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**Gaining International Acquisition Experience**

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Gaining International Acquisition Experience

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## ABSTRACT

An emerging economy firm in the technology space makes its maiden international acquisition, which marks the beginning of a series of acquisitions by the company as well a trend in the specific industry. Based on a narrative-style interview with the Alignment Manager of the acquisition, I have attempted to *capture the micro-processes of how a firm gains international acquisition experience.*

## INTRODUCTION

Manyen Communications a global leader in R&D and support services to companies across the communications value chain. Manyen provides products and services to leading semiconductor, terminal device, network equipment and test and measurement companies, and service providers globally. Established in 1989, the company has over 3,500 associates, and operates out of offices in India, China, France, Finland, Germany, Japan, Mexico, UK and the U.S. (See Appendix A for a detailed company overview.)

While Manyen had sales offices at various international locations, made domestic acquisitions, and established development centres at Mexico and China that were primarily staffed by home country employees, Manyen made its first truly international acquisition in 2006 of a Finnish firm, named Ringta Higtech, a leading provider of wireless R&D and testing services. Based at Kaustinen, Finland, Ringta Hightech is an important supplier of Hardware, Software, Mechanical Design and Testing Services to leading mobile handset vendors like Nokia. In July 2006, Manyen made the announcement for the 100% acquisition and was to pay € 35.5 million for Ringta in an all cash deal (see Appendix B for details). This acquisition marked the beginning of a series of acquisitions by the company as well as indicated an early trend in the IT industry of making international acquisitions.

In April 2006, a press release from Manyen said: "The integration will be a significant exercise considering the cross-cultural and global nature of the process involved. The top management of both

companies has reiterated their commitment and focus on executing this exercise seamlessly." The cultural affinity between our two organizations will be the key factor in the success of our joint endeavors," opined Mantti Paaskila, Chairman of the Board of Ringta.

Acquisition of Ringta Hightech Oy in Finland was reported to be completed on August 31, 2006; and the accounts consolidated from September 1, 2006. Within a year, Manyen announced in April 2007 that the name of its Finnish subsidiary would be changed from Ringta Hightech Oy to Manyen Finland Oy. Manyen also reported that the alignment has been progressing as per plan. Manyen Finland included subsidiaries Ringta Hardware Oy and Beatific Oy, which were being merged with the parent.

Three years after the acquisition was initiated, today in 2009, the acquisition integration seems "complete" and seems close to a "reasonable success". In retrospect, Manyen also seems to have realized some of the originally intended strategies. Fuelled on by leads from this acquisition, Manyen has made further acquisitions in Bochum, Germany. Based on a detailed narrative with Ketan Gandhi, the Alignment Manager designated for the acquisition, I have attempted to capture the micro-processes of how does a firm gain international acquisition experience.

The processes involved in managing an international acquisition is studied from an acquisition integrator's perspective and a conceptual model is inferred regarding gaining international acquisition experience. This model can explain the microprocesses involved in gaining international acquisition experience. The focus on the pre-acquisition stage is not emphasised as the alignment manager was not closely involved in that phase.

## METHODOLOGY

**About the interviewee**: Ketan Gandhi is currently designated as Director, Strategy at Manyen Communication Technologies. Ketan was designated alignment manager for the acquisition between September 2006 and October 2007. Ketan has an experience of 20+ years behind him, with a long stint at Manyen. Ketan is an alumnus of IIT Bombay and a PhD in Computer Science from IIT Bombay specialising in the area of Resource Constrained Logics. Through informal conversation, one could gather that Ketan is well versed in a variety of topics in the research arena ranging from game theory to Wittgenstein's works! Ketan also comes across as a friendly and helpful person, with a genial sense of humour.

**Logistics**: The interview was conducted in one sitting which lasted 67 minutes. The interview was recorded using Roamer Software's Hi-Q MP3 recorder version 1.92 running on the interviewer's laptop. A test recording and playback was done at the beginning of the interview. The laptop's in-built microphone was used for recording and the software application window on the screen was also minimized to make the recording appear as unobtrusive as possible. The interview was conducted at the head office of Manyen Ltd., which was the acquiring company. The interview recording was transcribed manually over the next four days using the assistance of Express Scribe software version 4.31, with manual speech recognition to ensure accuracy. Data analysis was done using Windows Journal to create diagrams.

**Confidentiality**: Since the interview was being conducted regarding a live acquisition made by a real organization, confidentiality requirements were primary. The modus operandi of the interview was

explained to the interviewee. A face to face interview was solicited for about an hour, and the submission requirements were explained (the transcript and conceptual framework). The necessity for recording, the flexibility available to pause the recording at any time in case of any interruptions or discomfort with recording, and the assurance of prior approval regarding confidentiality adherence of the transcribed content before submission were discussed. The interview transcript was later shared with the interviewee and was approved with some minor deletions, which are indicated in the transcript.

**Preparation by the interviewer**: This included going through all the press releases of Manyen from the time of the acquisition (see Appendix D), going through the Manyen Finland website, browsing through websites related to Finland's geography and people, chatting with a friend who happened to be posted in Finland, preparation of a guideline of questions to be covered, understanding ethnographic interviewing techniques, attending a course qualitative research methodologies. The interviewer incidentally had no significant exposure to acquisition related literature, which should probably aid grounded theorizing. The interviewer also spent considerable time in exploring various software recorders, speech to text converters, and finally ensuring a version that would work reliably. (Lenovo Tablet speech to text converter was trained for sufficient number of packages, however the results were not satisfactory enough to be used live at the interview)

**Role of the interviewer**: The interviewer/researcher also incidentally happened to be an employee in this organization, on a fulltime sabbatical for more than a year. Ease of access was accorded to the interviewee by virtue of her being an employee, however in her capacity as employee she had no significant prior official interaction with the interviewee, no reporting relationship, no connection with the acquired firm and absolutely no involvement in the acquisition process, and she was also nearly isolated from the happenings in the organization since almost one year into the sabbatical. All of this considerably reduces any bias in the interviewing process. Rather the interviewer's employee role turned out as a positive aspect in terms of richness of data made available. There was an implicit assumption of the interviewer's understanding of the organizational context that probably eased the conversation and allowed sharing of confidential, contextual and delicate matters as well. This is in line with practitioner led ethnographic research recommended by Balogun, Huff and Johnson (2003) in the strategy-as-practice area.

**Questions**: The alignment manager was then requested to narrate the story of the acquisition as he had experienced it, and add his comments, learnings and insights wherever appropriate. While a detailed set of questions had been prepared (Appendix C), it was not decided to adhere to the same as it was too pointed and specific, and hence it appeared that it might potentially bias the interview and narrow it down too much. Instead a broad feel of the questions was provided to the interviewee as a free-form narrative requirement (simultaneous with quickly scrolling down and displaying the entire set of questions in a few seconds on the laptop screen as a broad guideline). The primary need was expressed in terms of the desire to hear a story involving a chronological sequence, interesting anecdotes, comments and articulation of the narrator's experience. For most of the course of the interview, there were no interruptions from the interviewer, except for expressions of empathy, reaffirmations, or a few further insights sought in case of any particularly interesting observations. This also possibly ensured that the interviewer's role as an employee would not bias the discussion too much. The interviewee received a few phone calls or other interruptions, during which time the recording was simply paused and resumed later.

**Approach**: Langley (1991) has characterized process data as that which is composed of events, with multiple units and levels of analysis with ambiguous boundaries, variable temporal embeddedness and eclectic nature. The data collected in this interview is no different: as there are micro-events in the acquisition event, individuals, groups and firms as levels of analyses; the unit of analysis is being the firm, data that is moving back and forth in time and context in complex ways, and heterogeneous sources available in the appendices to build the context of the analysis if required.

Langley (1991) suggests seven strategies for sense making from such data. Of these the author's leanings are towards the *alternate templates* strategy, which appears more suitable for the recent 'practice turn' in strategic management research (Whittington, 1996). For a start in this direction, a grounded theory approach as exemplified by Glaser and Strauss (1967) q.v. Turner (1983) is adopted where an iterative process of going back and forth between data and theory is employed, although this approach is relatively low on generalizability.

I have synthesized the following algorithm for grounded theorizing based on my overall understanding of Turner (1983), Eisenhardt (1989b), Dutton and Dukerich (1991), Langley (1991) and Siggelkow (2007).

1. Create a chronological order of the data as a sequence of events/phases
2. Concentrate on a single activity preferably one that can be expressed as a gerund, here I choose "gaining experience" in international acquisitions.
3. Read out each section/paragraph of the raw data, and identify theoretical fragments or themes, repeat for all data.
4. Create categorizations from the patterns in the data; alternatively create feature sets that characterize the research problem
5. Connect the categorizations through flowcharts or causal flow diagrams, wherever the relationship is explicit, to created a grounded model; alternatively create an ideal-typical list of factors from the categories to build the grounded model.
6. Gather contextual information (including from other sources), and use this implicit understanding to question the grounded model and fill in gaps and to create a near-grounded-theory.
7. Possibly make creative leaps that strengthen the near-grounded-theory to grounded-theory.
8. Validate the grounded-theory by matching with the data
9. Saturate with more data; from multiple sources as well.
10. Tying the model to extant literature
11. Review the theoretical model with a practitioner if feasible

I have then applied the above procedure from steps 1 to 8 on the interview data (see Exhibit 1 for the final models and Exhibit 2 for the intermediate steps):

## THE PROCESS MODEL

Gaining international acquisition experience appears to happen from three sources:

1) Building on the organization's prior domestic acquisition experiences (Past sources)
2) Primary learning from the current integration experience (Present primary sources)

3) Acquiring secondary learning from the network effects of the acquisition  (Present and future primary and secondary sources)

## Past sources

Figure A explains what is the nature of prior acquisition experience that is relevant to gaining international acquisition experience.  Prior organic growth of the firm, either domestic or international, does not lead to any learning benefit as far as international experience is concerned (indicated by disconnected arrow). Prior domestic inorganic growth however does have a bearing on learnings for international experience, but only under certain conditions.

If the prior inorganic growth involved integration of only the operations of the firm in isolation, it was not considered as worthy of consideration as worthwhile learning experience. However if the integration involved the business operations of the firm, or business and operational integration of the firm, the firm is perceived to have gained some valuable experience towards international acquisition integration.

In the data we find that Mexico and China operations of the firm, which were primarily organic growth opportunities were not considered valuable, as there was no cultural difference issue involved. Also, the domestic Pune acquisition which was purely operational did not contribute towards international experience, however the Chennai operation was said to be of learning value. In fact, the alignment manager prided himself that this was the first "truly international" acquisition, as a firm which was completely from a different nation, both in terms of operations and business had been integrated.

## Present primary sources

Figure set B is the relatively more complex aspect of the grounded theory that has emerged.

1) A first time international acquisition by the firm is a test of the firm's core internal values. The major pre-acquisition decisions of financial valuation, legal and operational structure decisions put the organization through an internal push and pull within the internal stakeholders. This internal churn can also be a source of learning from conflict as it leads to an improved understanding of the firm's values.

2) The second is a flow diagram of how conflicts arise and lead to reflection and learning. Interactions occur between acquiring and target firm at various levels/stages/decisions. This leads to facilitation of fora for surfacing of differences in style/practices/policies. Differences in style/practices/policies leads to a perception of the other parties sense of values or rather the differences in interpretation of core unstated values like trust.  A differing perception of such values, almost always directs towards conflict. Conflict is followed by some phases of outburst followed by reflection. Reflection through various tools (as specified in the next point) leads to organizing of learning. Learning is implemented as changes in management style (only when moderated by external environment). This is captured in Figure B2.

3) The third is a more detailed blowup for the Reflection box, which I shall term Reflection tools that the firm uses for formulation of learning from the experience. Interactions between the two firms (again at various levels/stages/decisions) lead to Outcomes. These outcomes are then judged broadly by the notion of success criteria, and these success criteria are then used as

framework for organizing the learnings that the firm has made. Reflection tools include reference and comparison to a number of other aspects such as current status of the firm, original rationale for the acquisition, original plan made for integration, anecdotal statements that reflect success/failure. This is captured in Figure B3.

## Present and future sources

Figure C explains how the firm continues to build international acquisition experience as it works on the integration of the current acquisition. The acquired firm's HR manager was a central node who connected up the firm to other central nodes in the customer/partner/supplier network of the industry. This entry into the network is seen as the critical achievement of the firm through the acquisition. The new contacts not only led to further new business opportunities (as with TSN) but also the spread of information in the network led to offers for repeat acquisitions. Thus opportunities for repeat experiences and potential further learning are facilitated by the network effects of the acquisition. As it appears, the Bochum Germany acquisition of the firm is initiated through this same network. Thus a model of continued learning emerges from the data.

Moreover the firm's position in the value chain of the industry thus entered, has also became a source of bargaining power within the industry network. With this the firm enters newer sets of interactions with the suppliers, partners and customers of the acquired firm, leading to newer primary learnings through experience as explained in the reflection model.
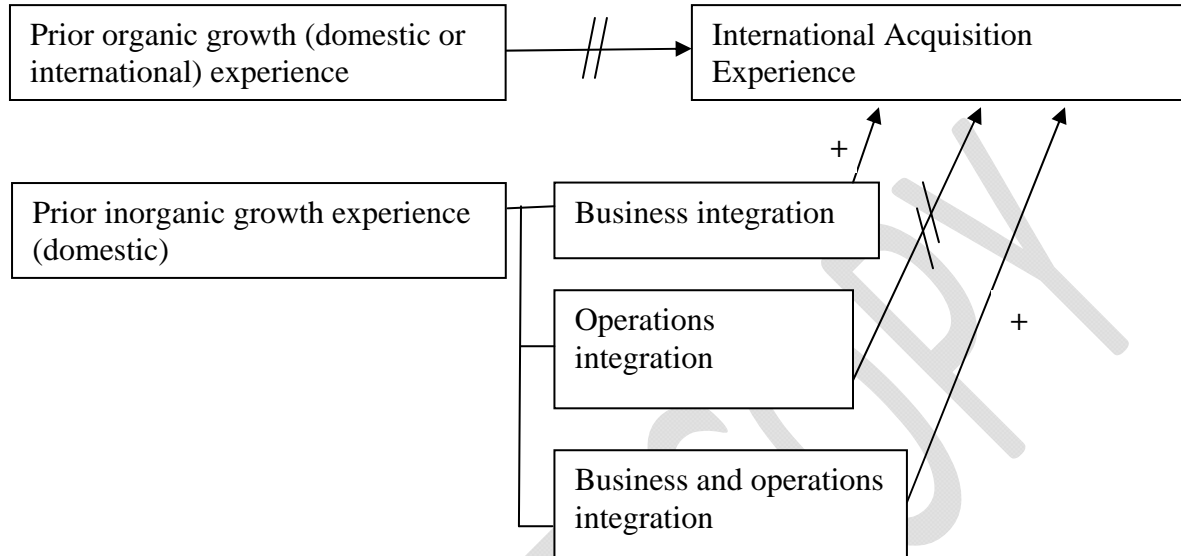
## Areas for Improvement

- The near-grounded theory on culture (available in Exhibit 2) is promising and can be developed further with more data as well as theory.
- Tools such as Atlas TI could have been explored for the data analysis to help reduce the severe manual labour.

## CONCLUSION

Grounded theorizing of the ethnographic interview has been instructive. Building on past acquisition experience, dynamically learning from the present experience through interaction and reflection, and building opportunities for future learning experiences summarizes the micro-processes of gaining international acquisition experience. Past experiential learning was a valuable basis only when those acquisitions involved integration of the business operations of the firm. The dynamic learning from the present experience is a complex process of interaction between the entities at multiple levels, phases and decision points, to create differences, and the process of reflection and resolution of those differences creates experiential learning for the firm. Future learning opportunities are created through network effects. Success criteria forms a framework for organizing the lessons in learning and the external environment is a moderating factor in implementation of the learning.

## EXHIBIT 1

### Figure A



### Figure B1

**Figure B2**

**Figure B3**

Success criteria

Anecdotes

Strategic criteria

Popular management theories

Time taken

**Reflection tools**

Current state of the firm

Fit to current environment

Progress at various levels (financial, operational etc.)

Original logic

Original cause for acquisition

Progress wrt Original plan

**Reflection tools**

Justification for: Actions that led to success

Lessons learnt: What to do next time?

+

Acts as framework or lens to organize experience lessons. (Mediating variable)

+

Admissions of failure for: Actions that did not lead to success

+

Lessons learnt: What not to do next time?

+

**Figure C**

## EXHIBIT 2

**Level 1 analysis**

This is done by looking for theoretical fragments or themes paragraph by paragraph. The numbering of the theme corresponds to the page numbering of the interview transcript .

**Level 2 analysis**

The themes from Level 1 analysis are combined and synthesized to form integrated models. As and when the level 1 piece was integrated into a level 2 model, its identifier was highlighted. At the end of the exercise, the remnant models were classified as miscellaneous models.

**Level 1 diagrams**
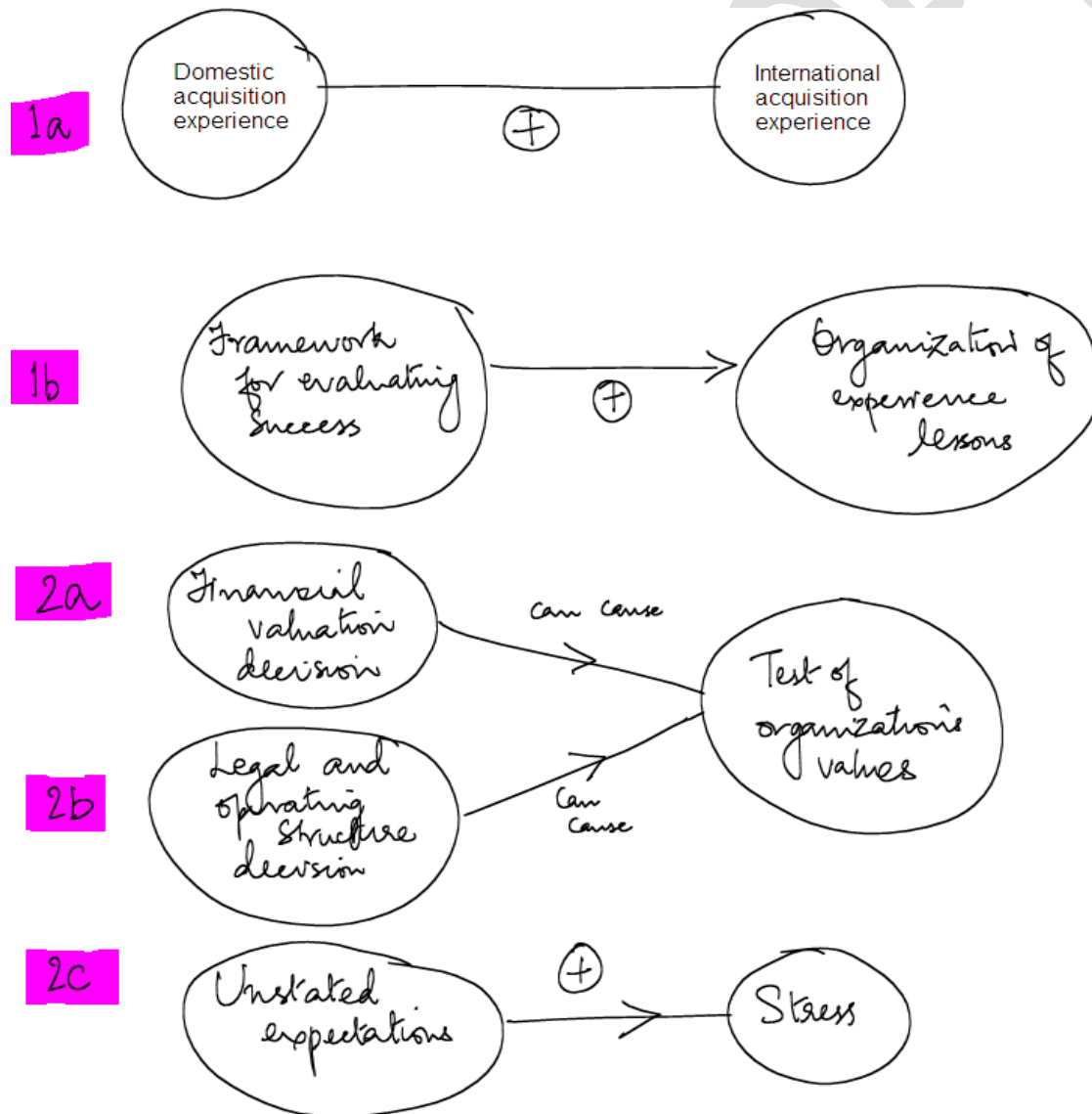
3a    Hofstede's cultural dimensions for Finland, India, USA and Germany — add exhibit

3b    • Differing interpretation of values    $\longrightarrow$ ⊕    Problem

3c    Business Practices    $\xrightarrow{\text{determine}}$    Organizational Context

National Culture    $\xrightarrow{\text{does not determine}}$    Organizational Context

3d    Level of business practice alignment    $\xrightarrow{\ominus}$    Amount of explanation required to partner/ customer

**3c**

Differences in management style $\longrightarrow$ Conflict / Tension

**4a**

Reflection and identifying root Causes of conflict $\longrightarrow$ Change in management style

Moderated by presence from external environment

**4b**

Differences in management styles (Eg Planning process) $\xrightarrow{\oplus}$ Perception of different interpretation of values

4c     Misalignment                  ───────────⟶     Communication
       at                                    ⊖         between
       Senior management                               acquiring and
       level                                           target firms

4d     Detail orientation ───────────⟶     Central
                                   ⊕          orientation

5a     Operational synergy ──────────⟶     Success in
                                    ⊕         managing
                                              Customer

5b     Constant ──────────────⟶     Operational
       Communication        ⊕         synergy

5c     Bohnia/Sasken ────⟶ Nokia ──────── Bochum
                                            Germany
                                            site
                           ↗↑↑↗
                   TI                Qualcomm
                      STM      Broadcom
                         Infineon

5d

Success $\xrightarrow{\oplus}$ Attribution to
both management
Failure $\xrightarrow{\oplus}$ and environment

5e

Prior employment relationships $\longrightarrow$ Informal networks across industry

$\downarrow$

Business Opportunities $\longleftarrow$ Information and relationship externalities

6a

Firm's position in the value chain of the customer $\xrightarrow{\oplus}$ Firm's Bargaining power with Suppliers of the Customer

$\xrightarrow{\oplus}$ Business opportunities with Suppliers of the customer

**6a**

Framework for
Success
evaluation ———$\oplus$———→ Tool for reflection

**6b**

Strategy ————$\oplus$————→ Success
implementation

Moderated
by
external
environment
changes

**6c**

Reflection ————→ Justification ————→ Learning
(using the           on actions         $\oplus$
tool of             that led to
Success              Success;
criteria)            Admissions
                     of failure
                     on actions
                     that did not
                     lead to success

Prior employment relationships $\xrightarrow{\oplus}$ Informal networks across industry

Informal networks across industry $\xrightarrow{\oplus}$ Information and relationship externalities

Information and relationship externalities $\xrightarrow{\oplus}$ New Business Opportunities (eg STM)

Information and relationship externalities $\xrightarrow{\oplus}$ Repeat opportunities for the Same experience (eg Acquisition)

7

**7b**

Sorting target firm's internal issues $\xrightarrow{\quad \oplus \quad}$ Problem (Disaster)

$\oplus$

Reflection (Challenge)

Learnings
— What to do
— What not to do in the future $\xleftarrow{\quad \oplus \quad}$

**7c**

Lack of Openness to change $\xrightarrow{\quad \oplus \quad}$ Unsuccessful integration (problem)

**8a**

Prior organic growth ————⫽———→ Gaining acquisition experience

Prior domestic acquisition
- Operations ——⫽——→
- Business ———— (+)
- Operations + Business ———— (+)

**8b**

Ability to manage multiple cultures ———(+)———→ Acquisition integration Success

**8c**

Difference in working styles or HR policies ———(+)———→ Misperception of values

**8c'**

National culture ————⫽———→ Willingness to change

**8d**

Volume of business $\xrightarrow{\;\oplus\;}$ Business practices

Media discourse $\xrightarrow{\;\oplus\;}$

**8e**

Popular management theories $\xrightarrow{\;\oplus\;}$ Frameworks for reflection

**9a**

Imprinting from tribal culture $\xrightarrow{\;\oplus\;}$ National culture

$\downarrow \oplus$

Organizational culture

**9b**

Group size $\xrightarrow{\;\ominus\;}$ Power distance

Natural envt. benevolence $\xrightarrow{\;\ominus\;}$

**9c**

Incorrect interpretation of popular management theories $\longrightarrow$ Frameworks for forming perceptions

**10a**  Strategic Criteria for Success $\xrightarrow{\;\oplus\;}$ Metrics

**10b**  Each one in their own country $\xrightarrow{\;\oplus\;}$ Perception of TRULY GLOBAL

**11a**

Reflection on Success criteria

Reflection on metrics

Reflection wrt time schedule

Reflection wrt environment

Reflection wrt logic/reasoning

Reflection wrt degree of implementation
of original plan

Reflection wrt various levels (Strategic/
financial/operational)

Reflection wrt Current status of the firm

Reflection wrt anecdotes

Reflection wrt original Causes

**Level 2 diagrams**

Reflection and learning model of gaining experience

Interactions at multiple levels →(+) Differences < Mgmt Style / Practices / Policies →(+) Differences in interpretation of values

Interaction at multiple stages (in time) →(+)

Interaction on multiple decisions →(+)

Reflection (Identifying root Causes of conflict)

Commitment

Differences in interpretation of values →(+) Conflict

Commitment →(−) Reflection

leads to Conflict

Moderated by premise from external environment →(+) Reflection

Learning ←(+) Change in management style

Lack of Openness to change →(+) Conflict

Unstated expectations →(+) Conflict

Framework for evaluating success →(+) Organization of experience lessons

Reflection tools:
- Success criteria
- metrics
- time schedule
- environment
- Original logic/reasoning
- degree of implementation of original plan
- various levels (strategic/financial/operational)
- current status of the firm
- Anecdotes — Popular management theories
- Original Causes

Justification on actions that led to success; Admissions of failure actions that did not lead to success

(+) Reflection tools → Justification

Justification →(+) Learning list
- What to do
- What not to do

Network model of gaining experience

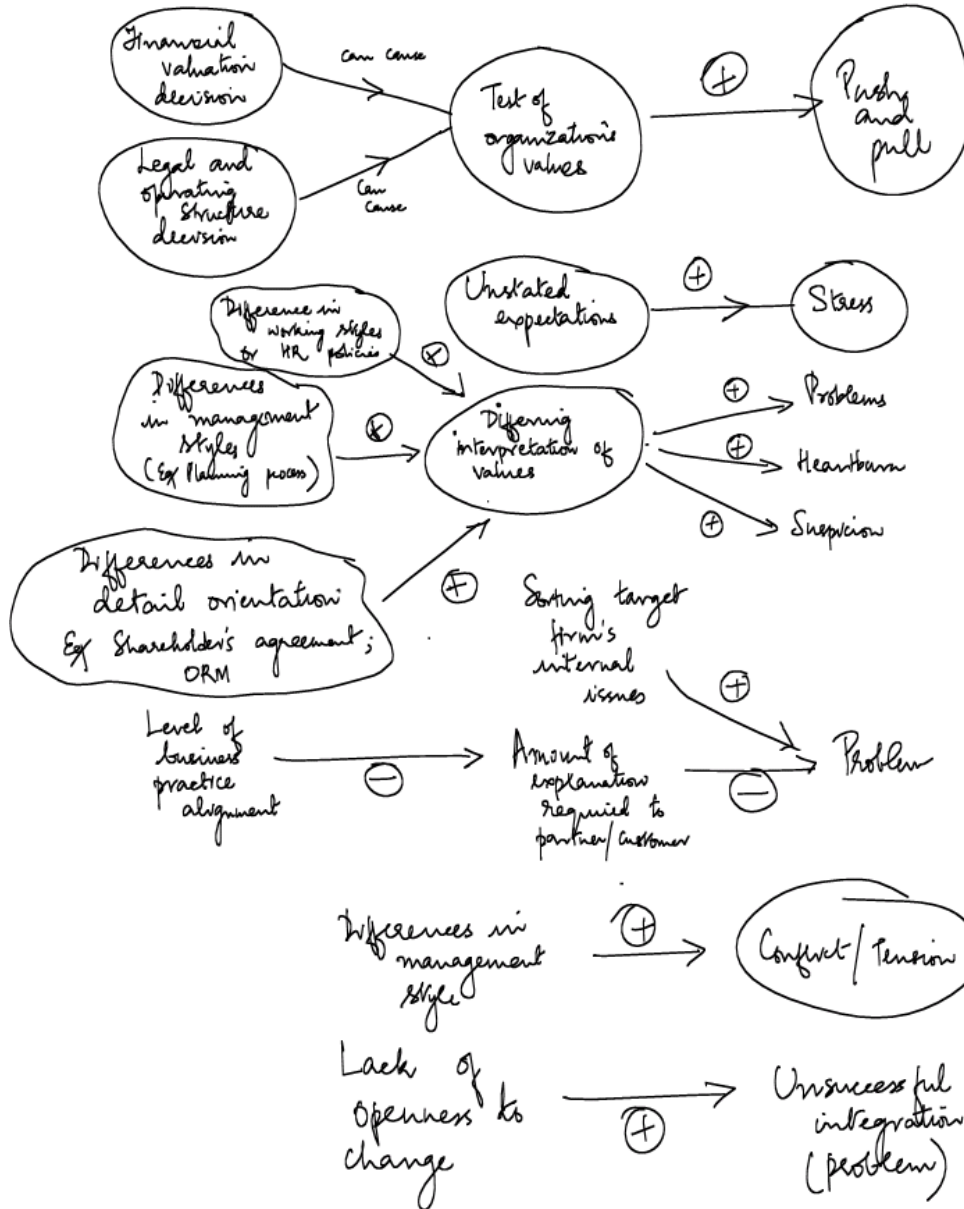Prior employment relationships $\xrightarrow{\;\oplus\;}$ Informal networks across industry

Informal networks across industry $\xrightarrow{\;\oplus\;}$ Information and relationship externalities

New Business Opportunities (eg STA) $\xleftarrow{\;\oplus\;}$ Information and relationship externalities $\Big\}$ Amounts to added "experience"

Information and relationship externalities $\xrightarrow{\;\oplus\;}$ Repeat opportunities for the same experience (eg Acquisition)

Firm's position in the value chain of the customer $\xrightarrow{\;\oplus\;}$ Firm's Bargaining power with Suppliers of Customer

Firm's position in the value chain of the customer $\xrightarrow{\;\oplus\;}$ Business opportunities with Suppliers of the customer

# Building on prior experience

Prior organic growth ⎯⎯⎯//⎯⎯→ Gaining acquisition experience

Prior domestic acquisition
- Operations ⟶ // ↗
- Business ⟶ (+)
- Operations + Business (+)

Domestic acquisition experience ⎯⎯⎯⎯⎯ (+) ⎯⎯⎯ International acquisition experience

# Insights on culture

Imprinting from $\xrightarrow{\oplus}$ National culture
tribal culture                    $\downarrow \oplus$

Organizational $\longrightarrow$ Differences
culture                              among
                                     organizations

Group size $\xrightarrow{\ominus}$
National ent. $\longrightarrow$ (Power distance in tribal culture)
benevolence $\ominus$

                                     Conflict

Business $\xrightarrow{\text{determine}}$ Organizational
Practices                              Context

National $\xrightarrow{\text{does not determine}}$ Organizational
Culture                                Context

Each one in their $\xrightarrow{\oplus}$ Perception of
own country                    TRULY
                               GLOBAL

Volume of business $\xrightarrow{\oplus}$
                                    Business
Media discourse $\xrightarrow{\oplus}$   practices

National culture $\xrightarrow{//}$ Willingness
                                        to
                                     change

Ability to
manage $\xrightarrow{\oplus}$ Acquisition
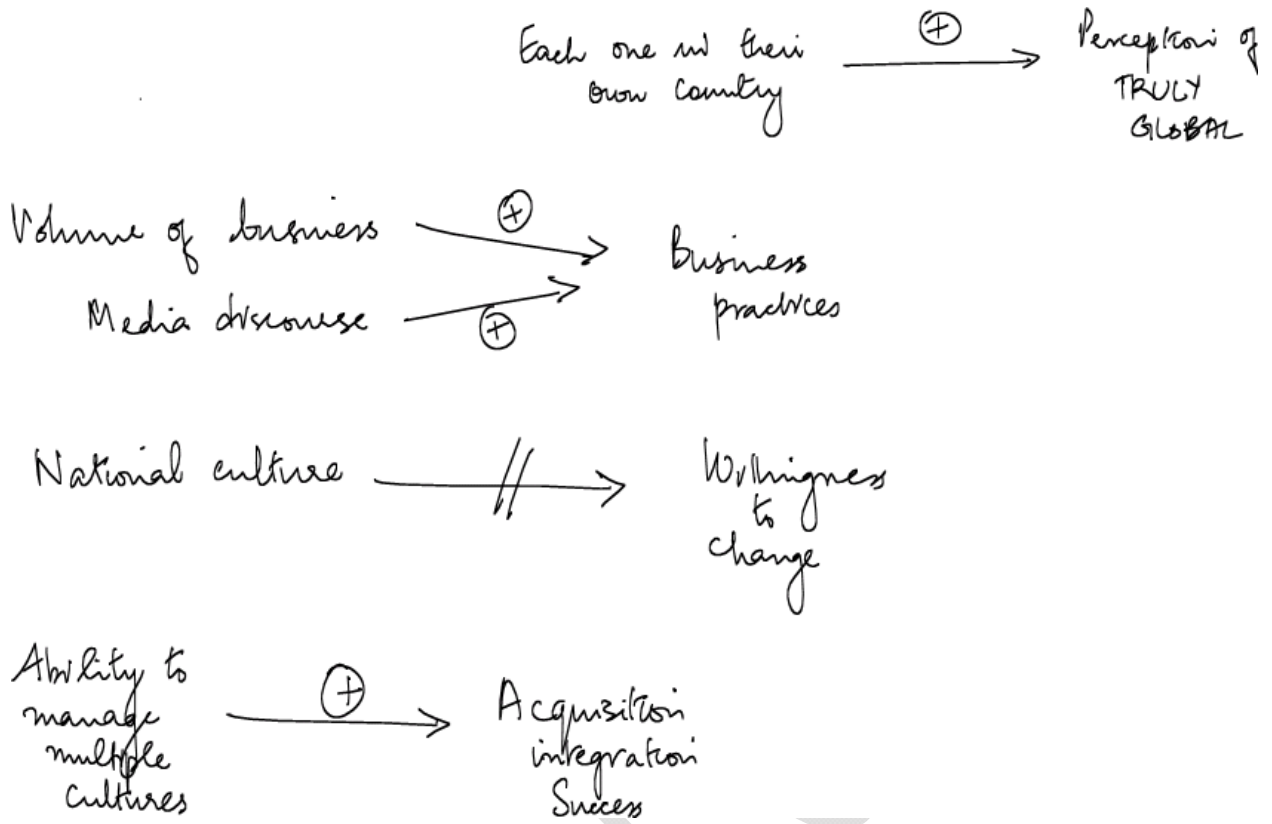multiple              integration
cultures              Success

# Miscellaneous insights

Misalignment at Senior management level $\xrightarrow{\ominus}$ Communication between acquiring and target firms

Detail orientation $\xrightarrow{\oplus}$ Control orientation

Operational synergy $\xrightarrow{\oplus}$ Success in managing Customer

Constant Communication $\xrightarrow{\oplus}$ Operational synergy

Success $\xrightarrow{\oplus}$ Attribution to both management and environment

Failure $\xrightarrow{\oplus}$ Attribution to both management and environment

Strategy implementation $\xrightarrow{\oplus}$ Success

Moderated by external environment changes