly see intersectionality among axial codes and emerging themes for each of the open codes. This formatting also allowed each of our project team members to review and suggest additions, deletions, or clarification to the coding application, serving as another inter-observer/coder consistency check. Ultimately, we linked 101 Group A-specific open codes and 154 Group B-specific open codes, along with the relevant axial code indicators, to our emergent themes.

Identification of Aggregate Dimensions

After completing the mapping of relevant open themes to our six emerging themes, we reassessed this consolidated data set in relation to our initial project questions with the objective of clarifying the larger dimensions connecting two or more of our six themes. We ultimately agreed on three aggregate dimensions as described more fully in our Findings: a) *facilitation and variation*, b) *tensions impacting understanding and trust*, and c) *clarifying assessment*. We then consolidated the relevant open codes for each aggregate dimension. Of the 255 excerpts linked from our themes, we linked 85 to *facilitation and variation,* 86 to *clarifying assessment*, and 104 to *tensions impacting understanding and trust*, for a total of 275 applications. There were 14 intersecting applications between *tensions impacting understanding and trust* and *clarifying assessment*, 14 intersecting applications between *tensions impacting understanding and trust* and *facilitation and variation*, and seven intersecting applications between *clarifying assessment* and *facilitation and variation.*

Documentation Analysis

We were provided transaction documentation artifacts for one buy-side engagement and one sell-side engagement under the condition that we do not describe or disclose information specific to the actual transactions. However, we had no limitations on describing the characteristics of the documentation as it relates to general content, categories, or structure in relation to Focus's processes and services more generally. We referenced these documents solely for the purpose of confirming our understanding of the process-specific information described during our informant interviews.

Data Limitations and Validity

Participant demographics and group size limit our ability to make any generalizable observations and have limiting implications for our observations regarding our partner organization more directly. The participant groups provide for minimal comparison of gender-related differentiation and no comparison of racial/ethnic-related differentiation. However, this project involves the crystallization (as opposed to generalization) of these advisor/client experiences, so such limitations are not material to our objectives. More specific to Focus; however, our participants include only advisors in the 50+ age group. Age or experience-related differentiation across Focus more generally will not be evident in our data set. Additionally, the selection process likely biases our analysis towards those experiences that resulted in relatively positive outcomes.

Regarding process validity, our coding approach assured a relatively complete assessment of all information provided by the informants, followed by a narrowing of the data concerning the project objectives. So, there is a relatively low risk that our team has overlooked relevant details in the data set. However, that does not eliminate inconsistencies, misunderstandings, or incorrect assessments among our team members. To this end, we have included inter-observer/coder consistency controls (described above) within the development of themes and in the aggregation of the relevant open and axial code to the identified themes.

Findings

We have organized our findings into five subsections. In our first subsection, *Emerging Themes*, we provide more descriptions of each of our six emerging themes with relevant excerpts from the informants' interviews to help illustrate how each theme connects back to the relevant open codes. Our discussion of the themes is intentionally brief as we also highlight each of these themes in more detail as they connect to our three aggregate dimensions. We target the next three subsections on each of our aggregate dimensions (*facilitation and variation, tensions impacting understanding and trust,* and *clarifying assessment)*, contextualizing our findings with representations from our informants while also connecting/contrasting those findings to insights from our literature review. Finally, we summarize key findings from our three aggregate dimensions together with a view toward highlighting opportunities for enhancement that are addressed in our Recommendations section.

Before proceeding, we note here the connection of our findings to our first research questions first laid out under Research Design above:

Q1. How do aspects of the pre-transaction planning and diligence phase, *as experienced by the advisor and client(s)*, impact the overall success of M&A?

Q2. How do aspects of post-transaction integration, *as experienced by the advisor and client(s)*, impact the overall success of M&A?

Q3. How can *the client's* post-transaction integration be improved through adjustments to *the advisor's* pre-transaction services?

Our informants' descriptions provided a robust overview of their experiences during the pre-transaction phase (Q1), including characteristics of the advisors' services, tensions present in the overall process, and challenges associated with assessing the degree of cultural fit organizations may have. We also gain partial insight into the clients' and counterparts' experiences post-transaction (Q2) as they relate to the pre-transaction elements described more fully in our findings. Interestingly, among our six clients and sellers, all but two remained actively engaged with the business after the transaction. We did, however, encounter limitations in two parts. First, the advisor's description primarily related to the pre-transaction activities (Q1), with very little discussion of post-transaction activities (Q2). The advisors reported having very little involvement once the transaction closed. Our second limitation relates to the definition of *overall M&A success*, which is an aspect of all three of our project questions. This is a grey concept in relation to our project. We rely on the informants' description of satisfaction with the services of the advisor and their satisfaction with the outcome of the transaction and subsequent integration relative to their initial expectations. However, even with this definition of success, we are limited by the size and makeup of our sampled informants. We do not address Q3 directly in our findings; however, the areas we identify for improvements, as summarized in the final subsection of these findings, help inform our recommendations in the subsequent section, which address Q3 more directly. We reference 66 excerpts from our analysis to help elucidate our findings, attributing each excerpt to the type of participant (advisor, client, or counterpart). Each excerpt is included in the text at its first use, with subsequent uses referring the reader back to the original use. We also include all 66 excerpts in order of initial use as a table (Appendix G).

Emerging Themes

Communication

Throughout our interviews, descriptions of communication during the pre- and post-transaction phases helped us understand the informants' perception of the overall process. For example, in Excerpt 1, a client is describing how post-transaction communication negatively influenced his perception of the buying company and, ultimately, his perception of the success of the transaction:

1. The key red flag was that the firm hadn't been listening. They hadn't been listening during the due diligence, they had not been listening to my recommendations, and they had not been listening to my plan and my go-forward. The second red flag was that communication [was poor]. In other words, I couldn't get the attention of the CEO of [Buying Company]. He wasn't available.

(client)

Communication description also revealed who and how employees were engaged during pre-transaction activities. During one specific transaction, participation in due diligence started narrowly and then expanded as the buyer-counterpart worked to develop an integration plan prior to closing. Excerpt 2 illustrates just how broad communication had become towards the end of the pre-transaction phase:

2. I did remember that right before we closed the deal, that's when they brought in all the employees, and the president of [Buyer's] division stood up and talked to all of them and invited anybody to ask questions. And they weren't bashful. They asked a lot of questions, and they were answered […], and there were probably 70 or 80 people in the room. […] That meeting stood out to me because there were so many people in the room, and [Buyer's Organization] was being very vulnerable in front of them.

(advisor)

Relationship Building

In certain transactions, the pre-established relationship between the buyer and the seller helped facilitate the fit assessment (Excerpt 3):

3. So, when [Buyer] came calling, you know, we liked [Buyer]; they were absolutely reputable. Our employees liked working with them [Buyer was a customer]. They were just a solid group of people. And a lot of our customers were also [Buyer's] customers.

(client)

Relationship building between the advisor and client was also a key factor across transactions, specifically complex deals that involved expertise or emotional support (Excerpt 4):

4. I think all of these situations are emotional processes. And with the end of the market that we deal with, many are family-owned businesses; this is their life. This is the only transaction they're ever going to do. And I think listening to what their concerns are and helping them think through is probably more therapy than managing relationships.

(advisor)

Cultural Assessment

Uniformly, informants described assessing culture during the due diligence phase as an informal activity rather than a specific tool or process. In lieu of a formal cultural assessment, informants described using their own interpretations of characteristics (e.g., personality types, business approaches, or leadership style) to inform their informal assessment of cultural compatibility. For example, we see how one specific advisor linked cultural differences to business development approaches (Excerpt 5):

5. This is a big company [referencing buying organization], right? So, they don't make a lot of sales. They do a lot of marketing. Well, [Seller] sells, right? He's a Street Fighter. You put on the gloves, and you go out, and you fight for work, right? These guys [again referencing the buying company] do big companies' stuff, right? They publish articles and white papers and blogs and webinars, and then people come to them. That's how they get business.

(advisor)

Informants also described the varying degree to which assessing culture is important, which is generally based on the buyer or seller's priorities. Below, we see an example where the client had assured himself through the initial buyer screening processes that culture would take precedence over price (Excerpt 6). However, on a separate transaction, the advisor placed priority on price while not discounting aspects of culture altogether (Excerpt 7). In another transaction, financial considerations took priority in the integration planning, with consequences for the post-transaction integration (Excerpt 8):

6. Well, we definitely wanted to go with a family-owned operation. And we would have traded small discounts if we needed to, but the way it worked out, we

just weeded out the outfits that weren't family-owned until we got down to three [potential buyers].

(client)

7. I saw success for [Seller]. One was getting a high price […]. Success also was getting good market rents for them and then also getting a job that [Seller] wanted to do with an organization. So, we wanted to help [Seller] figure out, okay, like, "Who do you want to work with? Of these groups, you're a young guy [Seller]; who do you want to work for?"

(advisor)

8. So, they did a lot of work on the financial part, but they didn't do nearly enough work on how are we different? How are we going to deal with your differences? It's more like, "Okay, who are we going to give stock options to? Who's a director?" Yeah, that's important, right? That doesn't get people to stay. So that was what they struggled with for the first 90 days.

(advisor)

Leadership

Leadership also emerged as a theme from our discussions with informants, but with a somewhat focused purpose. Most notably, informants spoke about leadership as a proxy by which they assessed culture and engagement (Excerpt 9):

9. [Name] the CEO, he was supposed to come in for just, you know, say hi and stick around for a cup of coffee and to see how things are going. He stayed for three hours. We had a great discussion. We all got along very well. A lot of good vibes, a lot of good energy. And I enjoyed that meeting. And I thought, "I can work with these people. I can work with these people."

(client)

Informants also discussed events that occurred during or after the M&A process, in which the action of a person in a leadership position impacted the perceptions of participants to the transaction, positively (Excerpt 10) or negatively (Excerpt 11):

10 You know, I went to the [major industry trade show] and was introduced by the CEO of [Buyer] to the press [post-transaction], and we had a whole press release and the whole thing. And it was just a wonderful experience, I think, for everybody.

(client)

11. And here's where the CEO blew the deal. […] he decided to start negotiating with me in front of everyone, which I didn't like. I mean, I don't want to talk about how much you're going to pay me in salary in front of, like, my CFO and other people. Are we negotiating salary at the table here? You know, why don't we talk about how our businesses will work together and what synergies we might have?

(client)

Positioning

Positioning is a theme that emerged, which illuminated how changes to individuals' standing within the organization (Excerpt 12) or community (Excerpt 13) would impact the perception of the transaction:

12. In terms of the transaction with [Buyer's Organization], that was very important to them. They wanted everyone in the company to come over, which is surprising to me because usually, the management team gets whacked off, you know because we're more expensive. But [Buyer] was unique in that respect, in terms of their view of the importance of all the employees, especially in a small company to a [large buyer] transaction like this.

(client)

13. So, one of the things that were not identified leading up to closing […] they basically raise funds for charity, and the employees decide what they're going to actually fund with this […] But it was one of the things that the employees as a whole felt so strongly about in that community. And it really would have been demotivating to them not to have this program.

(client)

Experience of Advisors

The importance of experience, knowledge, and support provided by advisors during the M&A process was discernible throughout our discussions with clients. Excerpt 14 calls out one client's recounting of an advisor's approach to a new materially important business development opportunity that occurred during the transaction process:

14. And to [advisor] 's credit, they never really forced us into anything. I mean, for example, we went to the market, and then all of a sudden, [large customer] became very interested in our [products/services]. And so, we stopped the buying [M&A] process for a while [...] that would really increase our valuation tremendously [...] And ultimately, we were successful in

> gaining [large customer] and, and then, you know, again, it increased our revenue stream and valuation.
>
> (client)

However, other discussions highlighted several informal rules which, while often consistent in principle and across advisors, also revealed degrees of variation in the services of the advisor or revealed certain underlying tensions in the M&A process more generally. We address these aspects in more detail as we describe the relevant aggregate dimensions.

Aggregate Dimensions

Facilitation and Variation

The aggregate dimension, *facilitation and variation*, extends primarily from the intersecting observations related to the four emerging themes: *communication*, *relationship building*, *cultural assessment*, and *experience of advisors* (See Table 5). In addition to highlighting the consistency and proficiency with which much of the early-stage activities occur, this aggregate dimension also captures how informal expertise among the advisors, along with the varied objectives and sensitivities of the clients, leads to variation throughout the later-stage of the pre-transaction processes.

Table 5

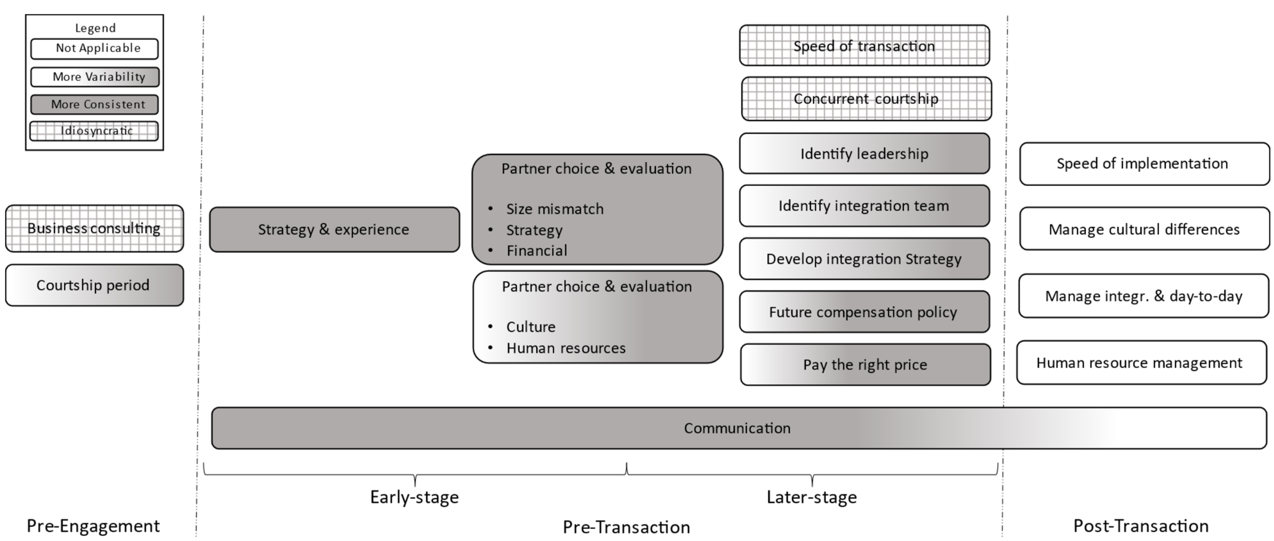
Facilitation and Variation (Themes and Aggregate Dimension)

Themes	Aggregate Dimension	Elements to Consider
Communication, Relationship Building, Cultural Assessment, Experience of advisors.	**Facilitation and Variation**	Process Mgmt. and Structure, Process Variability, Informal Expertise.

This subsection of our report comes the closest to approximating traditional process mapping; however, it differs in one important respect: rather than capturing a complete or sequential summary of the advisor's services, we explain our observations on aspects of the advisors' services in relation to the idealized flow of success factors described in our literature review (See Figure 4, also in Appendix A). In addition to highlighting aspects that are more consistent/variable, we also shed light on four aspects of these services that are incremental (although in some instances similar) to the academically derived success factors. These incremental attributes include the addition of a *pre-engagement* phase, an attribute that approximates a *business consulting* role for the advisor vis-à-vis the client, a *speed of transaction* attribute, and a *concurrent courtship* attribute.

Figure 4

Evaluation of advisor's Services in Terms of Gomes et al. (2013)



Pre-engagement

Our first adjustment to the conceptual model emanating from our observations was the addition of the pre-engagement period. For the advisor and client, the formal engagement begins with the execution of a letter of engagement ("LOE"), while the M&A pre-engagement period addresses relevant activities that occurred before the LOE. For several of our transactions, the LOE also represented the initiation of the relationship between the advisor and client and this pre-engagement period was not as relevant. However, two of the seven transaction groups we explored involved an advisor-client relationship that extended several years prior to the formal LOE. One such relationship (Excerpt 15) evolved more organically while the other had developed into a *business consulting* role for the advisor vis-à-vis the client's organization (Excerpt 16):

15. To be quite candid, the relationship developed as a function of [family-related administrative visits] [...], And every time I would go down there, I would stop and have lunch with [Seller-client]. So, the relationship took three or four years; I didn't really talk about transactions. I assisted him in some general conversations about things he wanted to do as a company [...]. The goal, of course, would be for when the time came for [Seller], he would call me [...], and he did that.
(Experience of advisors, Relationship building)
(advisor)

16. So, I had relationships with two of the shareholders in that company. And they basically hired us eight years before that transaction to tell them what to do with that company. So, I have a colleague that we sent to the company and [assess] what was going on, and we gave him the advice that built the company that they were doing [...] And they were just a small business competing with big businesses.
(Experience of advisors, Relationship building)
(advisor)

The more direct *business consulting* type relationship evolved from the advisor's experiences in a corporate capacity prior to becoming a banker, a common attribute among most of Focus's bankers. In Excerpt 17, the client is commenting on the advisor's prior industry experience while recounting certain potential counterpart courtship experiences that were also related to the pre-engagement period:

17. And [advisor], being an [Seller's Industry] guy, also sort of helped in that regard. So, he just sort of commented on things as we moved along. And, you know, throughout my term, at [Seller's Organization], I met with [advisor] almost every time I went to [location]. […] And every once in a while, [he] would introduce me to a few buyers, probably more like practice runs.
(Experience of advisors, Relationship building)
(client)

These pre-existing connections between the advisor and client were analogous to the *courtship period* (Pre 5) highlighted in our literature review, which establishes the mutual understanding and trust helpful once the two parties move forward together in the M&A process (Columbo et al., 2007; Jemison & Sitkin, 1986; Kitching, 1967; all as cited by Gomes et al., 2013). We also re-positioned the literature review-based *courtship period* attributed to the pre-engagement phase, as the types of activities contemplated (participation in joint ventures, arm's length trade relationships, or active interlocking shareholder board representation) imply a pre-existing relationship (Stuart & Yim 2010, as cited by Gomes et al., 2013). Three of our seven transaction groups involved a buyer/seller relationship that would qualify as pre-existing. One was quite strong – a service provider/customer relationship (Reference again Excerpt 3). The other two were less so – co-participants in the same industry. We note, however, that these pre-existing relationships (advisor/client or buyer/seller) were not necessarily the norm across the advisors' business more broadly. As one advisor recounts below (Excerpt 18), many of their transactions do not involve pre-established relationships:

18. So, from all the transactions I've done, there hasn't been a pre-existing relationship between buyer and seller with any of them. […] We work with a lot of entrepreneurs and family generational business owners, and every one of them has quirks. I don't know that we necessarily do a great job of

understanding their quirks before we get engaged with them. […] I don't always break bread, for instance, with people we're going to work with. And the more time you spend with people, the more you learn what they are about. *(Experience of advisors, Relationship building)*

(advisor)

Pre-transaction

The pre-transaction phase begins once the LOE is executed and extends until an M&A transaction is closed. However, we identified two stages in this phase. Once the LOE is executed, the advisor initiates an extensive process of preparing documentation and gathering market-related intelligence and then works with the client to identify and engage with the perspective counterpart(s) until securing a letter of intent ("LOI") signifying that the buyer (whether client or counterpart) is much more serious about engaging in a transaction. This period from LOE to LOI we characterized as *early-stage*, pre-transaction activity. Once an LOI is secured, the advisor and client, together with an identified counterpart, move through the due diligence, negotiations, and some degree of integration planning activities until the eventual transaction closes. These activities from LOI to close, we characterized as *later-stage*, pre-transaction activity. Referencing back to Figure 6, we position both *strategy and experience* (Pre 4) and *partner choice and evaluation* (Pre 1) within the early-stage activity. The later-stage activities also overlap *partner choice and evaluation* (emphasis on evaluation) and include the other elements in Figure 6 up to the transaction close, after which the post-transactions integration activities occur. Interestingly, and as acknowledged among the advisors (Excerpt 19), these two stages also represented a demarcation to the degree of consistency versus variation in the process:

19 So, from a process standpoint, this is where we have a lot of variabilities […] the first phase is the same for everyone […] we're getting documents and having conversations to try to be able to package that company and create a target list. The second phase of this process is where the magic happens right, and there's a lot of variability with what happens in that phase. *(Experience of advisors)*

(advisor)

To be clear, our client informants described aspects of the advisor services positively in relation to both the early-stage (Excerpt 20) and the later-stage (Excerpt 21) activities. One constant connected our clients' recounting – consistent with the literature addressing experience (Hayward, 2002; Inkpen et al., 2000; Jemison & Sitkin, 1986; Vermeulen & Barkema, 2001; all as cited by Gomes et al., 2013) they valued the experience each advisor had accumulated by actually doing M&A (Excerpt 22). The counterparts we interviewed also shared similar observations (Excerpts 23 and 24):

20. They got a chance to listen to employees. I mean, I didn't do a lot of speaking during that, and to the intensity that they had, and the knowledge that they had right down to our [specific role] of what this meant to [provide specific product/service]. So, I think they were able to convey that.
(Experience of advisors, Communication)

(client)

21 Advisor did a really good job [...] especially good once the letter of intent was signed. Obviously, the strategic buyer did not like having an investment banker, you know, in the mix. [...] But to the advisor's credit, they did a great job from that point on. We explained to [Buyer], "Oh, they represent our shareholders." I mean, [advisor] is a long-term friend, and he's worked with the company forever.
(Experience of advisors, Relationship building)

(client)

22. [Advisor's organization] just has the advantage also of having done enough transactions that when somebody you know, any process that you've been through repeatedly, and you get a newcomer into the process, the newcomer is going to have the same ideas that, hamstring deals, and he's seen all those.
(Experience of advisors)

(client)

23. […] once we sign the LOI, we all wanted to get the deal done […], but what I felt [the advisors] were constantly managing to push the process forward. […] we do deals without brokers or without bankers. And it's very challenging because they [the seller] don't have that person on their side with experience that is helping move the deal along.
(Experience of advisors)

(counterpart)

24. It was interesting. It was a love-hate relationship. From the buyer's side of things, there were times when I wanted him [advisor] to just get out of the way. I don't need your input on this conversation. You don't always have to be in on every conversation. […] but by the end of it, it was the broker that kept the seller calm. There was an emotional attachment; it's their baby, they built it from the ground up […], and the broker did a great job of keeping the seller calm.
(Experience of advisors, Communication)
(counterpart)

"*Where the magic happens"*

As characterized in Excerpt 19 above, the later stage is "where the magic happens." First, we consider *the magic*, a term that the advisor uses in reference to the relationships and understanding that develop between clients and counterparts while working through the pre-transaction activities, in particular, the negotiation over transaction price and future compensation, while planning for post-transactions integration. Referencing back to Figure 6, we capture this attribute as *concurrent courtship*, separately distinguishing this attribute vis-à-vis the *courtship period* (Pre 5) from the literature review. The latter implies a pre-established relationship that evolves over the natural course of business affairs. *Concurrent courtship* captures the relationship building that occurred over the abbreviated period of the pre-transaction phase. Some form of relationship building reportedly occurred during the pre-transaction phase across all our transaction groups. However, this concurrent courtship figured much more prominently in connection to transactions without pre-established buyer/seller relationships. The advisors, however, were consistent regarding the importance of relationship building, even as they acknowledged the variability with which it occurred (Excerpts 25 and 26). Likewise, clients reported forming strong impressions from such interactions (Excerpt 27, also Excerpt 9 above).

25. So, having some social interaction is important; we don't always do it. The first transaction I did, was done 100% virtually because of COVID. And it was very, very hard. We never built that personal relationship between buyer

and seller. So that component, especially as we've gone through COVID, I think it's something that we have to think [about].
(Experience of advisors, Relationship building, Communication)
(advisor)

26. We had one group, […], and by the second [meeting] […] he was like, "I'd never sell my company to those [expletive omitted]." This was a direct quote from [Seller] the next morning. Right? I was like, "Okay, you didn't like them at all, did you?" But what happened was that sometimes your first impression is not the best one; maybe it's not accurate. […] But the more you date, then their true colors start to show. […] going from an initial meeting with these folks and then going deeper with them and having more interaction opened his eyes about what it would be like to be there. And that made a big impression.
(Relationship building, Communication, Leadership, Cultural assessment)
(advisor)

27. He hadn't read the book; he hadn't even thumbed through it. […] And like, I'm done with this dude; I've been working [hard] over here, and he's not going to show me the respect to, you know, grab a cup of coffee flip through the book for, you know, 15 minutes before the meeting. He didn't do that. He showed me disrespect.
(Communication, Leadership, Cultural assessment)
(client)

From the literature review, we observed that courtship and purposeful communication could demystify the M&A process and level the experiential differential between the participant by allowing members from both organizations to get to know each other better before agreeing to a combination; however, it can also serve to derail a transaction (Columbo et al., 2007; Jemison & Sitkin, 1986; Kitching, 1967; all as cited by Gomes et al., 2013). Within our observations, this balance between getting to know each other and potentially derailing the transaction presented tension that we address more fully in the aggregate dimension, *tensions impacting understanding and trust*. There we also address the tension arising from another unique attribute emanating from the interviews, *speed of transaction*. While the preference for quicker transactions was voiced by certain informants, it was not a hard-fast rule (Reference Excerpt 14 above). As described by our informants, this attribute parallels the *speed of implementation* (Post 3) (Angwin, 2004; Anslinger et al., 1996; Inkpen et al., 2000; Light, 2001; Ranft & Lord, 2002; Homburg & Bucerius, 2005; all as cited by Gomes et al., 2013). A speedy transaction was considered less likely to get scuttled by unfortunate events while also limiting the spread of misinformation associated with disruption to day-to-day business activities. Conversely, the extra time allowed space for parties to reach a better understanding and address issues that otherwise may have negatively impacted the transaction.

Attributing Variability

Excerpt 19 above also highlights the degree of variability between engagements associated with the later-stage activities. However, in addition to the aspects of later-stage variability, other points of variability deserve note. For example, we previously described the *pre-engagement* period within which we position two relationship building related attributes, *business consulting* and *courtship period* (Pre 5). Both these attributes present a wide degree of variability to the process, with transactions that involve deeper relationships seemingly representing the exception as opposed to the rule (Again, see Excerpt 18). That said, these two attributes are pre-loaded going into the engagement. The advisor, client, and eventual counterpart cannot go back and create a shared history where one did not previously exist. That said, certain informants did explore business-related relationships within the partner selection activities, sometimes finding them limited based on attributes of the business or other client-specific preferences (Excerpt 28):

28. We chose not to go to any competitors. Maybe [there were] three that I really think about as competitors. […] But what I didn't want was for any competitor to learn anything about me that they could use to compete against me going forward. So, you disclose a lot when you get started. […] what your hourly rate is, who your customers are […] a lot of secret sauce in there, and I just didn't want my competitors to have that.
(Communication, Relationship building)
(client)

Progressing through the process, the next noticeable point of variability is related to the degree to which culture is considered within *partner selection and evaluation* (Pre 5). We address this aspect of our observations more fully within the aggregate dimension, *clarifying assessment.* We note here, however, that the variation in cultural assessment was understood among the advisors (Excerpt 29), to some extent driven by the advisors' understanding of client preference (Excerpt 30), and also driven by variation among how advisors informally framed culture in the context of their specific engagement, whether it be related to a "human element" (Excerpt 31), differences in compensation philosophy (Excerpt 32), or otherwise:

29. But I also just want you to think about that, our buy-side stuff is probably going to be richer, in terms of how we looked at culture and how we talked about it with clients and what we were looking for, then it is on probably almost any sell-side.
(Experience of advisors, Cultural assessment)
(advisor)

30. In the second example, culture […] was important to the seller that wanted to stay with the business as well as the buyer. It wasn't important to the minority shareholder who didn't want to stay with the business. So, I guess whether and how important culture is, depends on your time frame of reference. The seller who's in it to get paid and be gone is less concerned about cultures than the seller who has a long-term view.
(Experience of advisors, Cultural assessment)
(advisor)

31. [Buying Organization] was a Midwest company; I felt that the culture of the people that were there was very welcoming, smart, [...] the culture matched if you will [...] It was the human element like [...] [Buying Organization] was a big company, and they were backed by a large private equity group, but it never felt like to me that they came in and were [trying to be] the smartest guys in the room.
(Experience of Advisors, Cultural assessment)
(advisor)

32. I think the way people are incentivized is a key component of culture. […] Okay. On one side, […] employees are incentivized based on individual

accomplishments. […] And the other type is where people are incentivized for what the entire company accomplishes. And it's my belief that I don't think you get your successfully closed deals when the cultures are dramatically different based on [whether] you pay "me" for what I do or pay "we." *(Experience of advisors, Cultural assessment)*

(advisor)

The greatest degree of variation occurred during the later stage of the pre-transaction activities, particularly regarding the degree to which post-transaction planning occurred: *identifying leadership* (Post 2), *identifying integration team* (Post 4), and *developing integration strategy* (Post 1). The experiences described by our informants ranged from one transaction that focused mostly on financial aspects of future compensation (Again see Excerpt 8) to other transactions involving a great deal of post-integration planning (Excerpt 33):

33. Because we understood how well-run they were, we also looked at some of their best practices and how we could learn from them, not just acquire them and force our methods down on them. We looked at what some of their best practices were and integrated those items into our plant operations […] and how we run the organization […]. Again, operationally, you know, they really ran a great operation to the point where we adopted some of their practices. *(Cultural assessment, Positioning)*

(counterpart)

Our final point of process-related emphases pertains to *communication* (Pre 6 and Post 5), which follows a similar early- and late-stage pattern regarding variability, particularly regarding who participated and what their roles were. We address this more fully in the aggregate dimension, *tensions impacting understanding and trust*. Here, we simply highlight the variation in approaches taken among our advisors, particularly as it relates to later-stage interactions and activities. For example, one approach was less prescriptive, choosing rather to allow the client and counterpart to set the agenda and work through issues (Excerpt 34), while another advisor described taking a more hands-on approach (Excerpt 35). Again, both clients and counterparts expressed an appreciation for the advisor's role across the entire pre-transaction period, even if there was a degree of "love-hate" voiced by one counterpart regarding the more hands-on approach (Again, see Excerpt 24).

34. There's also this belief […] our job is to get a transaction executed, right […] that there's a lot of other smart people on both sides of the table that need to figure out how to make it successful post-transaction.
(Experience of advisor, Communication)
(advisor)

35. I go to every site visit. And I'll tell them it's not that I don't trust you, […] I'd rather respond to questions and say I don't know than give them information that may or may not be correct. […] Particularly if the management owner is going to stay in some capacity going forward, I tell him the reason you want to banker is so that when we have these tense times, they think that I am the bad guy and not you.
(Experience of advisor, Relationship building, Communication)
(advisor)

Tensions Impacting Understanding and Trust

The aggregate dimension, *tensions impacting understanding and trust,* extends primarily from the intersecting observations related to the three emerging themes: *communication*, *relationship building*, and *cultural assessment* (See Table 6).

Table 6

Tensions Impacting Understanding and Trust (Themes and Aggregate Dimension)

Themes	Aggregate Dimension	Elements to Consider
Communication, Relationship Building, Cultural Assessment.	**Tension Impacting Understanding and Trust**	Transparency and participation, Price versus Culture, Time Constraints.

Some degree of trust is critical to the success of M&A transactions and subsequent integration. As Bereskin et al. (2018) observe, a firm may have a long to-do list regarding how to build and maintain relationships but building trust should be at the very top. Throughout our interviews, we observed certain tensions that impacted our informants' efforts to develop understanding and trust during the M&A process. These tensions revealed themselves primarily in relation to a) *transparency and participation*, b) *price versus culture*, and c) *time constraints*. When certain tensions were less pronounced, we observed more open communications between buyers and sellers (Excerpt 36). Conversely, when certain tensions were more pronounced, we noticed higher levels of distrust and dissatisfaction (Excerpt 37):

36. There were no surprises [during integration]. The buyer did a great job, and, if anything, they sort of just threw their arms around the entire company. They had an Integration Manager [...} who did a fabulous job. Again, he was introduced to us about a couple of months prior to the actual transaction occurring. And he worked with us right along the line in terms of, you know, understanding what was important to us, understanding what was important to everybody.
(Relationship building, Communications)

(client)

37. They hadn't been listening during the due diligence, […] I guess I should have done a little more examination about why [Buyer] wanted to close so fast. I think it was more about denying someone else getting us than it was about being interested in getting us. […] I think if we had had a little more time to think about that, but remember, I controlled nothing; I was just the brain that everybody needed to pick to close the deal.
(Communications, Positioning)

(client)

Transparency and Participation

Research indicates that courtships and purposeful communication can elucidate the M&A process by allowing the development of understanding and trust between the transacting parties. Fair, accurate, and reflexive communications can help manage the expectations of participants on both sides of the transaction (Hubbard & Purcell, 2011; Agwin, 2000; Teerikangas, 2012; all as cited by Gomes et al., 2013). Conversely, poorly executed pre-merger communications or information vacuums can impact transactions negatively, resulting in uncertainty and the proliferation of rumors, which can serve to disrupt a transaction (Bastien, 1987; Columbo et al., 2007; Jemison & Sitkin, 1986; Kitching, 1967; all as cited by Gomes et al., 2013). Within our findings, the way our informants described communications revealed not only the overall level of transparency and participation associated with each engagement but also shed light on our informants' overall attitudes about the same. For example, in Excerpt 38, an advisor shared his perspective on the implications of more open communication, and in Excerpt 39, another client described a more transparent position due to the nature of his professional background relative to his organization:

38. I think it opens you up to more questions, but it also calms them [employees] down in terms of worrying about what was going to happen post-acquisition […] I think it depends on the culture of the company […]. So, if the culture of the company is more transparent, they share things with their employees.
(Communication, Cultural assessment)

(advisor)

39. The company was designed to be sold. I mean, as soon as I came on board, you know, the employees told me, "Well, this is your background." I mean, they only have to read my resume, "You're a serial M&A guy." And I said, "Look, you know, yes, that is going to happen, that is absolutely going to happen. And, you know, my job is to get everybody prepared and to put you, in your careers, in the best possible situation for that particular transaction when it does occur" So there was no subterfuge in terms of employees not understanding where we were going with it.
(Communication, Leadership, Positioning)

(client)

Still, one informant discussed a more restricted view towards communication transparency (Excerpt 40), while we observed the position of another evolved over the period of the transaction (Excerpt 41):

40. But I listened to my lawyer [...], and he's like, "This deal isn't done until it's done. I don't care when you close. Don't tell your people. As soon as you're telling people, you lose that negotiation leverage, and the buyer knows that. As soon as you tell your people you got to deal with all that internal [issues], and they know that and that swamps you, and you're just desperate to go to close now," and so I wouldn't do it.
(Communication)

(client)

41. At first, we were trying to keep it hush-hush, right? But then there comes a point where it's not possible to keep it hush-hush. So really, you know, my accounting department, the accounting department certainly was engaged at some point. You know, [Buyer] wanted to interview folks, so everyone was involved at that point. […] I had to think that through. At some point, you just got to make the decision that, I mean, I came to the conclusion that okay, [Buyer] 's here, they seem sincere.
(Communication)

(client)

As we noted under *facilitation and variation*, the advisors' positions regarding communications were varied. However, our observations generally indicated that acquisitions associated with transparent and broad communication resulted in higher levels of understanding and readiness for integration. That said, one advisor highlighted a notable exception unrelated to our seven transaction groups, illustrating the risk of disruption that can occur as more employees become involved in the transaction process (Excerpt 42).

42. [asked about negative implications of transparency] There was one recently, we did a large [business type], and he had a few key employees. And when he brought them into the deal or into the fold, if you will, a few days before

closing, they really kind of tried to hold him hostage. But he worked through that with them personally.
(Experience of advisors, Communication)

(advisor)

There may also be other underlying considerations that limit the breadth of participation in the communication flow associated with a transaction (Reference again Excerpt 28). The nature of the information being shared often requires some level of confidentiality and discretion. But while advisors reported that participation among transactions was typically smaller (broader participation is evidently the exception), one advisor cautioned that the workload involved in such transactions could be significant, so involving other key participants in the process can help manage the load (Excerpt 43). Still, another advisor shared how he framed the utility of extended participation (Excerpt 44).

43. Typically, it's a very small, you know, one or two people might know about the acquisition. Most owners even hesitate to bring in, like their CFO, but depending on the size of the deal, we coach them, "Look, there's going to be a lot of data requests, and you're really going to need this person to help you get through this."
(Experience of advisors, Communication)

(advisor)

44. It depends on the competence of the person I'm talking to, who is my point of contact. If they're experienced and knowledgeable, they know the organization that they are in, and they can maneuver, then it's easier to have one point of contact. If they are unsure and they have to bring others in all the time, then it gets a little more complicated.
(Experience of advisors, Communication)

(advisor)

Price vs. Culture

Graham et al. (2022) suggested that experienced executives may be willing to pay up to as much as 30% for an organization that represents a strong cultural fit while avoiding altogether organizations representing a poor fit, implying that even sellers focused on price may do well attending to culture. However, regarding the primacy of price or culture, our observations were not conclusive but certainly informative. More specifically to our informants, one client reported pursuing the highest price (Excerpt 45) while another first screened potential partners on culture before price became a consideration (Reference again Excerpt 6). Another client described accepting a reasonable offer while acknowledging what he perceived as a good cultural fit (Excerpt 46). Meanwhile, another client described an interaction where he made a clear determination of one prospective buyer that culture would not fit at any price (Excerpt 47).

45. I would have taken less money, a little bit less money, right? But when you're talking, you know, I think it was maybe almost 15% different. […] If [company] was within a few percent lower, I still would have done the deal with them. […] When you're in this business, you know, your goal is to make money.
(Cultural assessment)

(client)

46. And so again, we thought it was sort of a natural fit, both from an employee culture standpoint, and they came in with a pretty good offer. It wasn't the highest multiple, but it was certainly in the range that we were looking for.
(Cultural assessment)

(client)

47. So, I left, and I told [advisor], "I never want to hear his name again. Not, I'll discuss it. Not that I don't care if they come in with a $[omitted 2 to 3x selling price] million offer. I want to never hear his name again. He was rude to me once; he was rude to me twice. I will never have another meeting with him. I will never sell my company to him, period." And I never heard his name again.
(Communication, Cultural assessment, Leadership)

(client)

The above excerpts illustrate the variation in how the clients resolved this tension between price and culture. However, there was also variation in how the clients, along with their advisors, framed the cultural assessment. Again, we noted under *facilitation and variation* that the difference in cultural assessment was understood among the advisors, driven by the advisors' understanding of the client's preference, and driven by variation among how advisors informally framed culture in the context of their specific engagement. In our Findings section, *clarifying assessment*, we describe these aspects of our observations in more detail.

Time Constraints

Under *facilitation and variation*, we introduced an attribute, the *speed of transaction*. A speedy transaction was considered less likely to get scuttled by unfortunate events while also limiting the spread of misinformation associated with disruption to day-to-day business activities. However, whether it be time to form a productive advisor/client relationship (Reference again Excerpt 18), develop a positive buyer/seller bond (Reference again Excerpt 9), or adequately plan for the post-transaction implementation (Reference again Excerpt 36), effectively managing time constraints can positively impact the success of the M&A. Specific to planning, Stahl et al. (2011) examined the factors that influence, lead to, or impede trust in M&A, such as the role of sensemaking and sense-giving processes. However, they suggest that issues surrounding trust could more appropriately be addressed by focusing on better planning and post-acquisition preparedness rather than focusing directly on trust considerations. When trust and communication are weak or disrupted, tensions may emerge that are then further aggravated by time constraints or the perception of a "rushed deal." However, in only one of the seven transaction groups we interviewed, the client mentioned regret regarding the absence of sufficient time to make a better assessment (Reference again Excerpt 37). In another transaction, the client reported pushing back on a perceived time constraint (Reference again Excerpt 40). Again, while there was a preference for quicker transactions, it was not a hard-fast rule (Reference again Excerpt 14 above). Still, we observed a consensus among the advisors that time was of the essence, as exemplified in Excerpt 48, in which a client is recounting advice he had received from his advisor.

48. As [advisor] often says, "Time is no friend of a deal." He understood that you had to keep the process going, and he couldn't get snagged on some detail. The process had to continue moving toward completion. And sometimes, that meant compromise on both sides.
(Experience of advisor)
(client)

Clarifying Assessment

The aggregate dimension, *clarifying assessment*, extends primarily from the intersecting observations related to the three emerging themes: *cultural assessment*, *leadership*, and *positioning* (See Table 7). Our observations in this dimension clarify three elements as framed by our informants: a) defining *indicators of culture*, b) understanding the *impact of change* on clients and counterparts, and c) understanding the *importance of the assessment* to the transaction.

Table 7

Clarifying Assessment (Themes and Aggregate Dimension)

Themes	Aggregate Dimension	Elements to Consider
Cultural Assessment, Leadership, Positioning.	**Clarifying Assessment**	Indicators of culture, Impact of change, Importance of Assessment.

Indicators of Culture

Under *facilitation and variation*, we highlighted variation in the degree to which culture is considered within *partner selection and evaluation* (Pre 5), noting that the variation in cultural assessment was driven in part by variation in how advisors informally framed culture in the context of their specific engagement, whether it be related to a human element, differences in compensation philosophy, or otherwise. Here we describe such framing references in more detail, starting with the human elements. These elements fall under the category of identity, or *who we are* (Zaheer et al., 2003; Vaara, 2003). Consider, for example, Excerpt 49, in which a counterpart-buyer characterizes the client-seller as being "built from the same ilk."

49. Once we got an opportunity to meet with [Seller] in person […] you know, it was very clear that he was built from the same ilk we like to think the partners at [Buyer's Organization] are built like […] hardworking, entrepreneurial, collegial, collaborative, willing to work well with others, you know, has integrity and is ethical […]. We're good people. We like each other. We trust each other. We respect each other. We feel like we could do good work together.
(Cultural assessment)
(counterpart)

Other identity markets we encountered included "family-owned" or of a certain generation (Excerpt 50, and again reference Excerpt 6) or even "employee-owned" (Excerpt 51) versus "king-owner" led (Excerpt 52).

50. And [Buyer], even though it's family-owned and operated, is very profitable, run by a much younger generation, which is much more focused on the numbers, even down to, you know, per [product unit] profitability [...] Seller, just at a 30,000-foot level, was run a little bit more loosely, if you will, right, it was more about making sure everybody makes a great living. But you know, if you have to take a hit on a [specific product unit] here or there, it's okay; we'll make it up, you know, when they come back for [related services].
(Cultural assessment)
(advisor)

51. You can tell they, probably culturally, by being part of an employee-owned company, we're more concerned about employee welfare. Let's face it, when your whole shareholder base is your employees, you've got to think about it more. You're held accountable. An employee can call for a board meeting or can call the trustee and say, you know [so-and-so] is not being fair.
(Cultural assessment, Positioning)
(advisor)

52. And [Seller], so he was the king-owner. Ultimately, he did not stay around very long. [He] ended up leaving, maybe six months after we closed […] [he] called all the shots like in any king-owner, and so after closing, he's no longer calling all the shots right or communicating about decisions and things like that.
(Cultural assessment, Leadership)

(counterpart)

Other culture-framing references related more specifically to procedural differences or *how we do things* (Zaheer et al., 2003; Vaara, 2003), such as operational aptitude (Excerpt 53) or philosophies on supplier relationships (Excerpts 54). Philosophies around communication or transparency as indications of culture were also common (Reference again Excerpt 38), as were philosophies around compensation, as illustrated in Excerpt 32 above. Consider an example from another transaction, Excerpt 55, in which we see a closer link between incentive models (in this case, the opportunity to achieve partnership) and culture. An observation that aligns with the research exploring the impact of psychological ownership or the feeling that an entity or idea is "mine" or "ours" (Furby, 1978, as cited by Degbey et al., 2021).

53. [Seller] was operationally minded, and he was very buttoned up with systems and procedures and how they ran things [...] He was very, very good at managing the business on the numbers and managing to what are the key performance indicators [...] and that matched very well with [Buying Organization's] culture, which was operational excellence.
(Cultural assessment, Leadership)

(advisor)

54. Culture-wise, I would tell you there were some differences there; and if there were challenges, that might have been where we had our biggest challenges, and even with that, they weren't huge. It was just more philosophies and how we handled subs and suppliers versus how they handled subs and suppliers. We treated them more like partners and teammates, and they would do a lot of, you know, best and final offer type stuff and allow people to get another bite at the apple, right?
(Cultural assessment)

(counterpart)

55. So [Buyer's Organization] is one of the only private equity-backed [type of firm] in the country. They were purchased by [PE Organization] a year prior. And so, every other [type of firm], to be a full partner, you have to be a [credential] because of this transaction, that was no longer a requirement. So […] [Buyer's Organization] is much more aggressive from a growth standpoint.
(Cultural assessment, Positioning)
(advisor)

However, assessing such characteristics can be challenging, particularly where the buyer and seller organizations do not have a pre-established working relationship. It can take repeated exposure to really see a counterpart's true colors (Reference again Excerpt 26 above). Often informants reported relying on interactions with the senior leaders of an organization as a proxy for culture (Excerpt 56 and reference again Excerpt 9 above).

56. I got [Seller], and I got the CEO sitting there at this dinner with their leadership. And they're ignoring him. They're talking about planning their next executive offsite. And he's like, "What the [omitted]!" so I would try to, "So [Seller], talk about," and he would start talking, and then they would just ignore him and talk over it. The lack of respect, right, was just incredible. And so, you know, it was so easy to contrast what the cultures were like.
(Cultural assessment, Leadership)
(advisor)

Descriptions of leadership highlighted more than just proxies for culture. Under *leadership* (Post 2) in our literature review, we described how transformational leadership was associated with the ability to develop new opportunities while utilizing existing resources (Nemanich & Vera, 2009). Likewise, informants described the role that those in positions of leadership played in helping members of their organization understand the opportunity that the transaction presented (Excerpt 57) while also helping them manage through change (Reference again Excerpt 38 and 39).

57. But, you know, we have some bright people [team leaders] that looked at it and said, you know, yeah, it's gonna be a little bit of transition, but this potentially could be a good deal for everybody, really.
(Leadership, Positioning)
(client)

Impact of Change

Regardless of how our informants framed culture, who (identity-focused), how (process-focused), or both, there tended to be a common underlying objective. Informants understood that change would occur. However, where culture mattered, they cared about how they (and their employees) would experience the resulting change (Excerpt 58). In certain instances, they also attached value to the continuation of tradition (Excerpt 59). In its most basic form, this amounted to simply addressing the question, "can I work with them?" (Again, reference Excerpt 9 above)

58. It's important to have the employees feel good about the transition. That's why we went out of our way to make sure we found a family-owned operation that got to come down and introduce themselves ahead of time.
(Positioning)
(client)

59. And [I'm] bragging on us, in a way, he […] kept the name the same, I told him, you'd be wise to do that. The customers and the employees would appreciate that. And so will our vendors and our supporters, and the manufacturer; carrying on a tradition with the same name is a gigantic plus. I'm really glad we're doing that!
(Positioning, Cultural assessment)
(client)

Larsson et al. (2004) point out that the degree of acculturation versus culture-clash that occurs during integrations was determined more by what happened during the integration than by the degree of similarities each organization exhibited prior to the transaction. Not surprisingly, then our informants' descriptions revealed a certain degree of anxiety around how the eventual integration would unfold (Excerpt 60). One advisor described how the positional implications of potential mass layoffs deterred some buyers (Excerpt 61), while another advisor provided an account regarding dissatisfaction related to a forewarned negative positional change (Excerpt 62).

60. Their [specific function] person […] had been through an acquisition previously […] that I believe really didn't go well. So really had their guard up about who these people were, "Oh my gosh, this is going to be disastrous. And they're going to cut all the paychecks of all my people." […] And so, as that day evolved, and she got to spend more time with their team, and then, of course, in the months that followed, she saw that they really had the employee's best interest at heart.
(Positioning)

(advisor)

61. I heard this multiple times, "They simply have too many employees," and, "I don't want to be the person that comes into [Location] and lays off 100 people like I just don't believe I can be successful if I have to do that." […] And so having those difficult conversations with the [seller], I think over time, and as they heard it over and over again, and along with our coaching really helped […]
(Positioning, Experience of advisors)

(advisor)

62. We told [them], even before we went to market, this is going to be a tough transition for [him] no matter who buys. But [he's] still there. But he hates it. He reports to an assistant vice president who's an assistant to somebody else, who's an assistant to somebody else, you know. It's the old proverbial, can't go to the bathroom without permission.
(Positioning)

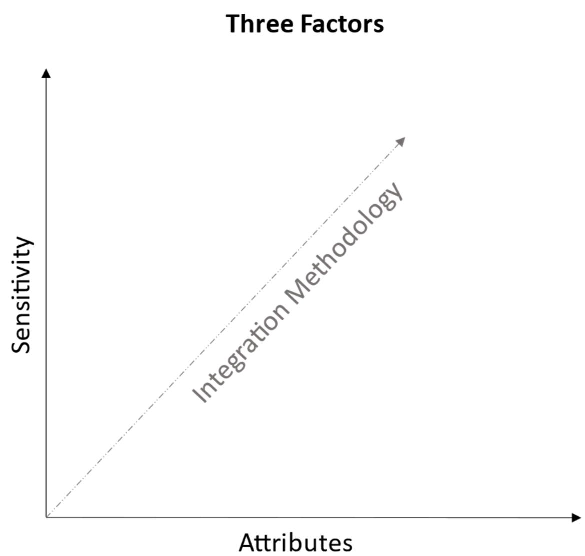
(advisor)

Importance of Assessment

Another element emerging from our advisors' descriptions related to understanding when and how much culture mattered to each client or counterpart. We observed a collection of informal rules of thumb that, when taken together, formed a tacit framework (See Figure 5). This framework involved two factors: a) *attributes* of the product or service, and b) *sensitivity* of the client and counterpart to culture or the impact of change. We also identified an additional third factor, the *integration methodology;* however, we do not characterize this as part of this initial framework for the reasons we describe below.

Figure 5

Tacit Framework for Assessing Importance of Culture



The first factor considers the attributes of the product or service that is being acquired. One advisor described a transaction involving a simple product using the analogy "arrow in the quiver" (Excerpt 63), while another advisor described a higher degree of dependency on the "unicorn" client-seller to the success of that transaction for the counterpart-buyer (Excerpt 64).

63. It was a very simple process; there wasn't a lot of technology associated with it […] another product, we'll kind of arrow in the quiver. […] I think in the back of their [the buyers] minds were, […] "We could probably close the plant and stick their processes […] somewhere else." Because, in this case, the buyer pretty much had relationships with those customers through their other products.
(Positioning)

(advisor)

64. [Seller] is a unicorn at [Buyer's Organization] […], but he's meeting with the CEO once a month as the CEO wants to learn from him. […] Some big companies just don't know they have relationship developers and stuff. But so, [Seller] is a unicorn there, and he's getting more visibility than a typical seller would have, especially in that organization.
(Positioning)

(advisor)

We have described this product/service attribute dimension building on the arrow analogy: Does the transaction involve the purchase of an *arrow* (not human capital intensive) or an *archer* (human capital intensive)? On either end of the spectrum (from an arrow to an archer), the importance of culture would seem clear. Consider, for example, that compatibility or cultural fit did not figure strongly into the description of the former transaction (Excerpt 63) but certainly did to the latter (Excerpt 64). However, in certain transactions, the analysis can be more complex; consider, for example, Excerpt 65. The advisor is describing how the importance of certain people in a process may go underappreciated in the initial analysis.

65. You have the buyer, "So I've already got somebody in those three slots. I really don't need these people." Well, what happens is, if you go down the line, you're going to figure out, well, wait a minute, I can't cut these people; they're the key customer relationship people. I mean, you see this in technology a lot; you'll have back-office people, okay, that you think are replaceable. Guess who's talking to the customer every day. It's them.
(Relationship building, Positioning)

(advisor)

The second factor is sensitivity to change (particularly adverse change). This factor captures how participants' value culture fits and are likely to handle changes after a transaction. For example, the fit is generally more important to buyers than sellers (Again, reference Excerpt 29). Why? Because the buyer will almost always continue working with the organization after the purchase. Likewise, sellers that plan to stay on after the transaction will also generally be more vested in the post-transaction integration than a seller that plans to simply move on (Again, reference Excerpt 30). Moreover, some sellers who will not continue after the transaction may still care about what occurs after the transaction. One advisor framed it as matters of legacy and community connection (Excerpt 66).

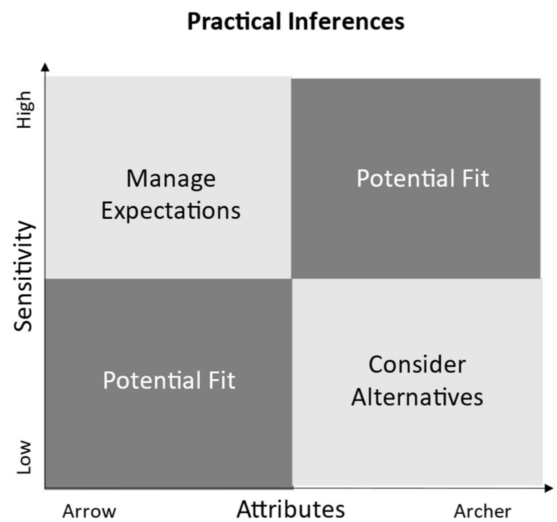
66. There is a big variance in buyers and sellers on their attitude about community presence, legacy, preserving the name, and the goodwill associated with it […] I'm working with a company now […], And [Seller] is like, "We've been here 35 years. I've grown up here. I've raised my family here. My kids live here, my grandkids." So, in other words, for those people, it's very critical. Because you know, would you want to go to the local grocery store and have someone come to you and say, "Well, hey, really, thanks a lot; I used to do business with your company, and last time I called them, they said […]"
(Experience of advisors, Cultural assessment, Positioning)
(advisor)

We mentioned a third factor, *integration methodology*, while not including it in the advisors' tacit framework. This factor mirrors most closely the *integration strategy* (Post 1) from our literature review. Research suggests that the integration of "culture" (not just command and control) has become a critical factor for the success of organizational integration, and the approach management chooses for integration can significantly impact its chances for success (Dauber, 2011; Dauber, 2012; Dauber & Fink, 2008). However, we differentiate our findings as methodologies rather than strategies, as our informants did not describe integration approaches as planned outcomes based on the attributes of the combining companies but rather outcomes based on the buying organizations' business as usual. However, we did find that the descriptions of post-transaction combinations mirrored the targeted end-states addressed in the academic research: two approximating *assimilation*, three approximating *integration*, one *separation*, and one *marginalization*.

Depending on where the first two factors (attributes and sensitivity) intersect, our informants described practical implications (See Figure 6).

Figure 6

Application of Framework for Assessing Importance of Culture



The first implication: where a product or service is not human capital intensive, and the client and seller's sensitivity to post-transaction changes is high, the advisor's best course is to manage the expectations of the client. For example, consider again Excerpt 63 above. This specific transaction amounted to the purchase of an *arrow*, a non-human-capital-intensive product that fits well into the buyer's line of other related products. The client, in this case, reportedly had high expectations regarding his own post-transaction positioning. The advisors approached the situation by attempting (albeit unsuccessfully) to manage the client's expectations. The second implication – where a product or service is highly human capital intensive, and a potential counterpart-buyer does not seem sensitive to the impact of post-transaction changes on the client; the best course was to consider alternative buyers. For example, consider again Excerpt 48 above. The buyer is described as showing insufficient interest in the client-seller's business case. This specific seller was more like an *archer*, described as uniquely capable and indispensable to the business. The client-seller, in this case, passed on this specific buyer and, with the assistance of the advisor, considered alternative potential buyers.

Opportunities for Adjustments

Our observations suggest a few areas of opportunity for improvement, particularly regarding how Focus organizes and incorporates tacit knowledge during the pre-transaction phase. As we note in the *facilitation and variation* aggregate dimension section, the varied objectives and sensitivities of Focus' clients can impact the post-integration success and highlight a need for a framework that supports the assessment of culture and other human-centered elements critical to the post-transaction phase. Lastly, we found variability in the degree to which advisors and clients address certain tensions in the process, for example, speed of transaction, and transparency, which highlights an opportunity for Focus to better educate their clients on critical factors and tradeoffs inherent in the M&A process.

Recommendations

In our Findings, we identified three interrelated opportunities for adjustments to our advisor's services that may improve how their clients experience post-transactions integrations. Each of these opportunities has the potential to moderate the degree of variability in the process as experienced across transactions. However, we do not suggest this process variation be eliminated. In certain instances, the process variation may be warranted, whether it relates to product/service attributes or client/counterpart objectives. Our objective, however, is to increase the intentionality and management of such variation as it occurs. To that end, we propose three recommendations: 1) *articulate* more formally the advisors' informal knowledge; 2) *formulate* an assessment framework that clarifies the importance of culture to a specific transaction and guides clients (and counterparts) through the identification of elements of key cultural differences, and 3) *educate* clients regarding process-related tensions and best practices.

Articulate Informal Knowledge

Simply put, one gets better at M&A by doing M&A. However, Jemison and Sitkin (1986, as cited by Gomes, 2013) suggest this benefit may not persist for companies that do not follow a continuous pattern of M&A, as this experience loses its value over time when the knowledge attained is not codified and reinforced. Regarding this aspect of *strategy and accumulated experience* (Pre 4), Focus excels, particularly in relation to the early-stage activities and navigating the transactional process from engagement to close. Paraphrasing one client, the advisors have done enough deals to the point that they have seen just about everything. However, we see an opportunity for adjustment relating to 1) framing culture assessment and 2) educating and advising clients on the tensions inherent in the process – both aspects of the advisor's experience base that is less formally codified or reinforced. We address approaches to documenting these aspects of the advisors' knowledge and experience in more detail in the following two subsections; however, here, we suggest incorporating the identification and documentation of tacit learnings (advisors' informal knowledge) within transaction debriefings as an ongoing process. Writing on the prerequisites for effectively capturing tacit knowledge, Mulder and Whiteley (2007) suggest four: 1) a logical purpose, 2) clear goals, 3) a common vocabulary, and 4) an interactive and iterative process. Here, we believe the advisors have all four prerequisites. The purpose is to leverage the wider knowledge base of the firm by capturing, documenting, and sharing informal knowledge across advisors. The goal is to capture learnings from each transaction that lead to a more robust process and improved client satisfaction. The advisors share a common language around M&A, which the clarification of success factors facilitated through this project may further enhance. A transaction debriefing forum provides for an interactive and iterative process. We would also encourage the incorporation of client/counterpart feedback through a post-engagement survey/questionnaire; however, we do not suggest an exemplar for such a tool here.

Formulate an Assessment Framework

One objective of the tacit knowledge capture process we describe above would be the development of an adaptable framework for assessing culture and its importance in the context of an M&A transaction. In addition to guiding the cultural aspects of the assessment process, such a framework could be utilized to facilitate conversations with clients regarding the same. We recommend avoiding rigorous surveys or checklists that may require a substantial commitment of time and resources or may require more information than may be typical for the segment of the market served by the advisors. One example is the model from McKinsey and the Conference Board (Engert et al., 2010). The McKinsey framework suggests certain elements that mirror their Organizational Health Index (OHI), a more extensive diagnostic tool. However, the authors describe an "outside-in" pre-screen based on the best available information prior to fully engaging a counterpart, providing for a more practical approach to an initial culture assessment. In figure 6, we present a similar framework; however, rather than listing the factors from McKinsey, we list the factors identified from our participants' discussions.

Table 8

Modified Outside-in Analysis

Factors	Considerations
Positioning	*How sensitive are participants to potential changes?*
Product/Service Attribute	*How human-capital intensive is the product or service?*
Identity	*Differences in who we are*
Processes	*Differences in how we do things*
Leadership	*Can I work with/for them?*
Understanding and Trust	*Have we developed sufficient knowledge and a constructive relationship?*

Utilizing such a model as a starting point can illuminate areas for further diligence and will provide more consistency within the cultural assessment aspects of the advisor's service while allowing sufficient flexibility to accommodate the various types of transactions and client considerations specific to each engagement. The factors incorporated in the model would evolve over repeated iterations of the knowledge capture process described above.

Educate Clients

Another objective for the tacit knowledge capture process would be the development of process briefing material targeted to the clients. We have prepared an example document as Appendix H. Through more direct processes, organizations can acquire or create potentially useful knowledge and make it available to those who can use it at a time and place that is appropriate for them to achieve maximum effective practice and to positively influence performance (King, 2009). Such overviews can equip clients with an understanding of success factors while also highlighting tensions and tradeoffs that the client will likely encounter while navigating the M&A process. For example, research focusing on how trust impacts merger and acquisition outcomes suggest that issues surrounding trust could more appropriately be addressed by focusing on better planning and post-acquisition preparedness during the pre-transaction period rather than focusing directly on trust considerations (Stahl et al., 2011). However, our observations indicate that the degree of planning for post-transactions integration can be impacted by the client's preference for transparency and participation. Providing the client with a more complete overview of tradeoffs such as these will not necessarily reduce variation in the process, as certain clients may have very real considerations for where they land on such tradeoffs. However, providing such an overview helps to ensure that such choices are intentional.

Discussion and Conclusion

We conducted 22 semi-structured interviews across three informant categories, utilizing a semi-structured interview format that invited our participants to "paint" their own picture of the M&A transaction processes. Specific to transactions, we interviewed seven advisors, seven clients, and two counterparts from which our six key themes and three aggregate dimensions evolved: *facilitation and variation*, *tensions impacting understanding and trust*, and *clarifying assessment*. Through these aggregate dimensions, we identified three interrelated opportunities for adjustments to our advisor's services that may improve how their clients experience post-transaction integrations: 1) *articulate* more formally the advisors' informal knowledge; 2) *formulate* an assessment framework that clarifies the importance of culture to a specific transaction and guides clients (and counterparts) through the identifying elements of key cultural differences, and 3) *educate* clients regarding process-related tensions and best practices. Each of these opportunities has the potential to moderate the degree of variability experienced across transactions by improving the intentionality of such variation as it occurs.

However, reducing variability in and of itself is insufficient without defining to what end, so we recap our project reflecting on the original goal to conceptualize an intervention targeting pre-transaction activities that could help inform and improve post-transaction integration efforts, expectedly with a focus on cultural integration. We cannot help but link our findings to our own experiences working with a diverse set of organizations: from large publicly traded global corporations to smaller private startups, both for-profit and non-profit organizations, directly related to M&A as well as newly constituted teams or business units. One constant stands out – we each have experienced the challenges of managing diverse groups and organizations coming together to pursue common objectives. In so doing, we too gravitated towards developing understanding and trust to get some indication of just how life after the transaction would change not only our day-to-day activities but also how we would be positioned relative to our new team members, the organization overall as well as in our communities.

In the end, this challenge of managing change is unavoidable in the context of M&A. We have observed that each company has its own unique culture, so there will always be some degree of difference between acquired and acquiring companies. However, Larson and Lubatkin (2001, as cited in Larson et al., 2004) remind us that the challenges of cultural integration, such as culture-clash, result more from what occurs during the integration process than from these differences. So perhaps we do well to observe the advice of one of our participant clients (See again Excerpt 39). As leaders in organizations or advisors to clients, the challenge is to "get everybody prepared" and positioned in the best possible situation when such changes do occur. After all, it is in our differences and complementary activities that the real value proposition from M&A resides. Positioning our organizations to realize the resulting synergies that these attributes present results in greater value for the combined organization.

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Appendix Items

Appendix A

Figures 1, 2 & 4 from Main Report

Figure 1

Visualization of Gomes et al. (2013)

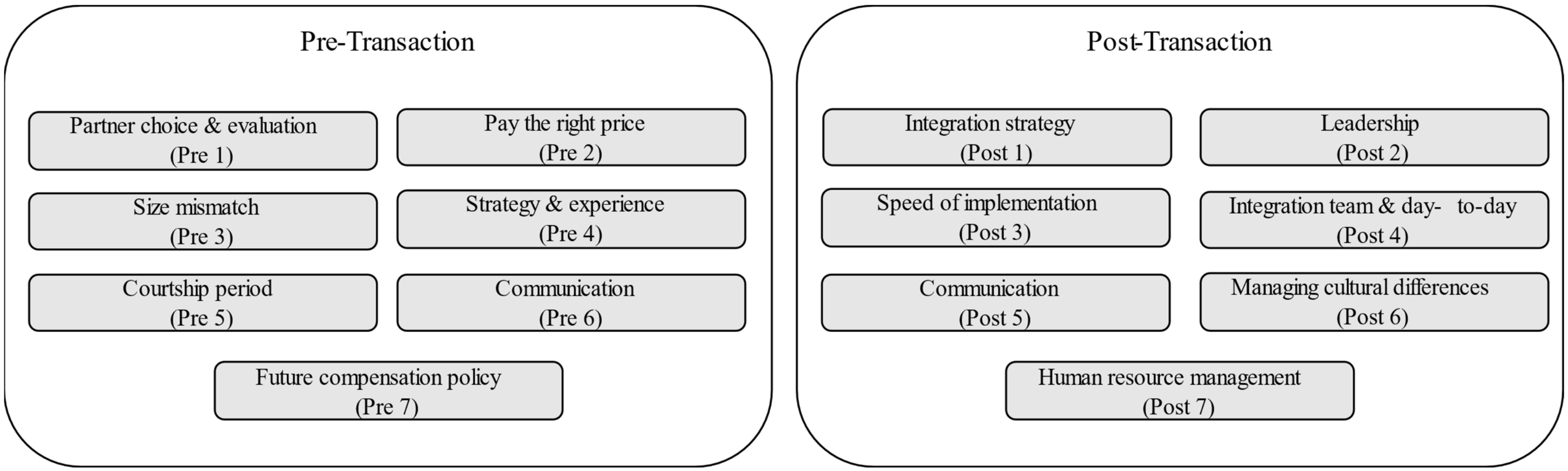


Figure 2

Idealized Conceptualization of Pre- and Post-Transaction Factors

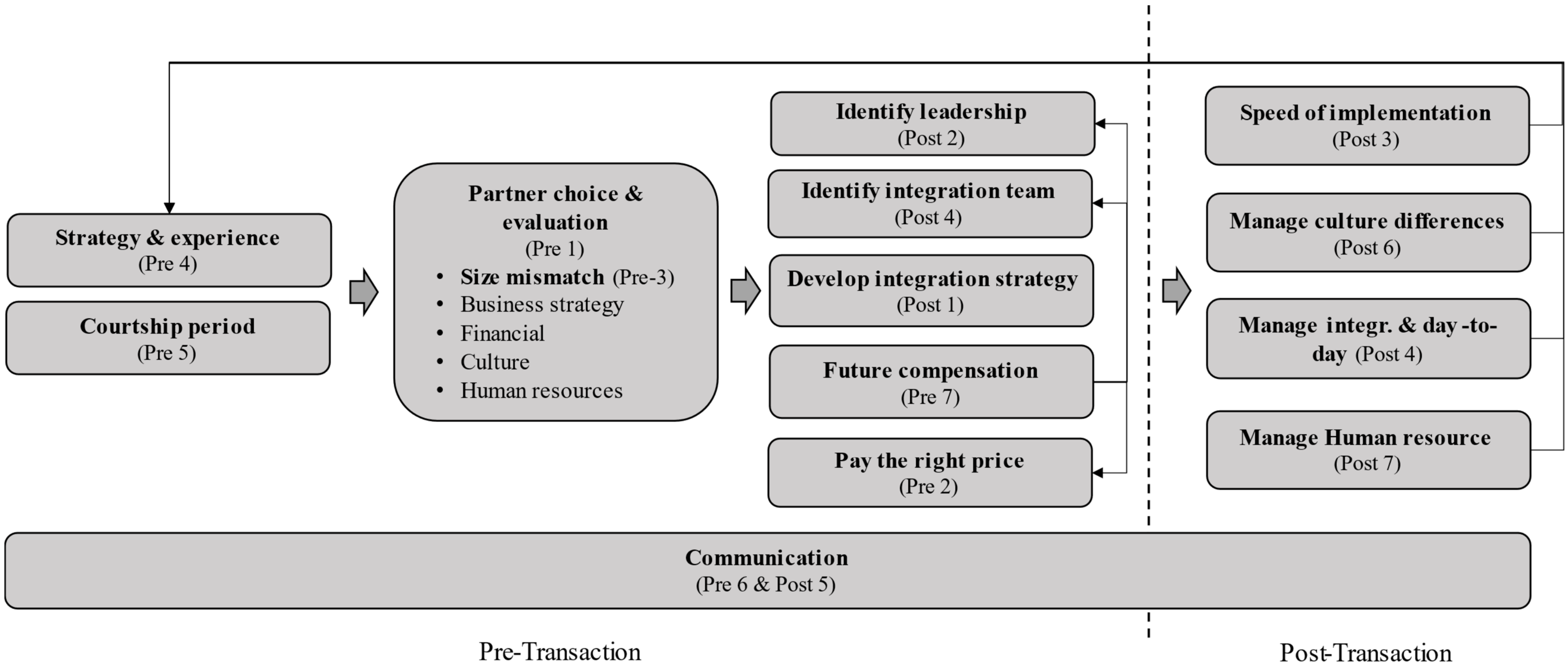
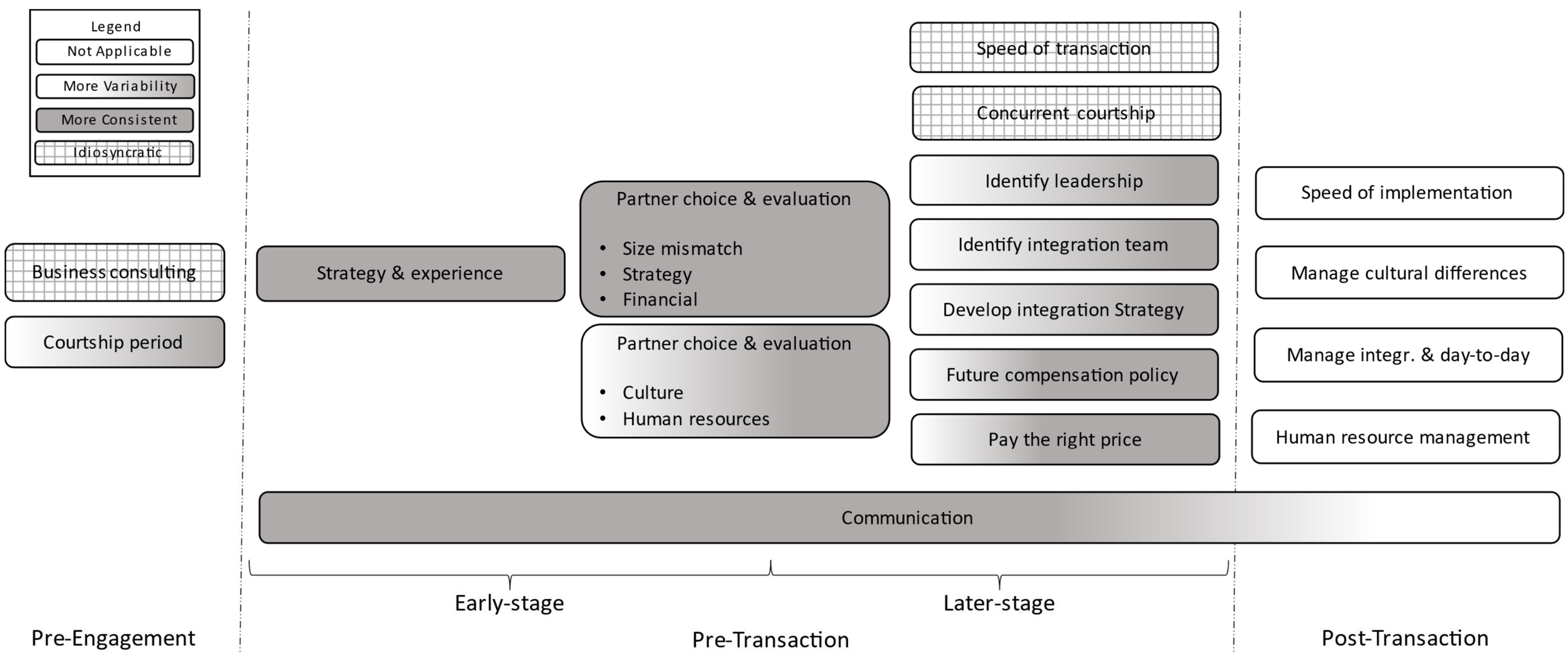


Figure 4

Evaluation of advisor's Services in Terms of Gomes et al. (2013)



Appendix B

Participant Overview

IMPROVING M&A

PARTICIPANT OVERVIEW

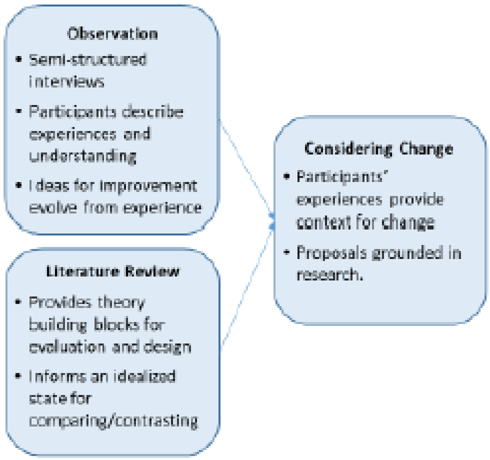
INSIDE THIS OVERVIEW

JULY 15 , 2022

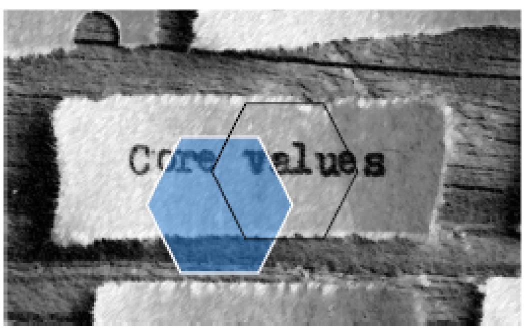
OPPORTUNITY TO PARTICIPATE

YOUR INPUT IS IMPORTANT

We seek professionals involved in Mergers & Acquisitions ("M&A") to share their experiences. Your participation will help add practical context to the application of M&A related research. Importantly, your insights will help inform potential improvements to the M&A advisory services of our partner organization, Focus Investment Banking, LLC ("Focus"). In return, you will be afforded early access to our findings and the opportunity to discuss implications from our study for your own practice with our team. We will work to ensure that the participation of all individuals, and organizations other than our partner organization remain anonymous. If you would like to participate, please reach out to your contact at Focus or one of our team members (contact information on page 4).



Proposed improvements evolved from practical experiences and grounded in vetted research



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OUR PROJECT

2

A BRIEF SUMMARY OF OBJECTIVES AND DESIGN

In collaboration with professionals from Focus Investment Banking, LLC ("Focus" or "Advisor"), our team seeks to evaluate Focus's pre-transaction M&A services to identify improvements which may better prepare its clients for post-transactional integration activities, with an expected emphasis on challenges associated with cultural integration. This project involves three phases:

Observation: Understanding the practical experiences and perspectives of Clients and Advisors (together, "Participants").

Literature Review: Understanding how the dynamics of the M&A process have been addressed in the academic literature.

Considering Change: Consider improvements grounded in the academic literature that have practical importance to the Participants.

WHAY IT MATTERS – M&A FAILURE RATES

The rate with which M&A transactions fall short of initial objectives is not inconsequential. Notably, a study published by KPMG estimated that somewhere between 75% to 85% percent of all mergers and acquisitions fail, resulting in a loss of shareholder value due to lower productivity, labor issues, or loss of critical employees (as cited by Nguyen & Kleiner, 2003). In 2004, Watson and Wyatt published a survey of 1000 organizations, finding that 64 percent of the time, M&As did not meet their stated objectives (as cited by Stenberg and Valdsman, 2011). Weber et al. (2013) point out that cultural differences are the main reason for such failures and the surprising continuation of cultural differences as under-appreciated in the M&As. Still, some of the literature suggests that the challenge of culture may have less to do with organizational differences and more to do with experience, participatory exclusion, or pricing concerns (Graham et al., 2022; Chase et al., 1997; Marks & Mirvis, 2011).

WHAT TO EXPECT

INTERVIEW OBJECTIVES & TIMELINE

Semi-structured interviews inviting participants to "paint" their own picture of the M&A experience

Again, our goal is to identify opportunities for improvement in Focus's pre-transaction services (before the M&A deal is finalized) that if implemented may help better prepare clients for the post-transaction activities that follow. Prior to the interview we will send out a thought prompt focusing the participant on this objective. However, the actual questions will be more general and the interview format semi-structured, inviting participants to "paint" their own picture of the M&A experience. All responses will remain anonymous.

The initial interview should take from 60 to 90 minutes and will include two members of our team, one serving as the interviewer and the other ensuring the interviewer remains consistent to the intended approach. We hope to interview each participant three times over three months: initially to gain a general appreciation for the experiences of the participant, a second time to follow up on more specific aspects, and then finally to confirm our understanding is consistent with participants own understanding. These second and third interviews should take from 30 to 60 minutes. Below is a conceptualized illustration of the timeline for the study and how each interview would be scheduled. Again, we will work to ensure that the participation of all individuals, and organizations, other than our partner organization remain anonymous.

Data Collection Matrix & Timeline

Project Name: Focus on M&A

Status as of: Sunday, July 3, 2022

Legend: Target Interview or Collection; Target Initial Analysis Complete; ✓ = task complete and/or document collected

Data Element	July				August					September				October				November	
	4..8	11..15	18..22	25..29	1..5	8..12	15..19	22..26	29..2	5..9	12..16	19..23	26..30	3..7	10..14	17..21	24..28	031..4	7..11
Group A (Advisor)																			
Participant A.1																			
Participant A.2																			
Participant A.3																			
Participant A.4																			
Participant A.5																			
Participant A.6																			
Group B (Clients)																			
Participant B.1																			
Participant B.2																			
Participant B.3																			
Participant B.4																			
Participant B.5																			
Participant B.6																			

OUR TEAM

EXPERIENCED PROFESIONALS, CURIOUS STUDENTS

Benjamin Cotton: With over 25 years of investment management, treasury, and internal control experience, Ben serves as an executive consultant. In addition to pension asset, securitization, and derivatives trading management, his experience includes international assignments in London leading the internal audit team for Ford Credit across Europe and Asia Pacific, and in Hiroshima facilitating internal controls for financial reporting across Mazda Motor Company in Japan, Europe, the U.S., and Australia. He joined UAW Retiree Medical Benefits Trust in 2009 overseeing teams responsible for investing over $30 billion across several public and private asset classes. [benjamin.l.cotton@vanderbilt.edu]

Lawrence Green: A leadership and organizational development consultant, Lawrence serves as CEO at PurposedSpace, a social-impact advisory organization. A 2008 and 2012 Obama for America campaign veteran with extensive leadership experience in startup, expansion, and change-management within for - and non-profit organizations, Lawrence served on the 'Obama/ Clinton campaign merger' committee during the 2008 democratic primary, where staff members from both presidential campaigns worked to integrate organizational structures. Additionally, Lawrence served as National Director at StudentsFirst, which functioned as a political lobbying organization before merging with 50Can, a national advocacy organization, in 2016. [lawrence.green@vanderbilt.edu]

Eduardo Marques: A seasoned industry and Federal Government leader with more than two decades of experience in corporate administration, M&A, business development, project management, and information technology, Eduardo serves as Chief Operating Officer of Chickasaw Nation Industries, Inc. (CNI) Federal Services. As the COO, he is responsible for integrating newly acquired firms into the organization. In 2012, after six years of successful growth and performance, A+ was acquired by CNI. This allowed A+ to expand in the Federal marketplace and continue to deliver "value-added" solutions to its customers. [eduardo.marques@vanderbilt.edu]

Team members are doctoral students at Vanderbilt University's Peabody College, Nashville TN, and this study is advised by Christine Quinn Trank, Ph.D., an organizational leadership consultant and Professor of Leadership, Policy, and Organizations at Vanderbilt University. [chris.quinn.trank@vanderbilt.edu]

Appendix C

Thought Prompt and Interview Questions

M&A ENHANCEMENT PROJECT

Thank you for agreeing to participate in this project. Our objective is to understand more fully how our partner organization's employees and clients experience the overall M&A process. The goal is to potentially identify enhancements to pre-transaction services (before the M&A deal is finalized) that if implemented may help better prepare clients for the post-transaction activities that follow. You are encouraged to be open in sharing your experiences with your own terms and ideas as this input will result in a fuller appreciation of potential opportunities for enhancements.

ADMINISTRATIVE

Before going into the questions, we will take a moment for introductions, and ask permission to record the interview. Recording the interview allows us to listen and participate in our conversation more fully, documenting the specifics more precisely after the meeting. Please note that your personal identity (or your organization's identity if not our partner organization) will not be disclosed or connected to the observations we document. If you are not comfortable with us recording this interview, please let us know, and we will proceed accordingly. The prompt below should allow an opportunity to reflect on a specific subject or event before the interview. We will ask general questions during the interview intended to provide structure to our conversation; however, our follow-up questions, or your own volution, may take us in different directions as the conversation proceeds. The interview should take about 60 minutes; however, we have scheduled 90 minutes to ensure sufficient time.

THOUGHT PROMPT

Reflect on a specific event in which an organization you worked with or advised for either acquired, merged with, or were acquired by another organization. This event may be one that you would classify as successful, unsuccessful, or somewhere in between. However, we would like you to reflect on aspects of pre-transaction activities that you found particularly helpful in guiding or preparing for the post-transaction activities. Again, our questions during the interview will be more general in nature; however, having reflected on the aspects described above will be useful to the discussion.

INITIAL INTRODUCTION QUESTIONS

We will ask the following introductory questions at the beginning of our session to help us track categorical characteristics of our participant population. The subject matter interview questions are not provided in advance. Please note that your responses to these introductory questions are voluntary and your participation and identity will remain anonymous.

- Please introduce yourself (name, title, organization of employment, and role in organization) ____

- How would you have us recognize your following demographic characteristic?

  Gender _________________ Preferred pronouns ___________________

  Race and/or ethnicity ___________________________ Age ___________

  Industry of employment ____

  Occupational profession ____

  Years of professional experience ________ and years in present roll_____

Interview Questions

1. (Characteristics) Tell me about a merger or acquisition that you participated in
- Industry, Companies, Size Revenue, #Employees
- What was the objective or strategy for the merger or acquisition?

2. What was your level of involvement? (Directly vs. Indirect, Buyer or Seller).
- Could you describe your role(s) / involvement in this merger or acquisition and
- Did your role change across the duration of the merger?

3. From 1 to 5, how easy or difficult (1 very easy, 2 somewhat easy, 3 average, 4 somewhat difficult, 5 very difficult). What made it so?

4. What characteristics of the merging organizations or their employees (similarities or differences) made this combination interesting? Why?
- Operational? Culture? Financial? Leadership? Market Impact?
- How do you define [the identified characteristic]?

5. How did these characteristics impact due diligence or negotiations? Why?

6. How did these characteristics impact post-transaction integration? Why?

7. How did the outcome of this merger compare to your expectations? Why?

8. If you knew then what you know now, how might this process have been different or similar?

Appendix D

Axial Code Definitions and Counts

M&A Project Axial Code Application Criteria -- Inductive

Title	Application Criteria
A. **Inductive** (Parent) (From Participants)	Indicates that the criteria has evolved from the data. This parent code should not be applied directly
Advisor's Service	This code is applied to descriptions of action taken or advice given by the Advisor in service of the transaction that is the subject of A&B informants shared M&A experience.
Background (Parent)	Describes background information related to participants, and company(ies) that while relevant, is independent of the shared M&A experiences that are subject to the A & B informants shared M&A process experience. This parent code should not be applied
Business / Strategy Description	The informant is describing for background information, attributes of the business(es), product, service, operations, organization, or other attributes related to the business which are independent of the A&B informants' shared M&A transaction related experience.
Experience or Understanding (of the base business)	This signifies description of experience, understanding (or lack thereof) of the base business
External environment	The informant is describing as background information customer, competitive economic or regulatory, or other external factors relevant to the business that is independent of the A&B informants shared M&A experience.
Personal	The informant is describing as background information about their own attributes, experiences or credentials in relation to the background story of the business(es) involved in the transactions.
Dissatisfiers	This code is applied to elements where the informant clearly expressed dissatisfaction either in spoke word or in tone.
Gender based difference	The informant characterized an issue or factor in terms of Gender based differences
M&A Legal Support	Any description of legal advisory support from the legal counsel that serviced the transaction.
Negotiations Leverage	The informant is making a clear connection to the gain or loss of advantage relative to their counterpart as it relates to the negotiations of the M&A transaction's terms, conditions, transaction price, future compensation etc.
Participation (Who/Roles)	The informant has identified who participated in the M&A process (Pre or post) and/or the roles that participants served.
Positioning	Informant describes how the transaction or integration affected an individual or groups standing professionally, organizationally, in the community, etc. Or the informant describes a person or groups attributes as positioning that person(group) favorably (or unfavorably) relative to others involved in the transaction
Preparation to Sell/Buy (Parent)	These codes apply when the informant has described attributes related to preparing to sell the company that may have occurred prior to and/or concurrent with B's engagement with the Advisor. This parent code should not be applied
Effort / Issues	The informant is describing the effort involved in preparing for the transactions and issues or factors that moderated that effort
Personnel	The Informant is describing action taken in relation to the quality of the people within the organization in preparation to sell / buy.
Prep Accounting Financial	Accounting or Financial in relation to preparation
Prep Business Related	Non-accounting/financial specific, business descriptions that are relevant to preparation
Relationships	Relates to the relationships between companies or participants in the transactions
Satisfiers	This code is applied when the informant has clearly expressed satisfaction either in spoken work or in tone
Speed/ease of transactions	Specific to the Duration of the Pre-transaction phase or to issues or factors that where described as moderating this duration (longer or shorter)

M&A Project Axial Code Application Criteria -- Inductive

Title	Application Criteria
B. **Deductive** (Parent) (from Literature Review)	Criteria that has evolved from Literature Review. See Literature Review for more details description of each criteria. This Parent Code should not be directly applied
Choice of Partner (Parent)	The informant is indicating that a factor/issue was relevant to their choice of M&A partner or Advisor, whether positively or negatively
Business / Strategy Fit	A business or strategy related criteria described as relevant to partner choice (excludes financial or cultural)
Cultural Fit/Differences	A culture related issue or factor that is described as relevant to partner choice
Price & Financial Attributes	Financial or Price attribute that is described in relation to partner choice
Communication (Parent)	Related to communication and communication choices (e.g. like to share information or not) among participants in the transactions as well as with employees more broadly in either the pre'-' or post'-' transactions phases of the M&A Do not apply this parent code. In situations where the description is relevant to both pre and post, apply both child codes.
Communication Post'-'transaction	Describes communication In relation to Post Transaction activity e.g. Integration
Communication Pre'-'transaction	Describes communication prior to finalizing/closing the transaction
Transparency (Secret vs Open)	Describes the level of transparency among broader organization. Secret transactions occur where participant feels they are unable to share with the org that a sale may happen (e.g. they may be concerned about spooking employees and customers). More transparent transactions occur with broader organizational awareness
Courtship (Parent)	Describes activities that allow one company to get better acquainted with another. While the Literature reference longer term business engagements prior to the M&A periods, we also include activity that occurs during the M&A related engagement. Do not apply this parent code
Concurrent Courtship	Describes interactions that occurred during the Pre-transaction phases of the M&A
Pre'-'existing Courtship	Describes interactions that occurred before the two companies began exploring the M&A
Due Diligence	Describes the work of validating and checking if things are as they were represented
Future compensations issues	Informant is describing future compensations issues including pay, benefits, vesting, earnout, that is relevant to the decision to transact or relevant to how the integration after the transaction was experienced.
Human Resources	Relates to description of HR involvement during the M&A phases
Implementation Planning	Description of Implementation Planning
Leadership	Applied to description of specific persons or groups of persons in a leadership position (e.g. CEO, or the leadership team) of the company(ies) that completed the M&A. Can also apply to description of attributes of leadership or to description of specific interactions with or action taken by the identified leader.
M&A Experience, knowledge, understanding	This should apply only to M&A activity as opposed to experience related to the underlying business (unless the underlying business is M&A). Do not apply to Group A's description of their own experience, but instead to their description of their clients experience.
Size & related issues	Specific descriptions of the size of the organizations contemplating/completing an M&A. May also be applied to issues specifically described by informant as relating to size.
Speed/ease of Implementation (Integration)	This relates to description of the speed or ease at which post transaction integration occurred or to issues that were described as impacting speed or resulting from the speed of implementation.

Dedoose Raw Axial Code Count	Informant Group: A. Advisor	Informant Group: B. Client/Counterpart
A. **Inductive** (Parent) (From Participants)		
Advisor's Service	177	89
Background (Parent)		
Business / Strategy Description	50	71
Experience or Understanding	108	45
External environment	49	44
Personal	66	20
Dissatisfiers	33	41
Gender based difference	10	1
Intelectual Capacity vs. Property	3	5
M&A Legal Support	8	8
Negotiations Leverage	52	32
Participation (Who/Roles)	66	56
Positioning	35	28
Preperation to Sell/Buy (Parent)		
Effort / Issues	70	77
Personnel	30	16
Prep Accounting Financial	51	29
Prep Business Related	91	77
Relationships	98	74
Satisfiers	33	73
Speed/ease of transactions	8	26

Dedoose Raw Axial Code Count	Informant Group: A. Advisor	Informant Group: B. Client/Counterpart
B. **Deductive** (Parent) (from Literature Review)		
Choice of Partner (Parent)		
Business / Strategy Fit	68	87
Cultural Fit/Differences	118	84
Price & Financial Attributes	54	52
Communication (Parent)		
Communication Post-transaction	18	18
Communication Pre-transaction	67	63
Transparency (Secret vs Open)	9	21
Courtship (Parent)		
Concurrent Courtship	34	41
Pre-exsiting Courtship	2	14
Due Dilegence	58	30
Future compensations issues	27	30
Human Resources	20	16
Implementation Planning	14	16
Leadership	50	85
Size & related issues	22	9
Speed/ease of implementation (Integration)	17	46

Appendix E

Emerging Theme Worksheet Templates

Transaction Level Worksheet (Example)

	Researcher1	Researcher2	Researcher3	AGREED
A.#	• M&A Experience and Know -How (advice); • Cultural differences, • Relationship building.	Leadership Culture Communications Relationship building	• Advisor Service: Personal Connection • Leadership as indication of Culture • Courtship: Time and Opportunity	• Relationship Building (courtship) • Cultural Assessment (an important objective) • Experience of Advisors (more broadly) • Role of Leadership
B.#.a	• M&A Experience and Know -How (advice); • Cultural Assessment, • Leadership	• Advisory Service Documentation -- Highlighted People • Relationships • Partner selections (strategy fit) • Money vs. Culture	• Business as Identity • Assessing Culture through Leaderships Interest • Advisor Service: Personal Connection	• Culture Assessment • Experience of the Advisor (more broadly) • Businesses as an extension of Identity • Role of Leadership
B.#.b	• M&A Experience and Know -How (advice); • Cultural Fitness • Advisory Services	• Relationship Building (trust and respect) • Cultural Assessment • Integrations challenges (education) • Communication (secrecy vs. transparency)	• Communication: preparing integration vs delicate deal • Leadership: high involvement • Advisor service: Experience and process moving • Preparation: makes transaction easier	• Relationship Building • Experience of Advisor (more experience) • Cultural Assessment • Pre-Communication (Just how broad?)

Summary of Agreed Themes (Example)

	Transaction#	Transaction#	Transaction#	Transaction#	Transaction#	Transaction#	GLOBAL AGREED
A	• Relationship Building (courtship) • Cultural Assessment (an important objective) • Experience of Advisors (more broadly) • Role of Leadership	• Experience of advisors • Communication (responsiveness, early and often) • Cultural Assessment	• Price vs. Culture • Experience of Advisors • Preparation to transact • Relationship Building	• Experience of Advisor • Managing Expectation (positioning related) • Dealing with Family businesses	• Relationship building and maintenance • Experience of the Advisor • Cultural Differences • Knowledge Transfer	• Experience of the Advisor • Relationship • Cultural Assessment	• Experience of Advisors • Relationship Building • Cultural Assessments • Positioning • Leadership • Communication
B (a)	• Culture Assessment • Experience of the Advisor (more broadly) • Businesses as an extension of Identity • Role of Leadership	• Cultural Integration Approaches • Positioning • Cultural Assessment • Integration Planning • Communications	• Price vs. Culture • Experience of Advisors • Cultural Assessment	NA	• Experience of the Advisor • Employee engagement • Communication Transparency • Positioning • Cultural Difference	• Communication • Positioning • Experience of the Advisor • M&A Experience at Seller	
B (b)	• Relationship Building • Experience of Advisor (more experience) • Cultural Assessment • Pre-Communication (Just how broad?)	TBD	NA	NA	• Cultural Assessment • Communications • Experience of the Advisor • Relationships	NA	

Appendix F

Example Open Codes to Emerging Themes w/ Relevant Axial Codes

Codes, Themes and Dimensions
Ordered as Referenced in Report

			Axial Codes: Inductive			Axial Codes: Deductive												Emerging Themes					
Order	Open Code:	Descriptor	Advisor's Services	Positioning	Relationships	Cultural Fit / Differences	Business / Strategy Fit	Price & Financial Attributes	Experience or Understanding	Leadership	Concurrent Courtship	Pre-existing Courtship	Communication Pre-transaction	Communication Post Transaction	Transparency (Secret vs. Open)	Human Resources	Due Diligence	Cultural Assessment	Experience of Advisors	Positioning	Relationship Building	Leadership	Communications
1	The key red flag was that the firm hadn't been listening. They hadn't been listening during the due diligence, they had not been listening to my recommendations, and they had not been listening to my plan and my go-forward. The second red flag was that communication [was poor]. In other words, I couldn't get the attention of the CEO of [Buying Company]. He wasn't available.	Client				●				●			●	●			●					●	●
2	I did remember that right before we closed the deal, that's when they brought in all the employees, and the president of [Buyer's] division stood up and talk to all of them and invited anybody to ask questions. And they weren't bashful. They asked a lot of questions, and they were answered [...], and there were probably 70 or 80 people in the room. [...] That meeting stood out to me because there were so many people in the room, and [Buyer's Organization] was being very vulnerable in front of them.	Advisor				●				●			●	●								●	●
3	So, when [Buyer] came calling, you know, we liked [Buyer]; they were absolutely reputable. Our employees liked working with them [Buyer was a customer]. They were just a real solid group of people. And a lot of our customers were also [Buyer's] customers.	Client		●	●	●	●	●				●						●			●		
4	I think all of these situations are emotional processes. And with the end of the market that we deal with, many are family-owned businesses; this is their life. This is the only transaction they're ever going to do. And I think listening to what their concerns are and helping them think through is probably more therapy than managing relationships.	Advisor	●		●				●				●						●		●		

Appendix G

Referenced Open Codes with Emerging Themes and Aggregate Dimensions

Codes, Themes and Dimensions Ordered as Referenced in Report			Emerging Themes						Aggregate Dimensions		
Order	Open Code:	Descriptor	Cultural Assessment	Experience of Advisors	Positioning	Relationship Building	Leadership	Communications	Tension Impacting Understanding and Trust	Clarifying Assessment	Facilitating & Variability
1	The key red flag was that the firm hadn't been listening. They hadn't been listening during the due diligence, they had not been listening to my recommendations, and they had not been listening to my plan and my go-forward. The second red flag was that communication [was poor]. In other words, I couldn't get the attention of the CEO of [Buying Company]. He wasn't available.	Client					●	●	●		
2	I did remember that right before we closed the deal, that's when they brought in all the employees, and the president of [Buyer's] division stood up and talk to all of them and invited anybody to ask questions. And they weren't bashful. They asked a lot of questions, and they were answered [...], and there were probably 70 or 80 people in the room. [...] That meeting stood out to me because there were so many people in the room, and [Buyer's Organization] was being very vulnerable in front of them.	Advisor					●	●	●		
3	So, when [Buyer] came calling, you know, we liked [Buyer]; they were absolutely reputable. Our employees liked working with them [Buyer was a customer]. They were just a real solid group of people. And a lot of our customers were also [Buyer's] customers.	Client	●			●			●	●	
4	I think all of these situations are emotional processes. And with the end of the market that we deal with, many are family-owned businesses; this is their life. This is the only transaction they're ever going to do. And I think listening to what their concerns are and helping them think through is probably more therapy than managing relationships.	Advisor		●		●					●
5	This is a big company [referencing buying organization], right? So, they don't do a lot of sales. They do a lot of marketing. Well, [Seller] sells, right? He's a Street Fighter. You put on the gloves, and you go out, and you fight for work, right? These guys [again referencing the buying company] do big companies' stuff, right? They publish articles and white papers and blogs and webinars, and then people come to them. That's how they get business."	Advisor	●		●					●	

Codes, Themes and Dimensions
Ordered as Referenced in Report

			Emerging Themes						Aggregate Dimensions		
Order	Open Code:	Descriptor	Cultural Assessment	Experience of Advisors	Positioning	Relationship Building	Leadership	Communications	Tension Impacting Understanding and Trust	Clarifying Assessment	Facilitating & Variability
6	Well, we definitely wanted to go with a family-owned operation. And we would have traded small discounts if we needed to, but the way it worked out, we just weeded out the outfits that weren't family-owned until we got down to three [potential buyers].	Client	●						●	●	
7	I saw success for [Seller]. One was getting a high price [...]. Success also was getting good market rents for them and then also getting a job that [Seller] wanted to do with an organization. So, we wanted to help [Seller] figure out, okay, like, "Who do you want to work with? Of these groups, you're a young guy [Seller], who do you want to work for?"	Advisor	●							●	●
8	So, they did a lot of work on the financial part, but they didn't do nearly enough work on how are we different? How are we going to deal with your differences? It's more like, "Okay, who are we going to give stock options to? Who's a director?" Yeah, that's important, right? That doesn't get people to stay. So that was what they struggled with for the first 90 days.	Advisor	●		●				●	●	
9	[Name] the CEO, he was supposed to come in for just, you know, say hi and stick around for a cup of coffee and to see how things are going. He stayed for three hours. We had a great discussion. We all got along very well. A lot of good vibes, a lot of good energy. And I enjoyed that meeting. And I thought, "I can work with these people. I can work with these people."	Client	●			●	●		●	●	
10	You know, I went to the [major industry trade show] and was introduced by the CEO of [Buyer] to the press [post-transaction], and we had a whole press release and the whole thing. And it was just a wonderful experience, I think, for everybody.	Client			●		●	●		●	
11	And here's where the CEO blew the deal. [...] he decides to start negotiating with me in front of everyone. Which I didn't like. I mean, I don't want to talk about how much you're going to pay me in salary in front of, like, my CFO and other people. Are we negotiating salary at the table here? You know, why don't we talk about how our businesses will work together and what synergies we might have?	Client	●		●		●	●	●	●	

Codes, Themes and Dimensions
Ordered as Referenced in Report

			Emerging Themes						Aggregate Dimensions		
Order	Open Code:	Descriptor	Cultural Assessment	Experience of Advisors	Positioning	Relationship Building	Leadership	Communications	Tension Impacting Understanding and Trust	Clarifying Assessment	Facilitating & Variability
12	In terms of the transaction with [Buyer's Organization], that was very important to them. They wanted everyone in the company to come over, which is surprising to me because usually, the management team gets whacked off, you know because we're more expensive. But [Buyer] was unique in that respect, in terms of their view of the importance of all the employees, especially in a small company to a [large buyer] transaction like this.	Client			●					●	
13	So, one of the things that were not identified leading up to closing [...] they basically raise funds for charity, and the employees decide what they're going to actually fund with this [...] But it was one of the things that the employees as a whole felt so strongly about in that community. And it really would have been demotivating to them to not have this program.	Client	●		●					●	
14	And to [Advisor]'s credit, they never really forced us into anything. I mean, for example, we went to the market, and then all of a sudden, [large customer] became very interested in our [products/services]. And so, we stopped the buying [M&A] process for a while [...] that would really increase our valuation tremendously [...] And ultimately, we were successful in gaining [large customer] and, and then, you know, again, it increased our revenue stream and valuation.	Client		●	●				●		●
15	To be quite candid, the relationship developed as a function of [family-related administrative visits] [...], And every time I would go down there, I would stop and have lunch with [Seller-Client]. So, the relationship took three or four years; I didn't really talk about transactions. I assisted him in some general conversations about things he was wanting to do as a company [...]. The goal, of course, would be for when the time came for [Seller], he would call me [...], and he did that.	Advisor		●		●					●
16	So, I had relationships with two of the shareholders in that company. And they basically hired us eight years before that transaction to tell them what to do with that company. So, I have a colleague that we sent to the company and [assess] what was going on, and we gave him the advice that built the company that they were doing [...] And they were just a small business competing with big businesses.	Advisor		●		●					●
17	And [Advisor], being an [Seller's Industry] guy, also sort of helped in that regard. So, he just sort of commented on things as we moved along. And, you know, throughout my term, at [Seller's Organization], I met with [Advisor] almost every time I went to [location]. [...] And every once in a while, [he] would, introduce me to a few buyers, probably more like practice runs.	Client		●		●					●

Codes, Themes and Dimensions
Ordered as Referenced in Report

			Emerging Themes						Aggregate Dimensions		
Order	Open Code:	Descriptor	Cultural Assessment	Experience of Advisors	Positioning	Relationship Building	Leadership	Communications	Tension Impacting Understanding and Trust	Clarifying Assessment	Facilitating & Variability
18	So, from all the transactions I've done, there hasn't been a pre-existing relationship between buyer and seller with any of them. [...] We work with a lot of entrepreneurs and family generational business owners, and every one of them has quirks. I don't know that we necessarily do a great job of understanding their quirks before we get engaged with them. [...] I don't always break bread, for instance, with people we're going to work with. And the more time you spend with people, the more you learn what they are about.	Advisor		●		●			●		●
19	So, from a process standpoint, this is where we have a lot of variabilities [...] the first phase is the same for everyone [...] we're getting documents and having conversations to try to be able to package that company and create a target list. The second phase of this process is where the magic happens right, and there's a lot of variability with what happens in that phase.	Advisor		●							●
20	They got a chance to listen to employees. I mean, I didn't do a lot of speaking during that, and to the intensity that they had, and the knowledge that they had right down to our [specific role] of what this meant to [provide specific product/service]. So, I think they were able to convey that.	Client		●				●			●
21	Advisor did a really good job [...] especially good once the letter of intent was signed. Obviously, the strategic buyer did not like having an investment banker, you know, in the mix. [...] But to Advisor's credit, they did a great job from that point on. We explained to [Buyer], "Oh, they represent our shareholders." I mean, [Advisor] is a long-term friend, and he's worked with the company forever.	Client		●		●			●		●
22	[Advisor's Organization] just has the advantage also of having done enough transactions that when somebody you know, any process that you've been through repeatedly, and you get a newcomer into the process, the newcomer is going to have the same ideas that, hamstring deals, and he's seen all those.	Client		●							●
23	[...] once we sign the LOI, we all wanted to get the deal done [...], but what I felt [the Advisors] were constantly managing to push the process forward. [...] we do deals without brokers or without bankers. And it's very challenging because they [the seller] don't have that person on their side with experience that is helping move the deal along.	Counterpart		●					●		●

	Codes, Themes and Dimensions Ordered as Referenced in Report		Emerging Themes						Aggregate Dimensions		
Order	Open Code:	Descriptor	Cultural Assessment	Experience of Advisors	Positioning	Relationship Building	Leadership	Communications	Tension Impacting Understanding and Trust	Clarifying Assessment	Facilitating & Variability
24	It was interesting. It was a love-hate relationship. From the buyer's side of things, there were times when I wanted him [Advisor] to just get out of the way. I don't need your input on this conversation. You don't always have to be in on every conversation. [...] but by the end of it, it was the broker that kept the seller calm. There was an emotional attachment; it'It was interesting. It was a love-hate relationship. From the buyer's side of things, there were times when I wanted him [Advisor] to just get out of the way. I don't need your input on this conversation. You don't always have to be in on every conversation. [...] but by the end of it, it was the broker that kept the seller calm. There was an emotional attachment; it's their baby, they built it from the ground up [...], and the broker did a great job of keeping the seller calm.	Counterpart		●				●	●		●
25	So, having some social interaction is important; we don't always do it. The first transaction I did, was done 100% virtually because of COVID. And it was very, very hard. We never built that personal relationship between buyer and seller. So that component, especially as we've gone through COVID, I think it's something that we have to think [about].	Advisor	●			●		●	●		●
26	We had one group, [...], and by the second [meeting] [...] he was like, "I'd never sell my company to those [expletive omitted]." This was a direct quote from [Seller] the next morning. Right? I was like, "Okay, you didn't like them at all, did you?" But what happened was sometimes your first impression is not the best one; maybe it's not accurate. [...] But the more you date, then their true colors start to show. [...] going from an initial meeting with these folks and then going deeper with them and having more interaction opened his eyes about what it would be like to be there. And that made a big impression.	Advisor	●			●	●	●	●	●	●
27	He hadn't read the book; he hadn't even thumbed through it. [...] And like, I'm done with this dude; I've been working [hard] over here, and he's not going to show me the respect to, you know, grab a cup of coffee flip through the book for, you know, 15 minutes before the meeting. He didn't do that. He showed me disrespect.	Client	●				●	●		●	●
28	We chose not to go to any competitors. Maybe [there were] three that I really think about as competitors. [...] But what I didn't want was for any competitor to learn anything about me that they could use to compete against me going forward. So, you disclose a lot when you get started. [...] what your hourly rate is, who your customers are [...] a lot of secret sauce in there, and I just didn't want my competitors to have that.	Client				●		●	●		●
29	But I also just want you to think about that, our buy-side stuff is probably going to be richer, in terms of how we looked at culture and how we talked about it with clients and what we were looking for, then it is on probably almost any sell side.	Advisor	●	●						●	●

Codes, Themes and Dimensions
Ordered as Referenced in Report

			Emerging Themes						Aggregate Dimensions		
Order	Open Code:	Descriptor	Cultural Assessment	Experience of Advisors	Positioning	Relationship Building	Leadership	Communications	Tension Impacting Understanding and Trust	Clarifying Assessment	Facilitating & Variability
30	In the second example, culture [...] was important to the seller that wanted to stay with the business as well as the buyer. It wasn't important to the minority shareholder who didn't want to stay with the business. So, I guess whether and how important culture is depends on your time frame of reference. The seller who's in it to get paid and be gone is less concerned about cultures than the seller who has a long-term view.	Advisor	●	●						●	●
31	[Buying Organization] was a Midwest company; I felt that the culture of the people that were there was very welcoming, smart, [...] the culture matched if you will [...] It was the human element like [...] [Buying Organization] was a big company, and they were backed by a large private equity group, but it never felt like to me that they came in and were [trying to be] the smartest guys in the room.	Advisor	●	●						●	●
32	I think the way people are incentivized is a key component of culture. [...] Okay. On one side [...] employees are incentivized based on individual accomplishments. [...] And the other type of culture is where people are incentivized for what the entire company accomplishes. It's either tilted toward individual rewards or tilted toward group incentives. And it's my belief that I don't think you get your successfully closed deals when the cultures are dramatically different based on [whether] you pay "me" for what I do or pay "we" for what we do.	Advisor	●	●						●	●
33	Because we understood how well-run they were, we also looked at some of their best practices and how we could learn from them, not just acquire them and force our methods down on them. We looked at what some of their best practices were and integrated those items into our plant operations [...] and how we run the organization [...]. Again, operationally, you know, they really ran a great operation to the point where we adopted some of their practices.	Counterpart	●		●					●	●
34	There's also this belief [...] our job is to get a transaction executed, right [...] that there's a lot of other smart people on both sides of the table that need to figure out how to make it successful post transaction.	Advisor		●				●			●
35	I go to every site visit. And I'll tell them it's not that I don't trust you, [...] I'd rather respond to questions and say I don't know than give them information that may or may not be correct. [...] Particularly if the management owner is going to stay in some capacity going forward; I tell him the reason you want to banker is so that when we have these tense times, they think that I am the bad guy and not you.	Advisor		●		●		●			●

Codes, Themes and Dimensions
Ordered as Referenced in Report

Order	Open Code:	Descriptor	Emerging Themes: Cultural Assessment	Emerging Themes: Experience of Advisors	Emerging Themes: Positioning	Emerging Themes: Relationship Building	Emerging Themes: Leadership	Emerging Themes: Communications	Aggregate Dimensions: Tension Impacting Understanding and Trust	Aggregate Dimensions: Clarifying Assessment	Aggregate Dimensions: Facilitating & Variability
36	There were no surprises [during integration]. The buyer did a great job, and, if anything, they sort of just threw their arms around the entire company. They had an Integration Manager [...} who did a fabulous job. Again, he was introduced to us about a couple of months prior to the actual transaction occurring. And he worked with us right along the line in terms of, you know, understanding what was important to us, understanding what was important to everybody.	Client				●		●	●		
37	They hadn't been listening during the due diligence, [...] I guess I should have done a little more examination about why [Buyer] wanted to close so fast. I think it was more about denying someone else getting us than it was about being interested in getting us. [...] I think if we had had a little more time to think about that, but remember, I controlled nothing, I was just the brain that everybody needed to pick to close the deal.	Client			●			●	●		
38	I think it opens you up to more questions, but it also calms them [employees] down in terms of worrying about what was going to happen post-acquisition [...] I think it depends on the culture of the company [...]. So, if the culture of the company is more transparent, they share things with their employees.	Advisor	●					●	●	●	
39	The company was designed to be sold. I mean, as soon as I came on board, you know, the employees told me, "Well, this is your background." I mean, they only have to read my resume, "You're a serial M&A guy." And I said, "Look, you know, yes, that is going to happen, that is absolutely going to happen. And, you know, my job is to get everybody prepared and to put you, in your careers, in the best possible situation for that particular transaction when it does occur" So there was no subterfuge in terms of employees not understanding where we were going with it.	Client			●		●	●	●	●	
40	But I listened to my lawyer [...], and he's like, "This deal isn't done until it's done. I don't care when you close. Don't tell your people. As soon as you're telling people, you lose that negotiation leverage, and the buyer knows that. As soon as you tell your people you got to deal with all that internal [issues], and they know that and that swamps you, and you're just desperate to go to close now", and so I wouldn't do it.	Client						●	●		
41	At first, we were trying to keep it hush-hush, right? But then there comes a point where it's not possible to keep it hush-hush. So really, you know, my accounting department, the accounting department certainly was engaged at some point. You know, [Buyer] wanted to interview folks, so everyone was involved at that point. [...] I had to think that through. At some point, you just got to make the decision that, I mean, I came to the conclusion that okay, [Buyer]'s here, they seem sincere.	Client						●	●		

Codes, Themes and Dimensions
Ordered as Referenced in Report

			Emerging Themes						Aggregate Dimensions		
Order	Open Code:	Descriptor	Cultural Assessment	Experience of Advisors	Positioning	Relationship Building	Leadership	Communications	Tension Impacting Understanding and Trust	Clarifying Assessment	Facilitating & Variability
42	[asked about negative implications of transparency] There was one recently, we did a large [business type], and he had a few key employees. And when he brought them into the deal or into the fold, if you will, a few days before closing, they really kind of tried to hold him hostage. But he worked through that with them personally.	Advisor		●				●	●		●
43	Typically, it's a very small, you know, one or two people might know about the acquisition. Most owners even hesitate to bring in, like their CFO, but depending on the size of the deal, we coach them, "Look, there's going to be a lot of data requests, and you're really going to need this person to help you get through this."	Advisor		●				●	●		●
44	It depends on the competence of the person I'm talking to, who is my point of contact. If they're experienced and knowledgeable, they know the organization that they are in, and can maneuver, then it's easier to have one point of contact. If they are unsure and they have to bring others in all the time, then it gets a little more complicated.	Advisor		●				●	●		●
45	I would have taken less money, a little bit less money, right? But when you're talking, you know, I think it was maybe almost 15% different. [...] If [company] was within a few percent lower, I still would have done the deal with themI would have taken less money, a little bit less money, right? But when you're talking, you know, I think it was maybe almost 15% different. [...] If [company] was within a few percent lower, I still would have done the deal with them. [...] When you're in this business, you know, your goal is to make money.	Client	●						●		
46	And so again, we thought it was sort of a natural fit, both from an employee culture standpoint, and they came in with a pretty good offer. It wasn't the highest multiple, but it was certainly in the range that we were looking for.	Client	●						●		
47	So, I left, and I told [Advisor], "I never want to hear his name again. Not, I'll discuss it. Not that I don't care if they come in with a $[omitted 2 to 3x selling price] million offer. I want to never hear his name again. He was rude to me once; he was rude to me twice. I will never have another meeting with him. I will never sell my company to him, period." And I never heard his name again.	Client	●				●	●	●	●	●

Codes, Themes and Dimensions
Ordered as Referenced in Report

			Emerging Themes						Aggregate Dimensions		
Order	Open Code:	Descriptor	Cultural Assessment	Experience of Advisors	Positioning	Relationship Building	Leadership	Communications	Tension Impacting Understanding and Trust	Clarifying Assessment	Facilitating & Variability
48	As [Advisor] says often, "Time is no friend of a deal." He understood that you had to keep the process going, and he couldn't get snagged on some detail. The process had to continue moving towards completion. And sometimes that meant compromise on both sides.	Client		●					●		●
49	Once we got an opportunity to meet with [Seller] in person [...] you know, it was very clear that he was built from the same ilk we like to think the partners at [Buyer's Organization] are built like [...] hardworking, entrepreneurial, collegial, collaborative, willing to work well with others, you know, has integrity and is ethical [...]. We're good people. We like each other. We trust each other. We respect each other. We feel like we could do good work together.	Counterpart	●							●	
50	And [Buyer], even though it's family owned and operated, is very profitable, run by a much younger generation, who is much more focused on the numbers, even down to, you know, per [product unit] profitability [...] Seller, just at a 30,000-foot level, was run a little bit more loosely, if you will, right, it was more about making sure everybody makes a great living. But you know, if you have to take a hit on a [specific product unit] here or there, it's okay; we'll make it up, you know when they come back for [related services].	Advisor	●							●	
51	You can tell they, probably culturally by being part of an employee-owned company, we're more concerned about employee welfare. Let's face it, when your whole shareholder base is your employees, you've got to think about it more. You're held accountable. An employee can call for a board meeting or can call the trustee and say, you know [so-and-so] is not being fair.	Advisor	●		●					●	
52	And [Seller], so he was the king-owner. Ultimately, he did not stay around very long. [He] ended up leaving, maybe six months after we closed [...] [he] called all the shots like in any king-owner, and so after closing, he's no longer calling all the shots right or communicating about decisions and things like that.	Counterpart	●				●			●	
53	[Seller] was operationally minded, and he was very buttoned up with systems and procedures and how they ran things [...] He was very, very good at managing the business on the numbers and managing to what are the key performance indicators [...] and that matched very well with [Buying Organization's] culture, which was operational excellence.	Advisor	●				●			●	

Codes, Themes and Dimensions
Ordered as Referenced in Report

Order	Open Code:	Descriptor	Emerging Themes: Cultural Assessment	Emerging Themes: Experience of Advisors	Emerging Themes: Positioning	Emerging Themes: Relationship Building	Emerging Themes: Leadership	Emerging Themes: Communications	Aggregate Dimensions: Tension Impacting Understanding and Trust	Aggregate Dimensions: Clarifying Assessment	Aggregate Dimensions: Facilitating & Variability
54	Culture-wise, I would tell you there were some differences there; and if there were challenges, that may have been where we had our biggest challenges, and even with that, they weren't huge. It was just more philosophies and how we handled subs and suppliers versus how they handled subs and suppliers. We treated them more like partners and teammates, and they would do a lot of, you know, best and final offer type stuff and allow people to get another bite at the apple, right?	Counterpart	●							●	
55	So [Buyer's Organization] is one of the only private equity-backed [type of firm] in the country. They were purchased by [PE Organization] a year prior. And so, every other [type of firm] to be a full partner, you have to be a [credential] because of this transaction, that was no longer a requirement. So [...] [Buyer's Organization] is much more aggressive from a growth standpoint.	Advisor	●		●					●	
56	I got [Seller], and I got the CEO sitting there at this dinner with their leadership. And they're ignoring him. They're talking about planning their next executive offsite. And he's like, "What the [omitted]!" so I would try to, "So [Seller], talk about," and he would start talking, and then they would just ignore him and talk over it. The lack of respect, right, was just incredible. And so, you know, it was so easy to contrast what the cultures were like.	Advisor	●				●			●	
57	But, you know, we have some bright people [team leaders] that looked at it and said, you know, yeah, it's gonna be a little bit of transition, but this potentially could be a good deal for everybody, really.	Client			●		●			●	
58	It's important to have the employees feel good about the transition. That's why we went out of our way to make sure we found a family-owned operation that got to come down and introduce themselves ahead of time.	Client			●					●	
59	And [I'm] bragging on us, in a way, he [...] kept the name the same, I told him, you'd be wise to do that. The customers and the employees would appreciate that. And so will our vendors and our supporters, and the manufacturer; carrying on a tradition with the same name is a gigantic plus. I'm really glad we're doing that!	Client	●		●					●	
60	Their [specific function] person [...] had been through an acquisition previously [...] that I believe really didn't go well. So really had their guard up about who are these people, "Oh my gosh, this is going to be disastrous. And they're going to cut all the paychecks of all my people." [...] And so, as that day evolved, and she got to spend more time with their team, and then, of course, in the months that followed, she saw that they really had the employee's best interest at heart.	Advisor			●				●	●	

Codes, Themes and Dimensions
Ordered as Referenced in Report

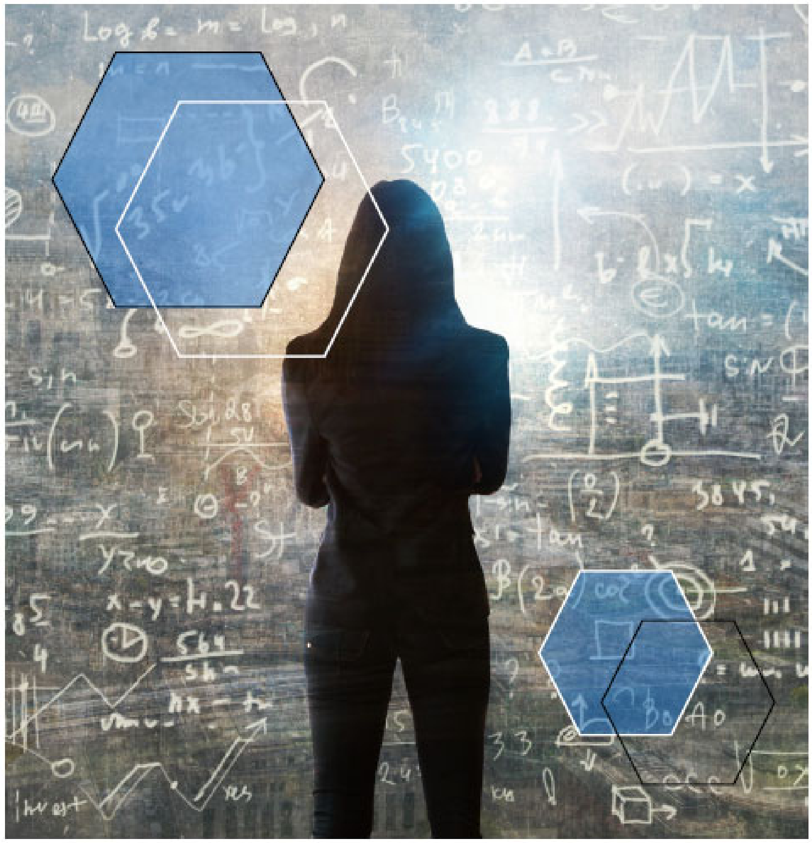
			Emerging Themes						Aggregate Dimensions		
Order	Open Code:	Descriptor	Cultural Assessment	Experience of Advisors	Positioning	Relationship Building	Leadership	Communications	Tension Impacting Understanding and Trust	Clarifying Assessment	Facilitating & Variability
61	I heard this multiple times, "They simply have too many employees," and, "I don't want to be the person that comes into [Location] and lays off 100 people like I just don't believe I can be successful if I have to do that." [...] And so having those difficult conversations with the [seller], I think over time, and as they heard it over and over again, and along with our coaching really helped [...]	Advisor		●	●				●	●	●
62	We told [them], even before we went to market, this is going to be a tough transition for [him] no matter who buys. But [he's] still there. But he hates it. He reports to an assistant vice president who's an assistant to somebody else, who's an assistant to somebody else, you know. It's the old preverbal, can't go to the bathroom without permission.	Advisor			●					●	
63	It was a very simple process; there wasn't a lot of technology associated with it [...] another product, we'll kind of arrow in the quiver. [...] I think in the back of their [the buyers] minds were, [...] "We could probably close the plant and stick their processes [...] somewhere else." Because, in this case, the buyer pretty much had relationships with those customers through their other products.	Advisor			●					●	
64	[Seller] is a unicorn at [Buyer's Organization] [...], but he's meeting with the CEO once a month as the CEO wants to learn from him. [...] Some big companies just don't know they have relationship developers and stuff. But so, [Seller] is a unicorn there and he's getting more visibility than a typical seller would have especially in that organization.	Advisor			●					●	
65	You have the buyer, "So I've already got, somebody in those three slots. I really don't need these people." Well, what happens is, if you go down the line, you're going to figure out, well, wait a minute, I can't cut these people; they're the key customer relationship people. I mean, you see this in technology a lot; you'll have back-office people, okay, that you think are replaceable. Guess who's talking to the customer every day. It's them.	Advisor			●	●			●	●	
66	There is a big variance in buyers and sellers on their attitude about community presence, legacy, preserving the name, and the goodwill associated with it [...] I'm working with a company now [...], And [Seller] is like, "We've been here 35 years. I've grown up here. I've raised my family here. My kids live here, my grandkids." So, in other words, for those people, it's very critical. Because you know, would you want to go to the local grocery store and have someone come to you and say, "Well, hey, really, thanks a lot; I used to do business with your company, and last time I called them, they said [...]"	Advisor	●	●	●					●	●

Appendix H

Client Educational Brochure

IMPROVING M&A

SUCCESS FACTORS & INHERENT TENSIONS



INSIDE THIS OVERVIEW

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INTRODUCTION

AND BRIEF OVERVIEW

In collaboration with professionals from Focus Investment Banking, LLC ("Focus" or "advisor"), our team evaluated Focus's pre-transaction M&A services to identify improvements that may better position its clients for post-transaction success. We leveraged research that cataloged 14 M&A success factors and interviewed 22 M&A participants. Here we capture certain aspects of our learnings that may be helpful for your own M&A experience(s). We begin with a summary of the 14 success factors (seven pre-transaction & seven post-transaction) and then describe our own research-based idealized sequencing of these same factors. Finally, we close with an overview of three tensions inherent in M&A that most transactions inevitably encounter.

[Reference our full report to find citations for the research mentioned herein]

Seven Pre-Transaction Success Factors

2

PARTNER CHOICE AND EVALUATION

Much of the research addressing partner choice mentions strategic and organizational fit, observing that mergers between companies more closely aligned in these two areas are more likely to succeed. Cultural fit has also received attention in the research, finding that issues like management style or approaches to corporate social responsibility may serve as good indicators for culture. Our study found that participants also looked to organizational leadership teams as a proxy for cultural similarities. Best practice involved detailed due diligence addressing these aspects (strategic, organizational, and cultural fit) and financial and HR-related issues.

PAY THE RIGHT PRICE

Literature suggests that paying too much is a primary M&A failure mode. For buyers, there are several explanations for the persistence of overpayment, including the *winner's curse*, *management overconfidence*, and *recency price biases*. However, more recent research indicates that a premium from 10% to 30% may be warranted for an organization representing a strong cultural fit, suggesting that even sellers focused primarily on price may do well attending to culture. Within our project, participants had diverse perspectives on the primacy of price over culture in line with their objectives and considerations.

SIZE MISMATCH

Early research suggested that acquisitions of organizations that were either much smaller or larger than the acquiring firm tended to perform sub-optimally. In contrast, organizations that were more balanced in size tended to perform favorably. Some researchers attributed such size-mismatch challenges to a lack of empathy or misunderstanding among organizations of a considerably different scale. However, others express doubt regarding size inferences, stating that the effect was too weak and that merging organizations of similar size and capabilities may even amplify culture clash. Within our projects, participants did not mention size as a material consideration.

Pre-Transaction Success Factors (continued)

STRATEGY & EXPERIENCE

Simply put, one gets better at M&A by doing M&A, which is an aspect on which Focus excels, particularly in articulating strategy and guiding clients through the transactional process from engagement to close. Paraphrasing one client, the advisors have done enough deals to the point that they have seen just about everything. Research also shows that experience earns a valuation advantage on average that may be material to the overall transactions price (1.3% or $27 million on over the 1200 transactions evaluated under the specific study for each standard deviation of experience).

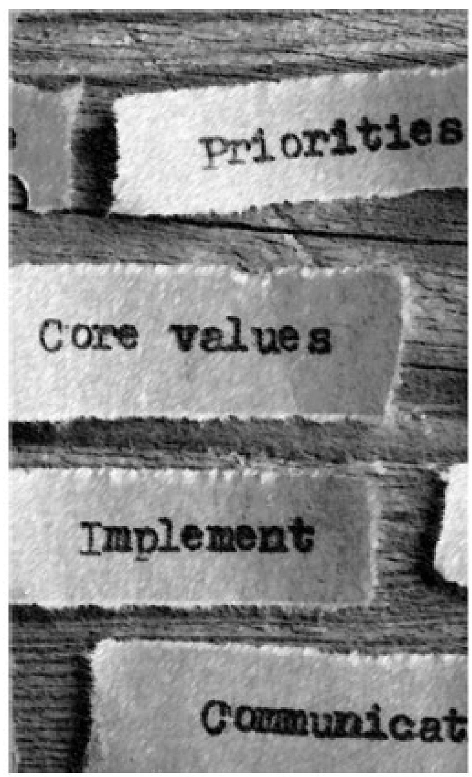
Transcript Excerpt

"We do deals without brokers [...] and it's very challenging because they [the sellers] don't have that person on their side with experience that is helping move the deal along."

(Buyer-counterpart)

COURTSHIP PERIOD AND COMMUNICATIONS

Here we address two factors together. Courtships and purposeful communication can demystify the M&A process and level the experiential differential between the participant by allowing members from both organizations to get to know each other better before agreeing to a combination; however, it does involve risk. We discuss these tradeoffs in the section on tensions (p. 7). The research on courtship primarily addresses pre-existing business relationships (joint ventures, trade relationships, interlocking board representation). We found that participants generally described better post-transaction integration experiences for transactions involving pre-existing relationships. Where relationships are newly formed over the pre-transaction process, consider allowing marginally more time for understanding and trust to develop between participants.



FUTURE COMPENSATION POLICY

Early research indicates that well-structured compensation policies can help retain essential employees within the acquired organization, while poorly structured policies can incentivize behavior harmful to shareholders. However, more recent work suggests that employee retention goes beyond simply compensation. For example, there is value in cultivating a sense of psychological ownership among employees, which focuses on the feeling that an entity or idea is "Mine" or "Ours."

Seven Post-Transaction Success Factors

4

INTEGRATIONS STRATEGY

Research also suggests that the integration of culture (not just command and control) has become a critical factor for the success of organizational integration. Some have explored methods of blending organizational cultures and managing knowledge to accomplish specific target states of integration (e.g., assimilation, integration, separation, and marginalization). Of course, each organization has its own considerations regarding cultural fit. Understanding these implications before settling on an end state can be beneficial for certain transactions. However, among our participants, integration states tended to follow the acquiring company's business-as-usual, which may be common for combinations of organizations in the lower to middle market.

LEADERSHIP

The lack of decisive action and clear direction from leadership inevitably leads to M&A underperformance or failure. Several studies confirm that high turnover among executives from the acquired company often characterizes the period following a transaction, resulting in anxiety, mistrust, and the loss of organizational learning capacity during the integration. Identifying and incentivizing key leaders within the acquired or newly combined organization is therefore critical. In our project, participants also looked to leadership (from selling and buying organizations) as a proxy for culture. Several participants described the importance of assessing whether they could work for/with the counterpart's leadership team members.

Transcript Excerpt

"[Name] the CEO, he was supposed to come in [...] for a cup of coffee and to see how things are going. He stayed for three hours. We had a great discussion. We all got along very well. [...] And I thought, "I can work with these people. I can work with these people."

(Client)

SPEED OF INTEGRATION

Time is of the essence for integration implementation, or perhaps not – the research is mixed. One argument holds that a speedy integration captures the projected synergies while limiting the spread of misinformation associated with the development of mistrust. Another argument holds that a slow implementation may allow space for parties to resolve contentious issues, resulting in increased trust. Interestingly, our participants discussed transaction speed as an essential consideration instead of integration speed. We describe this in more detail in the section on tensions.

INTEGRATIONS TEAM VS. DAY-TO-DAY

The post-merger integration can often detract from day-to-day activities. Some organizations assign specific teams to manage post-merger integration, ideally assembled and actively planning during the latter part of the pre-transaction phase. Participants in our project described such planning at differing degrees of completeness depending on the client's or counterpart's preferences — more planning for integration before closing generally related to positive implications for participants' experiences post-close.

5

Post-Transaction Success Factors (continued)

COMMUNICATION

Communication is instrumental in broadcasting the acquisition's purpose and transferring the integration message; however, effectively communicating can be challenging. For example, in a survey asking over 200 executive respondents to select twelve factors critical to M&A integration success, 90% included communications among their choices. In contrast, only 43% suggested that their own integration communication efforts were successful. One researcher suggests that communication is at once essential and extremely complicated and suggests it be "waged" as an active campaign, implying that communication efforts should be planned and sustained over time.

MANAGING CULTURAL DIFFERENCES

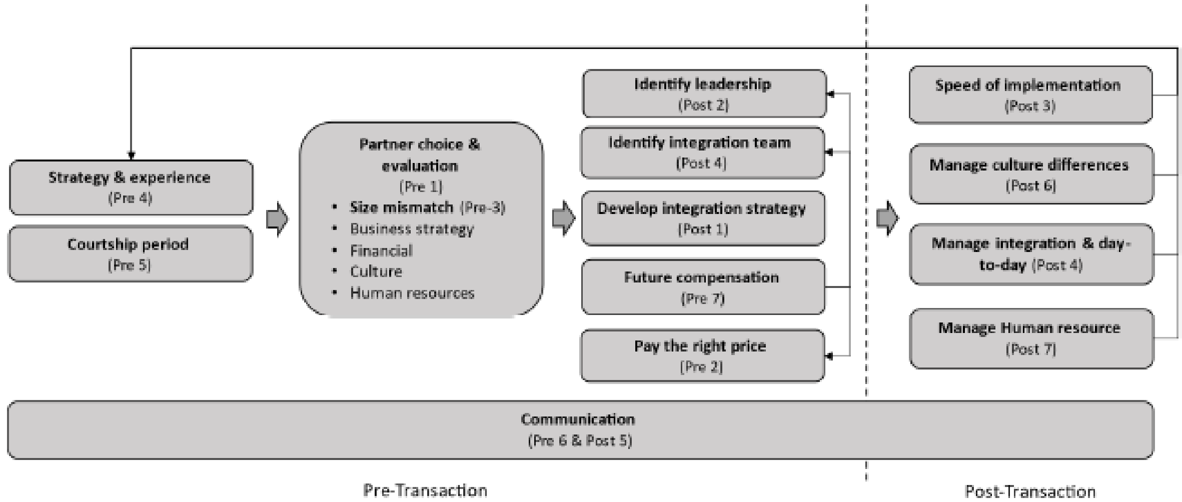
The literature assessing M&A performance in relation to cultural differences is extensive and addresses multiple levels of identification at the national, regional, industrial, company, and professional levels. Our approach followed suggestions that identity (who we are) may be at least as important to post-merger integration as process (how we do things). Culture influences how members make sense of their experiences in the organization. Recent research on culture focuses on how trust impacts M&A outcomes. However, they suggest that trust issues could be addressed more appropriately by focusing on better planning for post-acquisition preparedness.

HUMAN RESOURCE MANAGEMENT

Studies confirm the need for companies to address human resource issues in M&A decisions. Human resource management is critical to the success of M&A, specifically in the integration activities that follow the transaction: leadership and team integration, managing change, managing resistance, and valuable talent retention. Researchers advocate for more involvement by human resources professionals throughout the M&A process, from pre-transaction due diligence to post-transaction integration.

6

Figure 1
Idealized Conceptualization of Pre- & Post Transaction Success Factors



Sequencing for Success

INTERSECTIONALITY AMONG SUCCESS FACTORS

Referencing research addressing the interrelationships of success factors, we conceptualized an idealized sequencing of factors (Figure 1). We describe this sequencing more fully in the full report; however, there were several key takeaways:

- One gets better at M&A by doing M&A. As we describe above, this is an attribute on which Focus excels.
- Planning for post-merger activities is best conducted during due diligence and before close.
- Organizations that understand and trust each other are more likely to arrive at a fair transaction price.
- Partner choice & evaluation incorporating culture and HR assessments is more effective.
- Retaining key employees extends beyond compensation and includes gaining trust and creating buy-in.
- Communication efforts should be both planned and sustained over time
- Buying execs reported being willing to pay a premium from 15% to 30% for an organization that represented a good cultural fit, indicating that sellers primarily motivated by price may do well attending to culture.

Anticipating Tensions

7

INHERENT TO THE M&A PROCESS

Some degree of trust is critical to the success of M&A transactions and subsequent integration. However, throughout our interviews, we observed certain tensions that impacted our informants' efforts to develop understanding and trust during the M&A process. These tensions revealed themselves primarily in relation to a) *transparency and participation*, b) *price versus culture*, and c) *time constraints*.

Transparency & Participation: Research indicates that courtships and purposeful communication can develop understanding and trust between the transacting parties and that involving more key professionals in the M&A due diligence process can help develop a better assessment. However, there are risks, as oversharing without a clearly articulated communication strategy can lead to unproductive rumors, disruptions to day-to-day activities, or even result in scuttling the transaction altogether.

Price vs. Culture: Our observations were not conclusive regarding the primacy of price or culture. This decision was highly influenced by anticipated involvement in the new organization of each party after the transaction was closed. But, again, recent research has indicated that buying execs reported being willing to pay a premium from 15% to 30% for an organization that represented a good cultural fit, so even sellers primarily motivated by price may do well attending to culture.

Time Constraints: We observed the attribute Speed of Transactions in our project. A speedy transaction was considered less likely to get scuttled by unfortunate events while also limiting the spread of misinformation associated with disruption to day-to-day business activities. However, whether it be time to form a productive Advisor/Client relationship, develop a positive buyer/seller bond, or adequately plan for the post-transaction implementation, effectively managing time constraints can positively impact the success of the post-transaction integration.