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GAINING SUCCESS IN MERGERS AND ACQUISITIONS

Master's Thesis

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ABSTRACT

Mergers and acquisitions have been an object of research for many studies as they represent an opposite for organic business growth. Although the previous studies have mainly limited measuring the outcome of M&A´s to comparing financial performance of a company in pre- and post-merger phases, there is a growing body of literature that recognizes M&A success in non-numerical values. Hence, it is in our interest to investigate how to explain success in M&A´s in a broader sense, and secondly, to investigate how to become successful in M&A´s.

The author of the thesis studies successfully and non-successfully performed M&A deals, compares the findings with literature review, and reveals preconditions for gaining success in M&A deals. The aim of the thesis is determining how to gain success in M&A´s.

Theoretical research findings supported a mixed method for answering research questions through a case study. The primary data of in-depth interviews are analyzed qualitatively through thematic analysis. Qualitative analysis results are tested with a secondary data analysis conducted quantitively (financial figures analysis).

The study contributes with found success categories as well as shows the relevance of using complex approach in measuring M&A outcome.

Keywords: mergers and acquisitions, M&A, strategic change, success criteria, success categories.

LIST OF SYMBOLS

CRQ	central research question
CSF	critical success factors
EBITDA	earnings before interest, taxes, depreciation and amortization
IBD/EBITDA	interest bearing debt to EBITDA
kEUR	thousand euro
M&A	mergers and acquisitions
ROCE	return on capital employed
RQ	research question
SC	success criteria

INTRODUCTION

Mergers and acquisitions (M&A’s) represent a significant change for companies (Nakamura 2005). Changes, including significant economic changes, are the key characteristics describing current modern world. M&A’s enable strong companies to grow faster than their competitors, ensuring weaker companies to be swallowed by their competitors or excluded from their market definitively (Baker 2011).

Even though M&A’s as a measure for gaining businesses goals have been in use for a very long time, it still remains rather unclear, why some mergers and acquisitions are successful, while others are not (Renneboog & Vansteenkiste 2019; Gomes *et al* 2013).

Considering all the changes happening in the world currently, including the impact of COVID virus, we may assume that many mergers and acquisitions of companies can be expected in the near future. The deal success and/or failure of mergers and acquisitions should be studied and finding success categories is considered as a relevant issue in a strategic planning of a business, thus, as well as in mergers and acquisitions.

The aim of the master’s thesis is to determine success categories of mergers and acquisitions in order to find out how entrepreneurs should and could contribute to the success of a M&A transaction. However, the following theses is limited and focused on the buyer’s perspective.

While reviewing previous studies about the research topic, it turned out that the possible success of M&A transactions has been somewhat studied (Nakamura 2005; Epstein 2005; Gadiesh *et al* 2001; Marks & Mirvis 2011). However, the outcome of M&A´s has been mainly measured with a limited view. Further, studies do not show how the actions (methods) taken by buyer company management have affected the success of a transaction. Therefore, a qualitative study based on a successful and a non-successful cases has been conducted. Opposite cases were selected for comparison purposes to understand differences and similarities. These cases form a convincing background and suggest intensely with empirical evidence the relevance of created success categories.

The study seeks to find an answer to the central research question (CRQ): How to become successful in M&A transaction? To achieve desired research results, answering the following research questions is planned: RQ1: How success or failure of M&A's is explained in theory?; RQ2: How is M&A successfully or non-successfully performed in practice?

The following thesis is divided into three chapters. The first chapter formulates the theoretical framework of the study based on a literature review compiled by the author. The second chapter covers the research materials, methods used and presents findings. The empirical research is carried out through mixed methods case study research by: 1) interviewing professionals from chosen companies, who were involved in the transaction of M&A, and 2) analyzing financial data of chosen companies at the moment of M&A transaction and two years after the deal. Finally, the author compares the findings together with the theoretical framework and answers the research question as a conclusion.

The findings of the study are available for future researchers of the subject as well as for entrepreneurs planning their strategic goals through M&A transaction.

1. LITERATURE REVIEW OF MERGERS AND ACQUISITIONS

The literature review will define and cover the nature of mergers and acquisitions (M&A), and will also present different types and motives behind M&A´s. However, the main focus will be on finding how M&A success or failure has been determined in literature and previous studies. The author plans to answer RQ1: How success or failure of M&A’s is explained in theory? Essentially, an overview of different techniques and theories of M&A´s support the final empirical research on success categories of M&A´s.

1.1. Defining Mergers and Acquisitions

To begin with, merger and acquisition (M&A) transactions have taken place more than hundred years already. In the late 19th and early 20th century M&A transactions started taking place as a cause and consequence of the fast space spiral of the globalization. Thus, M&A activities became a vehicle that paralleled to global change throughout 20th century and culminated in a powerful M&A wave in financial crises of 2008. (Harford 2005; Faulkner *et al.* 2012). Today, M&A transactions belong to businesses common tools (Baker *et al.* 2011), however, are often referred to us dramatic events (Smeets *et al.* 2016).

Many theorists, researchers, and consultants state that M&A’s occur in waves (Harford 2005; Martinova & Renneboog 2008; Faulkner *et al.* 2012). Despite the diversity of transactions, according to Martynova & Renneboog (2008) all waves have common factors such as: they are preceded by technological or industrial shocks and occur in a positive economic and political environment. Furthermore, M&A activity is higher during rapid credit expansion and stock market booms.

The term “merger and acquisition” (M&A) and terms “merger” and “acquisition” are often used interchangeably (Nakamura 2005) or referred to as only “merger” or “takeover”. Regardless of the practice, these terms have different meanings.

Firstly, merger is a transaction involving two or more corporations in which stock is exchanged but in which only one corporation survives, whilst an acquisition is the purchase of a company that is completely absorbed as an operating subsidiary or division of the acquiring corporation. (Gaughan 2002; Baker *et al.* 2011; Wheelan, 2012, 207-208;).

In detail, a merger is a (friendly) agreement between two businesses to combine into single company. An agreement that leads to merger, is signed by both boards of two companies (on the terms of the merger), and on the consent of shareholders of both parties. Through merger, identities of the original companies often disappear. (Gaughan 2002; Baker *et al.* 2011).

An acquisition is the purchase of one company by another, where the target is completely absorbed as an operating subsidiary or division of the acquiring corporation (Wheelan 2012). In an acquisition, the board of the bidding company approaches the shareholders of the target company and makes a tender offer for their shares. An acquisition may be friendly (when the board of the target company agrees to the acquisition) or it may be hostile (when the board of the target company does not agree to the acquisition) (Baker *et al.* 2011). Often the identity of the target company is subsumed by the bidding company. An acquisition may be carried through the acquisition of shares, and through the acquisition of assets only, in case the bidding company acquires the assets of the target company.

There is also a third transaction, a consolidation, that is often left out, when discussing M&A transactions. Consolidation is a business combination in which two or even more companies join to form an entirely new firm (Baker *et al.* 2011). Neither is it a merger, nor an acquisition. Nevertheless, consolidation as such is considered a part of M&A transactions. Hence, the same applies in the current thesis.

On the surface, the difference of the terms may not seem to matter, since all of the described transactions are in essence strategic transactions that usually change the control of a company as well as its strategic direction. Depending on the transaction, the financial, legal, tax, cultural impact etc. of a deal may and rather likely differ substantially (Baker *et al.* 2011). However, regardless of the differences, mergers and acquisitions both involve combining two separate businesses into one single entity *de facto* (Nakamura 2005). A detailed scheme of M&A terms can be seen in appendix 1.

Throughout the following thesis the abbreviation “M&A” or simply “mergers” refer to mergers, acquisitions, consolidations and capital injections. Therefore, the thesis shall follow the general practice of M&A’s in literature, where the term “M&A” interchangeable refers to all of the above-mentioned transactions, but first, in the following chapter the author takes into scope different types of M&A’s.

1.2. Types, motives, and process of Mergers and Acquisitions

The central focus of the current thesis is on M&A success. For assessing success or failure, it is critical to look at the types and motives behind M&A deals, but also the whole process of M&A´s as such. Thus, in the following sub-chapter, we will pursue our research on the said sub-themes.

1.2.1. Types of Mergers and Acquisitions

Gaughan (2002) has categorized M&A’s broadly into 3 groups, which are: 1) horizontal, 2) vertical, and 3) conglomerate. For the sake of clarity, we shall add a fourth type, which in literature is often referred to as a separate type of M&A`s – a cross-border M&A. However, the latter may contain one or another of previous types.

An additional layer to M&A transactions has been added by Galpin and Herndon (2014), since they believe the M&A’s exist along a continuum: from stand-alone, to partially integrated, to fully integrated. In case of stand-alone integration, selected corporate and staff functions can be consolidated, primarily to achieve staffing synergies and cost efficiencies; all strategic and day-today operations and decision-making will remain autonomous and decentralized, with agreed-upon requirements for reporting to the parent company. With partial integration, only certain key functions or processes will be merged; strategic planning and monitoring of the function will be centralized, but day-to-day operations will remain autonomous. If fully integrated, all areas and processes company-wise are to be merged and consolidated; all management decision for the acquired business will be integrated into the parent company's processes.

Going back to the beginning of the chapter, horizontal mergers take place between two companies in the same industry, at the same stage of production and in a direct competition. Therefore, and most importantly, horizontal mergers reduce competitions. Horizontal mergers are sometimes called business consolidation. When exploring horizontal mergers, it is often referred to with the term "equal merger" (Nakamura 2005; Metzenthin 2005). Since two firms merge on equal terms, a straightforward name for the concept has been formed. Secondly, vertical M&A's take place between two (or more) companies in the same industry, but at a different stage of production. These may be a customer and a company or as well as a supplier and a company in a different supply chain function. A vertical merger is often initiated with a goal of reducing costs, at the same time with increasing productivity and efficiency. The grater goal in vertical mergers is gaining more control of the supply chain process and increasing business productivity. Thirdly, conglomerate transaction takes place between two companies that are active in unrelated industries and have therefore no common business areas. Conglomerate mergers take place with a goal of diversifying the business, cross selling the company's products, hence taking advantage of created synergies. Additionally, there are cross-border mergers that take place between companies registered in different countries, but above all, the transaction as such can be horizontal, vertical or conglomerate. (Daniels 2018; Gaughan 2002; Wheelan 2012; Biswas & Fraser 1997; Soofi 2014).

Further, when exploring the types of M&A transaction, the communication and cooperation or non-cooperation style needs to be added (Table 1 on next page). As described above, mergers and acquisitions can be friendly or hostile (Nakamura 2005; Wheelan 2012). While mergers are often referred to as friendly transactions, acquisitions (takeovers) can be hostile.

Table 1. Characteristics of different M&A types.

Type of M&A	Characteristics	Communi-cation style
Horizontal M&A	- companies are in the same industry - companies in similar or same stage of production - M&A takes place between competitors	Friendly or hostile
Vertical M&A	- companies in same industry, but different stage of production, e.g. M&A between a company and its supplier	
Conglomerate M&A	- no common business areas between transaction participants	
Cross border M&A	- companies registered in different countries - horizontal, vertical, or conglomerate transactions	

Source: Gaughan 2002; Nakamura 2005; Metzhentin 2005. Drawn by the author.

In overall, Weston *et al.* (1990) has shown that theories of M&A can be classified into three sections: 1) mergers as value enhancing activities; 2) mergers as value diminishing activities, and 3) mergers with no effect on value. Regardless of the goals, there are some mergers concluded even if there is no effect on firm’s value, meaning, the ultimate effect can be zero. The said situation happens when the managers of the acquiring firm are overly optimistic about the synergy to be created from M&A deal and are over-bidding for a target firm. It is just a matter of wealth transfer from the bidder to target firm. (Weston *et al.* 1990).

Given the types of mergers and their different characteristics, all these represent different corporate strategies (Wheelan 2012). Whether the transaction involves horizontal, vertical, conglomerate or cross border merger, the underlying idea from the current chapter is the following: the companies’ intention is to use their resources for increasing market share, beating competition, creating a more efficient business model, and/or gaining other strategic visions. However, in the following sub-chapter the author traces motives behind M&A´s in more detail.

1.2.2. Motives behind Mergers and Acquisitions

Followingly we pursue our research by exploring different motives behind merger and acquisition transactions.

Biswas *et al.* (1997) state that there are three basic motives for mergers and acquisitions: synergism, hubris and managerial perquisite consumption. Only synergism creates value, however, hubris and managerial perquisite consumption, both suggest that the merger is being motivated by non-value adding reasons.

Based on literature review we may state that synergy is the key driver (Bena & Li 2014) of M&A´s and the most often used term when referring to M&A’s. Synergy is being created, when companies merge, and the combined value is greater than the sum of the values of the individual firms. (Wheelan 2012; Baker *et al.* 2011). Therefore, Synergy Theory and value-creation (Fiorention & Garzella 2015) are being considered as the most import motive for M&A transactions. Gaughan (2002) has mentioned three types of synergies in his study. These are cost-reducing operating synergy, revenue-enhancing operating synergy, and financial synergy.

A study conducted by Kim *et al.* (2011) shows that growth plays a key role in explaining acquisition behaviour. While firms may prefer growing through organic increase in demand of their existing products and services, if organic growth is not forthcoming, firms alternatively turn to other growth strategies like acquisitions. The latter happens on other stakeholders’ demand. In short, firms merge to increase earnings growth. According to Peng (2014), companies merge in order to increase market share, hence, to earn more profit. Therefore, a motive for M&A’s arises from the concept of Market Power. Peng’s (2014) research suggests that increased market power is the key driver of horizontal mergers. By increasing market share, firms may gain monopoly control, and may consequently be able to charge higher prices. However, in most countries, there are legal restrictions on increasing monopoly power. Nevertheless, the authorities may allow a merger in case it will not lead to a significant increase in monopoly power.

Jensen (1986, 130) and Schmidt (2015) suggest that some mergers are related to agency problems. Whereas firms merge to resolve the conflicts between shareholders and managers, the third motive behind M&A's arises from Agency Theory. Jensen (1986) also argues that the value of a firm increases through M&A's. He states that in the post-merger M&A phase the value may reduce. According to Jensen's Free Cash-flow Theory, mangers having excess cash find a M&A deal as a source of investment for the available cash, and without really estimating the synergy out of the M&A deals, they invest it. Thus, a failure of merger is a result. Jensen's ideas can also be related to Weston *et al.* (1990) classification of M&A's, that is based on value adding idea through M&A's (described in the previous sub-chapter).

Roll (1986) has postulated with Hubris Theory that managers make an overestimation in evaluating the target firm value and synergy benefits from M&A due to excessive pride, animal spirits or hubris. The managers, while making valuation of targets, assume that their estimations are correct even if there is no value to be created out of the deal. The meaning of "hubris" is pride or arrogance, which leads to overestimation of one's own capabilities, while someone is in a power position. Marks & Mirvis (2011) have also pointed at a nonstrategic force behind M&A's. In contrast to many other theories, they state that the key force driving M&A's may be the acquiring company's CEO ego. The bigger the ego of a CEO, the higher the likelihood of a desire to run the largest company in an industry or fear of being swallowed up by competitors. In this case the higher the premium a company is likely to pay for a target. (Marks & Mirvis 2011: 162). The literature on CEO overconfidence shows that serial M&A deals by overconfident CEOs are on average value-destroying both in the long and short run (Renneboog & Vansteenkiste, 2019).

Gonzales *et al.* (1998) have validated with their empirical work that undervaluation is one of the key financial motivations underlying acquisitions. Based on Undervaluation Theory, firms merge, when one firm is undervalued. It relies on the assumption that the market is inefficient, meaning, the market price of the target company does not reflect the present value of its expected future cash flows. Therefore, undervaluation needs to be listed as a motive behind mergers.

Based on Diversification Theory, firms merge to reduce business risk through diversification of the firms' activities. It is particularly applied in case of conglomeratic (unrelated) mergers (Servaes 1996), but also for concentric (related) mergers (Wheelan 2012). Servaes (1996) has thoroughly studied the value of diversification. Although his findings show that diversification as motive has often not been beneficial, the motive as such remains true. In case the bidding firm and the target firm are active in different industries, whose business cycles are not highly correlated, then by combining, the firms will reduce the variability of their earnings. As a result, this will reduce the risk to the shareholders and therefore increase shareholder value.

Redistribution Theory states that M&As are done for tax benefits, market power, extractions from bondholders, breach of trust with labour and shifting pension costs to the government (Weston *et al.* 1990). Because of M&A, redistribution of wealth and income among shareholders can take place. When taxes are saved because of merger or acquisition, redistribution takes place from government as tax collector to the firm. It can take place in other different forms. Reduction in employee cost because of redistribution of income from employee to shareholders. The gains achieved through mergers essentially go to shareholders. This is redistribution of income or wealth from other stakeholders to shareholder. (Leepsa & Mishra 2016).

Galpin and Herndon (2014) aimed to determine all possible strategic reasons behind M&A deals through their study as follows: 1) efficiency on costs; 2) new distribution channels for retailers; 3) obtaining new products and/or services; 4) gaining new or augmenting current strengths (capabilities); 5) obtaining access to new customers; 6) gaining entrée to various regions or countries in which previously no presence have been had; 7) obtaining available cash or access to capital markets that a target firm may possess; and 8) increasing operations volumes (capacity). The approach of Galpin and Herndon is called the strategic deal rationale. As can be seen above, the listed eight motives cover the same motives found separately from different theories in the first half of the current sub-chapter.

To sum, in a very broad sense there are two types of explanations for mergers and acquisitions: value maximising and non-value maximising explanations. Whereas the value maximisation explanations include synergy gains, market power and tax benefits, and inefficiency theories like undervaluation; the non-value maximising explanations include diversification, free cash flow and hubris.

Exploring motives is relevant as motives define the pre-merger or acquisition objectives and therefore set direction for companies in implementing M&A. After exploring the motives behind M&A`s, the following part of the thesis concentrates on the process of M&A´s.

1.2.3. The process of Mergers and Acquisitions

Essentially, any process has a starting point and an ending. Many problems in M&A arise in the preliminary stage of the process as a result of mistakes, errors, rushed or misleading planning, or because the post-merger integration, and the process of M&A becomes a nightmare (Sherman, 2018). The literature review reveals differences between the researches approaches to defining the starting and ending point of M&A deal. Therefore, followingly the process of M&A's is explored in more detail.

Firstly, it is critical to know, when does M&A process begin. Aiello & Watkins (2000) name the first step as screening potential deals. Their cycle is followed by the next steps: 2) reaching initial agreement, 3) conducting due diligence, 4) setting final terms, and 5) achieving closure. The first step of screening potential deals stands for casting strategy. In the second stage of reaching initial agreement, it is crucial to identify the details to deal's success. In the third step, due diligence is being linked with business planning. When final terms are being set in fourth step, competition should be anticipated. Finally, in the fifth step, actions are transferred to stakeholders. Aiello & Watkins (2000) also describe actions to be taken post-merger, however, they do not refer to these actions as part of the M&A process.

Marks & Mirvis (2001) have narrowed down the process of M&A's to three distinctive phases, that are: 1) pre-combination phase, as the deal is conceived and negotiated by executives and then legally approved by shareholders and regulators; 2) combination phase, as integration planning ensues and implementation decisions are made; and 3) post-combination phase, when the combined entity and its people regroup from initial implementation and the new organization settles in. Although there are only three stages, the weight of each stage is remarkable. Marks and Mirvis (2000) have also concluded that, how a transition structure is organised and managed, this determines whether a corporate combination meets its overall goals through M&A or not.

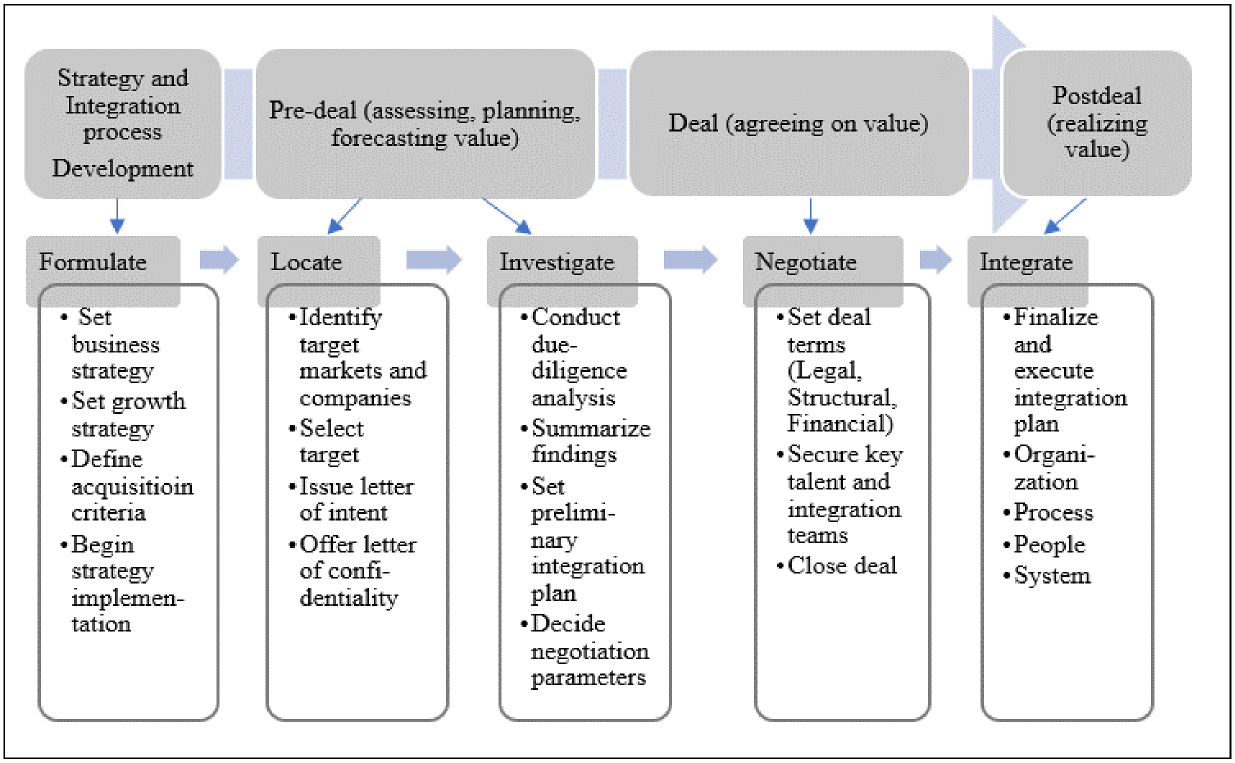
Galpin & Herndon (2014) state that nowadays typical M&A's are being carried through quite strategically. When considering the process itself, they divide the M&A process stages into only two parts: pre-deal and post-deal. However, these two parts have both four sub-stages. Pre-deal stage consists of assessing, planning, forecasting value and negotiating. On the other hand, post-deal stage consists of realizing, reporting, evaluating, and building long-term value.

As can be seen from Figure 1 on the next page, in the first stage a company should formulate a strategy. Once the strategy has been developed, locating potential target companies that fit the firms M&A strategy takes place. In the due diligence stage, a company should explore all possible facts about the target company. The negotiate stage of the M&A process involves considerations of price, performance, people, legal protection, and governance. A particularly important aspect of M&A negotiations is gaining agreement on the terms and conditions of transition services for various functions that are critical to successful integration of the companies. The degree of integration varies from deal to deal, however, is needed for capturing synergies identified in the earlier stages of M&A. (Galpin & Hendron, 2014).

The idea of dividing M&A process into two phases (Galpin & Hendron, 2014) is supported by laws and regulations, that always separate M&A process into two major parts, the pre- and post-acquisition phases. The pre-acquisition and post-acquisition phases are separated by the "completion date"—the formal transfer of ownership of the target company to the new owner (Gomes *et al.* 2013).

Additionally, Marks & Mirvis (2000) suggest using transition structure, however the said structure is created by the participant of the M&A. The underlying idea for having a transition structure has appeared, since several layers of management, professionals and sometimes even frontline personnel work together with counterparts from the other company during the M&A transaction. To emphasize, human resources need extra attention during the whole process of M&A's by the said authors.

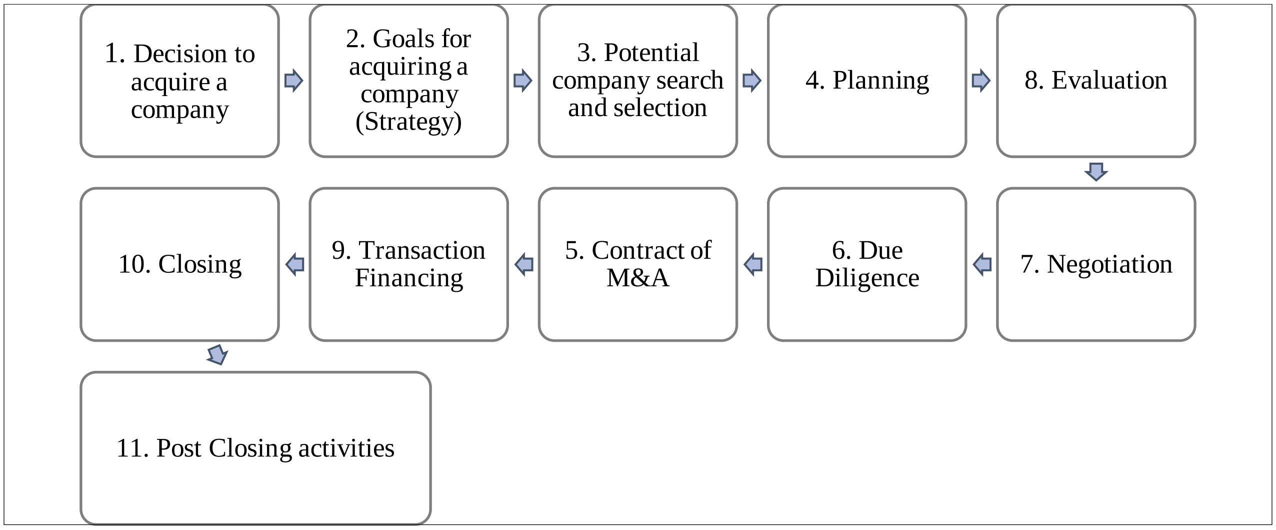
Figure 1. Map of M&A process stages and issues.



Source: Adapted from Galpin and Henrdon (2014). Drawn by the author.

Meeting the challenge of M&A requires leaders to map the said process. This way, leaders can guide their companies through the M&A process as swiftly as possible in order to capture the value that prompted the deal. (Gadiesh *et al.* 2001). As can be concluded after reviewing the Figure 2 on the next page, exceptional management and leadership skills are needed in order to carry through the whole process of M&A´s. The process as such requires integrating people, processes, and systems of one business with another.

Figure 2. Process of mergers and acquisitions in 11 steps.



Source: Drawn by the author.

To sum, M&A transactions take place through a long process; however, the size and complexity of the transaction may shorten the process. Broadly, the pre- and post- transaction phases classification seems most relevant, however, there are more than just phases to follow in M&A transactions. Nevertheless, all the phases play a vital role for M&A success, which is explored in the next chapter.

1.3. Success and failure of Mergers &Acquisitions

Whereas the current study is focused on finding how to contribute to success of M&A deal, in the following chapter, the author aims to determine how success in M&A's is defined in literature. However, before tracing success in M&A deals, the terms "factor" and "criteria" should be defined. Lim & Mohamed (1999) have stated that factors contribute to the success or failure of a project, but do not form the basis of the judgement. Factors are the facts, circumstances or influences which contribute to the success of a project outcome. On contrary to factors, criteria can be judged. In the current study the author does not aim to find detailed success factors, neither is it planned to find success criteria. The author aims to determine the success behind M&A´s in a broader view.

Although M&A transactions have great opportunities, there is also a high risk for failures. Marks & Mirvis (2011, 161) have stated that most mergers and acquisitions are financial failures and produce undesirable consequences for the people and companies involved. Boen *et al.* (2007) have also found that M&A failures are usually attributes to financial, but also strategic mismanagement of a company. Schade (2014, 50) postulates that M&A transactions constitute a promising strategic opportunity for businesses in case their positive effects (e.g. synergies) will offset negative effects (e.g. integration costs, risk of complexity, cultural tensions). Careful weighting against other alternative actions such as exporting, greenfield, cooperation or joint venture is suggested by Chen *et al.* (2018). Evidently, when examining success factors, occurred problems in strategic management may also be under consideration, to develop success factors. Wheelan (2012) has studied and compiled an overview of failures in strategic management activities. These were: 1) implementation took more time than originally planned; 2) unanticipated major problems arose; 3) activities were ineffectively coordinated; 4) competing activities and crises took attention away from implementation; 5) the involved employees had insufficient capabilities to perform their jobs; 6) lower-level employees were inadequately trained; 7) uncontrollable external environmental factors created problems; 8) departmental managers provided inadequate leadership and direction; 9) key implementation tasks and activities were poorly defined; 10) the information system inadequately monitored activities. As M&A's are a part of strategic management, these problems have been taken into account in respect of the following study.

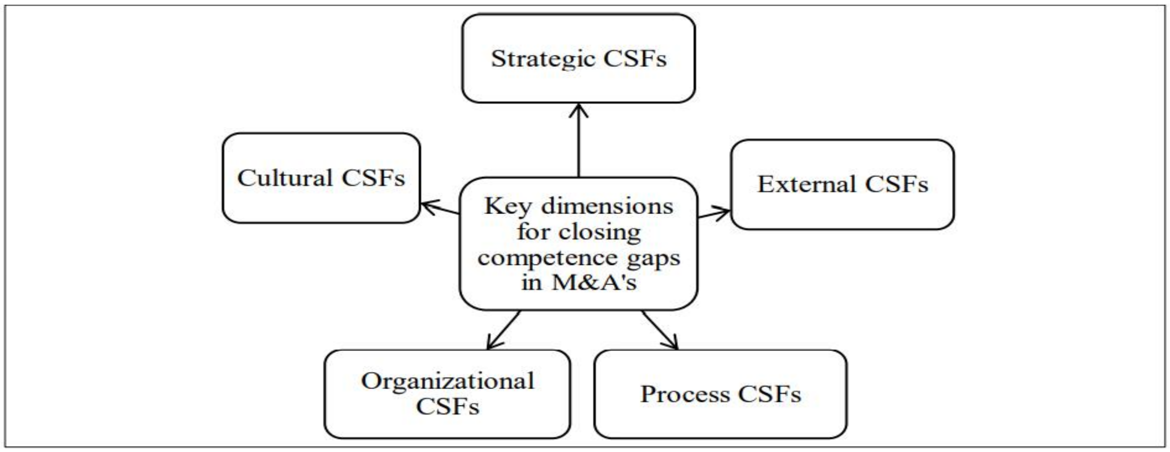
Gomes *et al.* (2013) have shown variables, that are most commonly associated with acquisition outcome. Thus, the most commonly named critical success factors in pre-acquisition phase based on literature research are the followings: 1) choice and evaluation of strategic partner, since the first step that the acquiring firm must accomplish is to choosing a strategic partner in terms of its strengths and weaknesses; 2) pay the right price, since a major cause of failure is paying more than needed); 3) size mismatches and organization as research findings indicate that similarity between firms in terms of relative organizational size plays a very important role in choosing the right partners; 4) overall strategy and accumulated experience on M&A as companies with an overall strategy and experience of M&A are more successful than those that are less experienced or do not react to a M&A opportunities at all; 5) courtship as bringing two potential partners together may be thwarted or enhanced by a “courtship period”—a time when companies can get to know each other before deciding to merge; 6) communication before M&A, because communication plays a vital role in the acquisition process; 7) future compensation policy, since compensation structures, including incentives, can create a clash between individual motivations and organizational objectives.

Larsson & Finkelstein (1999) have investigated whether interrelationships among strategic, organizational, and human resource factors create problems that hinder M&A success. Their study´s findings show that these three main antecedents to M&A performance are independently and significantly related to synergy realization. Cartwright & Magni (2009) have argued that most frequently cited reasons for acquisition failure or merger underperformance is due to cultural indifferences between the combining organizations. There is also a study that finds a bias in the literature, as failure is often defined and ascribed as cultural differences, whereas successes are often defined as a result of management actions (Ali-Yrkkö referenced in Nakamura 2005, 99). The same study also finds that experience is an important factor influencing the outcome of M&A, as well as the involvement of M&A consultants, hired either by the acquirer or the seller.

According to Haeruddin (2017, 85) organizations will most likely succeed in the mergers and acquisitions processes in case they are able to craft shared knowledge, which will contribute to their competitive advantages eventually. Metzhentin (2005) has discussed over several issues affecting mergers and acquisitions from the perspective of competence-based management and has discovered a link between the competence of a management and the M&A success. His study shows the importance of identifying not only desirable competences that are not currently available in the firm, but also the levels of competence development and the extent of their deployment that will be desirable in the future. With this perspective on competence gaps, a firm can more carefully choose which markets it will target in the future and define its competitive gap-closing goals. In Metzhentin´s (2005) view there are only two main and crucial success factors in M&A. These are strategic planning and integration. Securing the required competences for the achievement of sustainable competitive advantages in future is the focus of strategic planning in M&A. Successful integration requires that formerly separated resources and capabilities are combined to create the required competence base in the future.

Based on Metzhentin's competence gap analysis, Chen *et al.* (2018) have determined success criterion of CFSs in M&As (Figure 3). In their view the success of M&A's is dependent on five key dimensions, that are strategic, cultural, organizational, process based and external.

Figure 3. Success criterion and five key dimensions of critical success factors in M&As.



Source: Chen *et al.* (2018). Drawn by the author.

It is somewhat surprising that there is no consistency in previous researches how M&A outcomes are measured. Marks & Mirvis (2011) have suggested a wide range of financial, operational, attitudinal, and behavioural measures for deciding over success or failure of M&A. However, they remain cautious with their suggestions.

In general, a company is successful, if its growth in sales and profits is reflected in a higher stock price, eventually resulting in a hefty capital gain when shareholders sell their common stock (Wheelan 2012). However, in strategic management, high capital and stock value may temporarily not be targets at all. Although M&A's are mostly known as tools for achieving growth, profitability or diversity, it can be concluded, that other strategic visions (Epstein 2005) of firms should not be underestimated and should therefore be always considered, when assessing the success of M&A's. Thus, evaluating the M&A outcome becomes more complex and finding success categories of M&A deals is crucial for businesses that are planning changes through M&A's.

2. RESEARCH METHODOLOGY

The following research has adopted case study strategy. One successful and one non-successful merger have been studied in detail with the intent to answer central research question: “How to become successful in M&A?”; and RQ: ”How is M&A successfully or non-successfully performed in practice?” The data was collected qualitatively through interviews, although secondarily quantitative data from companies’ financial results was also collected. Therefore, this is a mixed methods research. Data analysis was conducted by using thematic analysis technique for qualitative data and financial data analysis for quantitative data.

2.1. Research design

In any empirical research, the selection of method is crucial to the end results. Thus, thorough consideration is needed for method selection. Literature review shows that many researchers have focused on accounting-based measures to evaluate M&A related issues, including performance and success (Healy *et al.* 1990; Alhenavi & Stilwell 2017; Firk *et al.* 2019; Renneboog & Vansteenkiste 2019). However, based on the literature review in first chapter of the study, we may also say that determining M&A successfulness based on financial outcome of a merger seems incorrect and limited, since overall M&A performance and evaluation have more layers to it. Therefore, whereas we know that qualitative and quantitative approaches are not opposites, nor are they mutually exclusive (Guest *et al.* 2014), and also, theoretical research in the first chapter of the thesis shows that there are quantitative and qualitative indications of success in M&A deals, the current thesis author considers it relevant to use more than one data collection technique and analysis to answer the research question.

When both quantitative and qualitative data collection techniques and analysis procedures are used in a research design, a mixed methods approach is suggested by Guest *et al* (2014). In case of mixed method research, quantitative and qualitative data collection techniques and analysis procedures are used either at the same time or one after the other, however, these are not combined. This means that, qualitative data are analyzed qualitatively, and quantitative data are analyzed quantitatively. The underlying idea for using a mixed methods research design is the following: combination of both approaches provides a better understanding of a research problem than either approach could alone (Guest *et al.* 2014).

Different authors (Saunders 2009; Bougie & Sekaran 2016) have suggested case study as a research method, in case there is a real-life situation, an event or phenomena that the researcher will study in various perspectives using different kinds of data collection methods, since in a case study, the data collection techniques employed may be various, and are likely to be used in combination. They may include, for example, interviews, observation, documentary analysis and questionnaires (Saunders 2009). The qualitative data can be analyzed by many methods, however, in the current study thematic analysis has been chosen for identifying, analyzing and reporting different kinds of patterns and/or themes (Braun & Clarke 2006, 79) from the research data. The decision to use thematic analysis has been supported by the argumentation of Caulfield (2019), who stated that the most appropriate method for finding people's opinions, experience, and perspectives out off interview context is a thematic analysis. According to Creswell & Plano Clark (2018) a mixed methods case study design is a type of study in which the qualitative and quantitative data collection, results, and integration are used to provide in-depth evidence for cases and/or develop cases for comparative analysis.

In respect of above described, a mixed methods research has been chosen for the basis of the following study. Qualitative and quantitative data shall be gathered, compared and analyzed. Whereas the first part of the empirical study comprises of in-depth interviews, analyzed based on thematic analysis technics, the second part comprises of testing the result with financial data assessment of the study's participant companies. All in all, better understanding of M&A results based on mixed methods provides an opportunity to explore success and failure of M&A´s in detail. Discussion on findings follows with new insights and perspectives to answer the research question of the study.

Keeping in mind the research question, the author has selected two rather typical M&A deals to study. Purposefully, one successful and one non-successful case, based on which the aim of the study is gaining empirical insights in depth for finding success categories of M&A´s.

2.1.1. Methods of data collection

Firstly, qualitative data collection through interviews has been chosen. The purpose of an interview is to understand the participant's explanations and meanings for complex and open-ended questions (Saunders 2009). In the current study rich and detailed data through non-standardized interviews is gathered for qualitative analyses purposes.

Secondly, the author gathers numerical data. The sources for numerical data are annual reports of the chosen companies. Quantitative data is needed and suitable for this study as it can be compared with the gathered data form interviews and expanded to a further level of understanding the reasons behind merger success or failure.

2.1.2. Sampling

After choosing the data collection methods, the author had to select the right participants, meaning, a sampling was needed. In this study, the participants in the interviews, i.e. the sample, was based on purposeful typical case sampling. According to Saunders (2009), purposive sampling is appropriate when working with very small samples with in-depth view. The smaller number of cases for which data collection is planned, means that more time can be spent designing and piloting the means of collecting these data. Once the data has been collected, proportionally more time can be devoted to checking and testing the data for accuracy prior to analysis. A purposive sampling method with typical case view focuses on selecting those cases on the basis that are typical or illustrative. (Saunders 2009).

In the light of current research, only the shareholders and/or top managers of acquirer companies are in the position of evaluating the M&A performance, as only they are, based on their experiences, knowledgeable about the openly stated as well as unspoken motives of the performed M&A transactions. Their assessments are based on real M&A deals. Therefore, the author intended to choose participants whose illustrative profile is the following: 1) shareholder or management board member, who had a key role in a M&A deal; 2) M&A took place at minimum 3 years ago. The intention was to interview at least two potential participants based on their experience.

Due to the author's professional background and personal connections, the author was able to reach potential and suitable participants for the study. Both contacted persons agreed to participate in the study without hesitation and immediately, in case they shall not be referred to by their given names. It was agreed that all other information can be published.

The Company A

We refer to the first participant as "Company A" or "Case A" or simply "A". A merger observed and analyzed took place in 2016, when the sole shareholder acquired shares of another company and the latter was merged to Company A as of 1st of January 2017. We refer to the target as "Target A". Sole shareholder of Company A held in pre-merger phase 50% shares of Target A. Company A enlarged its product range through M&A deal. However, transaction was not initiated with the primary aim of enlarging business. M&A was initiated due to indifferences between the Target A shareholders (50/50).

CEO of Company A has deemed the merger non-successful.

The Company B

We refer to the second participant as "Company B" or "Case B" or simply "B". M&A observed and analyzed took place in June 2016, when Company B acquired assets of a direct competitor, Target B. Company B acquired one side of the business from Target B with all the assets, customer base, employees. M&A was initiated by the owners of Company B by approaching Target B, since they were aware of the owners' desire to sell Target B´s business. Company B aimed to enlarge its business and beat competition.

CEO of Company B has deemed the merger successful.

A detailed overview of study's participants can be seen in appendix 4. The companies are comparable in size, based on turnover, and even transactions value was the same.

2.1.3. Semi-structured interviews

As has been described previously, in-depth data was gathered through interviews with complex and open-ended questions with the authors goal to reveal and understand, but also to place more emphasis on exploring how and why some M&A transactions are successful while others are not.

The in-depth interview was chosen to avoid restrictiveness and in order to grant freedom for the interviewer as well as for the interviewees. Casell (2018) has suggested to start with questions that the interviewee will find easy to answer, to set the interviewee at ease. Questions that are essential to the substantive phenomena under investigation may be asked in the middle of the interview. Towards the end, questions to ask shall fall outside of what the researcher has gleaned from their own prior experience and review of the literature. Cassell's approach has been used in the current study to set the interviews framework. For the basis of the interviews, a manual was populated (appendix 2). Although potential participants of the study were known for interviewer before populating the manual, this did not change the questions to be raised. The interview questions were sent out to participants before the meeting.

Taking into account the above described theorists' ideas, the first part of the interviews consisted of an introduction that intended to create a positive and comfortable environment and agree on the ground rules as suggested by Cassell (2018). Secondly, interviewees role in the company and in the M&A transactions was covered. And thirdly, the interview focused on M&A transaction itself, its practical aspects, and lastly, how success was gained/ why M&A resulted with a failure. The participants were asked to summarize, how they see, what could contribute to success of M&A the most, and if asked, how would they advise others who are planning M&A deal. However, not always in the same order.

Although face-to-face contact would have been preferrable, due to pandemic reasons the interviews were held online via Microsoft Teams. Both interviews took place on 13th of April 2021. The first interview lasted 119 minutes, the second 75 minutes. The interviewer asked for the interview to last 60 minutes, however, the first participant said when setting the date and time, that he has 2 hours for the interview. The second interview breached its set time limit by 15 minutes. Nonetheless, the time overrun was not a problem.

2.1.4. Methods of data analyses

According to Saunders (2009), with mixed research methods it often happens that either quantitative or qualitative techniques and procedures predominate the study. In the current study the qualitative technique predominates over qualitative technique. However, both used methods are useful, since they provide better opportunities for answering research questions and allow better evaluation of the extent to which the research findings can be trusted (Saunders 2009, 153). According to Creswell & Plano Clark (2018), in case of mixed methods, the qualitative data analysis should be a priority and findings should be tested with quantitative data analysis as a secondary step. In the following study the same principle is followed.

Thematic analysis, which refers to forms of qualitative data analysis that in essence focuses on identifying, organising and interpreting themes in textual data (Cassell 2018), is the basis for the study's qualitative data (interview data) analyses. The method is used for finding participants opinions based on their experience and perspectives in regard of research topic at hand. Thematic analysis minimally organises and describes collected data in rich detail, but it may go even further and interpret various aspects of the research topic (Boyatzis 1998 referenced in Braun & Clark 2018). Braun & Clark (2018) have provided a step-by-step guide (Table 2) for conducting a thematic analysis. According to the named authors, the process starts when the researcher begins to notice, and look for, patterns of meaning in data and also issues of potential interest in the data. This may even be during data collection. The endpoint is the reporting of the content and finding meanings for patterns. Therefore, writing and analyzing should begin already in data collection phase, with jotting down of ideas and potential coding schemes, and continue right through the entire (coding and analysis) process. (Braun & Clark 2018). Thus, the author of the study considers thematic analysis to be the most easily adapted form for outlining and analyzing the interview results.

The conducted analysis started with listing possible ideas and main themes that would be valuable when exploring qualitative data of interviews, while keeping in mind the research question to be answered in the study. Secondly, the author highlighted themes (codes and elements) that repeated in the interviews. Braun & Clark (2006) have also suggested using a thematic map, which (appendix 3) was created during the current study as well.

Table 2. Phases of Thematic Analysis.

Phases		Description of the process
1	Familiarizing yourself with your data:	Transcribing data (if necessary), reading and re-reading the data, noting down initial ideas.
2	Generating initial codes:	Coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code.
3	Searching for themes:	Collating codes into potential themes, gathering all data relevant to each potential theme.
4	Reviewing themes:	Checking if the themes work in relation to the coded extracts (Level 1) and the entire data set (Level 2), generating a thematic 'map' of the analysis.
5	Defining and naming themes:	Ongoing analysis to refine the specifics of each theme, and the overall story the analysis tells, generating clear definitions and names for each theme.
6	Producing the report:	The final opportunity for analysis. Selection of vivid, compelling extract examples, final analysis of selected extracts, relating back of the analysis to the research question and literature, producing a scholarly report of the analysis.

Source: Braun and Clark, 2006, 87. Drawn by the author.

In the current study the data analysis preparation started already during the interviews, when the author started drawing comprehensive notes and thematic maps, which supported the generation of the interview themes and sub-themes. This was followed by repeated listening of interview recordings and therefore allowed making additional notes and transcriptions. According to Braun & Clarke (2006) thematic analysis does not require deep and detailed transcripts. For the avoidance of doubt, no transcriptions software was used in the current study– the author went through the recordings manually.

Gregoriou & Renneboog (2007) have suggested calculating the success of M&A by assessing the operating performance of merging firms. Therefore, quantitative data analysis is conducted by comparing measures/figures like turnover, equity ratio, total profit, ROCE etc before and 2 years after M&A. Changes are measured as a secondary step of the study. Based on the said quantitative data, the author can assess the financial standing of Case A and Case B before the transaction and two full years after M&A deal. It is assumed that there is consistency from year to year financial reporting, since the participants report their result based on generally accepted accounting principles. Therefore, changes in said key measures provide an overview of the company's financial standing in pre- and post-merger phases, with the main focus on post-merger phase.

2.2. Research findings

In the following sub-chapter, the author compares the literature review and case study research results and summarizes the findings. The author follows the principle of accompanying interview findings with participants´ direct quotes that are presented in quotation marks.

There are the following research questions in the study: CRQ: How to become successful in M&A transaction?; RQ1: How success or failure of M&A's is explained in theory?; and RQ2: How is M&A successfully or non-successfully performed in practice?

The main findings from the interviews can be seen from Table 3, which has been compiled based on thematic analysis of the interviews. After analyzing the interview findings, the interviews were divided into six themes, which each has a sub-theme or themes. The main themes formed out to be the followings: 1) motives behind merger; 2) roles of the participants; 3) process of experienced merger; 4) attitudes of people (including shareholders, board members, employees etc); 5) best practices; 6) experienced successes and failures. The sub-themes were logical additions to formed themes. Thematic map that has been compiled in the study and can be seen in appendix 3, gave an opportunity to analyze and compare thoroughly opposite cases – successful against a non-successful case (Table 3 on pages 37-38).

Motives behind merger

One of the first questions for starting the interview was asked regarding initiation of the deal, since literature review in the first chapter revealed the importance of motives.

"...the merger was initiated by dissension between shareholders… I didn´t have other clear goals for the merger… 50/50 ownership was not a good idea… it has to be clear, who is the leader for a company…" (Anonymous, A 2021).

Literature review shows that firms merge to resolve the conflicts between shareholders and managers, the motive behind M&A's arises from Agency Theory (Jensen 1986).

"…there were too many competitors…we aimed increasing productivity and profitability…we knew that the target had been for sale for years" (Anonymous, B 2021).

According to Peng (2014), companies merge in order to increase market share, hence, to earn more profit. His research suggests that increased market power is the key driver of horizontal mergers.

Literature review and interview findings both show that in a broad sense there are two types of explanations for mergers and acquisitions: value maximising and non-value maximising explanations. (Biswas *et al.* 1997; Jensen 1986; Peng 2014).

Participants roles in M&A transactions

Secondly, it was in the researchers' interest, how the roles of participants, roles of shareholders and roles between M&A team were carried out.

"… I was there alone with no advisors…" (Anonymous, A 2021).

"…5 of us from our everyday team engaged in merger process, we had very specific areas with which who was working with…financiers, PR company and auditors played an important role in the process… additionally our own CFO, who has legal and financial analysts background, was engaged" (Anonymous, B 2021).

"…most important is the team, that leads the merger process…we all shared knowledge about the process, we stood on the common ground with our team, we all knew what we want to achieve with the target" (Anonymous, B 2021).

Case A did not perform any due diligence on Target A and the team consisted of one person, Case B performed thorough due diligence and the team behind the deal was remarkable with relevant experience.

While Aiello & Watkins (2000) and Gleich *et al.* (2010) have discussed the importance of due diligence, Larsson & Finkelstein (1999) have argued about the importance of human resources and teams. Nakamura (2005) has given relevance to experience as an important factor influencing the outcome of M&A, as well as the involvement of hired M&A consultants.

Important groups that contribute to the success of M&A are shareholders, board members, middle management, all of the employees of both, acquirer and a target company, and last but not least, people who provide their service during M&A. Literature review also shows and agrees that M&A´s are successful in case communication is managed well, since it plays a vital role in the M&A process (Gomes *et al.* 2013). Haeruddin (2017) has taken a step further and suggested sharing knowledge in M&A process for achieving set goals and M&A success.

Process of the merger

As discussed in chapter 1.2.3, the way a merger process is managed plays a decisive role in merger success. Therefore, extra attention for merger process was paid in the interview, and respective data was collected.

"…there were no preparations basically… no help… now, looking back…. I think the merger process takes 4-5 years…" (Anonymous, A 2021).

"…preparations for the merger took 9 months…" (Anonymous, B 2021).

"…we didn´t have any really bad unexpected things in the process…there were only a few technical issues… but nothing that should have been done differently by us" (Anonymous, B 2021).

"…things that did not work, we knew about them…we made needed decisions regarding these things" (Anonymous, B 2021).

Based on the interviews, it shows that Case B had a strategic approach, while Case A had an *ad hoc* approach without preparations. Galpin & Herndon (2014) state that nowadays typical M&A's are being carried through quite strategically. Lastly, as Mirvis (2000) has concluded, how a transition structure is organised and managed, this determines whether a corporate combination meets its overall goals or not through M&A.

Attitudes of people

Involvement and importance of people is shown through the following quotes:
"…the companies were merged, but employees stayed to their former tasks… looking back now, we should have been dealing with merging work tasks as well…we still have labeling like "us" and "them" based on two former companies…" (Anonymous, A 2021).

Cartwright & Magni (2009) have stated that most frequently cited reasons for M&A failure is cultural indifferences between the combining organizations.

"…50% of employees of target company resigned after merger, most of them went to work for the previous owner" (Anonymous, A 2021).
"…we didn´t see a high risk in HR and thought that most employees working for target company will stay…they did…we had a new and good leader for the team" (Anonymous, B 2021).
"…it's all about the team" (Anonymous, B 2021).

Larsson & Finkelstein (1999) investigated and considered it to be relevant that there are interrelationships among strategic, organizational, and human resource factors in M&A success. According to Metzhentin (2005), there are only two main and crucial success factors in M&A. These are strategic planning and integration. As can be seen from interview findings, HR and integration are critically important.

Best practices and experienced success or failure

The themes “best practices” and “experienced success & failure” could be combined, however, the author has found it relevant to separate opinions and suggestions. In order to be able to answer the research question, both are equally important.

Boen *et al.* (2007) stated that M&A failures are usually attributes to financial and/or strategic mismanagement of a company.

“If someone wants to improve their company’s performance, they should start with proper budgeting… business plan should foresee earning profit only 5 years after merger” (Anonymous, A 2021).

“…you should ask about your goals and plans… what will be better after the merger…we didn´t do that” (Anonymous, A 2021).

“Our biggest advantage was the fact that we know (knew) our field” (Anonymous, B 2021).

Lastly, it was analyzed how merger success and/or failure is described and measured.

“…should have given more thought for pricing the deal… I can see my mistake here, because of the emotional state I was in back then…” (Anonymous, A 2021).

Roll (1986) has postulated that the managers, while making valuation of targets, assume that their estimations are correct even if there is no value to be created out of the deal.

“pricing was appropriate…it was a good, interesting and successful deal for us…it happened once, before this transaction, that we did not go through a deal that was on the table, we didn´t take the deal due to major shareholders decision, but this time we were more thorough and decided differently” (Anonymous, B 2021).

Gomes *et al.* (2013) has assessed the critical importance of paying the right price, since a major cause of failure is paying more than needed.

“…if I could do something differently, I`d still work with the previous partner, but we should have fixed agreements in place, measurable targets in place” (Anonymous, A 2021).

Careful weighting against other alternative actions such as exporting, greenfield, cooperation or joint venture is suggested by Chen *et al.* (2018) for avoiding failure.

“… now we don´t make decisions before setting targets, before having business plan in place…” (Anonymous, A 2021).
“we had a vision in place…we are market leaders now” (Anonymous, B 2021).

Galpin and Henrdon (2014) have shown the importance of planning and pre- phase of the M&A deal with Figure 1 on page 19.

“…should have agreed on non-compete terms with the previous owner… he is competing against us with his new company…at least we should have agreed that he may not employ his previous employees (Anonymous, A 2021).
“confidentiality and non-compete terms were in place in the agreements…” (Anonymous, B 2021).

According to Metzentin (2005), securing the required competences for the achievement of sustainable competitive advantages in future is the focus of strategic planning in M&A.

Surprisingly, while Case B made preparation works for 9 months, Case A did not mention preparation almost at all. Moreover, negotiations entailed only the pricing for Case A.

The interview findings show that the formation of the M&A transaction may determine the success or failure of the project, and in case in the first phase of the deal the needed time for preparations is not taken, and appropriate team is not formed, the deal will most likely fail.

The interview findings also show that studied cases could not have been more opposite, since Case A shows clear failure, although the emotional goal was achieved, while Case B is certainly representing a success among M&A deals.

Table 3 has been populated with the aim of providing clear and thorough comparison of differences between the studied cases.

Table 3. Overview of Interview Findings. Comparison of a successful and a non-successful case.

Themes and sub-themes	Case A	Case B
Interviewee position	Sole owner and CEO	Management board member
Motive behind M&A	Solving personal problems, indifferencies	Growth through increasing market share, reducing competition
M&A Process and Steps	Basically, no planning for the process	Thorough planning beforehand
The role of shareholders	Shareholder and CEO – the same person*	Transaction initiated by shareholder, constant up-dates, support provided
The role of M&A deal leader	Manages all the aspects of the M&A*	Set the goal for M&A; all responsibilities divided between the team; process followed by the set timeframe
M&A team	"One man show", no outsourced help (*e.g.* due diligence)	Role determination inside the team to govern the following roles: project manager (CEO), financial manager, accountants from both parties, IT and technology, lawyer, new manager for the acquired unit, outsourced due diligence team
Implementation activities	"Go with the flow"; close the deal as soon as possible based on rather sudden decision for merger.	Coaching, middle-management, support by the project manager; following the timeframe
Experienced success	No emotional problems with ex-owner/ex-manager anymore	Strategic planning, thorough due diligence, teamwork (incl. determined roles), timeframe, profit increase measured 6 months after transaction
Experienced failures	Actions without clear vision and goals; no planning; no due diligence performed; 50% of personnel left after transaction; non-compete clause not applied for the previous owner/manager (established competing firm); liquidity problems of the company;	One of the appliances was not working, loss 10 k EUR (minor mishap from the teams' view); one employee from acquired firm left, one employee was dismissed

	communication problems; cultural problems between 2 entities ("us" and "them"; no knowledge about M&A before the deal	
Market share after M&A	Not able to assess, however, one of the top players	Leader with 36% market share
Assessment for M&A outcome after 2 years of the transaction by the acquirer	Not successful, however, transaction was turned successful by 5th year after the deal according to CEO	Successful
Suggestions	Set goals; plan strategically for minimum 5 years; non-compete terms for the seller.	To be successful in M&A, strategic planning is need, but most importantly team of people with great expertise and teamwork is needed.
Opinion for financial results	Financial results started weakening right after M&A. However, 2018 (2nd year after deal) ended with profit. (3rd year and 4th year ended with loss due to M&A impact).	Growth was gained, profit increased already in 6 months result. During the years financial standing has improved.
Final assessment for the merger by interviewee	Failure, although the main issue of personal problems between owners got solved	Success

After analyzing qualitative data, the findings are tested with quantitative data. Financial key figures are compared in pre- and post-merger phases. Full year before the merger and 2 years after the merger. The author decided to find out, whether revenue, total profit, EBITDA, equity ratio etc have increased (improved) or not during 2 years' time after merger. Based on these figures the companies well-being pre- and post-merger can be assessed.

The data analysis shows (Table 4) that both company's´ financial standing has significantly improved. Revenue of Case A has increased by 67%, Case B by 111%. Total profit increased by 81% for Case A and 420% for Case B. Although equity ratio for both, Case A and B decreased during the 2 years post-merger, the drop is not remarkable. ROCE stayed on the same level for both companies. Therefore, based on quantitative data, both cases can be deemed successful.

Table 4. Overview of two selected cases based on numerical data

Measures/figures	Company A		Company B	
	Before M&A 2015	After M&A 2018	Before M&A 2015	After M&A 2018
Revenue	10 080 k EUR	16 815 kEUR ↑67%	9 489 k EUR	20 058 k EUR ↑111%
Total profit	873 k EUR	1 587 k EUR ↑81%	134 k EUR	699 k EUR ↑420%
EBITDA	961 k EUR	2 061 k EUR ↑115%	908 k EUR	1 494 k EUR ↑60%
Equity ratio	36.2%	30% ↓6.2%	33.9%	29% ↓5.9%
ROCE	11%	11.7% ↑	6.1%	8.4% ↑
Total balance sheet	7 766 k EUR	12 040 k EUR ↑55%	6 790 k EUR	10 616 k EUR ↑50%
IBD/EBITDA	3.5	2.3	3.8	3.8
Number of employees	94	139 ↑	64	79 ↑

The performed study shows clearly that when assessing the success of M&A, both, qualitative and quantitative indications are useful for avoiding limitations in the study. While accounting based analysis shows the results from one angle, the qualitative analyses may show something different.

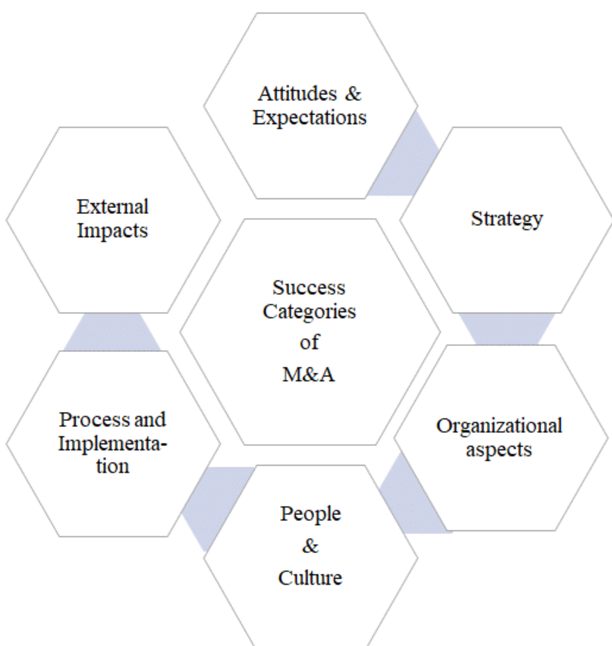
Both participants of the study explained success and/or failure through reaching the set goals and strategic visions, meaning, that only shareholders or management board members can assess whether the merger has been successful or not. Financial reports are easily and publicly accessible, however, based on the study, numerical data may and may as well not be the correct basis for measuring deal outcome. Literature review in first chapter also confirms that mergers are a part of strategic management. Thus, occurred problems in strategic management may cause failure in M&A´s.

There are supporting arguments for the creation of success categories in the study. Firstly, successful recruitment of the interviewees, broad interview content on selected key themes, and appropriate data analysis method, which allowed finding sufficient content from the interviews. Secondly, secondary quantitative analysis of companies' financial data. As Fusch & Ness (2015) have claimed, there is no one right way or measurement to reach the saturation of the study, but what is necessary, is the fact that data is both rich and thick. The author believes the gathered data to be rich and that the overall quality of the interviewing increased, as the interview questions were sent in advance. The interviewees had a possibility to think about the topics in advance.

2.3. Success categories

The findings from both data analyses methods, including notes and thematic map created, were compared with findings from literature review. As a result, success categories for M&A´s have been formulated (shown in Figure 4).

Figure 4. Success categories of M&A.



Source: Source: Interviews with Anonymous, A and Anonymous, B (2021). Compiled by the author.

Through relevant attitudes and expectations, a thorough strategy formation is needed for a successful M&A. Without taking into account organizational aspects in M&A deals, a quick failure of a merger is gained, since all the organizational tasks have to be merged. People and Culture could be deemed the most valuable and most sensitive part of a M&A deal, including comprehensive communication and shared knowledge. However, all pieces of success categories are equally important. Processes & implementation, with all its distinctive phases, and external factors are the last, but not least necessary.

2.4. Research validity and reliability

To ensure the validity and reliability of collection methods for survey, explanations are essentially needed for the techniques used to collect and analyze data. A clear explanation of any sampling techniques used and as well as a copy of the survey instrument should be included (Saunders 2009). In the current study the latter is in the form of an interview manual and thematic map.

Exploring data or seeking explanations through interview-based techniques may cause ethical and other issues in relation to this approach to research. The personal contact, scope to use non-standardized questions or to observe on a 'face-to-face' basis, and capacity to develop your knowledge on an incremental basis mean that the interviewer will be able to exercise a great level of control. Therefore, interview-based techniques should be exercised with care to remain with behavior within appropriate and acceptable parameters. (Saunders, 2009). In the current study, the interviewees were aware of the research purpose and agreed to be interviewed on their own free will, although both requested for their identities and the company names to be kept anonymous. The author has followed their wish.

As all explorative studies have certain limitations, the same principle applies for the current study as well. Firstly, a limitation relates to the subjective nature of judgments made by the participants in the empirical study. The identified success categories were based on the perceptions of the interviewed persons. Secondly, with the held interviews, the responses of the interviewees might have been affected by the authors involvement as the interviewer and also, as their personal acquaintance. It was sometimes challenging to stay within the research questions and make sure that the study will focus on the research topic. Limitation also relates to the weaknesses of case study research method as such. In order to compensate the limitations, a mixed method approach for empirical study has been chosen by the author of the current thesis. Some limitations may be caused by the fact that interviews were held in Estonian language as both participants and the interviewer were native speakers. However, the range of the limitation is considered minimal. The author has translated the participants answers for writing the thesis purposes.

To sum, although the studied cases represent a narrow selection of M&A deals, the author concludes that studied cases provide meaningful insights into individual M&A deals and allow making general conclusions on the basis of convincing empirical evidence.

In overall, the author has followed management research project on a basic-applied research continuum according to its purpose and context.

CONCLUSION

The field of mergers and acquisitions has been largely studied, as more and more companies and their people face being combined through the complexity of M&A transactions. Thus, knowing and understanding how to ensure a successful consummation of M&A´s is highly critical. The main idea behind M&A´s is achieving businesses strategic goals that have been set by its shareholders and/ or management board. The current thesis provides a literature review conducted on the M&A field of research. The author also reveals how success in M&A´s can be gained. The author conducted a mixed method case study research for finding success categories for M&A´s.

The most important conclusions resulting from the conducted study are listed as follows:
The expectations and attitudes that the shareholders and board members have towards the company, their strategic plans specifically, create framework for the company to improve their performance in any level needed, also through M&A deals.
In case shareholders and board members are aware of, and have a good overview of the company's strategic objectives, and if the middle level managers and other team members have been included into the trends and the various processes of change (including the process of mergers and acquisitions), a successful transaction can be foreseen.
Certainly, the starting point for businesses is creating strategic visions and goals, even in case M&A deal is not foreseen.
In relation to the firstly named findings, people and companies' culture are considered as the most valuable asset for a company. Nevertheless, constant changes among people and culture is inevitable for companies. Hence, changes should be planned thoroughly before the actual implementation phase.

The activities and knowledge acquired in the process of mergers and acquisitions do not come with guided system, framework, and principles for the exchange of knowledgeable merger management. However, if the company's best practices and specialists are involved with clear tasks, the likelihood for a successful outcome of M&A transaction is high.

The complexity of M&A deal cannot be underestimated. Therefore, hiring help and ordering different due diligences for mirroring the best practices known on the market, should not be avoided.

One of the remarkable challenges of a M&A deal may be the fact, that all the organizational tasks have to be merged and not only on paper. It must be considered how to integrate the company's strategy, development activities and daily processes in a systematic and sustainable manner.

The short-term as well as the long-term challenges may build from any external aspects for the company. These challenges need a systematic and sustainable approach, too.

CEO overconfidence may turn into value destruction through M&A deal, however, the destruction may be measured by monetary and also non-monetary terms.

Regardless of the motives behind the deal, entrepreneurs aim to be value-creating with mergers and acquisitions.

The author concludes that M&A process is extremely complex and therefore the factors and criteria interacting in the outcome are countless. Whereas every M&A deal is unique, it indicates a need for a broad view, for understanding how to gain desired result out of M&A deal.

Considering the above-mentioned research findings, the author aimed to create and therefore proposes followingly success categories for mergers and acquisitions in six layers: 1) attitudes and expectations of shareholders and managers; 2) strategic visions and goals for the businesses future; 3) organizational aspects regarding merging businesses into one; 4) people and culture; 5) process and implementation of M&A; 6) external impacts with both, expected and unexpected nature.

Needed success in M&A deals cannot completely materialize without following the broad view of success categories. Success categories have been created with the aim to help businesses in becoming successful in M&A deals. Additionally, these categories hopefully push entrepreneurs to prioritizing those few areas, that should receive their avid attention in M&A´s. Further, by following success categories it will be possible to gain control over M&A process as such.

Determined success categories are like steps to follow for gaining success in M&A deals. They are not acknowledged as factors, neither are these criteria.

In regard of above stated conclusions, understanding how to contribute to the success of a M&A transaction is of high practical importance for companies that are considering M&A deals, but not only. The knowledge is considered valuable for future researches, too.

Both selected and analyzed cases of the current thesis represent horizontal mergers, since they were similar companies in terms of size, produced products and provided services, but also technologies used for production. It would be therefore important to compare these findings with different types of mergers, as well as in different sectors and/or in a cross-border merger context.

Research design used in the current study contributes and makes a difference in measuring M&A outcome. The same design could be used by future researchers as well, in order to develop measuring M&A outcomes further and onto new levels, considering the relevance and synergy created, when using both, qualitative and quantitative data analysis methods in a complex study. Fruitful area to work with could also be regarding long-term effects of M&A transactions.

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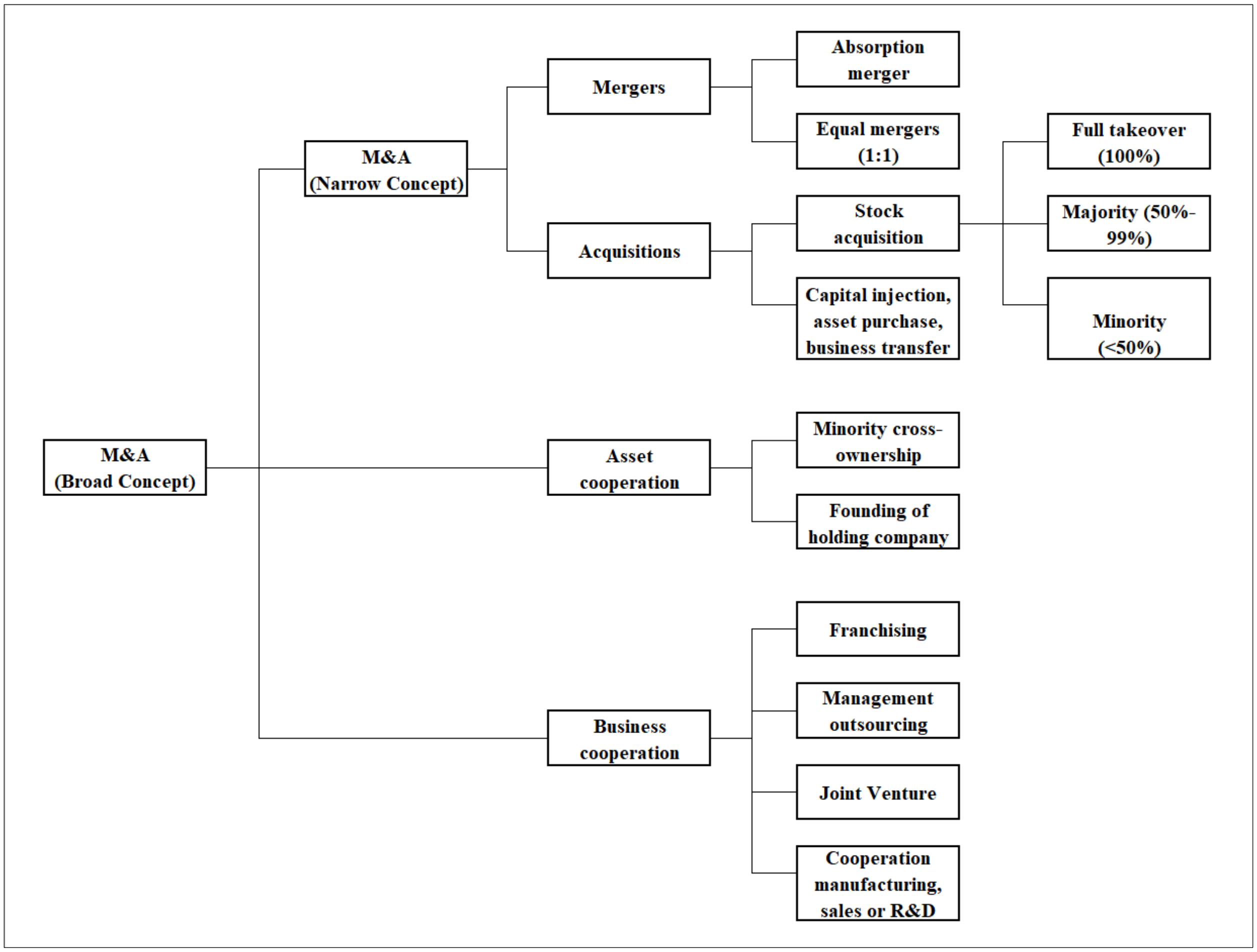
APPENDICES

Appendix 1. Scheme of different terms of M&A.



Source: Nakamura 2005, 18. Drawn by the author.

Appendix 2. Interview manual

Themes and subthemes: Management of M&A transaction, gained experiences, evaluation of M&A outcome.

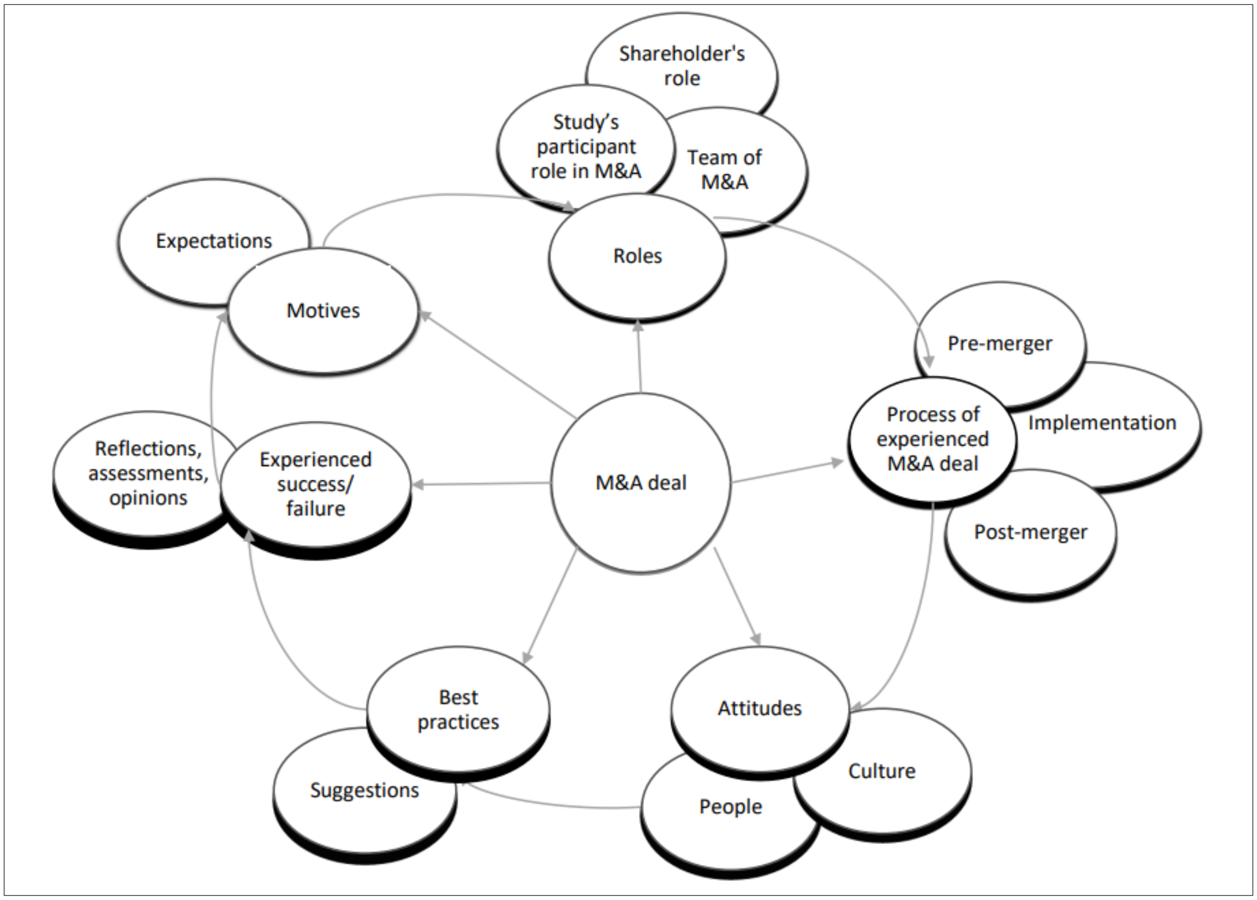
Interview information
Interview will last at minimum 60 minutes. Answers will solely be used for the master's thesis purposes. Anonymity for the interviewee. Cases will be called "Case A" and "Case B".

The planned questions are the followings, however, the aim is to keep the interview like a discussion.

Background information:
- What initiated the transaction?
- Who was responsible for the M&A as a whole?
- Who was the project manager? How many people were in the team?
- Did shareholders have a role in those transaction (if yes, what kind)?

M&A deal itself:
- Could you tell me about the implementation and how it was planned and arranged in practice?
- What is your overall opinion about the transactions process?
- Where there something unexpected in the transaction?
- How was the success gained? Why failure happened?
- How would you describe (in your professional opinion) the failure/success reasons of the deal?
- What was the outcome of the transaction?
- How would you describe financial standing of the firm after merger?
- How would you describe the post-merger period?
- Would you have done something differently, now that you know, how it ended?
- Was there something unexpected in M&A?
- How would you advise others, who are planning M&A deal? To what should they pay attention?
- Is there anything else you'd like to add that we haven't covered in the interview?

Appendix 3. Thematic map for thematic analysis



Appendix 4. Overview of two selected cases based on numerical data and M&A details

2015	Company A Manufacturing company Founded 1997	Company B Manufacturing company Founded 2005
Ownership structure	Sole ownership	Multiple owners
Board members	CEO, who is also the owner	3 board members, CEO is one of the owners holding 13% shares
Total profit	873 k EUR	134 k EUR
EBITDA	961 k EUR	908 k EUR
Equity ratio	36.2%	33.9%
Total balance sheet	7 766 k EUR	6 790 k EUR
Interest bearing liabilities	3 337 k EUR	3 483 k EUR
IBD/EBITDA	3.5	3.8
Number of employees before the transaction	94	64
Market share before M&A	Not able to assess, however, one of the top players	20%
Type of M&A	horizontal	horizontal
Transaction type	Merger, incl. exchanged stock	Acquisition of assets only*, incl. tangible and intangible assets, customer base, employees
Shares owned after transaction	100%	*
Transaction value	1 000 k EUR	1 000 k EUR
Transaction date	2016 acquisition of shares /01.01.2017 merger	June 2016
Target's description	Not a direct competitor, however, from the same industry	Direct competitor
Turnover of the acquired entity	7 488 k EUR	2 203 k EUR
Total profit of acquired entity	606 k EUR	22 k EUR
EBITDA of acquired entity	894 k EUR	195 k EUR

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