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SPEED IN ACQUISITIONS: A MANAGERIAL FRAMEWORK

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SPEED IN ACQUISITIONS: A MANAGERIAL FRAMEWORK

Abstract. The advantages of speed are often evoked by academics and practitioners as an essential condition during post-acquisition integration at the expense of considering the impact of earlier decisions on acquisition speed. The role speed plays in acquisitions is examined across the acquisition process from research organized around acquisition characteristics drawn from common research variables that display complexity with respect to acquisition speed. Existing research is incorporated with a process perspective of acquisitions to present trade-offs and considers the context before an acquisition completes on acquisition speed. A resulting framework also considers acquisition stakeholders that influence acquisition speed and organizational capabilities that facilitate acquisition speed. Observed trade-offs suggest that acquisition speed often requires spending more time before an acquisition and that associated decisions require managerial judgement. A framework for improving manager decisions during acquisitions is discussed and its implications for managers and research summarized.

Keywords: Acquisition speed, acquisition capability, merger and acquisition, pre- acquisition phase, post-acquisition phase, stakeholders

REASSESSING ACQUISITION SPEED

Acquisitions continue to be a popular means for companies pursuing growth. One reason behind this popularity is that they offer greater speed than other strategic options, such as internal development or alliances (e.g., Weigelt & Sarkar, 2012). Both academic and practitioner literature emphasize speed as a key driver of acquisition success (Vester, 2002). For example, practitioners underscore the importance of making progress during the first 100 days following an acquisition (Ashkenas & Francis, 2000; Angwin, 2004). The importance of acquisition speed is reinforced by research examining speed through the different phases of the acquisition process (Shi, Sung & Prescott, 2012). During deal negotiation speed is recognized to provide an advantage over other potential bidders (Carow, Heron & Saxton, 2004). In the post-acquisition phase, speed is regarded as crucial to minimize disruption (Cording et al., 2008) by reducing uncertainty for customers and employees (Homburg & Bucerius, 2006) and providing less time for competitors to react (King & Schriber, 2016).

However, while the prevailing discourse focuses on the importance of speed for acquisition success, there are also scholars who offer a more nuanced view of speed to highlight that speed in acquisition processes produces costs as well as benefits (Angwin, 2004; Bauer and Matzler, 2014; Homburg and Bucerius, 2005, 2006). The recognition of costs and benefits of speed enables a better understanding of speed throughout the acquisition process that can be leveraged by managers. To achieve this goal, we build upon existing research on acquisition speed to disentangle the limitations of simply moving faster in acquisitions. By acknowledging acquisitions represent multiple processes across distinct phases, we achieve a better understanding of trade-offs involving acquisition speed. For example, while slower pre-acquisition due diligence is encouraged to better uncover problems (Angwin, 2001) that can be addressed by planning, it can also give competitors more time to respond (King & Schriber, 2016). Similar conflicts exist for post-acquisition

integration with empirical research suggesting both fast integration (e.g., Schweizer & Patzelt, 2012) and slow integration (e.g., Gomes, Angwin, Weber & Tarba, 2013; Ranft & Lord, 2002) is needed to achieve acquisition goals. The conflicting prescriptions suggest that managers need to be aware of the complex relationship between benefits and costs of speed within the context they are facing to manage acquisitions successfully.

ACQUISITION SPEED: COSTS AND BENEFITS

To make sense of acquisition speed, we build on and extend prior research (see Shi, Sun & Prescott, 2012 for a review of relevant literature) and base our discussion on two main pillars. The first is that speed is affected by contextual conditions. The importance of contextual conditions recognizes that acquisitions are complex, multifaceted and multi-temporal events (e.g. Larsson & Finkelstein, 1999). In our framework, we select conditions identified as relevant in strategic management literature (Hitt et al., 2012), such as the technological change (e.g., Heeley, King & Covin, 2006), the degree of relatedness (e.g., Homburg & Bucerious, 2006), or the strategic fit of assets (e.g., Bauer & Matzler, 2014). We advance existing research by introducing the idea that speed is influenced by different actors, who typically hold different temporal orientations (Angwin, 2004). Our contribution lies in concurrently investigating contextual conditions and stakeholders that have been previously analyzed in isolation. We also discuss capabilities needed to facilitate acquisition speed.

The second pillar is that speed is a complex concept with interlinked decisions across different phases. In order to understand the outcome of an acquisition, the whole process needs to be taken into consideration (Jemison & Sitkin, 1986; Risberg, 1999). The adoption of a process view allows us to identify time spent at different points of an acquisition can result in a faster overall process, as acquisitions unfold over time with early decisions influencing later outcomes (Haspeslagh & Jemison, 1991). Scholars have attempted to capture this complexity by identifying multiple phases in the acquisition process to organize

related events or actions (e.g., Boone & Mulherin, 2007). In our framework, we examine contextual conditions, stakeholders and capabilities that affect acquisition speed. We attempt to balance simplicity and granularity to provide managers a framework of multiple factors that can be used to assess the impact of acquisition speed across two phases:

- Pre-acquisition phase: Refers to the process of identifying and negotiating with an acquisition target. It begins with a strategic intent and continues with the screening of possible candidates that results in the official acquisition announcement to shareholders, employees and the business press. This phase includes due diligence as well as regulatory and shareholder approval and it ends with the deal closure. The importance of this event is that it sets observable acquisition characteristics often used in research.
- Post-acquisition phase: This phase begins once a deal legally completes to result in two separate firms becoming one. It is also the most complex phase, as it involves both human and task integration to enable the attainment of acquisition goals. It ends when the desired level of integration and associated acquisition goals are achieved.

Acquisition Context and Speed

Building on characteristics established in existing acquisition research (Hitt et al., 2012), we outline important contextual conditions that are external and internal to combining firms. Recent research supports the importance of considering industry conditions for acquisitions (e.g., King & Schriber, 2016); however, 78 percent of variables examined by acquisition research focuses on acquisition characteristics of combining firms (Cording, Christmann & Weigelt, 2010). Our focus is on contextual conditions research suggests have implications for acquisition speed that display complexity (see Table 1), including industry conditions, the nature of the deal (hostile vs. friendly), strategic fit, and existence of any prior relationship

between a target and acquirer. We do not consider identified relationships where there is less complexity, such as research suggesting smaller targets can be acquired and integrated quickly (e.g., King et al., 2008) and known problems with mergers of equals (e.g., Meyer & Altenborg, 2008).

----- Insert Table 1 about here -----

Industry conditions

Strategic management recognizes the importance of industry conditions and analyzing competitive intensity to explain firm performance (e.g., Porter, 1980). For example, in high velocity environments, competitive pressures, technological discontinuities and environmental changes (i.e. regulations) generally precipitate acquisitions by requiring managers to respond to market changes (e.g., Eisenhardt, 1989). However, while technological change and obsolescence push companies toward faster decision-making, the technological nature of the resources involved exacerbates information asymmetry and makes acquisition outcomes more uncertain (Heeley et al., 2006).

For acquisitions in turbulent industries, information asymmetry compounds the complexity of planning for integration of high-technology acquisitions. Therefore, acting quickly to respond to external threats and technological discontinuities needs to be balanced with the considerable time and effort needed to identify and then convince valuable employees to stay (Lubatkin, Schweiger & Weber, 1999). This is particularly challenging in technology acquisitions where retaining target firm capabilities embedded in its employees has proven crucial (Ranft & Lord, 2002). These considerations make evident the need to effectively balance the benefits of acting quickly in the pre-acquisition phase with the consequences of excessive speed in the post-acquisition one.

Industry conditions are also of interest in mature industries, where declining growth generally increases competition and drives consolidation. Examples can be found in the

number of acquisitions involving the automotive, banking or defense industries. In mature industries the value of assets is more transparent and benefits often accrue to early acquirers, as early selection generally allows picking a better target from a larger pool of candidates (Carow et al., 2004). Increased competition for scarce resources can contribute to additional bidders that further increases pressure to move. The existence of competition for a certain target may require quick completion of negotiation activities. However, closing the deal too quickly drives a certain degree of ambiguity in the agreement the parties reach (Jemison & Sitkin, 1986). This likely will require longer integration with added time for planning to complete an assessment of relevant integration issues and the means to address them.

Nature of the deal

This characteristic relates to the degree a deal is viewed as friendly or hostile. Hostile acquisitions generally constrain speed during acquisitions. For example, hostile deals heighten difficulties in performing due diligence due to a lack of cooperation from the target side associated with longer integration time and higher personnel turnover (Goldberg & Goodwin, 2001). While turnover may offer possibilities to remove redundancies in a combined firm or to eliminate managers who contributed to poor target firm performance, the loss of tacit knowledge often outweighs the benefits (Cording et al., 2008). For example, Cisco, a company recognized for acquisition success, retains 70 percent of target senior management, and turnover of employees is less than 10 percent (Bunnell, 2000). Further, hostile acquisitions and associated turnover likely delays personnel from effectively working together in the combined firm, or contradicts the benefits of fast integration. A friendly acquisition also runs the risk of turning hostile, and this can be indicated by slower integration and higher employee turnover (Krug, Wright & Kroll, 2014).

Even when an acquisition is friendly, the openness of firms to an acquisition may vary a great deal. For example, venture-backed companies may view being acquired as a desirable

condition equated with success (Graebner & Eisenhardt, 2004) and this may be less true for other firms. Therefore, an acquirer needs to consider a target's openness to acquisition and this may not be known without approaching a firm's management. While openness may facilitate faster acquisition completion, not considering other relevant factors may slow an acquisition and they may not be under the control of an acquirer. For example, a target may need time to consider an offer and engage advisors to increase competition associated with delays and acquirers paying approximately a six percent higher price on average (Bates & Lemmon, 2003). However, external advisors increase the likelihood a firm will be acquired (Eckbo, 2009), and likely signal a target is open to an acquisition. While friendly deals are preferred, acquirers should avoid auctions that entail delays and result in higher acquisition premiums that make generating value from an acquisition more difficult.

Strategic fit

The degree of strategic fit often measured using industry relatedness has been extensively used to study acquisition performance (King et al., 2004) and we consider its effects on acquisition speed. In the pre-acquisition phase, a high degree of relatedness may positively impact speed by facilitating the identification of acquisition candidates and assessing potential synergies due to lower information asymmetries (Carow et al., 2004; Chakrabarti & Mitchell, 2016). However, during the post-acquisition phase, combining related firms drives longer integration (Chakrabarti & Mitchell, 2016), as there is more overlap in firm operations that drives coordination and organizational turmoil from elimination of redundancies and personnel layoffs. This also underscores a difference in how revenue improvement will be achieved. Unrelated targets have less interdependence that allows lower levels of integration and simplified planning (Coff, 2002) that facilitate acquisition speed after an acquisition completes. In contrast, related acquisitions derive value from coordinating interdependencies,

integrating target resources, and divesting excess capacity (Barkema & Schijven, 2008) that take time.

Still, increasing interconnections among industries has led to the concept of relatedness to lose meaningfulness and it has been replaced by the notion of strategic fit. This concept is more nuanced than relatedness, as it enables taking into account increased benefits arising from complementary assets (e.g., King, Slotegraaf & Kesner, 2008). Strategic acquisitions that combine complementary resources likely require longer pre-acquisition planning to identify acquisition targets and assess how different aspects of the merging companies fit together. However, due to less overlap, acquisitions involving complementary assets will often be easier to integrate or enable moving faster after an acquisition completes. An exception relates to geographic expansion where cultural differences drive slower integration to build relationships and minimize conflict (Gomes, Angwin Weber &Tarba, 2013; Homburg & Bucerius, 2006). Regardless, complementary acquisitions demand a more careful assessment and planning during the pre-acquisition phase, and this assessment will enable determining whether speed can be exercised during acquisition integration.

Prior relationship

Identifying acquisitions is likely influenced by network effects that play a role in determining the options available to firms. Research also suggests prior relationships such as joint ventures with target companies may increase the likelihood of acquisition success by allowing firms to learn more about each other (Mayer & Kenney, 2004). Experience may also indicate partners should not proceed with an acquisition. For example, in 2004, troubles experienced during the General Motors-Fiat joint venture that resulted in increasing losses led the two partners to mutually agree to not merge (Economist, 2004). The preceding suggests target screening is a continuous process that may require years of observation that may not lead to an acquisition. For example, Cisco relies on the network of its executives relationships

to identify acquisitions, but it does not complete about as many deals as it does (Bunnell, 2000; Mayer & Kenney, 2004). Maintaining a network of relationships will take time, but this work will make post-acquisition integration to proceed faster. Simply, a prior relationship facilitates speed across the whole acquisition process, reducing time to select the target, close the deal, and integrate the merging companies. At the same time, a prior relationship can avoid a costly mistake from pursuing an acquisition when it is not warranted.

Acquisition Stakeholders and Speed

Different stakeholders can influence the speed of acquisition activities throughout the acquisition process. However, current research generally focuses on shareholders and top managers at the expense of other stakeholders impacted by acquisitions (Meglio, 2016). Within our framework (see Table 2), we examine shareholders, top managers, advisors, customers, and employees. We deliberately do not discuss the impact of antitrust regulators. While they have a significant influence on acquisitions and cause delays to acquisitions, regulators are outside the control of managers and deal completion and integration are prohibited until regulatory approval for an acquisition is received.

----- Insert Table 2 about here -----

Shareholders

Stock market reactions to acquisition announcements are similar to a survey of financial market participants (Bethel, Hu & Wang, 2009), and positive market reactions to an acquisition announcement gives proposed deals credibility (Chatterjee, 2009). Additionally, negative market reactions can delay completion of an acquisition (Lou, 2005). While this suggests managers learn from market reactions, it is likely that managers continue to salvage a deal with few acquisitions terminated due to a negative market reactions. An exception involves Coca Cola retreating from an acquisition following a negative market reaction (Kau, Linck & Rubin, 2008). Institutional investors own shares in firms on behalf of investors they

represent. However, they may allow overpayment for a target if they cross-hold acquirer and target firm shares (Bethel, Hu & Wang, 2009), as acquisition premiums average 40 percent and average impact on acquirer share prices is near zero (Boone & Mulherin, 2007; King et al., 2004). The impression of investors appears to be considered in acquisition announcements with firms timing the announcement on Mondays to gain attention or Fridays to avoid it (Louis & Sun, 2010). Investors can also exert pressure after an acquisition. For example, lawsuits on the valuation of acquisitions are relatively common, and the Dell leverage buyout has been found to have undervalued the company in 2013 (Wieczner, 2016). The overall implication for managers is that a positive reaction endorses moving quickly, while a negative reaction by investors signals the need to reevaluate an acquisition.

Top Managers

Our review of acquisition factors and the need to consider investor reactions underscore the importance of managerial perspectives on acquisitions. Generally, research takes a negative view of managers with research documenting personal interests behind acquisitions and managers displaying over-commitment to acquisitions (e.g., Haunschild Davis-Blake & Fichman, 1994). For example, managers receive higher pay for managing large firms (Hambrick & Finkelstein, 1995). Further, diversifying a firm's operations through acquisitions also reduces a manager's employment risk (Markides, 1995). After an acquisition, this runs the risk of a CEO focusing on new business segments (Schoar, 2002) and middle managers returning to focus on existing operations (Perry & Herd, 2004). An implication is the need to ensure adequate management capacity to complete and integrate and acquisition (e.g., Penrose, 1959). If managers expect higher performance from an acquisition, some level of hubris is involved, it assumes an acquiring management team can run the target firm better than the current managers.

The preceding suggests the creation of value for shareholders with acquisitions would coincide with fewer acquisitions. As a result, managers need to carefully consider the use of acquisitions and be willing to back away from an announced acquisition. For example, 83 percent of good acquirers compared to only 29 percent of bad acquirers have terminated a deal (Lovallo, Viguerie, Uhlaner & Horn, 2007). This underscores the need for established due diligence procedures to help avoid managerial over-commitment or hubris problems include assigning target choice and due diligence activities to different individuals, and limiting news of impending acquisitions. Specifically, CEOs need to make a careful assessment of their motives, as pursuing an acquisition can have personal risks. For example, a disastrous acquisition of Autonomy by HP was attributed to incomplete due diligence resulting from over-commitment to the deal by a CEO who was fired before the deal closed (Worthen & Scheck, 2013). Additionally, while a homogeneous top management team (TMT) enable faster decisions, heterogeneous TMT are better at complex problems (Nadolska & Barkema, 2014; Ferrier, 2001).

Advisors

Advisors have a largely beneficial impact on acquisitions, and research consistently suggests firms use external advisors in acquisitions (e.g., Lovallo et al., 2007). For acquisition speed, the involvement of external advisors typically speeds up pre-acquisition processes as they have competences in the various acquisitions tasks, such as: screening targets; legal issues; and experience with due diligence and integration planning. The use of consultants is related to higher acquisition complexity and time pressures (Saorin-Iborra, 2008). Research also shows that, while top advisors can lower gains from an acquisition due to their cost, they enable completing deals faster (Hunter & Jagtiani, 2003). Additionally, the use of advisors can help avoid bad decisions during acquisitions (Kim, Haleblian & Finkelstein, 2011).

While concerns about advisor self-interest exist, their use in acquisitions has an overall positive impact on acquisitions and speed.

Customers

Customers are generally overlooked by acquisition research (Öberg, 2013), even though customers are key to acquisition success. Before an acquistion completes, customers can delay an acquisition by filing a complaint with regulators (Ghemawat & Ghadar, 2000). For example, the National Farmers Union in the U.S. has identified concerns to the Department of Justive on a merger between Dow and DuPont (Haynes, 2016). Increased competitive overlap following an acquisition can increase the loss of customers althought this is mitigated for higher number of exchanges (Rogan, 2014). Following an acquisition, speed remains relevant as customer uncertainty can be reduced with faster integration (Homburg & Bucerius, 2006). One motive for acquisitions is to add customers, but turmoil surrounding acquisitions often contributes to an internal focus (Cording et al., 2008) that results in lost customers and market share, as competitors poach customers (e.g., King & Schriber, 2016). The combined implication is that the impact of an acquisition on customers needs to be considered during acquisition planning, and information communicated to customers about acquisition plans before and after it completes. For example, a combination of two high-technology companies with the objective of better serving IBM had their business cut in half when the combined firm failed to communicate what the acquisition meant to this important customer (Marks & Mirvis, 2010). Communicating how an acquisition creates value for customers builds trust, and lowers customer dissatisfaction and defection (Homburg & Bucerius, 2005). Without careful consideration of customers, an acquisition may never create value.

Employees

Unions can play a role in the pre-acquisition phase and extend negotiations for an acquisition, though more experienced acquirers take the time to get unions to agree to milestones (Meyer, 2008). Still, the influence of employees on acqusition speed largely comes during acquisition integration. When an acquisition is announced employees want to know a plan to create a better organization exists and that it outlines what the acquisition means for employees (King, 2013). Existing research documents that employees' resistance to accept change is detrimental to the post-acquisition process, making it more time consuming and costly than expected (e.g., Seo & Hill, 2005). However, faster integration and communication of expectations can help overcome employee resistance (e.g., Amis, Slack & Hinings, 2004). As a result, communication with employees needs to begin early and this requires more time during the pre-acquisition phase. Even if there are no definitive answers, successful acquirers recognize that communication with employees about an acquisition is required (King, 2013), and communication with employees will need to continue through the post-acquisition phase to limit uncertainty that slows integration.

Capabilities Facilitating Acquisition Speed

Firms with acquisition experience can enjoy advantages from developing acquisition capabilities (e.g., Haleblian & Filkenstein, 1999). Organizational learning associated with capability development is more common with similiar recurring events that enable developing routines. However, acquisitions are rare events that are also often largely unique. This has contributed to observations that acquisition experience only becomes positve after eight acquisitons to better understand when previous experience applies (Haleblian & Finkelstein, 1999). The associated explanation is that acquisition capabilities require a significant effort in articulating and codifying knowedge on an on-going basis to understand when experience applies (Arikan & McGahan, 2010; Haleblian & Finkelstein, 1999). While

research has largely dealt with the effects of acquisition capabilities in the post-acquisition phase (Zollo & Singh, 2004), benefits for speed span pre-acquisition and post-acquisition phases. For example, firms with an acquisition capability generally experience more positive responses from investors to acquisition announcements and this can facilitate deal acceptance and completion (Arikan & McGahan, 2010. In the following, we review the importance of Human Resource Management (HRM), and an integration team in building a capability to facilitate acquisitions.

Human Resource Management

HRM represents an important integrative mechanism for achieving acquisition goals (Meglio, King & Risberg, 2015) and improving performance (Correia, Cunha & Scholten, 2013). Acquisitions often exceed the capacity of HR staff organized for normal operations and insufficient HRM for an acquisition will prove detrimental (e.g., Vester, 2002). For example, Cisco HRM is involved immediately and provides the focus for the first 40 days of integration (Mayer & Kenney, 2004). This reflects that acquisition goals often depend on HRM involvement to address employees' motivation and opportunities (Brueller, Carmeli & Markman, 2016). For example, HRM can help align people to appropriate positions. However, HRM considerations also include setting expectations as part of acquisition negotiations. For example, Teva's acquisition of Biogal was delayed for 5 years pending acceptance of planned lay-offs (Breuller et al., 2016).

Integration team

The importance of connecting different stages of the acquisition process with a core team has been a long-standing recommendation (i.e., De Noble, Gustafson & Hergert, 1988). An integration team can take experience from the pre-acquisition phase to speed acquisition integration from detailed knowledge of an acquisition and its goals. For example, integration teams facilitate consolidation of operations and skill transfer (Teerikangas, Very & Pisano,

2011). Since surprises during integration are inevitable (Vester, 2002), an integration team can combine managerial skills and experience to include familiarity with a target firm (Graebner & Eisenhardt, 2004; Krishnan, Miller & Judge, 1997). This suggests integration teams facilitate flexibility by combining varied expertise to interpret internal and external events (Meglio, King & Risberg, 2015). Existing integration models do not fully capture the spectrum of possible solutions, as they are too coarse-grained to deal with the increasing complexities of acquisitions crossing borders and industry boundaries. Flexibility in integration enabled by an integration team can represent a key capability to balance demands without clear solutions initially. Involving members of an integration team in the pre-acquisition phase and dedicating them to manage post-acquisition integration represents an upfront investment that likely produces longer term benefits. For example, increasing the number of people familiar with integration management can develop talent within a firm and and increase a firm's capability for acquisitions.

MAKING PROGRESS ON ACQUISITION SPEED

We provide a more nuanced view of speed in acquisitions that integrates existing research into an accessible framework that considers contextual conditions, stakeholders and relevant capabilities that impact acquisition speed. Considering different phases invokes a process perspective to emphasize trade-offs in managerial decisions on acquisition speed. Observed trade-offs suggest that acquisition speed often represents a double-edged sword where speed does not simply result from moving quickly or proceeding linearly (Risberg, 1999). Earlier research on hybrid integration approaches emphasizes the need for short and long term orientations within integrating units that are consistent with our framework (e.g., Graebner & Eisenhardt, 2004). Specifically, spending more time in earlier phases can save time overall and improve acquisition outcomes.

Managerial Considerations

An overall implication is that decisions on acquisition speed require managerial judgement. Further, we suggest a focus on acquisition speed needs to be on shortening acquisition integration and this requires more time before an acquisition completes. Longer due diligence can enable better assessment of a target and integration plans. For example, firms may want to establish relationships with potential targets to overcome information asymmetries and assess cultural fit. The admonition that it is more expensive to be slow than wrong (McGrath & MacMillan, 2000) best applies during acquisition integration where a one-month delay in realizing $500 million in annual savings lowers the net present value of an acquisition by over $100 million (Chanmugam et al., 2005). Importantly, our framework shows that handling time and speed properly in an acquisition process does not mean simply acting quickly. While the average time from deal announcement to closure is averages 120-160 days, given the complexity of acquisitions this time is often neither sufficient nor used effectively (Bethel, Hu & Wang, 2009; Boeh, 2011), and this may due in part to conflicting guidance for different contexts. The complexity of acquisitions and need to handling surprises also requires an ability to be flexible that can be provided by an integration team to manage tensions between conflicting priorities, timing and methods. The development of acquisition capabilities requires that acquisitions are not isolated and integrated into a firm's long-term strategy (Barkema & Schijven, 2008).

Our summary also highlights that managerial implications from acquisition research are limited. While the majority of research on acquisitions assumes they enhance firm value, research consistently finds that acquisitions on average have no to a slightly negative impact on acquiring firm performance (Devers et al., 2013; King et al., 2004). Still, evidence suggests that following acquisitions CEOs actively sell stock options with the potential implication that they do not expect acquisitions to create long-term value (Devers et al.,

2013). Another explanation for acquisition performance not improving after decades of research is that research is not providing information that is useful to managers. This reflects assumptions, such as cross-sectional research assuming each acquisition is a clean slate (Barkema & Schijven, 2008), that do not reflect managerial realities. As a result, improving the performance of acquisitions likely depends on improved research.

Research Implications

The reviewed research reinforces that speed is an important factor during acquisitions, and it deserves further research to examine contextual conditions that affect acquisition speed. While often deemed important, time and speed are often neglected in strategy research. One step toward addressing this problem would be to investigate our framework of acquisition characteristics, stakeholders and capabilities that impact on speed in different phases of the acquisition process. While we derive the framework from extant research, the research we draw on largely considers the different elements of our framework in isolation. For example, acquisitions represent multi-stakeholder deals, but stakeholder perspectives other than shareholders are not often considered by researchers. Meanwhile, stakeholders, such as shareholders, managers and employees, likely have different temporal orientations that have implications for acquisition speed. Additional research is also needed to identify the elements that comprise acquisition capability beyond the two that we outline.

The measurement of speed also remains an unresolved issue in acquisition research, and future research likely needs to employ relative measures that consider both time and the amount of change achieved. In acquisition research, speed tends to be assessed in two ways: 1) either as the time to integration completion, or 2) the progress over a set period of time (Angwin, 2004). The former requires that one knows exactly when an acquisition process starts and ends, something that has proven difficult or impossible for research to identify. To this problem, Bauer and Matzler (2014) and Cording, Christmann and King (2008) assess

speed in terms of time intervals—longer than 24 months to shorter than 7 months. Bauer (2016) further refines this measure by creating a relative measure of speed that considers the amount of time to achieve a desired level of integration. We anticipate that relative measures of acquisition speed that consider both time and the amount of change reflected in recent research will prove superior. If measured only with time, little insight on speed is possible unless it is compared to the time for a similar decision.

Conclusion

The advantages of speed are often evoked as an essential condition in pursuing strategic goals of adding valuable resources, enhancing market power, or achieving renewal (Graebner & Eisenhardt, 2004). We provide a critical reflection on the role speed plays in acquisitions by adopting a process perspective that considers the impact of acquisition characteristics, stakeholders and capabilities across different phases. Shortcuts made at earlier stages in acquisitions processes may limit the ability to respond appropriately later. Several trade-offs that relate to acquisition speed are identified to enable managers to complete better acquisitions more quickly and researchers to provide them more useful information.

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Table 1. Implications of Acquisition Context on Speed across Acquisition phases

	Pre-Acquisition	Post-acquisition
Acquisition Characteristics		
Industry conditions	- Turbulent conditions require more time for target screening and due diligence to overcome information asymmetry - Stable conditions enable moving faster and limit competing bids and competitor retaliation	- Faster integration in turbulent conditions to minimize uncertainty and gain benefits of combination - Slower integration in stable conditions to identify issues and to develop integration plans to address them
Nature of deal	- Hostile deals slower due to target resistance - Friendly deals enable faster acquisition completion	- Hostile deals require slower integration to address employee concerns and limit undesired turnover - Ensure adequate time for planning and tracking of relevant metrics for friendly deals, such as employee turnover
Strategic fit	- Related acquisitions overcome information asymmetry to enable faster acquisition completion - Acquisitions of complementary assets take more time to assess and plan	- Related acquisitions require more time to integrate due to greater overlap of operations - Clear strategic goals and less overlap enable faster integration of complementary assets
Prior relationship	- More time to establish a relationship can facilitate faster completion of better acquisitions	- A prior relationship can facilitate faster integration

Table 2. Implications of Acquisition Stakeholders on Speed across Acquisition phases

	Pre-Acquisition	**Post-acquisition**
Acquisition Stakeholders		
Top managers	- Avoid over-commitment that can contribute to overpayment and later problems - CEOs: Beware hubris and involve others in decision with pre-established criteria - A homogenous top management team will be faster, but a heterogeneous team makes better decisions on complex tasks, such as acquisitions	- Ensure integration plans identify strategic goals and provide for adequate management capacity
Advisors	- Can help to complete acquisitions faster and avoid bad decisions, but they lower gains due to higher costs	- May be helpful to supplement HR staff
Customers	- Can delay completion of an acquisition by filing complaints with regulators	- Need to avoid an internal focus following an acquisition and communicate with customers to lower dissatisfaction and defection
Employees	- Unions can delay negotiation, and employee concerns need to be considered prior to completion	- Communicate early and continuously to limit employee uncertainty that slows integration