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Speed in acquisitions: A managerial framework

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Abstract The advantage of speed is often invoked by academics and practitioners as an essential condition during post-acquisition integration, frequently without consideration of the impact earlier decisions have on acquisition speed. In this article, we examine the role speed plays in acquisitions across the acquisition process using research organized around characteristics that display complexity with respect to acquisition speed. We incorporate existing research with a process perspective of acquisitions in order to present trade-offs, and consider the influence of both stakeholders and the pre-deal-completion context on acquisition speed, as well as the organization's capabilities to facilitating that speed. Observed trade-offs suggest both that acquisition speed often requires longer planning time before an acquisition and that associated decisions require managerial judgement. A framework for improving manager decisions during acquisitions is discussed and its implications for managers and research summarized.

1. Reassessing acquisition speed

Acquisition continues to be a popular means for companies to pursue growth. One reason for this popularity is that acquisitions offer greater speed of growth than other strategic options, such as internal development or alliances (e.g., Weigelt & Sarkar, 2012). Both academic and practitioner literatures emphasize speed as a key driver of acquisition success (Vester, 2002). For example, practitioners underscore the importance of making progress during the first 100 days following an acquisition (Angwin, 2004; Ashkenas & Francis, 2000). Academic research has also confirmed the importance of speed throughout the different phases of

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the acquisition process (Shi, Sung, & Prescott, 2012). During deal negotiation, speed is recognized as an advantage over other potential bidders (Carow, Heron, & Saxton, 2004). In the post-acquisition phase, speed is regarded as crucial to minimize disruption (Cording, Christmann, & King, 2008). It reduces uncertainty for customers and employees (Homburg & Bucerius, 2006) and provides less time for competitors to react (King & Schriber, 2016).

However, while the prevailing discourse focuses on the importance of speed for acquisition success, some scholars offer a more nuanced view, highlighting that speed in acquisition processes produces costs as well as benefits (Angwin, 2004; Bauer & Matzler, 2014; Homburg & Bucerius, 2005, 2006). This recognition of speed's costs as well as its benefits enables a better understanding of its role in the acquisition process—an understanding that can be leveraged by managers. To achieve this goal, we build upon existing acquisition speed research to illuminate the limitations of simply moving faster in acquisitions. By acknowledging that acquisitions represent multiple processes across distinct phases, we achieve a better understanding of trade-offs involving acquisition speed. For example, while slower pre-acquisition due diligence is encouraged to better uncover problems that can be addressed by planning (Angwin, 2001), it can also give competitors more time to respond (King & Schriber, 2016). Similar conflicts exist for post-acquisition integration as empirical research has suggested that both fast integration (e.g., Schweizer & Patzelt, 2012) and slow integration (e.g., Gomes, Angwin, Weber, & Tarba, 2013; Ranft & Lord, 2002) are needed to achieve acquisition goals. These conflicting prescriptions suggest that managers need to be aware of the complex relationship between benefits and costs of speed within their specific contexts in order to manage acquisitions successfully.

1.1. Acquisition speed: Costs and benefits

To make sense of acquisition speed, we build on and extend prior research[1] and base our discussion on two main pillars. The first is that speed is affected by contextual conditions. The importance of contextual conditions recognizes that acquisitions are complex, multifaceted, and multi-temporal events (Larsson & Finkelstein, 1999). In our framework, we select conditions identified as relevant in strategic management literature (Hitt et al., 2012), such as the technological change (Heeley, King, & Covin, 2006), the degree of relatedness (Homburg & Bucerius, 2006), and the strategic fit of assets (Bauer & Matzler, 2014). We advance existing research (Angwin, 2004) by introducing the idea that speed is influenced by different actors who typically hold different temporal orientations. Our contribution lies in concurrently investigating contextual conditions and stakeholders that have been previously analyzed in isolation. We also discuss capabilities needed to facilitate acquisition speed.

The second pillar is that speed is a complex concept involving interlinked decisions across different phases. In order to understand the outcome of an acquisition, the whole process needs to be taken into consideration (Jemison & Sitkin, 1986; Risberg, 1999). The adoption of a process view allows us to identify time spent at different points of an acquisition, which can result in a faster overall process as acquisitions unfold over time with early decisions that influence later outcomes (Haspeslagh & Jemison, 1991). Scholars have attempted to capture this complexity by identifying multiple phases in the acquisition process to organize related events or actions (e.g., Boone & Mulherin, 2007). In our framework, we examine contextual conditions, stakeholders, and capabilities that affect acquisition speed. We attempt to balance simplicity and granularity in order to provide managers with a framework of multiple factors that can be used to assess the impact of acquisition speed across two phases:

- *Pre-acquisition phase*: Refers to the process of identifying and negotiating with an acquisition target. It begins with a strategic intent and continues with the screening of possible candidates, resulting in the official acquisition announcement to shareholders, employees, and the business press. This phase includes due diligence as well as regulatory and shareholder approval and it ends with the deal closure. The importance of this event is that it establishes observable acquisition characteristics often used in research.

- *Post-acquisition phase*: Begins once a deal legally completes, resulting in two separate firms becoming one. It is also the most complex phase, as it involves both human integration and task integration to enable the attainment of acquisition goals. It ends when the desired level of integration and associated acquisition goals are achieved.

1.1.1. Acquisition context and speed

Building on characteristics established in existing acquisition research (Hitt et al., 2012), we outline important contextual conditions to combining

[1] See Shi et al. (2012) for a review of the relevant literature.