



UNIVERSIDADE CATÓLICA PORTUGUESA

The impact of internal teams on recognizing and capturing opportunities in mergers and acquisitions.

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by

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Abstract

The purpose of this master thesis is to evaluate the impact of opportunity recognition on opportunity capture. Factors like a decentralized team approach and centralized team approach are supposed to moderate this relationship. Researchers haven't given the importance needed in the pre-merger stage and underestimate the ability of teams to impact the capturing opportunities of determined company. A questionnaire was developed was developed to test these hypothesized effects. The sample aggregate 82 observations from members that could be involved in M&A deals within the last five years. The literature review shows that opportunity recognition is connected to opportunity capture. The findings of the quantitative study suggests that high levels of opportunity recognition have a positive effect on opportunity capture. Moreover, decentralized teams have a negative impact on opportunity capture.

Key words: Opportunity recognition; Opportunity capture; Mergers and acquisitions; Target screening; Managerial teams.

Resumo

Este trabalho final de mestrado tem por objetivo avaliar o impacto do reconhecimento de oportunidade em captura de oportunidade. Fatores como uma equipa centralizada ou descentralizada são expectáveis por moderarem esta relação de reconhecimento com captura. Investigadores não têm dado a importância necessária à primeira fase de fusão ou aquisição de uma empresa subvalorizando o impacto das equipas de gestão na capacidade de captura de oportunidades da empresa.

O questionário foi desenvolvido para testar estes possíveis efeitos. A amostra agrega 82 observações de membros que estiveram envolvidos em transações de fusão e aquisição de empresas durante os últimos cinco anos.

A revisão de literatura demonstra que reconhecimento de oportunidade está ligado a captura de oportunidade e o resultado deste estudo quantitativo sugere que níveis elevados de reconhecimento de oportunidade têm um impacto positivo em captura de oportunidade. Além disso, uma equipa descentralizada tem um impacto negativo em captura de oportunidade.

Palavras-chave: Reconhecimento de oportunidade; Captura de oportunidade; Fusões e aquisições; Seleção da empresa alvo; Equipas de gestão.

Table of Contents

Acknowledgements	5
Abstract	7
List of Figures	14
List of tables	16
List of Abbreviations	18
1. Introduction	20
2. Literature Review	22
2.1 Mergers and Acquisitons	22
2.1.1 What are mergers and acquisitions?	26
2.1.2 Motives for mergers and acquisitions	26
2.2 Mergers and acquisitions process.....	29
2.2.1 Pre-merger phase.....	30
2.2.2 Merger phase.....	30
2.2.3 Post-merger phase	31
2.3 Pre-merger phase	33
2.3.1 Target Screening?.....	33
2.3.2 Opportunity Recognition and Capture	34
2.3.3 Management teams.....	35
2.4 Research Gap.....	36
3. Research Methodology	38
3.1 Way to solve the Research Gap.....	38
3.2 Research Model.....	38
3.3 Hypothesis Development.....	39
3.3.1 The effect of Opportunity Recognition on Opportunity Capture.....	39
3.3.2 The effect of Teams on the interaction of Opportunity Recognition with Opportunity Capture.	40

4. Empirical Research	42
4.1 Measurement Development.....	42
4.1.1 Independent Variables	42
4.1.2 Dependent Variables	42
4.1.3 Moderating Variables	43
4.1.4 Control Variables.....	43
4.2 Sample and Data	44
4.2.1 Data collection Process & Sample.....	44
4.2.2 Questionnaire Design	44
4.2.3 Method of evaluation	45
4.3 Results.....	46
4.3.1 Descriptive Statistics.....	46
4.3.2 Regression Analysis.....	49
4.3.3 Summary of Results.....	51
4.4 Check for Biases	52
4.4.1 Non-or Late Response Bias	53
4.4.2 Common Method Bias.....	53
4.4.3 Reliability.....	53
5. Discussion.....	56
5.1 Theoretical Implications	56
5.2 Managerial Implications.....	56
5.3 Limitations and future research.....	57
6. Bibliography.....	59

List of Figures

Figure 1 - M&A Process.....	30
Figure 2 - Location of the Headquarters of the company	47
Figure 3 - Number of Acquisitions in the last 5 years.....	47
Figure 4 - Number of Employees.....	48
Figure 5 - Annual Sales (in millions of £).....	48
Figure 6 - Growth over the last 5 years	49
Figure 7 - Research Model Results.....	52
Figure 8 - Common Method Bias.....	70

List of tables

Table 1 - M&A Motives.....	28
Table 2 - Regression Analysis	49
Table 3 - Test on Reliability	54
Table 4 - Measures of Opportunity Recognition	69
Table 5 - Measures of Opportunity Capture.....	69
Table 6 - Measures of Centralized and Decentralized Team Approach.....	69
Table 7 - One-Way ANOVA for Non-or Late Response Bias.....	71

List of Abbreviations

e.g – *exempli gratia* / for example

et al. – *et alii* – and others

H1 – Hypothesis 1

H2 – Hypothesis 2

HR – Human Resources

M&A – Mergers and Acquisitions

n.s. – not significant

N – number

OC – opportunity capture

OR – opportunity recognition

P – level of significance

p – page

SPSS – Statistical Pack for the Social Sciences

TMT – Top Management Teams

1. Introduction

The aim of this dissertation is to introduce a new idea of opportunity recognition and opportunity capture in the target screening process. Management teams play an important role in this study whereas most of them can recognize opportunities, however, capturing them not always is possible. This study will give a better understanding on which teams have a better impact on the relationship of these two variables.

This work will begin with the introduction, helping the reader understand what the aim of this study is about. Second, the literature review chapter will build on previous theoretical models developed in order to identify the research gap that will be later on identified. The literature review will delve specifically into the topic of mergers and acquisitions, defining, then identifying motives behind the use of M&A. Furthermore, this chapter will break down the different approaches on the process of mergers and acquisitions throughout a well-defined timeline. Three main steps will be studied: Pre-merger, Merger, and Post-merger phases. Finally, management teams will be meticulously studied leading to defining a research gap. Later, chapter 3 will dissect the research method that is being used in this work. Specifically, this part of the study will define the research methodology by finding ways to solve the research gap, while identifying a well-established research model. Subsequently, this will lead to developing multiple hypotheses that will be tested in chapter 4: the empirical research. This part will focus on defining the multiple variables used in this work, while explaining different sampling and data collection techniques used. Finally, we will conclude by discussing the outcomes of our empirical study and how they involve any theoretical findings and managerial implications.

2. Literature Review

2.1 Mergers and Acquisitions

Mergers and acquisitions (M&A) became a popular phenomenon as a form of corporate growth and diversification (Cartwright and Schoenberg, 2006). Between 1985 and 2020, the volume of mergers and acquisitions rose from \$347 billion to \$2817 billion (Institute of Mergers, 2021¹), and the number of deals increased exponentially. In 2020, over 44920 M&A deals were completed, almost 170 times more compared to 1985, where only 2676 deals were settled (Institute of Mergers, 2021²). Sherman (2010) concluded in his research that M&A is an essential part of both healthy and weak economies, and are often seen as the primary way in which companies are capable of providing returns to their stakeholders, investors and owners.

In the history of M&A, six waves of M&A activities occurred according to previous research, and they were all characterized by a cyclic activity with high levels of mergers followed by a period of lower activity (Gaughan, 2011). The time frame of each wave varies depending on the author (Deamphilis, 2010) however, this study will be guided by Jansen's (2008) dates moving forward. In addition, the study conducted was based on the characteristics of the American market primarily, since the data from European markets were limited or unavailable until 1980 (Prof, 2014, p. 5).

The first wave took place between 1881 and 1904, and was characterized by the consolidation of industrial production. Stigler (1950), Depamphilis (2010), and Weston et al. (2004) described it as a period of horizontal transactions primarily motivated by the need of establishing influencing monopolies. This wave surged with the economic crisis' recovery in 1881, which was triggered by rapid

technological progress in the transportation sector combined with increasing development of its consumption. (Weston, Mitchel & Mulherin 2004, p. 40). O'Brien (1988) also considered the changes in the legislation, and the development in industrial stocks, as factors that triggered the first wave. The main objectives behind these mergers were to reduce price competition rather than to exploit economies of scale (Lamoreaux, 1985). As a repercussion, monopolization raised public concern, translating into anti-trust legislation. The authorities introduced measures such as the Sherman Antitrust Act in 1890, aimed to restrict agreements within companies while allowing quasi-monopoly (Becker, 2005, p. 9). The first wave came to an end in 1904 with the stock market crashing allied with antitrust legislations development (Depamphilis, 2010, p. 17).

The second wave started in the late 1910s, and Sudarsanam (2003) argues that the enforcement of these anti-trust policies was responsible for triggering the second takeover wave. Behringer (2003) argues that stricter regulations, and the lack of conditions to pursue monopolies forced companies to expand through vertical integration. This second wave shifted towards an oligopolistic structure since industries were no longer controlled by only one firm, but by two or more corporations. In contrast to the first wave, where the aim was to increase market power, the holding conglomerates of the 1920s aimed at achieving economies of scale (Stigler, 1950). The second wave collapsed in 1929 with the stock market crash, resulting in a worldwide economic depression (Sudarsanam, 2003).

The worldwide economic depression followed by the Second World War thwarted the development of a new takeover wave for decades. The third wave started in 1965 and was characterized by a rising market and the economic boom, (Depamphilis, 2010). Companies were searching for growth opportunities in new geographical and industrial markets which were not related to the core business,

but to improve the value of the firm and to reduce earnings volatility (Sudarsanam, 2003). This wave ended when the oil crisis pushed the world into another recession allied with the introduction of the new Tax Reform Act (Jansen, 2008, p. 64).

The fourth wave started in 1981 when the stock market had recovered from the economic recession. This new wave was set off by the technological development in the electronics industry, changes in anti-rust policies, the deregulation of the financial services sector and the creation of new financial instruments and markets such as the junk bond market (Martynova & Renneboog, 2005, p. 6). Martynova & Renneboog (2005, p. 7) characterized this market of corporate control by a remarkable number of divestitures, hostile takeovers and going-private transactions (i.e. leveraged buyouts and management buyouts). Jansen (2001, p. 71) argued that this period of M&A transactions was more strategic, focusing on synergies effects which increased the return on investment (ROI). This wave ended in 1989, collapsing conglomerates and junk bonds used to finance transactions (Depamphilis, 2010, p. 17) followed by an economic slowdown (Gorzola, 2010, p. 5).

The fifth wave started in 1993, and like previous ones, it was initiated by the economic boom and halted in 2000 as a consequence of the equity market downfall. The fifth wave was remarkable not only in takeover value but also in the number of M&A deals. During this wave, 116925 M&A deals were recorded in Europe (including the United Kingdom) and 119035 deals in the United States. On the other hand, during the fourth wave, there were only 12729 and 34494 deals respectively in Europe and the United States. The fifth wave was unprecedented in terms of monetary value, as it surpassed five times the total value of the fourth wave with a combined value of \$20 trillion (Martynova & Renneboog, 2005, p. 8).

The fifth wave was characterized by its international nature. An important part of M&As were cross-border transactions, indicating the growing globalization of services, capital markets, and products (Martynova & Renneboog, 2005, p.8; Jansen, 2008, p. 65). Horizontal acquisitions began to rise as a consequence of firms focusing more on single business segments (Jansen, 2001, p. 71.) Behringer (2013, p. 37) argued that the computer and telecommunication industries were the preferred sectors during the fifth wave, and added that it was highly correlated with the internet bubble. Martyna & Renneboog (2005, p. 9) believed that the fifth wave was triggered by globalization deregulation and privatization, as well as the financial markets boom. More recent literature suggests that M&A transactions were affected by cost-cutting, expanding to new markets, or exploiting a mispricing evaluation. Though, an increasing number of empirical studies suggest that these M&A deals were actually destroying value and not the other way round (Behringer, 2013).

In 2002, the sixth wave started, and an unprecedented volume of M&A transactions worldwide occurred in the year 2006 (Jansen, 2008, p. 69). The driving forces for this wave were low-interest rates, the boom in the global economy, the growing stock market, globalization, and high commodity prices (Depamphilis, 2010, p. 16). Contrary to the fifth wave, M&A activities were dominated largely by medium-sized companies (Jansen, 2008, p. 72). The financial crisis and its negative impact on the economic environment decreased the transaction volume. The final wave ended in 2008 with the loss of confidence in global capital markets allied with the economic slowdown in industrial nations (Depamphilis, 2010, p. 17)

This historical period of M&A activities has demonstrated the particularity of each wave and its different underlying motives. Nonetheless, common factors can be found in every wave. First of all, each takeover wave occurred during periods of

economic recovery, and ended with the collapse of stock markets. Secondly, the waves match with periods of stock markets booming and rapid credit expansion. Third, M&A waves occurred during industrial and technological shocks. Lastly, takeover waves often take place during regulation changes.

2.1.1 What are mergers and acquisitions?

Mergers and acquisitions are often mentioned as being interchangeable, but it is important to separate the two. Various authors have approached this topic with their own definition of mergers and acquisitions, such as Sherman (2010: 3) who defines a merger as *“a combination of two or more companies in which the assets and liabilities of the selling firm(s) are absorbed by the buying firm. Although the buying firm may be a different organization after the merger, it retains its original identity”*. Further in his study, he defined acquisition as *“the purchase of an asset such as plant, a division, or even an entire company”*. Peng (2006, p. 377) has defined merger as *“the combination of assets, operations, and management of two firms to establish a new legal entity”*, and acquisition as *“the transfer of control of assets, operations and management from one firm (target) to another (acquirer)”*. In short, an acquisition is the process of taking over the assets of a company (share and asset deals), and a merger is the combination of two or more organizations, when one cooperation is combined and disappears into another.

2.1.2 Motives for mergers and acquisitions

There are multiple reasons to pursue M&A activities, most of which are related to economic, social, regulatory, and market conditions (Cartwright & Cooper, 1990). However, the reasons may vary from one merger or acquisition to another, a

common measure of success is the increased value of the combined firm (Bruner, 2002). Napier (1989) divided the general motives in managerial or non-value-maximizing motives, and financial or value-maximizing motives. The first motive is referred to M&A activities and aims at increasing market share and managerial pride (Cartwright, 2005, p. 6), whilst the latter is referred to achieve operational and financial synergies (Cartwright, 2006, p.6). The following table 1 gives a clearer overview of the most prominent theories developed in M&A literature to date. Some of the motives are clearly financial or managerial, but there are others (i.e., the necessity of increasing market power, and diversification) that have a tendency to be a combination of both.

M&A Motives	
Theory	Motivation
Value maximizing or financial motives	Tax Efficiency Bringing together different companies can help transferring profits or tax losses within the organization to benefit from tax regimes between industries or even countries.
	Financial Efficiency Acquiring a company with a weak balance sheet to help saving on interest payments and getting investment funds.
	Asset Stripping Buying undervalued assets whose value is worth more than the cost of acquiring the whole company.
	Operating Synergies To exploit economies of scope and economies of scale.
Combination	Increase Market Power To increase market share: the acquirer gains to ability to retaliate and discourages potential aggressive moves from the competitors.
	Diversification To grow the current business, diversification can be achieved with new products in new markets, new products in the current market, or current products in new markets.
maximizing or managerial motives	Strategic realignment Acquire new capabilities to adapt more rapidly to environmental changes.
	Managerial Ambition Pursuing acquisition for selfish reasons: growing management power and increasing the company's size.

	Managerial Hubris	Managers, by believing that their own target valuation is superior to the market's value are overpaying by overestimating the possible synergies.
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Table 1 - M&A Motives

own elaboration according to Gomes et al. (2013), Brouthers et al. (1995), Johnson et al. (2017), pp. 342-344, Depamphilis (2010), p.6, Sharan (2003), p.41 and Proft (2014), pp. 17-19.

According to a study conducted by Angwin (2007), three motives for mergers and acquisitions were found: strategic, financial and managerial. Strategic motives in M&A require enhancing the organization in terms of competitive advantage, and are often associated with the reasons for diversification. Bower (2001) categorized strategic motives in three main aspects: extension, consolidation and capabilities. Financial motives aren't always connected with improving the actual business, but with optimizing the use of financial resources. Johnson et al. (2017) separated these financial motives in three: financial efficiency, tax efficiency and asset stripping or unbundling (Johnson et al., 2017, p. 344). There are cases where M&A occurs for managers' interests rather than shareholders', therefore, these motives can be considered self-serving rather than efficiency-driven, and they can serve self-interests for two main reasons: personal ambition and bandwagon effects (Johnson et al., 2017, p. 344). Nahass and colleagues gave a more practical answer for these motives: *"While there may be many reasons for pursuing a merger or acquisition, it's ultimately about creating long-term value for shareholders. That's what doing business – and deals – is all about"* (Nahass, Boyle, Smith, Balog, Kennedy, & Skorupka, 2008, p. 3). It is important to reflect on how time changes the motives for these activities. Teerikangas and Very (2006) studied the evolution behind the motives for M&A. Comparing the 1990s with the 1980s, the later period witnessed a primary motive of conquering a strategic positioning in globalizing industries which didn't happen a decade before (Teerikangas & Very, 2006, p. 40). The differences between each

wave are directly linked to the motives for pursuing M&A. As time moved on, motives changed and so have the characteristics of the waves.

2.2 Mergers and acquisitions process

To have a better foundation of the general development of the M&A procedures, previous researches were reviewed and a variety of approaches were found, differing from two to seven phases. Boland (1970) argued that the M&A phases cover the pre-merger and post-merger stages. Salus (1989) classified the M&A process into three phases: pre-merger, merger, and post-merger. Although using different terms, Appelbaum et al. (2000a) and Appelbaum, Gandell, Shapiro, Bestile, and Hoven (2000b) organized the structure into three phases as well: pre-merger, during and post- merger. Parenteau and Weston (2003) divided the process into four phases: strategy planning, candidate screening, due diligence and deal execution, and the ultimate integration phase. Vance et al. (1969) mentioned the following four phases: the courtship phase, the marriage ceremony, the honeymoon, and after the honeymoon. Farley and Schwallie (1982) structured the process into six phases: Integration with the strategic plan, intelligent screening, evaluation of targets through creativity and analysis, understanding value and price, anticipating the post-acquisition phase, and efficient implementation. Ultimately, Kazemek and Grauman (1989) organized the M&A process into seven phases: Assessment, joint planning, issue analysis, structure selection, securing approvals, final planning, and implantation. As this previous research clearly shows, there is a disparity of definitions with a tendency to analyze this phenomenon with more component parts. Researchers prefer to break this phenomenon into parts in their studies.

Moving towards in this study, the three-way structure of Salus (1989) process in M&A will be used.

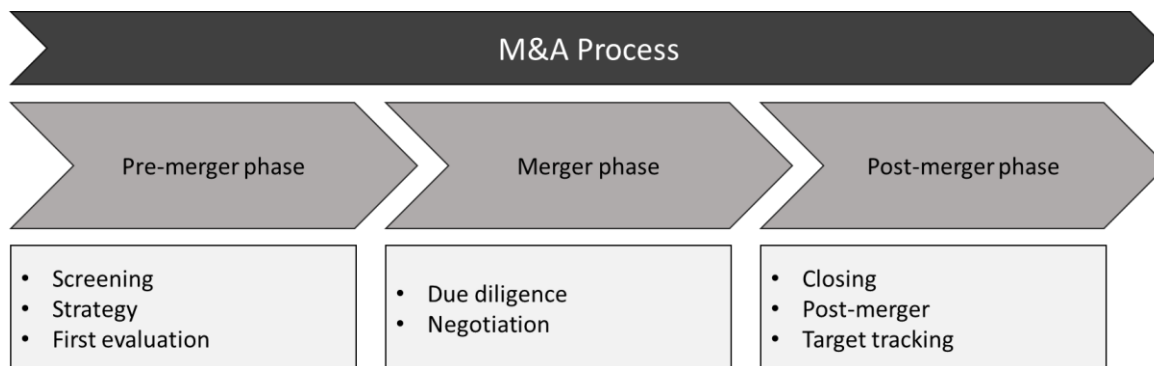


Figure 1 - M&A Process, own elaboration according to Salus (1984) pp. 47-49, Jansen (2008) p. 249 and Picot (2000), p. 21

2.2.1 Pre-merger phase

The pre-merger phase is the first step of an M&A process, and it begins with an examination of the acquirer, which means studying its own objectives alongside strategic potential and limitations (Jansen, 2008, p. 249). After the acquirer decides to carry out an M&A activity, they will develop a strategic plan (Picot, 2000, p. 21). The following step will be to screen and shortlist every potential target based on the criteria that were settled previously in the strategic plan (Voss & Muller-Stewens, 2006, pp. 29-40). During the target screening process, the acquirer proceeds to analyze and forecast the competitive environment (Picot, 2000, p. 16). After successfully selecting the one that fulfills its goals, the acquirer can move into the merger phase. The pre-merger phase is a primary issue within this paper. Therefore, an extended and detailed description is given in part 2.3 of the paper.

2.2.2 Merger phase

The second step of an M&A process is the merger phase which combines two substantial parts: due diligence and negotiation. Due diligence is the perfect tool to provide a substantial understanding of the scope and the value of a determined

company during the early stage of negotiations (Depamphilis, 2010, p. 182; Picot, 2000, p. 95). This tool evaluates and investigates all relevant information within the company, varying from financial, intellectual, legal, tax, HR, organizational and environmental due diligence (Jansen, 2008, p. 276). A due diligence review has the objective of helping the acquiring firm to reduce or even eliminate the risk of the transaction, thus, the deeper and more precise the information given in the review, the less risky the M&A transaction is (Pack, 2000, p. 251). Negotiation plays an important role during the merger phase by accompanying all the due diligence process and finally settling the acquisition price of the acquired company (Depamphilis, 2010, p. 175). Thus, it is essential to develop a negotiation strategy with a team of highly educated negotiators who can and will defend the interests of the acquiring company.

2.2.3 Post-merger phase

The post-merger phase is formed by the two previous phases and has the highest risk of failure comparing with the other phases (53%) (Habeck et al., 2000). According to Haspeslagh & Jemison (1991, p. 23), the failure or success of the entire M&A transaction is determined in the phase of integration since it plays a crucial role in value creation and synergies realization. To have a successful integration, Jansen (2008, p. 241) suggests three steps: post-merger planning (i.e., the potential of integration analysis), the correlation of six levels (i.e., cultural, strategic, administrative, external, operational and organizational integration) and performance review (i.e. synergies realization, integration cost and economic efficiency review).

The cultural integration process has received special attention in the recent literature. Shrivastava (1986) argues that this integration process is the most critical

one as it involves incorporating cultural and managerial objectives. Isom et al. (2013) studied about this process and indicates that cultural problems are the most important effect for over 38% of the managers.

Shrivastava (1986) divided task integration into two processes – procedural integration and physical integrations. The first focuses on legal and accounting integration, while physical integrates englobes product line and production technology integration. This process of task integration can be described as a process of value creation (Birkinshaw, 2000), and according to Stahl & Voigt (2008), it can be seen as a long-term process, as it requests for the identification of synergies realization (Birkinshaw, 2000).

The degree of Integration is defined by the degree level at which a company is integrated into the other, and this degree of integration can vary from no harmonization to complete integration (Bauer, 2012). Haspelslgh & Jemison (1991) defined degree of integration in four categories – preservation, symbiosis, holding and absorption. The first mode of integration is preservation. In this mode, the acquirer aims at preserving the organization's autonomy, and only a few strategic interdependencies between them are needed (Haspeslgh & Jemison, 1991). Within the model of symbiosis, there is a high degree of autonomy and strategic interdependence. In order to guarantee a fully symbiotic integration, both organizations need to acquire the characteristics of each other (Haspeslghm & Jemison, 1991). Merging firms engaging in holding show a marginal or non-integration at all. needed (Haspeslgh & Jemison (1991) argued that value can only be created through activities, such as capital transfer, or general management capabilities that lead to optimization. The fourth mode of integration is absorption. This method demonstrates a high degree of interdependency to achieve value

creation. needed (Haspeslagh & Jemison, 1991), and can be seen as the method more difficult and stressful to integrate (Jansen, 2008)

Angwin (2004) and Nahass et al. (2008), argue that most managers associate in a positive way speed with process, development and success. Puranam et al. (2009) discussed how fast integration is commonly assumed used as a toll within M&A transactions to influence the development of coordination benefits and disruption costs. Within M&A studies, speed of integration has gained more relevance since it guarantees long-term success and competitive advantage to the organization (Angwin, 2004). However, other researchers support slow integration. Olie (1994) defends that slow integration reduces the conflicts between employees. Bauer & Matzler (2011, 2013) argued that there is no right speed for integration, as it is dependent on other influencing variables. Moreover, Bethvon der Warth (2004) states independently if a firm opts for fast or low integration, it is important to acknowledge that they are mutually exclusive.

2.3 Pre-merger phase

2.3.1 Target Screening

Selecting the right target is crucial. Research over target screening has been made by several authors. They concluded that smaller firms are easier to integrate than larger firms since they are less complex and faster to integrate (Scanlon et al., 1989; Chatterjee, 2009). In another way occurs in large organizations. The integration gets more complex and takes more time to integrate. In addition, these organizations turn less agile, and it is more challenging to change and keep the competitive advantage (Chatterjee, 2009). There are other factors that a company may consider when acquiring another company (Ahuja & Katila, 200), such as

cultural fit (Bauer & Matzler, 2008), whereas companies with different cultures may chock resulting in a negative impact on post-merger integration. Other factors that should be considered during the target screening are a strategic fit and organizational fit (Datta, 1991; Lubatkin, 1987). Gomes et al. (2013) argued that companies that focus on strategic and organizational fit are more probable to be successful in M&A activities, than organizations that do not pay as much attention to these factors.

A core element of the pre-merger phase is target screening, where the identification of a potential target occurs. This links to a concept used in the entrepreneurial literature specialty, which is opportunity recognition. Firms need to identify opportunities on the market to engage in an acquisition.

2.3.2 Opportunity Recognition and Capture

Opportunity recognition (OR) and opportunity capture (OC) have been intensively discussed and distinct in the entrepreneurial literature (Kuckertz et al., 2017). Shane and Venkataraman, 2000, p. 220) argued that entrepreneurial opportunities are usually recognized as *“situations in which new goods, services, raw materials, and organizing methods can be introduced and sold at greater than their cost of products”*. As result, they imply *“ the chance to meet a market need through a creative combination of resources to deliver superior value”* (Ardichvili et al. 2003, p.108). Shane & Venkataraman (2000) argued that, finding a necessity to be satisfied is directly linked to entrepreneurship, however, it is not sufficient. To be complete, the entrepreneurs must exploit these opportunities. Looking at previous research, OR and OC have not been specified with the right content domain of the concepts, and as result, understanding studies regarding this area are more difficult (Kuratklo et al. 2005). In addition, other studies proved to have mistakes between theoretically derived dimension and their measurement (Sambasiavan et al. 2009).

In order to repair the errors previously occurred, DeVillis (2003) suggested the development of a new measure with a clear definition of the construct in OR and OC. Moreover, Kuckertz et al. (2017) constructed and defined their measures. They found that OR and OC were defined by six activities each. OR was characterized by *“being alert to potential business opportunities, actively searching for them, and gathering information about new ideas and products.”* (Kuckertz et al., 2017, p. 92). OC was characterized by *“developing a product or service based on a perceived entrepreneurial opportunity, acquiring appropriate human resources, gathering financial resources and setting up the organization.”* (Kuckertz et al., 2017, p. 92).

2.3.3 Management teams

Internal M&A teams can have a powerful role in takeovers. They are generally responsible for directing transaction rationales and screening potential targets to takeover (Aktas et al. 2020). Various authors researched how certain behaviors can impact the quantity and quality of takeovers. Shleifer and Vishny (2003) argued that teams who follow formal guidelines, are more likely to accept deals with an economic rationale, and to reject those who are driven by behavioral factors (e.g. market timing, overconfidence). In addition, Rhodes-Kropf and Robinson (2008) claim that teams with prudent behaviors are more likely to screen targets to maximize the value of matching. Experience and expertise can also bring value to deal practices and outcomes, as teams with strong knowledge in finance can better utilize appropriate valuation tools, avoiding biases (Gram and Harvey, 2001). The time of negotiation can also be associated with different types of teams. A more prudential team will spend more time on due diligence. However, an overconfident team may negotiate transactions faster (Aktas et al., 2020, p. 3). This author found that internal teams can create more value than external consultants

or advisors in certain areas by screening the possible targets, directing transactional rationales, and employing performance metrics to assess post-merger success. An additional finding from Aktas et al. (2020) research, is that firms are likely to be more proactive in target selection when the screening research is performed by internal teams, rather than external. It shows how internal M&A teams can have an important and impactful role in the acquisition process.

2.4 Research Gap

From the literature review is evident the gap existent in the pre-merger stage. Opportunity recognition and capture play an important role in this phase and should be addressed with the M&A background. Kurckertz et al. (2017) studied these two concepts and helped to characterize each of them, however, they were studied only in the context of the entrepreneurial process. There is no connection with M&A not so ever. Therefore, a new perspective to understand opportunity recognition and opportunity capture in the context of mergers and acquisitions should be developed.

The literature review complements the important role of internal managerial teams in the target screening process (Aktas et al. 2020). This research has shown how internal teams can have a better impact to screen targets than external consultants. However, there is no empirical research regarding the impact on opportunity capture.

And even if there is significant empirical evidence to evaluate the impact of OR on OC, they weren't applied solely to the M&A context. Therefore, this study pretends to analyze the impact of OR on OC and how internal Teams moderate this relationship.

3. Research Methodology

In order to evaluate the relationship represented in Figure 1, a hypothesis must be designed. Therefore, three hypotheses were developed using knowledge from previous studies. Although similar research has not been conducted heretofore, OR and Teams have been investigated in the past by several researchers. Nonetheless, the complete understanding of its relationships with OC is yet to be unfolded.

3.1 Way to solve the Research Gap

The research gap identified should be answered in the following sections with a clear guideline which consists of one main question, and some other research questions. A quantitative study was developed to find the answer to these questions.

Main research question:

What is the impact of internal teams on recognizing and capturing opportunities in mergers and acquisitions?

Other research questions:

- Which teams have a positive or negative impact on OR?
- Can a decentralized team capture opportunities?

3.2 Research Model

This research model was developed to fill the identified research gap. As shown in figure 1, the research model shows the relationship between OR and OC, and how teams can moderate and impact the OC. Previously in chapter 2, the foundations of

the theoretical approach was explained, and the hypothesis effects will be discussed in the following part.

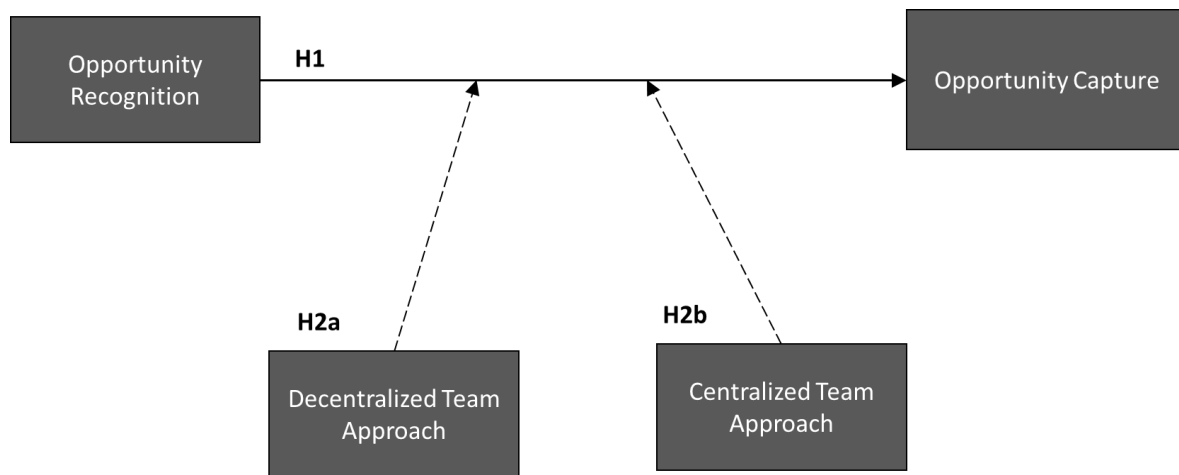


Figure 2 - Research Model
Own elaboration

3.3 Hypothesis Development

In order to evaluate the relationship shown in the Figure 1, hypothesis must be created. This section aims to develop them according the literature reviews in the section 2.

3.3.1 The effect of Opportunity Recognition on Opportunity Capture

Many research studies have been developed in the past about OR. Nevertheless, the lack of evidence towards how it impacts OC is clear. OR has not been studied as a method of measurement to further understand how it can affect OC. Instead, only factors that influence and contribute to OR have been acknowledged by previous investigations (George et al., 2016). Kurkertz et al. (2017) developed one of the primary studies regarding OR and OC. They found that certain activities can be described as opportunity recognition and others as opportunity capture. In this

case, these items regarding OR and OC will be used in an M&A environment. Thus, the first hypothesis comes with the idea of feeling this gap in the pre-merger stage, and understand the relationship between the level of OR and OC. Therefore, the following hypothesis was formulated.

Hypothesis 1 (H1): *High level of Opportunity Recognition has a positive impact on Opportunity Capture.*

3.3.2 The effect of Teams on the interaction of Opportunity Recognition with Opportunity Capture.

As already known from previous research, TMT (Top Management Teams) with strong marketing knowledge and technical know-how are crucial for identifying new market opportunities (Flood et al., 1997). Thompson (1967) investigated the relationship between the characteristics of the TMT and the level of pioneering. Although the study conducted being relevant to understand the inner side of TMT, the evidence of which teams have a better impact on how to recognize opportunities, is still to unfold. Trichterborn et al. (2016) argues that an M&A function not only helps structure the M&A learning process but also helps to develop an M&A capability. Not every team has this ability to develop an M&A capability and transform it into opportunity capture. Some teams may only be able to recognize opportunities and not capture them. Therefore, in the search to understand how and which teams can bring more value to a firm, two hypotheses were developed:

Hypothesis 2a (H2a): *A decentralized team has a negative impact on the interaction of OR with OC.*

Hypothesis 2b (H2b): *A centralized team has a positive impact on the interaction of OR with OC.*

4. Empirical Research

Till the moment, all theoretical aspects have been discussed, hereafter the application of the complied knowledge is of primary interest. Chapter 4 begins with the elaboration of the measurement models with their respective hypothesis, followed by the presentation of the sample and its data. To conclude this section, the analysis of the results and their evaluation will be described.

4.1 Measurement Development

The following section is about the explanation of measures for the independent variable – opportunity recognition, and the dependent variable – opportunity capture. Furthermore, the moderating variables – decentralized approach and centralized approach – got a separate section knowing that they also belong to the independent variables. To conclude, this research shows the control variables, which could be valuable to split the sample for unique reasons.

4.1.1 Independent Variables

This research has only one independent variable which is opportunity recognition. OR was measured according to Kuckertz et al. (2017), however, since this study focus on M&A, only parts of the items were used to measure OR. A five-point Likert scale was used to measure the four items of OR, and a deeper insight over these items can be seen in table 4 (Appendix A).

4.1.2 Dependent Variables

The dependent variable of this study is opportunity capture. OC has never been used in such a framework before which made the measurement more interesting. The basis for the measure of OC comes from Kuckertz et al. (2017) who focus on studying opportunity recognition and opportunity exploitation. This author

provided a great measure scale for the dependent variable. In this case, four items were used to measure it on a five-point Likert scale. A more detailed visualization of this measure is represented in Table 5 (Appendix A).

4.1.3 Moderating Variables

The two moderators – decentralized team approach and centralized team approach – also belong to the group of independent variables, however, for the purpose of this study, they were explained separately. The decentralized approach team aggregates heads of business unities and function managers. A centralized team approach englobes CEOs and M&A departments.

4.1.4 Control Variables

Four control variables were embedded for having the possibility to split the sample according to them or to check the influence of an individual variable on the research model and further more accurate results. The following variables were included in the survey as controls:

- Number of employees: 1 - 50; 51 - 100; 101 - 251; 251 - 500; 501 - 1000; 1001 - 5000; > 5000.
- Annual Sales in millions of £: < 25£; 25 – 49£; 50 – 99£; 100 – 249£; 250 – 500£; 501 – 1000£; > 1000£.
- Number of acquisitions in the last 5 years: None; 1 – 2; 3 – 4; 5 – 6; 7 – 8; 9 – 10; > 10.
- Growth over the last 5 years: < -15%; -15% to -5%; -4% to +/- 0%; 1% to 5%; 6% to 10%; 11% to 20%; 21% to 30%; > 30%.

4.2 Sample and Data

This section gives an overview of the sample and its collections. It begins with the methods used to collect the data, followed by the design of the questionnaire. Furthermore, the methods of evaluation are presented.

4.2.1 Data collection Process & Sample

In order to get the required results, primary data was collected. Therefore, different techniques were used including, mail, telephone and internet posts (e.g. LinkedIn). Apart from the cooperating universities, the primary support came from MADiscover allied with *M&A REVIEW* – A German journal for the M&A sector. The data collection process took place between June 2021 until August 2021. During this period, catch-up calls were made to ensure receipt of the questionnaire. In addition, reminder emails were sent out to ensure higher participation. The final sample encompassed 82 usable questionnaires. However, due to the substantial length of the survey, the rate of response seemed satisfactory and comparable to other studies in the field of M&A (e.g. Strobl et al., (2018); Bauer & Matzler, 2014; Capron, 1999; Homburg & Bruceus, 2006; Zaheer et al., 2013). Nevertheless, having a low response rate is something usual for studies conducted in the field of international business (Strobl et al., 2018).

4.2.2 Questionnaire Design

The example of the questionnaire can be seen in Appendix D and was designed under the measurement development represented in section 4.1. This questionnaire aims at interviewing management members or teams who have engaged in M&A activities. Most of the questions are closed questions, which helps to lead with the analysis of the data. The items of constructs were measure on a five-point Likert scale, as they are normally used in the pre-merger stage and

to evaluate past events (Bryman & Bell, p. 241). The last section of the questionnaire asks for general information which is necessary for the control variables. In the end, the respondent is invited to leave the personal details if interested in attending the webinar regarding the results of the questionnaire.

4.2.3 Method of evaluation

To access the results, SPSS is used as a tool of measurement. It starts with a descriptive analysis, followed by testing the hypothesis (dependent statistics). To analyze the sample, a factor and reliability analysis takes place for OR and OC. A factor analysis shows whether the items correlate with each other, and if are allowed to be used as one. After ensuring these items are all loading into one factor, a scale reliability analysis is accessed to check how close they look all together, and to ensure it exceeded the previous results. Moving forward, it is important to access the teams. After doing the factor analysis, is possible to see how their items are loading into two factors, a decentralized team (Heads of Business Units and Functional Managers) and a centralized team (CEO and M&A department). Moreover, were created two new variants for these two teams, and then standardize them in order to calculate the interactions of these two teams with opportunity recognition. Before doing a regression, was important to compound the interaction terms. This demonstrated if the direct hypothesis was affected by the other variable. After computing these two variables, moving to the regression analysis was the next step. A linear regression took place, being the dependent variable opportunity capture, and then plotted a block-wise estimation, taking out the control variables. Moreover, analyzed opportunity recognition, which is the main hypothesis, followed by the calculation of the auxiliary model, represented by decentralized and centralized approach. Then, the interaction terms

were inserted, which were the most relevant for this study. The results can be seen in the next section 4.4.

4.3 Results

In the present study, a primary question was theorized and examined: What is the team composition, and the relationship between opportunity recognition and capture in Mergers and Acquisitions? Two hypotheses were developed, however, the H2 was divided into two hypotheses, making 3 in total. They tackle the impact of both centralized and decentralized approaches on the ability to capture opportunities and moderation effects. This section will reexamine the results and verify the hypothesis developed.

4.3.1 Descriptive Statistics

The following section analyses the sample concerning the location of the headquarters of the company, acquisition experience, number of employees, volume of sales, and growth. Then, the study will be tested on its reliability and validity. This study will be concluded with the check for bias, externally and internally.

This research sample involved over 82 companies from Germany, Austria, Switzerland, Italy, United Kingdom, Norway and Finland. As it can be seen in the Figure 2, Germany is the primary source of the data collected, whereas 62% of the sample corresponds to this country.

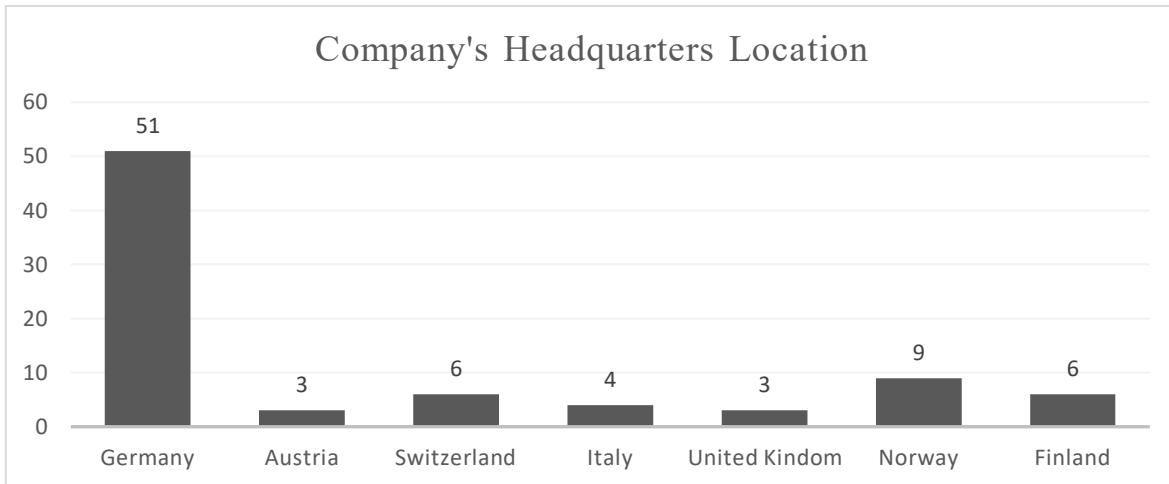


Figure 2 - Location of the Headquarters of the company
Own elaboration according to SPSS Analysis

Figure 3 shows that most of the companies did over 10 acquisitions in the last 5 years. Surprisingly 0% of the companies have no previous experience in M&A, explaining how the data collected is controlled by large enterprises.

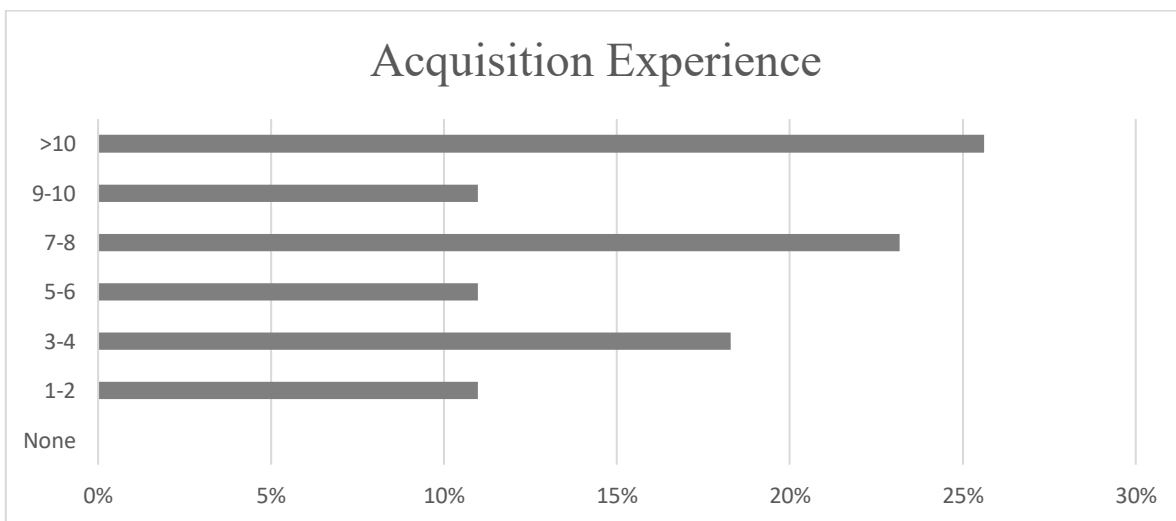


Figure 3 - Number of Acquisitions in the last 5 years
Own elaboration according to SPSS Analysis

From the figure 4, is possible to understand how most of the sample is composed of large firms. Almost 60% of the firms have a number of employees above 5000. In

addition, this study has almost no results below 251 employees, whereas only 7.3% of the sample was collected from firms with less than 50 employees.

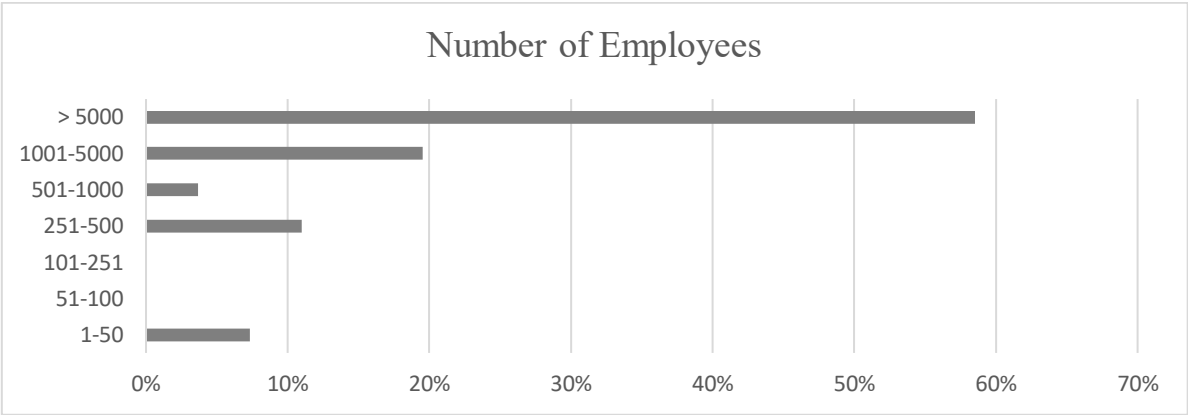


Figure 4 - Number of Employees
Own Elaboration according to SPSS Analysis

Once more, figure 5 points out how large the firms are represented in this sample. More than 70% of the results are explained by large firms that have a yearly revenue of over a billion pounds.

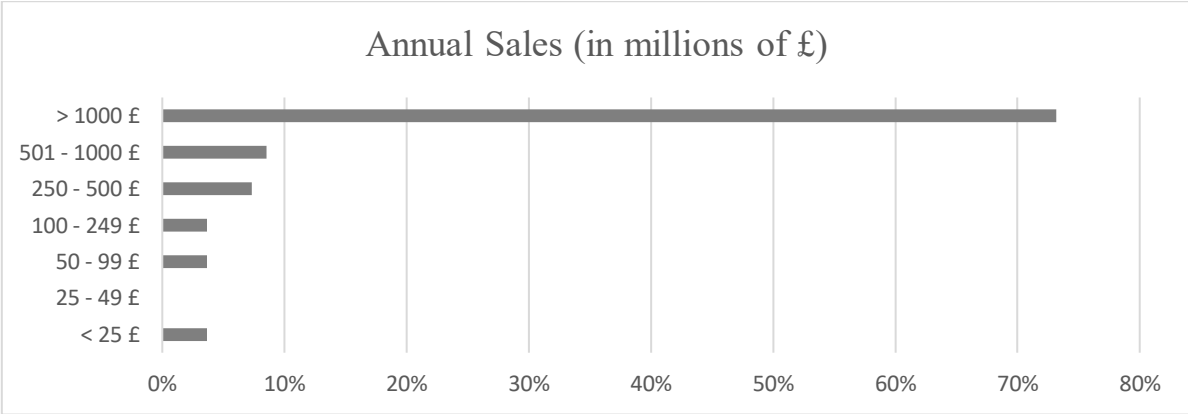


Figure 5 - Annual Sales (in millions of £)
Own elaboration according to SPSS analysis

In figure 6, most firms have very moderate growth, however, in the present study is possible to see 29.3% of the companies have a growth rate over 30%. This relies on how involved in M&A these firms are. In this figure, is also possible to understand that not all the companies grew over the last 5 years. Almost 21% of the organizations did not grow or had actually a loss.

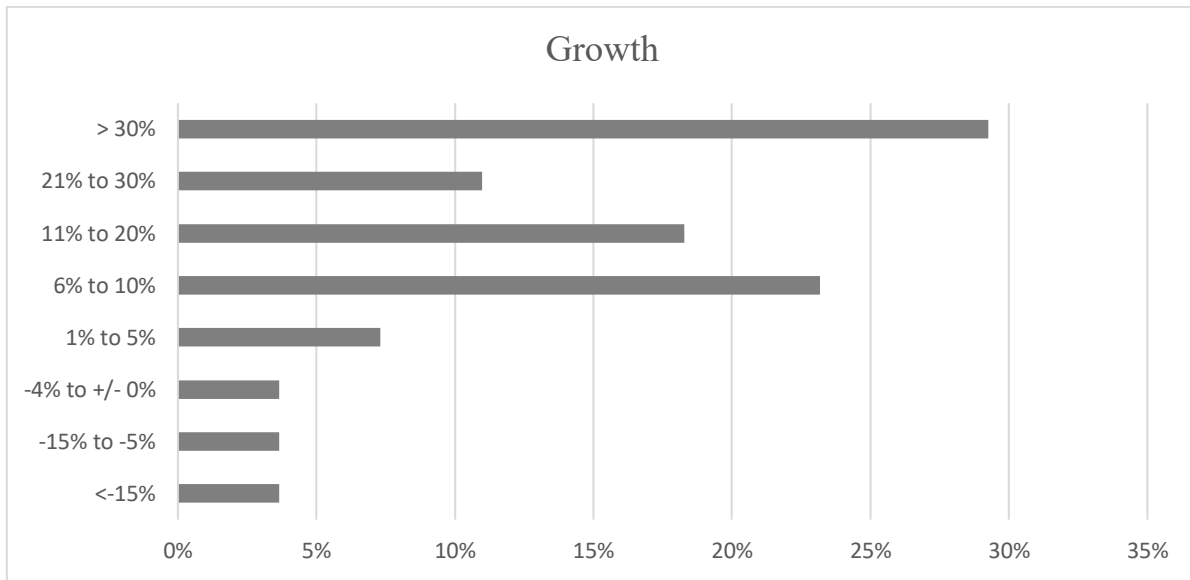


Figure 6 - Growth over the last 5 years
Own elaboration according to SPSS analysis

4.3.2 Regression Analysis

The following table shows four regression models and their impact on the dependent variable – the ability to capture opportunities. Ordinary regression analysis was applied to get these results and further test hypotheses based on these

Opportunity Capture	Model 1		Model 2		Model 3		Model 4	
	Coeff.	SE	Coeff.	SE	Coeff.	SE	Coeff.	SE
Opportunity Recognition (H1)			0.001***	3.636	0.002**	3.280	0.000***	3.651
Decentralized Approach					0.177	-1.360	0.613	-0.507
Centralized Approach					0.389	0.866	0.104	1.642
Interaction Decentralized Approach x Opportunity Recognition (H2a)							0.003**	-3.045
Interaction Centralized Approach x Opportunity Recognition (H2b)							0.369	-0.902
Number of Employees	0.936	0,079*	0.431	0.792	0.459	0.744	0.577	0.560
Annual Sales	0.827	0.218	0.908	0.116	0.820	0.229	0.694	0.395
Acquisition Experience	0.000***	4.484	0.001***	3.387	0.001***	3.502	0.000***	4.335
Growth	0.000***	6.135	0.000***	4.965	0.000***	5.084	0.000***	4.031
F-Value	18,754		20.03		14.968		13.817	
Adjusted R ²	0.467		0.540		0.547		0.587	
R ²	0.493		0.569		0.586		0.633	

†0.1; * p < 0.05; ** p < 0.01; *** p < 0.001

Table 2 - Regression Analysis
Own elaboration according to SPSS Analysis

findings.

Starting with the analysis and interpretation of the F-Value and Adjusted R², it shows in every model significant F-Values, and there is a positive progression of the adjusted R², meaning that from model to model, the dependent variable can be

explained better. *Model 1* uncovers the effect of the control variables on the dependent variable. *Number of Employees* ($\beta = 0.080$; n.s.) and *Annual Sales* ($\beta = 0.218$; n.s.) have slightly positive effects on opportunity capture. Moreover, both *Acquisition Experience* ($\beta = 4.484$; $p < 0.001$) and *Growth* ($\beta = 6,135$; $p < 0.001$) have a positive and significant influence on opportunity capture.

Model 2 addresses the direct effects of the independent variables – Decentralized Approach and Centralized Approach – on the dependent variable. Consequently, *Hypothesis 1* can be tested. The result indicates a positive impact on opportunity capture. Furthermore, *Model 2* also includes the respective impact of the control variables. There is a positive effect of opportunity recognition on opportunity capture ($\beta = 3.637$; $p < 0,01$), and therefore, **H1 can be supported**. The control variables *Acquisition Experience* and *Growth* still stay on a significant level and indicate with a slightly lower level, positive effects as in *Model 1*. Thus, the F-Value ($\beta = 20,03$, $p < 0,001$) increased to highest level, and continued significant.

Model 3 is an auxiliary model because its main purpose is to evaluate the effects of the moderating variables – Centralized Approach and Decentralized Approach – on the dependent variable. The present research model and hypothesis do not tackle these direct effects, but still, they serve as antecedents and indicators of interaction effects. *Model 3* also includes the control and independent variables. *Acquisition Experience* and *Growth* continued to have a positive and significant effect on opportunity capture. The effect of OR on capture opportunity got slightly weaker ($\beta = 3.280$; $p < 0.001$), but still significant. The first moderator – Decentralized Approach – has a slightly negative effect ($\beta = -1.360$; n.s.) on the dependent variable and is not significant. However, the second moderator – Centralized Approach – has a slightly positive effect ($\beta = 0.866$; n.s.) on the

dependent variable but is not significant. Furthermore, the F-Value ($\beta = 14.968$; $p < 0.001$) has decreased a quarter from its previous value.

Model 4 is essential for testing *Hypotheses 2a* and *2b*. Besides the control, moderating and independent variables, the interaction or moderating effects are included for the most comprehensive model. The effect of control variables has not changed substantially, whereas Acquisition Experience continued significant, and with a positive effect on opportunity capture. OR ($\beta = 3.651$; $p < 0.001$) reveals similar results from the previous models, continuing with a significant and positive effect on the dependent variable. Additionally, decentralized approach ($\beta = -0.507$; n.s.) and centralized approach ($\beta = 1.642$; n.s.) are in line with the results from the previous model. The interaction of a decentralized approach with OR is significant and negative ($\beta = -0.276$; $p < 0.05$), and therefore **H2a can be supported**. The same interaction in a centralized approach is not significant ($\beta = -0.082$; n.s.). Conclusively, adjusted R^2 has increased once more and the F-Value ($\beta = 13.817$; $p < 0.001$) has slightly decreased, reaching the lowest value from all models. Thus, *Model 4* explains the opportunity capture at a high level of significance.

4.3.3 Summary of Results

To sum it up, the results reveal valuable findings. The proposed positive impact of OR on the OC can be supported (H1). Furthermore, support for the negative moderating effect of a decentralized team approach on the relationship between OR and OC was found (H2a). However, H2b had to be rejected since it revealed a non-significant result.

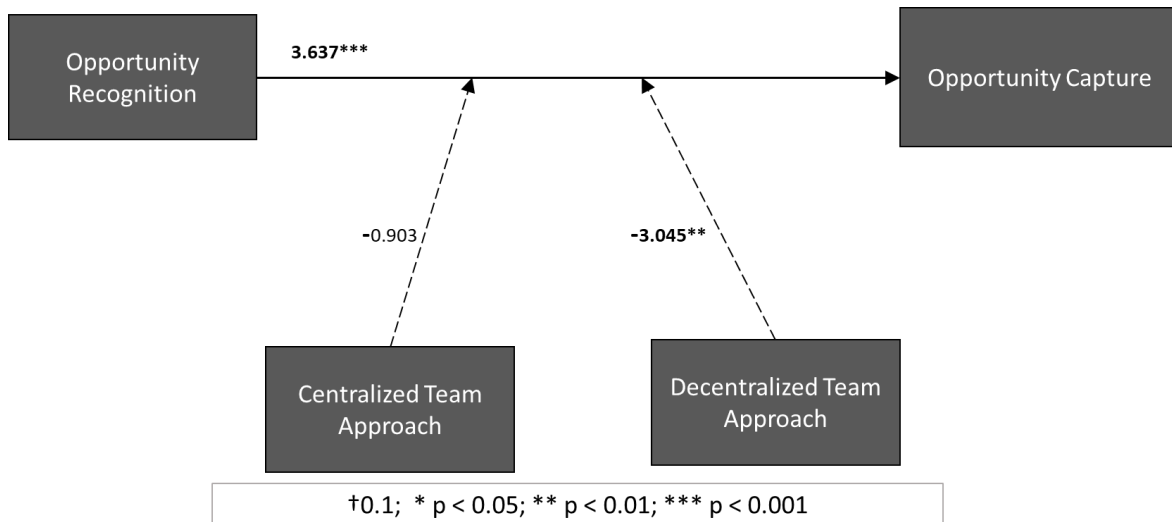


Figure 7 - Research Model Results
Own Elaboration

Figure 2 offers a good overview of the results taken from the regression analysis. It shows the identified effects and points out three principal conclusions. To begin with, OR has a positive impact on opportunity capturing and is highly significant. In addition, the interaction of a decentralized approach with OR and OC is significant and negative. It is in line with what was expected, since there are losses of opportunities during the process. To conclude, doing it in a centralized approach has no significant impact, so the relationship between OR and OC remains stable if doing it centralized.

4.4 Check for Biases

In this study, external and internal validity were tested. For external validity, a non-or late response bias was applied which is essential to generalize the findings of this study (Saunders et al., 2012). For internal validity, the most common method bias was checked to validate the relationship between variables (Saunders et al. 2012).

4.4.1 Non-or Late Response Bias

Generalization is impossible without knowing about the non-or late response bias. In this case, if a person who responds to the survey differs substantially from those who do not, then, the results do not allow to say how the whole sample would have responded (Armstrong & Overton, 1977). These authors argued that for predicting the non-response results, the results from the last wave of respondents should be accessed. Thus, if the late response doesn't vary from the early respondents, there is a high probability of not having non-or late response bias (Armstrong & Overton, 1977).

In this research, the One-Way ANOVA test was used to access the non-or late response bias, however, there were no issues (see Appendix C).

4.4.2 Common Method Bias

Common Method Bias is something that can never be unused on a survey, and so it will not be excluded from this study. MacKenzie and Podsakoff (2012, p. 553) argued the importance to note that all research involves inevitable tradeoffs, and therefore, it is impossible to design a study that fully rules out all possibilities of method bias. One way to control for method bias is to use Harman's one-factor test (Podsakoff et al., 2003, p.889), it measures whether all items used in this study creates one method factor. Based on Harman's Single factor test, all items are measured on more than one factor, thus, the common method bias can be excluded (see Appendix B).

4.4.3 Reliability

According to Brymann & Bell (2011, p. 161), validity presumes reliability. In this case, centralized and decentralized teams only use two indicators, therefore, there

is no need for a reliability test. The following table provides an overview of the items on OR and OC, and their respective loadings to prove the consistency of the data.

Construct	Item	Factor Loading	Cronbach's Alpha
Opportunity Recognition	Always alert to business opportunities	0.523	0.878
	Systematically searches for business opportunities	0.919	
	Searches constantly for potential target firms	0.931	
	Regularly scans the environment for new business opportunities	0.895	
Opportunity Capture	Is organized that we can pursue acquisition opportunities	0.876	0.862
	Has developed new markets, products or services through acquisitions	0.686	
	Has a team that allows to quickly move in transaction processes	0.737	
	Has sufficient slack resources to engage in acquisitions	0.843	

*Table 3 - Test on Reliability
Own elaborations according to SPSS analysis*

5. Discussion

5.1 Theoretical Implications

This research study introduces a new idea of opportunity recognition and opportunity capture in M&A target screening. In addition, it is possible to understand that opportunity capture is an important element.

One thing that has not been investigated enough, is who manages these opportunities in the organizations, and there is this idea from (Trichterborn et al., 2016), who discusses about this M&A capability. He argues that firms need to develop this capability, and it is best developed if there exist a dedicated M&A function. An alternative approach is to do it in a decentralized way, and to do it decentralized has an advantage since firms have people in the market who understand the business, who probably are able to identify the best target firms. However, doing it in a decentralized way, only a few opportunities are actually captured, as it is possible to see in this research, as there is a negative impact on opportunity capture.

In conclusion, OR and OC are closely linked but strongly dependent on how they are managed.

5.2 Managerial Implications

As previously mentioned, there are advantages for opportunity recognition when doing it in a decentralized approach, however, if these recognized opportunities want to move forward into a capture, there is the need to do it in a centralized approach, allied with the creation of mechanisms that can help funnel these

decentralized opportunities into a centralized M&A team which will push these opportunities forward.

5.3 Limitations and future research

The present study, and like many others, is not free of limitations. This is one of the first investigations appraising the actual effect of internal teams on OR and OC. Therefore, the generalization of the results is only partly possible. To begin with, the sample is limited to its geographical results, whereas most of the data collected come from Germany (see table 2). Hence, it is suggested the collection of samples from other European countries to have a better comparison for the generalization of the outcomes.

Secondly, this study used various methods to distribute the survey (e.g. Internet, email, and phone calls). As such, this study does not have a clear population defined. Although not harming the results of this study, it can be seen as a limitation. In addition, the sample collected only 82 responses, so for a better and more complete analysis, it would be beneficial to increase the sample.

Furthermore, the research was done in a very certain period, whereas data was collected during Covid-19. Thus, it makes sense to replicate this study in a near future. Further research could also investigate the role of externals, such as advisors and consultants, what is their link in OC and OR. To conclude, this research represents only a few mid-sized companies in the sample. Therefore, it would make sense to further investigating how these enterprises, which usually do not have an M&A department, do recognize and capture opportunities.

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Appendix

Appendix A: Measure

*Table 4 - Measures of Opportunity Recognition
Own elaboration*

Source	Factor	Item
Kuckertz et al. (2017)	Opportunity Recognition	Always alert to business opportunities
		Systematically searches for business opportunities
		Searches constantly for potential target firms
		Regularly scans the environment for new business opportunities

*Table 5 - Measures of Opportunity Capture
Own elaboration*

Source	Factor	Item
Kuckertz et al. (2017)	Opportunity Capture	Is organized that we can pursue acquisition opportunities
		Has developed new markets, products or services through acquisitions
		Has a team that allows to quickly move in transaction processes
		Has sufficient slack resources to engage in acquisitions

*Table 6 - Measures of Centralized and Decentralized Team Approach
Own elaboration*

Source	Construct	Item
Own Elaboration	Decentralized Team	Members of business units
		Members of functional areas
	Centralized Team	Members of M&A department
		Members of the board

Appendix B: Common Method Bias Analysis

Figure 8 - Common Method Bias
Own elaboration according to SPSS

Total Variance						
Items	Initial own values			Sums of squared loadings for extraction		
	Total	% of the variance	Cumulative %	Total	% of the variance	Cumulative %
1	5.232	32.699	32.699	5.232	32.699	32.699
2	2.774	17.340	50.039	2.774	17.340	50.039
3	1.725	10.780	60.819	1.725	10.780	60.819
4	1.531	9.566	70.384	1.531	9.566	70.384
5	1.289	8.054	78.439	1.289	8.054	78.439
6	0.814	5.089	83.528			
7	0.718	4.488	88.016			
8	0.507	3.166	91.182			
9	0.413	2.580	93.762			
10	0.331	2.070	95.832			
11	0.258	1.610	97.442			
12	0.157	0.979	98.422			
13	0.118	0.737	99.159			
14	0.065	0.406	99.564			
15	0.045	0.284	99.848			
16	0.024	0.152	100.000			

Appendix C – Non-or Late Response Bias

Table 7 - One-Way ANOVA for Non-or Late Response Bias
Own elaborations according to SPSS analysis

One-Way ANOVA						
		Squares	df	Square	F	Sig.
OR 1	Between Groups	0.008	1	0.008	0.005	0.942
	Within Groups	116.89	80	1.461		
	Total	116.898	81			
OR 2	Between Groups	0	1	0	0	0.994
	Within Groups	98.597	80	1.232		
	Total	98.598	81			
OR 3	Between Groups	0.063	1	0.063	0.056	0.814
	Within Groups	90.193	80	1.127		
	Total	90.256	81			
OR 4	Between Groups	0.005	1	0.005	0.005	0.946
	Within Groups	90.267	80	1.128		
	Total	90.272	81			
OC 1	Between Groups	0.762	1	0.762	0.577	0.45
	Within Groups	105.586	80	1.32		
	Total	106.349	81			
OC 2	Between Groups	0.147	1	0.147	0.137	0.713
	Within Groups	85.872	80	1.073		
	Total	86.018	81			
OC 3	Between Groups	0.118	1	0.118	0.127	0.722
	Within Groups	73.94	80	0.924		
	Total	74.058	81			
OC 4	Between Groups	0.251	1	0.251	0.233	0.63
	Within Groups	85.979	80	1.075		
	Total	86.23	81			
Team Decentralized	Between Groups	0.068	1	0.068	0.12	0.73
	Within Groups	45.067	80	0.563		
	Total	45.135	81			
Team Centralized	Between Groups	0.025	1	0.025	0.053	0.818
	Within Groups	38.333	80	0.479		
	Total	38.359	81			

Appendix D: Questionnaire

17/09/2021, 14:32

Qualtrics Survey Software

Default Question Block



**BUNDESVERBAND
MERGERS &
ACQUISITIONS E.V.**

Dear Sir or Madam,

Slowly, after a year dominated by the pandemic, there is a silver lining with more and more people being vaccinated. However, the economic consequences of the Covid-19

pandemic are not yet completely foreseeable. Indeed, our way of working has significantly changed, and it is doubtful, if we go fully back to past practices.

The Corona pandemic has also massively impacted the market for corporate control and the M&A-behaviour of firms. This short survey developed by MADiscover GmbH and Lancaster University Management School aims to gain deeper insights into current M&A-practices. We also aim to make comparisons to an earlier study to identify tendencies and developments.

All your details will of course be treated anonymously and strictly confidentially.

Your participation in the study will take approx. 7 minutes of your time. The results of the investigation will be presented in a webinar series in June and July. At the end of the survey, you can register for the webinar directly online.

Thank you very much in advance for your participation.
Best wishes and stay safe

Mai Anh Dao (CEO and Co-Founder MADiscover GmbH)
Florian Bauer (Professor at Lancaster University, Editor M&A Review and Co-Founder Madiscover GmbH)

In case you have any questions, please do not hesitate to contact us via email
(maianh.dao@madiscover.com or f.bauer@lancaster.ac.uk)

How has the Corona pandemic influenced your M&A activities?

Not at all

We continued with ongoing transactions but didn't plan new ones

We wait and see how the industry develops

We wait and see how competitors act

We stopped all ongoing M&A activities temporarily

We broke off all ongoing M&A activities

How did the following figures change through the Covid-19 pandemic compared to the situation before the pandemic:

	Much less	-	Similar	+	Much more
Change in technology expenditures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Change in capital expenditures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Change in marketing expenditures	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Change in employees	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Change in cash holdings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Change in dividend payout	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Which parts of the acquisition process are specifically affected by the Corona pandemic?

Screening

Due Diligence

Integration

M&A Performance

Please briefly elaborate on your thoughts:

Please think of a recent screening project:

How much time did you and your team invest in this project?

1-5 days

6-10 days

11-15 days

16-20 days

21-25 days

> 25 days

How much time did you spend on the following activities in days?

	1-2 days	3-4 days	5-6 days	7-8 days	9-10 days	>10 days	was done externally
Putting together the longlist	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Analysing and evaluating the companies in the longlist	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Putting together the shortlist	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Other activities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Please specify the other activities here:

During our screening projects, we usually talk about time as...

	I completely disagree	-	Neutral	+	I fully agree	I do not know
Pressing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
An emergency	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Urgent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Running out	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Down the wire	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Always differently	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

With regards to M&A, our company is:

	I completely disagree	-	I partially agree	+	I fully agree
Always alert to business opportunities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Systematically searching for business opportunities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Constantly searching for potential target firms	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Regularly scanning the environment for new business opportunities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

To which extent are the following persons (groups of persons) involved in your target screening processes respectively in the evaluation of business opportunities?

	not at all	-	partially	+	in every respect
Members of business units	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Members of functional areas (e.g., R&D, accounting)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Members of the M&A department	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Members of the board	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
External consultancies	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Target screening has changed due to the Covid-19 pandemic. How do you find suitable target companies?

	I completely disagree	-	I partially agree	+	I fully agree
With Covid-19 we receive significantly more takeover offers	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
With Covid-19 we lack time to screen strategically	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We are now on a bargain hunt	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We are buying companies within our network	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We are buying companies that face financial distress	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Right now we rely on business opportunities proposed by consultants and investment banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have always cooperated intensively with consultants and investment banks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Right now we are receiving many target proposals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We spent a lot of money on external consultants and banks during the screening process	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We rely on our internal search processes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Our M&A department is ahead of the game	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Our strategic screening approach has proven to be robust	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
We have the internal expertise to screen successfully	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How important are the following factors when you engage in acquisitions?

	Not at all	-	To some extent	+	Absolutely decisive
Internal political considerations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Competitive considerations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Technological considerations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Economic considerations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

	Not at all	-	To some extent	+	Absolutely decisive
Societal considerations	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

With regards to M&A, our company:

	I strongly disagree	-	I partially agree	+	I fully agree
Is set up well for pursuing acquisition opportunities	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has developed new markets, products or services through acquisitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has a team that allows us to move quickly in transaction processes	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Has sufficient slack resources to engage in acquisitions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

How would you characterize your acquisition strategy?

	I strongly disagree	-	I agree partially	+	I fully agree
Is strategically dynamic	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Seeks competitive dominance	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Focuses on ambitious strategic targets	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Focusses on winning in the market place	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

Finally, we ask you to share the following information with us:

What is your current position?

What is your professional background?

- Corporate
- Mic-Cap
- Private Equity

If none of these apply:

How many employees does your company currently employ?

1-50 51-100 101-250 251-500 501-1.000 1.001-5.000 > 5.000

What was your annual turnover in 2020 (in million £)?

< 25 £ 25-49 £ 50-99 £ 100-249 £ 250-500 £ 501-1.000 £ > 1.000 £

Approximately how many transactions has your company carried out in the last 5 years?

None 1-2 3-4 5-6 7-8 9-10 > 10

How much has your company's sales grown over the past five years?

< -15% -15% to -5% -4% to +/-0% 1% to 5% 6% to 10% 11% to 20% 21% to 30% > 30%

Where is your company's headquarters located?

United Kingdom

Austria

Switzerland

Italy

Germany

Sweden

Norway

Finland

Denmark

Other:

Please leave your contact details here if you are interested in attending the webinar series on the results. We will send you the details as soon as the dates are fixed.

Name	<input type="text"/>
E-Mail address	<input type="text"/>
Phone number	<input type="text"/>

Thank you for participating in the survey!

In case you have any questions, please do not hesitate to contact us via email (maianh.dao@madiscover.com or f.bauer@lancaster.ac.uk).

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