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THE IMPORTANCE OF POST-ACQUISITION INTEGRATION FOR VALUE CREATION AND SUCCESS OF MERGERS AND ACQUISITIONS

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Companies often resort to mergers and acquisitions in order to gain access to new markets, introduce new products, expand their knowledge-base or improve the competitive advantage. Achieving success in mergers and acquisitions represents complex managerial challenges, as a great number of these transactions fail in creating value for shareholders. Post-acquisition integration is the most challenging phase during which value creation should be involved, but which may also involve numerous integration problems. This study puts an emphasis on the success factors of the post-acquisition integration of companies, such as an integration strategy, the composition of the integration team, communications, the speed of the integration process and the uniformity of measurements. A special emphasis is put on the importance of the speed of integration as a success factor of the post-acquisition integration of companies.

Keywords: post-acquisition integration, key success factors, integration speed, success of mergers and acquisitions

JEL Classification: G34, L25

INTRODUCTION

Resorting to acquisition processes reflects the efforts of companies to gain access to new markets or technologies, as well as to increase their efficiency by achieving economies of scale, economies of scope or economies of learning. At the same time, acquisitions are complex phenomena, and conditions under which they create or destroy value remain unclear despite numerous researches in the fields of finance and management. The research done by consulting and auditing companies as well as the scientific research are dominated by the conclusion that the failure rate of the acquisition transactions is 50% on average, meaning that only one half of the performed acquisitions are successful (Kelly et al, 1999; Adolph et al, 2001; Marks & Mirvis, 2001). Therefore, the focus of the research, both on a practical and a theoretical level, is on the identifying of the means to increase the success rate of mergers and acquisitions.

Research of mergers and acquisitions can be grouped into four major categories, or perspectives: financial, strategic, organizational and process-oriented

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(Birkinshaw, Bresman & Hakanson, 2000). Value creation occurs in the period following an acquisition, which is the reason why researchers' attention has recently been focused on the process of post-acquisition integration. The research framework for studying post-acquisition integration is found in an organizational and a process-oriented perspective. From the viewpoint of the organizational perspective, the research includes organizational behavior in acquisition processes (Marks & Mirvis, 2001), while the process-oriented perspective studies potential problems in managing change during the integration (Birkinshaw, Bresman & Hakanson, 2000; Haspeslagh & Jemison, 1991). The theory of the decision-making process, used in shedding light on integration processes, points to the fact that the top management creates a structural and a strategic context shaping the behavior of the organization members at different levels. Studying the success factors, a number of researchers came to the conclusion that managing different elements of an integration process is the key determinant of a post-acquisition outcome. Managing the problem-solving of an integration process can create a competitive advantage for acquiring companies and enable them to develop successful growth strategies through acquisitions. Successful post-acquisition integration also depends on whether the leading team will recognize the right moments in the integration process to take a decisive action.

The aim of the study is to show the possibilities for value creation during the process of the post-acquisition integration of companies, identify the key success factors and evaluate the influence of the integration speed on the efficiency of the given process, as well as on the overall success of the acquisitions. According to the research goal, the study is examining the following key hypothesis: if value is created after the acquisition, then the speed of integration has a great influence on the efficiency of such integration and the success of acquisition. The study will implement a qualitative methodology, based on the examination and descriptive analysis of the researched issue. Research will consult relevant literature based on theoretical generalizations and practical experience of the authors who dealt with subject matter. Based on relevant literature, the study will analyze the process of the post-acquisition integration of companies, examine the possibilities for value creation, problems that may emerge in the given process, and identify the success factors for the post-acquisition integration of companies. Special attention will be paid to the analysis of the speed of integration as a success factor, the advantages and disadvantages of fast integrations, aiming to estimate the overall effect that speed has on the efficiency of such post-acquisition integration and the overall success of the acquisition.

POST-ACQUISITION INTEGRATION OF COMPANIES: DEFINITION AND LEVELS OF INTEGRATION

The process of post-acquisition integration is usually seen as a long-term and open process, beginning at the moment of the acquisition (the signing of an agreement) and lasting several years afterwards. As such, it involves activities which should secure the effective and efficient management of organizational activities and resources with the aim of achieving a set of combined organizational goals. The process of post-acquisition integration can be viewed as an evolving organizational process, as the integration and combining of organizations and a series of management initiatives and planned activities related to issues such as determining the levels of integration, autonomy delegated to the acquired company, the speed of integration etc.

In the process of acquiring previously independent companies, a hybrid organization is formed, in which value creation depends on the adequate management of interdependencies. Pablo (1994) defines integration as changes in the arrangement of functional activities, organizational structures and systems, as well as the cultures of combined organizations in order to facilitate their consolidation within one functional entity. Lindgren (according to Teerikangas, 2006) defines integration as a process dealing with administrative, organizational (organizational structure, compensation and communication systems, financial systems), social (cultural system) and operative (production, marketing, R&D) systems. It is a multidimensional process during which managers should make it more facile for all the departments to function harmoniously within the combined entity.

According to Shrivastava (1986), the primary problem of the efficient management of ab acquisition process lies in the integration of two companies into a single entity. Post-acquisition integration can be executed on three different levels, depending on the acquisition circumstances. The first level is procedural (legal and accounting integration), the second level is physical (the integration of production lines and technology) and the third level is management- and socio-cultural integration (changes in the organizational structure, the development of the organizational culture, the selection of the management). The larger the companies are, the harder it is to execute integration, due to a large number of units needing coordination. Shrivastava stresses the importance of the adequate integration of companies' joint operations. On the other hand, there are authors (Pitkethly, et al, 2003, 33) stating that it is less important how well businesses are integrated, but rather whether their integration has been executed on an adequate level. The levels of integration can be ranked from low to high: the acquired company can remain independent after the acquisition (non-integrated companies), the acquiring company can adapt to the acquired company (partially integrated companies) and companies can merge into one organization (totally integrated companies) (Figure 1).

The low level of integration is such that technical and administrative changes are limited to sharing financial risks and resources, and the standardization of basic management systems and processes in order to facilitate communication. The moderate level of integration assumes more substantial changes in the value chain, as well as the sharing and exchange of physical resources based on learning. Administrative changes at this level may include selective modifications in reporting relations and authority delegations. At the highest level of integration, integration involves sharing all types of resources, implementing operations systems, planning and control systems and company's procedures previously used by the acquiring company, as well as the complete structural and cultural absorption of the acquired company (Pablo, 1994).

Attempting to identify "ideal" integration approaches, authors Kimberly & Lamont (2004) begin with studies conducted by Nahavandi & Malekzadeh (1988), Haspeslagh & Jemison (1991) and Marks & Mirvis (1998). Nahavandi & Malekzadeh (1988) studied the process of the harmonization of cultures within post-acquisition integration and identified different models based on two primary dimensions – a degree of relatedness between the two companies and a degree of tolerance for different cultures by the acquiring company. These authors provide a short description of different ways for culture harmonization – separation, assimilation, integration and deculturation. Haspeslagh & Jemison (1991) developed a framework

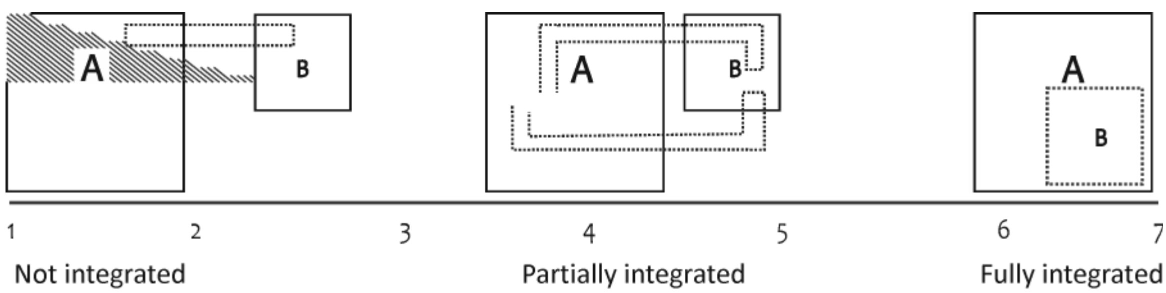


Figure 1 Spectrum of integration

Source: Pitkethly et al, 2003, 33

pointing to the dependence of an adequate form of integration on the two key requirements: a degree of the strategic interdependence of the two companies and the need for achieving organizational autonomy. Based on these two requirements, there can be four types of integration: absorption, symbiotic, protection and holding (Fanlkner & Cambell, 2003, 109-112). Marks & Mirvis (Kimberly & Lamont, 2004) discuss several main ways for companies to combine their operations after acquisition. Using the degree of post-acquisition changes in both companies as the basis for their classification scheme, these authors identify and describe organizational attributes necessary for the successful management of the major integration approaches – absorption, reverse merger/assimilation, preservation, the best of both, and transformation. Figure 2 shows the overlapping of different integration approaches.

Integration through absorption is suggested when the need for strategic interdependence is high and the need for an organizational autonomy is low, and its aim is to realize the complete consolidation of the operations, structure and cultures of the two companies. As this approach usually involves a substantial degree of change in the acquired company, its implementation must be executed in a predefined, consistent and fast manner, in order to minimize possible disorders and uncertainties which can exist in the post-acquisition

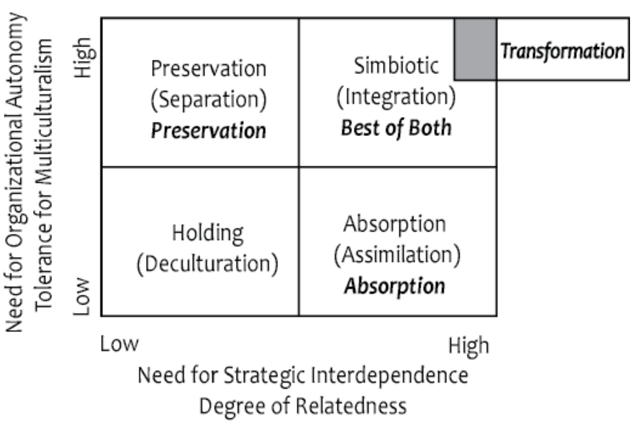


Figure 2 Integration approaches

Source: Kimberly & Lamont, 2004

integration process. Integration through symbiotic assumes that the acquiring company is attempting to establish a balance between two business models in such a way as not to have the organizational autonomy of the acquired company endangered by transferring strategic competences. This approach includes a period of initial protection (the preservation of the existing state), followed by a period of a gradual involvement (merging, combining) of the best practices from both companies. This process of integration requires a degree of change in both companies in order to create a combined company which reflects the key competences and the leading practices of both companies (Kimberly & Lamont, 2004, 81-102).

Integration through preservation is suggested when the acquired company is required to maintain a high degree of autonomy and when the need for strategic interdependence is low. In this form of integration, the newly-acquired company continues to operate independently. Essentially, this approach involves few changes in the acquired company, as the primary driver of the post-acquisition success is the ability to maintain the strategic competences of the acquired company intact. Holding refers to a situation in which the acquiring company acts essentially as a holding company with no intention to integrate the two companies. This approach assumes the existence of a low degree of strategic interdependences, while the acquired company is not allowed a high degree of autonomy. In practice at times, it is not easy to make a clear difference between the categories of holding and preservation. However, in his work, Pitkethly el al (2003) states that Angwin puts a greater focus on the two categories by differentiating the holding category, where the acquiring company is attempting a turnaround, but without any degree of integration, from the preservation approach, where the acquired company remains unintegrated, but with the intention of maintaining good profits. While symbiosis assumes a certain degree of changes in both companies, when the best practices are implemented, sometimes such an integration process involves very important, fundamental changes in the organizational cultures and operative practices of both companies. In such cases where both companies are disbanded as part of integration efforts, the form of combining operations is known under the name of the transformational approach. The approach requires that the newly-combined company should completely reinvent itself by creating a new organization, a set of values and a way of operating, instead of combining the best elements of both of the original companies. Which integration approach will be applied depends on the type of acquisition and the business characteristics. Each integration approach has its specific obstacles. For example, the absorption of the acquired company can cause resistance to change amongst its employees and high employee turnovers. With a symbiotic approach, the creation of a new organization and the selection of the management within such a new structure can destroy cooperative atmosphere, while a preservation approach involves the challenge of maintaining clear borders between companies.

POSSIBILITIES FOR VALUE CREATION AND ISSUES DURING POST-ACQUISITION INTEGRATION OF COMPANIES

A number of authors (Datta, 1991; Pablo, 1994; Larsson & Finkelstein, 1999) stress that the potential of the strategic combination is not realized automatically, and that the degree of synergy realization depends on how such a new organization is managed after the acquisition is completed. Larsson & Finkelstein (1999) define integration as the degree of interaction and coordination between the two companies involved in the processes of mergers or acquisitions, and stress that it has great importance in realizing potential synergies, because poorly implemented interaction and coordination will not lead to achieving joint benefits.

Post-acquisition integration is the motor of organizational change and development, and it plays the key role in an overall regeneration strategy. It includes post-acquisition reconfiguration, redeployment and the disposal of the tangible and intangible resources of both companies (Chakrabarti & Mitchell, 2004). It is a process of adaptation in which the acquiring company and the acquired company perform a transfer of competences and work on achieving acquisition goals.

Post-acquisition integration can be described as a process involving at least two phases – "the first 100 days" and the phase of "transfer of competences". The "First 100 days" phase begins immediately after the realization of an acquisition and the main goals of this phase maintain the impulses of both companies and the creation of a favorable climate for exploiting synergies. The First 100 days and weeks after the announcement of an acquisition are characterized by the presence of uncertainty: many employees experience fear due to uncertainty and it is necessary to pacify them and secure their commitment to new projects. When an adequate atmosphere is created, the acquiring company can focus on the phase of transferring competences. The goal of this phase is to use synergies in order to create value expected from the transaction (Gates & Very, 2003, 165-185).

The integration of the acquiring- and the acquired companies in a legal, structural and cultural sense is an important factor in creating value and achieving a success in mergers and acquisitions. It is composed of interactions constituting the environment for the transfer of competences, which can create value and facilitate the realization of the purpose of mergers and acquisitions. Haspeslagh & Jemison (1991) differentiate various types of transfer of competences: resource distribution, transfer of knowledge (or skills), transfer of management skills, which leads to improving competitive advantages. Sharing of resources involves the combination and rationalization of certain operative assets of the two companies, leading to a decrease in costs due to economies of scale and scope. Resource sharing is generally based on the existence of similarities between such two companies and is often implemented in acquisitions within the same industry. Knowledge transfer involves sharing knowledge which creates value, such as production technology, marketing know-how or financial control skills. Additional value can be created through resulting lower costs or the improvement of the market position, which leads to an increase in income and/or margins. The third source of value is based on the transfer of strategic logic for change management in the acquired company. A new management team often brings an improved competitive position of such a company, thus contributing to an increase in its income. This team may also contribute to achieving cost reductions if the previous team was profligate (Fanlkner & Cambell, 2003, 95-117).

Stressing the importance of integration for value creation and the success of mergers and acquisitions, authors agree that many integration issues exist, which, if not adequately handled, can prevent synergy realization. Integration issues may arise out of employees' resistance and incompatible cultures. Post-acquisition changes often involve labor reductions and structural redesigning with the goal of decreasing costs and redundancies. Such organizational and personal changes create an atmosphere of psychological insecurity and uncertainty for employees. Such circumstances create increasing differentiations within groups, forming scenarios of winners-losers and general mistrust. A lack of predictability and the poor familiarity of employees with the current state of the company, leads to confusion and anxiety (Elsass & Veiga, 2006, 95-105). The impact of such organizational changes is particularly serious on employees who think that they have no control over change forces. Such employees will probably feel a more extensive decrease in control at work and helplessness, and will psychologically be dislocated from the work they perform, or will show resistance to change (Chakrabarti & Mitchell, 2004).

Larsson & Finkelstein (1999) find that employee resistance decreases the utilization of possible synergies. They defined resistance as an individual and collective opposition of employees to the combination and integration of companies, which negatively affects the performance of mergers and acquisitions. Opposition can be active (willing exit from such an organization, sabotage) or passive (missing from work, disobedience) and is expected to substantially decrease the realization of synergies during the integration process. Birkinshaw et al (2000) conclude that the bad management of human resources negatively impacts the overall progress of the integration phase. Stress, insecurity, and rumors regarding a merger or an acquisition affect the financial and operative performance of a company.

Cultural incompatibility is often cited as a source of post-acquisition issues (Nahavandi & Malekzadeh, 1988), which may lead to the misuse of synergies. Some empirical data point to a conclusion that higher cultural differences lead to higher integration problems and thus lower post-acquisition performances (Datta, 1991). On the other hand, the presence of a developed corporate culture in the acquiring company can positively affect performance, if it is efficiently transferred to the acquired company (Chakrabarti & Mitchell, 2004).

Integration issues may present serious obstacles to an acquisition success; however, they can be managed. An important role in managing the process of post-acquisition integration and overcoming possible issues is given to transformational leaders who should lead the critical mass of employees through a period of great uncertainty, secure the continuity of operations and teach employees a new behavior pattern (Babić & Savović, 2009). Transformational leadership is more effective than transactional leadership in situations of uncertainty or a crisis, such as the integration process. Transformational leaders encourage employees to strive for common goals and interests. In such a way, a positive interpersonal relationship is developed between team members and a micro-context in which employees share the existing and develop new knowledge is formed (Nemanich & Vera, 2009).

Transformational leaders have capabilities and skills to motivate employees to form a new way of thinking, destroying the existing paradigms and creating new ones. The goal of these leaders is to communicate a well-articulated vision, create a feeling of belonging and encourage employees to adapt to changes. One's ability to lead employees and establish a new business identity, which allows the adoption of a new common vision, and – even more importantly – develops the feeling of common connection and belonging, are of crucial importance for the successful assimilation of groups or the creation of new groups. By communicating such a common vision, transformational leaders facilitate their employees' comprehension of changes in their business environment, thus enabling them to adequately respond to them. Encouraging employee involvement in redesigning operations is recommended as a useful way of decreasing possible resistance during transition. Also, communicating with employees regarding the anticipated effects of such changes contributes to a decrease in insecurity and worry (Schweiger & DeNisi, 1991) and an increase in their commitment to the integration process (Schweizer & Patzelt, 2012)

KEY SUCCESS FACTORS OF POST-ACQUISITION INTEGRATION OF COMPANIES

An important segment of the acquisition-related research is focused on studying the post-acquisition integration of companies. This is based on the premise that "value is created after an acquisition" and that – if post-acquisition activities are well-managed - the probability of a successful acquisition is increased. A number of scientific workers, consulting companies and experts in the field attempted to answer the question of which factors determine the success of post-acquisition integration.

De Noble et al (1988, 51-59) state the following factors: having a clear and precise vision prior to the end of an acquisition, forming a cross-fertilize management team, a continued focus on employees, managing cultural differences, interconnectedness of the strategy and the structure and the speed of implementation. The study Making Acquisitions Work: Capturing Value After the Deal (Harbison et al. 1999) facilitated the development of a value framework, composed of 3 elements: vision, architecture and leadership, which are of essential importance for the success of post-acquisition integration (Table 1). In order for companies to be successfully integrated, all the three essential elements must be very familiar. If the vision of the new company is not defined, the company is missing the focus and direction and will not be able to create value for new buyers or what the basis of its competitive advantage is and how it will accomplish its goals. Without a well-structured integration process, or, in other words, a right architecture, the new company will be engulfed in chaos. Key decisions refer to determining business segments which need to be integrated and the speed of integration implementation. Finally, if efficient leadership is missing, necessary changes will not be made in either company and at all levels. The research has shown that a failure in determining all the three elements can lead to value destruction. In order for a company to successfully implement the process of post-acquisition integration, it is necessary to create a new vision for the new entity and plan details from the beginning, identifying the sources of value and the means of their adoption, understanding the importance of strategic leadership which will help in the implementation of such necessary changes and move the competences of the new company toward achieving a maximum profit and growth (Harbison et al, 1999).

The study Merger Integration: Delivering on the Promise (Adolph et al, 2001), states the four key principles necessary for the success of post-acquisition integration: the communication of a vision for value creation, seizing the defining moments to make explicit choices and trade-offs (defining the character and speed of an integration process), simultaneous execution against competing critical imperatives and the employment of a rigorous integration planning process.

The report After the Merger: Seven Rules for Successful Post-Merger Integration stresses several factors important in the post-acquisition phase, including: the early placement of integration managers, defining their roles, fast and efficient communications with employees in order for them to be properly oriented towards achieving corporate goals (Habeck et al, 2000).

Epstein (2004) emphasizes five success drivers of post-acquisition integration: a coherent integration strategy, a serious integration team, communications,

Table 1 Three elements necessary for change

Vision	Architecture	Leadership	Outcome
●	●	●	Successful post-acquisition integration
●	●	❍	Change isn't cascaded throughout both companies or to all levels
❍	●	●	No focus: New enterprise lacks direction
●	❍	●	Chaos: No process for integration
●	❍	❍	An academic exercise
❍	●	❍	Bureaucracy
❍	❍	●	Empty charisma

Source: Harbison et al, 1999, 8

the speed of integration, aligned measures (Table 2). The failure of any of these five factors can prevent the achievement of acquisition goals. While some factors can easily be controlled a through careful design and implementation, the other ones are more challenging due to numerous external forces.

In a study conducted by consulting firm Oliver Wyman, the following key success drivers in integration are emphasized: the types of synergy to be achieved, speed, a degree of integration, the starting point of integration work, the composition of an integration team, an approach in making key decisions, a degree of communication and change management (Wyman et al, 2008, 1-16). In the most recent study PWC Putting the pieces together – Post-merger integration survey 2010, the following factors of an integration success are studied: synergy monitoring, defining and managing deadlines, budgeting integration costs, planning integration, the placement of the integration management, the forming and implementing of a communications strategy, managing cultural issues, involving different key people in integration management (Agrawal et al, 2011). Attempting to reach an answer to the question what it is that determines the success of post-acquisition integration, researchers discovered different factors. Summing up the results of empirical research and the relevant literature, the importance of integration speed is clearly observed as the key success factor.

Table 2 The five drivers of success in corporate integration

	Merger	Acquisition	Conglomerate
Integration Strategy	Promote "merger of equals". Meritocratic decisions. Practices chosen without respect to previous companies' practices.	Create impression that acquired company was "always there".Acquired company adopts practices of acquiring company.	No major changes in new company. Assimilation of new company in certain key areas, and some oversight functions added.
Integration Team	Full-time, discrete team with ample resources and contributions from senior management. Equal contributions from both companies.	Small, discrete team with ample resources and contributions from senior management. Leadership from acquired company remains.	Leadership from acquired company remains. Management participation in both companies to promote knowledge.
Communication	Customers of both companies must understand changes in business. Employees of both companies must understand new roles and opportunities. Focus on how companies fit together.	Customers of acquired company must understand new opportunities in business. Employees of acquired company must understand new roles. Focus on how acquired company fits into acquiring company's business.	Few changes for customers. Parent company must understand how new company operates and any new synergies. New company must understand parent company's practices and opportunities
Speed	Fast decisions are key for both strategic goals and promoting stability and reducing uncertainty in organization.	Fast decisions are key for both strategic goals and promoting stability and reducing uncertainty in organization.	Fast decisions are primarily important for reducing uncertainty in organization
Aligned Measures	Balance between financial and non-financial measures. Tracking of revenue and const synergies	Focus on how acquired company builds company growth and reduces costs. Acquired company adopts measurement systems of acquiring company.	Most internal measurement stays same for new company. New measures added to assimilate new company into parent company.

Source: Epstein, 2004, 180

SPEED AS SUCCESS FACTOR OF POST-ACQUISITION INTEGRATION OF COMPANIES

The speed of integration can be defined as a period of time necessary to implement the integration of systems, structures, activities and processes of two companies. There are numerous reasons why speed can be of imperative importance. From the financial perspective, time spends money, and the faster a post-acquisition integration is implemented, the sooner revenues will be realized. Observed from the behaviorist perspective, speed is important because it mitigates uncertainty which exists among employees and customers. Faster integration can shorten the exposure of employees to uncertainties and lower exponential effects of rumors. In the case of a fast post-acquisition integration, there is not much time for rumors to spread on the market, which leads to a reduced uncertainty for the customer. If decisions related to post-acquisition integration, which are relevant to customers, are made and implemented swiftly, buyers will know what to expect from the company in terms of the product supply, the price policy, the sales strategy, contact persons, etc. Besides, in business practice, it is common for competitors to the acquiring company to attempt to increase uncertainty among customers in order to win them over for themselves. This potential source of uncertainty for buyers can be reduced through fast post-acquisition integration. From the perspective of organizational change, an increase in integration speed can bring benefits to the organization through shorter time spent on coordination.

The literature related to integration speed covers studies by Epstein (2004), Homburg & Bucerius (2005, 2006). Epstein (2004) indicates that speed is of essential importance to the success of post-acquisition integration and that fear and indecisiveness can often create barriers to quick actions. This author stresses that companies moving too slow in the integration process are faced with numerous threats especially in terms of the two key constituents (employees and customers). On the one hand, employees can request slower speed, as a sign of insecurity, or can tend to leave to competing companies, where they perceive the situation to be more stable. Customers, on the other hand, can feel fear and insecurity and may turn to competing products if the visible aspects of integration are not quickly realized. Besides, the author emphasizes that a slower pace can interfere with innovations and prevents companies from achieving synergies. Colombo et al (2007) emphasize that it is not enough to perform adequate activities for achieving acquisition goals, but that it is also necessary for them to be performed with maximum urgency.

A research conducted by Homburg & Bucerius (2005) had the goal of observing the impact of post-acquisition marketing integration on the performances and effects of the speed of integration. The results showed weak positive direct effects of integration speed on performance (based on stock price changes) after a merger or an acquisition. In a more recent study, Homburg & Bucerius (2006) emphasize that fast integration brings benefits and also disadvantages, and that in certain situations, speed can bring great benefits, while in others it can negatively impact the success of acquisitions. According to the authors, benefits and disadvantages depend on the existence of the external (target market and market positioning) and internal (i.e. a management style) relatedness of companies prior to an acquisition. The research results show that speed creates value when external relatedness is low while the internal one is high.

There are authors who think that, under certain conditions, a slower approach to post-acquisition integration can be better than a faster approach (Bragado, 1992 according to Homburg & Bucerius, 2006, 348). The key argument stated by Bragado is that it is necessary that employees of such two companies should be enabled a period of studying and understanding one another. This author emphasizes that an adequate speed of integration depends on the "fit"of involved companies, particularly cultural fit.

A certain number of consulting firms published results of their empirical studies related to the performances of mergers and acquisitions, which investigate the role of integration speed as a potential success factor (Harbison et al, 1999; PriceWaterhouseCoopers, 2000; Wyman et al, 2008). These studies provide certain data that integration speed can have a positive impact on the success of mergers and acquisitions. It is usually stressed that the fast implementation of changes is useful because it minimizes the scope of uncertainties among the employees of combined companies. The study by Harbison et al (1999) showed that, if companies are unequal in size, integration should be faster than in the case of similar-sized companies, as shown in Figure 3. A research carried out by Atos Consulting (2008) confirmed the importance of speed and clearly showed that a great number of organizations prefer speed during the realization of integration goals.

The research done by PricewaterhouseCoopers (2000) showed that, although all companies are faced with differences in their respective operating philosophies, management practices and information systems, those which conduct a transaction faster have substantially fewer problems than the slower ones. Slower transactions extend integration issues, while companies which implement the integration process faster overcome the "my-practice-is-better-than-your-practice" debate and accompanying issues. Prolonged transactions cause additional costs, slower growth, destroy a profit and lower cash flows, thus prolonging payments. This research showed that benefits of faster transactions can be found in: faster returns on investment, exploiting chances in the period after acquisition, competitors' frustration in their attempts to achieve an advantage, the reduction of organizational uncertainty. Companies faster in implementing post-acquisition integration have a better chance of achieving a financial and strategic success. Among companies fast in implementing necessary changes, 75% consider their transactions to have been been strategically successful and 58% consider them financially successful. The percentages of success with companies which had longer transitory period are substantially lower – 43% and 24%, respectively (Graph 1).

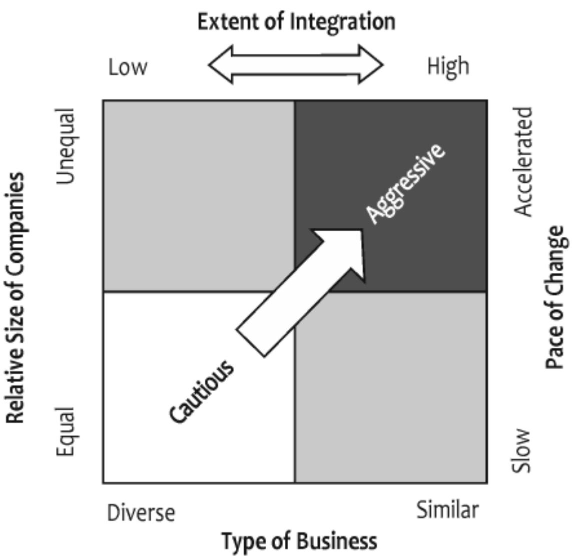
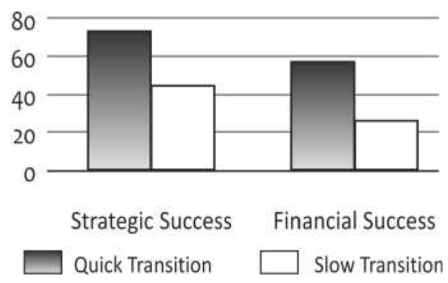


Figure 3 Degree and speed of integration

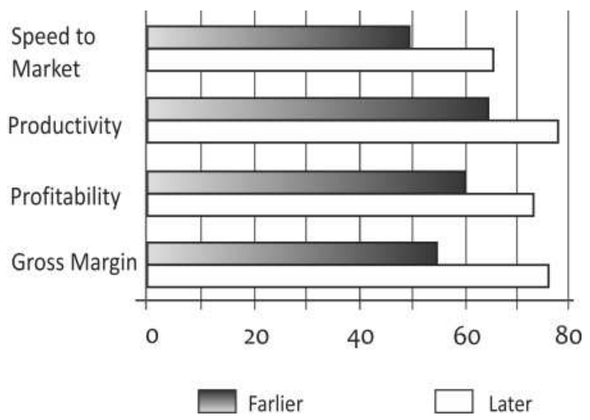
Source: Harbison et al, 1999, 12



Graph 1 Achievement of financial and strategic success depending on integration speed

Source: PricewaterhouseCoopers, 2000

Companies moving faster through a transition period are quicker in conducting an integration process and communicating their new policies and operating procedures, and achieve higher gross margins and profits (Graph 2). Besides, faster transactions have a more favorable effect on cash flows and progress in achieving business goals. An early formulation of integration policies and procedures shows that the management provides necessary information to their employees. However, the management must first be certain that their new policies and procedures are supportive of a general business strategy and that they are well-understood within the organization. Wyman et al. (2008) consider that integration speed depends on the type of acquisition and that in hostile takeovers, integration should be implemented faster, while in friendly takeovers, a slower pace can increase a chance of success.



Graph 2 Impact of integration speed on performance improvement

Source: PricewaterhouseCoopers, 2000

Although not all authors have a uniform stand on the impact of speed on the success of post-acquisition integration, the dominant viewpoint is the one telling of a positive effect of speed. The most usual positive effects of integration speed stated relate to mitigating uncertainties, the faster realization of yields, a shorter time dedicated to coordination, a faster achievement of business goals, an increased probability of achieving a financial and strategic success.

CONCLUSION

Transactions of company acquisitions involve high risk and demand exceptional care in the process of planning and implementation, in order to achieve the desired goals and facilitate value creation. As it is obvious that value creation occurs after an acquisition, recently post-acquisition integration has increasingly been attracting researchers' attention. The poor implementation of post-acquisition integration is cited as one of the main causes of failure of mergers and acquisitions. Therefore, it becomes a necessary precondition to conduct a detailed observation of integration mechanisms and identify the sources of value and possible issues and challenges within the integration phase. The main sources of value are the sharing of resources, the transfer of knowledge and management skills, while the key issues bringing about value destruction include employees' resistance and the incompatibility of cultures. Overcoming integration issues, which can create barriers to achieving a success in mergers and acquisitions, is possible with the adequate management of post-acquisition activities.

In the process of identifying factors of the key importance for the success of post-acquisition integration, and therefore for the success of mergers and acquisitions, special importance is given to the speed of integration. There is no full uniformity of the authors' opinions on the effects of speed; however, there is a prevalent opinion of the majority of them that speed has key importance for achieving strategic goals, promoting stability and reducing uncertainty in the organization. In order for a company to successfully implement the process of post-acquisition integration, it must create a new vision for the new entity and execute detailed planning, understanding the importance of strategic leadership which helps in the implementation of necessary changes and quickly activates the capabilities of the new company with the aim of achieving a maximum profit. An ability to quickly execute integration, reduce operating expenses and generate additional yields becomes the main factor in achieving good performances.

Having in mind the fact that only in recent times have the processes of mergers and acquisitions in Serbia become more important, the stated subject is not well researched. Therefore, there is a need for empirical research which, in a methodologically valid way, would test the process of post-acquisition integration, with the aim of better understanding the factors determining the success of the given process and the overall success of mergers and acquisitions. A comprehensive theoretical and empirical analysis of the stated issue would facilitate the comparison of reached results with the results of research in developed market economies.

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