Further Insight into Knowledge Transfer in Post-acquisition Integration: A Case Study in a MNE

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Abstract: Ineffective integration is commonly referred to in the literature as one of the reasons why mergers and acquisitions fail to meet expectations. An essential driver of post-acquisition integration is the transfer of knowledge-based resources. Efficient knowledge transfer in the post-acquisition phase contributes significantly to the ultimate success of the acquisition. In this paper, a longitudinal case study approach is used to examine factors in the post-acquisition integration of a MNE (multinational enterprise) that can directly or indirectly affect knowledge transfer, and to link them to their possible causes. Specifically, it focuses on factors in the areas of culture, language, communication and technology. To explore the development of post-acquisition integration in the cross-border setting, research was conducted four and six years after the acquisition both in the acquiring and the acquired unit. Results from an in-depth interview and questionnaires show that the majority of negative factors influencing knowledge transfer in post-acquisition integration could be minimized by proper and focused due diligence and more importantly, by a highly-developed integration plan. The findings may be of considerable interest to medium-sized companies acquiring entities abroad and could benefit future research into knowledge transfer in the post-acquisition integration in an international setting.

Keywords: knowledge transfer, post-acquisition integration, acquisition, mergers and acquisition (M&A), case study, knowledge transfer factors

1. Introduction

There has been a growth in the research and literature on the importance of knowledge management in organizations and, particularly, in MNEs (e.g., Eisenhardt and Santos, 2002; Gupta and Govindarajan, 2000; Schulz, 2003; Monteiro, Arvidsson and Birkinshaw, 2008). A company’s knowledge assets are considered to be the most important determinant of both expansion and success (Buckley & Casson, 1976; Caves, 1971; Grant, 1996; Teece, 1977), and this is even more pronounced in foreign markets (Berry & Sakakibara, 2008; Martin and Salomon, 2003). For MNEs, this means that knowledge assets from the home country provide competitive advantages to subsidiaries in foreign markets (Martin & Salomon, 2003, Berry, 2015). However, this does not imply that knowledge transfers within MNE take place effectively and efficiently (Gupta & Govindarajan, 2000).

Mergers and acquisitions (M&As) have been one of the most widely used modes of growth during the past few decades (Zhou, Fey and Yildiz, 2018). Despite its popularity, acquisition outcomes often fail to meet expectations (King et al., 2004, Weber, Tarba, & Oberg, 2013). There is a high failure rate observed in acquisitions. According to Child et al. (2001), approximately 50% of mergers and acquisitions (M&As) fail. Other statistics show that up to one-third of mergers fail within five years; almost 80% never live up to their full expectations and the majority of these shortfalls are due to human factors, not to quantitative analysis (Senn, 2013).

The reasons for acquisition failures were extensively researched. However, any consistent antecedents have been identified to predict post-acquisition performance (Hitt et al., 1998). Neither the strategic nor financial variables studied in existing research were significant in explaining variance in post-acquisition performance, which is therefore probably moderated by other variables, unspecified in existing research (King et al., 2004). One of the reasons that might explain poor M&A performance is weak post-merger integration (Bresman, Birkinshaw, & Nobel, 1999). It has been recognised that the success of post-merger integration has direct and indirect effects on post-acquisition performance (Zollo and Meier, 2008). There are several barriers that can influence the integration period, such as the differences between national cultures and languages, uncomfortable timing of the change, or political or regulatory hurdles (Haspelslagh and Jemison, 1991).

Post-merger integration can be improved by efficient transfer between the acquirer and the target (Bresman, Birkinshaw, & Nobel, 1999). Zollo and Meier (2008) support the importance of transfer of capabilities between...
the acquiring and target firm, and even consider them as one of the main pillars of the integration process. The transfer of strategic capabilities in an acquisition improves the competitive advantage of the acquired company, thus creating the additional value of the acquisition (Haseslagh and Jemison, 1991) and positively influencing cross-border acquisition performance (Ahammad et al., 2016).

Knowledge transfer in the acquisition is considered more complex in MNEs, since it brings about further factors negatively influencing knowledge transfer of subsidiaries, such as differences in culture (Kostova, 1999), because the knowledge transfer environment is much more complex when national borders are crossed (Hansen, 1999). Also, the distance between the knowledge sender and the recipient can negatively influence the efficiency of knowledge transfer.

Given the high acquisition failure rate and the importance of the integration period in the cross-border acquisition process, this research uses a longitudinal case study in a MNE to (1) identify and examine factors in the post-acquisition integration that can directly or indirectly affect knowledge transfer and, using the data from two different points in time, to (2) assess the development of the challenges identified and to (3) link them to their possible causes. The aim of this research is to contribute to a better understanding of parameters that influence post-acquisition integration in a cross-border setting, therefore impacting post-acquisition performance.

2. Literature Review and Research Questions

2.1 Knowledge and knowledge transfer in MNE

Every company constitutes a bundle of knowledge (Gupta & Govindarajan, 2000). As Kogut and Zander (1992) explain, "Knowledge is the accumulated practical skill or expertise that allows one to do something smoothly and efficiently". In a knowledge-based perspective, organizational knowledge is an essential resource, and its transfer and reutilization is a basis for the success of the company (Zander and Kogut, 1995). The company knowledge base is considered to have the greatest ability to serve as a source of sustainable differentiation and hence competitive advantage (Lippman and Rumelt, 1982).

The role of knowledge sharing within MNEs has attracted increased research attention over the last decade (Blomquist, 2012). Multi-national enterprises (MNEs) are considered as one of the most significant business institutions (Forsgren et al., 2005), which developed remarkably during the last century along with the processes of economic liberalization and globalization.

Knowledge management in MNEs is considered as a core capability in building competitive advantage (Tallman and Phene, 2007). In such a context, the MNE is considered to be "an international network that creates, accesses, integrates and applies knowledge in multiple locations" (Almeida et al. 2002, p. 148). The idea that MNEs create value from their knowledge assets can be traced back to the pioneering work of Hymer (1960), Caves (1971), and Buckley and Casson (1976). It has been confirmed that by the internalization theory (Buckley & Casson, 1976; Rugman, 1980), a firm with strong proprietary assets can exploit the knowledge-how that it has created as a parent firm in foreign markets (Berry, 2015). MNEs are then considered superior to alternative organizational configurations in terms of transferring knowledge (Feinberg and Gupta, 2004).

Generally, there are two basic approaches to the conceptualization of knowledge transfer. Some researchers (Ahammad et al., 2016; Junni & Sarala, 2013, Minbaeva, 2007) conceptualized knowledge transfer as a knowledge flow or knowledge implementation. On the other hand, a recent study on knowledge transfer in M&As (Zhou, Fey and Yildiz, 2018) considers knowledge inflow and implementation as different phases of the same transfer process. They describe knowledge inflow as the initiation of receiving knowledge, both codified and tacit, via informal and formal mechanisms of learning, and knowledge implementation as the practical application of the received knowledge. In this study, the latter approach is used.

2.2 Knowledge transfer in the context of acquisitions

Although the research about knowledge transfer is generally broad, there is limited knowledge available about knowledge transfer in the context of acquisitions (Junni, 2011). Acquisitions generally occur when one company uses its capital resources (stock, debt, or cash) to purchase another company (Calipha et al., 2010). Also, if the firm lacks the distinctive competencies crucial to competing in a new industry, it can decide to use its financial resources and buy a company that has those missing competencies. Acquisition can bring less
economic uncertainty than internal new ventures, so it is a suitable strategy when seeking less risk (Luthans&Doh, 2015). This is because the acquirer is buying an already established company with a certain reputation, and a known market share and level of profitability. It is also a quicker way to gain market presence, which saves time spent on building market leadership (Calipha et al., 2010).

The global M&A volume has reached more than USD four trillion every year since 2014, and cross-border transactions accounted for 30% of this overall volume (JP Morgan, 2018). Despite its popularity, there is a high failure rate observed in acquisitions. However, any consistent antecedents have been identified to predict post-acquisition performance (Hitt et al., 1998). As neither the strategic nor financial variables studied in existing research were significant in explaining variance in post-acquisition performance, it might be beneficial to look to other types of variables to explain what differentiates successful and unsuccessful M&As (King et al., 2004).

A reason for failure in acquisitions commonly found in the literature is poor integration management (Teerikangas et al. 2012). The transfer of knowledge-based resources from acquiring to the target companies is considered to play a crucial role in contemporary acquisitions (King et al., 2004), and has been generally emphasized as an essential driver of post-acquisition integration (Zhou, Fey and Yildiz, 2018). Knowledge transfer plays an important role in the creation of synergies between the acquirer and the target (Capron and Pestre, 2002). The post-acquisition phase requires the transfer of complete routines and procedures, which is a costly and failure-prone undertaking (Galbraith, 1990). Knowledge transfer can be difficult and time-consuming, and substantially affects the performance of foreign operations (Martin et al., 1995). Many studies commonly emphasize knowledge transfer as an essential goal and pillar of post-acquisition success in M&As (e.g. Ahammad et al., 2016; Björkman, Stahl, &Vaara, 2007; Junni, Sarala, &Vaara, 2012).

Knowledge transfer in the acquisition is considered more challenging, mainly due to uncertainty and ambiguity (Gammelgaard, Husted, and Michailova, 2005), as managers need to balance between the technical integration of the acquiring and acquired firms’ knowledge management systems (Ejenäs and Werr, 2005) and the integration of their human capital (Birkinshaw et al., 2000).

### 2.3 Factors influencing knowledge transfer in the context of acquisitions

Previous research has shown several factors that directly or indirectly influence the success of knowledge transfer in general. Razmerita, Kirchner & Nielsen (2016) in their extensive overview of qualitative and quantitative studies of these factors classify them, following Lin (2007), along three dimensions: individual, organizational and technological. Joia and Lemons (2012) focus on indicators associated with the transfer of tacit knowledge and identify the following ones: individual management of time, common language, mutual trust, relationship network, hierarchy, reward, type of training, knowledge transference, knowledge storage and power.

Number of authors examined the factors influencing the knowledge transfer in the context of acquisitions and MNEs, which is of a particular interest to the present study. Bresman, Birkinshaw and Nobel (1999) distinguish between the transfer of technological know-how, which is facilitated by communication, visits and meetings, and by the time elapsed since the acquisition and the transfer of patents, which is associated with the articulability of the knowledge and the size of the acquired unit. Also, the extent of efforts to make knowledge flow and the degree of knowledge overlap between the knowledge senders and recipients are important factors influencing the success of knowledge transfer (Najafi-Tavani, Giroud, & Sinkovics, 2012). Because of its nature, knowledge sharing is to a large extent influenced by the willingness of employees to share the knowledge (Minbaeva, 2007). Specifically, the fear of exploitation on the part of knowledge senders and the fear of contamination on the part of knowledge receivers are significant barriers to knowledge transfer in acquisitions (Junni, 2011). Factor negatively influencing knowledge transfer of subsidiaries is culture and differences in culture (Kostova, 1999), because the knowledge transfer environment is much more complex when national borders are crossed (Hansen, 1999).

The early post-acquisition integration is characterized by imposed one-way knowledge transfers from the acquirer to the acquired (Bresman, Birkinshaw and Nobel, 1999). However, this does not necessarily mean that the knowledge is fully understood, believed in or used in the target company (Zhou, Fey and Yildiz, 2018), as there are factors that inhibit the successful transfer of knowledge from the acquirer to the acquired unit (Bresman et al., 1999). The main reasons are employee resistance and fear of exploitation (Empson, 2001;
Junni, 2011), the greater need for unlearning old practices (Yildiz & Fey, 2016) or the lack of trust and personalized relationships, which can therefore cause acquired unit employees to exert stronger bias for status quo and stick to their old routines (Tsang, 2008). Employees in the acquired unit can experience hostility towards knowledge sharing, which can be based merely on rational evaluations of the costs and benefits of sharing knowledge, but can be even stronger when used as a strategy to deal with ambiguities or uncertainty (Husted and Michailova, 2002). As ambiguities and uncertainty, together with low job security and ambiguity for the parties involved (Vaara et al., 2003) are typical for the early post-acquisition phase, knowledge transfer can be even more challenging. In the post-acquisition phase there often emerges the ‘us versus them’ attitude between the acquirer and the acquired company, leading to mistrust between the parties, and subsequently, increased fears on the part of recipients that their operations, status or reputation will be harmed by accepting their partner's knowledge (Junni, 2011). Findings of the majority of studies in this area confirm the importance of the motivation to share and absorb knowledge of both sides of knowledge transfer (Husted and Michailova, 2002, Minbaeva, 2007).

Another stream of literature examines the factors influencing knowledge transfer from the perspective of global virtual teams. They are mostly seen as virtual groups who are, due to the distance, linked together across time, space, and organizational boundaries (Kayworth and Leidner, 2001). As the acquisition examined in the present study is a cross-border one, global virtual team was created to facilitate the process of integration. As the main challenges for such teams have been identified: cultural differences and communication (Harvey and Griffith, 2001; Johnston & Menguc, 2007) and communication difficulties due to geographic dispersal, language (Welch & Welch, 2008) and technology (Bell & Kozlowski, 2002).

### 2.4 Research questions

Differing from previous studies that examined the characteristics of the organization or employees that influence knowledge transfer, such as the importance of the absorptive capacity of the recipient unit (Zhou, Fey and Yildiz, 2018), the present study focus on the process of integration between the acquiring and the acquired unit. It examines which factors directly or indirectly influenced the knowledge transfer during the post-acquisition integration in the global virtual team in the cross-border setting. In line with this logic, the following four areas were examined: culture, language, communication and technology. These areas were derived from the literature review, as they a) pose challenges for global virtual teams and b) were previously identified by knowledge management literature as influencing the knowledge transfer. The following research questions were formulated:

**Research question 1:** What factors directly or indirectly influenced knowledge transfer in cross-border post-acquisition integration in a MNE in the areas of:

- culture,
- language,
- communication and
- technology?

Then, the development of challenges identified in the long run have been researched and attempt was made to link them to their possible causes.

**Research question 2:** How the negative factors identified in RQ 1 developed in the long run and what were their possible causes?

### 3. Data Collection and Instruments

The longitudinal case study was used to understand the context of the problem better. It has been showed that time has a significant influence on knowledge transfer (Bresman et al., 1999) and is recommended to explore knowledge transfer in the post-acquisition integration over a longer period (Junni, 2011). Case studies are commonly used in exploratory research. They constitute a flexible way to analyze methods and data used since they can include both quantitative and qualitative methods and all kinds of data collection methods as sources of evidence in (Yin, 2009).
The company researched creates intelligent enterprise office solutions to build smart businesses. It is a company from the Czech Republic established in 2000 as a part of a student project. Since then, it has been developing globally. Today, it has more than 300 employees, 42 percent of whom specialise in research and development. The company operates in six continents, and their solutions are used in more than 120 countries, from which over 23% of users are on the Fortune Global 500 list (Y Soft). The company acquired the target company in the Australian market in 2013.

Questions in the survey were inspired by Lurey and Raisinghani (2001), who did an empirical study of best practices in virtual teams. Questions were carefully structured in order not to mislead. To avoid misinterpretation, questions for the respondents were carefully formulated to ensure clarity and lack of ambiguity. Some terms were adjusted based on the fact that not everyone may be familiar with the terms found in the literature.

In the first phase, both self-completed and interview-completed questionnaires were used. Self-completed questionnaires were internet-based and sent electronically via the web page www.survio.com. The respondents were the members of the virtual team of both parent and daughter company (those who participated on the integration from the very first moment) and the CSO from the parent company, who has a wide experience within the company and has a detailed overview of the whole acquisition, including the pre- and post-acquisition phase. Viewpoint of both sides, the acquiring and the acquired company, was collected in an equal manner. Details are provided in the Table 1.

Table 1: Summary of informants by job title for each study period

<table>
<thead>
<tr>
<th>Time</th>
<th>Method</th>
<th>Interviewees</th>
<th>Job title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase 1: September - December 2017</td>
<td>interview-completed questionnaires</td>
<td>1 from the parent company</td>
<td>Chief Sales Officer</td>
</tr>
<tr>
<td>Phase 1: September - December 2017</td>
<td>Self-completed questionnaires</td>
<td>1 from parent company, 3 from daughter company</td>
<td>Global and Major Accounts Manager (parent company), Managing Director Y Soft Australia (daughter company), Sales Support (daughter company), Senior Solution Architect (daughter company)</td>
</tr>
<tr>
<td>Phase 2: January 2019</td>
<td>interview</td>
<td>1 from the parent company</td>
<td>Chief Sales Officer</td>
</tr>
</tbody>
</table>

The first phase of the research was conducted in 2017, which was four years after the acquisition. Respondents were asked to assess the early post-acquisition period (one year after the acquisition) as well as the current situation in 2017. The online questionnaire enabled respondents to fill in answers in order to get qualitative data. The research was supported from headquarters which enabled collection of sufficient qualitative data.

In the second phase, the CSO was interviewed again in 2019, two years from the initial research (which is six years after the acquisition), in order to explore the integration development. The interviewee assessed the acquisition in the long run. The respondent was asked to comment the further development of the negative factors identified in the first phase (and was provided with the Table 2). Next, possible causes of each problem were discussed. The goal of the second part of the research was to see the development and the consequences of the issues of the early post-acquisition phase and mainly to attempt to reveal a possible cause of those issues. The qualitative data were coded and categorized.

4. Results

According to the responses from the company management, the primary motive for the acquisition was to increase the market share in the Australian market. The acquired company was a competitor in the distribution of print management solutions in Australia founded in 1997. As the acquisition seemed straightforward, the effort put into the due diligence was minimised. The company was acquired in 2013 through buying 100% shares of the acquired company. The acquired company was then integrated as a subsidiary of the acquiring one, which included integration of the processes and a change of product sold.
4.1 First phase

During the early integration phase, the respondents from the target company confirmed that the flow of information was one-way only, from the acquirer to the target company. A sudden introduction to new policies and rules led to one-sided sharing of knowledge. Therefore, of the sheer volume of information and adjustments at the beginning made the management of Australia feel a bit lost or even neglected. Another challenging issue for the companies from the target company was confusion about whom to ask for help in the HQ.

Two respondents mentioned somewhat direct instructional communication from the HQ in the early post-acquisition phase. The management of the daughter company was overwhelmed with information, and having to learn about and adapt to new guidelines did not leave much room for input from their side. This supports the finding that the acquired company was faced with one-sided knowledge transfer.

However, four years after the acquisition, respondents from the acquired company reported significant improvement as they got used to the company processes. The HQ changed the approach and used longer visits in the acquired company to see the real issues in daily business.

While giving their opinion on what they found as the biggest challenge in this acquisition, two out of three team members from Australia mentioned different expectations. Managers from HQ wanted to keep running the local business of the target company and presented this fact to their management. However, this was interpreted in a way that only minor changes would be made. As the implementation of the corporate processes requires many adjustments, employees of the target company were facing many changes that were made at the beginning. Many changes, often restrictive and unexpected, were difficult for them to implement.

Challenges that acquisition brings about are more pronounced when the parent and daughter company come from different cultural backgrounds. When asked about the cultural barriers faced, all the respondents agreed that they did not face any challenges related to the cultural differences. Cultures from the Czech Republic and Australia are more or less similar.

One of the challenging issues was the integration of the smaller, informally organized company into the company’s larger corporate structures. The acquiring company was bigger, experienced and operating globally, which requires more formal and structured processes. In contrast, the target company had very flexible processes. All the respondents from the Australian team said the acquiring company was much more rigid in processes. Employees in the acquired company were not always able to understand direct replies from their colleagues in HQ, which one respondent considered even rude.

Respondents from the Australian team did not recognise some vast obstacles when it came to language. There were some minor misunderstandings, caused mainly by the phrasing of non-native English speakers. Some problems arose since not all parent company managers could speak fluent English (i.e. staff in production or warehouse). Also, HQ management had to deal with the strong accent of the acquired company’s staff. Such barriers were not so apparent in written communication, but face-to-face contact was more challenging. This was probably a reason for the increased use of emails instead of phone calls, which later led to more severe issues.

Overseas acquisitions demand the use of global virtual teams, and therefore the communication and mediums of interaction should be carefully and adequately managed. Since these two companies face a time difference of nine hours, it was not a surprise that all respondents, from both parent and daughter company, stated that they faced real challenges related to being in different time zones. Australian team members felt dissatisfied, and their answers were to a great extent similar. The problem was that calls were out of business hours. They either had to get up early in the morning or to make calls in the middle of the night in order to solve problems that had arisen during the day.

Problems encountered were mostly related to those who appeared during the working day. This caused delays due to late responses or even no responses, which was noted by two out of three respondents from Australia. For instance, their working hours last for eight hours, but they start work when it is already midnight in Brno. That means that while operating and dealing with all kinds of doubts, nobody can help them, and this can lead
to clashes. By the time they get the answer, another problem has arisen, and that is how another day is practically lost.

Another area where respondents showed unity in their answers, as in communication, was technology. Team members of the acquired company all stated they used emails, not video conferences, as a way to communicate. The CSO found the use of e-mails least useful, although they were used on an everyday basis.

All the respondents recognised the barrier of not having regular interpersonal contact and two out of three respondents admitted that the lack of face-to-face meetings caused inefficient communication. Notably, members of the Australian team explained that they were unable to gauge the expression of another manager and that the understanding of their problems was only as good as their explanation was. Apart from face-to-face meetings, which they all agreed to be the best way to communicate, two out of three of them mentioned phone conferences as an alternative, which they saw as a way to compensate for lack of personal contact. Still, face-to-face meetings were perceived as the best way to communicate, but very scarce in the early post-acquisition phase. The identified factors and their influence on knowledge transfer in post-acquisition phase are summarized in Table 2.

Table 2: Factors influencing knowledge transfer in cross-border post-acquisition integration

<table>
<thead>
<tr>
<th>Categories Description</th>
<th>Culture/Organizational culture</th>
<th>Language</th>
<th>Communication</th>
<th>Technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factors – positive influence on knowledge transfer</td>
<td>Both general and business cultures were similar</td>
<td>A high level of English usage across the acquiring company</td>
<td>Team members in touch on regular basis First meetings held in person Local feedback and approaches to market (from the acquired) provided</td>
<td>Acquiring company equipped enough</td>
</tr>
<tr>
<td>Factors – negative influence on knowledge transfer</td>
<td>Acquirer rigid in processes, acquired was more flexible Acquirer stated that little changes are required, but this expectation was not correct Initial fear among employees in daughter company</td>
<td>Phrasing of things that caused misunderstanding between native and non-native English speakers Not all employees speak fluent English in parent company Strong Australian accent of acquired company's personnel led to difficulties in communication</td>
<td>Delayed response or no response at all when the problem arose Different time zones - emergency calls outside business hours One-way flow of information Overwhelming employees (acquired) with information Not knowing (in acquired) who to ask for help</td>
<td>Face-to-face contact few times a year Majority of communication through emails No use of video conferences</td>
</tr>
</tbody>
</table>

4.2 Second phase

Looking back to the acquisition after six years, there were two major problems during the acquisition that significantly influenced the success of the acquisition. The first was the lack of dedication and loyalty on the side of the CEO of the target company. It took much time to reveal that he does not act in favor of the acquiring company and as a consequence, it was tough to persuade other employees to follow the corporate processes and rules and to act in the name of the acquirer. As a result, the original CEO had to be replaced together with half of the original employees. The second issue was customers’ loyalty to the original brand. This meant that the acquirer lost the majority of the customers of the target company and had to build the customer base again. Of course, both of these issues caused a significant additional cost.

The communication has improved recently, mainly due to the increased presence of HQ managers in the acquired company for regular visits. Also, for future acquisitions, there will be a responsible employee assigned to be able to implement the post-acquisition integration successfully.
Based on both phases of the research, an effort was made to identify the causes of the main issues of the post-acquisition period. It seems that the majority of the problems were linked to the missing integration plan. The company was in an early stage of its internationalization and was mostly inexperienced with acquisitions. They somehow rushed into the process without planning the integration and specifying the goals to be reached in the first years of integration. There was no single person responsible for the full acquisition, and together with unspecified goals, this made the whole process very demanding.

Table 3 presents the negative factors influencing knowledge transfer (KT) identified during the first research phase and how they developed in time (results of the second research phase). Also, based on the interview in the second phase, possible causes of these negative factors were identified (where appropriate). Although there are factors that are difficult to predict and influence, the majority of problems seems to be grounded in the missing integration plan. In the second part of research, the second research question was answered.

Table 3: Development of negative factors identified in the first phase and their possible causes

<table>
<thead>
<tr>
<th>Factor influencing KT (1st phase)</th>
<th>Development of the factor (2nd phase)</th>
<th>Possible cause (2nd phase)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wrong expectations (acquired)</td>
<td>Regular visits of HQ managers in the acquired improved the expectations on both sides</td>
<td>Unclear HQ expectations, missing integration plan</td>
</tr>
<tr>
<td>General manager (acquired) not fully on board</td>
<td>General manager replaced</td>
<td>Missing due diligence, insufficient communication</td>
</tr>
<tr>
<td>Unclear changes to be made in the acquired company</td>
<td>Regular visits of HQ managers in the acquired made it clear</td>
<td>Missing due diligence, missing integration plan</td>
</tr>
<tr>
<td>Employees overwhelmed with information</td>
<td>Settled after a few years</td>
<td>An initial feature of any acquisition, improving over the time (Bresman et al., 2001), most probably inevitable</td>
</tr>
<tr>
<td>Initial fear among employees in daughter company</td>
<td></td>
<td></td>
</tr>
<tr>
<td>One way flow of information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lack of face-to-face meetings, majority of communication through emails</td>
<td>Regular visits of HQ managers</td>
<td>Lack of experience in acquiring, lack of HQ management time</td>
</tr>
<tr>
<td>Employees (acquired) confused – not knowing who to ask for help</td>
<td>Regular visits of HQ managers in the acquired made it clear</td>
<td>Missing integration plan (but inevitable to a certain extent)</td>
</tr>
</tbody>
</table>

Source: author

5. Discussion

The acquisition, as a means of expanding into foreign markets, enhances the importance of knowledge transfer in an MNE. This research examined barriers to knowledge sharing in a post-acquisition integration, and attempted to provide insight into the development of the issues over time. In addition, it revealed that the majority of issues that negatively influenced knowledge transfer after an acquisition is somehow linked to the missing integration plan.

One-way sharing of knowledge happened in the early-post acquisition period. This probably cannot be avoided, since one-way knowledge transfer is standard in the early stages. The early post-acquisition period is characterized by imposed one-way knowledge transfers from the acquirer to the acquired (Bresman, Birkinshaw and Nobel, 1999). However, in this case, this problem did not last long - the understanding of the information improved in the acquired company and communication became more fluent and natural.

From the findings analysis it was clear that the company did not struggle with national culture integration but rather with its corporate culture and organizational issues. This affected knowledge transfer in the post-acquisition integration phase. The Australian team felt they had to adjust to the new culture, but they did so through finding a compromise and discussing alternatives. Including this issue in the integration plan may draw more attention to it earlier and help to facilitate knowledge transfer.

The acquirer felt initial fear among the team members from Australia in the early stage. Even the best intentions can leave workers confused and lost in the process (DePamphilis, 2011). Finding a vital member of the team and getting him or her on the board can be crucial. This is a person with the strongest influence on other members who can, if identified, convince others that the changes acquisition brings will be beneficial. Otherwise, employees fail to gain a sense of belonging to the team and the acquiring company. For this kind of situation, Haspeslagh and Jemison (1991) blame ineffective management. If, on the other hand, the
acceptance of the acquiring culture grows, even the trust of the loudest opponents can be gained (DePamphilis, 2011).

Integration of cultures starts during the post-acquisition period, but for many companies, the planning and preparation for this process should start even during the due diligence. The analysis of the situation before the acquisition showed that the company had not carried out significant investigation before the acquisition. It is strongly advisable not to wait for the deal to close before devising a detailed integration plan. Many things that need to be checked or solved will repeat in every acquisition process, so a useful tool to assess the culture and for acquisition tasks in general is some form of acquisition checklist (Baker McKenzie, 2017).

It appears that the use of a common language is not a guarantee for accurate interpretation. Nevertheless, the use of a common language has its advantages and can significantly increase and improve the process of knowledge sharing as well (Björkman and Barner-Rasmussen, 2005). It seems that this was the reason why this area was not so critical during this acquisition process.

The most important issue identified that threatened smooth knowledge transfer was a lack of personal communication. It is almost impossible to control and handle the new situation with a lack of contextual information (Harvey and Griffith, 2001). It seems that apart from the operational challenges, any communication breakdown could cause complaints and long-term dissatisfaction within the team. For the CSO of the company, face-to-face interaction is without a doubt the best way to prevent misunderstandings at the very beginning. It is perceived as more valuable and is recommended at any time the decisions influencing strategy have to be taken. In order to succeed in this, the company should pay attention to more frequent visits in order to maintain two-way communication (Schweiger & Very, 2001). E-mails can lead to a communication breakdown (Hayward, 2002), partly due to their lack of social presence.

Just as in the early stages of the acquisition, the parent company is still making efforts to visit its daughter company whenever possible. There is no doubt that this went unrecognized by the management in Australia. This says a lot for the respect the company has for the acquired company and their understanding of the importance that visits have in engendering two-way communication (Schweiger & Very, 2001). However, it seems that the introduction of new means of communication could have helped. In the 21st century, having meetings, calls or conferences held by video is now the norm as it can replicate the face-to-face interactions of conventional teams (Bell & Kozlowski, 2002). The company used many phone calls instead, using Webex. This, however, does not provide a complete solution when lack of visual clues becomes a real problem, mainly if the meeting consists of multiple team members. The disadvantage is that some members can be left feeling as if they were silent listeners while only a few of them are discussing the problem. It seems that video calls, as another way of personal interaction, could have helped in overcoming this challenge.

Gathering the employees and finding working times for meetings can be a real challenge, even when everyone is situated in the same office. With different time zones, things get even more challenging. The solution of rotating (online) meeting schedules can lessen these barriers and improve both overall communication and flow of information. Some MNEs, such as Steelcase - a US-based furniture company - have been using this practice for years. The implementation of a meeting schedule would not only improve the communication itself but the flow of information as well, despite the fact that they face a considerable time difference in light of differing time zones.

6. Conclusion

To conclude, the results of this study show how complex it is to try to facilitate knowledge transfer in post-acquisition integration. As an answer to the first research question, several factors were identified that influence the knowledge transfer in post-acquisition integration, such as a lack of face-to-face contact, wrong expectations of the acquired company, initial fear among its employees and overwhelming these employees with information. Through answering the second research question, the development of these factors was examined and possible causes of the negative factors were identified.

It seems that the majority of problems can be minimized. First, proper due diligence may help, also focusing on human capital factors. Junni (2011) proposes that it will be more comfortable to formulate an appropriate communication strategy in advance for all the stakeholders involved if an analysis is performed examining how
individuals in the acquiring and target firms are likely to respond to the acquisition. Missing parts of due diligence in the case study company probably caused the loss of market share, whereas that market was originally one of the reasons for the acquisition in the first place. The idea was that the acquirer was buying an already established company with a confirmed reputation, and a known market share and level of profitability (Calipha et al., 2010). Second, it seems that the majority of issues and challenges were grounded in the missing integration plan. As the management of human capital plays a critical role in an organizations’ ability to learn (Minbaeva et al. 2003, Zhou, Fey and Yildiz, 2018), the integration plan should include the clear goals in the area of human capital and knowledge transfer and implementation. One of the issues covered may be the cultural and social integration in order to minimize negative “us versus them” attitudes and shift them towards greater mutual understanding (Sarala & Vaara, 2010), or frequent communication (Björkman et al., 2004). It may be fruitful not only to set up a goal of the whole acquisition, but also to set up clear goals of the various phases of post-acquisition integration.

Before academic and managerial implications will be presented, it has to be stated that this study is of course not without limitations. Case studies are generally perceived as providing limited scope for generalization (Yin, 2009). In line with this, the purpose of this research was not to collect generalizable data. Instead, the aim was to examine the specifics of knowledge transfer after the acquisition in the cross-border setting in order to provide a better understanding of the factors influencing the knowledge transfer in the global virtual team. The criterion for selecting the company was therefore the existence of cross-border acquisition and an access to both HQ and subsidiary respondents, which is relatively scarce in academic studies (Dibbern, Winkler, & Heinzl, 2008). However, there are particular specifics of the company, such as the country of origin, size or industry, that can influence the result of the research.

The observed findings have theoretical and practical implications. Previous studies have examined the characteristics of both acquiring and acquired company that influence the knowledge transfer. The present research contributes to these findings by including the global virtual team in the research as these are often used to facilitate the process of acquisition, thus incorporating possible problems that may arise in these global virtual teams and influence the knowledge transfer. This may imply that apart from the characteristics of the sender and receiver in the knowledge transfer process, there are also other factors that can have a significant influence on the knowledge transfer, such as communication and the flow of information. Regarding practical significance, the findings increase managers’ awareness of the importance of the due diligence and mainly the well-elaborated integration plan. Moreover, the results of this research may be used for planning future acquisition to eliminate the problematic issues in knowledge transfer and to increase knowledge sharing. For the acquisition manager, the findings reveal the consequences of poorly elaborated or missing integration plan on knowledge management and subsequently, on the output of the whole acquisition. This essential issue could serve as the basic assumption for acquisition managers when designing the acquisition planto successfully transfer the knowledge.

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References


**Appendix 1: Questionnaire (Žáková Talpová, Bogdanov, 2018)**

**Personal introduction**
1. What is your name?
2. What is your current position in the organization? What was your position while acquiring Equitrac Systems of Australia?
3. What were your tasks in the team in relation to this acquisition?

**Communication**
1. Were team members in contact with one another on a regular basis?
2. Were the fits meetings held in person or via media? Was it helpful and in what way?
3. How often were face-to-face meetings held? For which purposes?
4. What were the biggest challenges of not having a regular face-to-face contact?
5. Have you noticed that flow of information was at any time only one-way? If yes, how was it changed?
6. Have multiple time zones caused any difficulties in the acquisition process? If yes, in what way and how was it overcome?
7. Has the frequency of meetings impacted flow of information? In what way?

**Culture and language**
1. Have you noticed any type of culture barriers? If yes, in what way and how were they overcome?
2. Have you noticed any type of language barriers? If yes, in what way and how were they overcome?

**Technology**
1. Please indicate the frequency with which you use the following tools for exchanging routine business information with team members.
2. Please add if you used some other media not mentioned above and how often
3. What kind of media you found the most convenient to express yourself and to prevent misunderstandings?

**Additional information**
1. Based on your experience, what is the biggest team challenge when it comes to post-acquisition period?
2. Is there anything else you would like to add or suggest?