



# Pre-merger acquisition capabilities: A study of two successful serial acquirers

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## ABSTRACT

The aim of this paper is to provide new insights into the pre-merger phase of M&A. It examines capabilities of serial acquirers, that is, expertise and routines. This is done by conducting a study of two successful serial acquirers. The study identifies and describes what elements expertise and routines consist of and how they are related, explaining how both are needed for a successful pre-merger phase. Moreover, it consolidates present knowledge on expertise and routines in the pre-merger phase and adds new empirical and theoretical insights. The result is the pre-merger capability typology showing in a fine-grained manner which capabilities and elements are important. Arguably, the study provides a holistic view of acquisition capabilities of successful serial acquirers in the pre-merger phase.

## 1. Introduction

Why some acquisitions fail and some succeed has made researchers interested in acquisition capabilities (e.g. Chatterjee, 2009; Keil et al., 2012; Laamanen & Keil, 2008). These capabilities are characterized by their ability to use resources (e.g. financial, material, and immaterial assets) in ways that enhance competitive advantage (Ethiraj et al., 2005). According to Keil et al. (2012) acquisition capabilities are of two kinds: (1) individual skills and expertise (hereafter expertise<sup>1</sup>) and (2) organizational routines, rules, and procedures (hereafter routines<sup>2</sup>).

Previous studies of acquisition capabilities have informed us about post-merger integration, especially how to successfully integrate the target firm and reconfigure the resource base (e.g. Graebner et al., 2017). However, the pre-merger phase has received far less attention, mainly due to difficulties gaining access to this sensitive part of the process. There are some studies about routines (e.g. Angwin et al., 2015)

but even fewer about expertise (e.g. Chatterjee, 2009). Studies of expertise are also lacking in the field of acquisition experience and learning as shown in a literature review by Schriber and Degischer (2020).

Given the dearth of knowledge in an area of importance for practitioners and scholars, the overall objective of the present paper is to contribute to the literature on acquisition capabilities. Specifically, it consolidates present knowledge on expertise and routines in the pre-merger phase. In addition, it empirically identifies the elements that these two capabilities consist of and how they are related and affect one another. In relation to the pre-merger phase, the paper focuses on identifying and selecting targets (hereafter identification) and the process from initiation to completion (hereafter acquisition-making).

The context chosen is successful serial acquirers.<sup>3</sup> They are expected to have a well-designed and successful acquisition program in which expertise and routines are crucial capabilities (Chatterjee, 2009;

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<sup>1</sup> A skill is an ability to solve a task in a competent way (Merriam Webster). However, competence levels differ (Dreyfus et al., 1988). We use the term “expertise” for activities that an individual performs in a superior way (e.g. Ericsson & Lehmann, 1996). Expertise encompasses both explicit and tacit knowledge. Expertise also represents the joint expertise by several individuals in the organization.

<sup>2</sup> Our use of the term “routine” is in line with the definition by Keil et al. (2012) that also includes rules and procedures, that is, the existence of processes and structures and how they are affecting actions.

<sup>3</sup> We draw on Chatterjee (2009) and others to identify successful serial acquirers. The following characteristics should be fulfilled: (1) Acquisitions are related to the corporate strategy by the existence of an acquisition program; (2) Several acquisitions per year should have been completed during the last 10-year period; and (3) The acquirer shows a sustainable total shareholder return, exceeding the industry average.

Laamanen & Keil, 2008). The present paper is based on two case studies. The study made it possible to identify elements of expertise and routines that are crucial for a successful acquisition program.

The paper makes the following contributions. First, qualitative research of the pre-merger phase is to a large extent lacking, particularly on expertise and routines (Grant et al., 2015). By de-composing expertise and routines into elements the paper adds new knowledge about what characterizes expertise and routines. Such a fine-grained analysis is an answer to calls for more in-depth research of the pre-merger phase (Trichterborn et al., 2016; Welch et al., 2020). The identification of elements adds details to the few empirical papers that have studied expertise (e.g. Grant & Nilsson, 2020) and routines (e.g. Angwin et al., 2015). Most of these studies only identify the importance of expertise and routines but have neither studied them in detail nor shown what elements do they consist of.

Second, the study consolidates present knowledge on expertise and routines in the pre-merger phase and adds new empirical and theoretical insights. The result is the pre-merger capability typology. This typology contributes to the literature on successful serial acquirers (Chatterjee, 2009; Haspeslagh & Jemison, 1991; Laamanen & Keil, 2008), by showing in a fine-grained manner which capabilities and elements are important and how they relate to the identification and acquisition-making phases.

Third, even though Keil et al. (2012) have identified expertise and routines as important capabilities, there is a scarcity of empirical studies that show how they are related. By applying a holistic perspective, the present study contributes new insights to the literature by explaining how *both* expertise and routines are needed for a successful pre-merger phase. For example, a study that focuses on expertise, risks de-emphasizing how routines can contribute to deliberate learning that both maintain and develop expertise (e.g. Grant & Nilsson, 2020; Keil et al., 2012). Similarly, a study that focuses on routines, risks applying a functionalistic perspective in which tacit knowledge – a fundamental aspect of expertise – is not recognized (Schriber & Degischer, 2020).

In sum, the present paper contributes to reshaping scholarship by broadening the boundaries of the M&A research agenda. It is thus an answer to the call for such research by Thanos et al. (2019). The paper presents a novel approach to the study of acquisition capabilities with its focus on the pre-merger phase. Furthermore, it overcomes the “traditional silo thinking” (ibid.) by showing the importance of both routines and expertise in the identification (of targets) and acquisition-making. Thus, the paper contributes to an increased understanding of M&A-processes and the importance of a holistic perspective on acquisition-capabilities.

The paper is structured as follows. The next section describes the literature on acquisition capabilities. The method is presented thereafter. The subsequent sections are an account and discussion of the cases. The paper ends with conclusions and suggestions for future research.

## 2. Literature review

Organizational capabilities emanate from the resource-based view of the firm. Resources can be tangible, intangible or human assets tied semi-permanently to the firm. Resources that are valuable, rare, inimitable, and non-substitutable create sustainable competitive advantage leading to higher returns (Barney, 1991, 2001; Wernerfelt, 1984). Organizational capabilities are the firm’s capacity to deploy resources (Helfat & Peteraf, 2003).

The pre-merger process and capabilities related to it have been recognized as important for the acquisition outcome (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986). Below, the literature in this area is reviewed. Several of the studies do not explicitly discuss the capabilities in focus. Nevertheless, we have included the studies since they give valuable insights to the importance of expertise and routines in the pre-merger phase.

### 2.1. Identification

The identification of suitable targets is related to the questions of what a suitable target is and how does acquirers find it. To answer them, strategic and organizational fit is assessed (Haspeslagh & Jemison, 1991). Strategic fit (i.e. relatedness in the form of similarities and complementarities) affects the value creation potential of the acquisition. Organizational fit concerns the realization of these values.

#### 2.1.1. Expertise

Since the seminal works by Jemison and Sitkin (1986) and Haspeslagh and Jemison (1991), many studies have been conducted to further our understanding of how similarities and complementarities affect acquisition outcomes (e.g. Bauer & Matzler, 2014; Kim & Finkelstein, 2009). Despite these efforts, research report ambiguous results, however for complementarities it seems that there is a positive effect, even though results are not conclusive (ibid.).

An explanation is the use of industrial classification codes to identify relatedness. This results in an operationalization of relatedness at a high level of aggregation (Chatterjee, 2009; Wang & Zajac, 2007). However, there are studies that apply a more detailed analysis of how managers perceive relatedness. For instance, Pehrsson (2006) shows that managers assess relatedness at a detailed level and include several different aspects of it, such as product technology, general management skills, and end customers. This suggests that the assessment of relatedness is done much closer to the business than industrial classification codes reveal. This is in line with the recommendation by Jemison and Sitkin (1986) that operating managers and key staff should be involved when identifying targets. They possess an expertise that will facilitate an informed strategic assessment.

The importance of using experts when assessing relatedness and organizational fit is also implicit in the recommendations of Haspeslagh and Jemison (1991). They emphasize that the identification of acquisition targets should be well integrated in the business strategy process. In a similar way, Chatterjee (2009) stresses the importance of using a clear business logic for how acquisitions are expected to create shareholder value. Hence, he suggests that identifying suitable targets can be characterized as the capability of better knowing the industry and targets than competitors. However, it should be noted that Chatterjee, similar to Haspeslagh and Jemison (1991), does not describe this capability further, even though it seems to resemble some sort of expertise.

The study by Grant and Nilsson (2020) adds to this by showing, in a case study of a successful serial acquirer, how strategic fit is assessed by an acquisition team possessing industry and acquisition expertise, using intuitive judgments. They also show that the assessment of strategic fit is done at a detailed level and across functions.

#### 2.1.2. Routines

One of the few papers discussing routines for identification in some detail is the afore-mentioned study by Haspeslagh and Jemison (1991). They suggest that acquirers should have a proactive approach for finding targets, involving business unit managers and key personnel. They also recommend that a corporate acquisition function collect and keep track of all leads (i.e. administer a target list) and hence is the focal point for collecting and analyzing target data. Furthermore, it is suggested, in line with more recent studies (Trichterborn et al., 2016), that target lists should be continuously updated. Adding to this, Chatterjee (2009) argues that successful serial acquirers use their internal networks to identify targets and strive to become the “acquirer of choice” (i.e. targets approach the acquirer). The study of sellers by Graebner and Eisenhardt (2004) adds to this. They show that some sellers engaged in talks only when approached by buyers, suggesting that proactive approaches from acquirers are beneficial. Their study also shows that sellers value strategic and organizational fit of the acquisition and do not necessarily sell to the highest bidder.

## 2.2. Acquisition-making

Acquisition-making begins with the initiation, i.e. initiation of talks with a prospective target and/or seller, followed by activities that successively lead up to legal completion (Grant, 2018). As shown below, the activities in this phase are related to the capabilities of expertise and routines (Keil et al., 2012).

### 2.2.1. Expertise

In addition to strategic and operational expertise required for the identification of strategic and operational fit, researchers claim that M&A expertise is important in other activities of the acquisition process, such as project management, due diligence, valuation, and negotiations (Angwin, 2001; Chatterjee, 2009; Cullinan et al., 2003; Grant & Nilsson, 2020; Haspeslagh & Jemison, 1991; Very & Schweiger, 2001). It is argued that to develop expertise in these areas, experience and learning from many acquisitions are required (ibid.). Codification (e.g. checklists) can support the acquisition process and in related learning processes (Keil et al., 2012; Trichterborn et al., 2016). Still, it seems that codified knowledge cannot entirely replace expertise. One reason is that expertise is difficult to codify and that targets have a unique configuration of resources. The acquisition function must therefore build a team that manages to evaluate different targets, each with its distinctiveness and particularities. A critical aspect of this is how the acquisition team manages to incorporate strategic and operational expertise.

When setting up the team there is a risk that mergers and acquisitions specialists in technical areas (e.g. valuation) dominate at the expense of strategic and operational expertise (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986). The result can be poor quality of acquisition decision-making. As pointed out by Grant and Nilsson (2020) this situation can be avoided by using team members with long experience from working in strategic and operational roles as well as with acquisitions (i.e. experts).

### 2.2.2. Routines

Decision-making and justification of an acquisition are described as critical areas in acquisition-making (e.g. Angwin et al., 2015). Haspeslagh and Jemison (1991) describe three objectives for the management of acquisition decision-making: (1) To achieve high quality in the acquisition justification; (2) To achieve this within the required time with confidentiality; and (3) To apply it across a wide range of acquisition ideas.

The quality of the acquisition justification relates to strategic and organizational fit and the price. Angwin et al. (2015) show how decision-making in these areas can fail and why routines matter. For example, they show how a lack of strategic alignment between divisions and head office can lead to stalled decision-making, suggesting a lack of strategic expertise. Hence, the findings imply the importance of how roles are divided between the acquisition team, the units operationally responsible for the acquisition, and the decision-makers. Added to this is the significance of each individual's expertise. However, aside from Angwin et al. (2015) we have limited knowledge of how this is done and how it is successfully managed.

Related to the division of roles and responsibilities is the acquisition function. It has been identified as important for building acquisition-making capabilities by providing professional support and fostering internal learning (Chatterjee, 2009; Haspeslagh & Jemison, 1991; Keil et al., 2012; Trichterborn et al., 2016). The professional support consists of providing the right expertise for the acquisition project (ibid.). Thus, the function supports businesses with acquisition skills and ensures the overall quality of the acquisition process. On the other hand, the function should avoid “hijacking the decision away from line management” (Haspeslagh & Jemison, 1991, p. 85), since that could negatively affect accountability and responsibility for the acquisition and its implementation. Despite the acquisition function's significance there is limited knowledge about it, especially how roles and responsibilities are

divided between the function and line management (Trichterborn et al., 2016).

Finally, the acquisition function is vital for building acquisition-making expertise. Studies indicate that learning contributes to build acquisition capabilities (Chatterjee, 2009; Grant & Nilsson, 2020; Keil et al., 2012; Trichterborn et al., 2016), manifested in expertise and routines (ibid.). However, as pointed out by Schriber and Degischer (2020) we have limited knowledge about how routines in acquisition-making affect development of the tacit part of expertise. Moreover, the knowledge that exists seems to be contradictory. For example, Trichterborn et al. (2016) suggest that codification supports learning, whereas Heimeriks et al. (2015) show how it may be of limited use and even detrimental.

### 2.3. Present knowledge on pre-merger acquisition capabilities

The literature review shows that there are studies discussing expertise and routines in the pre-merger phase (see also Table 9, the column “Supporting literature”). For example, several of them conclude that individual skill is an important capability. However, typically the studies neither discuss in detail what these skills consists of, nor define them, or provide any explicit characteristics. Therefore, it is not surprising that the term expertise is lacking in most of the studies, even though there are some noticeable exceptions (e.g. Grant & Nilsson, 2020).

Studies of routines have similar characteristics. They are identified as important pre-merger capabilities, but most do not provide much detail of their characteristics, Angwin et al. (2015) being one exception. Hence, there is a shortage of knowledge regarding the pre-merger capability as well. Another significant gap in the literature is that very few studies discuss in any detail how routines are related to expertise, i.e. a holistic perspective on pre-merger acquisition capabilities is missing.

Based on the literature review and identified gaps in the present knowledge on pre-merger acquisition capabilities the following research-questions have been identified: (1) What characterizes expertise in identification and acquisition-making? (2) What characterizes routines in identification and acquisition-making? (3) How are expertise and routines in identification and acquisition-making related?

## 3. Method

This study is based on qualitative data from a research project focusing on acquisition-making (Grant, 2018; Grant & Nilsson, 2020; Grant et al., 2020). It started with a doctoral dissertation by one of the researchers and was followed by subsequent research. Data was collected from two serial acquirers and one private equity firm. The present paper uses qualitative data from the two serial acquirers, complemented with additional empirical data. It is based on a new analysis of the data set, including the additional data, using a new theoretical framework (i.e. capabilities). The paper builds on and extends the insights presented in earlier publications by the authors (ibid.).

### 3.1. Case selection

The case companies (named Alpha and Beta), are two large and successful global serial acquirers based in Sweden. Access to the companies was facilitated by one of the researcher's deep knowledge of the Nordic business and M&A community.

Between the years 2000 and 2019, Alpha and Beta each made more than 150 acquisitions. During the same period annualized total shareholder return was 15.9% for Alpha and 11.1% for Beta. This can be compared to 5.1% which was the total shareholder return for the 30 largest companies on the Nasdaq Stockholm stock exchange. Moreover, the companies are viewed as successful serial acquirers by the business press and by analysts.

Clearly, growing their businesses by acquisitions was an important part of the corporate strategy of both companies and visible in their acquisition programs. The acquisition strategies meant that a large number of potential acquisitions needed to be screened and evaluated. At the year of the focal transaction (see 3.2 Data sources) Alpha and Beta each screened more than 100 targets. This resulted in 11 acquisitions for Alpha of which 3 were made in the division of the focal transaction. For Beta the figures were 13 and 3. These figures were also in line with the general picture provided by the two companies. Beta estimated that 5–10% of the initiated deals resulted in a transaction, whereas Alpha estimated it to be approximately 10%. Beta had as a principle to sign a Letter of Intent (LOI) with the seller, typically providing exclusivity for a period of time. Beta estimated that 90% of the deals in which they had signed a LOI led to a completed transaction. Alpha often negotiated and signed LOIs, albeit not always.

Studying successful serial acquirers in detail made it possible to gain empirical insights that are not possible in other types of research design (Trichterborn et al., 2016; Welch et al., 2020). The biggest advantage is the opportunity to identify, study and analyze – in a fine-grained manner – which capabilities are most important in acquisition-making and why. The theoretical argument behind this is the set of capabilities that the serial acquirer has developed over several years, which to a large extent can explain successful acquisitions (Chatterjee, 2009; Keil et al., 2012; Trichterborn et al., 2016).

Alpha and Beta are successful serial acquirers for the following reasons. First, they have made many acquisitions both per year and over an extended period. Second, their corporate strategy and growth are to a significant degree the result of acquisitions. Third, the companies are considered financially successful serial acquirers and global leaders in their industry by peers, analysts, and scholars. Fourth, their financial performance (e.g. total shareholder return) has been very strong for an extended period of time, both when compared with similar companies and with the 30 largest companies on the Nasdaq Stockholm stock exchange.

### 3.2. Data sources

The data set is based on a twofold data collection strategy. The first was a collection of in-depth data from activities of the pre-merger phase in a recent and typical acquisition in each company. The second was a collection of data about acquisition processes in general in the two companies. In addition, recent interviews were added, complementing the data for the present study. The purpose with studying one specific and recent case in Alpha and Beta was that we could probe into a high level of detail of the specific case. That facilitated triangulation of interview answers and documents.

Data collection mainly took place during two periods. The specific acquisition in Alpha took place at the end of 2012 and in 2013 for Beta. Hence most interviews (22) were made closely in time to the acquisitions, specifically during an 18 month-period in 2013–2014. The remaining 5 interviews were made during two months in 2018 and 2020. Three of these interviews were focusing on acquisition expertise and 2 were focusing on acquisition capabilities, their elements, and how they are related and affect one another. The data collection resulted in a data set consisting of interviews (see Table 1) and internal and external documents (see Table 2).

To identify interviewees, a snowball sampling method was used in which people interviewed were asked to recommend additional people to contact (Graebner & Eisenhardt, 2004). We named these “key people” following their role in acquisition-making: the core team, decision-makers, and acquisition control (providing support to decision-makers). In total, 27 interviews were conducted with 14 interviewees. The average interview was 79 min. Interviews continued until no additional relevant data could be detected. The interviews, which could be characterized as in depth and open-hearted, were recorded and later transcribed. The transcriptions amounted to 670

**Table 1**  
Interviews.

Interviewee	Position in project	Position in company	Number of interviews
<b>Alpha</b>			
AM1	Core team: • Acquisition manager	Business Development Director, Division	6
AM2	• Finance manager	Finance Director, Division	1
AM3	• Acquisition support manager	Manager, Division	1
LM1	• Legal manager	General Counsel, Group	2
AC1	Acquisition control	Business Development Director, Business Area	3
AC2	Acquisition control	Finance Director, Business Area	1
DM1	Decision-maker	CFO, Group	1
DM2	Decision-maker	Business Area Manager	1
DM3	Decision-maker	Division Manager	1
<b>Beta</b>			
AM1B	Core team: • Acquisition manager	Business Development Director, Division	2
AM2B	• Acquisition support manager	M&A Manager, Division	1
LM1B	• Legal manager	M&A legal, Division	4
AC1B	Acquisition control	Finance Director, Business Area	2
DM1B	Decision-maker	General Counsel, Group	1

**Table 2**  
Internal documents.

Secondary data	Alpha	Beta
<i>Company internal documents</i>		
Seller documents (pages)	118	135
Decision documents (pages)	22	74
Internal process descriptions (pages)	68	3
Integration plans	>100 items	–
Valuation models in excel (different versions)	29 excel sheets	18 excel sheets

double-spaced pages.

In the end, it turned out that there were few key people involved in the pre-merger phase. The reason was the high level of secrecy that characterizes acquisitions. However, we do not consider this to have affected the quality of the interviews or the reliability or validity of the conclusions. The reason is the possibility of interviewing key people involved in acquisition-making and the high level of openness shown by the interviewees. Furthermore, the author conducting the interviews has a very long experience of acquisition-making at senior positions in large companies. That level of expertise is an advantage in collecting, validating, and interpreting the data set.

The internal documents consisted of more than 400 pages of primarily confidential nature (see Table 2). Furthermore, internal valuation models and excel sheets were collected. The internal documents consisted of legal agreements, decision documents, and seller documents (e.g. information memorandum and management presentation). Furthermore, internal documents such as acquisition process descriptions were collected. In some instances, interviewees did not hand over the documents, but showed them to the interviewer. An example of this was target lists. The internal documents were helpful, for example in the analyses of routines for decision-making and codification. The external documents included financial reports, investor presentations, press releases, articles in the business press, and analyst reports.

### 3.3. Data analysis

The data analysis was iterative, moving among data, emerging findings, and literature, in an abductive manner (Gehman et al., 2018).

However, to simplify, we will present the analysis in stages. The first stage consisted of writing detailed case studies, describing activities and events following the chronology of the pre-merger process. The first phase being identification was followed by the acquisition-making phase. The latter was divided into the phases of initiation, preliminary bid, final bid, and bid closing.

In the second stage of analysis, informed by the literature on capabilities in general and acquisition capabilities in particular, we started off with our theoretical concepts of acquisition capabilities (expertise and routines). For each phase (i.e., identification and acquisition-making) we copied sections from the interview documents, related to expertise and routines, into a separate document consisting of categories. In this phase of the analysis, we also drew on insights gained from internal documents (e.g., decision-documents). In the next step, we aggregated the identified categories into a theoretical concept we chose to call elements. This second stage of our analysis can be exemplified as follows. We began by identifying what interviewees and other data indicated as critical activities and skills for acquisition-making – such as project management, negotiations, due diligence, strategic and financial assessment, and integration planning. These critical activities and skills were identified as categories and aggregated into the element “M&A and operational expertise”. This process was iterative and not linear. Hence, the analysis was affected by the literature and vice versa.

As a third stage of analysis, after identification of the elements, we proceeded to understand how they could be related. For example, how the elements of expertise could be related to the elements of routines. This analysis was to a large extent affected by our will to understand the interplay between actors and structures and to what extent there exist routines that are not closely related to expertise. By establishing an understanding of these relations, conclusions were drawn regarding the importance of expertise, routines, and their elements. In addition, further interviews were made at this stage of the analysis contributing to strengthen the conclusions by adding data and insights to the theoretical concepts, their importance, and their relations. Emerging out of this third stage of analysis was our pre-merger capability typology.

#### 4. Findings

The following sub-sections present our findings of how expertise and routines can be broken down into elements and related to identification and/or acquisition-making.

##### 4.1. Identification

Tables 3 and 4 show the reasons why an element is considered to be related to a specific capability. The tables also provide examples of supporting data (quotes only) for each claim.

###### 4.1.1. Expertise: strategic and operational expertise

In both case companies, strategic and operational expertise was a significant element when identifying targets having a strategic and an organizational fit. The divisions had developed an expertise in identifying how a target would fit the organization (i.e. realization of synergies). At the corporate level, expertise in these areas was somewhat limited but strong in strategic analysis (i.e. relatedness in the form of similarities and complementarities).

Most targets were, in line with the decentralized culture of the two companies, identified by divisional managers having operational expertise (e.g. a product or a country manager). The search for targets took its departure in the business and acquisition strategy of the division, both of which had been approved in a dialogue with the executive management and the board. Hence, discussions between divisions and decision-makers contributed to create a shared understanding of strategies and potential targets. These discussions, encompassing the assessment of strategic and organizational fit as well as prioritization of targets, rested on strategic and operational expertise developed in the

**Table 3**  
Identification and expertise.

Reasons	Examples of supporting data <sup>a</sup>
Strategic and operational expertise Expertise to identify suitable targets	AC1B: “The whole organization is used to identify, think acquisitions, also carry out, and then integrate them. But above all, they think about looking for companies, looking for acquisitions all the time.”
The divisions’ strategic plans were discussed and approved by executive management and board	DM2: “The divisions develop their strategies which are both geographical development and acquisitions [...] the business area reviews this with the divisions and then the business area go up in the Alpha board, once or twice every year, to, let’s say, educate and inform the board on logical strategic possible additions and how they fit in [...] So that when one comes around the board is fairly well educated.”
Strategic fit was a prerequisite	AC1B: “We all know about the strategy, the overall strategy and the acquisition strategy. If the division management has presented it at a division board meeting and the CEO has said that it does not fit, then it will not come here.”

<sup>a</sup> Most quotes are translated from Swedish. Quotes are to a certain extent freely translated.

division. Insights from a large number of acquisitions and the decentralization of many acquisition activities (e.g. execution of the acquisition strategy and identification of targets) supported building expertise in both strategy and operations.

###### 4.1.2. Routines: creating and using networks

Targets were identified by networks of people in the acquirer and by direct contacts with potential targets and sellers. Both companies kept close contact with sellers as most targets were not actionable within a short time frame. Hence, it was considered essential to be up to date and seize the moment when an identified target was set up for sale. Their approach was proactive, meaning that the divisions actively searched for targets. Consequently, developing target lists and contact networks was done continuously and had a long-term perspective.

The ambition was to find targets within the companies’ own networks, not having to rely on investment bankers or other external parties. Because managers knew their business, they were in a strong position to assess and identify suitable targets. External advisers did not possess that type of strategic and operational expertise. Moreover, finding and keeping contact with potential targets and sellers could lead to a significant advantage in the sales process. By being ready to discuss and give an offer, they could avoid an auction-type process. Furthermore, it was important to establish relations at the local level. For example, a local marketing manager could act as an intermediary in the pre-merger phase, not being part of the negotiation team.

An estimate, provided by acquisition control in Alpha, was that 80–90% of the targets were identified through screening and contacts. The remaining 10–20% was the result of proposals from a seller or an adviser. As an example, Alpha had a large distribution network of customers in 180 countries. On an ongoing basis the acquisition manager asked sales, market, and product managers for potential targets.

###### 4.1.3. Routines: identification of targets

The decentralization of acquisition activities to the divisions, and also their being held accountable, was a significant driver for building expertise. If target identification had instead been made at another level in the companies, for example in a corporate function, it is likely that the use of expertise at the divisional levels would have become more difficult. Furthermore, the divisions would have had less pressure and incentive to develop expertise in this area since responsibility and

**Table 4**  
Identification and routines.

Reasons	Examples of supporting data
<p><i>Creating and using networks</i> Networks with sellers and targets</p>	<p>AM1: “I contacted about 20 targets of which approximately 50% said they were not interested in discussing an acquisition. Then we have other ideas, they could be suppliers to us for example. One said: I will keep the company for some more years then we can discuss a possible acquisition. Then I’ll stay in contact.”</p>
<p>Few targets were actionable</p>	<p>LM1B: “There are examples where it has taken ten years. Sometimes they are not ready to sell right now [...] Then, all of a sudden, they are ready, it’s hard to plan.”</p>
<p>Relations with local managers in the acquirer were valuable</p>	<p>AC1: “It is the role of the acquisition manager to keep in touch. It can also be that some local manager keeps contact, it can be somewhat aggressive if M&amp;A calls. Thus, it is important to have ongoing and more friendly contacts with the owners.”</p>
<p><i>Identification of targets</i> Divisions are responsible for identifying targets</p>	<p>LM1B: “We are a company, BETA, that should grow by 10% per year, half from organic growth and half through acquisitions. So, the requirements are that we should grow in that way. This also applies to the divisions and over a business cycle. And then obviously at our division we look at how we can grow.”</p>
<p>Divisions pushed to develop their ability to identify targets</p>	<p>AM1: “I was hired to make acquisitions. We looked at all product areas and tried to segment them. What segments are we in? Where are we big and where are we small? Where can we grow organically? Where can we grow with acquisitions? It was a lot of analysis and understanding. So, there were a lot of discussions with market and product managers and others.”</p>
<p>Incentives for making acquisitions were discerned</p>	<p>LM1B: “We discuss it a lot, how do you measure a good M&amp;A department? You may have different views on this, but there is definitely a component that consists of us making acquisitions.”</p>
<p><i>Building and using market reputation</i> Reputation and credibility as a buyer were important for the target company</p>	<p>AC1: “We bought a company in Canada. Other companies offered higher prices, but we got it because we had an integration case that was more attractive concerning the brand, and how we should run it [...] The way we set it up shows sensitivity and understanding, and also knowledge of how this segment works and it seemed to convince the sellers.”</p>
<p>Building reputation and becoming well known in the market</p>	<p>AM1B: “We bought European companies and some in North America, so the name Beta started to become known. And that was probably why they [a small M&amp;A adviser] found us.”</p>
<p>Sellers contacted the companies</p>	<p>AM1: “They thought we were an interesting potential buyer of this company, they could even consider giving us a kind of “pole position”. To have an advantage over the others, because they thought we were truly a perfect home for this company, and they saw us as a future partner.”</p>

accountability rested elsewhere. The decentralization also had the effect that divisions became the focal point for coordination of acquisition leads. This decentralization of decision-making is, however, not unique.

Still, arguably the decentralization of acquisition activities meant that the divisions needed to develop the required strategic and operational expertise. This is supported by how the decentralized model for acquisition identification was described as a key success factor by executive management.

#### 4.1.4. Routines: building and using market reputation

The case companies had made many acquisitions and were well known in the market. As a result, they were often contacted directly by sellers or targets. Their solid reputation was a capability that the companies used to their advantage. This capability – visible in the companies’ routines – had been developed over many years. One example from Beta is how they usually dealt with the question of who should manage the newly acquired company. Since Beta often acquired financially successful, family-owned businesses, they kept the acquired company’s management team in most cases. By doing so, they built a strong reputation in the market that the management team of an acquired business could expect to be treated in a fair way.

Like Beta, Alpha often acquired family-owned businesses. However, the management team was not always kept. Yet, in their acquisition process they strived to be supportive towards both the seller and target management. For example, they frequently advised sellers to hire lawyers to support them in the process, since they were usually not experienced in acquisition processes. Moreover, Alpha seldom triggered guarantees from the selling companies, and if they did, they did not pursue them aggressively.

#### 4.2. Acquisition-making

Tables 5 and 6 show the reasons why an element is considered to be related to a specific capability. The tables also provide examples of supporting data (quotes only) for each claim.

##### 4.2.1. Expertise: M&A and operational expertise

Acquisition-making includes activities such as project management, due diligence, negotiations, production of strategic and financial rationales, and integration planning. In both companies, these activities were carried out by a dedicated professional acquisition organization (hereafter PAO) that was formed when an acquisition project started. Consequently, it was critical to have professionals, from within the company and from outside advisers with expertise in these activities, in the PAO. This expertise was of two kinds. One related to acquisitions and acquisition processes (hereafter M&A expertise). The other was related to the strategy, organization, and operations of the acquirer (hereafter operational expertise). Both types of expertise were required in acquisition-making. Hence, M&A expertise was necessary but not sufficient; it had to be related to an operational context.

To give one example: in both case companies the PAO had developed M&A and operational expertise based on experiences from many

**Table 5**  
Acquisition-making and expertise.

Reasons	Examples of supporting data
<p><i>M&amp;A and operational expertise</i> Project management requires M&amp;A and operational expertise</p>	<p>AM1: “Sometimes, it can be a Rookie who manages a project. It can be a competent person, a division president who is the project manager for a large acquisition. But even if you are a division president, it is not obvious that you are a good project manager. Other qualifications are needed.”</p>
<p>The companies strived to involve people who had acquired M&amp;A expertise</p>	<p>AM2B: “We provide templates, where we describe what we think is important that they analyze, based on the basic data we have received before. But these people have been involved many times before, so they know what it’s about and what to look for.”</p>
<p>Advisers had acquired operational expertise</p>	<p>LM1: “We have a law firm which we use for anti-trust filings. We only send over the numbers, then they will find out where we need to file. They’re specialized in this. Then they do it, and it is fast. We usually have the same firm that helps us file in the different countries. So, they have the old filings.”</p>

**Table 6**  
Acquisition-making and routines.

Reasons	Examples of supporting data
<i>Establishment of PAO</i>	
Divisions responsible for acquisition-making and integration	AC1B: “The CEO often says when he is interviewed: what is perhaps our most important key to success is to have a clear and distinct ownership of the acquisition. This person who owns the acquisition, runs the process, and is responsible for integrating it.”
Every acquisition was followed up by decision-makers	AM1: “One year after the acquisition we make a report to the board: Have we achieved what we said? If not, then there should be a deviation analysis and a plan for how deviations should be managed. So, it will be followed and that is very important.”
Having acquisition expertise in the core team was critical	AM1: “The M&A lawyers, at the head office, have a lot of acquisition experience as one of them is always involved in an acquisition. Then you have, spread across the divisions, people who have acquisition experience. You try to pick someone to the project, who has acquisition experience.”
<i>Codification</i>	
The M&A council was responsible for codification	AC1B: “What [general counsel] and I started with many years ago was to run internal M&A seminars [...] So that we take advantage of best practice. My and [general counsel's] role is also to spread best practice between the different divisions. It has meant that the whole organization is very – partly also for natural reasons – acquisition-competent, experienced, and very knowledgeable of all aspect of acquisitions.”
The use of checklists	AM2: “Alpha has checklists you use as a base when you do a due diligence ... You have a number of questions based on different main areas, one for legal, one for finance, one for HR, one for production and so on. A number of questions and things to look at. It is helpful as support when you go through all the material because it is very easy otherwise to miss something in all this information that you are flooded with.”
Codification had limitations	LM1B: “Checklists are good to have so you do not forget anything. At the same time, you must not be like an accountant who ticks off checklists. Because it is important to find out what is really important, what we should really focus on.”
<i>Decision-making</i>	
Communication was described as critical for efficient decision-making	AC1: “Soaking [emanating from the expression of soaking clothes to facilitate cleaning] is going on at all levels of the organization. So that everything should be proactive and not reactive.”
Acquisition control facilitated decision-making	AM1B: “Informally, I have already discussed many of these items with acquisition control and explained how I look at it. And even sent PwC reports and things like that. And then the CEO turns to acquisition control: Have you looked at this? Yes, it looks good. I have already talked with the acquisition manager.”
The organization had learned what decision-makers required for approval	DM1: “It happens that the decision documents are not good enough. But then it's still mostly about it being poorly described. Then it may well go back to the division. Then it will have to wait until the next board meeting.”

acquisitions as well as their actors being involved in strategy and operations. This capability was useful in due diligence activities and therefore the companies strived to involve the same professionals in the PAO. Without the required expertise it would have been difficult to know what to focus on, especially as target information can be plentiful in one area and at the same time lacking in other areas. Moreover, due diligence needs to be carried out in secrecy and within limited time.

Advisers were used for tasks such as merger filings, support in due diligence work, and support in writing and negotiating legal agreements. The companies tried to use the same advisers, as they had developed operational expertise from working with them. For example, Beta always used advisers for financial and legal due diligence. Most of these advisers had worked with Beta on prior transactions and had developed expertise of what to look for and how to report it. By combining operational expertise with M&A expertise they could offer more valuable advice to the company.

#### 4.2.2. Routines: establishment of the PAO

A critical routine in acquisition-making was the establishment of a project organization, the PAO. In both case companies there were separate organizational units dedicated to work with acquisitions. These units were business development (including M&A), acquisition control, and legal M&A. Thus, in acquisition projects there was a division of labor between professionals working with making acquisitions (i.e. the PAO) and those engaged in the decision-making regarding a specific project (i.e. the board and executive management, supported by acquisition control).

The PAO was managed by a core team of 2–4 people belonging to the business development and legal M&A units. A key task for the core team was to identify people with the right expertise from within the organization or externally. This ability was vital as the PAO could engage 30–40 professionals with expertise and skills in different areas. Therefore, the PAO had developed lists with preferred financial and legal advisers.

The allocation of responsibility and accountability from the corporate level was based on a belief in decentralized decision-making. Consequently, the divisions were responsible and held accountable for finding, making, and integrating acquisitions. The core team of the PAO was located at the divisional level and worked on behalf of the head of the division. The decentralized model facilitated the identification of professionals with the required skills and expertise. Another advantage was that the division head could prioritize within the unit, for example by engaging people in line functions to participate in due diligence.

#### 4.2.3. Routines: codification

Learning from prior acquisitions was an important assignment for the M&A council in both companies. It consisted of professionals working with acquisitions. The council met regularly to discuss lessons learned. If needed, it updated the acquisition process (e.g. additional approvals and rules). The council also disseminated experiences and lessons learned from acquisitions made by the company and from outside advisers and networks by using training seminars, etc. This was a form of codification that helped build expertise and improve routines used in acquisition-making.

Codification was also visible in the form of checklists, process descriptions, financial models, and templates. Much of this took place at the divisional level, as the codification needed to be adapted to the specific business logic of the division. At the same time there were clear limits to using codified knowledge. For example, checklists were more suitable for activities that were well defined and delimited (e.g. financial due diligence). An operational due diligence was much more difficult to codify in a checklist due to its complexity and wide variety of possible aspects to scrutinize. There was also skepticism toward too much reliance on checklists and templates, since it was considered that they could not replace expertise.

#### 4.2.4. Routines: decision-making

Efficient decision-making was an important element of the acquisition-making capabilities in both companies. Fast approval was pivotal as acquisition-making often involved an auction type of process. This meant that bids needed to be submitted at a specific date and time determined by the seller. In a similar way, the seller steered negotiations and signing of agreements. Consequently, missing deadlines would

normally mean that the company was dismissed from the acquisition process. The findings show that a routine outlining approvals and rules was instrumental to efficient and fast decision-making. Updating approvals and rules based on the experience from previous acquisitions was the role of the M&A council.

Strategic fit was a prerequisite for approvals, and any project lacking strategic fit was stopped. Hence, the PAO and decision-makers were knowledgeable and aligned with the acquisition strategies at corporate and business unit levels. This could be seen in the board approvals. Not getting an approval was viewed by management as a failure. In Beta, none of the interviewees could recall an acquisition not getting approval by the board. In Alpha, their long-serving CFO could recollect one or two acquisitions out of 150 that had not gotten approval by the Board. A vital part in decision-making was the production of a decision document including strategic and financial rationales. It had a standard format based on the experience of numerous acquisitions. The document, including a financial model, was used in interactions between the PAO, acquisition control, and decision-makers.

### 4.3. Relationships between expertise and routines

In Tables 7 and 8 the relationships between expertise and routines, at the level of their respective elements, are shown. The tables provide examples of supporting data (quotes only) for each claim. For every quote there is one or several reasons presented in the tables and text below. They are identified by an “A” and the corresponding number of the reason.

Taken together, the elements identified and the linkages between them suggest that *both* expertise and routines are needed in successful serial acquirers. For example, strategic and operational expertise, as well as network of sellers and target, can explain why the case companies have been able to identify a very large number of targets. As pointed out earlier, many targets were required because few of them were actionable, and of those which were, as many as 90% did not materialize during the acquisition-making process (A1). In a similar way the routine for identifying targets, relating them to the acquisition strategy as well as compiling a target list, was necessary for the use and development of expertise. Without well-designed routines, it would have been much more difficult, even for an expert, to find suitable targets (A2). The companies had also developed routines for building and using a strong market reputation. Their strategic and operational expertise made them attractive partners. Routines for consolidating and developing this

**Table 7**  
Relationship between identification expertise and routines.

Routines	Examples of supporting data
Creating and using networks (A1)	AC1B: “The acquisition manager has in recent years done very good footwork, met the companies there, attended trade fairs, etc. Mapped the industry but also gotten to know the industry. Visited them, and said: we come from Beta, we have made this journey through acquisitions. Our goal is to continue to grow through acquisitions and we are interested in having a dialogue with you.”
Identification of targets (A2)	DM1: “It’s about mapping one’s universe of interests, addressable market [...] there are different companies and competitors ... Matched with my strategy, this leads to that I might be interested in buying a distributor or competitor in my area [...] It is their [the divisions] responsibility to find ... and then of course everything from idea, the mapping stage to evaluation, to get to know the company, to do evaluation in the first stage.”
Building and using market reputation (A3)	LM1B: “We are known for buying companies, known for being acquisition-intensive, it makes people contact us. It helps us a lot that we are a well-known acquirer. Entrepreneurs, families, and investment banks contact us. We get a lot for free, as we have a reputation for buying many companies.”

**Table 8**  
Relationship between acquisition-making expertise and routines.

Routines	Supporting data
Establishment of PAO (A4)	AM1: “If it is a finance manager who has not been involved in acquisitions, then there is a large risk that this person will miss important items. In due diligence, experience of M&A and expertise plays an important role. I think that is the case in all areas of due diligence.”
Codification (A5)	DM1: “It is not the case that we are like [xx] division of totally isolated islands on how to make an acquisition. We build on decades of experience from the legal side, finance side, and when it comes to looking for the right critical factors for production and distribution and other parts. We try to create a form of common knowledge. It has evolved into an acquisition process handbook that we try to update continuously. It is created by all of us together and it is a requirement from the group to follow it ....to make sure it’s done fairly professionally.”
Decision-making (A6)	LM1B: “[...] and send the decision documents for approval by our CEO, and then he says yes or no. It really works so that, now we have worked many years and we should know what works and does not work. He can say I think we should pay less for this but if he rejects it, then we have done a very poor job, it has almost never happened.”

position, for example by treating management in the acquired company well, meant that the strategic and operational expertise could be further developed through a high acquisition volume (A3).

In acquisition-making, M&A and operational expertise were required to evaluate strategic and organizational fit as well as financial consequences. The findings show that the establishment of the PAO was an important element in that respect. It can be viewed as a routine consisting of organizational units (the PAO and the M&A council) and organizational processes (allocation of responsibilities and accountability) ensuring that M&A and operational expertise is used in the best way possible. The PAO manages acquisition-making with the use of expertise while the M&A council enhances deliberate learning to develop expertise (A4). One important aspect of building that expertise is to codify it (e.g., developing checklists). At the same time, the building of expertise leads to routines being questioned and further developed (A5). Finally, routines for decision-making and providing feedback are instrumental in deliberate learning and for developing expertise (A6).

## 5. Discussion and conclusions

The following two sections discuss how the paper provides new insights on M&A processes (Thanos et al., 2019) and in particular the pre-merger phase (Trichterborn et al., 2016; Welch et al., 2020). This is done by showing what characterizes expertise and routines and how they are related. The first section describes how the study contributes to our knowledge of capabilities, that is, expertise and routines, what elements they consist of, and how they are used in identification and acquisition-making. These findings consolidate and add to our present knowledge on expertise and routines in the pre-merger phase. The result is the pre-merger capability typology. The second section discusses the findings on how expertise and routines are related, contributing with new insights into how *both* expertise and routines are needed for a successful pre-merger phase.

### 5.1. Characteristics of expertise and routines

The findings from the case studies show in a fine-grained manner the characteristics of the pre-merger capabilities; expertise and routines. This is done by identifying what elements the capabilities consist of, and by describing how they are used to identify and find targets and also used during acquisition-making (see Tables 3–6). For example, as Table 3 shows, the expertise element in the identification phase is about the firm’s capacity to deploy strategic and operational expertise. Hence,

**Table 9**  
Pre-merger capabilities: The characteristics of expertise and routines.

Pre-merger phase	Capability	Element	Supporting literature
Identification	Expertise	Strategic and operational expertise	<ul style="list-style-type: none"> <li>Strategic and organizational fit (Haspeslagh &amp; Jemison, 1991; Jemison &amp; Sitkin, 1986)</li> <li>Similarities and complementarities (e.g. Bauer &amp; Matzler, 2014; Kim &amp; Finkelstein, 2009)</li> <li>Need for deep knowledge of the industry and targets (Chatterjee, 2009; Grant &amp; Nilsson, 2020)</li> </ul>
Identification	Routines	Creating and using networks	<ul style="list-style-type: none"> <li>Use of company internal networks to identify targets, long courting period, long target lists, restricted use of investment bankers (Chatterjee, 2009)</li> <li>Proactively contacting sellers and targets (Graebner &amp; Eisenhardt, 2004)</li> </ul>
Identification	Routines	Identification of targets	<ul style="list-style-type: none"> <li>Need for organizational routines for identifying targets (Haspeslagh &amp; Jemison, 1991; Trichterborn et al., 2016)</li> </ul>
Identification	Routines	Building and using market reputation	<ul style="list-style-type: none"> <li>“acquirer of choice” (Chatterjee, 2009)</li> <li>Sellers consider the combination potential and organizational fit with the buyer when they decide whom to sell to (Graebner &amp; Eisenhardt, 2004)</li> </ul>
Acquisition-making	Expertise	M&A and operational expertise	<ul style="list-style-type: none"> <li>M&amp;A and operational expertise required in acquisition-making (Angwin, 2001; Haspeslagh &amp; Jemison, 1991; Jemison &amp; Sitkin, 1986; Very &amp; Schweiger, 2001)</li> <li>Maintain continuity of deal team (Chatterjee, 2009; Cullinan et al., 2003)</li> <li>M&amp;A and operational expertise used in assessing strategic and organizational fit including valuation of the acquisition (Grant &amp; Nilsson, 2020)</li> </ul>
Acquisition-making	Routines	Establishment of PAO	<ul style="list-style-type: none"> <li>Importance of an acquisition function for making acquisitions (Chatterjee, 2009; Grant &amp; Nilsson, 2020; Haspeslagh &amp; Jemison, 1991; Keil et al., 2012; Trichterborn et al., 2016)</li> </ul>
Acquisition-making	Routines	Codification	<ul style="list-style-type: none"> <li>Importance of deliberate learning and codification (Haspeslagh &amp; Jemison, 1991; Keil et al., 2012; Trichterborn et al., 2016)</li> <li>Limitations in the use of coding (Heimeriks et al., 2015)</li> </ul>
Acquisition-making	Routines	Decision-making	<ul style="list-style-type: none"> <li>Efficient decision-making (fast, high quality,</li> </ul>

**Table 9 (continued)**

Pre-merger phase	Capability	Element	Supporting literature
			<ul style="list-style-type: none"> <li>routinized) is vital for acquisition-making (Angwin et al., 2015; Haspeslagh &amp; Jemison, 1991)</li> <li>Aligned strategy across divisional and corporate levels (Angwin et al., 2015)</li> </ul>

strategic and operational expertise is vital in the identification of suitable targets; when discussing and approving the divisions’ strategic plans by executive management and board; and in the use of strategic fit as a prerequisite for any target. Table 9 provides an overview of each capability, elements identified, and supporting literature.

In sum, this presents a detailed inventory of critical elements of acquisition capabilities for successful identification and acquisition-making. The result is the pre-merger capability typology presented in Fig. 1.

Haspeslagh and Jemison’s (1991) classical study, and the study by Chatterjee (2009) are, to the best of our knowledge, the only studies that have taken a similar perspective. The present study adds to these by providing in-depth descriptions, and a more complete inventory, of the elements that together form capabilities of successful serial acquirers. For example, as shown in Table 9, it adds elements to the studies of Chatterjee (2009) and Haspeslagh and Jemison (1991). An example of enhanced depth is the element M&A and operational expertise. Chatterjee (2009) describes the importance of maintaining the continuity of the deal team, i.e., M&A expertise, however without providing further details. The present study offers new insights by describing, for example, how M&A expertise needs to be related to an operational context. By doing this it shows that both M&A and operational expertise is required. It also describes how M&A and operational expertise is used.

Furthermore, we argue that the elements identified are difficult to imitate or acquire. A reason for this is that they have been developed over a long period of time and are the results of a learning process involving numerous acquisitions. We can thus conclude that the elements identified fulfill the requirements for being considered important building-blocks of the two capabilities (Helfat & Peteraf, 2003).

5.2. Relationship between expertise and routines

Another significant contribution to the literature is that the present paper provides a holistic understanding of how the capabilities and their elements are related and how, when combined, they can lead to successful acquisitions. In earlier literature, such a holistic understanding is absent. Identification and acquisition-making (Chatterjee, 2009; Haspeslagh & Jemison, 1991) has only been implicitly related to expertise and routines (e.g. Keil et al., 2012). That conclusion is also supported by Table 9 which shows that no single study covers all elements and most studies only few of them. The present study extends and builds on that literature by analytically and empirically explaining how and why the identified capabilities – and their elements – are related. It consolidates present knowledge and adds empirical insights that are new to the field. By doing so, the study answers calls for overcoming the “traditional silo thinking” in M&A research (Thanos et al., 2019).

The findings show that expertise and routines are strongly related. For example, divisions of the case companies were responsible and held accountable for identification, acquisition-making, and integration of targets. Hence, the divisions needed to have and develop expertise in these areas. One important aspect of that development was the support given by appropriate routines (e.g. the routine of target identification). These specific routines supported learning, and hence the development of expertise, by providing a process and structure for a strategic dialogue

	Expertise	Routines
<b>Identification</b>	<b>1</b> <ul style="list-style-type: none"> <li>• Strategic and operational expertise</li> </ul>	<b>2</b> <ul style="list-style-type: none"> <li>• Creating and using networks</li> <li>• Identification of targets</li> <li>• Building and using market reputation</li> </ul>
<b>Acquisition-making</b>	<b>3</b> <ul style="list-style-type: none"> <li>• M&amp;A and operational expertise</li> </ul>	<b>4</b> <ul style="list-style-type: none"> <li>• Establishment of PAO</li> <li>• Codification</li> <li>• Decision-making</li> </ul>

Fig. 1. The pre-merger capability typology.

in the acquisition function. Specifically, the design and use of the routine meant that the exchange and critical feedback of strategic and operational insights were encouraged. Such feedback is a pre-requisite for deliberate learning to occur. At the same time, expertise was codified and contributed to the development of routines that were unique and difficult to imitate. Since the divisions had demanding acquisition-targets to fulfill, the pressure was high to strive for continuous development of expertise and routines.

The findings also show strong linkages between routines for identification and acquisition-making. This was especially salient in the routines for identification of targets and the PAO. They were all based on a decentralized model in which responsibility and accountability for identification, acquisition-making, and integration of targets rested at the divisional level. If, instead, the identification of targets had been made at the corporate level, there would have been a risk of corporate management “hijacking the decision away from line management” (Haspeslagh & Jemison, 1991, p. 85). Following this line of reasoning, previous literature has described the importance of having a “business owner” responsible and held accountable for acquisition-making and integration (e.g. Haspeslagh & Jemison, 1991; Nolop, 2007). In a similar manner, previous literature indicates the advantages of involving the integration manager in the acquisition-making process (e.g. Teerikangas et al., 2011). In sum, the decentralized model of Alpha and Beta contributed to successful acquisitions because the routines for identification and acquisition-making had been mutually adapted and aligned.

Finally, the results show that strategic and operational expertise, as well as M&A and operational expertise, were strongly related. One reason is that both strategic and operational issues are vital to the success of the overall corporate strategy and its acquisition program (Laamanen & Keil, 2008; Chatterjee, 2009). People having M&A expertise are also few, even in very large companies (Grant & Nilsson, 2020). This was also evident in the two cases. The same people, typically the business development director, who also acted as an acquisition manager, coordinated both the identification of targets and acquisition-making. Their expertise contributed to strengthening the identification capability by ensuring a sufficient level of strategic fit at an early stage of the pre-merger phase. The strategic and operational expertise used when identifying a suitable target also affected the development of M&A expertise in acquisition-making.

## 6. Concluding comments and future research

The present study shows that successful serial acquirers have developed pre-merger capabilities to manage identification of targets and acquisition-making. Arguably, this is not what all serial acquirers have managed to do, as it requires a long period of experience to develop expertise and routines. For example, experience from many acquisitions is required to build market reputation or M&A and operational expertise. Consequently, we argue, in line with Chatterjee (2009) and practitioners like McKinsey (Rudnicki et al., 2019), that if we want to understand how acquisition experience effects performance, serial acquirers should not be treated as one coherent group. By directing future research toward the study of the most successful serial acquirers, valuable insights can be gained about how capabilities are developed, including the role of expertise and its tacit component as well as deliberate learning (Schriber & Degischer, 2020).

Furthermore, the study shows the importance of capabilities and their elements for the pre-merger phase. These elements are required for identification of targets and acquisition-making. The study highlights the elements of individual expertise, an area which remains to be examined more in depth; not least its tacit component (Grant & Nilsson, 2020; Schriber & Degischer, 2020). Moreover, the study provides insights into the relations between expertise and routines. An example of the importance of this relationship can be seen in the study by Angwin et al. (2015). They provide several examples of how a decision-making routine did not work because of a lack of strategic and operational expertise at the board level. Hence, the relations between expertise and routines are areas which should be examined further in future research.

The managerial implications for serial acquirers are several. First, the typology provides an overview of capabilities and elements in successful serial acquirers. Companies wanting to improve their acquisition performance can use the typology to identify their capabilities, elements, and potential areas for improvement. Second, the findings show that to become a successful serial acquirer a holistic approach to pre-merger capabilities is needed. Expertise can be better utilized and developed by well-designed routines. The design and use of routines are also to a large extent affected by expertise. Third, the findings show the importance of different types of expertise but also that the development of this capability is a long-term project. Since expertise can be difficult to find outside the acquirer, it is vital to retain people who possess it. Finally, the establishment of a PAO is a routine, which based on its coordinating role has a significant influence on development of routines and

expertise. Therefore, the organization of the PAO and its assigned mission will affect how other elements will develop in the long-term. Of high importance in this connection is to facilitate learning from past transactions.

The study has limitations. The setting is two successful serial acquirers focusing on acquiring small businesses. It is possible that in another setting, for example companies making larger acquisitions, other elements would have been identified. Furthermore, the study is based on successful acquirers, implicitly assuming that the capabilities identified have contributed to the high level of competitive advantage and the high shareholder returns observed. However, even though this assumption is reasonable, it does not rule out alternative or complementary explanations. For example, the success could possibly also be explained by the existence of integration capabilities. In future research, it would be interesting to examine these capabilities as well.

### Submission declaration and verification

This explorative study is based on qualitative data from a large research endeavor focusing on acquisition-making (Grant, 2018; Grant & Nilsson, 2020; Grant et al., 2020). In that research project, data was collected from two serial acquirers and one private equity firm. The present paper uses qualitative data from the two serial acquirers, complemented with additional empirical data in the form of interviews and documents. It is based on a new analysis of the data set (including additional new data) using a new theoretical framework (i.e. capabilities). Thus, the paper builds on and extends the insights presented in earlier publications by the authors (ibid).

### Declarations of competing interest

None.

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