

**POWERING PRODUCT INNOVATION WITH POST-MERGER AND  
ACQUISITION INTEGRATION: THE MODERATING EFFECTS  
OF CUSTOMER ORIENTATION AND ORGANIZATIONAL  
COMPLEXITY**

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## ABSTRACT

Product innovation, a crucial source of competitive advantage, is a company's lifeblood to thrive in global, dynamic markets. M&A enable firms to access new markets faster and acquire complementary technologies, knowledge, and resources to facilitate product innovation. Despite global disruptions such as the COVID-19 pandemic, supply chain shortages, and M&A failure rates of 70% to 90%, firms continue to invest in M&A. Scholars seek to shed light on the conditions that create and destroy value in M&A, specifically the post-acquisition integration phase. While the effects of acquisitions on customers are an underexplored field today, customer relationships are engines for insights into changing expectations that drive product innovation. Today's economy enables customers to switch to the competition faster than ever, and on top of that, firms see changes in customer networks after acquisitions. Research discusses the antecedents and outcomes of customer orientation but overlooks the role of customers in M&A. The post-M&A integration stage is the M&A phase where the ultimate value is destroyed or created. This study focuses on customer orientation and organizational complexity and their moderating effect on the post-M&A integration and product innovation performance relationship, concentrating on 188 innovation-centered majority acquisitions. It addresses the research question: How and to what extent do (1) customer orientation and (2) organizational complexity impact the relationship between post-M&A integration and product innovation performance? With that, this research uniquely connects the well-defined constructs of product innovation performance, post-M&A integration, customer orientation, and organizational complexity, and uses a mixed-method approach to investigate the research questions and conceptual model.

Quantitative study one provides evidence that post-M&A integration had a significant positive effect on product innovation performance, especially for firms with high customer orientation, which positively moderated the main effect. Organizational complexity negatively moderated the post-M&A integration-product innovation performance relationship. When organizational complexity was relatively high with mean customer orientation, the effect of post-M&A integration on product innovation performance flipped from positive to negative. Under the conditions of relatively high customer orientation with mean organizational complexity, the effect of post-M&A integration on product innovation performance flipped from negative to positive. The results indicate that post-M&A integration was positively related to product innovation performance only for organizations with low organizational complexity. To a certain extent, customer orientation helped alleviate this negative impact of organizational complexity. Overall, study one has shown that a balanced approach of customer orientation and organizational complexity would be recommended. Study one also suggests combining the, in the literature separately considered, efficiency (synergy) and stakeholder theories.

The inductive, qualitative study two, conducted with 25 semi-structured interviews, provides insights into how complexity resulting from acquisitions and the relationship with customers should be effectively managed during acquisition integrations to enable product innovation. The findings suggest that acquisitions are inflection points for customers, and customer trust is a crucial influencer of customer decisions. The themes drawn from this study reveal several areas acquirers can proactively manage to impact customer trust: the acquirer's brand, and reputation, early

customer involvement, communication, familiarity with and proximity to the customer, and the responsiveness and reliability to customer inquiries. The confidence in the business partner, that their interactions are based on integrity and reliability is critical and affects the customer-acquirer relationship; even more so when the acquirer is not known to the customer of the acquired firm. While customers should have a seat at the table, the timing of their involvement is critical. Leading innovation-driven acquisition integrations with a customer-centric mindset entails change initiatives that target employees, customers, and partners of the involved firms. The effective interplay of people, agile business processes, and connected, compatible technology between organizations is the foundation for achieving the anticipated value and synergies from integrating the acquired firm into the acquirer's business. All of that cannot be done without evaluating the impact on the external business environment. Unfavorable decisions taken earlier in the acquisition cycle contribute to challenges later, requiring mitigation plans to be able to achieve the anticipated acquisition goals. The developed management framework guides practitioners to drive product innovation with a well-orchestrated post-acquisition integration process that balances customer orientation and organizational complexity.

For my mother, who left this world far too early.  
Mom, thank you for always believing in me. Forever grateful!

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## CHAPTER 1: INTRODUCTION

### Research Motivation

With an increasing interdependence of global, dynamic markets, blurring industry boundaries, and shorter product cycles (Özsomer et al., 1997), product innovation becomes an even more important source of competitive advantage (Hitt et al., 1994; Mu & Di Benedetto, 2011). It is crucial for a firm's survival (Mu & Di Benedetto, 2011), requiring new product introductions based on insights collected about customers and markets (Bianchi et al., 2016; Zhang et al., 2009). Global markets and trade liberalization offer firms across industries opportunities to leverage M&A (Sharma, 2016) to enhance their market presence, gain fast access to products (Schweizer, 2005), acquire complementary technology (Birkinshaw et al., 2000), and overcome trade barriers (Sharma, 2016). Organizations continue to invest in acquiring firms, even though global disruptions such as the COVID-19 pandemic (JP Morgan, 2022; Nishant, 2021), supply chain challenges, and geopolitical turmoil flattened the curve for some time. In 2024, M&A activity experiences an upswing again, with market expectations seeing a steady increase (Levy, 2024). Special purpose acquisition companies (SPACs), known as a firm "without any external commercial operations that is formed solely for raising capital through an IPO for the purpose of investing the pooled money" (Young, 2023, p. 1), have seen a boom in 2020 and 2021 (Young, 2023). In 2020, in the U.S. alone, 50% of publicly listed firms were SPACs (Bazerman & Patel, 2021). While they experienced a decline to post-pandemic levels in 2023 (PwC, 2024), SPACs have gained in popularity due to uncertain, volatile markets, caused by global economic instabilities (Young, 2023). Rather than growing organically, M&A allows firms to faster access new markets (Bauer

et al., 2015; Vermeulen & Barkema, 2001), a broader customer base, technologies, and resources (Bauer et al., 2015; Simpson & Sariol, 2022) and transfer innovation (Bauer et al., 2016; Hitt et al., 2006; van Oorschot et al., 2023). Acquisitions enable bringing in capabilities that are difficult to develop (Schweizer, 2005), and even combine them with already existing internal firm capabilities. But acquisitions require proper due diligence and integration by the acquirer to avoid future costs that outbalance the expected synergies (Larsson & Finkelstein, 1999) and benefits from the acquisition. Firms that excel in acquisition integrations achieve synergies, manage change, unite different national and organizational cultures successfully, implement strong project governance, and complete the integration within a specific timeframe (Fuhrer et al., 2017). While firms use different integration approaches (Ellis & Lamont, 2004; Haspeslagh & Jemison, 1991), deeper integration enables the full exploitation of synergies (Fuhrer et al., 2017), and positively impacts the M&A performance when firms invest in experiential learning (Schweizer et al., 2022). Despite spending trillions on acquisitions, the M&A failure rate of firms is 70% to 90% (Christensen et al., 2011; Rajgopal, 2020; Renneboog & Vansteenkiste, 2019), showing the uncertainty and high risk inherent in M&A (Cartwright & Schoenberg, 2006; Simpson & Sariol, 2022). Both academia and practitioners show an increased interest in how these success rates can be increased (Parvinen & Tikkanen, 2007) and what role the acquisition integration can play, as a critical factor to accomplish the acquisition goals (Paruchuri et al., 2006).

Research has controversially discussed the relationship between M&A and innovation (Dezi et al., 2018). Cases such as Microsoft and Nokia or Google and Nest show how expensive M&A can become for firms. “Product innovation at Nest stalled due

to internal fighting and politics,” resulting in a failed acquisition of Nest (CBInsights, 2018, p.1). What does this mean for the customers of both firms? For a long time, research failed to understand the importance of a firm’s external business relations, implicitly assuming the takeover of the acquire firm’s market position (Anderson et al., 2001). Changes in business models, such as subscription-based offerings that are common across industries, however, enable customers to switch to the competition faster than ever. Depending on the type of acquisition, firms may experience gradual or radical customer network changes (Degbey & Pelto, 2014). However, maintaining customers rather than creating new relationships is less costly, and contributes to less uncertainty for suppliers and customers (Öberg, 2014; Reinartz et al., 2005). Scholars seek to shed light on the conditions that create and destroy value impacting the post-M&A performance (Bauer et al., 2016), and call for more insights into how acquisitions affect customers, an under-explored field today (Alvarez-Gonzalez & Otero-Neira, 2023). Academia looks for ways to improve customer relationships and reduce customer loss (Haleblian et al., 2009; Öberg, 2014). They seek to understand how to keep customers satisfied, a strategic business imperative (Anderson & Mittal, 2000; Degbey, 2005) and key to sustainable growth and a firm’s long-term survival.

The literature extensively studies the impact of M&A on shareholder returns (Capron & Pistre, 2002; Umashankar et al., 2022) and how internal stakeholders are affected by post-M&A integration (Cartwright & Schoenberg, 2006). However, it overlooks how customers react when confronted with changes, e.g., in products, prices, and innovation that result from M&A (Anderson et al., 2001; Öberg, 2018; Umashankar et al., 2022). Scholars highlight deal and firm-related factors as reasons M&As

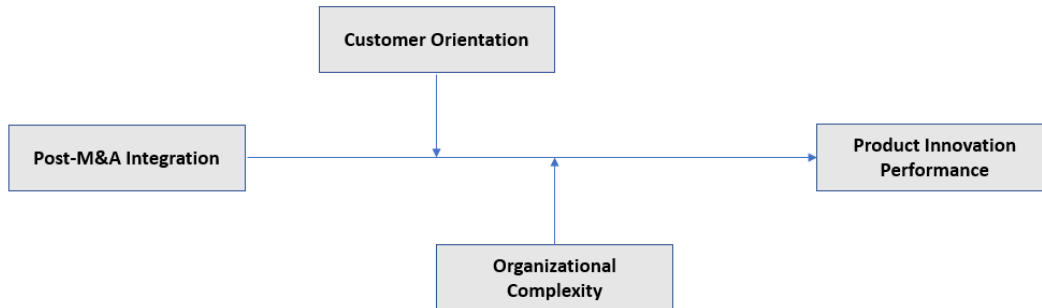
underperform (Umashankar et al., 2022). However, they neglect the role of the customer in their studies (Umashankar et al., 2022), even though a growing customer base, e.g., through cross-selling of products between both involved companies, is a critical aspect of M&A (Clarke et al., 2020; Umashankar et al., 2022;), and a crucial source of value for firms (Degbey, 2015). The literature stresses the direct impact of customer orientation on an organization's performance (Zhu & Nakata, 2007) and highlights that amplifying the value of acquisitions entails the management of "human factors" (Hubbard & Purcell, 2006, p. 17). While employees as stakeholders of acquisitions have been studied for some time (please see e.g., Kuvandikov et al., 2020; Hubbard & Purcell, 2006; Mirc et al., 2017; Steigenberger & Mirc, 2020), customers are rare in these investigations and "only mentioned in passing" (Anderson et al., 2001, p. 578). Research shows contradictory results on how customers influence businesses (Zhu & Nakata, 2007), suggesting the involvement of other factors (Zhu & Nakata, 2007). To study this question, the paper addresses the following first research question: How and to what extent does customer orientation impact the relationship between post-M&A integration and product innovation performance? It focuses on the importance of customer orientation in the acquisition integration phase since this is where the ultimate value is created or destroyed (Bauer et al., 2015; Birkinshaw et al., 2000; Graebner, 2004; Greenwood et al., 1994; Steigenberger, 2017), impacting the acquisition performance (Christensen et al., 2011).

Post-M&A integration is a key driver of M&A performance and success (Graebner 2004; Haspeslagh & Jemison, 1991; Larsson & Finkelstein 1999; Steigenberger, 2017). One example, the majority acquisition (\$35B stock purchase) of Nextel Communications by Sprint in 2005 underlines (Patel, 2024) that. With the goal to

becoming the third-largest telecommunications provider, both firms aimed to leverage their cross-selling potential by gaining access to their customer bases (Patel, 2024). A lack of overlap, dispersed technologies, and difficulties in uniting operations made integrating Nextel a nightmare (Patel, 2024). As a result, both firms lost market share to the competition because of clashing marketing strategies led to customer losses (Patel, 2024). Besides employee and executive attrition, the firms experienced cultural differences and trust issues, resulting in a decline in customer service and customer satisfaction (Patel, 2024). This example shows the magnitude of risk and failure inherent in M&A (Simpson & Sariol, 2022) and the ripple effects ineffectually managed acquisition integrations can have. However, if properly managed, acquisition integrations generate synergies from strategic and organizational fit (Birkinshaw et al., 2000), strengthening the relationship between product development and commercialization (Puranam et al., 2003). In the complex post-M&A integration phase, two companies form a new, single entity (Apaydin, 2008). Depending on the size of the target firm, the acquirer must be able to address the challenges that arise from managing the complexity as a new entity is formed. Firm size and complexity are the main components of organization design and strong predictors of organizational innovation (Damanpour & Schneider, 2006). Both can hamper a firm's ability to get things done and impacts employees in various ways (Birkinshaw & Heywood, 2010). Therefore, the paper addresses the second research question: How and to what extent does organizational complexity impact product innovation performance (PIP) and the relationship between post-M&A integration and product innovation performance?

## Research Model

Based on the combined research question—How and to what extent do (1) customer orientation and (2) organizational complexity impact the relationship between post-M&A integration and product innovation performance?—Figure 1 captures the research model.



*Source:* Author

### ***Figure 1. Research Model***

The model depicts the proposed relationship between the building blocks post-M&A integration (PMI), product innovation performance (PIP), customer orientation (CO), and organizational complexity (OC). Customer orientation and organizational complexity are suggested to moderate the relationship between post-M&A integration and product innovation performance.

This dissertation focusses on majority acquisitions only (abbreviated as M&A) and uses a “mixed-method sequential explanatory design” (Ivankova et al., 2006, p. 5) to investigate the research questions. It entails two distinct stages (Creswell et al., 2003; Ivankova et al., 2006): a quantitative study one and a qualitative study two. Mixed-method research that combines both qualitative and quantitative data (Harrison & Reilly, 2011; Johnson et al., 2007) paradigmatically uses pragmatism as a philosophical

approach (Harrison & Reilly, 2011). This two-level strategy (Bowen et al., 2017), blending quantitative and qualitative research methods (Johnson & Onwuegbuzie, 2004), allows for a systematic research tactic (Bowen et al., 2017). Both phases are self-contained but connected. The findings from study one support refining the semi-structured interview guides. With that, qualitative study two elaborates on the findings of study one (Bowen et al., 2017; Ivankova et al., 2006; Rossman & Wilson, 1985), increases the validity during data interpretation (Bazeley, 2003; Bower et al., 2017; Greene et al., 1989), and supports the generation of new knowledge (Bowen et al., 2017).

Study one statistically investigated the research question and tested the hypotheses using secondary data. Secondary data analysis leverages already available data gathered for another purpose (Johnston, 2014). Scholars (e.g., Dale et al., 2008; Hox & Boeije, 2005) highlight secondary data analysis as viable method “when a systematic process is followed” (Johnston, 2014, p. 619). The secondary data were collected from publicly available company annual reports, 10K publications, financial websites such as yahoofinance.com, firm websites, online information on Bloomberg.com, pitchbook.com, and investing.com. The MergentOnline (M&A) database was used to randomly select firms that engaged in majority acquisitions.

Following the statistical results of the quantitative study one, study two applied an inductive, qualitative design using semi-structured interviews to gain in-depth insights into the role customers and organizational complexity play in the acquisition integration and their impact on the acquirer’s product innovation performance. Subject matter experts experienced in orchestrating and managing acquisition integrations (e.g., senior executives of the acquiring and target firms, and customers) were interviewed to learn

from their perspectives and enhance the findings of study one. The semi-structured interviews helped gain a detailed understanding of the phenomenon (Brinkmann, 2014), prompt new interpretations (Rossman & Wilson, 1985), and fresh insights (Greene et al., 1989; Rossman & Wilson, 1985). It can provide unexpected results (Morse, 1991) that might be missed when applying a single research method (Creswell & Clark, 2017; Tashakkori & Creswell, 2008). Freshwater (2007) criticizes the mixed methods approach for striving for certainty (Harrison & Reilly, 2011). Aligned with Rossman and Wilson (1985, p. 633, 637), who call a mixed-method research design “provocative,” Freshwater (2007) points out that it reveals different perspectives with competing interpretations that cannot coexist (Harrison & Reilly, 2011). While a mixed-method design has other limitations, such as timing (sequential approach) and integrating both data types (Harrison & Reilly, 2011), a mixed-methodology is most appropriate for studying both research questions because of the opportunity to combine abstract data with ‘real life’ observations.

This research contributes to the literature on product innovation and acquisition integrations and offers practitioners guidance on the effective customer management at that crucial stage of an acquisition. It also shares recommendations on how organizational complexity should be managed to achieve value and synergies from an acquisition.

The findings suggest that being customer-orientated is vital during acquisition integrations. Given that organizations innovate to achieve competitive advantage from satisfying or exceeding customer needs, it is a critical finding that impacts a firm’s innovation goals and thus can have substantial financial consequences. Making customers part of the acquisition process and offering them a seat at the table while managing the

organizational complexity that stems from an acquisition will benefit the firm's innovation strategy. But the results of study one indicate that highly complex innovation-driven acquisitions should be cautiously evaluated regarding the innovation performance, as the post-acquisition product innovation performance relationship was always found negative for high degrees of organizational complexity, even with high levels of customer orientation. Study two revealed that acquisitions are inflection points for customers, but customer trust, a scarce topic in today's literature (Graebner, 2009) can be an invisible asset for firms, if appropriately managed. While it influences the acquirer-customer relationship, acquirers have means to motivate customer trust. The acquirer's brand, and reputation, early customer involvement in the acquisition integration, the firm's communication behavior, familiarity with and proximity to the customer, and the responsiveness and reliability to customer inquiries provide opportunities to inspire customer trust. Driving an innovation-centric integration process is critical but requires the firm's ability to actively manage the internal customer-centric mindset change, while nurturing and maintaining, close customer relationships paired with a proactive customer communication. While organizational complexity can be an enemy of achieving synergies, an appropriate corporate setup and flexible, agile business process design facilitate cross-team collaboration and innovation. But it requires a connected, seamless technology landscape and flat structures that support close cross-functional cooperation on innovation efforts.

More broadly, this research proposes combining the stakeholder and synergy theories. Customers are critical sources for innovative ideas (Narver et al., 2004) that firms can turn into valuable new products and capabilities to drive competitive advantage

(Freeman et al., 2021). In acquisition settings where value can be gained from the synergistic combination of two organizations (Feldman & Hernandez, 2022), customers play a crucial role as enablers of value creation and ‘sounding boards’ of the market’ that contribute to a firm’s innovativeness.

## CHAPTER 2: LITERATURE REVIEW

### Theoretical Foundation

#### *Synergy Theory*

The synergistic combination of two firms in an M&A enables value creation for both organizations (Feldman & Hernandez, 2022). It can be a crucial means to enhance a firm's innovativeness (Breitzman et al., 2002). However, scholars have a limited understanding of when and how innovation synergies can be achieved (Bauer & Matzler, 2014). This study builds on the synergy theory, also known as the efficiency theory, to investigate the effect of M&A, specifically of post-M&A integration, and how it impacts the product innovation performance of the acquirer after the acquisition of a company. The efficiency theory understands M&A as a planned activity to realize financial, managerial, or operating synergies (Trautwein, 1990). Synergies arise when the market value of the combined firms is higher than the sum of both companies' individual values (Piesse et al., 2022). While financial synergies lead to lower costs of capital, managerial synergies arise from the superior business capabilities of the acquirer that benefit the target firm (Hellgren et al., 2011). Operating synergies stem from transferring competencies, knowledge, and skills (Porter, 1985) or are innovation-driven, resulting in new expertise or reduced costs in developing and launching new products (Capron, 1999). Furthermore, Rao et al. (2016) discovered that knowledge synergies positively influence innovation. Martin and Shalev (2017 in Attah-Boakye et al., 2021) highlight that the acquirer and acquired firm's operating performance, or announced returns, indicate the acquisition efficiency based on the assumption that they capture the projected deal surplus.

### ***Stakeholder Theory***

Innovation can emerge from internal (e.g., Research & Development) or external sources, such as customers (Narver et al., 2004). With a firm's acquisition, the acquirer gains new knowledge and enhances its portfolio of tangible and intangible assets as input to its innovation processes (Øyna et al., 2018). To investigate how customer orientation impacts product innovation performance in the context of M&A, Freeman's (1984) stakeholder theory appropriately complements the synergy theory. It fosters the understanding of how customers, one of the company's stakeholders (Donaldson & Preston, 1995), play a role in the creation of competitive advantage (Freeman et al., 2021) through their influence on product innovation performance in the post-acquisition phase (King et al., 2021). The theory originates from strategic management (Freeman et al., 2021) and understands a company as an organizational entity whose diverse participants accomplish several, sometimes not corresponding, purposes (Donaldson & Preston, 1995).

### **Acquisitions: Directions in the Literature**

M&A, a popular strategic means of business reorganization or organizational consolidation (Hossain, 2021), seeks to bring previously independent firms into one company. It refers to merging two firms and acquisitions where one company obtains majority ownership over another (Hagedoorn & Duysters, 2002). Acquisitions, the purchase of another firm (Bruner & Perella, 2004), aim to take control over its assets with the objective to gain value beyond the original market price or take ownership of parts of that company (Ghuari & Buckley, 2003). The stake in ownership can differ between

minority (5%-49%), majority (more than 50%) and full ownership (100%) (Erel et al., 2012). Research distinguishes between different types of acquisitions (Table 1).

**Table 1. Types of Acquisitions**

<b>Acquisition Type</b>	<b>Definition</b>
Vertical	A company acquires a firm that operates upstream (vendor/supplier) or downstream (processor or retailer) its supply chain.
Horizontal	The acquiring firm buys a competitor or another company in the same sector or industry and supply chain the acquirer operates in.
Conglomerate	The acquirer buys a firm in an unrelated business that operates in a different industry or sector.
Congeneric	The firm acquires an organization in the same or a closely-related sector or industry with a different product or business line.

Source: Author (adopted from Kenton, 2023)

With three types of M&As prevalent—horizontal and vertical integration and conglomerates (Hossain, 2021)—M&A has macro-and microeconomic implications for business stakeholders on a social, economic, and political level (Segal et al., 2021). It influences the firm’s corporate life (Larsson & Finkelstein, 1999), growth strategy, and ability to meet market needs and revitalize its strategy (Segal et al., 2021). In the past, mainly conducted for financial and tax reasons (Apaydin, 2008), M&As aim to improve a firm’s competitive position (Barney, 1991), for instance, due to the strengthening of its innovative capabilities (Bauer et al., 2016), increase in market share, gains in market control, or diversification (Trautwein, 1990). Other drivers include obtaining know-how, specific capabilities, and technologies the target firm possesses (Ahuja & Katila, 2001).

Different to the assumption that synergies stem from relatedness (Healy et al. 1997), Homberg et al. (2009, p. 75) discovered that “industry, country, and investor-characteristics” moderate the synergy impact. Bauer and Friesl (2024) distinguish

between functional, business model, and strategic synergies. While functional synergies result from the newly established operating model after the acquisition, business model synergies can stem from changes in the operating model, such as adjustments in processes in the supply chain that change the routing of products and resources (Bauer & Friesl, 2024). Strategic synergies can lead to additional revenue streams due to the introduction of a new business model (Bauer & Friesl, 2024).

The volatile economic environment has led to several ‘M&A waves’ (Bruner, 2002; Vazirani, 2015). In the 1980s and 1990s, M&A deals showed double-digit growth, resulting in extensive academic research (Apaydin, 2008). In 2021, M&A volume was at a record high (Conerly, 2022) after the M&A development dipped by almost 31% YoY during the financial crisis of 2008 (Salsberg, 2020). Uncertainties such as supply chain challenges, geo-political instability, rising interest rates (Broughton, 2023), and a spike in inflation rates combined with a tougher regulatory environment and volatile bond markets (Broughton, 2023), contributed to a slowdown in the global M&A market in 2022 (Loeb, 2022). In 2024, M&A activity experiences an upswing again, with market expectations seeing a steady increase (Levy, 2024). Despite high failure rates, M&A popularity persists (Angwin et al., 2022), also known as “the success paradox” (Apaydin, 2008, p. 30). Although one of the riskiest executive decisions (Simpson & Sariol, 2022), M&A has grown in importance for businesses over the last decades (Gomes et al., 2020; Haleblan et al., 2009; Vazirani, 2015). It is a common way for strategic expansion (Anderson et al., 2001; Shimizu et al., 2004; Vazirani, 2015), firm growth (Bauer & Matzler, 2014), diversification (Anderson et al., 2001; Ranft & Lord, 2002), resource sharing (Ranft & Lord, 2002), and the creation of value (Haleblan et al., 2009),

synergies, and economies of scale (Vazirani, 2015). Acquisition value “can stem from asset recombination, divestment of duplicate assets and structures, increased market power, better asset utilization, or extended reach of networks” (Steigenberger & Ebers, 2023, p. 3). Other acquisition motives include firm characteristics, environmental aspects such as network ties, regulations, resource dependence, and managerial self-interest connected to compensation, hubris, or target defense tactics (Haleblian et al., 2009). Chatterjee (1986) points to cost reductions from bringing both firms together, the ability to gain more revenue from higher prices, or a combination of both.

Studies on M&A first appeared in the field of finance and economics and extended into organizational behavior in the late 1980s (Apaydin, 2008). The increasing scholarly attention on the phenomenon of M&A over the last decades (Cartwright & Schoenberg, 2006) is reflected in the emergence of various theoretical frameworks (Shimizu et al., 2004) and methodological approaches (Gomes et al., 2020). Numerous M&A studies across disciplines have been published on topics such as strategy (Nair et al., 2018), finance (Anderson et al., 2001; Arikian & Stulz, 2016; Cartwright & Schoenberg, 2006; Cumming et al., 2023; Segal et al., 2021; Sharma, 2016), industrial economics and organizational theory (Anderson et al., 2001), leadership and team management (Rao-Nicholson et al., 2016; Vasilaki et al., 2016), human resource management (Aguilera & Dencker, 2004; Sarala et al., 2016), operations (Cartwright & Schoenberg, 2006), culture (Bauer & Matzler, 2014; Stahl et al., 2013), and partner selection (Cuypers et al., 2017; Gomes et al., 2020; Very et al., 1997). Scholars explore M&A from several perspectives, discuss its antecedents, moderators, and consequences (Simpson & Sariol, 2022), and investigate M&A in an international context with a focus

on cross-border M&As (Xie et al., 2017), specific countries, and geographies (Ellis et al., 2015; Zhu & Zhu, 2016). Despite the substantial research endeavors and a large body of literature, the knowledge on M&A remains dispersed (Gomes et al., 2020), and the findings on its impact contradict. Scholars discuss the phases of the M&A process (e.g., pre-M&A, negotiation, deal, and post-M&A) and aspects of M&A such as due diligence and integration (Calipha et al., 2010), applying different theories and measurements (Bauer & Matzler, 2014; King et al., 2021). The inconsistent application of variables (Cording et al., 2010) to investigate M&A led to research fragmentation (Busenbark et al., 2016; King et al., 2021; Zald, 1996).

Clodt et al. (2006) investigate technological and non-technological M&As with a focus on the acquired knowledge base but neglect the role of customers in their study. Their results indicate a negative post-M&A innovative performance, “measured by the number of patents granted to each acquiring firm,” if non-technological M&As are conducted because it affects business activities and established routines (Clodt et al., 2006, p. 646). Whether a technological M&A has, a positive impact highly depends on the acquirer’s capability to alter current business routines and integrate newly gained knowledge (Clodt et al., 2006) as a basis to generate new ideas.

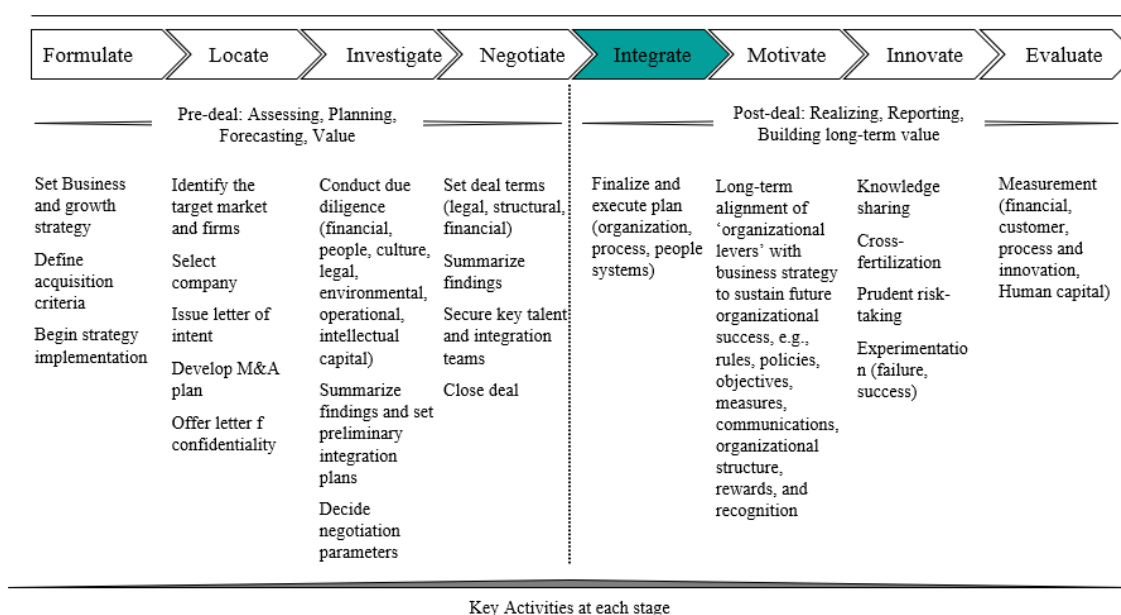
M&A performance has been heavily studied in the literature (overviews include, for example, Datta, 1991; Hummel & Amiryany, 2015; King et al., 2004; Shimizu et al., 2004) but, as highlighted by King et al. (2004, p. 198): “despite decades of research, what impacts the financial performance of firms engaging in M&A activity remains largely unexplained.” Earlier studies that applied short-term and long-term performance measures have shown that highly volatile market returns from M&A led to the erosion of

the acquired firm value (Chatterjee, 1992; Halebian et al., 2009; King et al., 2004). Empirical evidence also shows an asymmetric distribution of returns because shareholders of the target firm benefit from the acquisition with “a return of +30 percent on average” (Capron & Pistre, 2002, p. 781). At the same time, successful bidder experience average returns of null (Capron & Pistre, 2002). Company purchases should improve the acquirer’s position (Angwin et al., 2022; Porter, 1989), and research reveals that M&A benefits acquirers under certain conditions (Halebian et al., 2009), but it does not guarantee that the acquirer can capture the generated value (Capron & Pistre, 2002). Capron and Pistre (2002) point out that receiving resources from the acquired firm is insufficient to earn abnormal returns. Transferring the acquirer’s resources to the purchased firm supports the control over unique resources, which yields positive abnormal returns (Capron & Pistre, 2002). Lee and Chen (2009) discovered a negative impact on shareholder value, indicating that investors evaluate smaller companies more optimistically and are more likely to be innovative than larger firms, resulting in breakthrough products.

### **Post M&A Integration (PMI)**

Post-acquisition integration can be defined as “the degree of interaction and coordination of the two firms involved in a merger or acquisition” (Larsson & Finkelstein, 1999, p. 6). Acquisitions are complex in nature, and depending upon the integration objective, involve collaboration, cooperation, and communication between the acquirer and acquired firm (Steigenberger & Ebers, 2023). Strategic similarity and alliance experience between the acquirer and target firm enhance the ability to realize synergies during the integration process and positively influences the acquisition's long-

term financial returns (Haleblian et al., 2009), especially when firms understand integration as a long-term process rather than a single event (Barkema & Schijven, 2008). To achieve the forecasted synergies, a well-designed acquisition integration process is paramount (Birkinshaw et al., 2000). The M&A integration starts with the deal closure and can take years to complete (Steigenberger, 2017). Many studies highlight the crucial but challenging post-M&A integration process (Larsson & Finkelstein 1999; Ranft & Lord 2002) because empirical evidence shows that M&As fail to achieve the expected performance (Marks & Mirvis, 2001). Figure 2 describes the key activities in each stage of an acquisition, adapted from Galpin (2014, p. 9-11), and highlights the integration stage, the focus of this research.



Source: Author (adapted from Galpin, 2014, p. 9-11)

### **Figure 2. Deal Flow Model of Acquisitions**

During the post-acquisition stage, integration teams, consisting of several business functions such as business development, IT, marketing, and sales, to name a few,

form a project team led by functional integration managers to drive the innovation efforts directed by an integration plan (Steigenberger & Ebers, 2023). A milestone plan with measurable goals enables the monitoring of the intermediate acquisition objectives that are connected to the firm's overall strategic goals (Steigenberger & Ebers, 2023).

Scholars strongly agree that post-M&A integration is a key impediment to M&A success (Apaydin, 2008; Haspeslagh & Jemison, 1987) and explains the poor performance of numerous acquisitions (Kroon et al., 2022). Despite the potential to expand the knowledge base and enable inventive recombination (Ahuja & Katila, 2001), the impact of M&A, and specifically post-M&A integration, on innovation has been controversially discussed (e.g., Ahuja & Katila, 2001; Cloudt et al., 2006; Datta & Roumani, 2015; Dezi et al., 2018). While the effect of customer orientation on innovation and what moderates this relationship has become a heated topic (Zhao, 2022), research shows ambivalent results on the customer's role in post-M&A integration (pls. see Homburg & Bucerius, 2005). Kato and Schoenberg (2014, p. 341) found that "suppliers' service performance, customer orientation, flexibility, account management quality, complaint handling, employee satisfaction, employee turnover, and product/service breadth" are impacted during post-M&A integration. Thoumrungroje and Racela (2013) investigate the role of customer orientation on product and firm performance but do not explore customer orientation in the context of M&A and product innovation performance. But how can the relationship with external stakeholders like customers be effectively managed during post-M&A integration to enable product innovation (Steigenberger, 2017)?

This study seeks to close this research gap and aims to examine (1) the relationship between post-M&A integration and product innovation performance, (2) the moderating effects of customer orientation on the post-M&A integration and product innovation performance relationship, and (3) the role of organizational complexity in that relationship.

## **Hypotheses Development**

### ***The Relationship between PMI and Product Innovation Performance***

Investments in innovation and business development, key drivers of firm performance and growth (Huvaj & Johnson, 2019), are crucial for a firm's survival. Scholars investigate innovation on an industry, firm, and individual level (Cloudt et al., 2006; Damanpour, 1996) and across various disciplines in the physical and social sciences, with the technology-centric focus of innovation prevailing (Birkinshaw et al., 2008; Cloudt et al., 2006; Damanpour et al., 2018; Volberda et al., 2013). Innovation is primarily defined "as a technology-based phenomenon" that results in a commercialized product or process (Damanpour et al., 2018, p. 712).

Research shows numerous typologies of innovation, whereas scholars pay the most attention to the three pairings of 1) administrative and technical innovation, 2) product and process innovation, and 3) radical and incremental innovation (Damanpour, 1992). The differentiation between radical and incremental innovations in academia stays without consensus on the definition of radical innovation (McDermott & O'Connor, 2002). Incremental innovation extends or improves an existing product or process (McDermott & O'Connor, 2002). Radical innovation, crucial to creating fundamentally new markets (O'Connor & Rice, 2013), is concerned with developing a new product or

process that is nonexistent or requires behavioral changes to the current market (McDermott & O'Connor, 2002). Product innovation, mainly customer-driven and market-focused, requires introducing a new product or service to meet the external needs of customers or users (Damanpour, 2010). Robson et al. (2023) confirm that product innovations created based on market knowledge are more beneficial to firms. Process innovation, pursued to decrease lead times and operational costs, focuses on launching a new feature or element in a process or service operation (Damanpour, 2010; Utterback, 1994). As a holistic construct, product innovation performance can be defined as “the rate of new product introductions and the rate of changes in the production or rendering of services” (Calantone et al., 1994, p. 143). The success or failure of a new product introduction can be determined by its financial success (Calantone et al., 1994; Montoya-Weiss & Calantone, 1994), whereas the factors to achieve successful technological innovation differ from those required to attain market success (Calantone et al., 1994).

Over the last decades, academia and practitioners seek to learn more about the relationship between innovation and M&A (Dezi et al., 2018). Scholars controversially debate the impact of M&A on innovation (Dezi et al., 2018). Some highlight its potential to improve a firm's innovativeness due to absorbing the knowledge base from the acquired company (Ahuja & Katila, 2001; Dezi et al., 2018). Cunningham et al. (2021, p. 649) investigate “killer acquisitions,” arguing that some incumbents buy innovative firms to eliminate promising innovation of the target company and obstruct future competition. Others point to its negative effects due to managerial challenges, integration issues, and transaction costs (Dezi et al., 2018) or state its potential to enhance process and product innovation (Adner & Levinthal, 2001; Dezi et al., 2018). In the context of process

innovation, acquisitions can contribute to economies of scale and scope due to decreasing average production costs, while synergies can be exploited (Dezi et al., 2018; Singh & Montgomery, 1987).

In terms of product innovation, acquisitions enable new business models and easier access to the innovation capacity of firms, resulting in knowledge gains and access to technology that facilitates a faster market launch (Dezi et al., 2018; Ferraris et al., 2017). Capron (1999) highlights that horizontal innovations (within one industry) can boost a firm's innovation capability by using the newly acquired proprietary technology, know-how, or patents to expand on product features or to facilitate corporate and marketing effectiveness, including a firm's time to market and the satisfaction of its customer base (Capron, 1999). Gains in innovation capability enable price premiums and additional sales volumes, resulting in higher revenues (Capron, 1999).

Scholars such as Haspeslagh and Jemison (1991) and Vazirani (2015) discuss different schools of thought related to M&A – strategic management, capital markets, organizational behaviors, and the process perspective. The process perspective involves managerial actions to direct the post-M&A integration process to effectively create a new entity consisting of previously independent firms to achieve potential benefits and synergies (Cording et al., 2008; Vazirani, 2015). Integration aids to orchestrate, structure, and control the activities of the firms involved in the acquisition. With that, it allows to realize interdependencies, a potential motivator of acquisitions (Schweizer, 2005; Shrivastava, 1986). Jemison and Sitkin (1986) propose the acquisition process as a crucial determinant affecting the outcome of an acquisition. Ravenscraft and Scherer's (1989) study showed that the target company's profitability declines after the acquisition,

proposing the critical role of implementation measures (Datta, 1991). The literature discusses the role of ‘strategic fit’ (e.g., synergies) and ‘organizational fit’ that impacts the ease of assimilation of both firms after an acquisition (e.g., management styles, reward system) in determining acquisition performance (Datta, 1991).

Research also identifies several strategies to integrate the acquired firm, resulting in a lesser or greater degree of integration into the acquirer’s operations (Teerikangas, 2006). Depending upon the acquisition’s objective, firms choose different acquisition integration approaches. Figure 3 explains the three main approaches organizations use when they integrate an acquired firm (adopted from Galpin, 2014, p. 6).

**Spectrum of Integration**

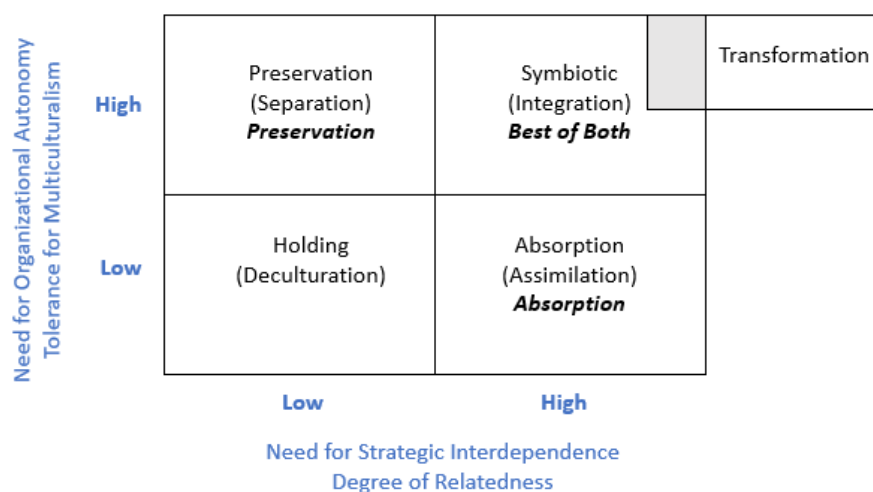
<b>Stand-Alone</b>	<b>Partial Integration</b>	<b>Fully Integrated</b>
<p>Consolidation of selected corporate and staff functions to achieve staffing synergies and cost efficiencies</p> <p>All strategic and day-to-day operations and decision-making remains autonomous and decentralized, with agreed-upon requirements for reporting to the parent company</p>	<p>Certain key functions or processes, e.g. sales, marketing, and manufacturing, will be merged and consolidated</p> <p>Strategic planning and monitoring of the selected function(s) will be centralized into the parent company’s processes, but day-to-day operations will remain autonomous</p>	<p>All areas and processes company-wide (or function-wide) will be consolidated</p> <p>All management decisions for the acquired business (or function) will be integrated into the parent firm’s processes, with appropriate ‘best practice’, knowledge transfer, and revisions</p>

Source: Author (adopted from Galpin, 2014, p. 6)

**Figure 3. Spectrum of Integration**

While economies of scale and operational efficiencies require high levels of integration (Datta, 1991; Porter, 1985), improvements in sales growth or resource sharing necessitate little to no integration (Datta, 1991; Shrivastava, 1986). Scholars show reasonable consistency in conceptualizing the various integration approaches (Ellis & Lamont, 2004). Integration degrees vary from autonomy to a partial integration of departments or firm activities (Anderson & Mattsson, 2006; Öberg, 2014) or becoming

fully absorbed (Haspeslagh & Jemison, 1991; Öberg, 2014). Ellis and Lamont's (2004, p. 84) framework summarizes the integration modes suggested by Haspeslagh and Jemison (1991), Marks and Mirvis (1998), and Nahavandi and Malekzadeh (1988), as depicted in Figure 4.



Source: Ellis and Lamont (2004)

#### **Figure 4. Integration Approaches**

Preservation, “characterized by limited strategic interdependence of the firms involved but a high need for operational autonomy in both firms” (Ellis & Lamont, 2004, p. 84), permits the acquired company to operate with autonomy. For that, management autonomy, decision-making authority, and differences in business processes and procedures must be accepted (Ellis & Lamont, 2004).

Absorption requires consolidating the activities of both companies, mainly by absorbing the newly acquired operations and culture into the acquirer, leading to considerable change in the target firm. At the same time, high strategic interdependence is given (Ellis & Lamont, 2004). To orchestrate the change, activities that support consistency and a fast pace will keep the uncertainty and level of disruption in the post-

M&A integration phase low (Ellis & Lamont, 2004). Effective management of the absorption approach needs planning of the integration steps and the timeline, the anticipation of challenges, a transition structure that supports overseeing the integration activities, and clear, ongoing communication (Ellis & Lamont, 2004).

Symbiotic approaches combine the best practices from both organizations, keeping operational autonomy while allowing strategic interdependence (Ellis & Lamont, 2004). To create a combined firm consisting of core competencies and best practices, both companies must go through change. To implement that approach, a cooperative atmosphere that accepts coexistence, joint learning, and strategic change will be crucial (Ellis & Lamont, 2004). Bringing the best of both firms together requires the operational involvement of the target firm's management and a change management structure to identify best practices and coordinate the integration procedures while "balancing the need for boundary protection and boundary permeability" (Ellis & Lamont, 2004, p. 86).

Transformation approaches where firms get dismantled to allow integration significantly impact the firms' organizational culture and operating procedures (Ellis & Lamont, 2004). It demands "the newly combined firm to totally reinvent itself by creating a new organization, set of values and way of operating instead of blending the best elements of both original firms" (Ellis & Lamont, 2004, p. 87). The joint management of the integration process in an inclusive and inventive way facilitates the creation of new business practices, procedures, and company culture (Ellis & Lamont, 2004).

Holding approaches allow the acquirer to become the holding company without integrating the acquired firm. The purchased company stays at arm's-length with no integration intention by the acquirer (Ellis & Lamont, 2004).

Commonly thought in research, it is the management of the post-M&A integration stage that causes M&A failure (Wei & Clegg, 2020). Related to that, Walters et al. (2007) detected a “curvilinear relationship between CEO tenure and acquisition performance” (Simpson & Sariol, 2022, p. 424), confirming the importance of the management team in the post-M&A integration phase. If significant managerial involvement in the acquisition is required, knowledge of the target company’s market is crucial to the effective post-acquisition integration of the purchased organization (King et al., 2004). Post-M&A integration processes are dynamic and, at the same time, extremely complex, resulting in positive (Graebner, 2004) and negative consequences (Kroon et al., 2022; Steigenberger, 2017). These challenges vary by the acquisition type and the size of the involved firms (Ellis & Lamont, 2004).

Studies about M&A integration are mainly internally focused on a) the organizational behavior in the acquisition process (Mark & Mirvis, 2001) and b) the process view that debates contingent management challenges in the M&A integration and advocates for appropriate control measures to advance integration effectiveness (Chen et al., 2010) and initially introduced by Jemison and Sitkin (1986) and Haspeslagh and Jemison (1991). Scholars conceptualize post-M&A integration in different ways, highlighting the standardization of practices (van Oorschot et al., 2023; Vaara et al., 2012) or uniting previously separate organizations into one (van Oorschot et al., 2023; Puranam et al., 2006). Post-M&A integration is a journey (Haspeslagh & Jemison, 1991; Yu et al., 2005) where the acquirer and target (acquired) firm face disruptions in their business processes and procedures (Clodt et al., 2006). While Shrivastava (1986, in van Oorschot et al., 2023, p. 5) understands post-M&A integration as “a process along three

possible paths: physical, procedural, and sociocultural,” Birkinshaw et al. (2000) propose task and human integration as process dimensions that can involve several assimilation strategies. Graebner et al. (2017) and Bauer et al. (2016) describe it as a multifaceted process that starts with a pre-deal screening and concludes with the integration years after closing (Jemison & Sitkin, 1986; Steigenberger, 2017). King et al.’s (2021) meta-analysis found several predictors of acquisition performance, such as integration depth and speed, two integration decisions required for internal goal attainment (Cording et al., 2008). Zollo and Meier (2008) point to potential adverse effects due to ongoing company initiatives with market participants such as business partners and customers and the disruption of current innovation projects because of the managerial attention and resources given to the post-M&A integration. Because the post-M&A integration stage contributes to performance issues after M&A (Cording et al., 2008; Datta, 1991), it needs to be appropriately managed. Bena and Li (2014) discovered that firms similar to the acquired company show a post-merger increase in cash flows, new products, and patents. Haspeslagh and Jemison (1991) point out that M&A can shorten the time required to create new products, broaden the product mix, and generate competitive product advantage. Hoberg and Phillips’ (2018, p. 1) research concludes that firms with post-merger product integration gaps experience lower profitability, higher expenses, and “a higher propensity to divest assets.” They also show lower longer-term stock returns and growth options (Hoberg & Phillips, 2018). While innovation poses an organizational dilemma (Puranam et al., 2006), post-M&A integration properly managed allows realizing synergies from strategic and organizational fit (Birkinshaw et al., 2000),

strengthening the link between product creation and commercialization (Puranam et al., 2003). Thus, it is hypothesized:

*H1: Post-M&A integration is positively associated with product innovation performance.*

### ***Customer Orientation***

Customer orientation is a common idea (Drucker, 1954; Lengnick-Hall, 1996) and a vital component of a firm's engagement with its market environment (Deshpandé et al., 1993). Environmental conditions impact the effectiveness of customer orientation (Frambach et al., 2016). If demand uncertainty is low, customer orientation fails to boost innovation performance (Frambach et al., 2016; Gatignon & Xuereb, 1997). Scholars and practitioners have highlighted the importance of a customer-oriented company since the 1950s (Strong & Harris, 2004; Zhao, 2022) but also question its universally positive effect (pls. see, for example, Danneels, 2003). Its definition in the literature varies in depth and breadth (Lengnick-Hall, 1996). Levitt (1960) developed the concept of customer orientation (Strong & Harris, 2004), which reflects the extent of a firm's commitment to meeting customer needs (Zhao, 2022) and creating sustainable value for its clients' business (Narver & Slater, 1990). Some academics point out that customer orientation focuses on delivering products and services that meet and exceed customer requirements (Day & Wensley, 1988; Lengnick-Hall, 1996; Strong & Harris, 2004) based on the analysis and understanding of user needs (Gatignon & Xuereb, 1997; Zhu & Nakata, 2007). Schoonhoven et al. (1990) underline that an accurate understanding of customer needs is crucial in creating commercially successful products. Schneider and Bowen (1995) highlight the proactive involvement of the customer in the company's activities and believe that meeting customer needs is necessary but insufficient

(Lengnick-Hall, 1996). They point to organizational commitment as essential to sharing mutual values and business strategies between the firm and the customer over the long term (Lengnick-Hall, 1996). Others explain customer orientation in the context of business units and its use of collected and used customer information (Appiah-Adu & Singh, 1998; Kohli & Jaworski, 1990). Deshpande et al. (1993, p. 27) understand customer orientation as a “set of beliefs that puts the customer’s interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise.” Kennedy et al.’s (2002) understanding of customer orientation as a ‘leitmotif for all organizations’ (Strong & Harris, 2004) is supported by a variety of studies that stress significant links between customer orientation and a company’s economic and market performance (Day, 2000; Strong & Harris, 2004). As the primary driver of superior business success (Zhao, 2022; Zhu & Nakata, 2007) and a key construct in the marketing, strategy, psychology, and organizational behavior literature (Thoumrungroje & Racela, 2013; Zhao, 2022), academics examine customer orientation on an individual (Brown et al., 2002; Hennig-Thurau, 2004; Kennedy et al., 2002; Korschun et al., 2014), team (Herhausen et al., 2017; Menguc et al., 2016) and firm-level (Kohli & Jaworski, 1990; Rindfleisch & Moorman, 2002). Studies investigate customer orientation as an antecedent, moderator (Alvarez-Gonzalez & Otero-Neira, 2023; Charoensukmongkol & Pandey, 2022), and dependent variable.

Scholars discuss customer orientation within the context of market orientation (MO, e.g., Kohli & Jaworski, 1990) and, even though not extensively studied (Zhu & Nakata, 2007), as a single construct (Strong & Harris, 2004). Customer orientation

addresses customer preferences, while MO has an organization-wide customer focus (Zhu & Nakata, 2007). MO monitors customer needs and changing market conditions to deliver products and services that provide customer value (Atuahene-Gima, 2005; Narver & Slater, 1990; Zhu & Nakata, 2007). With that, it enhances the perceived quality of a firm's product offering (Kirca et al., 2005). It is the satisfaction and loyalty of customers because MO drives the anticipation of customer needs (Kirca et al., 2005; Slater & Narver, 1994). Lukas and Ferrell (2000) and others (e.g., Kohli & Jaworski 1990; Narver & Slater 1990) highlight customer orientation as a component of MO, besides competition and inter-functional orientation. Due to differences in nature and outcomes, scholars suggest studying customer orientation separately from MO (Zhu & Nakata, 2007). The literature debates customer orientation as detrimental to firm performance (Sørensen, 2011) but also a crucial engine for firm performance (Frambach et al., 2016) and a source of competitive advantage (Arnold & Palmatier, 2011; Day & Wensley, 1988) that positively impacts a firm's product and performance (Deshpandé et al., 1993; Thourunroje & Racela, 2013; Zhu & Nakata, 2007) and sales growth (Appiah- Adu & Singh, 1998). Customer orientation ensures product innovation provides client value (Thourunroje & Racela, 2013). Some scholars state no link between customer orientation and business performance indicators such as profitability and customer retention (Zhu & Nakata, 2007). Berthon et al. (1999) highlight that being market-oriented diverts firms from focusing on innovation (Atuahene-Gima, 2005). Christensen and Bower (1996) state that an enhanced customer orientation might lead to overlooking emerging customer needs, resulting in the development of less novel products (Im & Workman, 2004) and market-breakthrough innovations (Frambach et al., 2016). Alvarez-

Gonzalez and Otero-Neira (2023) found in their study within the banking industry that M&A integration efforts impact the perception of the customer-company relationship and a customer's loyalty after an acquisition. Service quality, product, and prices are crucial antecedents of customer loyalty in an acquisition situation (Alvarez-Gonzalez & Otero-Neira, 2023). Zhao's (2022 p. 6) literature review points out the emerging importance of customer orientation and its impact on innovation. However, there is no consistent evidence of the impact of customer orientation on the business (Zhu & Nakata, 2007) and how external business stakeholders, such as customers, are impacted by and react to M&A activity (Kato & Schoenberg, 2014). Degbey's (2015) study about customer retention and serial acquirers suggests that the post-acquisition value might be enhanced by focusing on the acquired customer. Öberg (2014) points out that customers might limit a firm's integration intentions or might not be interested in the acquirer, resulting in a decreased exchange with the firm or an entirely dissolved collaboration.

Chen and Lin (2011) confirm the importance of involving external stakeholders in the post-M&A integration process. Customers are valuable to companies and might feel lost after an acquisition (Öberg, 2014). Indeed, Rahman and Lambkin (2015) found that a firm's stakeholders can be adversely impacted by an M&A. Connected to that, Zollo and Meier (2008), Bekier and Shelton (2002), and Urban and Pratt (2000) point out that cost savings during the integration process can negatively impact the service quality provided to customers. The lack of involvement or even disconnecting from customers during post-M&A integration leads to failure or impedes achieving the expected value from the acquisition (Degbey, 2015). Öberg (2014) confirms the importance of continuity in customer relationships and frequent communication during acquisitions (Öberg, 2014).

Homburg and Bucerius (2005) highlight that the post-M&A integration stage offers opportunities to build customer trust, resulting in less customer uncertainty and higher satisfaction.

Involving customers in M&A activities decreases switching intentions and influences their reactance to M&A (Thorbjørnsen & Dahlén, 2011). The efficient involvement of the firm's external stakeholders can be a crucial contributor to the firm's successful renewal (Hagedoorn & Duysters, 2002). Customers can provide new ideas and contribute to the company's innovative capability to develop and introduce new business processes and products. (Hagedoorn & Duysters, 2002). Leveraging knowledge from different external sources is crucial to positively impact the company's "post-M&A innovative performance" (Cloudt et al., 2006, p. 642). However, taking over a firm's customer relationships in an acquisition is challenging because of a customer's declining confidence in the acquirer following acquisitions (Anderson et al., 2001; Degbey, 2015). Thornton et al. (2004) say that customers are significantly less satisfied after an M&A, which may stem from a change to the "customer-supplier-relationship portfolios" of the purchased company, impacting the acquisition outcome (Degbey, 2015, p. 12). Christofi et al. (2017) confirm the high risk of losing customers during M&A activities (Bekier & Shelton, 2002). Thus, it is hypothesized:

*H2: Customer orientation moderates the relationship between post-M&A integration and product innovation performance in a way that higher customer orientation increases the effect of post-M&A integration on product innovation performance.*

### ***Organizational Complexity***

Complexity, a multidimensional term, can be understood as a structural feature within systems (Schwandt, 2009). It means intertwined, networked, and connected

(Schwandt, 2009). Over decades, scholars have given considerable attention to studying organizational complexity, many concluding it contributes to firms' performance challenges (Cara et al., 2017). In the 1970s, academics started studying organizational complexity and operationalized the construct in terms of differentiation related to, e.g., functions, hierarchies, and firm size (Cara et al., 2017). Organization theory understands complexity "as a structural variable that characterizes both organizations and their environments" (Anderson, 1999, p. 216). Daft (1992) points to three dimensions to measure complexity—vertical (number of hierarchical levels), horizontal (number of departments or job titles), and spatial (number of geographical places) complexity. The design of an organizational setup aims to mirror the technological and environmental complexity a company faces (Anderson, 1999). Beyer and Trice (1979) point out that management decisions lead to additional levels of hierarchy, new horizontal subunits, and more experts involved in decision-making, causing organizational complexity. Another stream of research discusses organizational complexity in the context of the "theory of complex adaptive systems," highlighting that complexity stems not only from the diversity of parts but also from their interdependencies (Cara et al., 2017, p. 5).

The literature shows a variety of definitions of organizational complexity across levels of analysis (individual, team, firm level), all in a specific research context. On a firm level, Cara et al.'s (2017) define organizational complexity as a function of several business units and reporting lines within the organization, purposely set up and linked with each other. These organizational parts interact with each other, resulting in difficulties and costs due to coordination efforts required because of the complexity inherent in an organization (Cara et al., 2017). These scholars understand organizational

complexity as a function of structural complexity and experienced complexity, whereas structural complexity consists of various interdependent business elements (Cara et al., 2017). Experienced complexity involves inefficient processes and unclear accountabilities (Cara et al., 2017). This study applies Damanpour's definition (1996, p. 701), which distinguishes between organizational size, i.e., the number of employees or the physical capacity (input/output volume, financial resources, e.g., annual budget) and structural complexity. Structural complexity entails a functional differentiation with the number of business units below the CEO level or a role specialization "measured by the number of occupational specialties or job titles" (Damanpour, 1996, p. 701).

The organizational structure (Özsomer et al., 1997), the firm's culture, and business practices can support or hinder product innovation (Burger, 1989). Scholars discuss the organizational conditions and processes that facilitate innovation over decades (Camisón-Zornoza et al., 2004; Damanpour, 1996; Tushman & Nadler, 1986) but disagree on how and to what extent complexity impacts innovation (Camisón-Zornoza et al., 2004). Different from rigid firm structures, as Özsomer et al. (1997) state, a flexible organizational design facilitates creating and implementing of new ideas, leading to an environment that supports innovation. Damanpour (1996) highlights structural complexity and organizational size as indicators of growth and complexity and central to predicting organizational innovation, with contingency factors impacting these relations (Cara et al., 2017). While Ettlie et al. (1984) and Zmud (1982) found a positive association between structural complexity and innovation, Aiken et al. (1980) found no relation, and others (e.g., Aldrich & Auster, 1986; Hage, 1980) say innovation is inhibited. Camisón-Zornoza et al.'s (2004) meta-analysis shows a significant, positive

correlation between organizational size and innovation. They highlight the divergences in the methods used as a reason for the conflicting findings by scholars (Camisión-Zornoza et al., 2004). Huvaj and Johnson's study (2019) states that complex organizations generate more incremental innovations (product improvements) but fewer radical innovations (launch of new products). Schmitz and Ganesan (2014) find a complex firm better suited to conduct radical and incremental innovations due to the ability to separate organizational units. Mintzberg (1979) stresses that parts of the organization must be decoupled to foster innovation (Damanpour, 1996).

Firm size reflects the bureaucracy within an organization (Lee & Chen, 2008) and affects the organizational structure and processes (Damanpour, 1996), and an acquisition adds to that. The larger the acquired company, the more organizational units require integration (Shrivastava, 1986; van Oorschot et al., 2023). This impacts the organizational complexity of the acquirer, making its business even more complex and impacting the firm's innovative behavior due to challenges of control and coordination that arise from the purchase (Baldrige & Burnham, 1975). When firms conduct M&As, they seek to leverage each other's strengths to, for example, increase market share and profitability (Hossain, 2021). Fragmented, disconnected business units increase the company's organizational complexity (Hitt et al., 1994) due to duplicated roles and systems, unclear job profiles, and inefficient, often slow, and redundant business processes (Birkinshaw & Heywood, 2010). To harness the acquisitions' business potential, firms must maximize the operational synergies (Hossain, 2021) and integrate the target company to achieve its strategic goals. It enables an aligned product development process to leverage the innovative strength of the newly created entity

(Hossain, 2021). But when organizations acquire firms, they use different integration approaches. While some firms fully integrate the newly acquired organization, others integrate supporting functions such as finance and human resources while leaving the other business functions of the acquired company untouched. The level of integration of the target firm increases or decreases the organizational complexity, that in turn, might impact the relationship between post-M&A integration and a firm's product innovation performance. Thus, it is hypothesized:

*H3: Organizational complexity moderates the relationship between post-M&A integration and product innovation performance in a way that a higher organizational complexity decreases the effect of post-M&A integration on product innovation performance.*

### CHAPTER 3: STUDY ONE

The last years, with the COVID-pandemic, supply chain disruptions, political turmoil, and a European war, made the global economy more vulnerable than ever, leading to M&A uncertainty (Deloitte, 2024) and changes in the M&A landscape. Even though failure rates remain high, acquisitions continue to be a strategic alternative to organically growing a company. Advances in technologies such as artificial intelligence (AI) accelerated AI-specific acquisitions by large firms in 2023 (Sellers, 2024). But acquisition outcomes broadly differ.

General Electric (GE), for instance, invested in 1700 acquisitions between 1980 and 2017 (Meeks & Meeks, 2022). Instead of adding value to GE's business, the company experienced a decline and dismemberment (Meeks & Meeks, 2022). This is a prime example that showcases how disastrous acquisitions can be for organizations, if not well managed (Meeks & Meeks, 2022). The technology company SAP had to "invest heavily to ensure that SAP's gamut of products all work well together because it's former CEO spent \$31 billion on acquisitions during his nine years at the helm but did little to integrate them. The upshot is that, in some instances, SAP customers have systems operating on 25 different software architectures. Fixing that costs money, and profitability suffers accordingly" (Webb, 2020, p. 1). Yet, firms such as Google, Apple, and Amazon bought hundreds of firms over the last decade and dominate today's business environment through the acceleration of their innovation capabilities (Alcantara et al., 2023). Reasons differ why acquisitions go wrong, but what all these companies have in common are: customers. Amazon bought Wholefoods for \$13.7 billion in 2017. Shortly after the acquisition, Jeff Wilke, the CEO of Amazon Worldwide Consumer at this time,

announced the firm's vision with that acquisition: "We're determined to make healthy and organic food affordable for everyone. Everybody should be able to eat Whole Foods Market quality – we will lower prices without compromising Whole Foods Market's long-held commitment to the highest standards" (Amazon, 2017, p. 1). Amazon's press release pointed to several activities that shall bring value to its customers stating, "what customers can expect over time as the two companies integrate" and "Amazon and Whole Foods Market plan to offer more in-store benefits and lower prices for customers over time as the two companies integrate logistics and point-of-sale and merchandising systems" (Amazon, 2017, p. 1). While this acquisition is a Business-to Consumer (B2C) example, it highlights how crucial the customer focus is, also when companies lead their integration efforts.

This study one investigated the impact of a firm's acquisition integration on product innovation performance and the potential moderating effects of customer orientation and organizational complexity (please also see the research model in Figure 1). This chapter is organized as follows: After a review of the methodology, data, and sample of the quantitative study, the approach to data collection and analysis with the used measures and controls will be described. Before the results are shown and discussed, the operationalization of the variables will provide more insights into data sources and measurements. The chapter closes with a discussion of the findings, limitations of the study, and suggestions for future research.

### **Research Methodology and Design**

As noted earlier, this study investigated and tested the research model (Figure 1) by applying a "mixed-method sequential explanatory design" (Ivankova et al., 2006, p.

5). It entailed two distinct stages (Creswell et al., 2003; Ivankova et al., 2006): a quantitative study one and a qualitative study two that are both connected. This study statistically investigated the research question and tested the hypotheses using secondary data. Secondary data analysis, that experiences increased popularity due to the accessibility of high-quality data (Dale et al., 2008), leverages “data that was collected by someone else for another primary purpose” (Johnston, 2014, p. 619). Large data sets from different sources are available to systematically gather publicly available data “with procedural and evaluative steps, just as in collecting and evaluating primary data” (Johnston, 2014, p. 619). Scholars (e.g., Dale et al., 2008; Hox & Boeije, 2005) highlight secondary data analysis as viable method “when a systematic process is followed” (Johnston, 2014, p. 619), even though it comes with challenges. Besides locating and being able to retrieve the appropriate data, it is critical to assess its quality (Hox & Boeije, 2005). The collected secondary data were gathered from publicly available annual firm and 10K reports, financial websites such as yahooofinance.com, company websites, and online information on Bloomberg.com, pitchbook.com, and investing.com. The MergentOnline (M&A) database was used to randomly select the sample for this study.

### **Data and Sample**

A sample of 188 M&A cases has been collected using secondary data from various sources. The M&A database ‘MergentOnline’ that provides business and financial information for US and international companies and annual reports from public firms served as starting point for finding the 188 companies that conducted M&A activities between 2007 and 2020. Based on the initial list of 27,129 M&A cases (MergentOnline document date range > 01/01/2015 - 12/31/2021) drawn from the 'MergentOnline’

database and downloaded in MS Excel, a random sample of 500 cases has been drawn with the MS Excel function ‘RAND()\*100’ and large-to-small sort. For these cases, the M&A report provided in the ‘MergentOnline’ database shows several M&A cases. First, these MergentOnline documents were downloaded and screened for M&A innovation cases. Innovation cases were identified based on the wording in the MergentOnline M&A report in the section ‘Deal rationale’ or, if not available, in the official company M&A announcement of the acquirer. Figure 5 shows examples of innovation-related wordings.

**Examples of Innovation-related Wordings  
from the Text Analysis**

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Expanding product/in-house capabilities  
 Offering a more integrated portfolio of products  
 To further expand existing product offerings  
 To strengthen the solutions portfolio  
 To enhance customer management services portfolio  
 Enhancing the ability to provide [...] solutions  
 To develop and produce new solutions and products  
 To expand expertise in...  
 To strengthen and expand digital marketing capabilities

Source: Author

***Figure 5. Examples of Innovation-Related Wordings***

Beyond that, the cases were analyzed for majority acquisitions. Out of the 500 cases, 91 minor acquisitions, 80 non-innovation cases, 47 service-industry acquisitions, and 94 where data were unavailable had to be excluded from the sample. The sample also excludes acquisitions in the services industry and by private equity firms, land and minority acquisitions, purchases of assets, and remaining shares because the acquisition is not new to the market and might impact the surprising effect of an M&A announcement. The final sample of 188 cases has been used for the data collection and analysis. If a company has bought several firms in the same year (of the M&A

announcement), the acquisition in the year has been selected to minimize the potential effects of the following acquisitions in the same year.

### **Data Collection and Analysis**

Several data sources were utilized to measure the study variables product innovation performance, customer orientation, organizational complexity, and post-M&A integration. The data was captured over several months in the first half of 2023 in MS Excel. For the revenues collected in the years before and after the M&A announcement to evaluate sales growth, revenues were converted into U.S. dollars based on the average exchange rate stated in the firm's annual report (if revenues were not specified in U.S. dollars). Appendix A explains the quantitative data collection and measurement in detail.

This study used IBM SPSS for statistical analysis and regression analysis. Before the analysis, all variables were standardized and mean-centered. To evaluate the potential moderating effects of customer orientation and organizational complexity, Hayes' (2017) PROCESS macro was installed in IBM SPSS and used for the data analysis (model 2).

### **Measures**

The constructs product innovation performance (dependent variable), customer orientation (moderator), organizational complexity (moderator), and post-M&A integration (independent variable) are well-defined in the literature. That allows using the definitions and previously validated measures in the data collection of the quantitative study one.

**Product Innovation Performance.** The measurement of product innovation performance varies across studies. Some scholars suggest inventions, revenue growth, patents (Ahuja & Katila, 2001; Bianchi et al., 2016; Cloudt et al., 2006), and market

share (Montoya-Weiss & Calantone, 1994) as measures of product innovation performance. De Luca & Atuahene-Gima (2007, p. 101) understand product innovation performance as the degree to which a company has realized its product development goals, such as profitability and market share, and used interviews aligned with the approach of Atuahene-Gima (2005) to measure product innovation performance. King et al.'s (2021) meta-analysis investigate the post-M&A innovativeness of the acquiring firm, using patents, patent applications, and R&D spending to measure innovative performance. Scholars such as Grimpe and Kaiser (2010) suggest the usage of share of sales to measure product innovation performance, focusing on the new products introduced within a year. This study adopts Ahuja and Katila's (2001) and Bianchi et al.'s (2016) approach to measuring product innovation performance by using sales growth (Bianchi et al., 2016) after the first year of the acquisition. Because the second year could be impacted by additional acquisitions, market changes, and global disruptions, using the first year to measure sales growth reduces the risk of adding more uncertainty to the data. Another reason is that the data has shown that some firms that acquired an organization have been affected by an acquisition.

The ability to launch new and advanced existing products are important signals of innovative performance (Schoonhoven et al., 1990 in Bianchi et al., 2016). Within the study's dataset, new products are understood as a) product modification, i.e., new features built into the product, b) a new product line acquired as part of the M&A that can be commercialized by the newly established entity, or c) an acquired product that, in combination with the acquirer's product (development), can be commercialized.

**Customer Orientation.** Corporate transformations from M&A directly impact customers, leading to a decline in customer satisfaction because executives shift their focus from customers to financials (Umashankar et al., 2022). This study follows the prior measurement approaches of Umashankar et al. (2022) and Panagopoulos et al. (2018) to evaluate whether a company's senior executives direct their attention to customers by counting keywords such as 'customer(s),' 'user(s),' 'client(s),' 'consumer' and 'patient' (depending on the industry) in a firm's annual or 10K report that includes the letter to shareholders divided by the number of pages of the specific annual report.

**Organizational Complexity.** In the context of organizations, Daft (1992) points to three dimensions to measure complexity—vertical (number of hierarchical levels), horizontal (number of departments or job titles), and spatial (number of geographical places) complexity (Anderson, 1999). The size of the acquired firm impacts the organizational units that require integration (Shrivastava, 1986). Depending on the acquisition type, M&A on a global level requires additional coordination efforts and configurations resulting from the multiplicity and complex relations of a firm's locations and business operations (van Oorschot et al., 2023, p. 4). The complexity inherent in that results is several approaches to measure organizational complexity in the literature. Bushman et al. (2004) measure organizational complexity on a firm level based on geography and product line diversification. Other scholars use the firm size and multi-divisional structure of the firm (Huvaj & Johnson, 2019). Aligned with Damanpour's (1996) suggestion who understands organizational complexity as a function of structural complexity and organizational size, this study operationalized organizational complexity as the ratio of the acquired firm size (size of the target company) to the firm size of the

acquirer to normalize for varying firm sizes (Datta, 1991). The firm sizes were collected from the acquirer's and target company's publicly available annual reports in the year of the M&A announcement. The target company's size and the acquirer's firm size can influence customer orientation intensity and results (Appiah-Adu & Singh, 1998; Zhu & Nakata, 2007) and integration difficulty (King et al., 2021). While scholars disagree on the influence of organizational size on innovation (Ettlie & Rubenstein, 1987), Teece (1985, in Ettlie & Rubenstein, 1987) argues that smaller firms are more innovative than large firms but often fail because of their dependence upon a specific innovation.

**Post-M&A Integration.** Post-M&A integration can be understood as the actions taken by the management of the acquirer and the target company to combine both firms (Cording et al., 2008) to a state where both firms are integrated and publicly trade with a shared vision, common objectives, and collaborative behavior (Chen & Lin, 2011). It is measured in different ways (qualitative and quantitative) in the literature. Financial outcomes can be evaluated through measuring the change in return on assets (ROA) or stock returns (Bodner & Capron, 2018). Research uses the following approaches to assess the performance of M&As: a) “event studies (stock-market-based measures)”, “with the event window defined by the researcher” (Adnan & Hossain, 2016, p. 229), b) “accounting-based measures,” c) “expert informants’ assessment,” d) “manager’s subjective assessments,” and e) divestiture (Adnan & Hossain, 2016, p. 228). Kato and Schoenberg (2014) use a case study and semi-structured interviews with 18 major international customers to assess post-M&A integration. Chen and Lin (2011, p. 809) leverage in-depth case studies and questionnaires to study “M&A interdepartmental integration,” consisting of two constructs, interaction and collaboration. Wei and Clegg

(2020) conducted six case studies to learn about the intermediating mechanisms between the degree of integration and acquisition performance. Bauer and Matzler (2014, p. 277) highlight the integration degree, evaluated on different organizational levels, as a previously validated measure for the post-M&A integration construct. Cumulative abnormal returns, representing “the deviation of actual stock performance from the performance expectations investors would have had in the absence of an acquisition, net of the premium paid by an acquirer,” are commonly used to evaluate acquisitions (e.g., Cording et al., 2008, p. 2007; Schoenberg, 2006). For instance, Ma et al. (2009) found in Asian market focused study of 1,477 M&As that stock market expected positive CARs in a two-day, three-day, and five-day window. Adnan and Hossain (2016) discovered the target firm’s and acquirer’s price run-up prior to the acquisition announcement, indicating the stock market’s anticipation of positive news or an information leakage. This study follows the approach provided by Cording et al. (2008) and Bauer and Matzler (2014) to measure post-M&A integration and uses a two-day window that is compared to day zero, the day of the acquisition announcement, following the primarily used measures by Lowinski et al. (2004). While the short-term measurement of the stock performance after the acquisition “provides an indication of market expectations of future value” (Cording et al., 2008, p. 2007), a long-term window would not exclude market changes or economic dynamics firms have to respond to. Table 2 summarizes the variables, their measurement, and the data sources.

**Table 2. Operationalization of Variables**

<b>Variable</b>	<b>Measure</b>	<b>Data Source</b>
Product-Innovation Performance	Sales growth  Net sales one year after the M&A announcement minus net sales year of the M&A announcement	Annual Company Reports or 10K report
Post- M&A integration	Closing stock price two days after the M&A announcement minus closing stock price day of the M&A announcement	Open and close stock price on the day of the M&A announcement and two days later, sources: <a href="#">Yahoo! Finance</a> , <a href="#">Investing.com</a>
Customer Orientation	Number of customer-related words ('client', 'consumer', 'customer', 'user', 'patient' – depending upon the industry) used by the company engaged in M&A activities.  Number of pages in the annual report (for the ratio)	Annual report / 10K report of the year of the acquisition
Organizational Complexity	Number of employees of the acquired company divided by the number of employees of the acquirer to normalize for varying firm sizes (Datta, 1991)	Number of Employees in the Annual Report of the Acquirer  Number of Employees of acquired firm mentioned in the Annual Report of the Acquirer or Target Company; if not available – other sources included: <a href="#">PitchBook.com</a> , <a href="#">Yahoo! Finance</a> , <a href="#">Bloomberg.com</a>

**Controls.** Managing cultural differences in terms of organizational and national culture is known to impact the performance of M&As (Hummel & Amiryany, 2015; Moore, 2011), especially during the integration process. Therefore, this study also controls for the national culture in terms of the countries the acquisition took place (cross-border, national). Other control variables in this study include the industry “to control for industry-specific idiosyncrasies” (Kim & Finkelstein, 2009, in Hummel & Amiryany, 2015, p. 144). Some scholars indicate that industry familiarity reduces the need for managers to learn about the target company’s business (Hitt et al., 2005; King et al. 2004).

## Results

Table 3 shows the means, standard deviations, and correlations for all study variables.

**Table 3. Means, Standard Deviations, and Correlations**

Variable	Mean	S.D.	1.	2.	3.
1. Product Innovation Performance	479.99	6334.64			
2. Post-M&A Integration	-.13	4.92	.07		
3. Customer Orientation	1.80	2.57	-.10	.01	
4. Organizational Complexity	.15	.49	.18*	.04	-.04

Notes. N=188 \*...Correlation is significant at the 0.05 level (2-tailed).

Product innovation performance was positively correlated to organizational complexity (.18\*). There were no significant correlations between the independent variables, and the collinearity diagnostics confirmed that multi-collinearity is not an issue.

To evaluate the hypothesized model of relationships and investigate the moderating effects of customer orientation and organizational complexity, Hayes' (2017) PROCESS macro for SPSS, widely used by scholars to test moderation (Hayes & Rockwood, 2016), was used. PROCESS uses an ordinary least squares regression-based path analysis to estimate direct and indirect effects in moderation models (Hayes, 2017). It enables the robust testing of relationships between variables using bootstrapping analyses of moderated effects. A setting of 20,000 iterations and Model 2 were used for the bootstrapping analysis. Bootstrapping is considered the right approach for studies of indirect effects with small sample sizes (MacKinnon et al., 2004). The following Table 4 shows the research model's regression results and PROCESS outputs.

**Table 4. Direct and Conditional Effects of PMI on Product Innovation Performance**

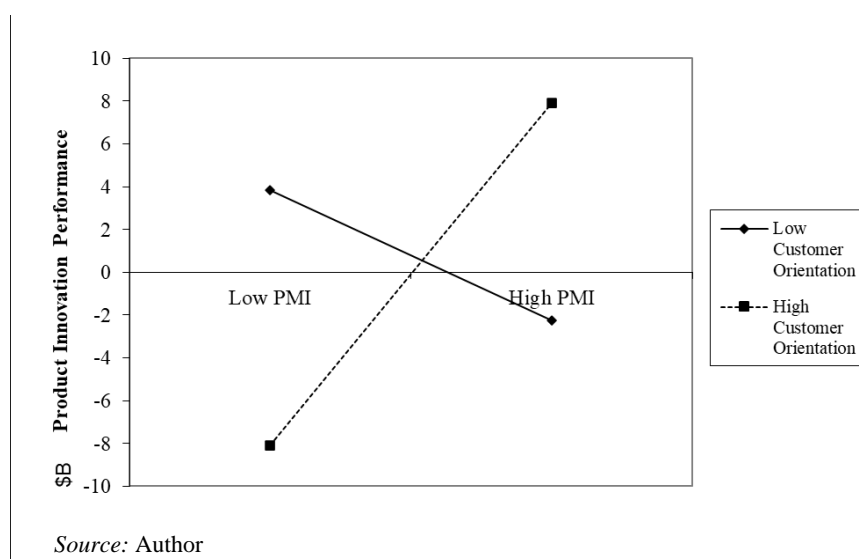
	<b>Product Innovation Performance</b>
Constant	-.33 (.16)*
Post - M&A Integration (PMI)	4.70 (1.19)**
Customer Orientation (CO)	-1.12 (.42)**
PMI x CO	12.73 (5.04)**
Organizational Complexity (OC)	.22 (.03)**
PMI x OC	-2.45 (.41)**
Consumer Industries	.34 (.21)
Energy & Natural Resources Industries	-.66 (.31)*
Healthcare & Life Sciences Industries	.21 (.23)
Media & Entertainment Industries	-.18 (.34)
Technology Industries	-.19 (.19)
Telcom & Communication Industries	.06 (.26)
Australia	-.18 (.52)
China	.05 (.47)
Canada	-.02 (.63)
Finland	-.16 (.63)
France	.16 (.62)
Germany	.40 (.27)
Italy	-.18 (.48)
Japan	.10 (.25)
Netherlands	-.45 (.45)
Sweden	-.33 (.35)
Switzerland	-.27 (.35)
United Kingdom	.13 (.25)
	Adjusted R <sup>2</sup> = .35
	F (23,164) = 3.76**

Notes. N=188. Values are standardized coefficients (with standard errors). \*p < .05. \*\* p < .01.

With PROCESS, product innovation performance was regressed on post-M&A integration, customer orientation, organizational complexity, and their interaction terms, which yielded a significantly adjusted  $R^2$  of 35%. 14% of  $R^2$  change was explained by the interaction of post-M&A integration and organizational complexity ( $F(1,164) = 35.77$ ,  $p < .01$ ). The customer orientation and post-M&A integration interaction explained 3%  $R^2$

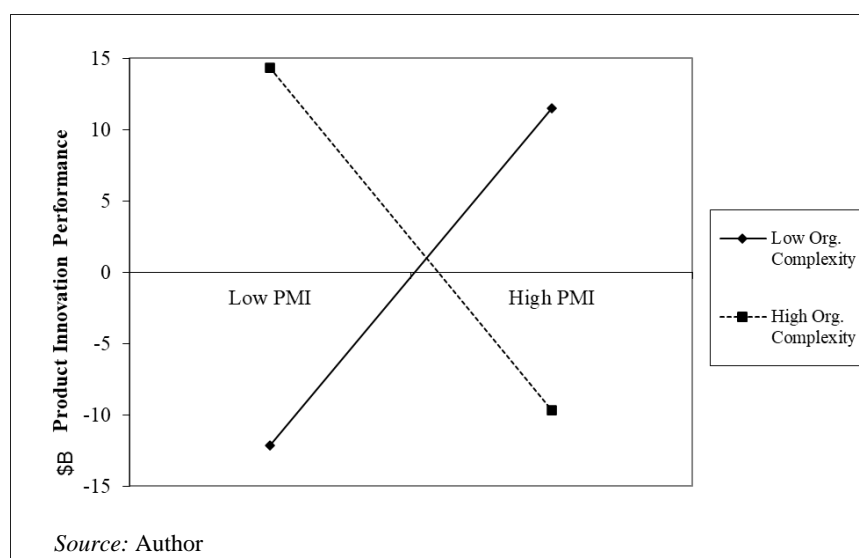
change ( $F(1,164) = 6.38, p < .05$ ). The control variables added 7%  $R^2$  change. In my analysis, I did omit the industry sector and country dummy codes with the largest sample size (i.e., industrial manufacturing industry with  $n=71$  and U.S. with  $n=106$  cases), so all reported industry sector and country coefficients are to be interpreted regarding these categories as reference (Hayes & Preacher, 2014).

As reported in Table 3, post-M&A integration had a significant positive effect on product innovation performance ( $\beta = 4.70, SE = 1.19, p < .01$ ). Therefore, Hypothesis 1 was supported. The interaction of post-M&A integration and customer orientation was significant ( $\beta = 12.73, SE = 5.04, p < .01$ ), supporting Hypothesis 2. As illustrated in Figure 6, to better discern the nature of the significant interaction of customer orientation and post-M&A integration, I examined a simple slope computation at “low” (1  $SD$  below the mean;  $\beta = -5.05, SE = 2.14, p < .05$ ) and “high” (1  $SD$  above the mean;  $\beta = 11.12, SE = 4.58, p < .05$ ) levels of customer orientation. These results indicate that post-M&A integration is positively related to product innovation performance only for organizations with high customer orientation.



**Figure 6. Moderating Effect of Customer Orientation**

The interaction of post-M&A integration and organizational complexity was also significant ( $\beta = -2.45$ ,  $SE = .41$ ,  $p < .01$ ), supporting Hypothesis 3. As illustrated in Figure 7, to better discern the nature of the significant interaction of organizational complexity and post-M&A integration, I examined a simple slope computation at “low” (1 *SD* below the mean;  $\beta = 25.89$ ,  $SE = 4.00$ ,  $p < .01$ ) and “high” (1 *SD* above the mean;  $\beta = -23.48$ ,  $SE = 4.52$ ,  $p < .01$ ) levels of organizational complexity. These results indicate that post-M&A integration is positively related to product innovation performance only for organizations with low organizational complexity.



**Figure 7. Moderating Effect of Organizational Complexity**

Notably, as reported in the following Table 5 the analysis shows that under the conditions of relatively high customer orientation with mean organizational complexity, the effect of post-M&A integration on product innovation performance flips from negative ( $\beta = -5.05$ ,  $SE = 2.14$ ,  $p < .05$ ) to positive ( $\beta = 11.12$ ,  $SE = 4.58$ ,  $p < .05$ ). When organizational complexity was relatively high (1 *SD* above the mean) with mean customer orientation, the effect of post-M&A integration on product innovation

performance flips from positive ( $\beta = 25.89$ ,  $SE = 4.00$ ,  $p < .01$ ) to negative ( $\beta = -23.48$ ,  $SE = 4.52$ ,  $p < .01$ ).

**Table 5. Conditional Effects of PMI on Product Innovation Performance**

Organizational Complexity	Customer Orientation	Effect	SE	t	p
Low (-1 SD)	Low (-1 SD)	19.63	4.92	3.99	.00
	Mean	25.89	4.00	6.47	.00
	High (+1 SD)	35.81	5.31	6.75	.00
Mean	Low (-1 SD)	-5.05	2.14	-2.36	.02
	Mean	1.21	1.09	1.11	.27
	High (+1 SD)	11.12	4.58	2.43	.02
High (+1 SD)	Low (-1 SD)	-29.74	4.36	-6.82	.00
	Mean	-23.48	4.52	-5.19	.00
	High (+1 SD)	-13.56	6.92	-1.96	.05

### Supplementary Analysis

To better understand the interplay of the moderating effects of customer orientation and organizational complexity, I conducted an ancillary post-hoc analysis to determine whether there is a three-way interaction effect of post-M&A integration, customer orientation, and organizational complexity on product innovation performance. The following Table 6 reports the regression results for this three-way interaction analysis. I utilized PROCESS Model 3 to regress product innovation performance on post-M&A integration ( $\beta = 2.43$ ,  $SE = 1.02$ ,  $p < .05$ ), customer orientation ( $\beta = -.99$ ,  $SE = .35$ ,  $p < .01$ ), organizational complexity ( $\beta = .11$ ,  $SE = .03$ ,  $p < .01$ ), and the four interaction terms of post-M&A integration and customer orientation ( $\beta = 11.15$ ,  $SE = 4.13$ ,  $p < .01$ ), post-M&A integration and organizational complexity ( $\beta = -1.16$ ,  $SE = .36$ ,  $p < .01$ ), customer orientation and organizational complexity ( $\beta = .40$ ,  $SE = .05$ ,  $p < .01$ ),

as well as the product of post-M&A integration, customer orientation, and organizational complexity ( $\beta = -5.17$ ,  $SE = .62$ ,  $p < .01$ ), which yielded a significant  $R^2$  of 49%. The three-way interaction of post-M&A integration, customer orientation, and organizational complexity explained 19%  $R^2$  change ( $F(1,180) = 69.09$ ,  $p < .01$ ).

**Table 6. Three-Way Interaction Effect**

	<b>Product Innovation Performance</b>
Constant	-.19 (.10)*
Post - M&A Integration (PMI)	2.43 (1.02)*
Customer Orientation (CO)	-.99 (.35)**
PMI x CO	11.15 (4.13)**
Organizational Complexity (OC)	.11 (.03)**
PMI x OC	-1.16 (.36)**
CO x OC	.40 (.05)**
PMI x CO x OC	-5.17 (.62)**
	Adjusted $R^2 = 49\%$
	$F(7,180) = 25.17^{**}$

Notes. N=188. Values are standardized coefficients (with standard errors).

\* $p < .05$ . \*\*  $p < .01$ .

Notably, while increasing customer orientation turns the post-M&A integration - product innovation performance relationship from negative to positive for post-M&A integration efforts with relatively low organization complexity (1 *SD* below the mean), it turns the relationship from positive to negative in case of high organization complexity (1 *SD* above the mean). Table 7 reports the conditional effects of post-M&A integration on product innovation performance.

**Table 7. Conditional Three-Way Interaction Effects**

<b>Organizational Complexity</b>	<b>Customer Orientation</b>	<b>Effect</b>	<b>SE</b>	<b>t</b>	<b>p</b>
Low (-1 <i>SD</i> )	Low (-1 <i>SD</i> )	-17.95	5.60	-3.20	.00
	Mean	10.12	3.62	2.79	.01
	High (+1 <i>SD</i> )	54.59	4.95	11.03	.00
Mean	Low (-1 <i>SD</i> )	-1.64	1.80	-.91	.36
	Mean	.82	.90	.91	.36
	High (+1 <i>SD</i> )	4.73	3.91	1.21	.23
High (+1 <i>SD</i> )	Low (-1 <i>SD</i> )	14.67	6.17	2.38	.02
	Mean	-8.47	3.40	-2.12	.04
	High (+1 <i>SD</i> )	-45.13	7.42	-6.08	.00

These results highlight the importance of the interplay of customer orientation, organizational complexity, and post-M&A integration. They demonstrate that highly complex organizations need to manage their post-M&A integration efforts thoughtfully and should not over-index on customer orientation. Furthermore, the three-way interaction indicated that organizational complexity and customer orientation should be considered together to manage post-M&A integration effectively. It is not only worth investing in post-M&A integration and customer orientation and simplifying organizational complexity in isolation since these factors influence each other's effect and, therefore, should be developed in combination.

## **Discussion**

Product innovation, a firm's engine to thrive in competitive markets where customer expectations constantly change, is one of the main objectives when organizations acquire companies. Researchers spent decades exploring the complex phenomenon of M&As in domains such as finance, strategy, human resources

management, and economics, resulting in various theoretical frameworks and methodological approaches. While scholars investigate M&A across its stages, little attention has been given to the post-M&A integration stage—the last phase of an M&A that ultimately drives the success or failure of an acquisition (e.g., Bauer et al., 2015). The role of customers has been neglected (Anderson et al., 2001) for a long time, with the presumption prevailing that acquirers can take over the acquired firm's market position (Anderson et al., 2001). Potential customer losses after an acquisition must be managerially weighted towards the costs of maintaining customer relationships (Öberg, 2014). While revenue growth is the primary goal for the majority of executives responsible for acquisitions (Bekier & Shelton, 2002), the focus on integration efforts often leads to neglecting a firm's ongoing business activities, increasing the risk of losing customers instead of securing the customer base (Bekier & Shelton, 2002). In buyer markets with shorter product lifecycles and subscription-based offerings as new standards, driving product innovation performance oriented around customers' expectations is paramount. However, scholars overlook how customer orientation (e.g., Anderson et al., 2001; Steigenberger, 2017) and organizational complexity can impact innovation-motivated acquisition initiatives that aims to drive a firm's product innovation. This study contributes new insights by investigating the role of customers and organizational complexity in acquisition integrations and the impact on product innovation performance.

This study presents evidence for a significant positive post-M&A integration and product innovation performance relationship. The positive moderation effect of customer orientation and the negative moderation effect of organizational complexity are prime

examples that demonstrate the importance of moderators for the equivocal post-M&A integration - product innovation performance relationship. As predicted, the study presents evidence that with high levels of customer orientation and low organizational complexity post-M&A integration positively affects product innovation performance. That finding suggests that fully integrating the acquired company and actively managing the customer relationship with high customer orientation results in higher product innovation performance. The findings suggest that being customer-orientated is vital during acquisition integrations. Given that organizations innovate to achieve competitive advantage from satisfying or exceeding customer needs, it is a critical finding that impacts a firm's innovation goals and thus can have substantial financial consequences. Making customers part of the acquisition process and offering them a seat at the table while managing the organizational complexity that stems from an acquisition will benefit the firm's innovation strategy. The findings also indicate that highly complex innovation-driven acquisitions should be cautiously evaluated regarding innovation performance, as the post-acquisition product innovation performance relationship was always found negative for high degrees of organizational complexity, even with high levels of customer orientation.

### ***Limitations***

This study has some limitations, one related to the used M&A MergentOnline database. The download of sample data from the MergentOnline database limits the cases from which the sample has been randomly selected. While the database stores many M&A cases from the last decades, it is only one of several M&A databases available, limiting the accessible cases of all available acquisitions considered in the timeframe of

this study. The data set could be enlarged by using cases from additional M&A databases and expanding the scope beyond this study's investigated years (2007 – 2020). The study sample consists of national and cross-border M&A cases. The results of the quantitative study are generalizable for high-developed countries that were part of the data set and non-services industries such as Industrials and Consumer Products. While all randomly selected acquisition cases occurred before the global COVID-pandemic, companies constantly face dynamic market conditions that could impact the study sample of 188 acquisition cases.

Another limitation is the study's general focus on acquisitions. While acquisitions can be distinguished between several acquisition types, this study focusses on majority acquisitions but takes a general perspective without differentiating between the type of an acquisition.

### ***Implications for Research***

This research could be extended by investigating a potential curvilinear relationship of customer orientation on product innovation performance in post-acquisition integrations. While this study focusses on majority acquisitions, it does not differentiate between acquisition types and their impact on product innovation in post-acquisition integration settings. Another focus for future studies could be the services industry, that was excluded in the quantitative study of this research. Other questions that emerged from this research are: How do national cultures affect product innovation performance in post-acquisition integration settings? How does the customer's national culture change this study findings? Future studies could also investigate specific industries in dynamic, uncertain, and stable market environments to evaluate the impact

of a firm's integration efforts on product innovation performance. Because national cultures and regulations differ across countries, further research could explore the impact of national cultures and its effects on product innovation performance in the context of post-acquisition integrations.

Related to post-M&A integration, Krug and Aquilera (2005) explain that 68% of the target company's executives leave five years after the acquisition (Degbey, 2015). The effects on the relationship between post-acquisition integrations and product innovation performance could be investigated in future studies. Managers experienced with M&A activities are valuable for orchestrating the integration efforts, potentially impacting the success or failure of an acquisition (Cording et al., 2008). Scholars suggest that prior acquisition experience predicts later acquisition success (King et al., 2004) because of learning effects from previously conducted M&As (Degbey, 2015). Additionally, experience from past acquisitions may build facilitating processes for the identification (Hitt et al., 1994) and integration of acquired firm resources, which may be required to improve the organization's post-acquisition performance (King et al., 2004). Thus, the impact of the company's acquisition experience on the results of product innovation performance in the last stage of an M&A could lead to further studies.

## CHAPTER 4: STUDY TWO

The first study explained how customer orientation can influence an organization's product innovation efforts at several levels of organizational complexity that stem from an acquisition. It showed a significant positive post-M&A integration and product innovation performance relationship and moderation effects of customer orientation (positive) and organizational complexity (negative). With that, the study confirmed that being customer-orientated is vital during acquisitions and related integration efforts and illustrated the importance of an active customer management to achieve anticipated objectives from product innovation-driven acquisitions. The findings also identified complexity resulting from integrating the acquired firm into the acquirer's organization as influential in driving product innovation. These insights suggest the importance of actively managing customers and complexity in acquisition integrations to achieve a firm's product innovation objectives.

This second study applied an inductive data collection method that sought to inform study one and enhance the findings with semi-structured interviews conducted with subject matter experts. The goal was to learn about the nuances of customer orientation and organizational complexity as they relate to the study's phenomenon and understand how subject matter experts orchestrate both in 'real-life'. The semi-structured interviews enable to gain a detailed understanding of the phenomenon (Brinkmann, 2014), prompt new interpretations (Rossman & Wilson, 1985), and fresh insights (Greene et al., 1989; Rossman & Wilson, 1985). While study one applies abstract measurements, additional learnings from study two shall support the detailed provision of managerial recommendations.

This chapter is divided into the following sections. First, the research methodology will be explained, followed by a description of the design of the interview protocol and the pilot that was conducted. After an expanded literature review on trust and customer trust, it follows an overview of the demographics of the interview participants and the explanation of the data collection and analysis approach. Third, the interview results will be presented along with summaries of the findings. The chapter closes with limitations and implications for future research.

### **Research Methodology**

Study two conducted semi-structured interviews, an inductive, qualitative research, and data collection method, interviewing subject matter experts to deeply investigate the role of customer orientation and organizational complexity on product innovation in the context of post-acquisition integrations. Scholars like Miles and Huberman (1994) suggest an inductive research design to gain a deep understanding of a phenomenon. While inductive research aims to develop a theory from collected data (Williams & Moser, 2019), this study seeks firsthand insights from executives of the acquirer, the acquired firm, and customers impacted by the post-acquisition integration to expand the quantitative study one.

A convenience sampling approach followed by snowball sampling is used to conduct study two. Participants have been selected that were accessible and showed willingness to share insight into the research phenomenon in a semi-structured interview. Due to the limited access to subject matter experts, senior executives from the services industry were included in study two. While the targeted interviewees are homogeneous regarding their experience in orchestrating post-acquisition integrations, they do not

represent an entire population of experts. Findings from this convenience sample, therefore, are not generalizable due to sample bias and a lack of randomly selecting interview participants (Etikan et al., 2016a). Based on the initial convenience sample, referrals from the connections of the interviewees who were subject matter experts of the studied phenomenon participated in the interviews (Etikan et al., 2016b). This sampling method, known as snowball sampling, is “particularly suitable when the population of interest is hard to reach” (Etikan et al., 2016b, p. 1), for instance, due to accessibility to the network of subject matter experts and insider knowledge required to identify subject matter experts.

Because qualitative studies seek to understand the how and why (Dworkin, 2012) and garner an in-depth understanding of a phenomenon or focus on the “heterogeneities in a meaning” (Dworkin, 2012, p. 1319), sample sizes are smaller than those used in quantitative research methods (Dworkin, 2012). In-depth semi-structured interviews, a commonly used format to interview experts (DiCicco-Bloom & Crabtree, 2006) and “the empirical backbone of much qualitative research” (Campbell et al., 2013, p. 295), enable exploring diverse participant views (Myers, 2020) and learning about social and personal matters (DiCicco-Bloom & Crabtree, 2006). As “night goggles” (Myers, 2020, p. 145), interviews permit to examine the less obvious (Myers, 2020). Scholars, however, emphasize the challenges in conducting efficient and effective interviews (Kvale & Brinkmann, 2009), requiring a rigorous, systematic approach to gain a deeper understanding of the research topic (DiCicco-Bloom & Crabtree, 2006; Rubin & Rubin, 2011). This study adopts the main parts of the interview inquiry framework from Kvale and Brinkmann (2009).

### *Design of the Interview Protocol*

The design of the semi-structured interview follows the approach suggested by McIntosh and Morse (2015). The knowledge to create the interview questions stems from the researcher's observation and understanding of the phenomenon (McIntosh & Morse, 2015). Also, insights gained during the literature review and from conversations with experts involved in post-acquisition integration processes contributed to the development of the tailored interview protocols (McIntosh & Morse, 2015).

The semi-structured interview protocol is divided into main sections, comprising an introduction that shares the study's purpose, the participant's role, and involvement in the post-M&A integration. From three perspectives—the acquirer's, the customer's, and the target company's view—the interview questions are tailored to learn how customer orientation is impacted in the context of post-M&A integration. Further, questions are related to the participant's experiences with the complex post-integration process and involvement in conversations that impact the acquirer's product innovation. Lastly, the interview explores how the success of the post-M&A integration process is measured. Parts of the interview guides differ in relation to the specific role taken in the post-M&A integration and the perspective of the interviewee (please see Appendix B), i.e., the executive of the acquirer the customer of the acquired company, and the manager of the acquired firm.

Pre-formulated open-ended questions (Myers, 2020) elicit unstructured responses from interviewees (McIntosh & Morse, 2015) on the role of the customer in the post-M&A integration phase of the acquisition and enable to learn if, to what extent, and how the customer is involved in the product innovation of the acquirer. Also, the role of

customers in the post-acquisition integration phase at the acquirer's company is investigated to learn about the (re-)building of business relationships and the influence customers have at this stage of the acquisition. Unlike structured interviews, semi-structured interviews foster discussions (McIntosh & Morse, 2015) and allow for flexibility to ask probing and follow-up questions (Blee & Taylor, 2002; DiCicco-Bloom & Crabtree, 2006; McIntosh & Morse, 2015) to clarify understanding and investigate specific details mentioned by the interviewee. Probing questions, for instance, about examples are incorporated into the interview guide but can also arise spontaneously from the dialogue (McIntosh & Morse, 2015), sparking the emergence of new themes and ideas. Barriball and While (1994) indicate probing as invaluable to ensure data reliability.

#### ***Pilot-testing of the Interview Guide***

The validity and reliability of this research are impacted by the interview participants and study circumstances (Barriball & While, 1994). The semi-structured interview guide has been tested to increase the validity and feasibility and evaluate the understanding of the questions (McIntosh & Morse, 2015). Three pilot interviews have been conducted with subject matter experts involved in acquisition integration activities. Denzin (1989) and Barriball and While (1994, p. 330) highlight that validity and reliability in semi-structured interviews depend “upon conveying equivalence of meaning rather than asking questions using the same words.” Based on the insights from the quantitative study one and the pre-evaluation of the interview guide, gaps or issues can be identified that point to the need to reformulate the interview questions and to adjust for understanding, coverage, and content for an effective and efficient interview design that supports the quality of the data collection (Chenail, 2011; Kallio et al., 2016).

## **Expanded Literature Review on Customer Trust**

During the field test, the senior executives highlighted customer trust as crucial during the post-acquisition integration stage, which is an underexplored antecedent (Graebner, 2009) in this study's research context. Thus, the interview protocols were extended to explore customer trust in more detail. To connect the interview findings and the current state of the research on customer trust, study two enhances the literature review of study one and demarcates trust as a concept from customer confidence. As an addition to the literature review in study one, it (1) seeks to review and synthesize relevant existing research on trust and customer trust and (2) compare the current state with the findings from the semi-structured interviews in the hope to derive new insights that expand the current literature.

### ***The Concept, Definitions, and Dimensions of Trust***

Trust is the crucial element that hold societies together (Schilke et al., 2021) – so the view of social scientists who elaborate on the critical importance of trust over decades. Already in the 1960s and 1970s, scholars such as Rotter (1967), Zand (1972), and Deutsch (1973) published influential exploratory work on trust (Lyon et al., 2012), referenced in academic articles across domains such as sociology (Schilke et al., 2021), social psychology, philosophy, economics, law, and marketing (Blomqvist, 1997). Trust, a critical cornerstone in social science theory (Bauer & Freitag, 2017) and a fundamental concept of organizational science (Rousseau et al., 1998) is also acknowledged in the psychological literature (e.g., Erikson, 1968) (Blomqvist, 1997).

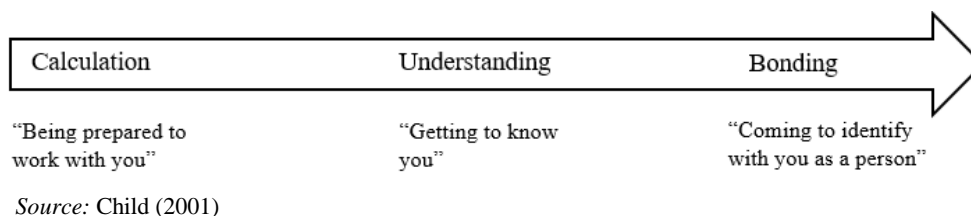
Trust is intangible and not observable (Skinner et al., 2014) and has many faces (Blomqvist, 1997; Rousseau et al., 1998) that are reflected in a variety of definitions

(Blomqvist, 1997) across research fields. In the eyes of a psychologist, trust is a personal trait (McKnight & Chervany, 2002), while sociologists understand trust as a social structure, and economists view it as an economic-choice instrument (McKnight & Chervany, 2002). Kramer (1999) conceptualizes trust as ‘a psychological state’ and ‘choice behavior.’ As a psychological state, trust entails risk or a perceived vulnerability and uncertainty toward the dependent about motivations, intentions, and future actions (Kramer, 1999). In line with that, Robinson (2006, p. 576) understands trust as “a person’s expectations, assumptions, or beliefs about the likelihood that another’s future actions will be beneficial, favorable, or at least not detrimental to one’s interests.” Critiques of this view highlight rational choice approaches as “empirically untenable” and “too narrowly cognitive”(Kramer, 1999, p. 573). Scholars see trust as a choice behavior from two main perspectives (Kramer, 1999). Some academics favor choice from a rational and efficient standpoint, while others such as social scientists like Mayer et al. (1995) criticize that view and ask to incorporate social and relational foundations of trust-related choices (Kramer, 1999). Also, in Barber’s (1983, p. 164, 165) view, trust is “a set of socially learned and socially confirmed expectations that people have of each other, of the organizations and institutions in which they live, and of the natural and moral social orders that set the fundamental understandings for their lives.” Most influential in the science of organizations is “trust as a rational choice” (Kramer, 1999, p. 572). Individuals’ decisions are based on rational and efficient thinking (Kramer, 1999) and “the internally consistent value system” (Schelling, 1960, p. 4). Skinner et al. (2014) disagree and see trust as a process and result of social interactions, consisting of three stages (please see Table 8; adopted from Skinner et al., 2014, p. 208).

**Table 8. Stages of Trust Development**

Stage	
1	“A set of beliefs about the other party’s trustworthiness, commonly understood to comprise assessments of their ability, benevolence and integrity” (p. 208)
2	Decision point on the basis of those beliefs, summarized in Rousseau and colleagues’ (1998) widely adopted definition of trust as “psychological state comprising the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another” (p. 395) “Leap of faith” (p. 208)
3	“Risk-taking act, undertaken to demonstrate one’s trust.” “Such acts include increased collaboration and reliance, sharing scarce or valuable resources and sensitive information and deliberately reduced monitoring” (p. 208)

Trust develops in relationships and can be nurtured but also destroyed in everyday interactions if promises and commitments are not met or frustration occurs (Rousseau et al., 1998). While emotions stemming from trust such as pride and reassurance are typically positive, distrust is linked to negative emotions like humiliation or anxiety (Skinner et al., 2014). Child (2001, p. 283) distinguishes between three phases in which trust evolves (Figure 8).

**Figure 8. Phases of Trust Evolution**

Scholars highlight the importance of trust in several business fields, including negotiation, communication, performance appraisals, leadership, and management by objectives (Mayer et al., 2015). In the leadership literature (e.g., Smylie et al., 2007, p. 473), trust as a “dynamic phenomenon operating systemically within and across individual, group, and organizational levels,” can develop “provisionally, and from that point it can strengthen and weaken, as well as be breached, lost, and restored. Trust is

generally considered to be a dynamic phenomenon operating systemically within and across individual, group, and organizational levels (Tschannen-Moran & Hoy, 2000).

Still, they share a divergent understanding of its meaning (Rousseau et al., 1998) and the use of several concepts as synonyms of trust (Table 9), as described by Blomqvist, 1997 (p. 279), adds to the confusion in defining trust.

**Table 9. Synonyms of Trust**

<b>Concept</b>	<b>Definition</b>	<b>Connection to Trust</b>
Competence	The actor's perceived ability to perform something.	A passive concept describing an actor's ability to perform.
Credibility	The actor's perceived ability to perform something he claims he can do on request.	A passive concept referring to the actor's claimed ability, which does not however say anything about the actor's intentions nor his will to do the requested.
Confidence	The actor expects something to happen with certainty and does not consider the possibility of anything going wrong.	Does not involve the conscious consideration of alternatives, as trust does.
Faith	Actor's blind belief in something.	The actor does not have, or does not request information for considering alternatives as in the case of trust does.
Hope	The actor passively looks forward to something.	Due to the actor's passivity he or she does not invest/risk anything by hoping, in the case of trusting.
Loyalty	The actor has taken a faithful stand relative to another actor, behaving totally positively towards that actor's needs.	A static and long-term concept, does not seem to involve the possibility of breaking down.
Reliance	The actor may on consideration decide to rely only on certain aspects or features of another actor or system.	A narrower concept than trust in the sense that a trusting actor trusts another in all respects after judging the character and behavior of the other.

Comer et al. (1999, p. 61) point to three ways of conceptualizing trust, (1) “as a personality trait or generalized expectancy,” (2) “as a predisposition toward another or belief that another will behave in a matter beneficial to the other party,” or (3) “from

the standpoint of risking behaviors,” reflecting “a willingness on the part of the buyer to accept the possibility of vulnerability on his/her part in the transaction.”

Academics talk broadly about the benefits of trust. While trust on a micro level fosters employee satisfaction, teamwork, and collaboration, and supports leadership effectiveness (Fulmer & Gelfand, 2012), on a macro level, it drives corporate change initiatives (Gibson & Birkinshaw, 2004). It also is a beneficial ingredient to strategic alliances and mergers and acquisitions (Fulmer & Gelfand, 2012; Maguire & Phillips, 2008; Stahl & Sitkin, 2005), and, on a country level, promotes economic health (Fulmer & Gelfand, 2012). Various disciplines acknowledge that trust can lower transaction costs, enable inter-organizational relationships, and boost the working relationship between managers and their employees (Doney, 1998). Rousseau et al. (1998, p. 393) add a ‘meso-level’, that integrates “microlevel psychological processes and group dynamics with macro-level institutional arrangements.” Trust functions as a facilitator of “open communication, information sharing,” and supports conflict management and resolution (Sepaennen et al., 2007, p. 249). The interdependence in work environments, diverse teams, and new management styles require trust, making the concept more important than ever (Mayer et al., 1995). As a primary feature of human interactions (Gambetta, 1988), trust is known to influence interactions and activities such as relationship marketing, investments, and cross-cultural communication (Blomqvist, 1997), to name a few. Communication, for instance, supports cultural integration and building trust in diverse teams (Sarala et al., 2019).

While qualitative and quantitative research papers debate the definitions of trust, trust discussions in qualitative research articles prevail (Walterbusch et al., 2014). It is a

construct with broad relevance (Fulmer & Gelfand, 2012) and multiple causal roles such as antecedent, outcome, and moderator (Rousseau et al., 1998). Mayer et al. (1995) highlight challenges in defining antecedents and outcomes of trust and an unclear perspective on its relationship to risk. In their review of empirical research studies between 1990 and 2003, Seppänen et al. (2007) found major inconsistencies in how trust is conceptualized, operationalized, and measured. Also, its appearance in research is fragmented (McEvily & Tortoriello, 2011).

While its role in social theory has not been debated by many academics, research lacks agreement on the meaning of trust (Bauer & Freitag, 2017; Gambetta, 1988). That resulted in a large number of definitions across disciplines and focus areas (e.g., intra-organizational, inter-organizational) that diverge in crucial parts (Bauer & Freitag, 2017; Doney et al., 1998; Kramer, 1999; Rousseau et al. 1998; Walterbusch et al., 2014). With that, a universally accepted definition remains elusive (Kramer, 1999), resulting in several terms (please see table 7) used in organizational research (Kramer, 1999). Some scholars define trust based on an ethical and moral perspective (e.g., Homer, 1995), while others underline its strategic and calculative scope in corporate settings (e.g. Burt & Knez, 1996; Kramer, 1999).

Mayer et al.'s (1995, p. 712) well-known article explains trust more broadly (Cropanzano et al., 2017) as “the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.” Related to that, Schilke et al. (2021) highlights the need to gain more knowledge about the trustor's (giving party) predictions and the actual trustworthiness of the trustee

(receiving party). The assessment of the trust accuracy is an underappreciated research area in the sociological literature (Schilke et al., 2021). Table 10 shows examples of definitions of trust by other scholars often discussed in the literature.

**Table 10. Definitions of Trust**

<b>Author(s)</b>	<b>Definition of Trust</b>
Deutsch, 1962 (p. 276)	Trust is defined as “actions that increase one's vulnerability to another”
Rotter, 1967 (p. 651)	Trust is defined as “a generalized expectancy held by an individual or a group that the word, promise, verbal or written statement of another individual or group can be relied upon”
Moorman et al. 1992 (p. 82)	“Trust is defined the willingness to rely on an exchange partner in whom one has confidence.”
Hosmer, 1995 (p. 399)	“The expectation of ethically justifiable behavior that is, morally correct decisions and actions based upon ethical principles of analysis.”
Rousseau et al., 1998 (p. 395)	Trust is defined as “a psychological state that comprises the intention to accept vulnerability based upon positive expectations of the intentions or behavior of another”
Doney et al., 1998 (p. 604)	Trust is defined as “a willingness to rely on another party and to take action in circumstances where such action makes one vulnerable to the other party”
Comer et al., 1999 (p. 62)	“Trust is a global belief on the part of the buyer that the salesperson, product and company will fulfill their obligations as understood by the buyer.”
Schoorman et al., 2007 (p. 347)	Trust is defined as “a willingness to be vulnerable to another party”

Moorman et al. (1992), Schoorman (2007), and Doney et al. (1998) highlight willingness in their definitions, because trust would be limited “if one believes that a partner is trustworthy without being willing to rely on that partner” (Moorman et al., 1992, p. 315; Morgan & Hunt, 1994). While the literature shows inconsistent definitions of trust (Kramer, 1999), many scholars confirm Rousseau et al.’s definition of trust understood as a psychological state (Kramer, 1999).

Trust, acknowledged as a firm’s strategic asset and crucial to its success (Isaeva et al., 2020) is a complex and multidisciplinary concept (Blomqvist, 1997; Isaeva et al.,

2020). In their meta-analysis, Fulmer and Gelfand (2012, p. 1170) distinguish between the level of analysis and “trust in a as referent”. i.e., the trustee (receiving party) as “the target of the trust.” As multi-level concept, scholars studied trust at individual, team, and corporate levels with a focus on employees, managers, and organizations (Fulmer & Gelfand, 2012) [Table 11, Fulmer & Gelfand, 2012, p. 1174].

**Table 11. Examples of Trust Definitions Across Organizational Levels**

<b>Level</b>	<b>Definition of Trust</b>
Individual	“a psychological state comprising willingness to accept vulnerability based on positive expectations of an organization”
Team	“a shared psychological state among team members comprising willingness to accept vulnerability based on positive expectations of an organization”
Organization	“a shared psychological state among organizational members comprising willingness to accept vulnerability based on positive expectations of an organization”

Challenges to specify trust referents, according to Mayer et al. (1995) lead to confusion in analyzing trust across multiple levels within an organization. Rousseau et al. (1998) stress clear boundaries as crucial to contributing to research and theory. While organizations are multi-level entities that require a differentiated analysis (Fulmer & Gelfand, 2012), most of the studies investigate trust on an individual level (e.g., Kramer, 1999; Lewicki et al., 2006; Rousseau et al., 1998) (Fulmer & Gelfand, 2012; Nguyen et al., 2013). However, Schoorman et al. (2007) highlight the need to study trust across and within organizations.

Previous reviews highlight two main trust dimensions as prevalent in the literature, across levels of analysis and referents (Fulmer & Gelfand, 2012): (1) willingness to be vulnerable, referencing words like ‘uncertainty’ and ‘risk’, and (2) the association of trust with general or specific positive expectations (Fulmer & Gelfand,

2012). While some definitions focus on general aspects and confidence such as “one will not be harmed” (Fulmer & Gelfand, 2012, p. 1172), others distinguish between specific characteristics a trustee has, such as ability, competence, benevolence, and integrity or principles such as “reliability, fairness, justice, and consistency” (Fulmer & Gelfand, 2012, p. 1172). Doney et al. (1998) points to the trustor’s confidence in the target’s motives and future actions to trust in a situation that possess some risk. If risk is not present, trust, according to Stahl et al. (2012) and Mayer et al. (1995) is irrelevant, because of the absence of vulnerability.

Ring (1996) differentiates between fragile and resilient trust. Fragile trust, “equated with the concept of risk,” permits business partners to collaborate on a guarded basis (Ring, 1996, p. 152). In that case, present expectations and predictions based on behavioral assumptions where both parties look at a deal, not the relationship, build trust (Ring, 1996), also called “situational trust” by Noorderhaven (1994, in: Ring, 1996, p. 152). “Economic actors thought to express confidence in the predictability of their expectations” (Ring, 1996, p. 152). Resilient trust, however, rests “in a belief in the goodwill of others,” develops beyond a transaction, and helps to build stable, long-term business relationships (Ring, 1996, p. 155). It assumes that the business partners will act in “persistence and fulfillment of the natural and the moral social orders” (Ring, 1996, p. 156). While resilient trust is linked to factors such as integrity, loyalty, and interpersonal competence, fragile trust is associated with functional competence, behavioral consistency, and availability (Ring, 1996). Other perspectives include foundations of trust based on origin, described in Table 12 (Kramer, 1999, p. 575-578).

**Table 12. Perspectives of Foundations of Trust**

<b>Foundation</b>	<b>Classification Details</b>
Dispositional Trust	<ul style="list-style-type: none"> <li>▪ “Individuals differ considerably in their general predisposition to trust other people” (p. 575)</li> <li>▪ “Predisposition to trust or distrust others tends to be correlated with other dispositional orientations, including people’s beliefs about human nature” (p. 575)</li> <li>▪ “People extrapolate from their early trust-related experiences to build up general beliefs about other people”</li> </ul>
History-based Trust	<ul style="list-style-type: none"> <li>▪ “Individuals. perceptions of others trustworthiness and their willingness to engage in trusting behavior when interacting with them are largely history-dependent processes” (p. 575)</li> <li>▪ “Interactional histories give decision makers information that is useful in assessing others. dispositions, intentions, and motives. This information, in turn, provides a basis for drawing inferences regarding their trustworthiness and for making predictions about their future behavior.” (p. 575)</li> </ul>
Third Parties as Conduits of Trust	<ul style="list-style-type: none"> <li>▪ “Importance of information regarding others trustworthiness” (p. 576)</li> <li>▪ “Third parties acted as important go-betweens in new relationships enabling individuals to roll over their expectations from well-established relationships to others in which adequate knowledge or history was not yet available” (p. 576)</li> </ul>
Category-based Trust	<ul style="list-style-type: none"> <li>▪ “Trust predicated on information regarding a trustee’s membership in a social or organizational category, information which, when salient, often unknowingly influences others. judgments about their trustworthiness” (p. 577)</li> </ul>
Role-based Trust	<ul style="list-style-type: none"> <li>▪ “Constitutes a form of depersonalized trust because it is predicated on knowledge that a person occupies a particular role in the organization rather than specific knowledge about the person’s capabilities, dispositions, motives, and intentions.” (p. 578)</li> </ul>
Rule-based Trust	<ul style="list-style-type: none"> <li>▪ “Trust is predicated not on a conscious calculation of consequences, but rather on shared understandings regarding the system of rules regarding appropriate behavior” (p. 579)</li> </ul>

Academics distinguish between three dimensions of trust: behavioral, affective, and cognitive trust (Lewis & Weigert, 1985). While cognitive trust means someone’s rational belief in a counterpart’s reliability, competence, and integrity (Johnson & Grayson, 2005; Moorman et al., 1992), affective trust – “reliance on a partner based on emotions” (Johnson & Grayson, 2005, p. 501) - refers to someone’s commitment and emotional attachment to another person grounded in shared norms and common values and goals (Johnson & Grayson, 2005). Cognitive trust, that is knowledge-driven, stems

from observations and reputation based on the interactions and experiences of others (Johnson & Grayson, 2005). However, Williamson (1993) highlights that contractual agreements and due diligence between firms reduce uncertainty and opportunistic actions, resulting in the elimination of risk that makes trust redundant (Johnson & Grayson, 2005). Affective trust, mainly based on personal experiences, results from care and apprehension a person demonstrates and leads to “feelings of security and a perceived strong relationship” (Johnson & Grayson, 2005, p. 501). Emotion-driven trust, that assumes partner activities as intrinsically motivated, can deepen beyond what is explainable by existing knowledge (Johnson & Grayson, 2005). With that, relationships become less transparent, making neutral risk evaluations more challenging (Johnson & Grayson, 2005). Behavioral trust involves behaviors and actions such as loyalty and cooperation that someone shows towards another individual, resulting from a condition of cognitive and affective trust (Johnson & Grayson, 2005; Lewis & Weigert, 1985).

### ***The Consequences of Trust***

Many sociologists investigate trust as an outcome variable but have given little attention to its negative impact (Schilke et al., 2021) —“the dark side of trust” (Skinner et al., 2014, p. 208). That benefits-focused view is “not underpinned by rigorous empirical research that could offer convergent evidence” (Schilke et al., 2021, p. 252). Very few scholars (e.g., Shockley et al., 2015; Skinner et al., 2014 and Gargiulo & Ertug, 2006, in: Schilke et al., 2021) study the downside of trust, with Gambetta (1988) one of the first who highlighted trust ties being problematic under certain conditions (Skinner et al., 2014). Schilke et al. (2021) highlights that the exploitation of trust can harm the trustor economically and emotionally. Trust often entails unwanted obligations, making it

undesirable in a trustee's view (Schilke et al., 2021). A maximum level of trust is linked to exaggerated optimism and low vigilance, suggesting an optimal level of trust among people in societies (Schilke & Huang 2018).

Poor judgement resulting from systemic biases that lead to 'flawed judgements,' crossing a critical confidence level and excessive but inappropriate and ill-judged trust in people are linked to the dark side of trust (Skinner et al., 2014). Situations where trust is misplaced can lead to betrayal or disappointment, in Skinner et al.'s (2014, p. 209) view "inherent to the experience and hence unavoidable in any trusting encounter." The denial or reinterpretation of suspicious conduct greatly enhances the abuse of trust and the susceptibility to manipulation (Lewicki et al., 1998; Skinner et al., 2014). Unconditional trust in social relationships can be dangerous (Lewicki et al., 1998), while "increases in distrust can serve the purposes of enabling the emergence of greater trust in social systems" (Luhmann, 1979, in Lewicki et al., 1998, p. 441).

As a result of exchanges in relationships, trust can strengthen or decline (Skinner et al., 2014). In business situations, trust can serve as a manipulative tool "if it is viewed as a lubricant to make an operation more efficient" (Flores & Solomon, 1998, in: Skinner et al., 2014, p. 208). Skinner et al. (2014, p. 209) point to the deliberate or unintentionally created "dark side situations" at work, negatively impacting an individual, but understand the dark side of trust as "inherent in the very nature of the trust relationship; it is in essence about exchange, reciprocation, and obligation" (Skinner et al., 2014, p. 209).

Trust facilitates cooperation and efficient market collaboration, fosters lower transaction costs, and enables companies to effectively manage complexity and change (Molina-Morales et al., 2011). But beyond a tipping point, it can diminish the expected

benefits and decrease innovation outcomes (Molina-Morales et al., 2011). Molina-Morales et al. (2011, p. 119) highlight trust as conditional good. It is beneficial in taking risk and transferring tacit knowledge. An overinvestment in trust, however, can lead to taking unnecessary risks or the misallocating or exploiting resources with little value for organizations, resulting in a significant negative impact on a firm's innovation performance (Molina-Morales et al., 2011).

### ***Customer Trust in the Literature***

Over the past decades, scholars and psychologists have studied customer trust across disciplines (Bauer & Freitag, 2017), such as marketing and management (Mayer et al. 1995; Morgan & Hunt 1994), information systems (Koufaris & Hampton-Sosa, 2002; McKnight & Chervany, 2002; Walterbusch et al., 2014; Wang & Emurian 2005), and organizational theory (Schoorman et al., 2007). Customer trust, according to research, has many benefits. It fosters constructive dialogue and a cooperative approach to problem-solving and facilitates the exchange of information and commitment to execute agreements (Schurr & Ozanne, 1985). Trust is easier built than regained, which opened other research areas, such as 'trust violation' (Cropanzano et al., 2017) and 'trust recovery,' that spurred academic interest in the last years (please see, e.g., Božič et al., 2020; da Rosa Pulga et al., 2019; Xie & Peng, 2009 on trust recovery). Both topics are outside of this research study.

Difficulties in defining and measuring trust led to challenges in studying this concept (Koufaris & Hampton-Sosa, 2002; Mayer et al., 1995). Research mainly discusses customer trust on an individual level and in the context of a collaboration with a salesperson (e.g., Guenzi, 2002; Guenzi & Georges, 2010; Swan et al. 1985; Swan et

al., 1999; Swan & Nolan, 1985). Swan et al. (1985) found that a salesperson's honesty, competence, customer orientation, likeability, and dependability increase customer trust. Related to that, Bradford et al. (2009) describes business-to-business sales personnel as boundary spanners between a firm and its customers. Also, how satisfied salespeople are with their jobs impacts their readiness to support customers (Bradford et al., 2009). Fulmer and Gelfand (2012, p. 1170) distinguish between three referents in their work 'At what level and in whom we trust: Trust across multiple business levels': "interpersonal, team, and organization." Definitions vary across scholars and organizational levels, as stated in Table 13.

**Table 13. Customer Trust Across Levels of Analysis**

<b>Level</b>	<b>Examples of Definitions of Customer Trust across Levels of Analysis</b>
Individual	Trust is "a confident belief that the salesperson can be relied upon to behave in such a manner that the long-term interest of the customer will be served" (Crosby et al., 1990, in: Guenzi, 2002, p. 753)
Team	"Trust in a collectivity of interdependent people pursuing a shared goal with inherently unique dynamics" (Fulmer & Gelfand, 2012, p. 1170)
Organization	"Trust is the willingness to rely on an exchange partner in whom one has confidence" (Ganesan, 1994, p. 3)

This study applies Mayer et al.'s (1995, p. 712) definition of customer trust. Trust is "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party." Mayer et al. (1995, p. 712) describe this definition as "applicable to a relationship with another identifiable party who is perceived to act and react with volition toward the trustor" (Mayer et al., 1995, p. 712), and, with that, extend the trust definition of Gambetta (1988) by adding vulnerability as a critical condition.

### *Demarcation between Customer Trust and Confidence*

Some scholars (e.g., Mayer et al., 1995) describe the connection between trust and confidence as amorphous. One example is Cook and Wall (1980, p. 39), who understand trust as the “extent to which one is willing to ascribe good intentions to and have confidence in the words and actions of other people.” Morgan and Hunt (1994, p. 23) understand trust as “confidence in the exchange partner’s reliability and integrity,” highlighting how crucial confidence and reliability are in the conceptualization of trust (Garbarino & Johnson, 1999). Rotter’s (1967) and Moorman et al.’s (1992) definitions of trust (pls. see table 8) point to the importance of confidence (Morgan & Hunt, 1994). Lewis & Weigert (1985, p. 971) define trust “as the undertaking of a risky course of action on the confident expectation that all persons involved in the action will act competently and dutifully.” Different than confidence, emphasizes Luhmann (1988, in Mayer et al., 1995), trust requires the existence of a previous engagement that leads to the recognition and acceptance of risk. Others (e.g., Coleman, 1994) do not distinguish both concepts (Mayer et al., 1995). Blomqvist (1997, p. 37) distinguishes from trust, defining confidence as “the actor expects something to happen with certainty and does not consider the possibility of anything going wrong.” If alternatives are not considered, so Mayer et al. (1995) and Blomqvist (1997), one is in a state of confidence. A strong belief in the reliability and integrity of the other party, reflected in qualities such as “consistent, competent, honest, fair, responsible, helpful, and benevolent,” leads to confidence, highlight Morgan and Hunt (1994, p. 23).

### ***Customer Trust at an Interorganizational Level***

For decades, researchers highlight the crucial role of trust in organizational settings (Fulmer & Gelfand, 2012; Morgan & Hunt, 1994) and inter- and intra-organizational relationships (Schilke & Lumineau, 2023; Seppaenen et al., 2007; Rousseau et al. 1998). Scholars look at inter-organizational trust (IOT) from a vertical and horizontal perspective to shed light on its role in partnerships, alliances, and customer-vendor relationships, mainly in industries such as technology, telecommunications, and discrete industries (Child 2001; Sepaennen et al., 2007).

Scholars analyze interorganizational trust on (1) an individual (micro) level, i.e., between individuals of different organizations, and (2) between organizations (organizational - macro - level), pointing to the concept's ambiguity (Schilke & Lumineau, 2023). To offer a differentiation between both levels, Schilke and Lumineau (2023, p. 2) developed a framework that shares “antecedents of organizational actorhood” —organizational identity strength, formalized organizational structures, and intraorganizational network density—that explain the conditions under which an individual or organization is the objective of trust. Table 14 explains the three antecedents derived by Schilke and Lumineau (2023, p. 21-27), that are important to understand in this study.

**Table 14. Micro and Macro Level Considerations of Interorganizational Trust**

	Organizational Identity	Formal Organizational Structure	Intraorganizational Network Density
Definition	<ul style="list-style-type: none"> <li>▪ A firm's central, distinct attributes; 'Who we are.'</li> <li>▪ "Cognitive filter through which members perceive, interpret, and act upon the organization's external environment, including relevant collaboration partners."</li> </ul>	<ul style="list-style-type: none"> <li>▪ "Normative context that shapes reality for the organization; formal structures support institutionalized decision-making"</li> </ul>	<ul style="list-style-type: none"> <li>▪ "The extent to which all actors in a given social network -here, the trusting organization-are connected by direct relations"</li> </ul>
Criteria	<ul style="list-style-type: none"> <li>▪ Widely shared beliefs among an organization's individuals.</li> <li>▪ Distinctive behavior guided through informal directives.</li> <li>▪ Shapes decision-making and gives guidance on behavior in everyday interactions.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Guides "cognition and behavior through formal rules, incentive systems, explicit norms, and specific routines"</li> <li>▪ "Formal structures demarcate information environments and specify behavioral constraints that define how members should carry out their duties when acting on behalf of the organization."</li> </ul>	<ul style="list-style-type: none"> <li>▪ "Maximum intraorganizational network density [...] occurs if everyone in the organization knows and interacts with everyone else, exposing each organizational member to information and reactions from all other organizational members."</li> </ul>
Relevance to trust	<ul style="list-style-type: none"> <li>▪ "Constitutes a critical source of institutionalization and thus supports the organization's capacity to act as a trustor in its own right."</li> <li>▪ "Provides relevant prescriptions for what the organization is and what it does, with direct implications for appropriate trust perceptions and behavior."</li> <li>▪ "Individual agents' trust is likely to align with the character of the organization and its overall trusting stance."</li> <li>▪ "Creates a strong frame that heavily anchors actors' sensemaking and their framing of trust decisions."</li> </ul>	<ul style="list-style-type: none"> <li>▪ Formal "structures are key to organizations' collective decision-making capacity and a fundamental component to organizational actorhood."</li> <li>▪ "Play an important role in the placement of trust and act on several stages of the trust formation process."</li> <li>▪ "Direct attention to particular pieces of routinely gathered information that serve as bases for trust decisions."</li> <li>▪ "Formal structures and their associated decision-making mechanisms support the resulting trust behavior."</li> </ul>	<ul style="list-style-type: none"> <li>▪ "Organizations with greater intraorganizational network density will exhibit stronger actorhood as trustors."</li> <li>▪ "Dense networks are known to facilitate information transfer, especially when actors face social uncertainty, such as during trustworthiness assessments."</li> <li>▪ "If actors are densely connected, it is easier for them to calibrate their assessments based on a joint understanding of the organization's trusting stance."</li> <li>▪ "Organizational members in a densely connected network are more likely to draw on the organization's institutionalized trust orientation when determining the appropriate amount of trust to place in a partner."</li> </ul>

Source: Author (adapted from Schilke & Lumineau, 2023, p. 21-27)

Thomas and Kozhikode (2008) study trust in customer relationships and highlights three entities that are common in customer relationships: (1) the company that offers the product or service (corporate brand), (2) the product or service itself (product

brand), and (3) the personnel of the firm or service provider, explained as ‘customer interface.’ Trust, so Thomas and Kozhikode (2008) is connected to all three entities. Sepaennen et al. (2007) and Blomqvist (1997) confirm that trust is one of the critical success factors in establishing cross-company relationships. Moorman et al. (1992) believe that trust impacts the overall relationship between a firm and its customers, and besides commitment, is the primary predictor of a company’s future buying intentions. Zhong et al. (2017, p. 1) highlight in their meta-analysis three inter-organizational trust theories: “transaction cost economics, social embeddedness theory, and resource dependence theory” that conceptualize the perceived risk inherent in IOT (please see Figure 9).

### **Interorganizational Trust Theories**

<b>Transaction Cost Economics Theory</b>	<b>Social Embeddedness Theory</b>	<b>Resource Dependence Theory</b>
<p>Assumes opportunism of the firm, e.g., production of poor-quality goods, late product delivery, or contract violations</p> <p>A firm achieves its economic objectives through “bilateral economic activity” and transactions.</p> <p>Calculation of “benefits and costs of trusting actions”, e.g. asset investment</p>	<p>Emphasis on “social connections in safeguarding against risks”</p> <p>The familiarity between firms grows over time through repeated interactions and transactions, facilitating trust; reciprocated care and similar values support the development of a friendship that decreases perceived risks</p>	<p>“Dependence as a necessary condition for trust to occur”</p> <p>“Dependent or interdependent firms are tied together for complementary resources and capabilities”</p> <p>“Although firms perceive various relational and performance risks, they develop trust from their knowledge of the partner firm’s competence and/or goodwill”</p>

Source: Author (adopted from Zhong et al., 2014, p. 4)

### ***Figure 9. Main Inter-Organizational Trust Theories***

Wilson and Jantrania (1994) understand customer trust as fundamental to relationship building, and Ring (1996) highlights trust between business partners across firms as vital to economic exchange. Zhong et al. (2017) adds interdependence and risk as inherent in IOT. While the trusting firm must be willing to accept a risk,

interdependence determines the extent to which an organization is willing to engage in risk-taking (Zhong et al., 2017). Graebner (2009, p. 436) adopts Zaheer et al.'s (1998) view and defines it as “the ‘collectively held orientation’ of a group’s individual members toward another group or firm.” While within organizations, trust is linked to customer loyalty, commitment, and collaboration; it is a factor that drives competitive advantage and supports customers with buying activities, often perceived as complex (Božič et al., 2020). Connected to that, Anderson and Narus (1991) recommend that firms analyze their customer relationships and segment them on a scale ranging from transactional to collaborative relations (Garbarino & Johnson, 1999) because customers’ expectations of business relationships vary.

Research suggests a strong positive relationship between a firm’s market orientation and its success with product innovations (Baker & Sinkula, 2005). Synergies can be achieved due to a high market orientation while products are differentiated according to customer needs, resulting in improved product quality, customer retention, and trust (Baker & Sinkula, 2005). Hirschman’s (1972) book ‘Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations, and States’ explains two customer reactions when the product quality declines - exit and voice (Dowding et al., 2000). Customers, according to Hirschman (1972), consider ‘exit’ when the quality of a product worsens, or prices increase. While lower revenue (due to customer loss from higher prices) might not lead to a reaction by the acquirer, a decline in product quality that results in customer exit and negatively impacts the acquirer’s market share, should lead to a response to maintain market share (Dowding et al., 2000). Voice refers to signaling discontent by expressing concerns (Dowding et al., 2000). Voice, according to Hirschman

(1972, p. 30) attempts to initiate changes “whether through individual or collective petition to the management directly in charge, through appeal to higher authority with the intention of forcing a change in management, or through various types of actions and protests, including those that are meant to mobilize public opinion.” In both cases, exit and voice, time is required to respond to complaints. While the window might be too short in the case of an exit, the likelihood of a firm’s reaction is higher the louder the voice becomes (Dowding et al. 2020). Baker and Sinkula (2005) highlight the ability of a firm to implement organizational learning capabilities to enable faster learning than its competition combined with the ability to foster customer trust and commitment can create sustainable competitive advantage.

While the relationship between a firm and its customers can depend on numerous constituents, such as the brand name, the product, or employees’ performance, customer trust is critical in developing loyal customers (Nguyen et al., 2013). Related to that, Blomqvist (1997) distinguishes between trust in an organization, described as ‘organizational trust’ by some scholars, connected to a firm’s identity and values, and trust in an individual. Customer trust has a decisive role in the buyer-seller relationship, particularly in terms of loyalty and a customer’s behavioral and buying intentions, as highlighted in the marketing literature (Nguyen et al., 2013). Graebner’s (2009) work, for instance, highlights asymmetric perspectives whether the collaboration partners are trustworthy, influencing the behavior of both parties, including a deceptive tendency or measures against deception. In international contexts, Doney et al. (1998) highlight the interaction between national cultures and trust and suggests training programs that

increase the understanding of how trust can be established with internal and external stakeholders such as customers.

A construct, interrelated to trust, according to Gounaris (2005), is commitment. It stimulates a bond between the business partners and fosters a productive cooperative environment (Gounaris, 2005), for instance, due to the commitment of valuable resources such as knowledge and financial means (Child 2001). As a result of that, uncertainty is reduced while the efficient utilization of resources and the value that is generated, increases (Gounaris, 2005). Morgan and Hunt (1994) highlight that if trust is accompanied by commitment, high-risk actions will be considered prudent because the involved partners will not show opportunistic behavior. Walter et al. (2002) emphasize that a high perception of value by the customer indicates higher customer trust levels, increasing the chances that the customer will continue the business relationship (Gounaris, 2005). Trust reduces harmful conflict, promotes effective crisis response management (Fulmer & Gelfand, 2012), and facilitates cooperative behavior (Gambetta, 1988).

Companies that can manage conflicting tensions, such as alignment and adaptability, change and preservation, and exploitation and exploitation to innovate, are 'ambidextrous' in nature (Chams-Anturi et al., 2022; Gibson & Birkinshaw, 2004). Chams-Anturi et al. (2022) found that organizational trust has a positive relationship with ambidexterity, pointing to the importance of trust in organizations. Ambidextrous firms can respond to divergent demands with an appropriate organizational structure, enabling faster reactions to changing business and market conditions (Grundeis, 2006). Constantly changing requirements present a dilemma to organizations, requiring continuous

alignment to fit strategy, organizational structure, and culture (Tushman & Reilly, 1996), while being able to manage the increased complexity that results from their growth objectives (Tushman & Reilly, 1996). Related to that, Du and Williams (2017) highlight that trust reduces managerial monitoring and gives employees more freedom to innovate while the system complexity is reduced. This is especially important when organizations face complex organizational changes and manage ambidextrous situations, for instance, arising from an acquisition.

### ***Customer Trust in Acquisitions***

Research suggests the crucial role of trust in acquisitions (e.g., Graebner & Eisenhardt, 2004) because acquisitions foster inter-organizational conflict due to divergent management styles, business cultures (Stahl & Sitkin, 2005), and competing firm strategies. While trust, according to Stahl and Sitkin (2005) plays a critical role in integration processes after acquisitions, literature is scarce (Graebner, 2009; Stahl & Sitkin, 2005) and requires more work to extend theory (Graebner, 2009). Interviews with acquired stakeholders and case studies point to anecdotal evidence that the time after the announcement of the acquisition is the riskiest to damage trust that is difficult to restore (Stahl et al., 2012; Stahl & Sitkin, 2005). This is confirmed by Graebner (2009), who highlights the development of distrust after the acquisition deal closed when promises by the acquirer are not met. That points to the interconnectedness of trust to the concepts of risk, vulnerability, and “uncertainty regarding the motives, intentions, and prospective actions of others on whom they depend,” highlighted by several scholars (Kramer, 1999, p. 571). Some studies (e.g., Graebner & Eisenhardt, 2004) indicate settings that foster trust, such as shared network ties (D’Aveni & Kesner, 1993) and prior relationships

between the buyer and seller, which increase the occurrence of acquisitions. Connected to that, Blomqvist (1997) highlights the temporal dimension of trust because trust between partners acts as a link between prior experiences and the anticipation of the future. Stahl et al. (2012), however, found out that the collaboration history between the involved firms and power asymmetries poorly predict trust. Instead, the integration speed, the quality of the communication, and cultural sensitivity and tolerance of the acquirer play a major role in influencing the trust of the target firm (Stahl et al., 2012), potentially mirrored to the acquired company's customers. Trust can reduce management costs and boost collaborative innovation (Miles et al., 2000), which is specifically relevant when a firm acquires an organization to enhance innovation. If, in the acquisition, involved firms share similar cultural values and norms, trust will be facilitated, which fosters group identity, while potential conflicts are reduced (Stahl et al., 2012). Stahl et al.'s (2012) study discovered trust as a mediator of the impact of the integration approach and the applied management practices on the result of the post-acquisition integration. Trust, according to Stahl et al.'s (2012) work, is a mediator of the integration process variables that influences the realization of synergies, a main objective as an organization grows more complex because of an acquisition (Larsson & Finkelstein, 1999). Credible and relevant information, provided in a timely manner and cultural sensitivity impact how trustworthy the acquirer is perceived (Stahl et al., 2012), because the propensity to trust differs between cultures (Blomqvist, 1997).

The post-acquisition integration stage has shown to negatively impact customers' perception of the customer-company relationship, and customer loyalty after a firm got acquired (Alvarez-Gonzalez & Otero-Neira, 2023). However, if customers perceive the in

the acquisition involved brands as a good fit or observe endurance in the corporate identity, it can result in a positive customer reaction (Alvarez-Gonzalez & Otero-Neira, 2023). Uncertainty due to the 'new normal' after the acquisition and the changes following from it, results in little trust (Stahl et al., 2012) and cause trust issues in internal and external stakeholders. Customer trust is also affected if the customer-firm relationship needs reconfiguration because of the acquisition. Rumors, unclear information, and ambiguities about how a future business relationship will develop lead to uncertainty and a loss of trust (Alvarez-Gonzalez & Otero-Neira, 2023). Mitigating factors, as outlined by Alvarez-Gonzalez and Otero-Neira (2023) and Bauer et al. (2020), can be the firm's communication, for example about the impact of the acquisition such as improved customer service rather than cost savings (Kato & Schoenberg, 2014), and how fast the change is implemented.

Acquisitions are strategic choices that impact many internal and external company stakeholders, such as customers and employees, with a high level of uncertainty and risk, emphasizing the role of trust (Alvarez-Gonzalez & Otero-Neira, 2023). The initial phases of an acquisition are crucial to build a shared vision and reduce uncertainty. With that, a trusted business relationship can be built that has potential to grow over time (Alvarez-Gonzalez & Otero-Neira, 2023). Employees play a key role in working with customers during the integration process, a finding of Alvarez-González and Otero-Neira's (2019) study. Strong trust in employee capabilities (Grundeis, 2006) and a high degree of trustworthiness in employees influence the extent of monitoring, impacting the evolving organizational design after an acquisition. Examples such as the Macy's takeover show that customers do not readily welcome mergers and acquisitions (Thorbjørnsen &

Dahlén, 2011). But familiar faces help customers manage the change after an acquisition and continue the relationships built over time (Alvarez-González & Otero-Neira, 2019). This will impact customer satisfaction, trust toward the acquirer, and the maintenance of value customers receive after an acquisition (Alvarez-González & Otero-Neira, 2019). In contrast to that, Öberg (2008), Bekier and Shelton (2002), and Thorbjørnsen and Dahlén (2011) confirm that acquisitions can cause negative customer reactions (Homburg & Bucierius, 2005), that result in a loss of trust, commitment, and loyalty, leading to a discontinued business relationship. Related to that, brand perception influences customer choices. Research shows that brand equity, defined as “outcomes that accrue to a product with its brand name compared with those that would accrue if the same product did not have the brand name,” (Ailawadi et al., 2003, p. 1) predictably affects “customer retention, retention, and profitability” (Stahl et al., 2012, p. 59). Stahl et al. (2012) highlight the four pillars of customer-based brand equity in the context of customer acquisitions: differentiation, relevance, esteem, and knowledge and their impact on customer-lifetime-value.

Customer-Based Brand Equity				
	Knowledge	Relevance	Esteem	Differentiation
<b>Definition</b>	The degree of a customer's familiarity with the brand	The degree to which customers believe the brand is relevant to their needs	“The regard customers have for the brand's quality, leadership, and reliability” Captures Brand association	“The extent to which the brand is seen as different, unique, or distinct.”
<b>Impact on Customer-Lifetime-Value (CLV)</b>	Strong positive impact on all three CLV-component: customer acquisition, customer Retention, profit margin	“Relevance is highly correlated with customer retention” and acquisition.	“Esteem is positively related to customer retention but not to acquisition.”	Associated with higher customer profitability, but also lower acquisition and retention rates

Source: Author (adopted from Stahl et al., 2012 p. 44, 45)

**Figure 10. Customer-Based Brand Equity in the Context of Acquisitions**

Figure 10 explains each pillar and its impact on customer-lifetime value in more detail. Organizations that seek to realize synergies from an acquisition need to manage

integration efforts from an internal, external, and partner perspective and update potential pre-existing routines. For that, developing joint procedures and trust is invaluable in addition to orchestrating the common integration processes (Feldman & Hernandez, 2022).

### **Semi-Structured Interviews**

Interviews are the most appropriate method to learn from different external stakeholders impacted by an acquisition and to gain deeper insights into the effects of organizational complexity and the role of customers, and their impact on product innovation performance during the post-acquisition integration stage. As this study requires specific post-acquisition integration knowledge and cross-functional understanding, it uses a homogenous sample with interviewee participants who share critical similarities (DiCicco-Bloom & Crabtree, 2006), knowledge and experience in orchestrating and managing acquisition integrations, to investigate the interview questions.

### ***Description of the Demographics and Data***

To create a list of potential interview partners, the author leveraged its global business network and an “snowball sampling” approach (Biernacki & Waldorf, 1981, p. 141), also known as referral sampling (Biernacki & Waldorf, 1981), which is a widely employed technique and sampling method in qualitative research (Noy, 2008). It seeks to gain interview partners through referrals made among individuals with similar characteristics or know others who know about the phenomenon being studied (Biernacki & Waldorf, 1981). Snowball sampling, used as an “auxiliary mean,” enriches the study sample, and enables access to additional interview participants (Noy, 2008, p. 330;

Sharma, 2017). It is appropriate as an additional way to find informants because insider knowledge to find the people involved in post-acquisition integration projects is required (Biernacki & Waldorf, 1981). Beyond that, the author has sent seven personal invitation messages on LinkedIn to executives who identified themselves as experts in M&A integration in their profile. Out of the seven individuals contacted, only two responded. One LinkedIn contact accepted the invitation and attended an interview. The second respondent provided a firm contact responsible for M&A integration to reach out to for an interview. While this individual was interested, he had to decline citing the firm's legal team and company policies preventing him from attending. The final interviewee sample includes 10 of the author's direct contacts, 14 referrals from acquaintances, and one individual who reacted to the author's personal invite on LinkedIn.

Over several months (February 2023 through December 2023), 25 semi-structured interviews have been conducted with senior executives and customers from public and private companies. Table 15 shows the key demographics of the interviewees.

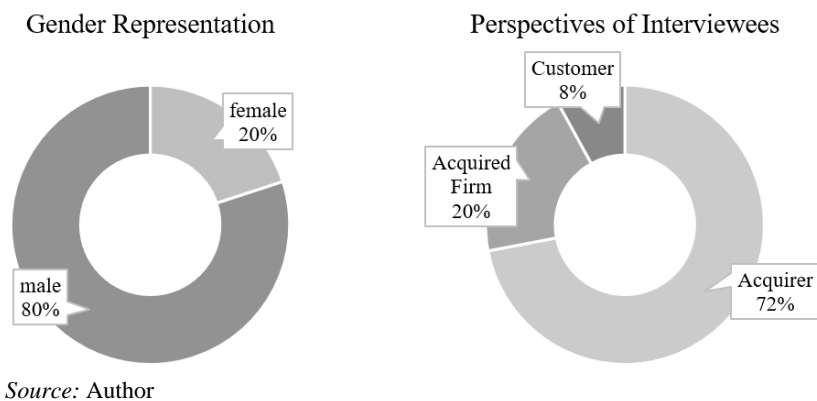
***Table 15. Demographics of Interviewees***

<b>Interview Participants</b>	<b>Perspective</b>	<b>Role/Title</b>	<b># of Years Post-Acquisition Integration Experience</b>	<b>Industry</b>	<b>Gender</b>
Interviewee 1	Acquired Firm	Vice President of Integration and Enablement	>5years	Technology	Female
Interviewee 2	Acquired Firm	Chief Operating Officer	]>5years	Technology	Male
Interviewee 3	Customer	Chief Technology Officer	>20 years	Banking	Male
Interviewee 4	Acquirer	Chief Innovation Officer	>20 years	Automotive	Male
Interviewee 5	Acquirer	Chief Procurement Officer	>5 years	Banking	Male
Interviewee 6	Acquirer	Chief Technology Officer	8 years	Professional Services	Male

<b>Interview Participants</b>	<b>Perspective</b>	<b>Role/Title</b>	<b># of Years Post-Acquisition Integration Experience</b>	<b>Industry</b>	<b>Gender</b>
Interviewee 7	Acquirer	Chief Procurement Officer	>5years	Technology	Male
Interviewee 8	Acquired Firm	Chief Executive Officer	30+ years	Technology	Male
Interviewee 9	Acquirer	Senior Director M&A Integration	>10 years	Industrial Automation	Male
Interviewee 10	Acquirer	Managing Director	>5years	Manufacturing	Male
Interviewee 11	Acquirer	Chief Executive Officer	>20 years	Technology	Male
Interviewee 12	Acquired Firm	Director Integration	>5 years	Technology	Male
Interviewee 13	Acquirer	Chief Executive Officer	>10 years	Financial Services	Male
Interviewee 14	Acquirer	Chief Executive Officer	13 years	Healthcare	Male
Interviewee 15	Acquirer	Senior Executive Corporate Development	>15 years	Technology	Female
Interviewee 16	Acquirer	Executive Corporate Development	9 years	Accounting, Tax & Consulting	Female
Interviewee 17	Customer	Global Operations Executive	>7 years	Financial Services	Female
Interviewee 18	Acquirer	Senior Executive M&A Integration	17 years	Professional Services	Male
Interviewee 19	Acquirer	Executive M&A Integration	>5 years	Technology	Male
Interviewee 20	Acquired Firm	Chief Operating Officer	>5years	Technology	Female
Interviewee 21	Acquirer	Senior Executive Corporate Development	30 years	Pharma/ Healthcare	Male
Interviewee 22	Acquirer	Chief Innovation Officer	30+ years	Technology	Male
Interviewee 23	Acquirer	Executive Corporate Development	30 years	Energy & Resources	Male
Interviewee 24	Acquirer	Executive Corporate Development	>13 years	Automotive	Male
Interviewee 25	Acquirer	Senior Executive, M&A Integration	>15 years	Technology	Male

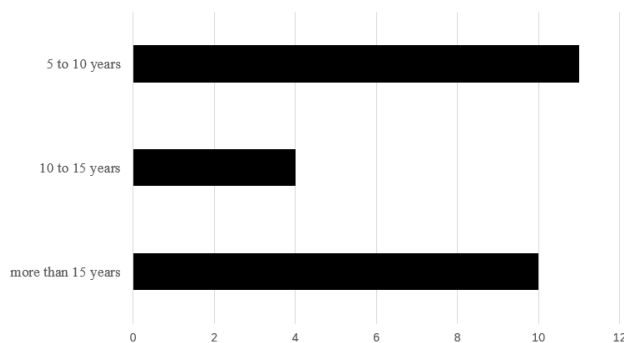
All participants are senior executives in private and public companies across different industry segments with more than five years of acquisition experience as a customer,

acquirer, or acquired firm. The data set includes three perspectives, with the acquirer perspective (18 participants) prevailing.



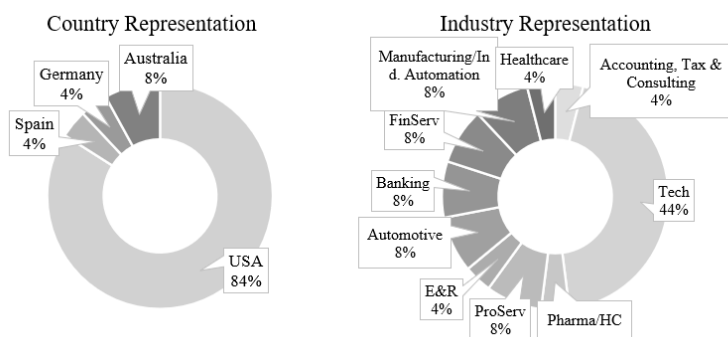
**Figure 11. Interview Representation of Genders and Perspectives**

Two interviewees have shared their experience from a customer perspective and five from an acquired firm standpoint. 20% of the subject matter experts are female and 80% male (Figure 11). All interviewees have more than five years of experience in orchestrating and managing post-acquisition integrations. Most interview participants have more than ten years of integration experience while six interviewees contributed insights based on more than 20 years of experience in orchestrating and managing the integration of acquisitions.



**Figure 12. Post-Acquisition Integration Experience of Interviewees**

Figure 12 provides a summary of the interviewees' experiences with acquisition integrations. Eleven executives have brought experience from the technology industry. Others gained their experience in the professional services (8%), financial services and Banking (16%), the Pharmaceutical and Healthcare industry (8%), Energy & Resources (4%), Manufacturing and Industrial Automation (8%) and Automotive (8%) industries. Most of the interviewed senior executives (84%) were in the United States; some joined the virtual meeting from Spain, Germany, and Australia. Figure 13 summarizes the industry- and country specific details of the interview participants.



Source: Author

**Figure 13. Interview Country and Industry Representation**

Due to the time constraints of the study and the limited access to a highly experienced group of experts, this research has conducted a feasible number of interviews with each target group. Specifically, getting access to customers of the acquired firm requires insider information that was available to a limited extent only.

### **Data Collection**

To inform and enhance the insights from study 1, the author has conducted 25 semi-structured interviews. The author recorded the interviews, that lasted between 30 and 74 minutes, on MS Teams or Zoom, took field notes, and derived the transcripts or

used a transcription service to transcribe the audio recordings. Six interviews took about 30 minutes, the remaining 19 interviews were between 45 to 74 minutes long. In total, the author spent 1,209 minutes (20.15 hours) to interview all participants (please see the interview log in Appendix C). The interviews were recorded after the participant had approved the recording, and field notes were taken. That allows for an accurate data analysis, reduces interviewer error, and ensures that the participant's insights are adequately represented (Barriball & While, 1994; Halcomb & Davidson, 2006). It also enhances “the validity and reliability of the research findings” (Barriball & While, 1994, p. 332).

To collect data and information from the interviewees, an iterative approach as proposed by Knott et al. (2022) has been used, i.e., interview data were analyzed after 4-5 interviews. An iterative approach in the interview analysis process can change the questions because the interviewer acquires new knowledge about the subject (DiCicco-Bloom & Crabtree, 2006). It allows “purposeful sampling” to maximize the insights and details to investigate the research question (DiCicco-Bloom & Crabtree, 2006, p. 317).

Following ethical principles in research is of utmost importance, especially when humans are studied. While this study interviews participants, the information shared during the interviews are related to experiences with acquisition integrations rather than personal data and information. Temple University’s institutional review board (IRB), an institution that protects human research participants (Abbott & Grady, 2011), reviewed the research request, and approved it with an ‘IRB exempt’ (please see Appendix H), indicating this research as ‘minimal risk’ of harm to participants and excluding it from additional procedures required in human subject research. Thus, no written

documentation of consent was required. The Institutional Research Board of the Temple University approved this study (protocol number 30172) on January 23, 2023.

### ***Data Analysis***

The data analysis, “the systematic search for meaning,” is critical in the research process (Leech & Onwuegbuzie, 2007, p. 148). Data gathered in the interviews are organized and interrogated in ways that enable the identification of themes and relationships and the explanation and interpretation of the collected information (Leech & Onwuegbuzie, 2007). The process of data interpretation involves subjectivity inherent in qualitative studies (Jonson & Jehn, 2009). To increase the reliability and validity of the findings, data from a variety of senior executives in private and public companies has been collected to gain multiple perspectives of the same phenomenon (Jonson & Jehn, 2009). The interviewed senior executives have long-term experience in their specific field, often across companies and industries. That results in insights from a variety of situations the post-acquisition integration took place (e.g., industry, company), enabling to potentially reveal atypical data and identify patterns (Thurmond, 2001).

**Preparation of Interviews for Analysis.** To prepare the interview material for data analysis applying Ose’s approach (2016), the recorded transcripts were derived from MS Teams or Zoom and cleaned before their transfer to MS Excel. The Audio files to obtain transcripts were processed with Amazon Transcribe. To ensure accuracy, the researcher listened to the video and audio files while reading the transcripts because the commas or periods can change the meanings of sentences (DiCicco-Bloom & Crabtree, 2006). Notes taken during the interviews enriched the transcriptions with information on body language, non-verbal cues, and specific participant behaviors to provide additional

context to the analysis. Scholars (please see, e.g., Wengraf, 2001; Halcomb & Davidson, 2006) point to written field notes as being superior to audio recordings if immediately taken during or right after the interview because of the difficulties and error-proneness inherent in transcribing audiotapes verbatim and the subsequent coding, negatively impacting the data collection.

**Interview Coding.** Data mapping to create an overview of the collected data (Elliott, 2018) enables data organization in preparation for the analysis (Myers, 2020). While ‘In Vivo Coding’ “is one of the most well-known qualitative coding methods” (Miles et al., 2020, p. 65), the author used a traditional coding approach that enables immersion into the data and reflection of the interviews by going back to the recordings, transcripts, and notes collected during the interviews. For that, data and information collected from the interviews were summarized in words or phrases (codes) to aid linking the data to their meaning (Charmaz, 2001, in: Miles et al., 2020). Over the course of the interview collection, new interviews were continuously analyzed, allowing ongoing data collection in iterative cycles (Miles et al., 2020). Here, Knott et al. (2022) approach will be used. That typically leads to perspective changes (Miles et al., 2020) as researchers develop something new to answer the research question (Elliott, 2018).

To guide the coding process, the author used ‘provisional coding’ (Miles et al., 2020), an exploratory method (Onwuegbuzie et al., 2016), that uses a “predetermined start list” (Saldaña, 2013, p. 144) generated by the author before coding (Miles et al., 2020; Saldaña, 2013), and derived, as suggested by Saldaña (2013), from 1) the main constructs in the research questions and hypotheses, 2) the literature review, 3) anticipated categories and responses the data may show when collected in the interviews,

4) the insights gained from the pilot interviews, and 5) the author's knowledge of the study topic. That approach leaves flexibility to change the preliminary list of codes as the qualitative data are analyzed (Fletcher, 2017). In the initial coding, these tentative preset codes were applied during the first cycle coding but expected to change during the data analysis (Onwuegbuzie et al., 2016). Saldaña (2013) pointed out that preconceptions on the results could distort the researcher's objective and thus cautions the use of a too rigid approach to coding (Fletcher, 2017). The literature suggests a range of 12 to 60 codes as a starting point (Saldaña, 2013). The author's "start list" (Saldaña, 2013, p. 144) contained 19 provisional codes, expanding into a total of 89 items when the coding process was finished. Provisional coding is suitable for this qualitative study because it builds on previous research (Saldaña, 2013) and insights from the literature review of study one. The list of codes has been developed based on the suggested words (Miles et al., 2020) from the interview protocol (that is based on the insights gained from the literature review) that might appear in the participant's answers. During the coding process, the list of codes has been revised, modified, and expanded to add new codes (Miles et al., 2020). After an initial coding to identify main topics, sub-themes were created to identify second-order codes.

To enable conformance with the research standards of validity and reliability, the coding process must be defined, consistently applied, and rigorous (Williams & Moser, 2019). This study adopted Ose's (2016) approach to coding and used Microsoft Word and Excel to structure the data and information derived from the interviews. The words repeatedly used by the interviewees served as support to code the interviews. As proposed by Miles et al. (2020, p. 86) jottings—an "analytic sticky note"—were used to reflect on

observations such as personal and interviewee reactions during the interviews and rapidly capture thoughts throughout the data collection process. The interview data were grouped and named to derive common business sub-categories (Elo & Kyngäs, 2008). These categories were examined for close relationships and connections to derive key themes.

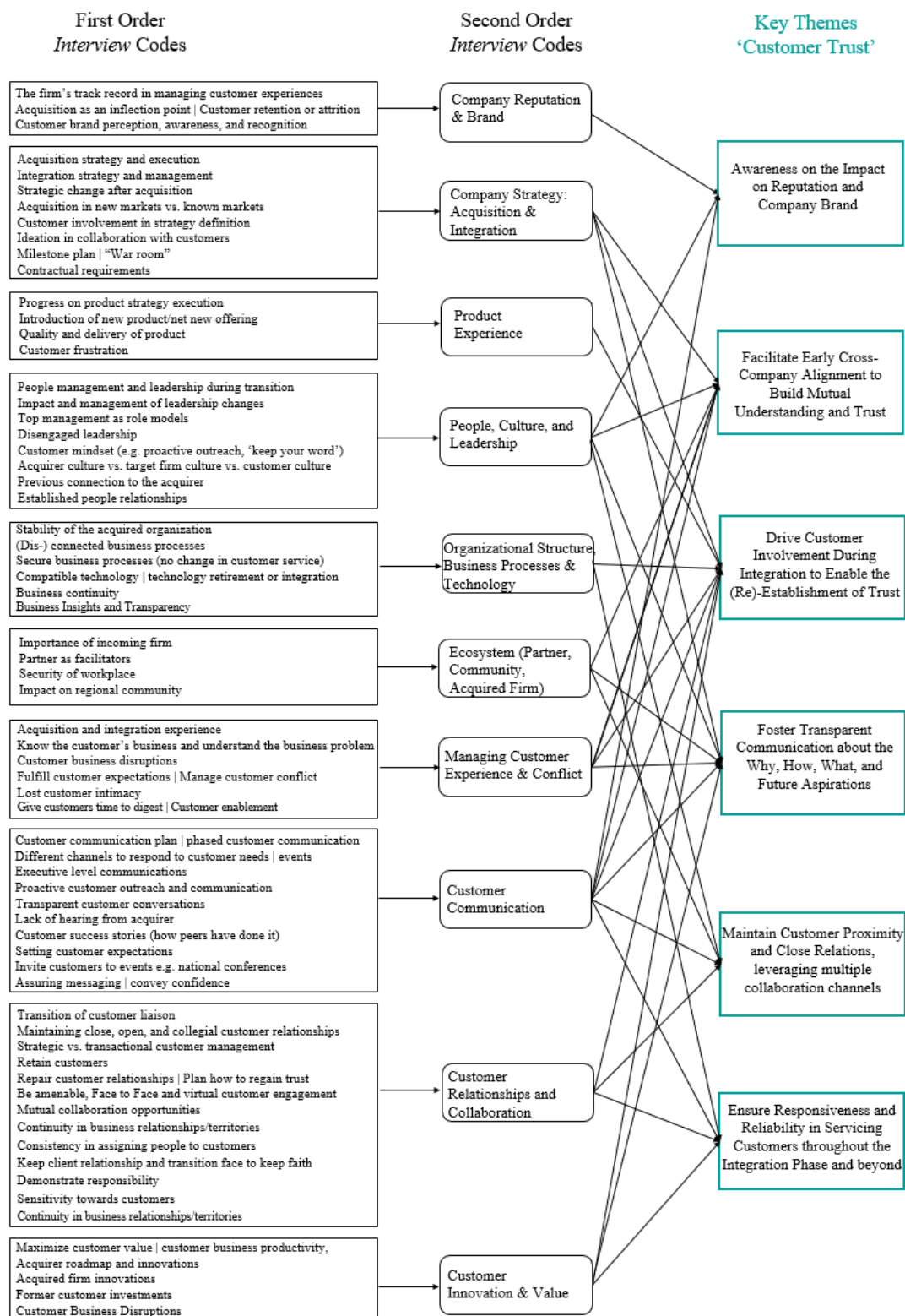
### **Interview Analysis and Results**

As noted earlier, the purpose of study two was to gain additional, new insights and compare them to the current state of research based on the discovered commonalities and differences. The coded 25 interviews and the literature reviews of study one and study two are the foundation and enable an in-depth analysis. After a summary of the interview and literature review coding, the findings are structured and presented within themes derived during the coding process and graphically illustrated in the following.

Quotes from the interviewees are summarized within each theme.

#### ***Customer Trust and Confidence in Post-Acquisition Integrations***

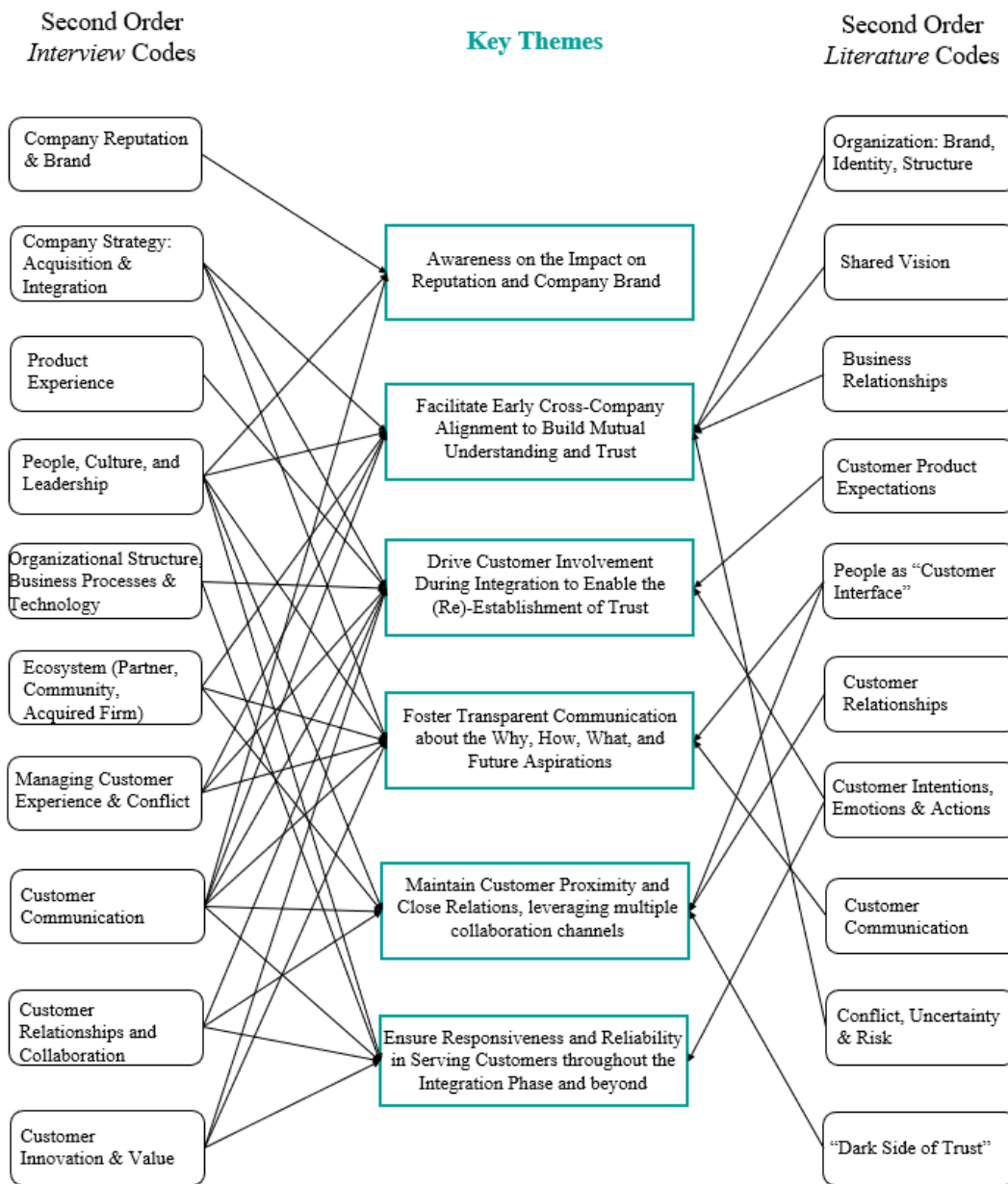
Customer trust has shown to be crucial in acquisitions and during the post-acquisition integration stage. After analyzing and synthesizing the qualitative codes, 10 second-order codes emerged: 1) Company Reputation & Brand, 2) Company Strategy: Acquisition and Integration, 3) Product Experience, 4) People, Culture, and Leadership, 5) Business Processes and Technology, 6) Organizational Ecosystem, 7) Managing Customer Experience and Conflict, 8) Customer Communication, 9) Customer Relationships and Collaboration, and 10) Customer Innovation and Value. Figure 14 shows these second-order codes which were derived from first-order codes as well as the resulting key themes which are later used for the mapping of the literature and interview codes.



Source: Author

**Figure 14. Customer Trust – Semi-Structured Interview Coding and Key Themes**

The analysis and synthesis of the coding of the conducted extended literature review resulted in additional (relevant) first-order codes from which 10 second-order literature codes emerged, illustrated in Figure 15.



Source: Author

**Figure 15. Customer – Trust Analysis of Coding Relationships**

As shown in Figure 15, the second order literature codes were mapped with key themes derived from the interview coding to a) illustrate the frequency (Saldaña, 2013) of relationships, b) gain first insights into commonalities and differences between the interviews and the literature review, and c) provide a suitable structure to discuss the results in more detail.

From the customer trust analysis, six key themes emerged: 1) Awareness on the Impact on Reputation and Company Brand, 2) Facilitate Early Cross-Company Alignment to Build Mutual Understanding and Trust, 3) Drive Customer Involvement to Enable the (Re)-Establishment of Trust, 4) Foster Transparent Communication about the Why, How, What, and Future Aspirations, 5) Maintain Customer Proximity and Close Relations, leveraging multiple collaboration channels, and 6) Ensure Responsiveness and Reliability in Serving Customers throughout the Integration Phase and beyond. They will be discussed in more detail in the following.

**Awareness of the Impact on Reputation and Company Brand.** The Company's reputation and brand emerged as one key theme that impacts customer trust. Khamitov et al. (2023) point to consumer trust as strong driver of company reputation on a business-to-consumer (B2C)-level. Other research explores corporate reputation related to strategic alliances (e.g., Costa et al., 2023; Hoelz & Bataglia, 2022; Stern et al., 2014) and partnerships (Costa & Vasconcelos, 2010). However, the importance of brand and reputation in the context of customer trust in acquisitions and the acquisition integration phase are underexplored research fields. The literature highlights a firm's acquisition experience (e.g., Cartwright & Schoenberg, 2006; Haleblian & Finkelstein, 1999; Schriber & Degischer, 2020), organization learning, and learning curves (e.g., Barkema

& Schijven, 2008; Cartwright & Schoenberg, 2006) as influential on acquisition performance and success. But the interviews showed how relevant brand, reputation, and the company's track record in providing customer experiences are in building and sustaining customer trust. Firm reputation is on crucial factor to assess the value or product of a company and, on a personal level, is used for comparisons with others and "to reduce uncertainty regarding an individual's future behavior" (Zinko et al., 2007, p. 168). In line with the link between reputation and financial performance (Davies & Miles, 1998), an acquisition, as noted by some interviewees, is often an inflection point where customers evaluate whether they stay or leave the established business relationship. The acquirer's image and reputation prior to the acquisition are indicative of how customers rate the firm's trustworthiness, as the following interview passages show:

"The acquisition was an inflection point with the customer."

"The trigger point for the customer to say, do I trust this company, do I want to stay with them or is this an inflection point to start looking at alternatives."

"The company's track record around trust is critical to at least being receptive to the new message."

Customers have certain perceptions about a firm's brand, defined as brand image (Keller, 1993). A perceived 'good fit' between brands can result in a positive customer reaction (Alvarez-Gonzalez & Otero-Neira, 2023). If customers are used to work with a certain brand for years and this organization gets acquired, trust erodes and the acquired firm's brand identity gets impacted, according to some of the interviewees. Beyond that, brand equity, understood as the product benefits resulting from the brand name (Stahl et al., 2012), is impacted. Some executives highlighted customer attrition because of distrust

after an acquisition, impacting the company's top and bottom line (Stahl et al., 2012).

Brand protection by the acquired firm has been emphasized in the cases where the acquired company experienced some level of autonomy before it got fully integrated into the acquirer's organization.

“Brand ultimately matters. It matters to the things that you go to, whether you're a consumer in a grocery store, [...] etc. Like when you said [brand], you think that's [...]. There's automatic brand association.”

“The [acquirer] kept [acquired firm brand] for quite some time and then they slowly introduce [acquired firm brand] and [acquirer brand] together. Over time, they put the logo of [acquirer brand] in front of the [acquired firm brand]. [...] it makes a difference for customers.”

“I remember sitting in the Executive Advisory Council meetings [...] and the head of [acquired company] came in and everybody was enthusiastic. [...] It was going really well and there was a strong value proposition. It was an area that gave [the acquirer] brand recognition. It gave the [acquired firm] huge channel opportunities.”

“When I first told my customers that we were being acquired and I told them that the acquirer was [acquirer]. ‘Ok, great. We're implementing [acquirer] now, but the implementation isn't going well.’ So, they kicked them out and kept us. [...] When you're a small company and want to sell into a larger company, it's almost impossible. It seems that the brand and the reputation of the acquirer place a big role.”

“If your biggest customer of the company you're acquiring is 1% of revenue, I would tend to leave that customers brand for at least a year. [...] and run it like an independent business unit.”

These statements show the interconnection of brand recognition and brand perception with an acquirer's integration approach. Some scholars disagree (e.g., Stahl et al., 2012) and others (e.g., Blomqvist, 1997; Graebner & Eisenhardt, 1997) agree with the findings from the interviews that familiarity with the acquirer brand through, for instance shared network ties (D'Aveni & Kesner, 1993; Graebner & Eisenhardt, 1997) and prior experiences play a role in predicting customer trust and the resulting customer choices. Some interviews laid out how the organization with its brand and reputation can act as trustor (Schilke & Lumineau, 2023).

**Facilitate Early Cross-Company Alignment to Build Mutual Understanding and Trust.** In line with Skinner et al.'s (2014) view that trust is a process and evolves in relationships, several interviews have shown how crucial early alignment between the acquirer, the acquired company, and its customers are to create a shared vision (Alvarez-Gonzalez & Otero-Neira, 2023) and to build trust, both resulting in less uncertainty of the affected parties (Alvarez-Gonzalez & Otero-Neira, 2023). As time goes by, the trustworthiness of the partner will be assessed based on the perceived ability, benevolence, and integrity to evaluate the risk associated with an increased collaboration (Skinner et al., 2014).

“Those early integration and business process design meetings are crucial because it sends a message to the acquired firms and employees on how they're going to be treated in the future.”

“It takes time to build customer trust. [...] You do that with really having an up front, very open dialogue about what we can and cannot do for them.”

“Customer trust is built at the corporate level and instilled in the workforce. So that when the customer engages with someone from the company, they feel that thread across whatever part of the business that they're talking to.”

“Customer trust is a significant focus in many of our discussions as we would through the strategy around acquisitions and then the post integration management.” Formal organizational structures and decision-making processes serve as a basis for trust behavior and trust formation processes (Schilke & Lumineau, 2023). In some cases, customer trust remained strong due to the early involvement of the senior executive level, referred to role-based trust in the literature (Kramer, 1999), that shaped the customer relations through personal alignment from the very beginning.

“Our [Name of the CEO] was very, very good. [...] He did a really good job negotiating to keep [CUSTOMER] as a customer.”

“Our CEO had a significant role and proactively reached out to some of the customers. We were able to tell customers nothing would change, and everybody felt pretty confident that our message that we were delivering was a good message for our customers that we could follow through on.”

“I was working with the acquirer [...]. It included how our organization would integrate, what the titles would be, what they would get paid, etc. I mean that was all about really building confidence and trust and setting expectations across the board.”

The last statement connects trust and confidence, a connection described as ‘amorphous’ by some scholars (e.g., Mayer et al., 1995). Establishing confidence when business partners align as a result of an acquisition, is crucial as it signals a strong belief in the partner’s fairness, reliability, integrity, and responsibility (Morgan & Hunt, 1994).

Confidence in the executive's words (Cook & Wall, 1980) and its integrity fosters trust (Garbarino & Johnson, 1999) when the new relationship evolves. Several senior executives highlighted the employees of the acquired company as facilitators to build customer connections and establish a trusted business relationship when the acquirer has no relationship to these customers. Bradford et al. (2009) refers to sales representatives as 'boundary spanners,' whose continued involvement in customer conversations is crucial to manage change after an acquisition (Alvarez-Gonzalez & Otero-Neira, 2019). It also entails a strong intraorganizational network in which everyone interacts with each other and exchanges information (Schilke & Lumineau, 2023). High network density fosters information transfer as a basis to establish trust (Schilke & Lumineau, 2023), but also as a vehicle to manage complex changes such as acquisitions. When acquirers enter new markets customer trust is impacted. The acquired firm can enable the establishment of trusted acquirer-customer relationships. The following passages exemplify the (new) employees' boundary spanning role:

“When the incoming employees have a great relationship with their clients, they can help a little bit with that trust.”

“If we are acquiring in a new market that [acquirer] is not known in, customers don't typically trust right away, because they don't know who we are. They distrust us as a big firm. [...] we do lean on the incoming firm partners to be front and center of making sure that they are bringing our people into their discussions so that we can also build a relationship with their clients and that client can start trust the [acquirer] brand.”

Early alignment, however, is a double-edge sword. While the goal is to gain a mutual understanding on the acquisition and its integration plan and listen to the

perspectives of the involved parties early on, trust can suffer if customer expectations and future aspirations are not met. The following statement exemplify that:

“A lot of that change was churn on the customer side. They had a vision of what they wanted the business to be, but our ability to execute was not. [...] years later, we started to make the progress, but that erodes the customer’s trust.”

Contractual agreements can reduce uncertainty and opportunistic actions, leading to the elimination of risk due to clear commitments and agreements between two parties (Williamson, 1993). Commitments foster a productive working relationship where uncertainty is reduced (Gounaris, 2005) and opportunistic behavior evaporates (Morgan & Hunt, 1994). The interviews, however, showed a different picture. First, prior contractual agreements can be obstacles to the building of new business relationships if e.g., product strategies between the acquired company and the acquirer collide.

“We acquired a company that had a variety of different service offerings and a portfolio that was part of our strategic plan. They had a service offering that we were not interested in continuing once we acquired the company.”

Second, some executives described that they engaged in customer conversations when the contract renewal was due to avoid transiting customers, causing customer frustration and distrust due to contractual changes such as increases in prices or adjustments in service level agreements. Price increases as part of acquisitions was a topic very often mentioned among the interviewed senior executives, resulting in significant customer losses, described as a result of distrust (Homburg & Bucerius, 2005) and ‘exit’ – option in Hirschman’s (1972) book. Connected to that, the transaction costs economics theory assumes opportunism of the company which shows e.g., through

contract violations (Zhong et al., 2017). In one case the acquired company experienced a customer attrition rate of 20% after it got acquired:

“Our losses were quite significant, in the range of 20%. Our customers renewed their contracts with us, and software upgrades happened frequently. [...] At the same time, they decided to have a major release upgrade, forcing customer to go to the next release and then signing the new contract with different terms and conditions. Some customers decided to leave, some still used the software and others started evaluating options to migrate to other platforms.”

Others highlighted customer frustration because of contract cancellations as a result of the integration into the acquirer’s business. Third, customers left the business relationship with the acquired firm due to competitive considerations or misalignment of strategies with the acquirer in terms of technology and business opportunities.

“We lost customers because they didn’t want to be part of [acquirer]. Some were big [competitor] shops and decided to leave because of that.”

Lastly, and in contrast to the examples above, customers can be won over when contracts focus on mutual benefits.

“We also spend a lot of time on having contracts with customers that are beneficial for both sides because they are as transparent as possible.”

### **Drive Customer Involvement to Enable the (Re)-Establishment of Trust.**

Customer Involvement was another key theme that emerged from the interviews. It ranges from the acquirer’s strategy and innovation plans to roadmap development and continues proactive feedback management, all influencing how trustworthy the customer perceives the acquirer. Related to that, commitments made have been mentioned as

another driver to build trust and confidence. Unmet promises, on the contrary, can lead to frustration, destroying the trusted business relationships built in everyday exchanges (Skinner et al., 2014) and impact a customer's buying intentions (Moorman et al., 1992; Nguyen et al., 2013). Customers use these experiences to evaluate their relationship to the acquirer. The following passages are reflective of that:

“You build confidence by committing to the road map, innovations and keeping your word.”

“So, it opens the door to say, we're doing some really good things within [product name]. How can we replicate that to help us rebuild some trust? And then you map out a plan that's kind of incremental where you start to earn that trust. [...] How do you respond to customer needs through different channels of the relationship that ultimately can restore that trust again.”

“We had a very complementary set of technologies that allowed for some of that immediate integration and that goes back to building trust and shows the customers that we are very committed to the investments they've already made.”

“We invited customers to national conferences and made them part of the decision making for the strategy. [...] We did a lot of things to build trust [...]. We made them believe and feel that their opinions were considered as well.”

“If we had a trust sensitivity, we would be monitoring it through a variety of different ways. One would be how clients responding to our bids. Another one would be business development, what comes back to client listening. Some items in our survey cover that too.”

Unmet commitments e.g., the delivery of new product functionalities as the result of an acquisition cause customer dissatisfaction, leading to loss of trust with customers, as the following passages show.

“We didn’t lose customers, but we lost trust. Some of the customers were staying with us because they felt like this was going to be a net new product or net new offering that would be productive for them. And they were very frustrated when we haven't been able to deliver it.”

“We have built high levels of trust with our customers. The ones that we lost were predominantly customers that were not happy with our products, and they found the right excuse to leave.”

“We didn't have that level of trust with them what makes it easier for them to move on and that was a price that we were ready to pay.”

In line with the comments from the interviewees, scholars predict customer loss when product quality declines (Hirschman, 1972). Moreover, they emphasize that, beyond a tipping point, trust can be detrimental to innovation outcomes, because its overinvestment leads to unnecessary risk and the exploitation of resources without value to the investing organization (Molina-Morales et al., 2011).

**Foster Transparent Communication about the Why, How, What, and Future Aspirations.** Ongoing, transparent customer communication was another prevailing theme among all interviewees, impacting not only customer trust but also the potential to build a close relationship in the future. Timely, credible communication affects the perceived trustworthiness in the acquirer (Stahl et al., 2012), in national and cross-cultural settings (Blomqvist, 1997). On the contrary, ambiguity in messaging and rumors

promote uncertainty and, as a result, facilitates distrust (Alvarez-Gonzalez & Otero-Neira, 2023) and conflict (Stahl & Sitkin, 2005). Many interviewees highlighted that early audience-specific communication that explains ‘the why, the how, and the what of the acquisition’ reduces uncertainty and fosters a better understanding of the acquisition and its objectives. Interviewees highlighted the firm’s track record around trust and the collaboration history with the involved parties crucial to being receptive to the acquirer’s message. Scholars are divided about the impact of the collaboration history on trust (Kramer, 1999; Stahl et al., 2012). Additionally, success stories how other customers dealt with similar situations support the alignment and building trust.

“The new company, the acquisition cross-sell, up-sell but a well thought out plan will include milestones on how to build trust into the integration plan as part of the customer communication plan.”

"The importance is that [...] we can bring those customers, whether it's at a senior level or at a local level. We bring them stories from other customers. [...].”

“Well, here's how one of your peers is using this in Europe. Could we make this work for you? It’s the small things like that that do create large waves and large impacts when we articulate it properly and really take advantage of that mutual opportunity.”

One executive believes that a ‘lack of hearing from the acquirer’ creates an opportunity for the competition to potentially gain more market share.

“It's very important to state in the first communication ‘why’ it would be good for the customer, that you as an acquirer are invested in this product, and third, that the customer is going to hear from you more often. I think a customer wants to know that this product is here. They're gonna invest in my product. This is important to the company

and I'm gonna hear more about it. The lack of hearing is when the customer hears from competitors [...].”

Beyond frequent communication with customers, a phased-communication approach, particularly in the first year after the acquisition was mentioned as successful instrument to build trust.

“I think it's good to have an acquisition-phased communication, almost quarterly customer communications for at least the first-year post acquisition.”

A phased approach paired with customer enablement gives customer time to digest and learn about the acquisition, its benefits, and aspiration, as some interviewees stated.

Research suggests organizational learning to foster trust (Baker & Sinkula, 2005) and boost competitive advantage (Slater & Narver, 1995), but leaves customer enablement and learning untouched in the context of acquisitions. Another statement from an executive connects the key themes ‘Foster Transparent Communication about the Why, How, What, and Future Aspirations’ (Communication theme) and ‘Ensure Responsiveness and Reliability in Servicing Customers throughout the Integration’ (Servicing Customers theme) and shows the interconnectedness of communication.

“Communication with customers is critical. They wanna know there's not gonna be any break in continuity or quality of their service. That affects their trust.”

While trust can facilitate open communication (Child, 2001; Sepaennen et al., 2007), in turn, frequent communication with customers and the acquired company fosters the building of trust as the statements above show. Stahl et al. (2012) would agree that the quality of communication in acquisitions play a major role in developing trust.

### **Maintain Customer Proximity and Close Relations via Multiple**

**Collaboration Channels.** Research highlights trust as a crucial element that holds societies together (Schilke et al., 2021), and the same can be said about established relationships with customers. Several interviewees shared their experience with international acquisitions where cultural sensitivity (Stahl et al., 2012) and appropriate messaging and relationship building was paramount to a successful acquisition. While the propensity of trust differs between national cultures (Blomqvist, 1997), different national cultures facilitate relationship building in different ways (Hofstede, 1980). Although close customer relationships are paramount to develop or retain trust, some senior executives highlighted customer segmentation (e.g., transactional vs. strategic relationship) as important element of their strategies. The first one is based on fragile trust and derives from a deal or transaction, the believe in the functional competence, behavioral consistency, and availability of the business partner (Ring, 1996). The latter roots in resilient trust linked to integrity, interpersonal competence, and loyalty (Ring, 1996). It develops beyond a deal or transaction with the goal of a long-term, stable business relationship (Ring, 1996). Some scholars (e.g., Anderson & Narus, 1991) advise analyzing customer relationships and rank relations with customers on a scale from transactional to collaborative, because customer expectations on the business relationship vary. Many interviewees shared that preestablished trust cannot be taken for granted but must be maintained. Several executives made clear that the best customer experience that led to a trusted business relationship will not be remembered when the acquisition of these customers is not well-orchestrated, as the following interview passages show.

“Keep earning the customer’s trust. You have to keep working at it and it goes back to human relationships.”

“The way you win the trust of customers in an acquisition is very important. [...] I know that the integration of the business can be alluded to my customer experience.”

“We've had situations where we've brought in someone from the executive level to talk with that client. That’s the last resort of trying to fix the trust with clients.”

“Building trust was a must. [...] As soon as we could, we organized small gatherings initially virtually.”

When companies work with an extended ecosystem of partners e.g., technology partners, as normal business routine, building and maintaining strong customer ties during an acquisition is crucial and contributes to customer trust.

“The implementation partner was really the trusted partner for the customer.” One of the interviewed customers highlighted the culture mentality as important when working with these partners; a common drive to push things forward is crucial during an acquisition. The role of partners as ‘influencers of customer trust’ is not discussed in today’s acquisition literature. General trust literature, such as Kramer’s perspectives of the foundations of trust (1999, p. 576) points to “third parties’ conduits of trust” as “important go-betweens in new relationships.” Feldman and Hernandez (2022) generally point to a firm’s external and internal partners when synergies in an acquisition shall be realized. In some cases, customer trust had to be rebuilt because of people and leadership changes. The following passage emphasizes proximity to customers and mutually beneficial relationships as triggers to positive changes in customer relationships, after a significant leadership change at the top level of the acquirer.

“With the acquisition, we had some leadership changes that led to a turnaround in our customer relationships. They also improved because we invested a lot more work in being close to customers, not just in the sense of business trips but in maintaining very close contact.”

Close relations with customers are reflected in the acquirer’s familiarity with the customer’s business. As social embeddedness theory proposes, familiarity grows through frequent interactions (Zhong et al., 2017), a prerequisite to build or continue a trusted relationship during times of change, as the following customer passages show.

“It hurts when you have to explain the business and business problem again.”

“You might have a lot of smart people and different ideas, [...], I don't care how good they are or how diverse the thoughts and ideas are. You just don't know what you're trying to solve.”

Frequent changes in key personnel responsible for the customer relationship impacts the intimacy, as mentioned by some of the interviewees. The channels used to build and foster customer relationships play an important role in the acquisition integration. Among all interviews, different channels such as face-to-face meetings, virtual conversations, and onsite events were highlighted, with being present onsite as clearly leading to facilitate closeness to customers.

“We organized small gatherings initially virtually. Then when travel resumed, we got everybody in the same place, according to the local regulations.”

“We engaged with the companies right away to invite people virtually to visit our location, talk to them and host them.”

“We have shown them through our actions, through bringing people on site, through building relationships, through continuing to deliver service that they can trust us and we kind of view that first year as our time to show that they can trust us.”

“If they weren't happy with our services, that's an even harder hill to climb and it boils down to the two sides working together. [Acquirer], whether it's in person meetings, delivering better client service, bringing them a service that the other firm couldn't have offered them, that helped change around their business.”

The people with the closest relationship to the customers, often the sales representatives as stated by many interviewees, play an invaluable role in sustaining trust during an acquisition. As Social Embeddedness Theory suggests, social connections built over time protect against risk (Zhong et al., 2017) that can arise from cross-company business relations. Interorganizational collaboration with the same people fosters affective trust that is based on personal experiences and emotional attachment (Johnson & Grayson, 2005) and cognitive trust, developed from the experience and interactions with business partners (Johnson & Grayson, 2005). The intangible, unobservable nature (Skinner et al., 2014) of trust and trust as a rational belief in the business partner's reliability and competence and the firm's ability to perform (Blomqvist, 1997), are reflected in the following statements.

“I don't think the trust was different because we were still dealing with the same people. [...] Some of our requirements were enhancement requests or changes that we suggested. After the acquisition, it felt a little different as it was more constrained because of the culture of a bigger company, but the trust was always there.”

“We assigned territory and customers to individuals that were not changing. If you build the trust with customers in that region or country, then don't change it.”

“In our world, the relationship executive is responsible for the relationship with that client. They are responsible for making sure that client trusts us, that they're getting the service. [...]”

“It rests with the relationship executive to know when that trust is being broken. And then to figure out, who do I need to bring in here? Is it just a sit down with the client to listen to what they're unhappy with and then remedy it? [...] or do I need to get an executive leader into the room to help repair this relationship?”

“The customer relationship was fostered giving them the insight as to why and what they were receiving and how much better it was then what they had before.”

“We keep the relationship and over time it transitions to somebody else. [...] you gradually step into the relationship. If you cut that right away, you lose the faith of the customer. And it's a lot more difficult to win that back.”

“Trust must be validated and proven after the acquisition. [...] It's great to work with the target firm now bought by [acquirer] and the product people are redshifted underneath the big product management organization. They kind of get lost. The sales team gets redshifted and top salespeople leave.”

The above statements depict the customer's reliance on the business partner and the confidence in its actions, both described as synonyms of trust (Blomqvist, 1997) in the literature. In line with these passages, research highlights the importance of the customer account representative as boundary spanner between the customer and the organization (Bradford et al., 2009). They act in alignment with the company's identity

and character (Schilke & Lumineau, 2023). The uncertainty that comes with acquisitions adds additional importance to the, in the literature described, sales representatives' capabilities of honesty, dependability, and competence (Swan et al., 1985) to lead the customer through times of change (Gibson & Birkinshaw, 2004). Also, the acquired company with strong customer relationships serves as 'boundary spanner' for the acquirer in getting to know the new customer base, as the following statement shows.

"In new markets, we do lean on the incoming firm to be front and center of making sure that they are bringing our people into their discussions so that we can also build a relationship with their clients and that client can start trust the [acquirer] brand."

Connected to that suggests the resource dependence theory that dependency is essential for the occurrence of trust between business partners (Zhong et al., 2017). In acquisitions, both involved companies have a natural dependency because of the complementary capabilities and resources and the firms' goodwill (Zhong et al., 2017). Beyond that, some senior executives mentioned the uncertainty employees of the acquired company feel when they transition to a team in the acquirer's firm. Leveraging the strong customer relationships built in the past requires building trust early on to reduce uncertainties about the acquirer's motivations and intentions (Kramer, 1999). That entails, accepting vulnerability and increasing the willingness to trust (Fulmer & Gelfand, 2012; Comer et al., 1999; Mayer et al., 1995) because of the understanding that the acquirer's actions will be beneficial and not detrimental to the employee's interest (Robinson, 2006). Individual's decisions, according to Schilling (1960), are based on their personal, 'internally consistent value system' and rational thinking. Aligned to that,

psychologists classify trust as personal trait (McKnight & Chervany, 2002; Comer et al., 1999) while sociologists such as Barber (1983) describe it as socially learned expectations.

**Ensure Responsiveness and Reliability in Servicing Customers throughout the Integration.** Among all interviewees, the notion of consistent customer support and service was mentioned as crucial to keeping customer trust, the basis to constructive dialogue and a cooperative approach to problem-solving (Schurr & Ozanne, 1985) required when business challenges arise. Senior executives highlighted their focus on former customer investments and efforts to maximize customer value from their products as beneficial to sustain trust. The interviews, however, also showed that customers face contractual challenges and business disruptions that affected their operations, leading to customer frustration. Responsibly and reliably servicing customers is contractually manifested in service level agreements (SLAs) but impacted by acquisitions that, according to the interviewees, lead to business disruptions. Also, strategic change by the acquirer, incompatible technology, or disconnected business processes result in disruptions and distrust on the customer side, as the following statements demonstrate.

“The support team gets removed and the acquired firm must move to a new support platform for ticketing that gets broken. Customers get the impression that you're not responsive anymore. It's hard to contact you to fix my problem and now my bills look confusing. All of that can make you lose trust.”

“I do have evidence where customer trust and confidence eroded because of performance issues. It has taken us quite some time to rebuild trust with that client.”

“The strategic change after the acquisition of my company meant discontinued contracts for my former customers. I have proactively informed all customers to avoid

disruptions of their businesses and retain a trusted relationship that had been built over years. I didn't just call them, but personally visited them to explain the circumstances and discuss potential alternatives.”

All three passages show the importance of the principles of reliability and consistency in providing support, and the ability, benevolence, and competence (Fulmer & Gelfand, 2012) to solve customer business problems, and with that sustain trust between both business partners. The example of the senior executive who was confronted by a strategic change detrimental to its former customer base, shows the ‘dark side of trust’ that can harm the trustor (here: acquired company) emotionally and economically (Schilke et al., 2021; Skinner et al., 2014). In this case, trust served as a manipulative tool to enable efficient discussions to close an acquisition (Skinner et al., 2014), with a ripple effect on its affected employees and customers, as highlighted by the interviewee.

One executive shared the precautions they implemented to avoid that customers get impacted by the post-acquisition integration activities.

“We pulled people out of different positions in a war room [...]. It made a huge difference because they knew that the company had their back, and it helps to build the trust.”

Another interviewee, who shared a customer perspective, explained how critical the acquired firm is in servicing their business and reducing the uncertainty. On the other hand, the passage also points to a neutral view on the acquirer as future business partner.

“[Acquired firm] would help us continue to run our business the way we wanted it with the suggestions and changes that would help us. So, it felt, they were amenable and, therefore, we could trust and have confidence that they were still looking out for us.”

In the case above, observations, past interactions, and the acquired firm's reputation fostered the development of trust, described as cognitive trust by Johnson and Grayson (2005). If intrinsic motivation is assumed in the business partners actions, trust becomes emotion-driven, what makes neutral risk evaluations more challenging and relationships less transparent (Johnson & Grayson, 2005).

The following Table 16 provides a summary of the interview findings and learnings on customer trust, and briefly reflects on the current state of the literature.

**Table 16. Summary – Analysis Customer Trust**

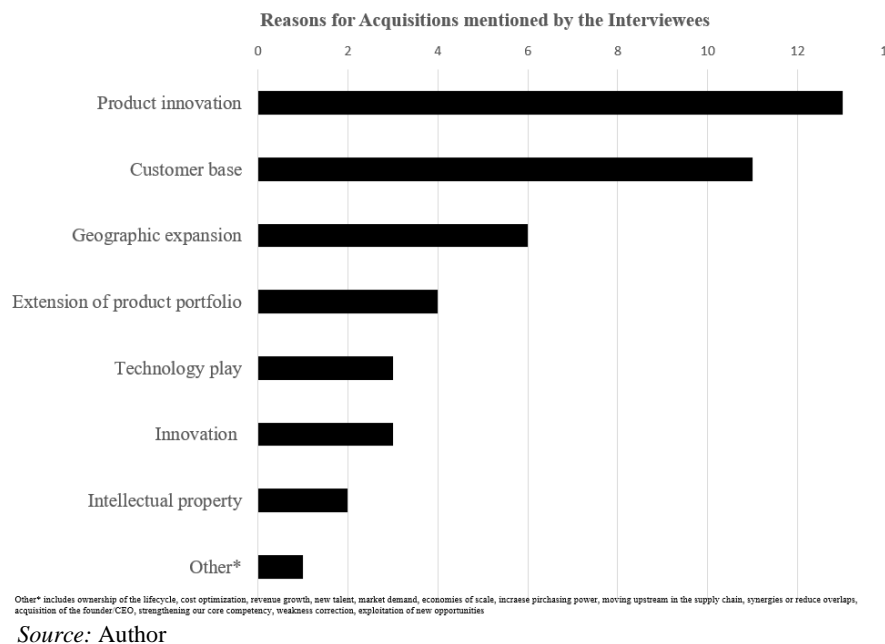
Summary	Literature
<i>Key Theme</i>	
<i>Awareness of the Impact on Reputation and Company Brand</i>	
<p>Brand, reputation, and the company's track record in providing customer experiences are crucial in building and sustaining customer trust.</p> <p>Acquisition = inflection point about the customer's future of doing business with the 'acquirer.'</p> <p>Firm image and reputation are indicators of the acquirer's trustworthiness.</p> <p>Good Fit between brands can positively impact customer reactions.</p> <p>Distrust in an acquisition led to customer loss, impacting firm revenue.</p> <p>Firm autonomy after an acquisition requires brand protection.</p> <p>Familiarity with the acquirer brand influences customer trust.</p>	<p>Brand and reputation in the context of customer trust in acquisition integrations in B2B settings is an underexplored research field.</p> <p>Disagreement on the impact of the familiarity with the acquirer brand, e.g., shared network ties, prior experiences</p> <p>Consumer trust (B2C) drives firm reputation.</p>
<i>Facilitate Early Cross-Company Alignment to Build Mutual Understanding and Trust</i>	
<p>Building customer trust takes time. Early alignment between acquirer, acquired firm, and customers influence trust and the future collaboration.</p> <p>Upfront, open customer dialogue shapes customer experience and trust.</p> <p>Customer trust remained strong due to early involvement of senior executives and personal alignment.</p> <p>Employees can act as facilitators to (re-)establish a trusted relationship. In new markets, the acquired firm can be a trust enabler.</p> <p>Trust suffers when future aspirations and customer expectations differ. Acquirers experienced customer losses due to anticipated contract transfers (resulting from product changes), post-acquisition price increases, competitive considerations, or the misalignment of strategies.</p> <p>Prior contractual agreements, price adjustments, and sudden contract cancellations can be obstacles to building (new) customer relationships.</p>	<p>Trust building is a process.</p> <p>Role-Based trust influences customer trust (Kramer, 1999).</p> <p>Formal organizational structure and decision-making processes support trust formation process (Schilke &amp; Lumineau, 2023)</p> <p>Sales representatives, not employees across levels, as boundary spanners (Bradford et al., 2009)</p> <p>Network density affects the information transfer, and with that, impacts trust (Schilke &amp; Lumineau, 2023)</p>

<b>Summary</b>	<b>Literature</b>
<i>Drive Customer Involvement to Enable the (Re)-Establishment of Trust</i>	
Trustworthiness of the acquirer is influenced by commitments, proactive feedback management, the approach to roadmap development, and alignment with the acquirer's strategy and innovation plans. A decline in product quality leads to customer frustration, impacting customer trust.	Unmet promises and commitments impact future buying decisions (Skinner et al., 2014) Customer attrition is impacted by a decline in product quality (Hirschman, 1972).
<i>Foster Transparent Communication about the Why, How, What, and Future Aspirations</i>	
Ongoing, transparent customer communication impacts customer trust and close relationship building. Early, audience-specific communication about 'the why, the how, and the what of the acquisition' reduces uncertainty and facilitates trust. The firm's track record around trust and the collaboration history impacts the customer's receptiveness to the message. Prior acquisition success stories and customer enablement support the trust-building process. A phased communication approach and frequent communication supports building trust.	Timely, credible information affect the acquirer's perceived trustworthiness. (Stahl et al., 2012) Contradicting views on the impact of the collaboration history on trust (e.g., Stahl et al., 2012) Ambiguity in messaging and rumors promote uncertainty (Alvarez-Gonzalez & Otero-Neira, 2023) Organizational learning in a general context, but not customer enablement, prevails in the literature
<i>Maintain Customer Proximity and Close Relations, leveraging multiple collaboration channels</i>	
Cultural sensitivity and appropriate messaging are paramount for a successful acquisition. Customer proximity is critical, but strategic customer segmentation is an important element of the acquirer's strategy. Preestablished trust cannot be taken for granted. The firm's extended ecosystem such as partners is crucial in maintaining strong customer ties during the acquisition. Familiarity with the customer's business grows through close relations. Mutually beneficial contracts with customers can influence the relationship and customer trust. People from the acquirer and acquired company with the closest customer relationships play an invaluable role in sustaining trust.	Relationship building (Hofstede, 1980) and propensity of trust differ across nationalities (Blomqvist, 1997) Customer segmentation because customer expectations (Anderson & Narus, 1991) differ. General research highlights internal and external partners as crucial to achieve synergies. (Feldman & Hernandez, 2022) Familiarity grows through frequent interaction (Social Embeddedness Theory; Zhong et al., 2017)
<i>Ensure Responsiveness and Reliability in Servicing Customers throughout the Integration Phase</i>	
Consistency in customer support and service is crucial to sustain customer trust. Focus on former customer investments and efforts to maximize customer value from their products impacts customer trust. Precautionary actions in preparation of post-acquisition integrations support customer trust building. Prior experiences with customer support, past interactions, and consistent support delivery fostered customer trust. Strategic changes after the acquisition can be harmful to customer trust.	General research points to a cooperative approach to problem-solving (Schurr & Ozanne, 1985). Reliability, consistency in providing support, the ability, and competence is discussed in the general trust research (Fulmer & Gelfand, 2012) Trust as a manipulative tool (Schilke et al., 2021)

### ***Managing Post-Acquisition Integrations***

Acquisition objectives are dynamic (King et al., 2018). Context, history, (Bauer et al., 2020; King et al., 2018) and market changes affect a firm's acquisition goals. The

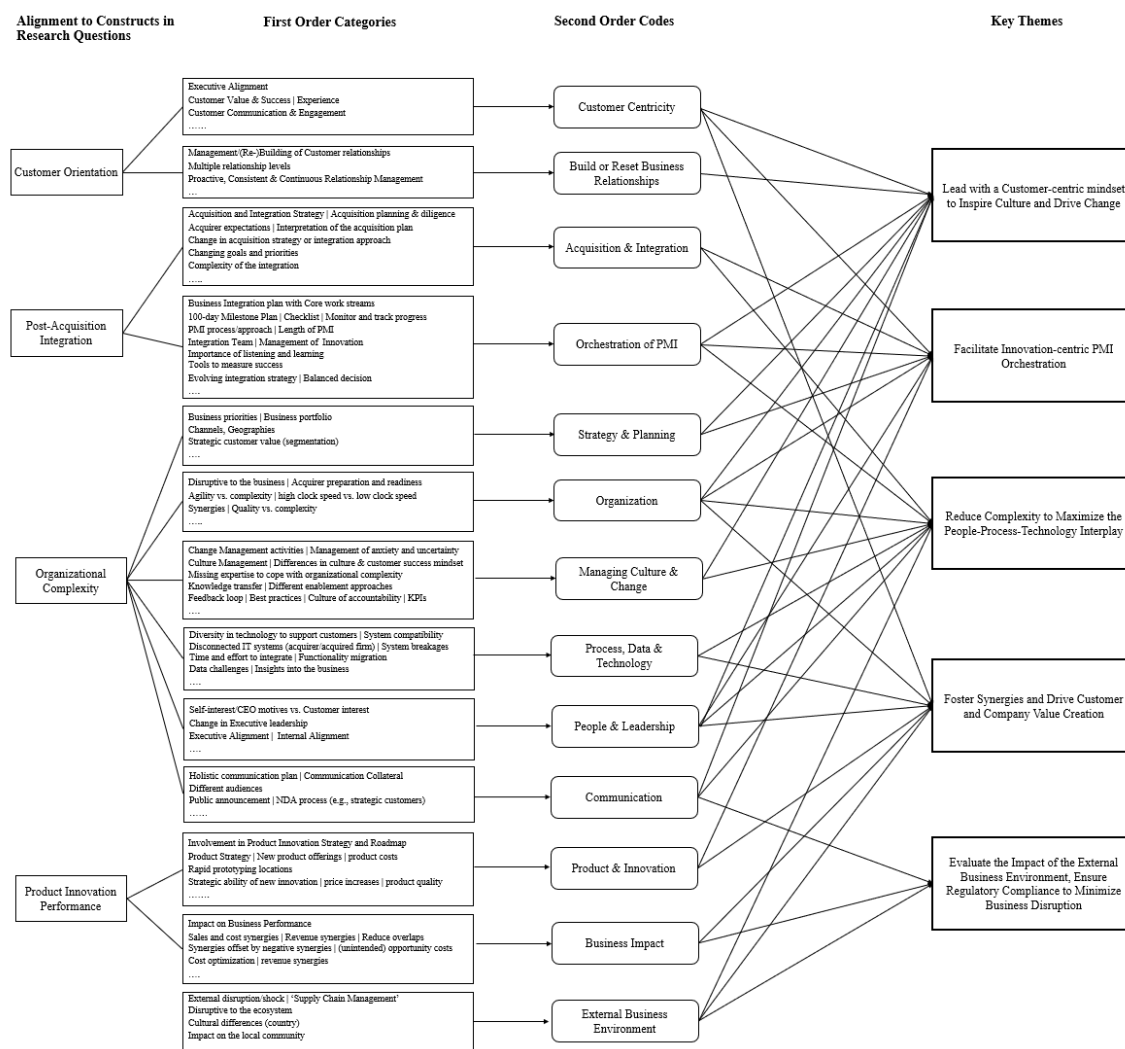
following chart provides an overview of the acquisition reasons mentioned in the interviews. The senior executives mentioned several reasons for an acquisition. Thus, the frequency shown in Figure 16 is not related to number of interview participants.



***Figure 16. Reasons for Acquisitions Mentioned by the Interviewees***

The interviews provided more valuable insights related to study one beyond the key themes on customer trust and confidence. From the interview analysis, the following additional themes arose as a result of the described coding process and emerged based on the second order codes: 1) Lead with a Customer-centric mindset to Inspire Culture and Drive Change, 2) Facilitate Innovation-centric post-M&A integration Orchestration, 3) Reduce Complexity to Maximize the People-Process-Technology Interplay, 4) Foster Synergies and Value Creation with Minimized Business Disruption, 5) Evaluate the Impact on Your External Ecosystem and Derive Measures. (Please also see Figure 17). These themes will be discussed in the following in more detail.

Figure 17 depicts these relationships and emerging themes based on the 25 conducted interviews, with the first order categories in a short form.



Source: Author

**Figure 17. Interview Coding – Relationships and Emerged Themes**

For readability, the above picture has been segmented into parts to discuss the key themes in the following sections.

**Lead with a Customer-Centric Mindset.** Fundamental to this study was to learn what role customers play in acquisition integrations and whether and how they are

involved in this crucial stage of an acquisition. Figure 18 provides an overview of the categories and codes used to derive the overall theme.



Source: Author

Figure 18. Interview Coding – Lead with a Customer-Centric Mindset

While many interviewees shared that customers are not key considerations in their integration efforts, they confirmed that firms interested in the customer base presume buying a company means acquiring its customers. A consistent general perspective among the interviewed executives was that customer relationships cannot be taken for granted and must be nurtured and maintained in every interaction. It played out that, if acquirers have success teams in place, they stay closely aligned with customers. Many executives also highlighted, consistent with research (e.g., Bradford et al., 2009; Guenzi, 2002), how crucial the engagement of sales representatives with close customer relationships across the customer lifecycle is, as the following statements show:

“We have customer success managers for all of our accounts. [...] And there's always a lot of customer interaction in an ideal relationship.”

“That's where customer success sits. As part of the local or global customer facing teams, they're working hand in hand with the account managers with the delivery managers, with the engineering teams and so on. It's all part of that continuity strategy to bring to a customer.”

“There shouldn't be a break in continuity or quality of their service. [...] One of the actions right on the day one is sales reps calling and communicating to their key accounts that there's not going to be disruption.”

“The customer is used to the sales representative. I replace anything but relationships, that's why the salespeople covering the big customers of the company we're acquiring go on the equity list or incentive list. If they go to a competitor, they can move the volume over.”

“The closest customer relationship is going to be between that salesperson.”

“Having the customer as part of that journey, it also really to me reinforces the need to have sales as part of that, because I consider customer and sales as hand in hand.”

“In our world, the relationship executive is responsible for the relationship with that client. They are responsible for making sure that the client trusts us, that they're getting the service.”

“It's so important to have that relationship. Who's that advocate for you?”

“We lost a lot of knowledge inside the company, and this created disruption on the customer side because some customers are really loyal with their account executive.”

“Some were customers with the same account executive for seven, eight, ten years and suddenly the contact person was gone. That was the problem.”

“If we have a solid relationship with this client, we think from a strategy perspective, the account executives are in a good position to help support with the communication.”

“We would also look for some qualitative anecdotal information. Our business development teams, and account executives get inside and have conversations with clients, if there anything coming from that.”

“If it's a shared customer that we already provide services for and the incoming firm provide services for one, we have conversations about who's the relationship executive within [acquirer] now.”

“The sales force talking to customers were separated by brand, which was easier to do in this business because each of the brands are in different categories.”

“It's especially critical when the customer is a customer of both companies. They want to know what's going on. What happens to my contract? So, all that has to be told to

the salespeople as early as possible so that they can answer those questions and also creating almost a war room where questions can come in and they can be responded to and continually to update the frequently asked questions that go back out to the field. That's an ongoing process.”

Consistent with the statements from acquirers, the interviewed customers shared the same sentiment about the sales representatives of the acquirer. Frequent conversations, reliability, knowing the ‘who is who,’ and ‘familiar faces’ are vital for customers, also in times of change. While that supports the creation of a trusted long-term relationships, it creates opportunities to exchange ideas and gain customer knowledge.

“Over the years some people change roles, but in our support system, our relationship manager has remained the same.”

“Our relationship manager told us about the acquisition, and we were quite excited about it.”

“We are still dealing with the same people. With our relationship manager, I will say that it did feel like there was some constraint. [...], probably because of the culture of the bigger company.”

“After the acquisition, we met the key people. We learned who was who, who was staying, who would support. [...] Our relationship manager was the same. I think that's the key thing.”

Another important insight, also noted in the literature (e.g., Haspeslagh & Jemison 1991; Paruchuri et al., 2006; Sirower, 1997), was that acquisition integrations are disruptive in nature, resulting in challenges to generate the expected value from integrating the acquired firm into the acquirer’s organization. To minimize disruptions for

all involved parties, achieve synergies, and create value for the company and customers alike, the senior executives put measures in place to foster a customer-centric mindset among employees and the acquired firm. And indeed, scholars found out that customer centricity needs to be lived on a firm and salesperson level that customers perceive organizations as customer centric (Habel et al., 2020). Related to that “perceived customer centricity is strongly linked to customers’ loyalty intentions and objective sales revenue, particularly if customers perceive a firm to exhibit high prices” (Habel et al., 2020, p. 25). Elements to support that mindset shared by the interviewees were, for instance, a focus on cultural sensitivity, customer onboarding, enablement, people management, and internal feedback surveys, but also how to engage virtually. KPIs that drive customer-focused behavior are vital.

“Customers want to learn how to navigate the system and seek coaching and advice with whom to work and whom to contact with business challenges they face with regards to the product they are using.”

“We decided that for certain teams we were going to tie those success KPIs from the customers directly back to those teams rather than some nebulous, OK, we need to sell 10 million this year [...]. It’s really about the overall customer success journey”.

“We are tying the KPIs that those teams are held to account to base on metrics.”

“Whenever we acquire a company, we look at the accounts that are of a certain size and greater or strategically important, and we will scale up our customer success team during the migration phase to then take those accounts. There's a whole customer success methodology that we run.”

“Win the hearts and minds of the employees, and if you don't spend the time to really win the hearts and minds of employees, especially during an acquisition because people are thinking, am I going to have a job? For how long? Do I need to start looking, polishing my resume etc.”

“Taking care of people as all of this happens and not just treating somebody as a number is really advancing some of that talent through that it permeates into the customer experience. Happy employees generally will keep customers happy even when something goes wrong.”

“When we start working with the incoming firm, we set expectations about time frames, their role in the acquisition to lead their people through it. We start to build that relationship with them, go out to dinner. We try to have that more human connection so that it's easier to have tough conversations later in the process. So that's a key activity that we do up front with the incoming firm leadership.”

“The expectation for our customer facing teams, so engineering, project delivery and at sales and marketing, from that customer experience standpoint is ensuring that they're constantly reinforcing that to the customer base.”

“We have processes set up to onboard new clients. [...] Part of that is our new client orientation program.”

“We create a framework for the acquired company, we then compare that framework to the framework for [acquirer] and for each area that is divergent where [acquirer] is on one side and the acquired company may be on the other side or maybe they on different scores, we then create a plan. The plan is not to change the culture. It is

to help people create a bridge to understand how to culturally understand how [acquirer] works. For customers, it's the same.”

“We did virtual meetings and implemented everything we could, such as webinars, seminars, conferences between senior leaders and big customers.”

The interviews revealed the importance of cultural sensitivity from an organizational culture, but also national culture standpoint. Organizational cultures between companies differ (Denison, 1996; Schein, 1983; Pettigrew, 1979) and cause challenges that need to be resolved, a finding from the interviews that is consistent with the literature.

“Culture is one of the biggest aspects of our integration efforts. [...] We actually, and I don't know many companies that do this. We actually do a cultural assessment of the acquired company. We have a framework around culture with about 15 different dimensions. We sit down with the leadership of the acquired company, and we create the framework for that company. So across 15 cultural dimensions, all the way from how decisions are made to communication styles, to values, etc.”

“The problem with [acquired firm] was it was so different culturally. [...] And as the integration happened, it became clearer and clearer that the culture wasn't gonna change in that company and they were resisting.”

Moreover, in cross-border acquisitions, tensions arose from cultural differences, that could not be easily managed virtually, but had to be addressed onsite. Consistent with research (e.g., Hofstede et al., 1990), it played out that building working relationship with other cultures takes time and sensitivity to the differences is crucial to minimize and proactively manage misunderstandings and tensions.

“We need people who are able to adapt to these different cultures.”

“In some cases where we faced cultural differences, we did not bridge the gap and we did create a culture where the employees that were acquired felt like they were part of us that impacted customer experience.”

“What we didn't understand was the British mentality. [...] We went into this market probably not doing enough homework up front. And before we made changes, we really should have probably let it run and learn for a long time.”

Customer feedback has been stated as crucial to 1) evaluate adjustments in products and services, 2) change and enhance current business processes, and 3)

learn from customers in surveys at different stages during the post-acquisition integration support with that.

“We do a Net Promoter score survey and that information is shared back with our firm and whether it's good or bad, we talk about it. We have a conversation at a firm wide level; where we're at and what our clients are saying.”

“We engage in a variety of different ways to make sure that we're listening to the client. We have a what we call a client listening program. [...] We send out surveys to our clients to get an understanding about their overall satisfaction.”

“We do have surveys that go out to subsets of clients in different time frames.”

Beyond a holistic, internal communication plan that shares ‘the why, the what, and the how’ of the acquisition and its value to customers, customer-centric communication emerged as another subtheme. Leaders and employees of the acquirer and the acquired firm get prepared with change communication and in training sessions to ensure consistent messaging to customers.

“Coinciding with the public announcement, there is a full-blown communication plan with customers, partners, and all stakeholders. So, the timing of that announcement also coins soon as it's public. 10 minutes later there are communications that are going out across the stakeholder base to reinforce the message and also to setup meetings.”

“Part of that communication plan includes the field, e.g., services, presales, sales support, and customer success. They all have the talk track and value points, they know the why, what, when, where, and how. You also create the collateral materials that salespeople use.”

“A well thought out plan will include milestones on how to build trust into the integration plan and into the customer communication plan.”

“Our sales team hears about the acquisition typically at close or right before it and there's a whole plan that's executed from a communication and expectations perspective.”

The notion of customer-centricity in managing change also showed in the customized approach some interviewees described when they communicated the acquisition to customers. The maturity of the business with the customer and its familiarity with the company dictated 'the how.' The holistic communication plan included corporate change communication followed by personal outreach to strategic customers from senior executives and proactive engagement through customer success and sales representatives in face-to-face and virtual meetings. In some cases, corporate councils and corporate strategy was involved. The customer-centric mindset presented itself in several activities the interviewees mentioned as crucial to have an ongoing customer cadence to share progress and updates. It also includes the preparation of

acquired employees for customer engagements by equipping them with the acquirer's customer messaging and messaging toolkits.

“We looked at the holistic communication plan over the next 12 months. And we said, how does this communication plan change based on the acquisition we're about to make and where can we take advantage of natural events that occur in the calendar like the users conferences, quarterly Executive advisory councils, and monthly customer councils where we can bake content right into those agendas rather than having to create separate meetings. That ongoing cadence and forethought is extremely important.”

“We have client communications as part of our playbook. Some of it depends on the company that we're acquiring. If it's a client that is unfamiliar with [acquirer] or if it's a client that's already within [acquirer], if it's a sizable client, if it's a smaller client. We have different respective strategies that we consider, but all our methods typically include outreach. There's some formal, written communication and it could be followed up with a call from the business leader or from our corporate strategy. Our corporate council could start with if we think that's necessary because of some sensitivity with the client and then follow the communication.”

“[Acquired firm] knows its clients best and how they are going to respond to this news. We will provide them with talking points, the website that they can go to for any supporting material.”

“You don't manage that change by sending an email to a customer. It's affecting our hiring culture and promotion culture such that we have folks who are agents of change [...]. Folks who embrace that change, who are comfortable articulating it and can be sort of that local leader for both the customer facing activity. [...].”

“I can't count how many meetings my sales team brought me into where all I would do is write on a whiteboard and explain to the customer how [acquirer] works and how this acquisition fits in. And it was conversations like that that immediately took any heat out of the room of like, OK, we got it.”

The change communication entails a path for customers to communicate back to the acquirer in case of questions or escalations.

“External communications are critical. The decisions how they're made, what the escalation path is, etc. [...] They're all critical things to be taken into account before the acquisition so that you can streamline, you can make decisions quickly. So, putting that process in place is absolutely critical.”

Customer-centricity has been highlighted as crucial, yet strategic. Many senior executives pointed to customer segmentation as a strategic means to slice their customer bases according to the value they provide to the organization. Consistent with that, research understands customer centricity as alignment to distinct customer groups (Crecelius et al., 2019) and a strategic means to align a firm's product and service portfolio with the requirements of the most valuable customers (e.g., Fader, 2020).

“After my team start working with the incoming firm, we have their team set up with talking points to be able to call their clients. We group them in ABC categories.”

“Recognizing the strategic value of the customer of the acquiring customer base and your own customer base is huge because, in a regulated industry, it will make or break the deal.”

“One week before the announcement of the acquisition, we informed our most strategic customers and segmented them. [...] we were doubling the size of the company. We worked with the acquired CEO on the segmentation of those customers.”

“You segment the customer in terms of are they overlapping customer, they are existing customers, are they incremental, what does it mean to cross sell and upsell.”

“It's about a partnership and not just a transactional relationship.”

Orchestrating and managing the partner engagement as ‘extended arm’ tends to be out of scope in acquisition integrations, but played out to be crucial in industries that use partners to sell their products and services, e.g., in the technology and professional services industries. As ‘trusted partner for life,’ as one executive said, it is vital for the acquirer to share guidance and collaterals to enable them to work with the acquirer’s customers.

“We have an annual conference where all of our customers get invited and for any new acquisition, we tend to have a focus on that acquisition. All customers of the acquired company, partners, channel partners, etc. get invited.”

“We had a customer event where even some of our partners were included. A panel of top partners across the regions. We also invite our top ten partners on a quarterly basis.”

“So, it's really being thoughtful about not just integrating that company, but also that companies’ partnership ecosystem; suppliers, partners, subcontractors and so forth, because those could also influence the client.”

Table 17 shares selected insights related to ‘lead with a customer-centric mindset’ theme. For the extended version, please see Appendix D.

**Table 17. Interview passages – Lead with Customer-Centric Mindset**

Sub theme	<b>Theme: Lead with a Customer-centric Mindset to Inspire Culture and Drive Change</b>	
Customer Centricity	Executive Alignment	“We also have some key client visits, so our executive leadership on some of those a clients will actually go out on a rotating basis.”
	Customer Acquisition	“I guess ‘customers’ are not an area that gets a lot of attention in acquisitions. It's, a presumption - I'm buying this company. Therefore, I get their customers - The decision that I make will now be the decisions that these customers live with. There is a little bit of hubris, especially when you have a really big checkbook.”
	Customer Churn	“We experienced a lot of customer churn because we couldn’t clearly articulate our vision, their part in that, and how we would execute the changes that come with the acquisition.”
	Customer Value	“Disclosing to customer’s that the person's personal success is tied to what is communicated is a powerful statement and it goes way beyond just like a target or a bonus.”
	Customer satisfaction	“Client satisfaction is really important to us. We engage in a variety of different ways to make sure that we're listening to the client. We have a client listening program that we're engaging with the client and getting feedback.”
	Customer Change Communication	“In my general experience, it's good to have an acquisition-phased communication, almost quarterly communications to customers for at least the first-year post-acquisition.”
	Customer Experience	“We segment the customer size by revenue and, based on that we do general communication, general messaging. And then we've got a specific care team.”
	Customer Retention	“We had to retain our customers and the only way you retain your customers is by delivering a great customer experience, delivering value even if our teams were living in different parts, we all knew still we had to be together. It’s a good balance between understanding, embracing what makes [acquired company] successful and being able to translate what [acquirer] is asking for.”
	Customer Value	“Recognizing the strategic value of the customer of the acquiring customer base and your own customer base is huge because, in a regulated industry, it will make or break the deal. Customer sentiment is huge in those cases, and a lot of times in the acquisition, it's not really given the proper forethought, planning and resources to really think about how you approach that customer base on both sides, what are their concerns and their expectations and making sure that you understand, and you listen to their concerns. Early you formulate a plan to address those concerns, and you roll out that communication both on one to one, one to few, one to many.”
Managing Culture & Change	Organizational Culture	“In these meetings, we try to bring our culture to those conversations by having that growth leader there and using our terminology. So that helps the incoming firm assimilate to the culture.”
	Change Management	“It requires leadership and complete transparency in terms of expectations. It includes milestones, KPIs, and a holistic communication plan. It includes change management, which quite frankly derails many acquisitions.”
	Change Communication	“The communication was not easy because in the beginning there was a lot of tension, especially between the leaders.”
Orchestration of post-M&A integration	Post-M&A Integration Process	“Our corporate development office supports in terms of how we involve the incoming company and new clients in the integration, how we manage communications as it relates to their role, etc. There's some complexity there, as you can imagine and that kind of helps shape our strategy.”

Sub theme	Theme: Lead with a Customer-centric Mindset to Inspire Culture and Drive Change	
Build or Reset Business Relationships	Proactive Relationship Management	“Our customers were afraid that the acquisition could have a negative impact on the relationship. We have put a lot of effort into talking to customers to make it clear that we are well aware that the companies are in competition with each other, and in individual cases this has led to relationships being broken off.”
	Proactive Relationship Management	“It's so important to have that cross-company relationship. Who's that advocate for you? And who's going to help to do true product innovation what is a whole different relationship? That relationship probably goes up to the C-Suite level and there's buy-in there from everyone.”
	Customer Onboarding	“If it's a new client, they're going to go through the new client process of setup once we get them into our staff. If it's an existing client, we might still include them depending on how many services we provided versus the other firm. [...] It's a flexible approach of let's talk about the individual situation and solve for the individual situation.”
	Proactive Relationship Management	“We go to the next level and meet people and the team. Not only the leaders, but also the team. [...] You will lose all the best people if you don't really share with them what you do. It is a fairly long process.”
	Customer Intimacy	“We just lose all that connectivity and intimacy. You're working with somebody today and suddenly somebody completely new comes along and you're starting over again. You just never build that long term relationship within a team.”
People & Leadership	Executive Alignment	“Our executive leaders are flying to our clients to have a visit and check in on how things are going. So, we make sure that the incoming firm clients are included in that rotation and depending on where that falls, it may include some people from the incoming firm and our executive leaders. We take a little bit more of a flexible approach.”
	CEO motive	“[CEO of acquired company] was staying on the board and was having a significant role. We also had [CEO] reach out to some of the customers too. [...] Everybody felt confident that our message that we were delivering is a good message for our customers that we could follow through on.”
	People Management	“Mostly in Asia, like China, Hong Kong, Singapore, and Australia - they helped us from an organization effectiveness, doing the surveys, the morale reviews, the assessments, benchmark attrition, salaries, etc. But everything was done virtually.”
	Training & Enablement	“After we bought [acquirer's product], the proposition becomes usually one of retention of key people as well as figuring out how do I now get this solution into my installed base, how do I begin cross-train the sales team, give them incentives and their compensation plan.”
	Culture Management	“The recommendation was to leave [acquired company] stand alone for 5 to 10 years running in parallel. So, there wouldn't be any contamination of this hard culture from [acquirer] into the soft culture of [acquired company].”
Organization	Overcome Silos	“And those early integration meetings, those early business process design meetings are crucial because it sends a message to the acquired companies, employees on how they're going to be treated in the future. And it also sets a precedent for retention of employees in the future.”
	Organization-Wide Customer Feedback	“With NPS, we are able to look at the overall customer trends. The customers point of view is looking across the divisions that are interacting with your company across the different products, etc. So, how do you capture that from a customer lens as part of customer satisfaction? Customer happiness, customer engagement, overall satisfaction, etc.”

**Facilitate an Innovation-centric Post-M&A Integration.** As shown in Figure 19, the interviews highlighted the importance of an innovation-centric integration approach when firms acquire to drive product innovation.



Source: Author

Figure 19. Interview Coding – Facilitate Innovation-Centric PMI Integration

In line with research (e.g., Paruchuri et al., 2006), the interviewees shared that the proper integration determines if the acquisition goals can be achieved. Innovations resulting from acquisitions should serve to initiate advancements in the broader innovation agenda, while at the same time enabling the scale and reach of a broad customer base. That is consistent with the literature that debates about how much customer orientation is appropriate to drive but not impede (e.g., Christensen & Bower, 1996) a firm's innovation efforts. Besides a well-thought through integration plan, the approach, timing, and management of customer involvement in the innovation-centric integration is crucial, but also creates risks for acquirers, according to some interviewed senior executives. Consistent with that, the literature suggests that customers might limit a firm's integration intentions or might not be interested in the acquirer, resulting in less exchanges or an entirely dissolved collaboration (Öberg, 2014). Linked to that, interviewees stressed to clearly communicating the customer value. But the acquirers differ in how far they go as it relates to their strategies of customization or standardization.

“It's very important to state in that first communication why it would be good for the customer and that you as an acquirer are invested in this product.”

“If we have an update to share, we've got ongoing communication in terms of the value of integration and testing some of ideas. We do bring a lot of ideas to the table with customers, just ideation, no commitment.”

“Our customer is at the table. We don't always get everything 100% right, because some customers are louder than others and they want something very specific. But the customer can't be ignored, they pay the bills.”

One interviewed customer confirmed that and mentioned his experience with co-innovation projects with an acquirer.

“If you want somebody who's going to help to do true product innovation, that's a whole different relationship. That relationship goes up to the C-Suite level and there's buy in there from everyone.”

A sophisticated client engagement and communication strategy as it relates to the integration process and the role customers play in that is an important element. Sending signals to customers without following up on it and the input they shared, causes frustration, according to several interviewees. Advisory board meetings, user groups and communities, customer conferences, industry forums, and moderated customer success sessions, to name a few, are ways for customers to give input and share ideas.

“We have a customer Advisory Board, and we would bring customers in for those innovation sessions.”

“The best way to gauge what the market demand is from the people who are using your product. If anybody ignores the customer in the product development process, they're foolish.”

“Before acquiring the target, we talk with our Advisory Board and ask about solution categories and get their feedback. After the acquisition, we'd like to do a demo with the Advisory Board on this new solution and include them in that process.”

“Customers want to contribute to the acquirer's innovation roadmap and co-innovation project.”

“User groups have been the best way for us to identify an opportunity and be able to crowdsource across multiple industries and verticals to get the innovation.”

“There are communities, either an industry, a group of customers in a specific industry or in a global community. Those are ways customers can have influence.”

“We listen to understand our customers’ needs and do some pilot modeling, but we also need to make sure we respond to the market demand.”

Beyond that, the senior executives shared early adopter programs, rapid prototyping locations, and steering committees as means to involve customers early in the innovation activities of the acquirer; in many cases with the buy-in from the C-Suite.

“They had the buy in from the executive level and saw value in partnering with our company, because it's going to help them build their product.”

“We have early adopter programs and offer customers to be part of it.”

“We like using customers in our rapid prototyping locations for kind of industrial products and getting that out to the line at certain customers first.”

“We approached strategic customers about being co-innovation partners with us and what benefits they would see being an early adopter whether that's free software or the ability to influence the design of the product.”

“Our customer steering committees are moderated by [acquirer] employees but run by our customers. That creates a very loud voice when it comes down to what we need to be aware of or have to take action on.”

“We consider customers to be stakeholders in that steering committee. [...] It's an iterative process and we discuss if there's going to be a commercial evolution or change. If the market demands it and the customer feedback tells us we need to rationalize this type of service or piece of software, we will work on that.”

“We have cross-sell and up-sell customers as part of the early adopters because we're going to need those as references. What type of references do you need and are going to require you to scale that product in the future.”

Proactive requested feedback supports ongoing customer engagements and an innovation-centric customer mindset.

“In a large organization, you can drive collaborative integration on the product and work with customers to determine where the appropriate focus areas are from an integration standpoint are. [...] Involving our customers depending on the aspect of technology is critical and we do it through iteration across phases, testing, piloting, etc.”

“Constant feedback through direct customer engagement is hypercritical to make technology well, [...]. As we are talking about product innovation, it's absolutely key and it's an area where we've invested heavily and been able to create new value out of that.”

“There are a variety of mechanisms companies can use that are very common. One is Net Promoter Survey (NPS). You score and track overtime and try to get to a number, but the real value is in the comments.”

“Some firms will institute focus groups.”

“The sales team will be a source of innovation.”

“[Acquirer] would share with their customers a website for product management. It actually was a support website feature submission.”

Another insight was the importance of an open, ongoing dialogue with customers. That is consistent with the literature (e.g., Verhoef & Leeflang, 2009; Selden & MacMillan, 2006) that highlights the vital role of leaders and employees in the customer innovation process. Besides face-to-face conversations and virtual meetings to share

ideas and business needs, the interviewees highlighted websites to submit feature changes or software additions. But discipline and foresight are paramount in evaluating whether the requested innovations increase competitiveness and are an industry requirement to achieve scale, demanding a balanced decision-making aligned to the firm's strategic objectives. Related to that, one of the interviewed customers stated.

“It's nice to build a Cadillac, but if your client only needs a bicycle, they're not paying for it.”

While many senior leaders confirmed that customers are part of their innovation journeys, in various ways, a minority mentioned that customers were not or only partly involved in the acquirer's innovation conversations.

“We did ask for their input. There was a very thorough plan taken to key customers.”

“For some of our flagship technologies, we hold regular user group meetings.”

“We invite customers to roundtables when it comes to road map and feature development. It's important to stay close to both the pulse of the market and what customers concerns may be, especially post pandemic.”

“We talk with customers about our product road map and product strategy.”

“Customers themselves in terms of the acquisition integration process, I don't recall having any real substantive role.”

“The rules around the road map communication frustrates customers. We can only communicate six months out.”

While customization increases the complexity for firms, a standardized product and process enables velocity and economies of scale, but requires high levels of

integration (Datta, 1991; Porter, 1985). Conversely, customer-centric innovation as a standalone firm, i.e., giving autonomy to the acquired company, is easier to bring forward than being fully integrated into a larger organization that serves a large set of diverse customers with a single product type of process. That aligns with scholars such as Dezi et al. (2018) who point to integration challenges that impede innovation efforts. Beyond that, interviewees explained that market changes or changes in firm priorities impact innovation budgets, resulting in deviations from projected innovations that impact the customer experience. That is consistent with Berthon et al. (1999). They found out that being market-oriented diverts firms from focusing on innovation (Atuahene-Gima, 2005). Perspectives on how to solve obstacles such as innovation budget cuts diverged between the interviewees.

“When we drive innovation, we had to make trade-offs of how we wanted to drive and steer our investment dollars, and in many cases what that meant is sometimes the R&D dollars were often cut on our ability to upgrade the technology after we got acquired. While we added microservices on top of a dated stack, some of the integration activities created frustration for our customers.”

“Instead of killing parts of the acquired solutions, you build upon it, and influence the greater product innovation agenda for the business.”

“We had a difficult time finding our footing relative to the vision and the technology stack. We saw a lot of customer churn. They had a vision of what they wanted the business to be, but our ability to execute was not what they expected. It wasn't aligned to how they were sold, and it eroded customer trust. Customers are more influencers in how to speed up the pace of innovation, I think.”

“They didn’t meet the goals simply because they didn’t understand the complexity of the integration when they did the acquisition.”

“Our core business had a deficit. The core business didn't have the skills necessary. Going forward we acquired [acquired firm], and, initially, we had to goal to drive our innovation efforts forward. But we didn’t make that investment and pulled everybody into the core side of the business. And that killed all the innovation.”

The last statement connects to Mintzberg’s (1979) recommendation to decouple organizational parts of the core business to give room to foster innovation (Damanpour, 1996). The integration process itself played out to be an important driver of the success or failure of acquisition integrations. That is consistent with many research findings (e.g. Bauer et al., 2015; Birkinshaw et al., 2000; Graebner, 2004; Steigenberger, 2017) that highlight the acquisition integration phase as the stage in the acquisition process where the ultimate value is created or destroyed. Some interviewees shared that the firm’s innovation efforts are impacted when the integration process is not properly orchestrated.

“A poor integration process will definitely affect innovation, because your key innovators will exit the company.”

“The integration process will make or break the ongoing success of that company bought. If it’s a crappy integration and not executed well, key people leave.”

“It’s important to creating a process for the acquisition itself, creating a framework, identifying the leaders across the different functional areas identifying escalation paths and decision points.”

Related to that, several interviewees mentioned progress tracking as crucial.

“Discuss progress on a weekly, or sometimes even more than that, basis.”

Different innovation mindsets of the acquirer and acquired firm can result in difficulties finding a common innovation path, requiring active management.

“The way the [target company] thinks about innovation and the innovation philosophy is very different than [the acquirer], also because we [acquirer] are a large company that makes mapping things more complicated.”

“I stayed almost exactly 2 years, which is a little long for the founder of an acquired company. [...] When we acquire, it is a totally different philosophy. [...], I acquire your company. I don't want to change anything. [...] And we totally let these guys run their business, and that was a very successful business model for us.”

“Almost always the announcement to that target's customer base is this is wonderful  $1 + 1 = 3$ ; prices aren't gonna raise until your contract expires, and service levels will be even better. Those things retire the product - if the price is going up and support is getting worse.”

Changes in the acquisition and integration strategy that require management and strategic alterations happen frequently, according to some interviewees. Related to that, there was some inconsistency about the length of integrations in the interviews. While some senior executives said that integrations can take a very long time, consistent with the literature that understands the acquisition integration as a process (e.g., Haspeslagh & Jemison, 1991; Oorschot et al., 2023; Yu et al., 2005), others explicitly pointed to the length of integrations in firms or highlighted that some companies might never integrate because of changing market and business conditions.

“There are many reasons why you end up not integrating. Some have to do with the technical complexities, costs, the market brand, or the geolocation of the target

company. Sometimes, the product and the technology that we were bringing in couldn't really truly be integrated, impacting the customer experience and our innovation goals.”

“Sometimes decisions are made that impact the integration and it takes a very, very long time.”

“Nobody's really integrating for five years, but I know this is something that the firms will disagree with me on.”

“Some firms rebranded the acquired company and run it as a standalone company and don't change any way it operates to absorbing absolutely everything and converting them completely onto the mothership.”

Beyond dynamic market conditions and industry requirements as external drivers, internal obstacles such as cost considerations, prior decisions, changes in leadership, people and communication challenges can affect innovation-driven acquisition integrations, as the following passages show.

“Innovation sometimes stalls because there is so much constraint around cost.”

“While the overall strategy should be built to serve a variety of customer needs, there is no one size fits all for every customer. That’s where our industry and solution areas can help to make that connection to the newly acquired customer base.”

“Overcommunicate, Overcommunicate is absolutely important.”

“You get this productivity drop in teams, particularly around innovation. If they're not communicated well, they might start thinking, what’s the point of me?”

“All these tough integration decisions not taken at the beginning caused lots of problems over the years. It’s important to understand beforehand what the consequences of my decision could entail.”

“The innovation team was relatively limited, less than 10 people. Most people were from the US. Over time, we realized that the integration was not working from a people perspective, we asked for help and we had support from team members that were in Australia, in Hong Kong, in Singapore.”

Some senior executives noted that integration strategies can change, e.g., due to changes in business priorities, requiring adjustments in evaluating the achieved goals.

“I have caught myself saying that most integrations fail, but are we measuring the right thing to call it a success or a failure? Integration strategies change and they should evolve. If you measure the acquisition based on the initial objectives and the initial targets, and then did we meet those now? These strategies can change, because the market changes, conditions change, leadership change and therefore, we're actually at the end of the day probably measuring things that are very different than what we initially started with. I think there's a disconnect there.”

“Firms go through acquisitions, and they've got remnants of things that they just didn't ever get to. So, they didn't integrate a system or a department, etc. They have changed their priorities at the time of the post-acquisition.”

“In order to do innovation, you need to put money aside. It might have been the assumption up front, but then the decision was made to use it to run the core business.”

Other factors that play a role, according to the interviewees, are the deal model, how revenue with innovations can be generated, and the overall appetite of the senior management. Table 18 shares more insights into innovation-related passages from senior executives, across the identified second-order themes. An extended view on the interview passages is shown in Appendix E.

**Table 18. Interview passages – Orchestrate an Innovation-Centric Integration**

<b>Sub theme</b>	<b>Theme: Orchestrate an Innovation-Centric Acquisition Integration</b>	
Customer Centricity	Customer Involvement in Innovation	“If it was more transactional based rather than based on value, the innovation component was only for some of the top accounts, but then was they were co-innovating with us.”
	Customer Involvement in Innovation	“As part of the strategic performance review, we sit with our client and ask them about their plans. The challenge with co-innovation is to get the client to participate and get involved because that takes a lot of time and energy. Customers got their day-to-day job activities.”
	Customer Value	“With the very good relationships, you have a team that would respond to you, whether it was a customer issue, a contract issue, a product issue.”
	Customer Value	“We integrated their products, and the package was much more valuable to customers.”
	Customer Value	“Did the customers perceive the expected value? [...] How did we influence the adoption and consumption of the customer’s software to measure the impact and, at the same time, influence the product innovation agenda? We need to ask ourselves ‘are we creating something customers would like and buy? And are we able to deliver it in an efficient manner?’”
PMI Orchestration	Integration Team	“Typically, the integration team has a very specific lead within our technology and product group that understands technology deeply and they come in and do the assessment of this piece of technology.”
Acquisition & Integration	Communication	“Typically, the integration strategy and plan also have a very thorough communication plan with all the stakeholders defined in that communication strategy. We work with the corporate communication team, who then is responsible to think about every single stakeholder that needs to be communicated with internally, incl. the timing of the communication. You follow the sun, starting in Asia. It also includes website changes, press releases, posts, etc. That strategy includes the customer base.”
Strategy & Planning	Strategic Customer Value	“When we did the strategic acquisitions around net new product innovation, the conversation was always around the market ability and the strategic nature of this new technology and or new product or new service. We were constantly on the lookout for those and always want to capture those in the early phase of a technology adoption curve because the premiums that you pay for the value you may capture.”
Product	Product Strategy	“In working with the executive teams and the business unit leaders, they’re able to determine whether or not this code, this product, this piece of IP is really what we want to, further the product line.”
	Customer Value	“Discussion during this process were dedicated to create new products and solutions in part to the different segmentation of the client and work product.”
	Customer Value	“At customer conferences where we bring in top customers from around the world, we have strategy meeting where we ask for input from our customers. In innovation centers, our customers partner with us on how the product should look like, giving input, sharing how they’re using their product, becoming a product expert, and then building that community so that they become evangelists of the product.”
People & Leadership	Innovation Team	“The innovation team was the most from the US and I was the connector between that team and what happened in Asia. [...] After a year and a half, we realized that the integration was not working from a people perspective, we asked for help and we had support from team members that were in Australia, in Hong Kong, in Singapore.”

Sub theme	Theme: <b>Orchestrate an Innovation-Centric Acquisition Integration</b>	
Organization	Innovation Path	“The companies track record on previous acquisitions and innovations play a big role in terms of how the customer base will perceive. [...] If [acquirer] had stumbled on other acquisitions or their own product releases, the customer base is gonna be more reticent and much more skeptical than if they have a track record of product introductions. So previous product introduction plays a huge role in sentiment and early acceptance.”
	Cross-Functional Approach	“You wanna have someone from the product management part or the R&D team be central to the integration team to provide that content expertise and also bridge the gaps to learn from each other. You also need to set integration goals, particularly around innovation.”
	Dispersed IT-Systems	“While we focused on volume and velocity, [acquirer] offers time-consuming customization. The integration was slow and for some customers it was frustrating. Our IT systems are still not seamless.”

**Reduce Complexity.** Another theme that emerged from the interviews was the reduction of complexity to amplify the interplay between people, processes, and technology. Figure 20 depicts the key theme and how it was derived from the insights gained in the interviews. Standalone approaches, but especially partly or full acquisition integrations affect a company’s complexity in terms of people, culture, business procedures and processes, and organizational structure, requiring a proactive management by the acquirer. The interviewed senior executives described challenges such as different mindsets and cultures, overlapping job roles, disconnected business processes, and dispersed, incompatible technologies, resulting from integrating the acquired firm into their organization, as inhibitors to realize synergies and innovation goals. Research confirms that acquisitions support or hinder product innovation (Burger, 1989; Özsomer et al., 1997).



Source: Author

Figure 20. Interview Coding – Reduce Complexity Theme

One senior executive understood an ineffective managed integration as a potential distraction and message to the competition to acquire these customers.

“Sometimes the product road map gets diluted or de-prioritized. It’s important to have clear integration plans, to avoid distraction from the initial innovation plan.”

“We bring in the product teams from the various business units to evaluate the opportunity.”

“The integration process will make or break the ongoing success of firm bought.”

The size of the acquired firm and how it impacts the complexity of acquisition integrations was a dividing factor in the interviews. Damanpour (1996) highlights structural complexity and organizational size as central to predicting organizational innovation. Scholars debate the association between structural complexity and innovation (e.g., Aldrich & Auster, 1986; Camisón-Zornoza et al., 2004; Ettlie et al., 1984; Hage, 1980; Zmud, 1982) or found no relation (Aiken et al., 1980). While some senior executives believe the size impacts the complexity of an integration, and how people, business processes, and technology align, others stated that integrating smaller targets can be more disruptive.

“When we bought [...], we just left them alone. We didn't try to do much integration and that was probably the most successful one we've had because we bought them for their knowledge and know-how and let them continue to do their job.”

“The size of the acquisition does not equal complexity. Sometimes the smaller acquisitions are even just as complex as the big ones. It has to do with regulatory issues or a challenging executive leadership team to integrate with the larger company. I've used a complexity rating to define the complexity of a deal.”

“The larger companies are a whole different beast. The business process integration in large complex cases is so time consuming. For that reason, if you do it right, it provides a blueprint for the technology integration in the future.”

“I found that the [target company 1] integration was less painful than the [target company 2] integration because [target company 1] was much smaller.”

“When you think about just agility, smaller is definitely better. When you think about quality, larger is better because they look at it through multiple dimensions and don't take one voice as the answer. It goes through several different layers of filtering, so that would be the difference between maturing and mature. You've learned from that stage, but you've learned multiple times. Because you've acquired other entities who've had similar processes, you take the best of breed. Whereas a smaller organization, it can adapt real time.”

“When a small company gets bought by a large company, you don't have that human touch that I have with the small company moving forward.”

“I'll steal the Warren Buffett approach. If I buy somebody, I'd buy him and leave him alone and try to understand; spend a couple of years and just listening and learning. A huge problem is that firms make that acquisition, pay that control premium, and they think they know better.”

Agility as an influencing factor in reaching the firm's innovation objectives presented itself in many interviews. The majority of senior executives shared flexible, nimble, and agile business processes embedded in an organizational structure that supports cross-team collaboration and fast decision-making as drivers of innovation. That is in line with perspectives in the literature (e.g., Özsomer et al., 1997) that points to a

flexible organizational design as facilitator of idea generation and implementation and a firm environment that supports innovation.

“We changed our culture also in terms of how processes are lived and have broken away from this silo thinking. We think holistically about the organization, as a management team.”

“Going from a smaller company, you fail and fell fast, and you learn from it. Agility is key; with that, you forget what a standard business process looks like. That’s different as you are growing because of an acquisition. You seek the standard, but with that, you lose agility. But to protect the organizational liability and your brand, you need to apply a level of rigor. With that comes quality and an orchestrated business process transformation that builds credibility with our customers.”

“In a larger organization, resources are not as nimble as in smaller organizations. As we became more and more integrated, it became more and more difficult.”

The technology played out to be another main challenge. While in many cases, a dispersed IT landscape is a burden, some interviewees highlighted the benefits of being not technologically integrated.

“We had a very complementary set of technologies that allowed for some of that immediate integration.”

“Certain structural elements are not done, and we don’t have a way forward on certain topics. If [acquirer] customers want to buy our [acquired firm] software, they can’t do it on [acquirer] paper. That we are two different companies, causes trouble. I have to book it into [acquirer] system, but there's no matching between that and the sales

force. So, I can't do automatic provisioning, for example. So, there's all these breakages that happen. We are separate on the back end because we've never integrated.”

“We [acquired company] are still on separate systems from [acquirer]. Our billing, analytics, and business development are on separate systems. We have a whole different technology stack. That technology stack makes us super productive. We could not run our business without that technology stack. Because of that, also have fewer resources, better forecasting, better insights into our business, and a better ability to understand and manage the propensity to churn, ensuring we retain customers.”

“Because we did keep separate order forms for [acquired company] and [acquirer] for quite some time, it took a while for a lot of the systems to catch up.”

“The company mapping created a poor customer experience because they felt like they were engaging with one organization. But we appeared to be two separate entities.”

“Now, on their platform, we have to do another integration. Just because they acquired this company doesn't mean they're going to stick with the same technology.”

“The complexity of [acquired company] and [acquired company] and when you think about how much time it took us to integrate them. The complexity of those stacks, how modern they were versus where we were just didn't match up at the point in time.”

Consistent with the literature that points to successfully uniting different national and organizational cultures to excel in post-acquisition integration (Fuhrer et al., 2017), the interviews showed that joint activities are critical to bringing the organizational cultures of both companies together. A common organizational culture, a social force that is invisible but powerful, are joint beliefs and values reflected in the behavior of employees (Hogan & Coote, 2014; Schein, 1990). While this is known to be a complex

task, it is even harder to orchestrate in a virtual environment, as the interviewees explained. Cross-cultural challenges resulting from different national cultures, that shape corporate cultures (Hofstede, 1980), add to that complexity, not only in cross-border acquisitions, but also due to today's culturally diverse work environments.

“It's the people who influence the firm's success. [...] You can take a structured approach in setting up your processes, but if you don't take the people with you and proactively manage cultural differences, it doesn't work.”

“We also added complexity for the customer base, where we did not have the language capacity; or the support structure that customers were used to. We did not have the same policies and procedures.”

“All customers had to do two or three more steps versus the old way. The business processes changed, and it took a while for customers to adapt.”

“Right after the acquisition, we realized a couple of things probably were we're gonna be more difficult than anticipated. One was working together with people from different cultures in two different perspectives. One was the country culture, coming from an American company into Southeast Asia with Indonesian that have a way of working following recommendations, connecting, etc. And the other one was even more significant, the company culture.”

“When we tried to integrate [...], we started to see challenges simply because they have their own culture, their own leadership, their own way of doing things.”

“There was a plan to integrate the cultures. We did '3 billion' activities together, we put them under the same roof, we did the integration. But then that got broken after

one week and it took two years to get them together. People will go naturally to their old company. You cannot do that virtually.”

“100%, culture is one of the biggest aspects of our integration efforts. But certainly for [acquirer], we do a number of things around culture.”

“The culture side of it to me, is most important in my opinion.”

“When we acquired a company in the UK and in Germany, we spent a lot of time building personal relationships, getting to know the people really well.”

Related to that, interviewees did refer to the organizational structure that foster innovation. The firm must be able to manage a more complex organizational structure after integrating the acquired company. It needs to manage change to transform its current structure and the newly acquired target firm structure while keeping the lights on and serving new and current customers.

“We operate very much from a leadership perspective as a matrix organization where especially if say, we're buying a company from the US typically they're very hierarchical. Part of this is helping people understand, that they their box is much bigger.”

“Even though firms are separated after the acquisition, they have to talk to each other.”

“Prepare the company for the transformation after the integration.”

Communication is another crucial element to manage complexity and is front and center in acquisitions and goes beyond company borders, according to many interviewed senior executives, with the last statement from a customer.

“Our process and the communications and change management team did a really good job. Making the acquired organization feel like they were a part of the acquisition, not a victim to a transaction.”

“It's very important to communicate, but it's equally important to communicate with commitments that unfold.”

“If there were any questions or doubts after the acquisitions, we raised it, and they were amenable and able to answer our questions.”

But the interviewees also mentioned communication obstacles that impacted the integration, resulting from tensions and a ‘that’s how we done it before mentality.’

“The communication was not easy because, in the beginning, there was a lot of tension, especially between the leaders at the time.”

“It was very difficult for some people on the [acquirer] side to adjust, especially when I was working with them on enablement.”

One executive highlighted the importance of verbal and written knowledge transfer to maximize the people-process-technology interplay.

“How do you transfer relationships and process and business knowledge without screwing things up. Is there even an interest for that? It is a challenge that needs to be appropriately orchestrated and managed.”

Table 19 shares additional insights related to the ‘Reduce Complexity to Maximize the People-Process-Technology Interplay’ theme. An extended view on the interview passages is shown in Appendix F.

**Table 19. Interview passages – Reduce Complexity Theme**

Sub theme	<b>Theme: Reduce Complexity to Maximize the People-Process-Technology Interplay</b>	
Customer Centricity	Customer Contract	“If contract renewal comes up, in some regions of the world, they use the [acquired company] on [acquirer] paper, e.g. in Brazil. In other places, a customer has two contracts, but those bigger customers want one contract. But the challenge is, the SKUs are different and they're not in the main system. Our billing system is different how we price. [...] There are good reasons for that because the way [acquirer] configure price is very different. [...] That's frustrating for a number of our customers.”
	Customer Contract	“When we acquire a company, we have to absorb their contracts. We don't typically lose a client in that transition, but there's likely a recompetete for an extension and that's a competitive process.”
Organization	Change in technology	“With the acquisition came a change in the technology we were using, which impacts the way we work.”
Acquisition & Integration	Agility vs. complexity	“When [acquirer] bought prior companies, they really didn't integrate them, they rebranded them, but they didn't do anything to change systems. They kind of kept them separate. It created a lot of inefficiency in terms of business process and going to market to the to the hospital. In one case, we had three different CRM systems used by three different sales teams and they would transact in three different general ledger systems, even with three different invoices and the customer would say it's like I'm dealing with three different companies. They were dealing with three different companies because [acquirer] never integrated. When they decided to integrate, they no longer had the software division.”
	Agility vs. Complexity	“In larger acquisitions, because of the complexity, you have to make sure that you have measures in place across all functional areas of the business and there is a clear MBO, KPI, and reporting. [...] It requires obviously more resources, more time, more effort. The complexity of those large acquisitions is in a lot of times in the infrastructure. Can you combine a chart of accounts in two quarters, even in a large entity? Can you combine systems?”
Orchestration of PMI	Checklist	“We would meet internally with groups of [acquirer]. They an acquisition checklist and we didn't fit because we truly were a true software as a service company, how we were organized, our systems, we used how we priced, how we sold, how we marketed, how we supported were very different. We would look at it and go well, that part of the checklist doesn't make sense. We were given the authority to say that parts of the checklist don't make sense.”
People & Leadership	Customer-Centric leadership	“The post-acquisition integration has to be managed very closely because individual people can have a significant influence on whether it will be a success or not.”
Acquisition & Integration	Industry Relevance	“Different than the [acquirer], we can configure but can't customize if a customer need something to support its business. [...] If it's the direction in the industry, then we will consider it and put it on the road map. [...] Otherwise, you can't scale, operationalize, and support the business.”

Sub theme	<b>Theme: Reduce Complexity to Maximize the People-Process-Technology Interplay</b>	
Process, Data & Technology	Synergies	“Once we decided to pull them in and bring their capabilities in house, it was much easier because there wasn't as much technology debt, like overhead and corporate debt.”
	Disconnected IT systems	“The highest degree of complexity and risk is the IT integration, the CRM system, the ERP system, the harmonizing, having a master data management and harmonizing customer records, employee records, etc.”
	Customer Support	“We had a very complementary set of technologies that allowed for some of that immediate integration, but we are committed to our customer’s former investments.”
	Technology	“We [acquired company] are still on separate systems from [acquirer]. Our billing, analytics, and business development are on separate systems. We have a whole different technology stack. That technology stack makes us super productive. We could not run our business without that technology stack. Because of that, also have fewer resources, better forecasting, better insights into our business, and a better ability to understand and manage the propensity to churn, ensuring we retain customers.”
	Dispersed Processes	“The product and the technology that we were bringing in couldn't really truly be integrated. At the end of the day, the customer had two contracts, had two support lines they had to call, had two logins potentially, had some redundancy in data that they needed to enter, still had different fees that couldn't be consolidated. So, it wasn't a bundled service.”
External Business Environment	Regulatory hurdles & Policies	“Sometimes there were policy issues for EMEA that were challenging that a U.S. Company buying [acquired firm] ran into. So, therefore the customers had to go through new certifications or new policy things that was unusual.”

**Foster Synergies and Value Creation.** Synergies and value creation were another theme prevailing in the interviews. Value creation through synergies in national and cross-border acquisitions is also a widely acknowledged topic in the finance (e.g., Alexandridis et al., 2017; Bena & Li, 2014) and management literature (e.g., Bauer & Friesl, 2024; Seth et al., 2002). Research suggests implementing strong project governance and timely integration efforts to achieve synergies from the acquisition integration (Fuhrer et al., 2017). Figure 21 provides an overview of the categories and codes used to derive the overall theme.



Source: Author

Figure 21. Interview Coding – Foster Synergies Theme

The analysis of the interviews suggests value and synergies as important acquisition goals in two ways. First, firms seek to realize synergies and business value from acquisitions. Second, many interviewees also highlighted the importance of generating additional customer value, e.g., from new product introductions or advances in capabilities, functionalities, and additional product benefits. But the interviews also revealed that acquisitions are disruptive to the acquirer's and purchased firm's business, with ripple effects to the customers' businesses. The following passages share examples from a customer and acquirer standpoint.

“The acquisition was extremely disruptive because we had to focus on the next 12-18 months of integrating. The company that we used with the new one that acquired them. The attention shifted to the integration, and we became one of many customers.”

“There were frustrations when we had critical issues and things weren't being addressed as quickly.”

“I didn't really feel like things weren't being addressed because of the two firms.”

“We left [acquired company] standalone way too long. The big mistake was not recognizing how do we keep the core competency and what makes this company great together for a period of time as you're building an integrating the plan.”

With an acquisition, technology stacks are changing in both involved companies to enable connecting dispersed systems for one view into the firm information and data. That disrupts the customer's business, as this example illustrates.

“We got on the business partner's platform that required integration efforts on our side, and now we face another integration because they got acquired. But the acquirer

didn't stick to the same technology, and we lost a couple of years' worth of new development in order just to migrate from one platform to another.”

To minimize disruptions from an integration for customers, one interviewee suggested focusing on the customer experience.

“Even if you are integrating processes, you have to think about: How do I do it in a way that's not disruptive for the customer. Don't think it from a company's lens, but what's the customer experience.”

Distractions from the business during the acquisition integration, changing market conditions, leadership changes, or an overestimated synergy potential were reasons expected synergies were not achieved or miscalculated. Consistent with that, research emphasizes “the tendency to overestimate synergy potential”, as one of three synergy pitfalls (Fiorentino & Garzella, 2015, p. 1469).

“80% of the synergies didn't happen, because of overestimating the synergy. Even if you eliminate duplicates, you create a need for other things and you forget the cost when you have to eliminate things.”

“While we gained the production incremental that we needed, we didn't gain any of the synergies related to the operating savings for that facility.”

The interviewees revealed inconsistencies about the approach firms take when they assimilate teams as part of an integration.

“Usually, the largest area of synergies is the overlap of humans in similar roles, whether its duplicate accounting departments, tax departments or even down at the production level and the product innovation level, the technicians and or the research specialists.”

“If we buy a company and shut down their facility and then resource that production into one of our facilities that already existed, the biggest synergy around that is going to be around the physical assets.”

“There wasn't always the assumption that the heads that we would cut would be from the acquired company. Sometimes the heads that we cut came from the acquiring company, especially when it came to technical roles. If we were, buying a new company because of their new product, we wanted to retain those experts that knew about the production process or knew about the material science behind it.”

“Another big area of overlap was sales. We didn't need two sales teams to sell 1.5 products. [...] We analyzed who has the best relationships with the customers and can step in to grow this business.”

Another topic that emerged was negative synergies and the calculated timing to achieve synergies. One example of negative synergies referenced in the literature is AT&T; an acquisition that led to \$1.3-\$3.0 billion in negative synergies (Fiorentino & Garzella, 2015). High synergy expectations after the acquisition announcement followed a disappointing acquisition performance (Fiorentino & Garzella, 2015). Hubris or overpaid premiums are factors contributing to negative synergies (Hitt et al., 2009).

“We were usually successful around achieving the cost synergies, but usually in many cases, it was over a longer period of time than was actually estimated.”

“The way I always looked at it when I was doing acquisitions, was my synergies are going to be offset by negative synergies.”

“It's still a challenge today because there are two support teams. My guys are single focused on our product, whereas the existing support team is singly focused on the

other product. Over time that reliance should decline. But it, you know, it still exists to this day that there's a heavy reliance on our core team.”

An interviewee mentioned a miscalculation of physical assets (face value) as another reason. In contrast to that, one senior executive shared that the biggest synergies result from plants and other facilities. A lack of achieving synergies can get firms to contradicting results as these passages show.

“We have a whole different technology stack on one hand that technology stack makes us super productive. [...] Our ability to understand the propensity to churn is ensuring we retain customers.”

“We acquired a company and then immediately put the functional areas into each business area. We lost the very genesis of what made that small company great, and we lost that core competency.”

Established processes slowed some acquirers down, as this passage explains.

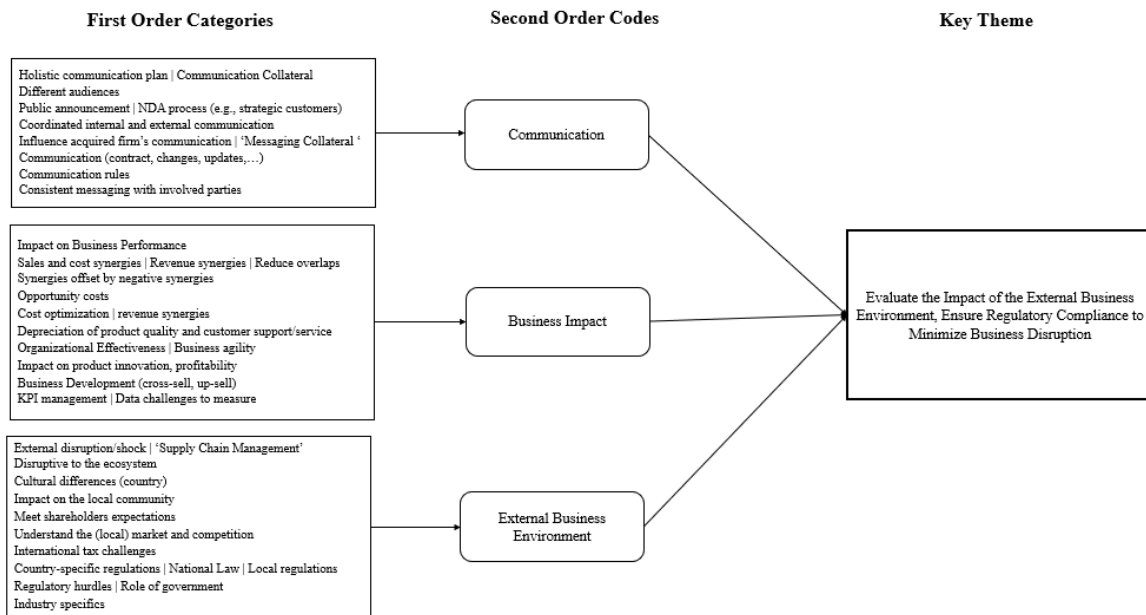
“When we got acquired, we did quickly consolidate the support request process. But people still reached out to the former team (acquired company). There was a lot of ‘throwing over the fence’. It slowed that process down.”

Overall, peer benchmarking as part of the transformation has been emphasized as useful to get insights into the realization of cost reductions and other potential savings to achieve expected synergies. Table 20 shares additional insights noted by the senior executives. An extended view is shown in Appendix G.

**Table 20. Interview passages – Foster Synergies Theme**

<b>Sub theme</b>		<b>Theme: Foster Synergies and Value Creation due to Minimized Business Disruption</b>
Organization	Synergies	“Cost savings entail people, technology, and everything from physical infrastructure to, duplications of technology, software systems, to people.”
	Synergies	“We knew when we woke up the day after the acquisition, we still behaved and sold and serviced our customers like we did before. Over time our service organization has moved to the [acquirer’s] ticketing system. So little by little groups have moved over.”
Customer Centricity	Customer Enablement & Training	“With the integration of systems like support systems [...] between two companies making sure that we’re taking into effect and into account how the customers using the technology on both sides and what that means and how much training do we have to do to the customer.”
	Customer Support	“As we began folding our team into the overall organization, I do think there was some deprecation of service. [...] I think our customers probably suffered, our joint customers and upsell customers. Certainly, we were able to support them, but that support became more difficult as their efforts got diluted in the overall organization. And that’s still a challenge going on.”
Process, Data & Technology	Synergies	“We have very solid sales team for this product. Initially, it was almost like 2 sales processes, which was a little bit clunky.”
	Synergies	“We didn’t have similar processes. And it was a net new product for us. It was a very light touch integration mostly at the corporate level for financial and accounting controls, but not so to the operational level.”
	Synergies	“[Acquirer] has a much more sophisticated marketing machine. That was a huge benefit.”
	Synergies	“The product, services, and support team remain probably intact because they know the product and if there’s a play to eliminate that cost, that means you need to cross train your existing staff, and the human mind can only hold so many products in their head at one time”.
External Business Environment	Synergies	“Shutting down the facility and being able to sell it, eliminates all those operating costs related to that facility.”

**Evaluate the Impact of the External Business Environment.** The firm’s anticipated integration decisions and activities showed to have a ripple effect on the acquirer’s external ecosystem. When firms acquire organizations, they must cope with a complex external business environment and need to anticipate potential costs from their decisions. Figure 22 shows an overview of the influencing factors, based on the categories and second-order codes.



Source: Author

**Figure 22. Interview Coding – Impact of the External Business Environment**

The senior executives described how global shocks, supply chain disruptions, industry specifics, regulations, but also reactions from local communities and governments disrupt efforts to integrate firms and achieve synergies from acquisition integrations. That is in line with Anderson et al. (2011) that believes a too narrow internal view takes away from recognizing the external factors that influence the success of an acquisition. External shocks such as the global COVID-19 pandemic and its aftermath affected how firms run acquisition integrations. In some cases, this unprecedented global health crisis accelerated the acquisition integration and in others it delayed it, because involved organizations and their teams had to adjust working practices and business procedures to remote settings. With that, firms experienced challenges in understanding the company's inner workings (Siebecker & Lozano, 2020) and managing dispersed and culturally diverse teams.

“COVID distorted a lot of things and put a lot of pressure on senior leaders to accelerate the integration, as opposed to prior recommendations to waiting 5 to 10 years and leave them running in parallel.”

“Building trust was a must. That got disrupted by this mega external shock. [...] As soon as we could, we organized small gatherings initially virtually. When travel resumed within Indonesia, we got everybody as we could in the same place; 12 people according to the local regulations.”

“We organized digital tours and engaged with companies right away to invite people virtually to visit our plants.”

“There was a chance to do virtual meetings. We implemented everything we could, webinars, seminars, conferences between senior leaders and big customers. [...] We suffered because of that lack of direct face-to-face connection with customers in other cultures.”

“When COVID happened, there was a massive pressure to reduce cost around the world and streamline, downstream and upstream of the supply chain. [...] It accelerated the integration but was a huge mistake. It would have made sense to keep firms running in parallel, give local employees time to adjust, show the value, [...]”

Decisions to give an acquired company autonomy and with that, keep company systems and contracts separate impacts firms’ businesses. Like in the case below, it can result in international tax challenges, impacting the acquirers and customer’s business alike.

“Our customer [company name] in India is a long-term [acquirer] customer. They want to buy our (acquired company) software, but on [acquirer] paper. [...] The problem started seven years ago. They should have done legal entity rationalization. All the

choices made back then hurt us now. Since I can't provision it, you have to pay twice as much tax. It comes back to the customer that they have pay more tax because of that. We deal with [acquired company] in the Netherlands. There's withholding tax between that local country and the Netherlands, where if you bought in the local country, you don't have that problem.”

“Acquirers sell 27% and close 19% of acquired plants within three years of the acquisition,” according to a study by Maksimovic et al. (2011, p. 1). Restructuring activities after acquisitions integrations are not unusual as acquirers seek to exploit their comparative advantages (Maksimovic et al., 2011), a research insight reflected in the interviews. The goal to achieve productivity gains with acquisition integrations can impact local communities and expected synergies from physical assets, affecting the acquirer's bottom line.

“There was a production facility in Canada we had acquired. The plan was to move the production to one of our plants that we have down the road. [...] that sparked outrage from the local community about losing jobs. [...] We ended up reversing course, and not shutting it down. [...] We just didn't realize that it was going to have as much of a social impact to the community.”

“We didn't want to tarnish the overall perception of [acquirer] in that community because we were a large employer in that community. We had two other plants and a lot of local support, and we weren't going to be able to preserve every job and we were very upfront about it.”

Governments across the world have different jurisdictions. Differences in political systems impact the way countries do business with each other. Inappropriate planning, a

lack of understanding what decisions entail, and business choices taken under certain assumptions can lead to unexpected corporate consequences, affecting how customers can be served.

“In the old world, people bought on premise software from [acquirer]. Today, the Chinese government controls what can or cannot happen on the web. In the case of [acquired company] that runs in a [company] data center, China says you can't do that. You need to have your data in China, and we need to be able to see what's happening on your web calls, and we need to be able to see what's going on. So, if you want to provide approvals in the software, it needs to happen within the China Data Centre so we can see what's happening. [...] years ago, the [acquirer] should have declared that we have a full-blown China data center for the China market. What we did is the worst of both worlds. We put a small footprint so we could sell something. We never did any of the other phases. Now it's hard because of the different political atmosphere we're in. [...] They just did not plan enough.”

Supply chain disruption but also considerations of supply chain participants were other topics that had been raised. While the integration of supply chains as a result of an acquisition is a crucial element to achieve synergies, it impacts the extended ecosystem.

“When we acquire a group and we're acquiring their contracts nine times out of ten, they have subcontractors on those contracts, they have suppliers on those contractors, or they have partners. So, it's really being thoughtful about not just integrating that company, but also that companies' partnership ecosystem, suppliers, partners, subcontractors and so forth, because those could also influence the client.”

“When the good relationship between the suppliers, the provider, and the customer goes away, the customer’s business might not see much impact and enhancements. The turnaround time or SLAs get impacted because that relationship is in flux due to the acquisition.” Table 21 provides additional insights from the interviews.

**Table 21. Interview passages – Evaluate the External Business Environment**

<b>Sub theme</b>	<b>Theme: Evaluate the Impact of the External Business Environment, Ensure Regulatory Compliance to Minimize Business Disruption</b>	
Communication	Holistic Communication plan	“Recognizing the strategic value of the acquiring customer base and your own customer base is huge because, e.g., in regulated industries like railroads, it will make or break the deal like they will not pass even an acquisition. [...] The customer sentiment will be huge, not just in North America but in the EU and any other country that is thinking about approving this deal. Customer sentiment is huge in those cases, and a lot of times in the acquisition, it's not really given the proper forethought, planning and resources to really think about how you approach that customer base on both sides, what are their concerns and their expectations and making sure that you understand, and you listen to their concerns. Early you formulate a plan to address those concerns, and you roll out that communication both on one to one, one to few, one to many.”
Business Impact	Impact on Business Performance	“The cost pressure after COVID put a lot of pressure on businesses. That accelerated the integration, but it was a huge mistake because it would have made sense to keep it running in parallel, give local employees more time to adjust, to adapt, and to show the value.”
External Business Environment	Industry	“The concentration of the number of companies in an industry and the competitiveness of the industry could influence the success or failure or even the time required to fully integrate companies.”
	External Shocks	“Two to three years after the acquisition COVID happened. There was a massive pressure to streamline, not only the upstream part of the supply chain, but also downstream, meaning how we reach customers, how we communicate, etc.”
	Companies’ partnership ecosystem	“When we acquire a firm and their contracts, 9 times out of 10 they have subcontractors on those contracts. They have suppliers on those contractors, or they have partners. So, it's really being thoughtful about not just integrating that company, but also that companies’ partnership ecosystem, suppliers, partners, subcontractors and so forth, because those could also influence the client.”
	Regulatory Hurdles	“In many cases, there would be regulatory hurdles that we hadn’t anticipated we would run into.”
	Alternative approaches	“One of the best questions to ask when you're evaluating whether to do an acquisition or not is ‘is this the only way’? So, is this a strategic partnership? Is there an investment that we can do without making an acquisition? Are there other partners that we can go after? Are other ways to collaborate with this company that don't mean that we have to go through a full-blown acquisition and really thinking about, the different dynamics of the company, the size, the scale, the culture, the geography, like all those things matter.”

The following Table 22 summarizes the findings from the interviews on the management of acquisition integrations.

**Table 22. Summary – Analysis Managing Acquisition Integrations**

Summary	Literature
<i>Key Theme</i>	
<i>Lead with a Customer-Centric Mindset to Inspire Culture and Drive Change</i>	
<p>Acquisition integrations disrupt the businesses of the acquirer, acquired firm, and customers.</p> <p>Customers are not key considerations in integration efforts. Existing presumption that buying a firm means acquiring its customers.</p> <p>Customer Success teams and sales representatives are invaluable across the customer lifecycle. ‘Familiar faces’ are vital.</p> <p>A customer-centric mindset among all employees (incl. acquired firm) is key, paired with ‘care’ and winning people’s ‘hearts and minds’.</p> <p>Proactive management of organizational and national cultures.</p> <p>Change communication is critical. Customer segmentation to manage acquisition integrations.</p> <p>Partner as ‘extended arm’ vital as ‘trusted partner for life’.</p>	<p>Acquisition integrations are disruptive (e.g., Paruchuri et al., 2006)</p> <p>Firms assume takeover of ‘acquired customers’ (Anderson et al., 2001).</p> <p>Lack of customer focus in acquisitions (e.g., Umashankar et al., 2022)</p> <p>Improvements in sales growth require little to no integration (Datta, 1991; Shrivastava, 1986)</p> <p>Customers perceive firms as customer-centric when lived on firm and salesperson level (Habel et al., 2020)</p> <p>Customer segmentation as strategic means to align product portfolio with the requirements of the most valuable customers (e.g., Fader, 2012).</p>
<i>Facilitate an Innovation-Centric Post-M&amp;A Integration</i>	
<p>Integration process = crucial driver of the success or failure of acquisition integrations and the achievement of innovation goals.</p> <p>A holistic integration plan and the approach and timing of the customer involvement are important. Clear communication of the value the innovation brings to customers.</p> <p>Partnering in early adopter programs, co-innovation projects, or idea exchanges depends on the acquirer’s customization or standardization strategy.</p> <p>Discipline and foresight are critical in evaluating if innovations are industry requirements and/or increase competitiveness.</p> <p>Different innovation mindsets of the acquirer and acquired firm necessitate active management.</p> <p>Dynamic market conditions and industry specifics, or internal obstacles e.g., cost considerations, the ‘human factor’, and communication challenges affect acquisition integrations.</p>	<p>Acquisition integration stage is phase where the ultimate value is created or destroyed (e.g., Bauer et al., 2015)</p> <p>Achievement of acquisition goals determined by proper integration (e.g., Paruchuri et al., 2006)</p> <p>Debates about the level of customer orientation appropriate to drive innovation efforts.</p> <p>Customers might not show interest in partnering with the acquirer (Öberg, 2014)</p> <p>Market orientation diverts from being innovation-focused (Atuahene-Gima, 2005).</p>
<i>Reduce Complexity to Maximize the People-Process-Technology Interplay</i>	
<p>Integration types affect a firm’s complexity in terms of people, culture, processes, and structure, requiring proactive management.</p> <p>Different mindsets and cultures, overlapping job roles, disconnected business processes, and incompatible technologies, are inhibitors to realizing synergies and innovation goals.</p> <p>Organizational size impacts the integration complexity, but small targets can also cause disruption. Agile and flexible business processes affect the firm’s innovation objectives.</p> <p>Joint activities are critical to bringing different organizational cultures together.</p> <p>Ongoing communication and verbal and written knowledge transfer are crucial to manage the complexity.</p> <p>Transformation after the acquisition integration</p>	<p>Acquisitions support or hinder product innovation (Özsomer et al., 1997; Burger, 1989)</p> <p>Debates the association between structural complexity and innovation (e.g., Zmud, 1982 vs. Aldrich &amp; Auster, 1986; Damanpour, 1996)</p> <p>Flexible organizational design facilitates innovation (Özsomer et al., 1997); parts of the organization must be decoupled to foster innovation (Mintzberg, 1979)</p> <p>Uniting national and organizational cultures excels acquisition integration (Fuhrer et al., 2017)</p>

Summary	Literature
<i>Foster Synergies and Value Creation Through Minimized Business Disruption</i>	
<p>Mitigation of disruption through integration and focus on synergy creation for companies and customers:</p> <p>1) generation of additional customer value, e.g., from new product introductions or capabilities, functionalities, and additional product benefits.</p> <p>2) Achieving operational, cost, and revenue synergies</p> <p>Cost savings from people, technology, and infrastructure synergies and joint business processes e.g., in support, sales, and marketing</p> <p>Missed synergy goals due to changing market conditions, leadership changes, or an overestimated synergy potential &gt; Keep an eye on negative synergies.</p>	<p>Value creation through synergies in national and cross-border acquisitions is widely acknowledged in finance (e.g., Alexandridis et al., 2017) and management (e.g., Bauer &amp; Friesl, 2024)</p> <p>Strong project governance and timely integration efforts to achieve synergies from the acquisition integration (Fuhrer et al., 2017).</p> <p>Negative synergies e.g., due to high synergy expectations after the acquisition announcement followed by a disappointing acquisition performance (Fiorentino &amp; Garzella, 2015).</p> <p>Hubris or overpaid premiums contribute to negative synergies (Hitt et al., 2009).</p>
<i>Evaluate the Impact on the External Business Ecosystem</i>	
<p>Integration decisions and activities have a ripple effect</p> <p>Global shocks, supply chain disruptions, industry specifics, regulations, and reactions from local communities and governments disrupt efforts to integrate firms or achieve synergies.</p> <p>Management of dispersed (location, country) and culturally diverse teams</p> <p>Autonomy of acquired firm and separate company contracts.</p> <p>Separate company systems and contracts can lead to (international) tax challenges for firms and customers.</p> <p>Productivity goals can impact local communities and expected synergies from physical assets due to regulatory hurdles and reactions from the ecosystem.</p> <p>Governments and political systems can impact how customers are being served and what information needs to be shared.</p>	<p>Lack of understanding of the inner workings of a company (Siebecker &amp; Lozano, 2020) if firms are dispersed.</p> <p>Fit between firm's strategy and environment; industry regulation as impeding factor (Haleblian et al. 2009)</p> <p>"Environmental uncertainty affects whether firms select to acquire or opt for other cooperative means" (Haleblian et al. 2009, p. 476)</p> <p>Regulations moderate M&amp;A outcomes (Haleblian et al. 2009)</p> <p>External governance structures impact the likelihood of acquisitions (Haleblian et al. 2009)</p>

## Discussion

Acquisitions have seen significant failure rates (Rajgopal, 2020), but their relevance for businesses and scholars has remained the same over decades. Academics call for more insights into how acquisitions affect customers (Alvarez-Gonzalez & Otero-Neira, 2023) to improve customer relationships and reduce customer loss (Haleblian et al., 2009; Öberg, 2014). The literature provides evidence that the relationship with the external environment during M&A is crucial (Steigenberger, 2017) but a research gap exists in understanding how customer relationships must be effectively managed during

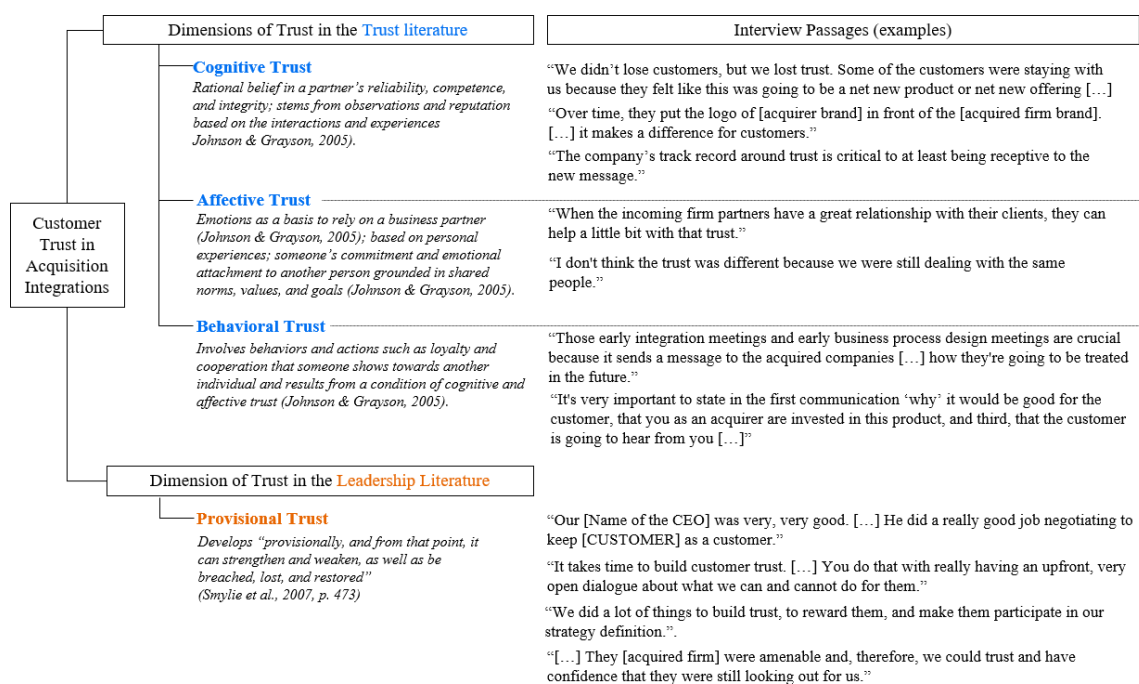
post-M&A integration (Steigenberger, 2017; Zollo & Meier, 2008). It remains unclear how customers react when confronted with changes resulting from acquisitions (Anderson et al., 2001; Öberg, 2018; Umashankar et al., 2022). But a growing customer base, e.g., through cross-selling of products between both involved companies, is a critical aspect of M&A (Clarke et al., 2020; Umashankar et al., 2022) and a crucial source of value for firms (Degbey, 2015). Academics highlight that amplifying the value of acquisitions entails the management of “human factors” (Hubbard & Purcell, 2006, p. 17). While employees (please see e.g., Hubbard & Purcell, 2006; Kuvandikov et al., 2020; Mirc et al., 2017; Steigenberger & Mirc, 2020) and shareholders (Capron & Pistre, 2002; Umashankar et al., 2022) have been studied for some time, customers are rare in these investigations and “only mentioned in passing” (Anderson et al., 2001, p. 578).

This study aimed to shed light on the role of customers in acquisition integrations. Study two aimed to extend the first study with new insights into the role of customers in acquisition integrations and the effects of organizational complexity to drive product innovation. While some findings from the interviews confirm the literature, several observations related to multiple research areas provide notable insights for organizations of different sizes and across industries.

Customer trust, that takes time to develop and is difficult to restore, revealed itself to be a crucial influencer in acquisition integrations, a scarce topic with anecdotal evidence in today’s literature (Graebner, 2009). The confidence in the business partner, that their interactions are based on integrity and reliability (Morgan & Hunt, 1994) is critical and affects the customer-acquirer relationship; even more so when the acquirer is not known to the customer of the acquired firm. The themes drawn from this study

suggest several areas acquirers can proactively manage to impact customer trust: the acquirer's brand, and reputation, early customer involvement, communication, familiarity with and proximity to the customer, and the responsiveness and reliability to customer inquiries. The findings show that acquisitions are inflection points about the customer's future of doing business with the acquirer, that need active management to influence their decisions to stay or leave for the competition. A combination of proactive churn management guided by data, insights from sales and customer success teams, as well as the customer history with the firm can serve as foundation to apply appropriate measures.

The trust literature distinguishes between three dimensions of trust: behavioral, affective, and cognitive trust (Lewis & Weigert, 1985).



Source: Author

**Figure 23. Customer Trust Dimensions in Acquisition Integrations**

The mapping of these general trust dimensions in the context of this study, revealed a potential extension of these dimensions by a trust dimension already used in the leadership literature today: provisional trust (Smylie et al., 2007). Figure 23 defines the three trust dimensions and connects them to some of the statements collected in the interviews. The four passages categorized under ‘provisional trust’ point to a potential extension, when applied to acquisition integrations in this study. When customers are neutral towards the acquirer, they might show provisional trust, that can develop into a state where trust will be “strengthen and weaken” over time or can “be breached, lost, and restored” (Smylie et al., 2007, p. 473). Cases could include, for instance, 1) the customer, being new to the acquirer’s business, has neutral thoughts about developing a business relationship, 2) the customer is doing business with the acquired company, but is dissatisfied and undecided about the future, or 3) the customer’s is unhappy with the acquired firm and has intentions to leave. These situations are opportunities for the acquirer, especially during the phase where the contract is transferred, to influence customer trust, and with that generate potential additional future revenue streams. Provisional trust might be a future research topic with relevance to the broader acquisition integration literature, but also practitioners who would benefit from guidance on how provisional trust can be identified, nurtured, and advanced into a partnership.

While a perceived ‘good fit’ between brands involved in the acquisition can result in a positive customer reaction (Alvarez-Gonzalez & Otero-Neira, 2023), the acquirer’s brand, reputation, and track record in providing customer experiences are crucial in building and sustaining customer trust. Customer trust with regards to company brands

and reputations, barely researched in business-to-business (B2B) settings, have shown to be indicators of the acquirer's trustworthiness and play a role in acquisition integrations.

Strategic changes after the acquisition can be harmful to customer trust, but an early cross-company alignment facilitates building mutual understanding and trust through upfront, open customer dialogue. Consistent with research that points to role-based trust as influential to customer trust (Kramer, 1999), the interview showed personal senior executive alignment and 'familiar faces' such as sales representatives and customer success personnel as crucial boundary spanners. Whereas the literature suggests sales representatives as boundary spanners (Bradford et al., 2009), this study proposes an extended view, suggesting all employees with customer contact as 'boundary spanners' and senior leaders as facilitators to (re-)establish a trusted relationship. Beyond that, the acquired firm with established trusted relationships can act as boundary spanner for the acquirer. Customer relationship management tools could support staying current about the customer relationships, making the tracking and the evaluation of future steps more transparent within the organization.

Research seeks understanding into how customer react when confronted with changes in e.g., products and prices as a result of acquisitions (Öberg, 2018; Umashankar et al., 2022). The interviews revealed that a misalignment of strategies, contract transfers, and price changes together with differences in future aspirations and expectations impact customer trust and increase the risk of losing customers if these challenges are not addressed early on. Involving customers in the company's innovation plans and roadmap discussions enhances the trustworthiness of the acquirer, as the interviews revealed, if promises and commitments are met, because they influence future buying decisions

(Skinner et al., 2014). Already in the 1970's Hirschman (1972) found that a decline in product quality impacts customers' exit or voice decisions. Related to that, the study showed that customer frustration affects trust resulting from a decline in product quality.

Early, audience-specific communication about 'the why, the how, and the what' of the acquisitions and its integration efforts paired with a phased-communication approach reduce uncertainty and facilitates customer trust, prerequisites for close customer relationships. With that, ambiguity in messaging and rumors that promote uncertainty (Alvarez-Gonzalez & Otero-Neira, 2023), can be proactively addressed. The firm's track record around trust and its collaboration history affects the customer's receptiveness to the acquisition message, an important finding from the interviews. Prior acquisition success stories and proactive customer enablement can be a means to support the trust-building process.

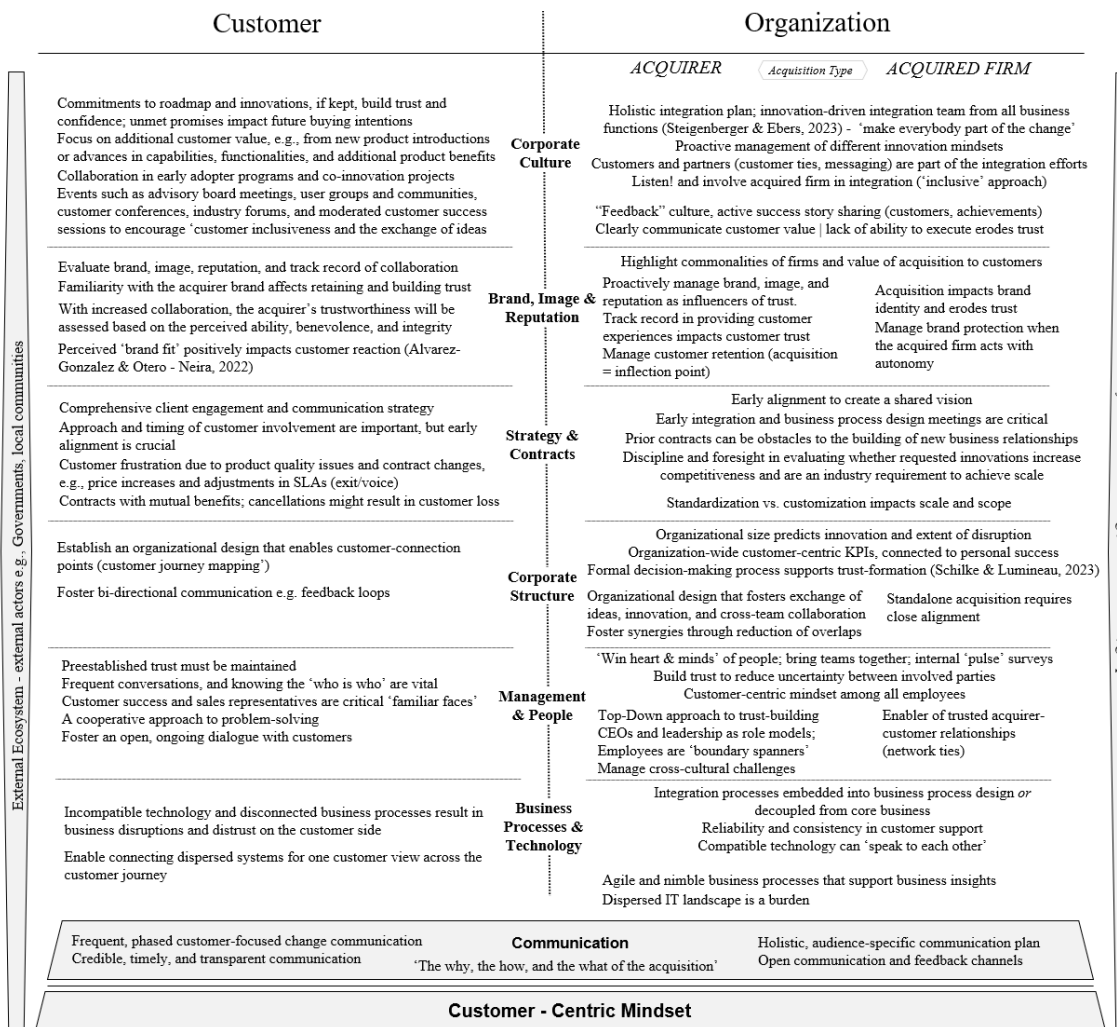
Familiarity with the customer's business that grows through close relations and customer proximity are crucial factors to build customer-acquirer relationships. That observation from the interviews aligns with the Social Embeddedness Theory that suggests social connections built over time protect against risk (Zhong et al., 2017). Another finding was that people from the acquirer and acquired company with the closest customer relationships play an invaluable role in sustaining customer trust, a finding that highlights the importance of establishing good business relationships with the acquired company's personnel across working levels. Beyond that, it aids the cooperation during the transition and the knowledge transfer between both companies, fostering to achieve knowledge synergies that foster innovation (Attah-Boakye et al., 2021).

Acquirers place a strong importance on sales representatives and customer success teams to nurture, maintain, and (re)build close alliances with customers. Furthermore, its extended ecosystem such as partners are instrumental in maintaining strong customer ties during the acquisition, because preestablished trust cannot be taken for granted. While it was not initially obvious in the majority of interviews, acquirers benefit from including third-party partners into their change activities to speak with one voice to the joint customer base.

Relationship building and propensity of trust differ across nationalities (Hofstede, 1980), and the interviews underlined that proactively managing organizational and cross-cultural sensitivity are paramount for a successful acquisition integration, in national cross-cultural teams and cross-border settings that involve several countries. Prior experiences with customer support, past interactions, and consistent support delivery foster customer trust. Understood as competence and ability in the general trust literature (Fulmer & Gelfand, 2012), the analysis shows that customer trust is influenced when customers perceive acquirers as reliable and responsive to questions and issues throughout the acquisition integration. That also entails a focus on former customer investments and efforts to maximize customer value from their products.

Beyond the relevance of customer trust, this study revealed additional insights to successfully manage acquisition integrations, the stage where the ultimate value of an acquisition is created or destroyed (Bauer et al., 2015; Birkinshaw et al., 2000; Graebner, 2004; Greenwood et al., 1994; Steigenberger, 2017). Figure 24 provides a summary of the suggested recommendations to proactively manage acquisition integrations with a customer-centric mindset. Findings from the quantitative study one and the literature

(e.g., Damanpour, 1996) confirm the importance of proactively managing the complexity from bringing the acquired firm into the acquirer's organization. Acquisition integrations disrupt the involved firms (e.g., Paruchuri et al., 2006), a research insight consistent with the interview findings. While standalone approaches (Figure 3, Galpin, 2014) where e.g., Human Resources and Finance functions get integrated are less disruptive, according to some interviewees, they require appropriate planning. Full integrations necessitate a detailed integration plan with milestones and checklists that enable close monitoring connected to the firm's acquisition and strategic goals (Steigenberger & Ebers, 2023), an interview finding consistent with research. Both approaches need integration teams that closely work with the acquired firm on aligned steps to jointly manage the integration efforts.



Source: Author

**Figure 24. Summary of Managerial Recommendations**

Consistent with research (e.g., Anderson et al., 2001), the study revealed that customers are not key considerations in integration efforts, because there is a presumption, that the acquired firm’s customer base can be taken over. The interviews showed that customers’ businesses are affected, requiring a plan to minimize business disruptions in their organizations. Customer success teams and sales representatives, that are invaluable across the customer lifecycle, should act as facilitators of proactive communication and proactively manage challenges that arise from acquisition

integrations. In fact, customers perceive firms as customer-centric when they live it on a firm and salesperson level (Habel et al., 2020). Segmenting customers according to the value they bring to the firm (e.g., Crecelius et al., 2019; Fader, 2020) serves as strategic means to manage acquisition integrations. Beyond that, some acquirers confirmed bespoke customer communication and the collection of customer feedback in tailored surveys as crucial input to their customer sentiment evaluations. It also includes feedback loop changes to advise customers on product challenges and enhancements, collaboration in co-innovation projects, and adjustments and enhancements of the acquirer's product portfolio and long-term innovation roadmap. An M&A checklist that lists dedicated customer activities such as ongoing communication on status, updates, and new processes will support customer expectation management and understanding how the decisions might impact the customers' business. To guide customers through the acquisition, an M&A advisory role explicitly focused on customer requests and challenges they face could support managing the impact as customers of the acquired firm. The notion of 'happy employees, happy customers' revealed itself in the interviews. Related to that, caring about employees, and winning their 'hearts and minds' is crucial in the efforts to mount a customer-centric mindset among all employees. Also, the close connection to third party providers such as partners as 'extended arm' of the acquirer is vital. As the customer's 'trusted partner for life', as some interviewees pointed it out, they share responsibility to bring the customer-mindset with a similar 'tone and voice' to the acquirer's customers.

Organizational cultures between companies differ (Denison, 1996; Pettigrew, 1979; Schein, 1983), what becomes evident in acquisition integrations, as the Daimler

and Chrysler merger in 1998 shows (Steigenberger, 2017). Their pre-merger success turned into a disaster during the post-M&A integration stage because of social and cultural issues, differences in management styles, and inappropriate communication (Steigenberger, 2017). It resulted in resistance at Chrysler and, ultimately, the company's sale with a financial loss of US\$37 billion (Steigenberger, 2017). Acquirers, however, that successfully unite different national and organizational cultures excel in acquisition integrations (Fuhrer et al., 2017), research findings that are consistent with the interviews. Several interview statements showed that a proactive management of different organizational and national cultures is critical to work with 'one team' towards the acquisition goals. A common organizational culture is a social force that is invisible but powerful (Hogan & Coote, 2014). It entails joint beliefs and values reflected in the behavior of employees (Hogan & Coote, 2014; Schein, 1990), things that take time to develop as new employees enter the firm through an acquisition. While the management of company cultures is known to be a complex task, it is even harder to orchestrate in a virtual environment, as the interviewees showed. Cross-cultural challenges resulting from different national cultures that are crucial in shaping corporate cultures (Hofstede, 1980), add to that complexity, be it in cross-border acquisitions or due to today's culturally diverse work environments. An active management of dispersed, culturally diverse teams facilitates cross-team collaboration. Consistent with the literature (e.g., Doney et al., 1998), some interviewees highlight training programs to increase the cross-cultural awareness. Also, joint events and face-to-face interactions support relationship building across cultures.

Accomplishing the acquisition goals is determined by a proper integration (e.g., Dezi et al., 2018; Paruchuri et al., 2006). The integration process supported by a holistic integration plan is not only an important driver of the success or failure of acquisition integrations (e.g., Bauer et al., 2015) but also essential to achieving the innovation objectives. Beyond that, different innovation mindsets of the acquirer and acquired firm necessitate active management, as the study shows. The literature debates about the appropriate level of customer orientation to drive but not impede (e.g., Christensen & Bower, 1996) a firm's innovation efforts. For instance, customers might not be interested in partnering with the acquirer (Öberg, 2014) and, market orientation diverts from companies from being innovation-focused (Atuahene-Gima, 2005). The findings suggest that dynamic market conditions and industry specifics, as well as internal obstacles such as cost considerations, the 'human factor' (Hubbard & Purcell, 2006), and communication challenges affect innovation-driven acquisition integrations, but also highlight that the timing of the customer involvement in innovation-driven acquisitions is important. It starts with a clear communication of the value the innovation brings to customers. Partnering in early adopter programs, co-innovation projects, or idea exchanges brings customers closer to the acquirer, but the extent of such initiatives depends on the acquirer's strategy to offer standardize or customized products.

As noted earlier, acquisitions add complexity to the acquirer's business. Ongoing communication and verbal and written knowledge transfer are crucial to manage the complexity from a people standpoint. Change communications with unifying messages that frequently share the status quo and achievements are crucial in managing changes. Depending upon the acquisition type used for the acquisition integration (pls. see Figure

3), it affects a company's complexity in terms of people, culture, business processes, and organizational structure, requiring proactive management.

Acquisitions support or hinder product innovation (Burger, 1989; Özsomer et al., 1997). Data from the interviews confirm the impact from different perspectives. Differences in mindsets and cultures, overlapping job roles, disconnected business processes, and dispersed, incompatible technologies, are inhibitors to realizing synergies and innovation goals. While the research debates the association between structural complexity and innovation (e.g., Aldrich & Auster, 1986; Damanpour, 1996; Zmud, 1982), the findings show that organizational size impacts the integration complexity. Anecdotal evidence from the interviews underlines that small targets can cause disruption. Key reasons for that were a lack of collaboration between both firms, dispersed technology landscapes and disconnected business processes. Both go hand in hand. An upfront designed business process blueprint can support anticipating technology changes that are required to make the involved organizations 'technically talk to each other'. Agility and flexible, nimble business processes affect the firm's innovation objectives because they can impede or foster a strong cross-team exchange of ideas and experimentation culture. That finding is in line with Özsomer et al. (1997) study that promotes a flexible design as facilitator of innovation. Mintzberg (1979) goes beyond that and suggest that parts of the organization need decoupling to foster innovation (Mintzberg, 1979). If the acquired firm retains its autonomy (standalone approach, Figure 3), separate IT systems can be beneficial to the point that they are not disruptive to the acquired company's current business. However, disconnected financial systems can negatively impact the firm's and customer's bottom line. The findings from the

interviews suggest a transformation after the acquisition integration. While keeping the lights on to orchestrate the daily business, these transformation efforts should entail a clear plan to finalize an efficient process and technology set up, that can, depending on the current IT landscape, take years to finalize.

Value creation through synergies in national and cross-border acquisitions is widely acknowledged in finance (e.g., Alexandridis et al., 2017) and management (e.g., Bauer & Friesl, 2024). The focus on synergies and value creation for the acquirer and customers was a key theme in the interviews. Acquirers mentioned the mitigation of disruptions through integration and a focus on synergy creation for companies and customers by 1) generating additional customer value, e.g., from new product introductions or capabilities, functionalities, and additional product benefits, and 2) achieving operational, cost, and revenue synergies. Cost savings from people, technology, and infrastructure synergies and joint business processes e.g., in support, sales, and marketing contribute to realizing synergies. But negative synergies e.g., due to high synergy expectations after the acquisition announcement followed by a disappointing acquisition performance (Fiorentino & Garzella, 2015) are not uncommon. Hubris or overpaid premiums contribute to negative synergies (Hitt et al., 2009). That is in line with the interview findings; missed synergy goals due to changing market conditions, leadership changes, or an overestimated synergy potential lead to negative synergies. Strong project governance and timely integration efforts are crucial to achieve synergies from the acquisition integration (Fuhrer et al., 2017).

Barely discussed in research, but highlighted as important in acquisitions interactions was the evaluation of the acquirer's external business ecosystem. Research

puts a strong focus on the fit between the firm's strategy and its environment and highlights industry regulation as impeding factor (Haleblian et al. 2009). "Environmental uncertainty affects whether firms select to acquire or opt for other cooperative means" (Haleblian et al. 2009, p. 476). While this is a topic relevant early on in acquisitions, its impact became visible in several interviews. Integration decisions without taking the acquirer's external ecosystem into consideration can have negative ripple effects. Scenario planning to anticipate the potential impact of decision on the business, e.g., standalone vs. full integration of the acquired firm and the timing of it, is critical in the early stages of an acquisition. Moreover, it became evident that global shocks disrupt efforts to integrate firms or achieve synergies. In some cases, COVID-19, the unprecedented global health crisis, accelerated the acquisition integration and in others delayed it, because involved organizations and their teams had to adjust working practices to remote settings. With that, firms experienced challenges in understanding the inner workings of a company (Siebecker & Lozano, 2020) and managing dispersed and culturally diverse teams. Also supply chain disruptions, industry specifics, regulations, and reactions from local communities and governments are external influences that required a proactive management as they are directly connected to acquisition decisions. For instance, separate company systems and contracts can lead to tax challenges for firms and customers. A firm's productivity goals can affect local communities and expected synergies from physical assets due to regulatory hurdles, that moderate M&A outcomes (Haleblian et al. 2009), and reactions from the ecosystem. Beyond that, governments and political systems can influence how customers are being served and what information needs to be shared. These examples show the need to consider the external ecosystem for

wide-ranging acquisition decisions that have an impact on the synergies that can be achieved in acquisition integrations.

### **Limitations**

This study is not without limitations. The initial goal was to interview the same number of customers, acquirers, and acquired firms, but access to customers was limited and required insider information that was not always available. The perspectives from the subject matter experts are, therefore, mainly driven by insights from acquirers and senior executives of acquired organizations. Scholars debate about the appropriate sample size in qualitative studies (Malterud et al., 2016) and few sources with specific guidelines exist (Mason, 2010). Green and Thorogood (2009, in: Mason, 2010, p. 4) highlight that “the experience of most qualitative researchers (emphasis added) is that in interview studies little that is 'new' comes out of transcripts after you have interviewed 20 or so people.” Over the course of the interview journey, the responses to the same questions became similar, signaling that most insights were gathered from 25 interviews. Replicability could be verified by asking the same questions to additional subject matter experts. Even though the interviewees are located across the world, the interview sample shows geographical density to the US. Also, findings from this convenience sample are not generalizable due to sample bias and a lack of randomly selecting interview participants (Etikan et al., 2016a). Based on the initial convenience sample, referrals from the connections of the interviewees (snowball sampling) that are subject matter experts of the studied phenomenon participated in the interviews (Etikan et al., 2016b). The selection of interview participants by snowball sampling is not without disadvantages. While it gives access to a knowledgeable network of subject matter experts to study the

phenomenon, the selection of interviewee participants is not random. It, therefore, does not represent an entire population of experts (Sharma, 2017) experienced in the studied phenomenon. Beyond that, different to study one, the interviews in study two did not exclude experts from the services industry. Another limitation is that not all interviewees reported from ongoing integration efforts. While the interviewee mentioned when not all details could be remembered, the majority said that sharing their perspective after the integration was finalized enables to share insights based on real (mis-)achievements. Acquisitions that are still ongoing can take several paths. Research (e.g., Vrij et al., 2014), however, cautions gaining interview insights after the fact, because difficulties to remember the facts could impact the reliability of shared insights.

### **Implications for Future Research**

Several questions arose over the course of the study that would contribute new research insights. First, while trust has been extensively studied over the last decades (Lyon et al., 2012), customer trust in acquisitions, specifically in acquisition integrations, is an underexplored research field (Stahl & Sitkin, 2005) with relevance for scholars and managers. Major inconsistencies exist in how trust is conceptualized, operationalized, and measured (Seppänen et al., 2007). Assessing specific criteria to measure customer trust in the corporate world would extend the customer trust research and help managers to quantify this intangible yet crucial enabler of business relationships in acquisition integrations. It also contributes to overall customer-supplier relationship assessments. Second, provisional trust could add relevance to the broader acquisition and acquisition integration literature. Practitioners would benefit from guidance on how provisional trust can be identified, nurtured, and developed into a partnership. Third, the interviews

indicated a potential effect of ongoing customer communication of acquirers on customer trust and close relationship building. Future research could investigate the effect of early communication and customer involvement on trust in the customer-acquirer relationship. Forth, the interviews showed that the colliding organizational cultures of the acquirer and acquired firm add complexity to the acquisition integration activities and need a proactive management to reduce the risk from organizational differences. Customers, as this research has shown, are impacted by acquisition integrations and want to have a seat at the table in influencing product innovation roadmaps after an acquisition.

Beyond that, questions arose such as 1) How does the customer's organizational culture influence how acquirers are expected to communicate with their diverse customer base? 2) How does the customer's organizational culture influence the collaboration between acquirer and acquired company during acquisition integrations? Finally, several scholars (e.g., Hubbard & Purcell, 2006; Kuvandikov et al., 2020; Mirc et al., 2017; Steigenberger & Mirc, 2020) studied employees in acquisitions and post-acquisition integrations and this study sheds light on the role of customers in acquisition integrations. Additional perspectives could be extended by focusing on crucial external acquisition stakeholders such as regulators, communities, and the government. Anecdotal evidence from the interviews shows a potential effect of communities and governments on acquirers which acquiring organizations might find beneficial not to ignore to 1) enhance expected synergies from acquisitions, and 2) put measures in place to minimize business disruptions from the external ecosystem.

## CHAPTER 5: CONCLUSIONS AND CONTRIBUTIONS

### Conclusion

This research studies how customer orientation and organizational complexity impact product innovation in post-acquisition integrations, an underexplored topic with little attention from the literature, even though it is the phase where the ultimate acquisition value is created or destroyed (e.g., Bauer et al., 2015). Customers in acquisitions integrations, barely studied by scholars today (Anderson et al., 2001), are critical external stakeholders that contribute to the firm's value generation and long-term survival. Study one presents evidence for a significant positive post-M&A integration and product innovation performance relationship, that can be positively impacted for high levels of customer orientation and low organizational complexity, suggesting that being customer-orientated is vital during acquisition integrations. Given that organizations innovate to satisfy customer needs and acquire to expand their customer base, that is a critical finding that impacts a firm's innovation goals and thus can have substantial financial consequences. Giving customers a seat at the table, making them part of the acquisition process, and actively managing organizational complexity will benefit the firm's innovation strategy. Highly complex innovation-driven acquisitions should be cautiously evaluated regarding innovation performance because customer orientation can mitigate the negative influence of organizational complexity to a certain extent only.

Study two sought to enhance the findings from study one with interview insights from senior executives experienced in managing acquisition integrations. While the findings from study two are not generalizable, they give a first glimpse into the potential impact of the studied phenomenon. Given that acquisitions are inflection points for

customers, customer trust, a scarce topic in today's acquisition literature (Graebner, 2009), is an underestimated, invisible asset for firms, if appropriately managed during the acquisition integration. As strong influencer of the acquirer-customer relationship, customer trust is impacted by the acquirer's brand, and reputation, early customer involvement in the acquisition integration, the firm's communication behavior, familiarity with and proximity to the customer, and the responsiveness and reliability to customer inquiries. Driving an innovation-centric integration process is critical but requires the firm's ability to actively manage the cooperation with the acquired firm, and a customer-centric mindset change, while nurturing and maintaining, close customer relationships paired with a proactive customer communication. Innovation-driven, operating synergies result in new expertise or reduced costs in developing and launching new products (Capron, 1999), but require an organizational setup that facilitates transferring competencies, knowledge, and skills (Porter, 1985) across the involved organizations. A flexible, agile business process design facilitates cross-team collaboration and innovation but requires a connected, seamless technology landscape and flat company structures that support close cross-functional cooperation on innovation efforts.

More broadly, this research proposes combining the stakeholder and synergy theories. Customers are critical sources for innovative ideas (Naver et al., 2004) that firms can turn into valuable new products and capabilities to drive competitive advantage (Freeman et al., 2021). In acquisition settings, customers play a crucial role as enablers of value creation and 'sounding boards' of the market' that contribute to a firm's innovativeness. This research makes several academic and managerial contributions that will be outlined in the following.

## Contributions

Acquisitions happen for several reasons, with innovation (Bauer et al., 2016), customers, and growth (Calipha et al., 2010; Öberg, 2014) as prevailing motives. Over decades, acquisitions have happened in waves (Bruner, 2002; Vazirani, 2015) as a response to a volatile, dynamic market environment. The disruptive effect of acquisitions is widely acknowledged in the literature, but despite low success rates, firms continue to acquire organizations. Several academics (e.g., Christofi et al., 2017; Haleblian et al., 2009; Steigenberger, 2017) call for more insights into the effective implementation and integration of acquisitions, to act on the significant failure rates in M&A. Even though scholars have studied acquisitions for more than 30 years, this phenomenon continues to offer opportunities to contribute with new learnings. This study adds new insights to multiple research domains: marketing, strategic management, organizational behavior, leadership, and finance.

First, with prevailing focus on the acquisitions' financial performance, scholars highlight the need to explore unidentified moderator variables to further explain the business impact of M&A (King et al., 2004). With the synergies and stakeholder theories as theoretical foundation, this study uniquely connects the, in the cross-disciplinary literature, well-defined constructs post-M&A integration and product innovation performance, and customer orientation and organizational complexity as moderator variables.

Second, most acquisition research looks through the agency theory lens (Eisenhardt, 1989; Haleblian et al., 2009) and focuses on the effects of M&A on stakeholder wealth creation. It disregards the impact on external stakeholders such as

customers, even though they are drivers of a firm's growth and innovation targets (Anderson et al., 2001; Haleblan et al., 2009; Segal et al., 2021; Steigenberger, 2017). While M&A poses a risk for firms to lose customers (Christofi et al., 2017), the literature still debates about the influence customer should have on firms' innovation roadmaps. This study shows how crucial customers are in driving a firm's innovation agenda with their business requirements and changing expectations. Because of that, customers should have a seat at the table when firms acquire companies to enhance their product innovation strategy. That finding extends the finance and accounting literature by a broader stakeholder perspective, adding the customer perspective beyond the shareholder focus prevailing in research today (Segal et al., 2021).

Third, this study shows the importance of managing the complexities resulting from acquisition integrations. While different acquisition types impact the acquirer's organizational complexity in different ways, organizational complexity requires proactive management when firms acquire to enhance their product innovation. High levels of customer orientation can mitigate the negative effect of organizational complexity to a certain extent. The findings suggest that organizational complexity and customer orientation should be considered together in the context of acquisition integrations. Combining the stakeholder theory and the efficiency theory is suggested because synergies in innovation are critical achievements when firms engage in M&A with the goal of investing in their innovation strategy. Newly acquired resources such as product knowledge, technology, or product features are critical to driving product innovation (Atuahene-Gima, 2005; Bolumole et al., 2015).

Forth, anecdotal evidence shows customer trust as critical in acquisition integrations, contributing to an underexplored research area (Graebner, 2009). The findings suggest that acquisitions are inflection points about the customer's future of doing business with the 'acquirer' and customer trust, that takes time to develop and is difficult to restore, can be a strong means to influence a customer's decision. Lastly, the interviews revealed that the acquirer's brand, reputation, and track record in providing customer experiences affect customer trust with potential revenue-impacting implications for the acquirer and the acquired firm. Given the relevance of acquisitions and the crucial role of integrations, additional insights could guide practitioners on these critical topics while contributing additional insights to the company brand and reputation literature in B2B-settings.

### **Managerial Implications**

This research provides notable guidance for executives and leaders tasked with supervising, orchestrating, or managing post-acquisition integrations, the stage that deserves particularly attention because it influences whether value from acquisitions is created or destroyed (e.g., Bauer et al., 2015; Birkinshaw et al., 2000; Graebner, 2004; Steigenberger, 2017). Since acquisition integrations are cross-team efforts that involve integration teams from several business functions, leaders across business areas gain valuable insights into how they can contribute to the integration journey. While there is the presumption, that the acquired firm's market position can be taken over (Anderson et al., 2001), besides other factors, managerial overconfidence, and hubris affect whether the acquired customers retain after the acquisition (Degbey, 2015). Executives and managers involved in acquisition integrations, be it as acquirer, acquired firm, or

customer, gain new insights into the customer's role and the management of organizational complexity in the post-M&A integration process to drive the firm's innovation strategy. Figure 24 summarizes the managerial implications derived from this study.

Leading acquisition integrations with a customer-centric mindset is a key differentiator to increasing a firm's product innovation performance and, with that, its business revenue. It entails an internal and external perspective. While senior leaders and employees are critical boundary spanners, personnel with close customer relationships from the acquired firm and partners as 'extended arm' of the acquirer play a critical role in messaging to and collaborating with customers. Proactively managing the complexity resulting from the acquisition is crucial to achieve the anticipated synergies and enhance the product innovation strategy. While companies must orchestrate the level of integration of the newly acquired entity, firms face competing requirements of internal and external stakeholders. Acquirers should take a balanced approach to manage customer attention and integration efforts to satisfy the various internal and external stakeholders but allocate enough time to their current and newly acquired customer base. Early and frequent change communication helps employees and customers understand the why and how of the acquisition and its impact on their business. It supports a clear understanding of the acquisition's goals, journey, and roadmap, which might impact trust in the business relationship. The involvement of customers in the post-M&A integration process enables customers to influence the decision-making on processes and activities that affect their businesses, while it gives them the opportunity to be a crucial partner in the acquirer's overall product innovation agenda.

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## APPENDIX A

## DATA SOURCES AND MEASUREMENTS OF STUDY 1

<i>Variable Name</i>	<i>Type of Variable</i>	<i>Definition</i>	<i>Operationalization</i>	<i>Data Source</i>
<b>Product Innovation Performance</b>	Dependent	Product innovation is defined as “the rate of new product introductions and the rate of changes in the production or rendering of services” (Calantone et al., 1994, p. 143).	Sales growth after year 1	Annual reports and 10-Ks of companies that transformed through innovation-specific M&A
<b>Post-M&amp;A integration</b>	Independent	Dynamic change process that starts with pre-deal screening and concludes with the integration (Steigenberger, 2017; Jemison & Sitkin, 1986)  “Refers to the managerial actions taken to combine two previously separate firms” (Cording et al., 2008, p. 744)	cumulative abnormal returns of the acquirer - change in stock price measured on the day of the M&A announcement and two days later	Stock price on yahoofinance.com and investing.com on the day of the M&A announcement and two days later
<b>Customer Orientation</b>	Moderator	Customer orientation is a “set of behaviors and beliefs that places a priority on customers' interests and continuously creates superior customer value” (Deshpandé et al., 1993, p. 27)	Word count - number of times words such as ‘customer,’ ‘client,’ ‘user,’ ‘consumer,’ and ‘patient’ (depending on the industry) have been mentioned	annual report
<b>Organizational Complexity</b>	Moderator	Organizational complexity can be distinguished between organizational size, i.e., the number of employees or the physical capacity (input/output volume, financial resources, e.g., annual budget), and structural complexity. Damanpour (1996).	Number of employees of the acquired company divided by the number of employees of the acquirer to normalize for varying firm sizes (Datta, 1991)	Annual report of a public firm, secondary data of the private firm (google search)
<b>Industry</b>	Control	Industry of the company and purchased company		M&A database, Bloomberg,
<b>Country</b>	Control	Country of origin of the acquirer and the acquired company		M&A database

## APPENDIX B

### SEMI-STRUCTURED INTERVIEW PROTOCOL

(1) Audience: Executives of the target company's customer

1. **Research purpose** and context
  - I seek to advance the field of post-acquisition integration, study the role of the acquired firm's customer as one of the external stakeholders, and the impact on the acquirer's product innovation performance
  - The goal is to develop practical guidance for the proactive management of customers and product innovation during the post-acquisition phase in an M&A
  - The insights you will share are for research purposes only. I will not reveal your/any individual identity or your company's name in my report.
2. Personal **introductions and background**
  - Tell me about your work experience and when you joined the company.
  - What's your current role?
3. Let's talk about the **acquisition of <target company> by <acquirer>** from your perspective as a customer of <target company> [*construct customer orientation*]
  - How did you hear about the acquisition?
  - Did you feel prepared by <target company> and <acquirer>?
  - Did both companies reach out to you to provide more insights? How did they help you understand what would change for you as a customer of <target company>?
  - How did <target company> and <acquirer> communicate with you during and after the acquisition? Please elaborate on the ways they engaged.
  - What did change for you since the acquisition? Do you face advantages/obstacles now? Please can you provide examples?
  - Tell me about specific activities you do that helped you with the transition (from <target company> to <acquirer>)?
  - Can you still realize the benefits you sought when you started partnering with <target company>?
4. Let's talk about the **business relationships** with <acquirer> and <target company> [*construct customer orientation*]
  - How did you experience the relationship building with <acquirer>? What do you expect <acquirer> to do to "provide you a new home"? Tell me a couple of examples that helped you to connect with <acquirer>.
  - Does <target company> and <acquirer> engage regularly with you? Please can you share a couple of examples of occasions?
  - Please describe your interactions and activities with the <acquirer> to allow a smooth transition of activities from <target company> to <acquirer>.
  - How do <target company> support ongoing, seamless engagement with you during post-acquisition integration and beyond?

- What do you think would be essential for you as a company to feel heard and involved in the post-acquisition process and beyond?
  - What are important factors that influence relationship building between <acquirer> and <target company>?
5. The role of **customer trust and confidence** in the acquirer [*construct customer orientation*]
- Please can you describe the trust in <acquired company> ? Did your trust in <acquired company> change because of the acquisition? If yes, how?
  - How would you describe your confidence in the acquirer?
  - Did the acquirer implement any measures that would support building a trusted relationship with your organization? If yes, please can you elaborate?
6. The acquisition of a company often entails a change in **business processes**. Let's talk about your perspective on that. [*construct customer orientation*]
- How did the changes in business processes and procedures impact your partnership with <target company>?
  - What activities and processes did you find helpful to accelerate learning about and engaging with <acquirer>?
7. Let's talk about your role in the **product innovation strategy** of the <acquirer> and <target company>. [*constructs product innovation performance, customer orientation*]
- How did you experience involvement in the innovation roadmap with <target company>? Have you been involved in co-innovation projects with <target company>?
  - How would you describe <acquirer's> perspective on innovation? Do you see plans to involve you as a customer in their innovation strategy?
  - How can you connect with the <acquirer> to ensure your needs and expectations are heard?
  - How do you provide product feedback to <target company> and <acquirer>? Do you use a process/contact to provide these insights to the <acquirer's> product development?
8. Let's talk about **measuring success** in the context of post-acquisition integration. [*construct post-acquisition integration*]
- In your view as a customer, what would be required for a successful acquisition?
  - What factors play the most important role in you becoming a long-term partner of the <acquirer>?
9. What **other questions** do you suggest I ask to better understand customer orientation and product innovation in the post-acquisition stage from a customer's point of view?
- What other issues and considerations should I keep in mind when trying to understand a company's customer orientation and product innovativeness in the context of an acquisition? What other important topics didn't we cover?
  - Who else do you think I can talk about this?

10. Thank you for your time and the insights you shared! Would you be interested in a follow-up when preliminary findings are available to discuss emergent recommendations / practical guidance?

## (2) Audience: Executives of the acquirer

1. **Research purpose and context**
  - I seek to advance the field of post-acquisition integration, study the role of the acquired firm's customer as one of the external stakeholders, and the impact on the acquirer's product innovation performance
  - The goal is to develop practical guidance for the proactive management of customers and product innovation during the post-acquisition phase in an M&A
  - The insights you will share are for research purposes only. I will not reveal your/any individual identity or your company's name in my report.
2. **Personal introductions and background**
  - Tell me about your work experience and when you joined the company.
  - What's your current role? How many years of experience do you have in managing post-acquisition integrations?
3. Please let's talk about a **typical day in your job**. [*constructs product innovation performance, customer orientation*]
  - What activities in managing the post-acquisition are taking most of your time? Can you share a specific example?
  - Do you conduct market research to understand your customer's needs?
  - How do you collaborate with your product innovation department as part of the post-merger integration of <target company>?
4. Let's talk about your **acquisition of <target company>** [*constructs post-acquisition integration, customer orientation*]
  - What benefits did you envision by acquiring <target company>?
  - What role did <target company's> customer base play in your acquisition?
  - How does your post-acquisition integration process look like? Please can you describe the interactions and activities that you have to enact when working with your customers and the acquired customer base of <target company>.
5. Let's discuss the **customer perspective** and how you **engage with customers**. [*construct customer orientation*]
  - How did <target company> and its customers learn about your acquisition?
  - Tell me about specific activities you do that helped your customers with the transition (from <target company> to < acquirer>)?
  - How did you communicate with <target company's> customers during and after the acquisition? Please elaborate on the ways you engage with your newly acquired customer base (customers of <target company>).
  - Do you regularly engage with the <target company's> customers? How do you work with the <target company's> customers? Please can you share a couple of examples?
6. How do you engage with <target company> customers to ensure an ongoing, seamless **business relationship**? [*construct customer orientation*]

- How do you build relationships that foster a partnership with <target company>?
  - Do you have a process in place that onboards your newly acquired customer base and ensures information exchange between both companies? If yes, how does this process look like?
  - How do you develop the customer relationship over time? Explain factors that influence relationship building with your newly acquired customer base.
  - How did the change in business processes resulting from the integration of <target company> affect your customers?
  - What activities did you find helpful to accelerate learning about the customers of <target company>? How do you help these customers realize the benefits they sought when they started partnering with <target company>?
7. The role of **customer trust and confidence** [*construct customer orientation*]
- How would you describe the customer's confidence when you started building the relationship?
  - Did you implement any measures that would support building a trusted relationship with your (new) customers? If yes, please can you elaborate.
8. Let's talk about the role of the <target company's> customers in your **product innovation strategy**. [*constructs product innovation performance, customer orientation*]
- What role plays product innovation in your company? Can you provide an example of what product innovation means in your company?
  - How would you describe your management's perspective on innovation as key to competitive advantage? How does your company ensure continuous innovation during an acquisition?
  - How can you customers connect with your company to ensure their needs and expectations are heard? Do you continuously collect customer feedback for product development purposes?
  - How do you use the knowledge of your customer base on a strategic level? How on an operational level?
  - How do you involve the <target company's > customers in your product innovation roadmap? Do you offer co-innovation projects?
9. Let's talk about **measuring success** in the context of post-acquisition integration. [*construct post-acquisition integration*]
- What do you consider a successful post-acquisition integration process? How do you measure its success?
  - What instruments do you use to evaluate success?
10. Do you recall a post-acquisition integration that could have been more successful? [*construct post-acquisition integration*]
- What, in your view, were the reasons for that?
  - What were the highlights and lowlights during this post-acquisition integration?
  - In hindsight, what would you do differently?

11. What **other questions** do you suggest I ask to better understand customer orientation and product innovation in the post-acquisition stage? [*constructs product innovation performance, customer orientation*]
  - What other issues and considerations should I keep in mind when trying to understand a company's customer orientation and product innovativeness in the context of an acquisition? What other important topics didn't we cover?
  - Who else do you think I can talk about this?
12. Thank you for your time and the insights you shared! Would you be interested in a follow-up when preliminary findings are available to discuss emergent recommendations / practical guidance?

## (3) Audience: Executives of the acquired firm

1. **Research purpose and context**
  - I seek to advance the field of post-acquisition integration, study the role of the acquired firm's customer as one of the external stakeholders, and the impact on the acquirer's product innovation performance
  - The goal is to develop practical guidance for the proactive management of customers and product innovation during the post-acquisition phase in an M&A
  - The insights you will share are for research purposes only. I will not reveal your/any individual identity or your company's name in my report.
2. **Personal introductions and background**
  - Tell me about your work experience and when you joined the company.
  - What's your current role?
  - How have you been involved in the post-acquisition management after <acquirer> bought your company?
3. Let's talk about your experience during the **acquisition by <acquiring company>** *<[constructs post-acquisition integration, customer orientation]*
  - How have you been informed of the acquisition? How did you feel about that?
  - Can you think of the benefits and obstacles your company has seen since its acquisition?
  - What role did your customer base play in your acquisition? What did change for your customers since you got acquired?
  - How does the post-acquisition integration process look like? Are you involved in it, and if yes, in what way?
  - Please can you describe the interactions and activities you are involved in with the <acquirer>?
4. Let's talk about the **customer perspective** in the context of the acquisition *[construct customer orientation]*
  - How did you and your customers learn about the acquisition by <acquirer>?
  - Tell me about specific activities <acquirer> did to help your customers with the transition (from your company to < acquirer>)?
  - How did you communicate with your customers during and after the acquisition? Please elaborate on the ways you engage with your customer base? Did this engagement change to the time before the acquisition?
  - Can you talk about the things that went well/not so well during the post-acquisition stage from your customer's perspective?
5. Let's talk about **customer engagement and the business relationship** with your customers after the acquisition by <acquirer> *[construct customer orientation]*
  - How do you foster the partnership with your customers? Did something change after the acquisition by <acquirer>? If yes, please can you elaborate?

- Do you support the ongoing information exchange with your customers? If yes, how does this process look like?
  - Explain factors that influence relationship building with your customer base. What worked well, and what didn't work in the past?
  - Did you experience a change in business processes to serve your (previous) customer base? How did the change in business processes resulting from the integration by <acquirer> affect your former customers?
  - What activities did you find helpful to accelerate the post-acquisition integration?
  - Can you still help your customers realize the benefits they sought when they started partnering with your company? If yes, please can you provide examples of activities you support?
6. The role of **customer trust and confidence** in the acquirer [*construct customer orientation*]
- How would you describe the customer's confidence in the acquirer?
  - What role did customer trust play during the integration of the company? Did the acquirer implement any measure that would support building a trusted relationship with your customers?
  - Did the trust in the acquirer change over the course of the acquisition journey, specifically during the post-acquisition integration?
7. Let's talk about the role of your former **product innovation strategy**. [*constructs product innovation performance, customer orientation*]
- How would you describe your management's perspective on innovation as key to competitive advantage? How did your company ensure continuous innovation before the acquisition? Did this approach change?
  - Did you involve your customers in developing your innovation roadmap before the acquisition? Have your customers been involved in co-innovation projects?
  - How would you describe <acquirer's> perspective on innovation? Do you see plans to involve your customer in their innovation strategy?
  - How can you and your customer provide product feedback to the <acquirer>? Do you use a process/contact to provide these insights to the <acquirer's> product development?
  - How can you customers connect with your company to ensure their needs and expectations are still heard? Do you continuously collect customer feedback for product development purposes?
  - How do you use the knowledge of your customer base on a strategic level? How on an operational level?
8. Let's talk about **measuring success** in the context of post-acquisition integration. [*construct post-acquisition integration*]
- What do you consider a successful post-acquisition integration process? How do you measure its success?
9. What **other questions** do you suggest I ask to understand customer orientation and product innovation in the post-acquisition stage? [*constructs product innovation performance, customer orientation*]

- What other issues and considerations should I keep in mind when trying to understand a company's customer orientation and product innovativeness in the context of an acquisition? What other important topics didn't we cover?
  - Who else do you think I can talk to about this?
10. Thank you for your time and the insights you shared! Would you be interested in a follow-up when preliminary findings are available to discuss emergent recommendations / practical guidance?

**APPENDIX C**  
**INTERVIEW LOG**

<b>Interviewee</b>	<b>Interview Date</b>	<b>Duration (min)</b>	<b>Format (Tool   Technology)</b>
1	Mar 9, 2022	31	Online   MS Teams
2	Mar 14, 2022	29	Online   MS Teams
3	Febr 9, 2023	51	Online   MS Teams
4	Febr 21, 2023	63	Online   MS Teams
5	Mar 4, 2023	41	Phone   Audio
6	Mar 7, 2023	45	Online   MS Teams
7	Mar 7, 2023	42	Online   MS Teams
8	Aug 9, 2023	59	Online   MS Teams
9	Aug 29, 2023	57	Online   MS Teams
10	Aug 30, 2023	74	Online   MS Teams
11	Sept 29, 2023	63	Online   Zoom
12	Oct 23, 2023	42	Phone   Audio
13	Oct 26, 2023	29	Online   MS Teams
14	Oct 26, 2023	52	Online   MS Teams
15	Nov 13 2023	61	Online   MS Teams
16	Nov 15 2023	58	Online   MS Teams
17	Oct 20, 2023	32	Phone   Audio
18	Nov 15 2023	51	Online   MS Teams
19	Nov 17 2023	33	Online   MS Teams
20	Sept 18, 2023	49	Online   MS Teams
21	Dec 4, 2023	61	Online   Zoom
22	Dec 11, 2023	52	Online   MS Teams
23	Dec 13, 2023	57	Online   MS Teams
24	Dec 14, 2023	45	Online   MS Teams
25	Dec 18, 2023	32	Online   Zoom
<b>Total Interview Time:</b>		<b>1209</b>	<b>Minutes</b>

Source: Author

## APPENDIX D

## INTERVIEW PASSAGES CUSTOMER-CENTRIC MINDSET

Sub theme		<b>Theme: Lead with a Customer-centric Mindset to Inspire Culture and Drive Change</b>
Customer Centricity	Executive Alignment	“We also have some key client visits, so our executive leadership on some of those a clients will actually go out on a rotating basis.”
	Customer Acquisition	“I guess ‘customers’ are not an area that gets a lot of attention in acquisitions. It’s, a presumption - I’m buying this company. Therefore, I get their customers - The decision that I make will now be the decisions that these customers live with. There is a little bit of hubris, especially when you have a really big checkbook”.
	Customer Churn	“We experienced a lot of customer churn because we couldn’t clearly articulate our vision, their part in that, and how we would execute the changes that come with the acquisition.”
	Customer Churn	“I’ve seen during the acquisitions that customers are looking to get out. They’re just worried about the acquisition. Who acquired them? They don’t know a lot about this company, or it is too big and don’t want to deal with this large company.”
	Customer Value	“Disclosing to customer’s that the person’s personal success is tied to what is communicated is a powerful statement and it goes way beyond just like a target or a bonus.”
	Customer References	“When it comes to major capital projects, we’re dealing at the highest levels of these organizations. It is important that we can stand behind all of this and then also create opportunity where we can bring those customers, whether it’s at a senior level or at a local level. We can also bring them stories from other customers.”
	Customer frustration	“Our customers were not informed about changes resulting from the acquisition, which caused frustration and led to trust issues.”
	Customer satisfaction	“Client satisfaction is really important to us. We engage in a variety of different ways to make sure that we’re listening to the client. We have a client listening program that we’re engaging with the client and getting feedback.”
	Customer Change Communication	“There is going to be change communication with that customer, not only to get their consent but to assure them that you are going to receive the same product and service that they have been getting or a better offering.”
	Customer Change Communication	“In my general experience, it’s good to have an acquisition-phased communication, almost quarterly communications to customers for at least the first-year post-acquisition.”
	Customer Communication	“Part of the communication plan developed and executed according to that strategy was to make sure that the brands are kept separate.”
	Customer Segmentation	“Our growth leaders are well versed in the services that we offer. They work with the incoming firm to schedule client visits. We typically categorize customers in ABC customers, so the A’s have the highest priority and come first.”
	Proactive Customer Outreach	“We wanted to make sure that our biggest customers, especially our [acquirer customers] were not caught off guard and so immediately we had also a list of customers that we wanted to make sure got an outreach very quickly. [...] Within 24 hours, our top tier customers would hear from us, and we also did some joint calls.”
	Customer Feedback	“We did customers surveys, channel surveys, consumer surveys. And we implemented a methodology that we had developed in the US. We also did some quarterly reviews on consumers, customers, and channel satisfaction.”
Customer Events	“When we go out on various client engaging activities, whether we’re inviting them to an event that’s part of a project that they’re sponsoring or it’s part of our business development campaign or a what we call a capture trip where we’re going out and trying to gather intelligence	

		about an upcoming bid. Those are all moments that we connect with the client. We keep this client relationship front and center.”
	Customer Retention	“We have a steering committee. It’s really on our growth leaders to be working with our partners to ensure that the clients are being served.”
	Customer Experience	“We segment the customer size by revenue and, based on that we do general communication, general messaging. And then we’ve got a specific care team.”
	Customer Retention	“We had to retain our customers and the only way you retain your customers is by delivering a great customer experience, delivering value even if our teams were living in different parts, we all knew still we had to be together. It’s a good balance between understanding, embracing what makes [acquired company] successful and being able to translate what [acquirer] is asking for.”
	Customer Retention	“Whether you’re the acquirer, the customer or the employee. Everybody asks the ‘me’ question, ‘How does it affect me?’ Are my prices gonna go up? Is my service go down.”
	Customer Value	“Recognizing the strategic value of the customer of the acquiring customer base and your own customer base is huge because, in a regulated industry, it will make or break the deal. Customer sentiment is huge in those cases, and a lot of times in the acquisition, it’s not really given the proper forethought, planning and resources to really think about how you approach that customer base on both sides, what are their concerns and their expectations and making sure that you understand, and you listen to their concerns. Early you formulate a plan to address those concerns, and you roll out that communication both on one to one, one to few, one to many.”
	Customer Success	“We measure success now in the usage and retention of new integrated tools within those target customers and from a business growth perspective. [...] For some teams we only measure new customer acquisition and then penetration within target customer accounts.”
	Customer Involvement	“Customers themselves in terms of like the post-acquisition integration process, I don’t recall having any real substantive role.”
	Customer Involvement	“At the beginning, we go with [acquired firm] to the customers and listen to their issues. We align on what was heard during that conversation – did you hear the same thing? What’s your historical knowledge of that? Whom can we bring in to help with the current problem? So, we view it as that collaborative not just completely taking over. The customer needs to see both of us together for probably a period of at least a year. [...] it helps introduce the client to what they’re going to see going forward.”
	Customer Business Disruption	“The good relationship we had with our supplier and provider went away, and we haven’t seen much business activity and new enhancements.”
	Customer Business Disruption	“After the acquisition was closed, my customers were told that their contracts would expire, resulting in the breakdown of entire IT landscape. I have worked with my former customers to find alternatives.”
Managing Culture & Change	Organizational Culture	“In these meetings, we try to bring our culture to those conversations by having that growth leader there and using our terminology. So that helps the incoming firm assimilate to the culture.”
	Change Management	“It requires leadership and complete transparency in terms of expectations. It includes milestones, KPIs, and a holistic communication plan. It includes change management, which quite frankly derails many acquisitions.”
Communication	Change Communication	“Our corporate communication is primarily led through the corporate development versus a business development communication. But we keep the client relationship in mind and decide what we think is the right strategy”
	Change Communication	“The communication was not easy because in the beginning there was a lot of tension, especially between the leaders.”

Build or Reset Business Relationships	Proactive Relationship Management	„Our customers were afraid that the acquisition could have a negative impact on the relationship. We have put a lot of effort into talking to customers to make it clear that we are well aware that the companies are in competition with each other, and in individual cases this has led to relationships being broken off.”
	Proactive Relationship Management	“I personally communicated with the existing customers prior to the acquisition. They were all notified directly by me.”
	Customer Onboarding	“If it’s a new client, they’re going to go through the new client process of setup once we get them into our staff. If it’s an existing client, we might still include them depending on how many services we provided versus the other firm. [...] It’s a flexible approach of let’s talk about the individual situation and solve for the individual situation “
	Proactive Relationship Management	“It’s so important to have that cross-company relationship. Who’s that advocate for you? And who’s going to help to do true product innovation what is a whole different relationship? That relationship probably goes up to the C-Suite level and there’s buy-in there from everyone.”
	Proactive Relationship Management	“We go to the next level and meet people and the team. Not only the leaders, but also the team. [...] You will lose all the best people if you don’t really share with them what you do. It is a fairly long process.”
	Customer Intimacy	“We just lose all that connectivity and intimacy. You’re working with somebody today and suddenly somebody completely new comes along and you’re starting over again. You just never build that long term relationship within a team.”
Orchestration of PMI	PMI Process	“Our corporate development office supports in terms of how we involve the incoming company and new clients in the integration, how we manage communications as it relates to their role, etc. There’s some complexity there, as you can imagine and that kind of helps shape our strategy.”
People & Leadership	Executive Alignment	“Our executive leaders are flying to our clients to have a visit and check in on how things are going. So, we make sure that the incoming firm clients are included in that rotation and depending on where that falls, it may include some people from the incoming firm and our executive leaders. We take a little bit more of a flexible approach.”
	CEO motive	“[CEO of acquired company] was staying on the board and was having a significant role in [acquirer]. We also had [CEO] reach out to some of the customers too. [...] Everybody felt confident that our message that we were delivering is a good message for our customers that we could follow through on.”
	People Management	“We invited to national conferences. Then they feel passion for motorsports in particular, Moto GP and Formula One. We invited them to races in Indonesia and in Malaysia and Singapore. We did a lot of things with them to build trust, to reward them and make them participant of the new strategy definition. We made them believe that their opinions were considered.”
	People Management	“Mostly in Asia, like China, Hong Kong, Singapore, and Australia - they helped us from an organization effectiveness, doing the surveys, the morale reviews, the assessments, benchmark attrition, salaries, etc. But everything was done virtually.”
	Training & Enablement	“After we bought [acquirer’s product], the proposition becomes usually one of retention of key people as well as figuring out how do I now get this solution into my installed base, how do I begin cross-train the sales team, give them incentives and their compensation plan.”
	Culture Management	“The recommendation was to leave [acquired company] stand alone for 5 to 10 years running in parallel. So, there wouldn’t be any contamination of this hard culture from [acquirer] into the soft culture of the local [acquired company].”
Organization	Overcome Silos	“And those early integration meetings, those early business process design meetings are crucial because it sends a message to the acquired

		companies, employees on how they're going to be treated in the future. And it also sets a precedent for retention of employees in the future.”
	Organization-Wide Customer Feedback	“With NPS, we are able to look at the overall customer trends. The customers point of view is looking across the divisions that are interacting with your company across the different products, etc. So, how do you capture that from a customer lens as part of customer satisfaction? Customer happiness, customer engagement, overall satisfaction, etc.”

## APPENDIX E

## INTERVIEW PASSAGES INNOVATION- CENTRICITY

<b>Sub theme</b>	<b>Theme: Orchestrate an Innovation-centric Post -M&amp;A Integration</b>	
Customer Centricity	Customer Involvement in Innovation	“If it was more transactional based rather than based on value, the innovation component was only for some of the top accounts, but then was they were co-innovating with us.”
	Customer Involvement in Innovation	“As part of the strategic performance review, we sit with our client and ask them about their plans. The challenge with co-innovation is to get the client to participate and get involved because that takes a lot of time and energy. Customers got their day-to-day job activities.”
	Customer Value	“With the very good relationships, you have a team that would respond to you, whether it was a customer issue, a contract issue, a product issue.”
	Customer Value	“We integrated their products, and the package was much more valuable to customers.”
	Customer Value	“Did the customers perceive the expected value? [...] How did we influence the adoption and consumption of the customer’s software to measure the impact and, at the same time, influence the product innovation agenda? We need to ask ourselves ‘are we creating something customers would like and buy? And are we able to deliver it in an efficient manner?’”
	Customer Engagement	“Customers were involved in the innovation discussions around our product road map. Usually, we have our established laboratories that we would bring customers through to demonstrate next generation technologies and products that we were bringing to market. We would then layer in that new product through those laboratories.”
	Customer Reference Stories	“You know there are cross-sell and up-sell customers that we wanna go after. So, let’s make sure that we have cross-sell and up-sell customers as part of the early adopters because we know that we’re gonna need those as references. What type of references do you need and are gonna require you to scale that product in the future.”
	Customer Retention	“The negotiating position for a customer is better during the transition period of an integration and some customers will opportunistically use that to get better pricing, better terms, better service out of the acquirer.”
PMI Orchestration	Integration Team	“Typically, the integration team has a very specific lead within our technology and product group that understands technology deeply and they come in and do the assessment of this piece of technology.”
Acquisition & Integration	Communication	“Typically, the integration strategy and plan also have a very thorough communication plan with all the stakeholders defined in that communication strategy. We work with the corporate communication team, who then is responsible to think about every single stakeholder that needs to be communicated with internally, incl. the timing of the communication. You follow the sun, starting in Asia. It also includes website changes, press releases, posts, etc. That strategy includes the customer base.”
Strategy & Planning	Strategic customer value	“When we did the strategic acquisitions around net new product innovation, the conversation was always around the market ability and the strategic nature of this new technology and or new product or new service. We were constantly on the lookout for those and always want to capture those in the early phase of a technology adoption curve because the premiums that you pay for the value you may capture.”
Product & Innovation	Product Strategy	“We identified the synergies in the product of the acquisition versus our product teams. And we took a leader in product and engineering and said you are now responsible for all product development in this area. That product leader was also responsible for the innovation in collaboration with all the functional areas of the business. The product design engineering it is a huge part of the innovation.”
	Product Strategy	“In working with the executive teams and the business unit leaders, they’re able to determine whether or not this code, this product, this piece of IP is really what we want to, further the product line.”

	Customer Value	“Discussion during this process were dedicated to create new products and new solutions in part to the different segmentation of the client and work product.”
	Product Roadmap	“We had a panel of top customers and top partners as well that could influence, but not really changing the roadmap.”
	Customer Value	“With the ecosystem this company has created and the global community, it’s kind of special. As a customer, you felt like you were part of something special and that you are helping build the future of this product line.”
	Customer Value	“At customer conferences where we bring in top customers from around the world, we have strategy meeting where we ask for input from our customers. In innovation centers, our customers partner with us on how the product should look like, giving input, sharing how they’re using their product, becoming a product expert, and then building that community so that they become evangelists of the product.”
	Customer References	“You know there are cross-sell and up-sell customers that we wanna go after. So, let’s make sure that we have cross-sell and up-sell customers as part of the early adopters because we know that we’re gonna need those as references. What type of references do you need and are gonna require you to scale that product in the future.”
People & Leadership	Internal Alignment	“So, on any given acquisition, I would say you know, I’ve seen teams anywhere between you know, 15 to 30 people involved in some way, shape or form as part of it.”
	Innovation team	“The innovation team was the most from the US and I was the connector between that team and what happened in Asia. [...] After a year and a half, we realized that the integration was not working from a people perspective, we asked for help and we had support from team members that were in Australia, in Hong Kong, in Singapore.”
Organization	Innovation path	“The companies track record on previous acquisitions and innovations play a big role in terms of how the customer base will perceive. [...] If [acquirer] had stumbled on other acquisitions or their own product releases, the customer base is gonna be more reticent and much more skeptical than if they have a track record of product introductions. So previous product introduction plays a huge role in sentiment and early acceptance.”
	Cross-Functional Approach	“You wanna have someone from the product management part or the R&D team be central to the integration team to provide that content expertise and also bridge the gaps to learn from each other. You also need to set integration goals, particularly around innovation.”
	Dispersed IT-Systems	“While we focused on volume and velocity, [acquirer] offers time-consuming customization. The integration was slow and for some customers it was frustrating. Our IT systems are still not seamless.”

## APPENDIX F

## INTERVIEW PASSAGES REDUCE COMPLEXITY

Sub theme	Theme: Reduce Complexity to Maximize the People-Process-Technology Interplay	
Customer Centricity	Customer Support	“After the acquisition of my company, the goal was to make the implementation of the software and the support two different functions. That is more scalable. In my firm, customer success started when they signed the contract. It included implementation support. The challenge was the skillset of people. The overall support team just didn't have that same experience and didn't know our product. So that's an ongoing process; it's kind of cross trading.”
	Customer Contract	“Customers of both firms complained about having two contracts. Why can't we have this? Why can't we have that? Why you lost contract change?”
	Customer Contract	“If contract renewal comes up, in some regions of the world, they use the [acquired company] on [acquirer] paper, e.g. in Brazil. In other places, a customer has two contracts, but those bigger customers want one contract. But the challenge is, the SKUs are different and they're not in the main system. Our billing system is different how we price. [...] There are good reasons for that because the way [acquirer] configure price is very different. [...] That's frustrating for a number of our customers.”
	Change in technology	“With the acquisition came a change in the technology we were using, which impacts the way we work.”
	Customer Contract	“You have to have the target customer base on board and as part of the process. You have to transition all their contracts and potentially have to change their pricing.”
	Customer Contract	“90 days before the expiration of each contract, we communicated the new terminal conditions and the new major release.”
	Customer Contract	“When we acquire a company, we have to absorb their contracts. We don't typically lose a client in that transition, but there's likely a recompetete for an extension and that's a competitive process.”
	Agility vs. complexity	“When [acquirer] bought prior companies, they really didn't integrate them, they rebranded them, but they didn't do anything to change systems. They kind of kept them separate. It created a lot of inefficiency in terms of business process and going to market to the to the hospital. In one case, we had three different CRM systems used by three different sales teams and they would transact in three different general ledger systems, even with three different invoices and the customer would say it's like I'm dealing with three different companies. They were dealing with three different companies because [acquirer] never integrated. When they decided to integrate, they no longer had the software division.”
	Agility vs. Complexity	“In larger acquisitions, because of the complexity, you have to make sure that you have measures in place across all functional areas of the business and there is a clear MBO, KPI, and reporting. [...] It requires obviously more resources, more time, more effort. The complexity of those large acquisitions is in a lot of times in the infrastructure. Can you combine a chart of accounts in two quarters, even in a large entity? Can you combine systems?”
Orchestration of PMI	Checklist	“We would meet internally with groups of [acquirer]. They an acquisition checklist and we didn't fit because we truly were a true software as a service company, how we were organized, our systems, we used how we priced, how we sold, how we marketed, how we supported were very different. We would look at it and go well, that part of the checklist doesn't make sense. We were given the authority to say that parts of the checklist don't make sense.”
	Customer-Centric leadership	“The post-acquisition integration has to be managed very closely because individual people can have a significant influence on whether it will be a success or not.”
Acquisition & Integration	Industry Relevance	“Different than the [acquirer], we can configure but can't customize if a customer need something to support its business. [...] If it's the direction in

		the industry, then we will consider it and put it on the road map. [...] Otherwise, you can't scale, operationalize, and support the business."
Process, Data & Technology	Synergies	"Once we decided to pull them in and bring their capabilities in house, it was much easier because there wasn't as much technology debt, like overhead and corporate debt."
	Disconnected IT systems	"The highest degree of complexity and risk is the IT integration, the CRM system, the ERP system, the harmonizing, having a master data management and harmonizing customer records, employee records, etc."
	Customer Support	"We had a very complementary set of technologies that allowed for some of that immediate integration, but we are committed to our customer's former investments."
	Integration costs	"The costs of integration in the tech side are always more than 60% of the integration in the companies."
	Disconnected Processes and IT systems	"Certain structural elements are not done, and we don't have a way forward on certain topics. If [acquirer] customers want to buy our [acquired firm] software, they can't do it on [acquirer] paper. That we are two different companies, causes trouble. I have to book it into [acquirer] system, but there's no matching between that and the sales force. So, I can't do automatic provisioning, for example. So, there's all these breakages that happen. We are separate on the back end because we've never integrated."
	Dispersed IT-Systems	"While we focused on volume and velocity, [acquirer] offers time-consuming customization. The integration was slow and for some customers it was frustrating. Our IT systems are still not seamless."
	Technology	"We [acquired company] are still on separate systems from [acquirer]. Our billing, analytics, and business development are on separate systems. We have a whole different technology stack. That technology stack makes us super productive. We could not run our business without that technology stack. Because of that, also have fewer resources, better forecasting, better insights into our business, and a better ability to understand and manage the propensity to churn, ensuring we retain customers."
	Dispersed Processes	"The product and the technology that we were bringing in couldn't really truly be integrated. At the end of the day, the customer had two contracts, had two support lines they had to call, had two logins potentially, had some redundancy in data that they needed to enter, still had different fees that couldn't be consolidated. So, it wasn't a bundled service."
External Business Environment	Regulatory hurdles & Policies	"Sometimes there were policy issues for EMEA that were challenging that a U.S. Company buying [acquired firm] ran into. So, therefore the customers had to go through new certifications or new policy things that was unusual."

## APPENDIX G

## INTERVIEW PASSAGES FOSTER SYNERGIES

Sub theme		Theme: Foster Synergies and Value Creation due to Minimized Business Disruption
Business Impact	Productivity	“You assess a lot of things that is mostly a desk exercise when you going to reality on year one year, two year three after the acquisition, but it's not paying off. So, then you need to reallocate budgets and funds that you were supposed to be renting for something else into that place to get more productivity from the asset that you acquire.”
	Synergies	“Cost savings entail people, technology, and everything from physical infrastructure to, duplications of technology, software systems, to people.”
	Synergies	“The biggest synergy around that is going to be around the physical assets.”
	Synergies	“We knew when we woke up the day after the acquisition, we still behaved and sold and serviced our customers like we did before. Over time our service organization has moved to the [acquirer's] ticketing system. So little by little groups have moved over.”
Customer Centricity	Customer Enablement & Training	“With the integration of systems like support systems [...] between two companies making sure that we're taking into effect and into account how the customers using the technology on both sides and what that means and how much training do we have to do to the customer.”
	Customer Support	“As we began folding our team into the overall organization, I do think there was some deprecation of service. [...] I think our customers probably suffered, our joint customers and upsell customers. Certainly, we were able to support them, but that support became more difficult as their efforts got diluted in the overall organization. And that's still a challenge going on.”
	Customer Value	“We introduce enterprise supporters and try to find the common elements and try to build something that was reasonable for them. [...] We are sending a welcome package to customers.”
Process, Data & Technology	Synergies	“We have very solid sales team for this product. Initially, it was almost like 2 sales processes, which was a little bit clunky.”
	Synergies	“We didn't have similar processes. And it was a net new product for us. It was a very light touch integration mostly at the corporate level for financial and accounting controls, but not so to the operational level.”
Product & Innovation	Products with higher Customer Value	“And one of the thesis around that business was we were gonna integrate their products with our products and go forward with a package that was going to be much more valuable to customers.”
	Synergies	“[Acquirer] has a much more sophisticated marketing machine. That was a huge benefit.”
	Synergies	“The product, services, and support team remain probably intact because they know the product and if there's a play to eliminate that cost, that means you need to cross train your existing staff, and the human mind can only hold so many products in their head at one time.”
	Integration team	“The acquisition was disclosed only 24 to 48 hours before the announcement was made, but we were able to move very fast on pulling our integration team together.”
	Agility vs. complexity	“Every acquisition that I've ever done had three risks: process due diligence process, market size, and operational type of risk.”
External Business Environment	Synergies	“Shutting down the facility and being able to sell it, eliminates all those operating costs related to that facility.”

## APPENDIX H

### IRB STATUS



Research Integrity & Compliance  
Student Faculty Center  
3340 N. Broad Street, Suite 304  
Philadelphia PA 19140

Institutional Review Board  
Phone: (215) 707-3390  
Fax: (215) 204-4609  
e-mail: [irb@temple.edu](mailto:irb@temple.edu)



Approval for a Project Involving Human Subjects Research that is Approved as Exempt

Date: 23-Jan-2023

Protocol Number: 30172  
PI: ANTHONY DIBENEDETTO  
Review Type: EXEMPT  
Approved On: 23-Jan-2023  
Risk: Minimal risk  
Committee: A1  
Sponsor: NO EXTERNAL SPONSOR  
Project Title: The Role of the Customer in the Relationship between Product Innovation Performance and Post - M&A Integration

The IRB approved the protocol 30172.

The study was approved under Exempt review. The IRB determined that the research does not require a continuing review, consequently there is not an IRB approval period.

As this research was approved as Exempt, the IRB will not stamp the consent or assent form(s).

Note that all applicable Institutional approvals must also be secured before study implementation. These approvals include, but are not limited to, Medical Radiation Committee ("MRC"); Radiation Safety Committee ("RSC"); Institutional Biosafety Committee ("IBC"); and Temple University Survey Coordinating Committee ("TUSCC"). Please visit these Committees' websites for further information.

Finally, in conducting this research, you are obligated to submit the following:

- **Amendments** - Any changes to the research that may change the Exempt status of this study must be reviewed and approved by the IRB prior to implementation. Examples of such changes are: including new, sensitive questions to a survey or interview, changing data collection such that de-identified data will now be identifiable, including an intervention in the methods, changing variables to be collected from medical charts, decreasing confidentiality measures, including minors or adults lacking capacity to consent as subjects when previously only adults with capacity to consent were to be enrolled, no longer collecting signed HIPAA Authorization, etc. Please reach out to the IRB Staff with any questions about if a change to the study warrants an Amendment.
- **Reportable New Information** - Using the Reportable New Information e-form, report new information items such as those described in HRP-071 Policy - Prompt Reporting Requirements to the IRB within 5 days.
- **Closure report** - Using a closure e-form, submit when the study is permanently closed to enrollment; all subjects have completed all protocol related interventions and interactions; collection of private identifiable information is complete; and analysis of private identifiable information is complete.

For the complete list of investigator responsibilities, please see the HRP-070 Policy – Investigator Obligations, the Investigator Manual (HRP-910), and other Policies and Procedures found on the Temple University IRB website: <https://research.temple.edu/irb-forms-standard-operating-procedures>.

Please contact the IRB at (215) 707-3390 if you have any questions.