Strategic Windows: Achieving the Benefits of Speed in Acquisitions

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Abstract. We examine the importance of speed and timing in acquisitions with a framework that identifies management considerations for three interrelated acquisition phases (selection, deal closure and integration) from an acquiring firm's perspective. Using a process perspective, we pinpoint items within acquisition phases that relate to speed. In particular, we present the idea of time-bounded strategic windows in acquisitions consistent with the notion of *kairòs*, where opportunities appear and must be pursued at the right time for success to occur.

Introduction

Acquisitions have been studies since at least 1921, but consistent findings on what drives acquisition activity and performance remains inconclusive (King, Dalton, Daily and Covin, 2004). Still, a consistently touted advantage of acquisitions is that they provide greater speed than other strategic options, such as internal development or alliances (Weigelt and Sarkar, 2012). As a result, the ability to act quickly or with speed is recognized as an important consideration in acquisitions by both academics and practitioners (Haspeslagh and Jemison, 1991). For example, an emphasis is often placed on the importance of the first 100 days in making acquisitions effective (Ashkenas and Francis, 2000). This gives credence to the idea that a limited amount of time to act, or a strategic window, exists for acquisitions (Abell,1978). For example, due diligence provides a window for an acquirer to back out of a deal, or confirm information and begin integration planning.

Planning takes time, but realizing the benefits from acquisitions can take up to three years before performance improves after an acquisition (Cording, Christmann and King, 2008). If three or more years are needed to improve performance, then the primary advantage of acquisitions allowing firms to move fast may negate its attractiveness as a corporate strategy. This means that, while needed, speed in acquisitions is not consistently achieved. In a review of academic research, we closely examine speed in relation to acquisition phases. We begin with the scale of acquisition activity in the global economy and discuss how this affects speed in organizations. We continue with reviewing literature on acquisition types and motives as well as phases and timing and relate these issues with speed in acquisitions before we move onto specifically discuss speed in acquisitions.

Scale of Acquisition Activity

Whether considering the value or number of acquisitions, the scale of acquisitions activity is daunting. For 2012, the value of U.S. acquisitions was over $825 billion for 3,711 deals (Thomson, 2014). This compares to a 2012 U.S. Gross Domestic Product of $15.4 trillion (BEA, 2014). In other words, acquisitions equated to over 5 percent of U.S. economic activity. By comparison, the U.S. is estimated to have invested $436 billion in research and development (R&D) during 2012 (Grueber and Studt, 2011). This means that spending on acquisitions of existing companies approaches twice the investment into new products and ideas. The value of acquisitions exceeding R&D investment is consistent world-wide with the global value of acquisitions exceeding $2.2 trillion in 2012 and 2013, while global R&D for 2012 was expected to exceed $1.2 trillion Grueber and Studt, 2011). Acquisition activity occurs in waves and the current scale of acquisition activity suggests we are experiencing another wave.

Current acquisition activity is expected to continue with a 2013 Ernst & Young survey of U.S. executives showing 41 percent anticipated making an acquisition in 2014 (Kang, 2013). Since the late 1800s, multiple acquisition waves have occurred with different focus and traits, see Table 1. Each wave significantly reshaped organizations and their environment. For example, between 1950 and 1970 the percentage of Fortune 500 firms in single business declined from thirty to eight percent(Salter and Weinhold, 1978). The perspective of time is often needed to understand the characteristics of acquisitions waves, but one commonality is that they end with a market correction that reduces the acceptance or availability of lending or inflated stock prices to fund acquisitions. Another conclusion is that the scale of acquisition activities indicates that it is not a unique strategy to gain competitive advantage. Further, speed may be critical for firms to win the bid or to realize the synergies.

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

Acquisition Types and Motives

A difficulty in drawing lessons from acquisitions is that they come in different types (Bower, 2001). One way to think of the difference in acquisitions is to consider that they can either be bolt onto an existing business or help a firm move in a new direction (Nolop, 2007). Another way to classify acquisitions is to use the type of transaction with acquisitions either being negotiated with a target firm's management, a tender offer that by-basses target firm management, or contested acquisitions with a competing bidder (Hambrick and Cannella, 1993). Acquisition research generally distinguishes between different motives as it affects the whole acquisition process including the chosen integration strategy and the speed needed for implementation.

Acquisition motives range from corporate control, market power, managerialism, and hubris to synergy (Allen, Jagtiani, Peristiani and Saunders, 2004). Briefly, corporate control relates to replacing poor management (Offenberg, 2009). Additionally, control from acquisitions can be used to deny resources to a rival, and this was suggested as a motive behind Google's acquisition of Waze, an Israeli mapping and navigation startup(Efrati and Rubin, 2013). Meanwhile, managerialism refers to the pursuit of acquisitions out of self-interest, such as gaining increased pay (Brouthers, van Hastenburg and van den Ven, 1998). Hubris relates to managers seeking acquisitions for increased prestige or overconfidence (Hayward and Hambrick, 1997). Still, the most common motive for acquisitions is synergy, or combining two operations to increase efficiency/effectiveness (Berkovitch and Narayanan, 1993).

Realistically, an acquisition represents a bundle of motives that likely obscure identifying their impact on acquisition performance, and research has not consistently found a differential impact for motives on acquisition performance (Jarrell, Brickley and Netter, 1988). However, the premium paid to gain control of a target firm generally requires integration to achieve cost or revenue improvements (Paruchuri, Nerkar and Hambrick, 2006). This has led to recognition that integration is pivotal to acquisition outcomes and improving integration representing an urgent management problem (Ashkenas, DeMonaco and Francis, 1998). We hold that improving acquisitions likely requires better understanding of the whole acquisition process from selection to integration.

Acquisition Phases and Timing

An accepted idea among academics and practitioners is that acquisitions unfold over time with manager decisions early in an acquisition influencing later phases (Haspeslagh and Jemison, 1991). Scholars have attempted to capture this complexity by depicting the acquisition process as comprising as many as seven phases or as few as three phases (Boone and Mulherin, 2007; Buono and Bowditch, 1989). Our intent is not to perform a review of this diverging research, but to underscore the difficulty of clearly identifying when one acquisition phase ends and another begins. Another concern is that acquisition phases do not necessarily proceed linearly with a given point of time representing separate phases for different organizational perspectives (Risberg, 2005).

While we recognize the difficulty of splitting the acquisition process into discrete phases, for the sake of simplicity, we use a three phase acquisition process. We also take the perspective of the acquiring firm with the focus of each phase explained below:

- Selection: This phase refers to the process of identifying an acquisition target. It begins with a strategic intent to identify needed capabilities and continues through the screening of possible candidates.
- Deal Closure: This phase involves negotiating, signing, and announcing a deal. It also includes due diligence, and regulatory and shareholder approval required before a deal is closed.
- Integration: This is the most complex phase, and it addresses both human and task integration to enable the attainment of acquisition goals. It begins with the closing of a deal and it ends when the desired level of integration is achieved.

While admittedly oversimplified, these phases provide a structure for analyzing interactions across acquisition phases. With these phases as a base, we review the impacts of speed on specific acquisition conditions and factors identified in Table 2. Acquisitions that do not consider these topics will likely encounter difficulties that slow the process. While examining these topics, we point to possible connections between the phases that influence speed and acquisition outcomes.

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

Gaining Speed in Acquisitions

Speed in acquisition results in both costs and benefits, as faster is not necessarily better (Angwin, 2004). The benefits of speed include minimizing the interruption of work routines for employees, providing competitors less time to respond to the strategic move, and accelerating the value creation from an acquisition (Homburg and Bucerius, 2005). The disadvantages of speed include the risk of destroying valuable tacit and embedded resources and capabilities that were sought in a target firm (Ranft and Lord, 2002). Acquisitions are complex and often paradoxical processes that on the one hand provide the possibility of quick strategic responses, but on the other hand require delicate management and time to plan and execute desired changes. Our intent is to provide a more thorough reflection on the role of speed in acquisitions that considers how to manage associated complexity.

We emphasize how managers can handle speed in acquisitions through prudent decisions from understanding each acquisition phase. We use a process view of acquisitions that begins with the selection of a target firm from several candidates and ends with the integration of previously separate firms. This contrasts with an event perspective to recognize decisions at one point influence other phases (Meglio and Risberg, 2010). In developing the impact of speed across acquisition phases, we take a holistic perspective consistent with the Greek concept of *kairòs*, or the need to act in the right moment. This is consistent with acquisitions offering strategic windows where the time available to gain success is limited (White, 1987). Preparation likely influences the ability to act in the right moment with additional time spent on earlier phases of an acquisition saving time in later phases.

Selection

The importance of the selection phase is frequently overlooked, but poor selection only increases an acquisition's challenges. When strategic motives are pursued, the selection process is generally linked to first mover advantages and additional attention to the selection process will benefit acquirers. For example, early selection allows picking a better target from a larger pool of candidates (Carow, Heron and Saxton, 2004). One reason early acquirers often perform better is that they are better managed and more responsive to change (Andrade and Stafford, 2004). Still, managers need to be cautious about simply acting quickly as there are many possible “traps” in selection that will affect the overall acquisition performance. For example, late movers in an industry consolidation generally take less time reviewing an acquisition and commit to lower performing acquisitions (Vaaler and McNamara, 2004). Next, we review additional considerations during selection, including strategic intent, target size, and industry environment.

Strategic Intent. While recognizing acquisitions can be influenced by multiple motives that are not all rational, better managed firms tend to have a clear strategic intent behind planned acquisitions. For example, acquisitions offer a means of managing a firm’s resource profile and to improve performance, so managers need to consider the potential interaction between acquirer and target resources. Research suggests that combining firms that are dissimilar or balance strengths and weaknesses are most likely to create value (King, Slotegraaf and Kesner, 2008). Strategic acquisitions generally combine complementary resources that facilitate integration by enabling visualization of how different aspects of combining companies fit together (King, Covin and Hegarty, 2003).

Identifying opportunities is likely influenced by network effects that play a role in determining the options available to firms. For example, improved awareness of potential targets can come from cross-board relationships, alliances and joint ventures, industry associations, and investment bankers (Lin, Peng, Yang and Sun, 2009). Research also suggests prior relationships such as joint ventures with target companies may increase the likelihood of acquisition success by allowing firms to learn more about each other (Porrini, 2004).

The preceding suggests target screening is a continuous process that may require years of observation that may not lead to an acquisition. For example, General Motors backed away from an acquisition of Fiat in 2004 after it grew to regret making an alliance with Fiat who experienced increasing losses and needed additional cash (*Economist.* 2004). This reinforces that a successful acquisition often depends on acting at the right moment that align both firms with the strategic intent behind an acquisition. Consider the analogy of merging with traffic on an interstate where merging smoothly onto an interstate means matching your speed to a window in the traffic. In other words, acting in the right moment does not necessarily mean moving faster.

Target Size. The relative size of an acquirer and target is another important consideration during selection. Considering target size and intent could facilitate an acquisition by providing needed sensegiving to understand and accept the level of change (Maitlis, 2005). For example, a smaller target may be more likely to psychologically accept changes associated with an acquisition (King, Covin and Hegarty, W. 2003). This is consistent with evidence that quicker integration can be expected for acquisitions that are less than 15 percent the size of an acquirer and that acquisition performance is higher when a target is five percent the size of an acquirer (Lockett and Wild, 2013; Nolop, 2007). An associated paradox is that a target firm needs to be small enough to be easily integrated, but also large enough to influence performance in a combined firm (King, Slotegraaf and Kesner, 2008). This relates to speed in that when a target is too small, multiple time-consuming acquisitions may be necessary to achieve goals.

Industry Environment. Managers often trail industry conditions and environmental changes (i.e., regulations) often precipitate acquisitions by allowing managers to compensate for firms changing more slowly than the markets where they compete (Hambrick and Cannella, 1993). For example, in the case of consolidation driven by reduced U.S. government spending in the defense industry, acquisitions were found to be an effective strategy (Anand and Singh, 1997). However, acquisitions are more common when targets come from growing and dynamic industries (Heeley, King and Covin, 2006). Acquired resources in a growing industry offer the potential for greater value and gaining resources quickly in a changing environment makes a speedy response more attractive.

Deal Closure

This phase begins with negotiations that result in the official acquisition announcement to shareholders, employees and the business press, and it ends when the acquisition closes or combines firms into a single legal entity. It also involves due diligence of the target firm and obtaining required shareholder and regulatory approval. Importantly, the deal closure phase of an acquisition offers the last chance for an acquirer to walk away (Coff, 2002). This means a relevant consideration for potential acquirers is to explicitly recognize this escape window with clear criteria, so that deals identified as bad can be abandoned. We begin a discussion of this phase by considering different aspects of acquisition negotiation.

Negotiation. Targets can be identified by a search of potential firms or from investment banks shopping potential candidates. However, the openness of firms to an acquisition will vary. For example, venture-backed companies may view being acquired as a desirable condition equated with success (Graebner and Eisenhardt, 2004). Meanwhile, family firms are more likely to want to stay independent (Gomez-Mejía et al., 2007). Therefore, an acquirer needs to consider a target's openness to acquisition, but it may not be possible to know without approaching a firm's management. This highlights that not all of the considerations effecting acquisition speed are under the control of an acquirer. For example, a target may need time to consider being acquired and seeking external advice that can increase competition associated with paying approximately a six percent higher price on average (Bates and Lemmon, 2003). However, seeking external advice increases the likelihood a firm will be acquired with initial bids being successful two-thirds of the time and competing bids twice as likely to result in an acquisition (Eckbo, 2009).

Once begun, negotiations are often conducted under conditions of secrecy and time compression that increase momentum (Jemison and Sitkin, 1986). A real concern at this point is to make deliberate and not quick decisions that are associated with overpaying (Krishnan, Hitt and Park, 2007). Prior experience with acquisition negotiations and use of advisors can mitigate the risk of overpaying (Kim, Haleblain and Finkelstein, 2011). Top tier advisors can also help complete deals faster and provide objectivity (Hunter and Jagtiani, 2003). In considering other features of acquisitions that influence negotiations, we focus on higher uncertainty associated with selecting a method of payment and hostile acquisitions.

Determining the method of payment is an important part of the negotiations, and acquisitions can be paid for using cash available on hand or through debt financing, treasury stock, or a combination of both. The choice of payment signals the level of uncertainty surrounding the potential outcomes of an acquisition. Cash payment requires an upfront demonstration of liquidity by the acquirer, and it generally signifies more promising acquisitions (Martin, 1996). Stock payment indicates the sharing of risk between the acquiring and target firms, and it can connote greater uncertainty about an acquisition's potential. If an acquirer decides to use stock to pay for an acquisition, more time generally needs to be set aside for mitigating associated uncertainty.

The type of acquisition affects the whole acquisition process from negotiation to integration. For example, hostile acquisitions heighten difficulties by increasing the price paid, integration time and personnel turnover (Goldberg and Goodwin, J. 2001). While turnover may offer possibilities to remove redundancies in a combined firm or to eliminate managers who contributed to poor target firm performance, the loss of tacit knowledge often outweighs the benefits (Cording et al., 2008). It is also likely that a hostile acquisition delays personnel from effectively working together in the combined firm, or contradicts the benefits of acting quickly in an acquisition. Hostile deals also involve more risk as potential acquirers need the cooperation of the target firm to perform due diligence and deals launched purely on public information are more likely to encounter unexpected issues (Saigol, 2009). Even in a friendly deal, reluctance by a target should be a source of concern. In the HP acquisition of Autonomy, the latter refused to provide information on accounting issues, raising concerns that could have allowed HP to back away from what undeniably turned out to be a bad deal with an $8.8 billion write down and lawsuit against the former Autonomy CEO (Worthen and Scheck, 2013; Williams, 2014).

Due Diligence. This important acquisition activity involves the greatest time pressure and uncertainty for acquiring firm managers (Pickering, 1983). The selection of a target often depends on public information and acquirers generally only get access to private information after a deal is announced (Miller, 2008). The average time from deal announcement to closure is approximately 120 days, and given the complexity of subjects involved this time is often not used effectively (Boeh, 2011). Specifically, managerial over-commitment and personal interests may detrimentally shorten the time for deal closure (Haunschild Davis-Blake and Fichman, 1994). For example, the disastrous acquisition of Autonomy by HP was attributed to incomplete due diligence resulting from over-commitment to the deal by a CEO who was fired before the deal closed (Worthen and Scheck, 2013).

Feelings of accomplishment from successful negotiations can lead to a missed opportunity for beginning integration planning. The importance of thorough due diligence that begins to plan for the integration of firms should not be discounted, and it is important for managers to understand when they may need to take more time to evaluate a deal before it closes. It may help to have a list of information and plans to complete before a deal can close. For example, Pitney Bowes has a due diligence checklist with 93 items (Nolop, 2007). Though the purpose of due diligence is not to identify reasons to abandon an acquisition, if used properly, it can avoid completing an acquisition with problems.

Once completed, an acquisition is difficult and costly to reverse and it may require divesting part of or all of an acquired target with multiple examples of expensive acquisitions available. For example, Quaker Oats' $1.7 billion purchase of Snapple in 1994 was later divested for only $300 million in 1997 (Hitt, Harrison and Ireland, 2001). Additionally, Daimler paid Cerberus Capital $650 million to takeover Chrysler after buying it 9 years earlier for $37 billion (Krug, Wright and Kroll, Forthcoming). More recently, after paying $12.5 billion for Motorola, Google sold it 22 months later to Lenovo for $2.9 billion (Clark and Winkler, 2014).

In considering circumstances that may take more time prior to deal closure, we highlight acquiring a high-technology target or a firm in the same industry as an acquirer. Firms in high-technology industries are associated with increased levels of research and development and rapid technological change, making them fundamentally different from other acquisitions. An emphasis on speed is generally considered to be important for high-technology companies that help acquirers adapt to technology change. The technological nature of the resources involved exacerbates information asymmetry to make acquisition outcomes more uncertain (Heeley et al., 2006). For the acquiring firm, this information asymmetry compounds the complexity of planning for integration of high-technology acquisitions (Capron and Shen, 2007). For example, it takes considerable time and effort to identify and then convince valuable employees to stay (Lubatkin, Schweiger and Weber, 1999). A consistent challenge in technology acquisitions involves retaining target firm capabilities embedded in its employees (Ranft and Lord, 2002). These considerations make evident the need to effectively balance the benefits of acting quickly with the consequences of excessive speed.

The effect of an acquirer moving into a similar (related) or unrelated industry is the most widely studied relationship in acquisition research, and it will impact the speed of integration planning (Carow, Heron and Saxton, 2004). The synergy from an acquisition likely will come from either cost savings or revenue improvement. For cost savings, the considerations are likely similar for either unrelated or related acquisitions. For example, a combined firm will only need one Chief of Financial Officer. Meanwhile, there is a difference in how revenue improvement will be achieved. Unrelated targets have less interdependence that allows lower levels of integration and simplified planning (Coff, 2002). In contrast, related acquisitions derive value from coordinating interdependencies, integrating target resources, and divesting excess capacity (Barkema and Schijven, 2008). This drives the need for closer examination of a related target firm and how it fits within the acquirer's organization (Larsson and Finkelstein, 1999). In our view, relatedness does not neatly fit the notion of strategic fit needed during the selection phase.

For a related deal, due diligence and implementation planning lay the foundation for unlocking synergy during integration. Related acquisitions exhibit redundancies often resulting in higher conflict that drives more time consuming implementation planning (Stahl and Voight, 2008). Success hinges on an accurate understanding of how the target's operations interact with those of the acquirer, so additional time spent on due diligence and integration planning of a related target can pay dividends later. Additionally, any meaningful exchange of knowledge will take preparation and time to achieve needed coordination. Faster coordination depends on credibility from decisions related to selection and having a clear strategic intent (MacMillan, 1981). Longer planning for integration of related businesses can improve communication by bringing more people required to coordinate work in contact with one another. We discuss other options for improving communication next.

***Communication Plan*.** Acquisitions are frequently surrounded by rumors that create an uncertain climate and hinder effective integration (Schweiger, Ivancevich and Power, 1987). However, prior to a deal's announcement, the acquirer's interaction with target employees is restricted to prevent insider trading (Harding and Rouse, 2007). This means that key employees need to be identified prior to acquisition announcement and plans made for communicating to these employees concurrent with a deal's announcement.

Acquirers need to act quickly with internal communication as key employees have been reported to receive competing job offers within as little as five days after an acquisition announcement (Brown, Clancy and Scholer, 2003). Communication that previews likely changes to employees also facilitates their ability to cope with uncertainty created by an acquisition (Schweiger and DeNisi, 1991). For example, a well-executed communication plan helps to avoid rumors and preserve employees' morale to minimize talented people leaving (Sinetar, 1981). Another way to help employees is to make arrangements for additional human resources personnel to facilitate answering employee questions (Vester, 2002). However, employees are not the only group to consider.

Customers are another important stakeholder group often overlooked during this phase. The turmoil surrounding acquisitions often results in lost customers and market share (Harding and Rouse, 2007). For example, a combination of two high-technology companies with the objective of better serving IBM had their business cut in half when the combined firm failed to communicate what the acquisition meant to this important customer (Marks and Mirvis, 2010). Communicating how an acquisition creates value for customers builds trust, and lowers customer dissatisfaction and defection (Homburg and Bucerius, 2005). In brief, a comprehensive communication plan needs to identify audiences, media and messages to send, and the time frame to deliver different messages with any shortcomings being realized during integration.

Integration

Making acquisitions succeed is among the more difficult business tasks to accomplish, and the final phase of integration either ultimately creates or destroys value. Having a clear strategic intent from the selection of a target onward will provide a firmer foundation for successful integration (Vester, 2002). The complexity of acquisition leads to adaptation during integration to refine and achieve goals as integration disrupts normal work processes. Disruption can be minimized by accomplishing integration faster (Cording et al, 2008). Faster integration also offers the benefit of reducing uncertainty for customers and employees (Homburg and Bucerius, 2006). For example, the combination of Daimler and Chrysler in 1997 ranks among the worst acquisitions ever completed, and the German governance structure with Deutsche Bank influencing board appointments slowed the integration process, leading to the departure of key Chrysler executives (Krug, et al., Forthcoming). There are additional considerations related to speed of integration and we also discuss the impact of integration coordination, related targets and acquisition capability.

***Coordination*.** Surprises and mistakes during integration are unavoidable and initial performance will inevitably decline as prior work processes are disrupted during integration (Vester, 2002). In order to improve the performance, the combined firm must regularly review progress towards established goals. The achievement of this focus can be facilitated by assigning a manager full-time responsibility for integration (Teerikangas, Véry and Pisano, 2011). Specifically, the integration manager may be selected from the team that helped to complete an acquisition, as early manager involvement provides an advantage in understanding and coordinating change by others (Maitlis, 2005).

An integration manager can help to avoid the problem of managers involved in deal closure from simply returning to prior tasks at the expense of fast acquisition integration (Perry and Herd, 2004). Assigning a manager from those involved during earlier phases with the task of integration can facilitate the process. While what needs to be tracked will vary by acquisition, our prior discussion suggests that it will be important to monitor the extent employees and customers are retained. Rotating integration management responsibility can become part of developing talent within a firm and contribute to an increasing pool managers experienced with the challenges of acquisitions that can increase a firm's acquisition capability (Penrose, 1955).

***Related Targets*.** Speed of integration is likely important in any acquisition, as integration speed positively impacts acquisition performance because it facilitates needed internal reorganization (Cording et al., 2008). However, it is likely more important for related targets where achieving synergies will often require greater integration of work processes, facilities, and people. Integrating quickly can reduce uncertainty and minimize disruption to firm employees and customers (Cording et al., 2008). Additionally, faster integration provides greater benefits in targeting new customers (Homburg and Bucerius, 2006). Once established, plans for integrating related targets need to be aggressively pursued during integration. This suggests that additional time is needed to plan integration of related targets, but the additional time spent planning should be focused on faster execution of integration.

***Acquisition Capability*.** Acquisitions are complex and involve intertwined phases, causing firms typically struggle with their first acquisition. Additionally, firms that have done only one type of acquisition often struggle to integrate a different type of target. This means building an acquisition capability requires consistent acquisition experience (Arikan and McGahan, 2010). Meanwhile, managers involved in an acquisition are often unsure what lessons from prior acquisitions apply to subsequent acquisitions (Haleblian and Finkelstein, 1999). Variance in acquisition experience can develop expertise that aids knowing when prior experience applies (Hitt et al., 2012). This suggests an acquisition program will develop needed capabilities for acquisitions, as a single acquisition is unlikely to achieve all aspects of the strategic goals that initiate an acquisition.

When strategy guides serial acquirers, acquisitions are more likely to succeed for several reasons (Chatterjee, 2009). First, an acquirer that has developed an acquisition capability can expect more positive responses from investors with the possibility this facilitates deal acceptance and closure (Arikan and McGahan, 2010). Additionally, positive responses likely carry over to integration of a target firm. For example, Cisco's reputation from making acquisitions has made it easier for the firm to negotiate with and integrate target firms (DiGeorgio, 2002). Therefore, an acquisition capability from making multiple acquisitions can help clarify a firm's goals and facilitate the use of acquisitions in reaching goals by enabling acquisitions to be completed more quickly.

Discussion

We present and analyze acquisitions as a process with three phases—selection, deal closure and integration. Examining acquisitions as processes allow us to see interdependencies among phases, identify trade-offs among choices, and identify best practices. We conclude the notion of a one-size-fits-all formula for speed in managing acquisitions is counterproductive, but early preparation can maintain momentum throughout the process. In the intertwined selection, deal closure and integration phases, managers of acquisitions need to appropriately manage the speed trade-offs in each phase.

Observed trade-offs suggest that acquisition speed often represents a double-edged sword where speed does not simply result from moving quickly or proceeding linearly. Spending more time in earlier phases can save time overall and improve acquisition outcomes. For example, we find that over-commitment to speed during deal closure can mean spending more time during integration. This means a more appropriate consideration for acquisition success is acting in the right moment consistent with the Greek concept of *kairòs*.

Implications for Management Practice

Managers that develop a clear strategic intent for acquisitions and ensure appropriate prior experience with acquisitions are likely to achieve better results. Cultural differences in firms are often used as a scapegoat for poor decisions in acquisitions (Feldman and Spratt, 1999). Not considering the underlying motivation for an acquisition likely overemphasizes the impact of later decisions on acquisition outcomes. This circumstance may be avoided with preparation for acquisitions and understanding that timing in acquisitions is complicated by process complexity with multiple phases that interact. An additional consideration involves the motives for a target selling. Better acquisitions likely depend on improved selection and deal closure, or decisions made before integration. This relates to established management principles of environmental scanning and strategy development that can guide target selection. Additionally, planning communication can reduce uncertainty experienced by employees, customers and other stakeholders. Acquiring firm managers that anticipate this will have an integration plan finalized when a deal closes. We also outline how the integration of an acquisition can be used to develop managers and improve a firm’s capability for future acquisitions. An implication is that acquisitions are not isolated and should be a sequential part of achieving a firm’s strategy (Barkema & Schijven,2008). This also relates to the need to avoid managing acquisitions as one-time heroic events.

Implications for Research

Strategic decisions are interrelated and involve a chain of sub-decisions (Mintzberg, Raisinghani and Théorêt, 1976). Better performance in acquisitions likely depends on improving our understanding of interrelationships across the phases of an acquisition and activities within the phases. The concept of strategic windows can improve our understanding of when either preparation or speed of action is required. While often deemed important, time is often neglected in strategy research. For acquisitions, a process perspective of acquisitions would oblige acquisition research to: 1) examine multiple levels of analysis; 2) account for internal and external influences on firms; 3) consider multiple acquisition phases; and 4) link change processes with acquisition outcomes.

Our depiction of acquisition phases helps to resolve apparent paradoxes. First, related acquisitions demand more time in planning, yet less time in integration. That is, the benefits from these acquisitions increase when they are carefully thought out and guide the selection and deal closure phases, and then rapidly move through integration. Additionally, some aspects of speed are under a firm's control and others are not. In the case of due diligence, whether a target or competitor inject competition or regulatory approval will impact time available. Still, an experienced acquirer will have a checklist of items needed before deal closure. Relationships we develop offer opportunities for meaningful research aimed at overlooked variables and relationships. This can likely begin with improved measures of speed as the majority of research simply relies on self-reported or perceptual measures of duration (Homburg and Bucerius, 2006).

The notion of speed is vague with three months generally considered a long time within fast growing industry, and a short time period in mature industries. Speed also likely depends on contextual factors, such as economic cycle or geography. Moreover, our analysis shows how speed in one area can sacrifice speed in later phases, while not achieving better outcomes. Research examining stock market reactions to acquisition announcements implicitly pays homage to speed by assuming all information across acquisition phases is reflected in share price reactions to acquisition announcements. Meanwhile, the integration needed to achieve improved performance can take three years. This suggests a need to more explicitly consider the relationship of performance measures in the design of research (Cording, Christmann and Weigelt, 2010).

Conclusion

The advantages of speed are often evoked as an essential condition in pursuing strategic goals of adding valuable resources, enhancing market power, or achieving renewal (Graebner and Eisenhardt, 2004). We provide a critical reflection on the role speed plays in acquisitions by adopting a process perspective, and we find shortcuts made at earlier stages in acquisitions processes can limit the ability to respond appropriately in later strategic windows. We outline several trade-offs that relate to acquisition speed, and we develop ideas for completing better acquisitions more quickly.

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Table 1. Acquisition Waves

	1st	2nd	3rd	4th	5th	6th
Period	1897-1903	1916-1929	1950-1969	1981-1989	1993-2001	2003+
Scope	US	US	US/Europe	World-wide	World-wide	World-wide
Industry	Oil/Iron	Steel/ Railway	Electricity/ Chemicals	Chemicals/ Electronics	Technology	Multiple
Trait	Monopolies	Oligopolies	Diversify	Hostile break-ups	Adjustment to change	Global expansion

Source: Martynova and Renneboog (2008)

Table 2. Considerations and Factors Related to Acquisition Speed

Selection • *Strategic Intent*—Begins with environmental scanning to identify the need for acquisition and matching a target firm to fill that need • *Target Size*—Consider target size to facilitate integration • *Industry Environment*—Consider the environment of both the acquirer and target firm and how it may influence the prospects of an acquisition

Deal Closure
 	
• *Negotiation* – Different factors influence how fast a deal closes
    ○ *Method of Payment*—A decision that can share risk and signal the need for greater planning
    ○ *Hostile Acquisitions*—Type of acquisition to generally avoid, and, if pursued, will take additional time to close and integrate
• *Due Diligence*—Evaluating the target to confirm strategic intent and to begin integration planning
    ○ *High-technology Target*—Involves information asymmetries that drive additional time
    ○ *Related Target*—Require additional time to understand interaction of acquirer and target operations to achieve revenue synergy
• *Communication Plan*—Reduce rumors and uncertainty for important stakeholders

Integration • *Coordination*—Assign responsibility for integration to a dedicated manager to track progress and retain needed focus • *Related Target*—Additional time spent planning for integration of related targets should speed integration • *Acquisition Capability*—Experience to develop firm processes for making acquisitions