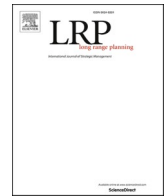




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Acquisition integration capabilities and organizational design

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A B S T R A C T

Research has yet to explain how firms with acquisition experience can improve their success with acquisitions. With a multi-national sample, we study how acquisition experience can lead to integration capabilities that impact acquisition outcomes. We argue that different types of knowledge (tacit or explicit) and organizational designs (more centralized vs. less centralized) influence the development of integration capabilities. We demonstrate that tacit and explicit knowledge provide multiple paths to acquisition success for acquiring firms, and this can explain conflicting findings in existing research. More specifically, less centralized organizational designs lower the effectiveness of tacit knowledge in developing an integration capability, but centralization is effective for explicit knowledge. Additional implications for management research and practice are provided.

1. Introduction

Research demonstrates that acquisitions on average fail to reach intended goals (King et al., 2021). Given the complex interaction of factors producing acquisition outcomes, much effort has been invested in addressing whether prior experience of acquisitions leads to improved performance in subsequent transactions (e.g. Dao and Strobl, 2019; Langosch and Tumlinson, 2021; Schweizer et al., 2022). While some research supports that firms learn from prior acquisitions (Barkema and Schijven, 2008; Fowler and Schmidt, 1989; Halebian and Finkelstein, 1999; Langosch and Tumlinson, 2021; Reus and Lamont, 2009; Wang, 2018), other studies challenge this conclusion (e.g., Bauer et al., 2018; Colman and Lunnan, 2022; King et al., 2021; Uhlenbruck et al., 2006). To accommodate these inconsistent results, acquisition research has emphasized the importance of organization level capabilities that mediate the acquisition experience-performance relationship (e.g., Grant et al., 2022; Trichterborn et al., 2016). In this vein, we focus on integration capabilities that realize value from acquisitions (Zollo and Singh, 2004).

Drawing on the capability-based view of the firm, we argue that focusing on integration capabilities can help unravel how experience relates to acquisition performance (Mitchell and Shaver, 2003). Organizational capabilities accumulate from tacit and explicit experience (Zollo and Winter 2002), and from heuristics or causal knowledge (Vuori et al., 2023), and evolve as they are applied (Zollo and Winter 2003). As these capabilities consist of collective, skill-based processes or routines, they are shaped and preconditioned by the organizational design (Zahra et al., 2006). While it is recognized that organizational contexts influence capability development (Argote and Miron-Spektor, 2011; Felin et al., 2012), the impact from organizational design, or the extent

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decision making is centralized or decentralized across organizational functions, has been given limited attention in acquisition research. An exception is [Trichterborn et al. \(2016\)](#) who find designated M&A departments positively impact acquisition capabilities. We develop and test theory for how centralized and decentralized organizational designs moderate the development of integration capabilities from tacit and explicit knowledge.

We test our hypotheses using survey data from an international sample of 311 acquisitions. We outline how prior acquisition experience can develop into capabilities ([Vuori et al., 2023](#)), and how it can follow different paths to capability development, making several contributions to acquisition research. First, we theorize and empirically test the importance of considering integration capabilities for M&A performance. This sheds further light on the role of capabilities for explaining acquisition outcomes ([King et al., 2021](#)). Second, we reveal how organizational design choices affect the development of integration capabilities, as they precede skill-based, collective processes and routines which constitute capabilities (e.g., [Felin et al., 2012](#); [Zahra et al., 2006](#)). We find that centralized design choices improve the effectiveness of tacit knowledge, while decentralized design choices make explicit knowledge more effective. Although important insteps have already been made (e.g. [Trichterborn et al., 2016](#)), research on the impact of organizational design choices on acquisition integration capabilities remains scarce. Third, our findings emphasize the equifinality of M&A capabilities (e.g. [Campbell et al., 2016](#)). Indeed, in accordance with organization research that points out that different designs may be functionally equivalent (e.g. [Gresov and Drazin, 1997](#)), we show that similar integration capabilities (and performance outcomes) may emerge from different design choices in combination with different types of knowledge. Fourth, our study contributes to integrating dynamic capabilities and acquisition research, and more specifically that an increasing portfolio of capabilities may benefit from higher-order capabilities ([Teece, 2007](#)).

2. Theory and hypotheses

Acquisition integration involves initiating, controlling, and adjusting efforts to make two previously separate organizations operate as one ([Cording et al., 2008](#); [Haspeslagh and Jemison, 1991](#); [Lunnan and Colman, 2022](#)). Beyond its direct effects on a focal acquisition, repeated integration management efforts may give rise to distinct organizational capabilities of value in subsequent deals ([Grant, 1996](#); [Helfat and Raubitschek, 2000](#); [Mitchell and Shaver, 2003](#)). We consider capabilities involving collective, skill-based, routines that develop over time ([Felin et al., 2012](#); [Schriber and Löwstedt, 2020](#); [Zahra et al., 2006](#)). Specifically, we draw on [Zollo and Winter \(2002: 340\)](#) who state capabilities are a “learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness”.

We develop and test effects of tacit and explicit knowledge accumulation that may lead to improved decisions during integration in subsequent deals. Tacit knowledge is difficult-to-articulate and embedded in actors’ everyday activities ([Nonaka and von Krogh 2009](#); [Tsoukas 1996](#)). In contrast, explicit knowledge can be articulated and codified ([Zollo and Singh, 2004](#)). Although interrelated ([Nonaka and Takeuchi, 1995](#)), differentiating between tacit and explicit knowledge is important, as they vary in terms of ease of use ([Dhanaraj et al., 2004](#)) with potential consequences for acquisitions. For example, explicit knowledge of financial performance, technical arrangements, or operating procedures in the target allows planning and directing integration efforts toward relevant parts of the organization but avoiding others ([Bauer and Matzler, 2014](#)). Meanwhile, tacit knowledge may enhance the management of multiple social tensions that typically emerge in acquisitions ([Colman et al., 2023](#)). Additionally, repeated use of tacit and explicit knowledge can evolve into integration capabilities ([Mitchell and Shaver, 2003](#)), representing an ability to repeatedly manage integration processes ([Zollo and Singh, 2004](#); [Zollo, 2009](#)). This makes explicit and tacit knowledge important for explaining how integration capabilities develop ([Kogut and Zander, 1992](#); [Nonaka and von Krogh, 2009](#)).

Further, we maintain that the degree of capability development by acquiring firms depends on organizational design choices ([Arora et al., 2014](#); [Trichterborn et al., 2016](#)). The routines undergirding capabilities are supported by certain organizational forms but hampered by others ([Argote and Miron-Spektor, 2011](#); [Montealegre, 2002](#)) as “differences in routines and capabilities also are associated with the extent to which they are more rigid or more flexible; such manifestations often depend on context” ([Felin et al., 2012: 11](#)). These contexts evolve partly organically, through chance, but also as the result of organizational structure design choices ([Turner and Lee-Kelley, 2012](#)), or the extent a firm’s decision-making, coordination, and control is decentralized or centralized ([Bingham et al., 2015](#); [Crossan and Berdrow, 2003](#); [Okhuysen and Bechky, 2009](#)). Next, we outline expected relationships shown in [Fig. 1](#).

2.1. Tacit and explicit knowledge and the development of integration capabilities

Acquisition capabilities in general evolve gradually and through the drawing on prior experience, developing into collective skills ([Zollo and Winter 2002](#)). For instance, improved target detection ([Kaul and Wu, 2016](#); [Mitchell and Shaver, 2003](#)) can help increase acquirer innovativeness ([Dao and Strobl, 2019](#)). Yet, integration is of a challenging and idiosyncratic activity even for frequent acquirers ([Zollo and Winter, 2002](#)), as it involves combining different managers and resources ([Trichterborn et al., 2016](#)). Further, we maintain an integration capability is a potentially important predictor of subsequent acquisition performance ([Laamanen and Keil, 2008](#)).

An integration capability displays a better process for resource allocation and flexibly react to changing contextual circumstances

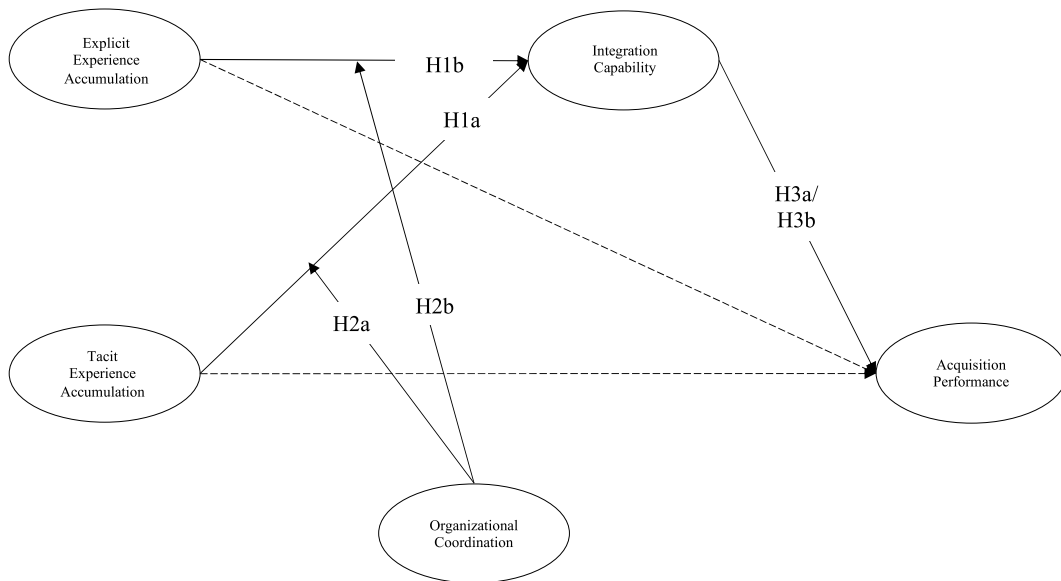


Fig. 1. Theoretical framework.

(Lamont et al., 2019; Winter, 2003; Zollo and Winter 2002). It enables adaptation to changing, or unpredictable conditions during integration, and it helps to avoid overextending prior experience (Ellis et al., 2011; Heimeriks et al., 2012). The need to adapt integration plans was exemplified by an insight an integration manager shared during a conversation¹: “... the reality after an acquisition is usually very different from the acquisition on paper after due diligence.” Thus, the ability to effectively adapt integration is an important aspect of a capability (Zollo and Winter 2002) and performance (Laamanen and Keil, 2008; Mitchell and Shaver, 2003; Reus and Lamont, 2009). We argue that integration capabilities are underpinned both by explicit as well as tacit knowledge.

Tacit knowledge forms an important backdrop for the development of an integration capability that is less formal (Grant, 1996; Zollo and Winter 2002) and circulates informally within an organization (Friesl and Larty, 2018). Tacit, unarticulated knowledge is central to acquisition integration (Haspeslagh and Jemison, 1991), and it leverages interpretative schemas that managers use to identify trends and opportunities (Teece, 2007). Informal, emergent integration is positively associated with realizing explorative, innovative technologies (Dao and Strobl, 2019). Unexpected situations frequently appear during integration (Graebner, 2004), as managers confront competing demands for business continuity and changing operating routines (Mirc et al., 2023). Still, in meta-analyses, Schweizer et al. (2022) do not find a significant relation between tacit learning and experience accumulation. Yet, a shared understanding from integration fosters the creation of new ideas, as tacit knowledge will be more dispersed across a firm after multiple acquisitions (Lovas and Goshal, 2000; Srikanth and Puranam, 2011). Therefore, we predict.

Hypothesis 1a. Tacit integration knowledge positively impacts a firm’s acquisition integration capability.

Explicit knowledge refers to developing insights from prior experience, or it is more than exposure to an experience (Trichterborn et al., 2016). Explicit knowledge can help managers to navigate through the complexity of integration (Heimeriks, 2010; Zollo, 2009; Zollo and Winter 2002) by facilitating the modification of operating routines during integration (Nikandrou and Papalexandris, 2007) in an aligned and coordinated way. The use of explicit knowledge enables decision-makers to develop a collective understanding of cause-effect relationships or the managing of specific processes (Zollo, 2009). Simply, explicit knowledge provides scripts of activities to solve specific integration tasks enabling a collective activity. For example, Castellaneta et al. (2018) show that prior experience reduced the risk of integration inertia. Combined, explicit knowledge provides a framework enabling a collective pattern of activity especially in complex circumstances such as acquisition integration, and we predict.

Hypothesis 1b. Explicit integration knowledge positively impacts a firm’s acquisition integration capability.

2.2. Moderator: centralized and decentralized organizational design

We also consider how firms gain access to tacit and explicit knowledge to develop integration capabilities. For example, organizational design choices that shape the flow of information (e.g., Crossan and Berdrow, 2003; Kogut and Zander, 1992), and we focus on the locus of decision-making. While integration activities may be scattered across the entire organization, ranging from IT, accounting, HR to manufacturing and logistics (Steigenberger, 2017), the locus of decision-making and control of these integration activities may

¹ Managerial quotes stem from a qualitative study on integration practices conducted between 2016 and 2017.

vary substantially. Specifically, a key structural choice relates to the degree of centralization or decentralization that shapes the availability of knowledge across the organization (Wulf, 2012; Zollo and Winter 2002). Centralization reflects a concentrated decision-making, typically visible in the use of a dedicated M&A department (Trichterborn et al., 2016). This reflects that bureaucratization formalizes processes to meet organization goals by improving efficiency from aligning actions across organizational levels (e.g., Adler and Borys, 1996; Langton, 1984). Meanwhile, less centralized decision-making can positively influence a firm's choices and flexibility in complex and ambiguous situations (Arora et al., 2014; Zahra et al., 2004). For example, "the information flow in centralized organizations resembles that of hierarchies, whereas the information flow in decentralized organizations resembles that of polyarchies" (Csaszar, 2012: 615). This, we argue next, has important implications for integration capability development, and thereby for acquisition performance.

2.2.1. Decentralized designs moderate integration capability development from tacit knowledge

Organizational centralization implies the assignment of decision rights to a specific corporate function and thus a limited set of actors (Mintzberg, 1979). While decentralized target selection is associated with benefits from operational and market knowledge (Grant et al., 2022). In the case of acquisition integration, this implies that only a small number of people is repeatedly exposed to acquisition-related tasks, compared to if planning is conducted by a larger set of people at lower levels in the organization, taking turns in planning acquisitions. The latter results in infrequent exposure of actors to integration tasks, and task repetition is reduced further when these are spread across more managers who also face higher turnover following acquisitions (Bilgili et al., 2017). As tacit knowledge is embodied and not easily transferrable (Nonaka and Takeuchi, 1995) centralized coordination can result in internal selection pressures (Nonaka and Takeuchi, 1995), a common understanding, and foster coordinated activities (Lovas and Goshal, 2000). Tighter coordination allows aligning dispersed activities over a long period like integration, and developing learned, stable patterns underpinning organizational capabilities (Zollo and Singh, 2004). Hence, we anticipate that centralized acquisition responsibilities where a higher rate of repetition and knowledge sharing is possible will have a greater impact for capability development, than when responsibilities are decentralized.

However, decentralized coordination in combination with tacit knowledge might trigger spontaneous acts and decisions (Zollo and Winter 2002), as well as increasing confidence levels of managers (Ocasio et al., 2023) resulting in superstitious learning (Zollo, 2009). This risk increases if the tacit knowledge is not sufficiently digested, but still taken as a rule for future action (Vuori et al., 2023). Moreover, "since developing acquisition capabilities through experiential learning requires substantial investments in terms of money, time, and effort, experiential learning mechanisms can be subject to significant opportunity costs" (Schweizer et al., 2022: 11). Put differently, the investment in a broad, decentralized, learning based on tacit knowledge may hamper rather than improve the development of acquisition capabilities. Taken together, while decentralized structures may facilitate flexibility and multiple contributions of individuals (Kanter, 1983; Zahra et al., 2004), it is unlikely to achieve the repetition needed for a capability to evolve (Winter, 2003). Thus, specifying the insights by Trichterborn et al. (2016) of the positive impact from an M&A department on M&A performance we predict.

Hypothesis 2a. Decentralized organizational designs negatively moderate the relationship between tacit knowledge and acquisition integration capability.

2.2.2. Decentralized designs moderate integration capability development from explicit knowledge

Compared to tacit knowledge, codified knowledge is more easily transferrable which helps connecting pockets of expertise (Tsoukas, 1996). The creation of checklists for acquisitions in general (Zollo and Singh, 2004; Schweizer et al., 2022) and for due diligence activities before acquisition completion (Gomes et al., 2007) positively impact capability development and acquisition performance. We take this argument further, and argue this impact is greater in decentralized organizations. Decentralized designs are characterized by dispersed decision rights across a number of organizational functions and actors (Mintzberg, 1979). For decentralized organizations, explicit knowledge provides managers with heuristics to capture opportunities (Bingham et al., 2007; Bingham et al., 2015) and to identify potential integration challenges and solutions (Zollo, 2009). Even when responsible managers have no personal experience of acquisitions, they can benefit from explicit knowledge, in the form of templates, decision criteria, and lessons learned extracted from prior deals (Zollo and Singh, 2004). Explicit manuals can be spread widely in the organization, making aligned knowledge available while integrating various organizational functions (Bingham et al., 2015).

While codified experience benefits acquisition performance in general (Zollo and Singh, 2004; Zollo, 2009), it may be relatively less beneficial when acquisition decision-making is centralized. First, there is a diminishing cost-benefit return to codification when all involved are already familiar with the task (Schweizer et al., 2022). Centralized decision-making reduces local, decentralized input that, in combination with general checklists, blueprints, or decision criteria combined threatens necessary tailoring to a particular context (Heimeriks et al., 2012), or unexpected events typical to integration processes (Graebner, 2004; Grant et al., 2022). This is supported by one manager, who told us: "We have all these checklists, but sometimes they just do not fit". In contrast, in cases of decentralized organizational designs, codified knowledge can support managers in developing an integration capability by giving managers degrees of freedom (Cording et al., 2008), and can foster a capability (Zollo and Winter 2002) useful for integration. Thus, we predict.

Hypothesis 2b. Decentralized organizational designs positively moderate the relationship between explicit knowledge and acquisition integration capability.

2.3. Mediator: integration capability and acquisition performance

The relationship between experience, organizational capabilities and firm performance has been subject to substantial strategy research, including alliances (e.g. Heimeriks and Duysters, 2007) and acquisitions (Hayward, 2002). While direct positive implications of experience on performance have an intuitive appeal, recent research reveals that this relationship is mediated by organizational capabilities (Anand et al., 2016; Trichterborn et al., 2016; Schweizer et al., 2022). Given the important role played by organizational capabilities in acquisitions (Heimeriks et al., 2012; Mitchell and Shaver, 2003), we propose that the relationship between acquisition experience and acquisition performance is mediated by a firms' integration capability: first, it is through the deployment of integration capabilities that integration is performed and, second, firms may choose to integrate because they have integration capabilities.

Integration capabilities develop based on the reflection on prior experience, the retention of superior activities and practices and the redeployment of these activities (Zollo and Winter, 2002) in future acquisitions. Thus, it is integration capabilities (rather than experience per se) that reflect firms' activities and routines used in integrating acquisitions. Moreover, it is integration capabilities in terms of organizational roles, processes, and procedures that allow the accumulation of integration specific knowledge (Trichterborn et al., 2016). This is crucial, as acquisition implementation is a highly dynamic process, subject to sudden internal and external changes and events (Graebner, 2004; Schriber et al., 2022), placing more emphasis on a general capability to integrate (Schweizer et al., 2022). Further, integration brings an increase in workload over and above daily business operations. Integration capabilities may improve performance by enabling better handling of integration tasks, reducing the negative effects from an increased overall workload of limited resources (Lamont et al., 2019). For example, capabilities can find solutions to avoid unnecessary organizational and emotional turbulence and increase the realization of synergies (Graebner, 2004). Integration capabilities also allow organizations to respond appropriately and with greater speed in creating value.

What is more, firms with acquisition capabilities likely benefit more from the exposure to additional events (acquisition experience) compared to those that do not, particularly important in integration processes (Schriber and Degischer, 2020; Zollo and Singh, 2004). Indeed, prior strategy research on the role of experience argues that capabilities and experience are mutually intertwined. While capabilities form based on learning processes (Helfat and Peteraf, 2009), firms may actually seek certain types of experiences because they have capabilities in certain domains (Anand et al., 2016). This applies to the context of integration. Acquirers do have the choice how and to which extent acquired firms are being integrated (Zollo and Singh, 2004). Thus, we can assume that firms are more confident in integrating and put greater attention on creating additional synergistic value (Bauer and Matzler, 2014). Hence, we hypothesize that the relationship between acquisition experience and acquisition performance is mediated by a firm's integration capability.

Hypothesis 3a. An acquisition integration capability positively mediates the impacts of tacit integration knowledge on a firm's acquisition performance.

Hypothesis 3b. An acquisition integration capability positively mediates the impacts of explicit integration knowledge on a firm's acquisition performance.

3. Methodology

We used a key informant research design with managers informed about the strategic and organizational aspects we investigate (Ellis et al., 2011) for three different regions: 1) German-speaking countries in Europe, 2) Nordic countries, and 3) China. Particularly, we focused on CEOs, CFOs, and heads of M&A or corporate development. Prior to sending out the survey instrument, we conducted a pretest in the spring of 2016 with business professionals and academics to avoid ambiguity in question formulation. After adding some examples and minor modifications, we conducted a double-up translation between local languages and English to limit translation bias.

To motivate survey participation, the online questionnaires and mailed surveys included a summary of manager implications from a prior study (Rogelberg and Stanton, 2007). Additionally, we asked managers to focus on acquisitions completed three to five years prior to our survey to help ensure the integration process was over or at a later stage (Bauer and Matzler, 2014; Homburg and Bucerius, 2006). To control for non- or late response bias, we compared early and late respondents of our sample (Armstrong and Overton, 1977) and the demographic data of our survey (e.g., annual sales, acquisition experience in terms of previous transactions) with a random sample for an appropriate population of firms. The results of the non-parametric Mann-Whitney U tests indicate no significant differences, suggesting non- or late response bias is not an issue for our data.

Several steps were taken to identify managers and to distribute the surveys in the three different regions. However, we had to rely on different sampling procedures as international samples pose specific challenges due to the availability and reliability of databases. In German-speaking countries, acquirers from Austria, Germany and Switzerland were identified with the Zephyr database from the Bureau von Dijk in 2016. In 2017, we first sent out postal items prior to sending out the online surveys. After a period of two weeks, we conducted follow-up phone calls to increase the sample size. From 737 distributed surveys, we received 111 completed questionnaires equaling a response rate of 15.1 percent. In Nordic countries, we used a comprehensive database maintained by a consulting firm located in Stockholm to identify acquirers in Denmark, Finland, Norway and Sweden. In 2017, 1000 surveys were distributed by e-mail with links to an online-survey, and 92 useable responses were received for a response rate of 9.2 percent. For China, in 2017, one of the authors contacted alumni of master degree programs from five Chinese universities, describing the intent to study acquisitions, and asking if: a) their firm completed an acquisition in the last three years, b) they were familiar with circumstances before and after the acquisition, and c) they would participate in the study for a small reward. Several managers (145) indicated they would participate,

but, after double-checking company acquisition activity, internet surveys were sent to 115 managers. From the eligible sample of managers, 108 useable responses were received for a response rate of 93.9 percent. Overall, our sample consists of 311 responses, comprising 111 from the German-speaking countries, 92 from Nordic countries, and 108 from China.

3.1. Measurement development

We largely relied on existing and established measures and modified them to fit our research. The psychometric properties of the scales can be found in [Appendix A](#).

3.1.1. Dependent variables

Firm performance and its assessment have been discussed for decades, and stock market, accounting, and survey-based measures have inherent advantages and disadvantages ([Richard et al., 2009](#)). Our multi-country sample makes the comparison of accounting and stock market measures of performance difficult (e.g., [Park, 2003](#)). Additionally, most firms in our sample are not publicly listed, complicating the use of secondary data measures. Consequently, we rely on acquiring firm managers in a survey to assess acquisition performance, as they tend to be most knowledgeable on associated issues, and manager assessment and accounting measures of performance provide similar results ([Bauer and Matzler, 2014](#); [King et al., 2021](#)). We use a measure of acquisition performance originally developed by [Becker \(2005\)](#) applied in prior research (e.g., [Bauer and Matzler, 2014](#)) to assesses multiple dimensions of performance ([Papadakis and Thanos, 2010](#)) with objective and subjective assessment (each assessed with four items). Further, acquisition performance was assessed as a formative second order construct, containing the objective and subjective performance dimensions, see [Appendix A](#).

3.1.2. Independent variables

Explicit knowledge was assessed with a modified scale with three indicators developed by [Dhanaraj et al. \(2004\)](#). This scale examines the extent an acquirer has written down technical or managerial knowledge as well as procedural or technical manuals, and checklists about their acquisition processes. We applied a seven-point Likert scale asking the use of these ranging from 1 = not at all, 4 = partially, and 7 = fully. Tacit knowledge was measured with four slightly modified items, originally developed by [Choi and Lee \(2002\)](#). Again, we applied a seven-point Likert scale to assess their use in the acquisition process.

3.1.3. Mediator: integration capability

Our measure of *Integration Capability* consists of stable and flexible elements allowing a firm to display a “stable pattern of collective activity” ([Zollo and Winter 2002](#): 340), as such, it is operationalized as a second order type II construct ([Becker et al., 2012](#)). A stable element of the integration capability involves timely execution of resource allocation and task integration that requires collective activity ([Zollo and Winter 2002](#)). We assessed this element of the integration capability with four items originally developed by [Morgan et al. \(2009\)](#). We modified this scale to fit an acquisition integration context.

The flexible element of the integration capability is different from “sporadic acts of creativity” commonly based on tacit knowledge ([Zollo and Winter 2002](#): 341). The flexible element of the integration capability allows organizations to react on changing circumstances during integration in a controlled way that ensures collective action instead of individual ad-hoc problem solving. As such, the flexible element is about the learned pattern of organizations to adapt plans, start modified integrations, or to control shifts in the integration strategy. To assess this element, we borrowed a measure from the entrepreneurship literature that refers to perceived behavioural control aiming to capture the entrepreneurial capacity. We modified the measure developed by [Liñán and Chen \(2009\)](#) and adapted it to acquisition integration.

3.1.4. Moderator: organizational design

Again, we applied a type II second order measure to capture two facets of *organizational design*. First, we borrowed four indicators developed by [Zahra et al. \(2004\)](#) to assess the extent power and decision-making are concentrated in an organization. The centralization of control and decision-making authority may limit or reduce individual contributions of managers and flexibility during integration but potentially bundle and coordinate collective activities. Second, we used the measurement model developed by [Khandwalla \(1977\)](#) to capture the degree that the operating management philosophy of an acquiring firm is implemented using five indicators from [Covin and Slevin \(1988\)](#). Both scales were adapted to our context and slightly modified regarding the wording, and higher values relate to more decentralized organization.

3.1.5. Controls

As other variables may impact on our research model, we implemented various control variables. Previous acquisitions are an indicator of repeated acquisition related tasks that might result in an integration capability. Firm size is a relevant control as it affects organizational inertia and standardization ([Ellis et al., 2011](#)). There might be also other coordination mechanisms at play, and we control for two: 1) whether a firm has an M&A department, and 2) top management team involvement in the acquisition process. Additionally, we control for the involvement of consultants. Further, we control for the firm growth prior to the acquisition, as high growth rates might absorb managers reducing the likelihood to develop an integration capability. As our sample contains different countries, we controlled for the entrepreneurial culture of the country of origin and the intensity of local competition. We derived both indicators from the World Economic Forum competitiveness index for the year of an acquisition ([Schwab, 2014](#)).

3.2. Common method bias

Common method bias may be an issue for our data as the dependent and independent variables were measured at a single point in time from a single respondent (Podsakoff et al., 2012; Spector, 2006). Fundamentally, we have reason to believe that the likelihood of non-differentiated answers (Krosnick, 1999) and the tendency to agree (Baumgartner and Steenkamp, 2001) are low for our respondents for several reasons. First, our respondents are informed about topics in the survey. Second, responding managers were willing to fill out the survey correctly (Podsakoff et al., 2012), as there was no pressure to participate in the study. Third, it is unlikely that our respondents were able to anticipate our research model with moderated mediation, making it unlikely that our results are an artefact of this bias.² Fourth, acquisition failure rates are quite high, lowering concerns of social desirability, as respondents did not face social consequences (Steenkamp et al., 2010).

We applied several a-priori remedies to limit and post-hoc tests to assess common method bias. A-priori we applied multiple suggested remedies to common method bias, including: 1) reducing item ambiguity, or complex and abstract questions with a pretest (Doty and Glick, 1998), 2) separating construct measurement to avoid response patterns (Harrison, McLaughlin and Coalter, 1996), and 3) avoiding common scale properties. Post-hoc, we conducted Harman's single factor test (Podsakoff and Organ, 1986) and results do not indicate issues. We also applied the "ad hoc" approach recommended by Podsakoff et al. (2003), using a method factor in our model analysis (Liang et al., 2007). The ratio of substantive and method factor is 208 to 1, indicating that common method factor does not bias our data.

Finally, as a robustness test, we compared a subsample of our results with secondary data (in the sample we had 58 firms equally distributed among the regions, where contact details were known, and full financial information was available through D&B Hoovers). The indicators of our performance measure highly correlate with archival performance with Pearson correlation coefficients ranging between 0.51 ($p = .000$) and 0.41 ($p = .001$).

3.3. Key informant bias

Key informant bias is another limitation of surveys with single respondents (Kumar et al., 1993). To establish the reliability of our data, we collected additional data from databases and additional respondents of our survey. As described above, we collected secondary performance data and correlated it with our measures of performance. Additionally, we collected two responses from 17 acquirers evenly distributed across the regions and comparisons did not identify significant differences from intraclass correlation coefficients (ICCs) for matched pairs. The ICCs for our main survey items can be found in Table 1. All ICCs are far above a threshold of 0.25, indicating consistency across key informants (LeBreton and Senter, 2008). Finally, as managers of different positions might have systematic different views, we compared different respondents (e.g., top and middle managers) for the main constructs of our survey. Results reveal no significant differences, suggesting key informant bias is not an issue.

Table 2 displays descriptive statistics of sampled firms. In detail, we show the country of the acquirer, transaction type, acquisition experience, relative size, prior firm growth, and industry growth.

3.4. Endogeneity

Our research is dominantly prediction oriented and grounded in well-developed explanations, reducing endogeneity concerns (Hult et al., 2018). Still, we addressed potential endogeneity in our research design in several steps. First, we implemented a broad set of control variables, as an effective approach to minimize endogeneity (Molina-Sieiro, 2022). If they do not meet multiple assumptions, instrumental variables can introduce bias, contributing to difficulty in selecting an appropriate instrumental variable (Bascle, 2008; Molina-Sieiro, 2022; Rossi, 2014). As a result, we applied an instrumental free variable approach through Gaussian copula (Hult et al., 2018) with SmartPLS 4 (Ringle et al., 2024). The Gaussian Copula approach includes the correlation of the error term and the endogenous variable into the model (Park and Gupta, 2012). As our model potentially contains several endogenous variables, we first tested the Copulas individually and then all simultaneously in the model (Hult et al., 2018). We find that neither the individual Copulas nor the Copulas when calculating them simultaneously are significant (p-values range between 0.106 and 0.949), indicating endogeneity is not driving our results and we continued with our analysis and its interpretation.

4. Findings

Our research model contains two independent variables (e.g., mediator and moderator), and one dependent variable that precludes the use of simple regression analysis (Byrne, 2013; Hair et al., 2013). We also applied latent variable measurement (Bollen and Lennox, 1991), making structural equation modeling (SEM) appropriate. Specifically, we applied a variance-based approach with partial least squares (PLS) for several reasons. First, PLS SEM has a prediction-oriented character fitting our exploratory research (Barroso et al., 2010; Hair et al., 2012b). Even though we ground our research in existing theory, the tested relationships are at an early stage of development. Second, we apply reflective first order measures, where the results are comparable to covariance-based (CB) SEM (Vilares et al., 2010). While the superiority of SEM approaches is debated (McIntosh et al., 2014), PLS SEM is well established in

² We thank an anonymous reviewer for this insight.

Table 1
ICC for both respondents of the matched pairs for the dependent variable.

Variable pair	ICC
Objective M&A Performance 1	0.63
Objective M&A Performance 2	0.36
Objective M&A Performance 3	0.35
Objective M&A Performance 4	0.48
Subjective M&A Performance 1	0.64
Subjective M&A Performance 2	0.72
Subjective M&A Performance 3	0.68
Subjective M&A Performance 4	0.75

Table 2
Sample descriptive statistics.

Country of Origin	in %	Transaction type	in %
Germanic Countries	35.7	Horizontal	57.9
Nordics	29.6	Vertical	24.8
China	34.7	Conglomerate	17.3
Acquisition Experience	in %	Relative Size	in %
none	8.7	<25%	44.1
1–2	38.3	25 %–49 %	24.4
3–4	26.4	50 %–74 %	8.4
5–6	13.2	75 %–100 %	14.1
7–8	1.6	>100%	9
>8	11.8		
Prior Firm Growth	in %	Industry Growth	in %
< –15 %	4.5	< –15 %	3.9
–15% to –5 %	2.3	–15% to –5 %	6.4
–4 % to ± 0 %	8.7	–4 % to ± 0 %	11.3
1 %–5 %	27.3	1 %–5 %	34.4
6 %–10 %	22.8	6 %–10 %	23.5
11 %–20 %	17.7	11 %–20 %	14.1
21 %–30 %	9.6	21 %–30 %	3.9
>30 %	7.1	>30 %	2.6

acquisition research (e.g., Bauer and Matzler, 2014; Cording et al., 2008; Trichterborn et al., 2016). For assessing the significance of the proposed relationships, we used the bootstrapping procedure with 5000 runs (Hair et al., 2012a) and applied SmartPLS 4 (Ringle et al., 2024). Our second order constructs (integration capability, organizational design, and acquisition performance) were specified as type II hierarchical latent variables (Becker et al., 2012), with reflective first-order constructs and formative second order constructs.

Table 3
Discriminant validity of first order constructs.

	Mean (STDV)	Explicit Experience	Objective Success	Subjective Success	Governance	Integration Flexibility	Implementation	Structure	Tacit Experience
Explicit Experience	4.228 (1.634)	<i>0.872</i>							
Objective Success	4.927 (1.033)	0.273	<i>0.830</i>						
Subjective Success	5.378 (1.143)	0.289	0.675	<i>0.840</i>					
Governance	5.118 (1.048)	0.078	0.221	0.222	<i>0.766</i>				
Integration Flexibility	5.089 (0.914)	0.270	0.325	0.353	0.452	<i>0.766</i>			
Implementation	4.948 (0.968)	0.363	0.405	0.356	0.348	0.685	<i>0.818</i>		
Structure	3.834 (1.064)	0.174	0.154	0.053	0.230	0.206	0.248	<i>0.790</i>	
Tacit Experience	4.848 (1.228)	0.305	0.343	0.356	0.378	0.460	0.324	0.195	<i>0.781</i>

Note: Square root of AVE in italics on the diagonal.

4.1. Reliability and validity

We analyzed our data using the two-step approach suggested by [Hulland \(1999\)](#). In step 1, we assessed the reliability and validity of the measurement models, the discriminant validity at both construct and item levels, and, in step 2, performed hypotheses testing. All manifest indicators of our first order latent variables exceed the recommended value of 0.707 apart from one indicator of our measure of centralized decision-making and control. The value is 0.678 and all other quality criteria exceed the recommended thresholds, so we decided to keep the indicator ([Hulland, 1999](#)). Second, we assessed construct reliability with composite reliability (CR) and Cronbach's Alpha. All constructs exceed the threshold of 0.7. Construct validity is also indicated from the average variance extracted (AVE) values. All our latent variables exceed the value of 0.5, or a traditionally accepted as a minimum threshold. For assessing the second order constructs, we followed the repeated indicator approach ([Becker et al., 2012](#)). To assess the validity of the second order formative measures, we focused on the weights, their significance and the variance inflation factors (Sarstedt, Hair, Cheah, Becker & Ringle, 2019). The results indicate sufficient validity for the second order constructs (for details see [Appendix A](#)).

For discriminant validity, we analyzed cross-loadings and the Fornell-Larcker criterion ([Fornell and Larcker, 1981](#)), of the first order latent variables, see [Table 3](#). Further, we investigated the correlations among the constructs within the structural model in [Table 4](#). The results of these tests indicate no issues with discriminant validity, so proceeding with the analysis of the structural model and of the hypotheses was appropriate.

Even though PLS SEM does not offer a broad range of model fit criteria, as CB SEM does, the standardized root mean square residual (SRMR) value of 0.042 is below the threshold of 0.08, indicating good model fit. Additionally, the R^2 values of the integration capability (0.323), as well as acquisition performance (0.276) indicate that our model explains similar or greater levels of variance compared with other primary data research in the acquisition field (e.g., [Trichterborn et al., 2016](#)).

4.2. Hypotheses testing

In [Fig. 2](#), we visualize our analysis results and [Table 5](#) reports the detailed results including estimates, T-statistics, f^2 , VIFs, R^2 and adjusted R^2 values. Model 1 in [Table 5](#) shows the effects of the control variables, Model 2 shows the hypothesized direct effects, and Model 3 all hypothesized effects including the interaction effects (H2a and H2b). We find empirical support that tacit knowledge positively impacts the development of an integration capability (H1a). The effect is positive and significant in model 2 and model 3 ($\beta = 0.336/0.325$; $p = .000/0.000$). Further, we find evidence for a positive effect of explicit experience on an integration capability (H1b), the effect is positive and significant in model 2 and model 3 ($\beta = 0.147/0.142$; $p = .021/0.025$).

For the theorized interaction effects, we find that tacit knowledge in combination with decentralized organizational design (H2a) negatively moderates the creation of an integration capability from tacit knowledge ($\beta = -0.122$; $p = .039$), see [Fig. 3](#) and Model 3 in [Table 5](#). It shows the development of an integration capability based on tacit knowledge is comparable at different levels for decentralized organizational design; however, the effect for high levels of tacit knowledge is more pronounced for centralized organizational design. Supporting H2b, we find that decentralized organizational coordination positively moderates the creation of an integration capability from explicit knowledge ($\beta = 0.135$; $p = .036$), see [Fig. 3](#) and Model 3 in [Table 5](#). In robustness checks, we used individual measures of decision-making and control ([Zahra et al., 2004](#)) and organizational structure ([Covin and Slevin, 1988](#)). The results are stable for significance and direction of the effects, suggesting that organizational design has a varied role in the development of an integration capability.

Finally, an integration capability has a positive and significant effect on acquisition performance ($\beta = 0.176$; $p = .006$). To assess potential mediation (H3a and H3b), we follow [MacKinnon et al. \(2002\)](#) to estimate direct, indirect, and total effects simultaneously ([Nitzl et al., 2016](#)) using bias-corrected confidence intervals ([Zhao et al., 2010](#); [MacKinnon et al., 2004](#)). We find that the direct performance effect of tacit knowledge is complemented by an integration capability. The bias-corrected confidence intervals of the indirect effect do not include zero and the direct effect remains significant, providing evidence of a complementary mediation, see [Table 6](#). The direct effect of explicit knowledge is insignificant. Yet, the lower and the upper bound of the bias corrected confidence intervals of the indirect effect do not include zero, suggesting that an integration capability fully mediates the effect of explicit experience accumulation on performance, see [Table 7](#).

Returning to [Table 5](#) and Model 3, some of our controls impact on our results. Acquirer size has a significant impact on acquisition performance ($\beta = 0.150$; $p = .023$). We find that the involvement of an M&A department contributes to acquisition performance ($\beta = 0.132$; $p = .043$), but it has no impact on an integration capability. This indicates that the development of an integration capability requires broader organizational design. Further, top management involvement might offer an alternative coordination mechanism that contributes to an integration capability ($\beta = 0.135$; $p = .007$) and acquisition performance ($\beta = 0.127$; $p = .034$). Finally, we find the intensity of domestic competition positively influences an integration capability ($\beta = 0.072$; $p = .082$), indicating that acquirers from competitive contexts try to develop an integration capability. All other controls have no significant influence on our research model.

5. Discussion

Although acquisition research demonstrates prior experience can benefit future acquisitions through the development of an acquisition capability, this link has been incompletely understood. Our findings contribute to this literature by emphasizing the role of organizational design choices and type of knowledge (i.e., tacit vs. explicit). Next, we discuss associated implications for theory and practice.

Table 4
Correlations in structural model.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
(1) Annual Sales	1												
(2) Codified Experience	0.328	1											
(3) Entrepreneurial Culture	-0.452	-0.44	1										
(4) Acquisition Experience	0.198	0.199	0.156	1									
(5) Acquisition Success	0.203	0.304	-0.172	0.002	1								
(6) Growth prior to the Acquisition	0.081	0.119	-0.195	-0.046	0.087	1							
(7) Integration Capability	0.020	0.266	0.003	0.063	0.351	0.094	1						
(8) TMT responsibilities	-0.165	-0.049	0.066	-0.254	0.158	0.110	0.168	1					
(8) M&A Department	0.338	0.434	-0.415	0.187	0.225	-0.042	0.081	-0.178	1				
(10) Consultancy involvement	0.165	0.204	-0.17	0.003	0.095	-0.061	0.069	-0.061	0.272	1			
(11) Organizational Design	0.017	0.155	-0.09	-0.052	0.194	0.164	0.369	0.141	-0.039	0.02	1		
(12) Tacit Experience	0.009	0.299	0.027	0.016	0.399	0.060	0.459	0.137	0.099	0.186	0.323	1	
(13) Domestic Competition	0.047	0.020	0.113	0.041	-0.035	0.000	0.043	-0.145	0.074	0.106	0.042	-0.062	1

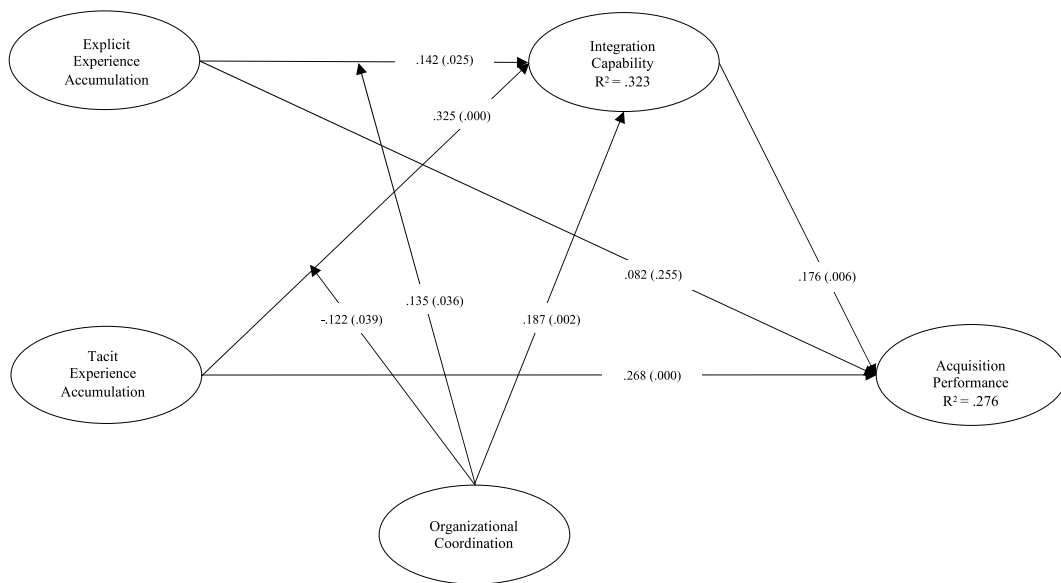


Fig. 2. Results.

5.1. Research implications

First, we outline the importance of considering integration capabilities in research on M&A performance. We find that tacit acquisition experience can positively impact acquisition performance directly and indirectly through a complementary mediation through integration capabilities. However, an integration capability fully mediates the effect of explicit acquisition experience. These findings both corroborate and advance theory regarding the relationship between acquisition capabilities and acquisition performance. Indeed, we confirm recent evidence of the profound effect of these capabilities on acquisition performance (Grant et al., 2022; Schweizer et al., 2022; Trichterborn et al., 2016; Vuori et al., 2023). More specifically, they can improve performance by sharpening an acquirer's ability to select relevant targets (Kaul and Wu, 2016) by informing a prospective acquirer about what targets it is able to integrate (Mitchell and Shaver, 2003). While such capabilities exemplify the significance of capabilities addressing the pre-acquisition phase (Grant et al., 2022; Welch et al., 2020), in contrast, our findings specifically demonstrate the role of capabilities during the integration phase. This has consequences as it is generally agreed that it is during this phase that potential gains should be transformed into actual performance benefits (Haspeslagh and Jemison, 1991). Put differently, our findings on integration capabilities highlight a central driver of acquisition performance; a topic that still eludes acquisition research (King et al., 2021).

Second, we highlight the role of acquirer organizational design choices for the development of integration capabilities as well as M&A performance. This focus on design choices is much needed, as most acquisition studies have left aside the question of where in the acquiring organization integration responsibilities are placed (Bauer et al., 2018). We shed light on the conditions that influence the extent to which firms can learn from prior events and thus prior acquisition experience can actually have a positive influence on subsequent acquisitions (Barkema and Schijven, 2008). By doing so, we contribute to a growing body of work in M&A research, investigating the role of tacit (Dao and Strobl, 2019), as well as codified experience (Heimeriks et al., 2012; Schweizer et al., 2022; Trichterborn et al., 2016; Zollo and Singh, 2004; Zollo, 2009; Vuori et al., 2023). We show that organizational design choices differentially moderate tacit and explicit experience in building integration capabilities. Design choices have been one of the fundamental themes of strategy research (e.g. Mintzberg, 1979), including studies on diversification and M-Form transformation (Lamont et al., 1994), structural solutions for the complexity of internationalization (e.g. Bartlett and Ghoshal, 2002), and the recent debate on adaptive organizations in a post-Chandlerian world (Ocasio et al., 2023). Interestingly, this issue remains surprisingly overlooked in acquisition research. By pointing specifically to the centralizing of decision-making rights regarding acquisition integration we extend the budding research on organizational design in M&A research (e.g. Trichterborn et al., 2016), and its impact on the managerial resources available for acquisitions (Lamont et al., 2019), or the ability to adjust to sudden competitor actions disturbing planned synergy realization (King and Schriber, 2016).

Third, our findings emphasize the equifinality of M&A capabilities and performance (e.g. Campbell et al., 2016), implying that there may be more than one way to benefit from acquisition experience. Prior organization research has used the notion of equifinality (borrowed from Bertalanfy (1968)), to point out that different design choices may indeed be functionally equivalent, even in instances where firms share similar boundary conditions (e.g. Gresov and Drazin, 1997). This implies that there may be a "feasible set of equally effective, internally consistent patterns of context and structure" (Van de Ven and Drazin, 1985, p. 335). Gresov and Drazin (1997) use the notion of 'configurational' equifinality to describe situations where different configurations result in similar outcomes. We show that this applies to the development of integration capabilities. Specifically, our findings suggest there are at least two, potentially equifinal, paths. While more centralized organizations evolve an integration capability from tacit knowledge, more decentralized

Table 5
Results of the analysis.

Effects	Model 1				Model 2				Model 3			
	Estimate	T-Statistics	f ²	VIF	Estimate	T-Statistics	f ²	VIF	Estimate	T-Statistics	f ²	VIF
<i>Main Effects rowhead</i>												
(H1a) Tacit - > Capability					0.336 ^a	6.183	0.121	1.325	0.325 ^a	6.258	0.116	1.341
(H1b) Explicit - > Capability					0.147 ^c	2.293	0.018	1.67	0.142 ^c	2.250	0.018	1.672
Org. Design - > Capability					0.268 ^a	4.05	0.053	1.167	0.187 ^b	3.170	0.040	1.281
Capability - > Acquisition Success					0.176 ^b	2.756	0.032	1.347	0.176 ^b	2.756	0.032	1.347
<i>Moderating Effects rowhead</i>												
(H2a) Tacit x Org. Design - > Capability									-0.122 ^c	2.069	0.021	1.270
(H2b) Explicit x Org. Design - > Capability									0.135 ^c	2.100	0.023	1.298
<i>Controls rowhead</i>												
Acquisition Experience - > Capability	0.092	1.533	0.007	1.265	0.053	1.023	0.003	1.346	0.059	1.187	0.004	1.354
Acquisition Experience - > Acquisition Success	-0.006	0.081	0.000	1.265	-0.046	0.819	0.002	1.350	-0.049	0.819	0.002	1.350
Annual Sales - > Capability	0.000	0.002	0.000	1.426	-0.008	0.138	0.000	1.429	-0.008	0.135	0.000	1.431
Annual Sales - > Acquisition Success	0.154 ⁺	1.903	0.019	1.426	0.150 ^c	2.281	0.022	1.429	0.150 ^c	2.281	0.022	1.429
M&A Department - > Capability	0.100	0.164	0.007	1.435	0.037	0.655	0.001	1.531	-0.038	0.653	0.001	1.537
M&A Department - > Acquisition Success	0.212 ^c	2.476	0.036	1.435	0.132 ^c	2.024	0.016	1.514	0.132 ^c	2.024	0.016	1.514
TMT Involvement - > Capability	0.207 ^a	3.681	0.040	1.135	0.125 ^c	2.343	0.019	1.165	0.135 ^b	2.679	0.023	1.186
TMT Involvement - > Acquisition Success	0.217 ^b	2.749	0.047	1.135	0.127 ^c	2.123	0.019	1.186	0.127 ^c	2.123	0.019	1.186
Consultancy Involvement - > Capability	0.061	0.981	0.004	1.107	-0.024	0.445	0.001	1.151	-0.027	0.487	0.001	1.160
Consultancy Involvement - > Acquisition Success	0.030	0.503	0.001	1.107	-0.038	0.706	0.002	1.151	-0.038	0.706	0.002	1.151
Prior Firm Growth - > Capability	0.090	1.470	0.008	1.084	0.027	0.491	0.001	1.104	0.033	0.603	0.001	1.110
Prior Firm Growth - > Acquisition Success	0.062	0.929	0.004	1.084	0.015	0.265	0.000	1.098	0.015	0.265	0.000	1.098
Entrepreneurial Culture - > Capability	0.038	0.463	0.001	1.72	0.073	1.029	0.004	2.015	0.062	0.878	0.003	2.036
Entrepreneurial Culture - > Acquisition Success	0.004	0.037	0.000	1.72	-0.024	0.283	0.000	1.984	-0.024	0.283	0.000	1.984
Domestic Competition - > Capability	0.051	0.924	0.003	1.074	0.058	1.369	0.004	1.102	0.072 ⁺	1.740	0.007	1.112
Domestic Competition - > Acquisition Success	-0.025	0.439	0.001	1.074	-0.017	0.381	0.000	1.097	-0.017	0.381	0.000	1.097
R ² Integration Capability	0.064				0.295				0.323			
adjusted R ² Integration Capability	0.039				0.269				0.293			
R ² Acquisition Success	0.122				0.276				0.276			
adjusted R ² Acquisition Success	0.099				0.250				0.250			

Note: Significant at.

^a p < .001.

^b p < .01.

^c p < .05.

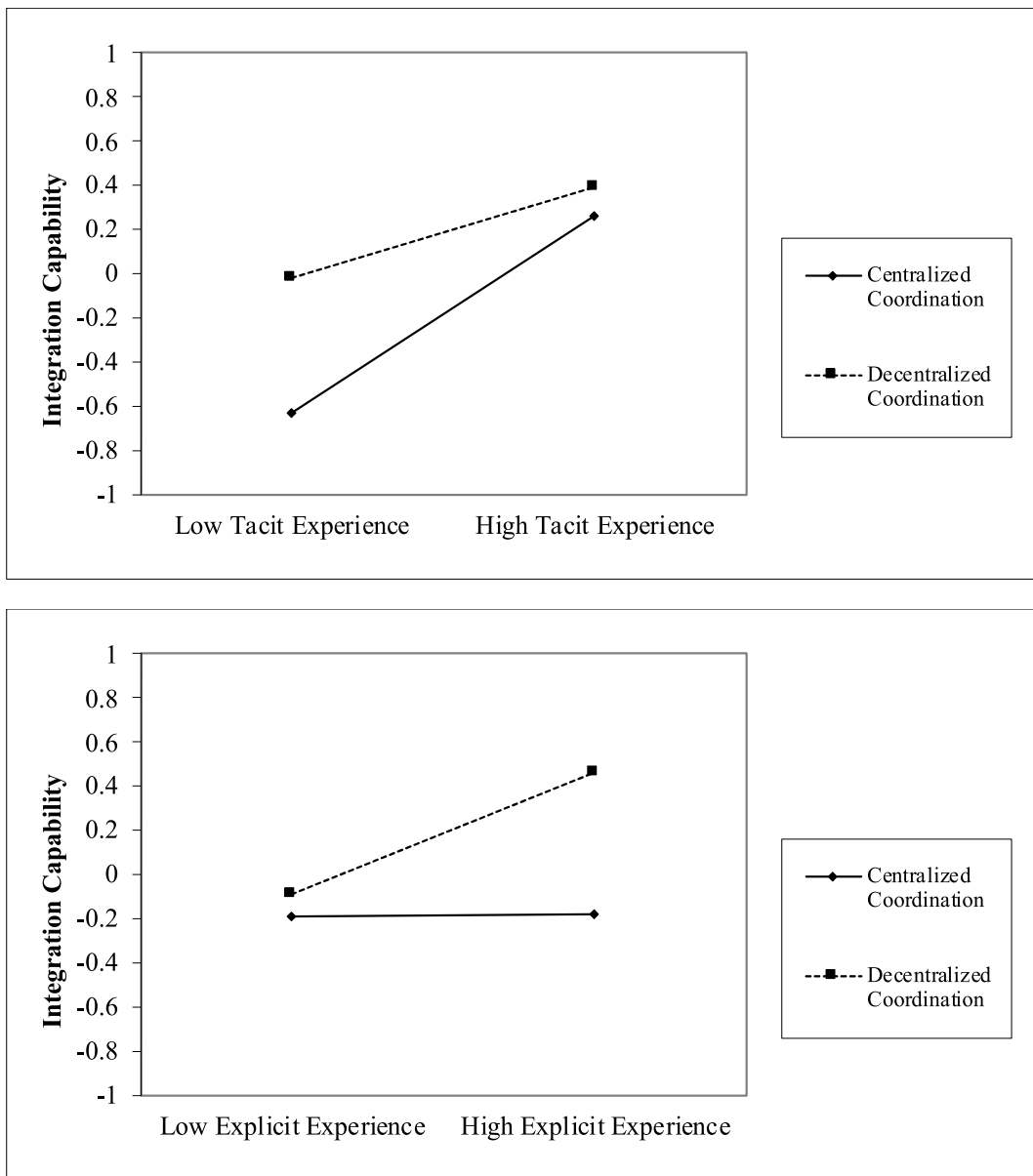


Fig. 3. Interaction graphs.

Table 6
Mediation analysis for Hypothesis 3a.

H4a				95% BC CI	
Mediation Analysis	Estimate	T-statistics	p-Level	2.5%	97.5%
Direct effect	0.268	4.050	0.000	0.135	0.393
Indirect effect	0.057	2.429	0.015	0.018	0.113
Total effect	0.325	5.433	0.000	0.198	0.436

organizations develop this capability from explicit knowledge. Consequently, prior research shows the choice between centralization and decentralization reflects a decision on where experience is accumulated (Schriber and Degischer, 2020) and operational knowledge is included in acquisition decisions (Grant et al., 2022). Further, we identify this choice also relates to different ways of drawing on experience. In turn, this proposes acquisition performance reflects the choice of developing a capability and whether the organizational design is centralized or decentralized.

Table 7
Mediation analysis for [Hypothesis 3b](#).

H4b				95% BC CI	
Mediation Analysis	Estimate	T-statistics	p-Level	2.5%	97.5%
Direct effect	0.082	1.138	0.255	0.067	0.217
Indirect effect	0.025	1.688	0.091	0.004	0.063
Total effect	0.107	1.520	0.129	0.038	0.236

Fourth, we contribute to broadening the role of capabilities in acquisitions ([King et al., 2021](#)). Our study focuses empirically on integration capabilities and how they are associated with acquisition performance. At the same time, we also acknowledge that acquisitions can benefit from a varied range of specific capabilities, including capabilities for target selection ([Mitchell and Shaver, 2003](#)), or for avoiding over-routinization ([Heimeriks et al., 2012](#)). The combined insight is that while necessary for managing specific tasks, this variety of capabilities risk remaining uncoordinated, or even produce contradicting effects to lower acquisition performance. This supports the conclusion that acquirers can benefit from developing higher-order, dynamic capabilities to coordinate function specific, operational capabilities ([Teece, 2007](#); [Winter, 2003](#)), in turn emphasizing the synergy between the acquisition- and dynamic capabilities research streams ([Laamanen and Keil, 2008](#); [Schriber, 2022](#)).

5.2. Managerial implications

Our results have a direct bearing on practical acquisition management. Managers should be aware that there are multiple paths to benefit from acquisition experience. This in turn should caution of simplistic views of organizational learning from strategic events. We propose managers should consider the organizational structure of the acquiring organization, as this arguably precedes acquisition decisions, but has a direct impact on the learning mechanisms. Acquirers can benefit directly from tacit knowledge from prior deals, while explicit knowledge impacts performance in subsequent acquisitions through the development of an acquisition capability. While tacit knowledge develops an integration capability in cases of centralized organizational structures, we find the opposite for explicit knowledge. These results indicate that especially decentralized organizations should invest in the development of explicit acquisition knowledge in terms of blueprints or manuals, while it might not be necessary in centralized organizations. In centralized organizations, the aligned coordination and decision-making might help firms to develop an integration capability.

5.3. Research limitations and opportunities

Our research design involved multiple trade-offs that represent opportunities for future research. First, our logic for differential impacts of tacit and explicit experience assumes differences in managerial involvement before and after an acquisition. Implicitly, deal preparation is different from integration, as fewer people (that are often the same) work together on repeatable tasks (e.g., target screening, valuation, and negotiation) before acquisition completion. Meanwhile, during integration, multiple, dispersed managers and employees are involved in unique tasks to change daily business operations and routines. As a result, for some employees, an acquisition may be a novel experience, and, for employees in serial acquirers, frequent change may impede capability development ([Colman and Lunnan, 2022](#)). However, our survey was collected at a single point of time, and we are not able to observe differences in experience before and after acquisition completion. Additional research is needed across different phases of an acquisition (e.g., [Welch et al., 2020](#)) and learning and capability development impacts for serial acquirers. Second, while offering advantages, such as insight into integration and multiple dimensions of performance, our research results need to be confirmed with archival data or qualitative research.

Even with recognized limitations, our study confirms across a multi-national study that acquisition experience matters, but its effect varies based on the type of experience. Tacit experience can directly impact acquisition experience, but it is still complemented from building an integration capability. Meanwhile, explicit experience is fully mediated by a firm's integration capability. How tacit and explicit experience build an integration capability are moderated by organizational designs and coordination mechanisms can be studied. Our more focused examination of acquisition experience and organizational design mechanisms during acquisition integration explains conflicting research on the relationship between acquisition experience and performance. While experience is only one of many explanations of acquisition performance, it has received significant research interest, and it offers insights into why many acquisitions fail to reach their potential.

CRediT authorship contribution statement

Florian Bauer: Writing – original draft, Methodology, Conceptualization. **David R. King:** Writing – review & editing, Writing – original draft, Conceptualization. **Martin Friesl:** Writing – review & editing, Writing – original draft, Conceptualization. **Svante Schriber:** Writing – review & editing, Writing – original draft, Conceptualization. **Qingxiong Weng:** Resources.

Data availability

The data that has been used is confidential.

APPENDIX A. Psychometric Properties

Construct	Indicator	Loading	t-value	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
Explicit Knowledge	To what extent are the experiences of former transactions retained? We have at our disposal ... (1 = not at all; 4 = partially; 7 = fully)			0.844	0.906	0.762
	M&A process insights documented in writing (e.g., due diligence checklist and/or manual).	0.851	38.777			
	Process instructions and/or technical instructions (e.g., system adaptation, merger-/integration manuals, system training instructions, etc.).	0.885	42.828			
	Applied management techniques documented in writing.	0.882	29.925			
Tacit Knowledge	To what extent do the following points fit to the acquisition experience in your firm? (1 = not at all; 4 = partially; 7 = fully)			0.787	0.862	0.610
	The knowledge of colleagues and/or experts can easily be obtained.	0.713	16.323			
	It's easy to get personal expertise and experiences from colleagues.	0.830	38.316			
	Informal discussions and meetings are used for knowledge-sharing.	0.808	27.378			
	Knowledge is acquired and shared through direct, personal mentoring.	0.769	27.243			
Integration Capability	Please evaluate your firm in comparison to your competitors as regards the following: (1 = significantly worse; 4 = similar; 7 = significantly better)			0.835	0.89	0.59
	Implementation					
Flexibility	Effective allocation of integration resources	0.748	17.696			
	Effective allocation of integration tasks	0.819	33.295			
	Fast implementation of measures	0.853	52.051			
Higher order construct: Integration capability	Fast execution of integration strategies	0.847	44.135			
	To what extent do the following points fit your organization (1 = not at all; 4 = partially; 7 = fully)			0.86	0.896	0.59
	Integration plans can be easily adapted	0.711	19.091			
	We are prepared to follow and improved, more feasible, integration plan	0.805	28.685			
	Changes during integration can be carried out in a controlled manner	0.773	29.015			
	We have practical know-how to adapt integration plans	0.719	20.753			
	We can pro-actively develop new integration approaches	0.822	35.925			
	Adaptations during integration have a high probability of success	0.771	28.831			
2nd Order	Implementation	0.450	26.586	1.882		
	Flexibility	0.636	38.729	1.882		
Governance	To what extent do the following points fit your organization (1 = not at all; 4 = partially; 7 = fully)			0.765	0.774	0.589
	We are open to changes	0.755	15.202			
	We are encouraged to question the status quo	0.830	22.875			
	Decisions are made in a decentralized manner	0.678	12.517			
Structure	An open communication climate prevails in our company.	0.798	23.310			
	The philosophy of our top-management includes ... (1-7)			0.857	0.859	0.638
	A tight formal control of most processes with demanding monitoring systems VS... a loose informal control and a strong dependence on informal relationships	0.811	27.670			
	A strong emphasis on prescribed workflows for the staff VS... a strong emphasis on result orientation even when this means deviating from prescribed workflows	0.845	37.153			
	A strong emphasis on adherence to tested management principles, despite of a changing business environment VS... a strong emphasis on free adjustment to changes without intensive inclusion of prior experiences	0.788	29.525			
	A strong emphasis on a uniform management style throughout the business. VS.					
	A strong emphasis on free choice of management style from very formal to informal.	0.744	24.634			

(continued on next page)

(continued)

Construct	Indicator	Loading	t-value	Cronbach's Alpha	Composite Reliability	Average Variance Extracted
	A strong emphasis and compliance with prescribed areas of competence of individual employees VS... a strong emphasis on adjusting prescribed areas of competence conditional on situation and individual	0.802	33.510			
	Higher order construct: Organizational Design	Weight	T-Statistic	VIF		
2nd Order	Governance	0.847	15.610	1.050		
	Structure	0.378	5.450	1.050		
Acquisition Performance	How have the following measures developed after the transaction? (1 = substantially deteriorated; 4 = no change; 7 = greatly improved)			0.849	0.851	0.689
Objective Performance	Return on capital employed (Return on Investment, ROI)	0.858	41.505			
	Return on Equity (ROE)	0.862	49.710			
	Return on Sales (ROS)	0.808	27.116			
	Enterprise value	0.791	29.717			
Subjective Performance	To what extent are the following statements true? 1 = not at all; 4 = partially; 7 = fully)			0.861	0.865	0.707
	The acquisition objectives set have been achieved	0.795	25.844			
	The acquisition was the right business decision	0.834	32.592			
	Overall, the acquisition was a success	0.894	56.935			
	Our firm performs better after the acquisition	0.838	30.346			
	Higher order construct: Acquisition success	Weight	T-Statistic	VIF		
2nd Order	Objective Performance	0.537	36.254	1.849		
	Subjective Performance	0.555	33.668	1.849		

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