Success Factors of Start-Up Acquisitions: Evidence from Israel

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Success Factors of Start-Up Acquisitions: Evidence from Israel

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ABSTRACT

Objective: This article aims to explore the factors behind successful M&A of start-up companies.

Research Design & Methods: The objectives of this qualitative study are pursued in the context of acquired high-tech start-ups in Israel. The study employed semi-structured interviews. The practical model for analysing the transcribed interview responses was based on Shkedi's (2003) method, drawing also from the grounded theory tradition in the process of coding and interpreting data categories.

Findings: The results of this research highlight the communication climate (comprising factors such as openness, trust, supportiveness and interest of top managers in the employee's well-being) as a vital behavioural mechanism influencing post-acquisition performance. Also, we found that effective knowledge transfer to the acquired company is one of the essential determinants of success.

Implications & Recommendations: M&A require a clear business plan, that which is based on realistic needs. A major fault in many start-ups is focus on technology rather than on strategy. Many start-ups are established and staffed by engineers and scientists who often believe, erroneously, that a good product will sell.

Contribution & Value Added: In extant research, most attention has been paid to the acquiring company perspective on success. In contrast, this study focuses on the seller's perspective and contribution to M&A success, instead of on the buyer's perspective.

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INTRODUCTION

Due to rapid technological changes and the complexity of new high-tech products and processes, single firms are often struggling to keep up with new developments (Rahman Civelek, & Kozubíková, 2016). As a consequence, they can no longer solely rely on their internal R&D to maintain their competitive advantage. Frequently, the required technological capabilities and knowledge are created outside the firm and it therefore becomes necessary to exploit technological opportunities and knowledge sources which lie outside the firm's boundaries. In fact, most acquired companies nowadays are small and medium-sized enterprises (SMEs), with a preference for creative and entrepreneurial start-ups. The reasons for acquiring such firms are various, ranging from the ability to adopt a flexible approach for strategic and operational needs to the integration of a culture characterised by entrepreneurship, innovation, high motivation, technology-orientation, improvisation and an aggressive market outlook (Bauer & Matzler, 2014).

And yet, high failure rate of M&A stands in sharp contradiction to the vast expansion in M&A activity (Papadakis & Thanos, 2010). M&A indeed tend to fail or are at least considered difficult to manage, time consuming and complex change processes. Therefore, the question as to the critical success factors (CSFs) of M&A becomes a focal one (Gomes, Angwin, Weber, & Yedidia Tarba, 2013; Trąpczyński, 2013). In this context, this article aims to explore the factors behind successful M&A of start-up companies. In extant research, most attention has been paid to the acquiring company perspective on success. In contrast, this study focuses on the seller's perspective and contribution to M&A success, instead of on the buyer's perspective.

The objectives of this study are pursued in the context of acquired high-tech start-ups in Israel. The Israeli hi-tech sector, with about 50.000 employees, is very small in comparison to the respective US or European sectors. Relative to its small population of 7.8 million people, Israel has an abundance of high-calibre engineering (Zaks, 2016). Also, the uniqueness of the Israeli national culture (the culture of doubt and argument, team work, friendship, etc.) contributes to the potential emergence of start-ups. The seller's view on M&A success is less explored in extant research, especially in relation to the Israeli hi-tech and start-up industry. It is assumed that some of the CSFs mentioned above may have an even greater influence on the performance of M&A involving start-up firms, such as SMBs which are a part of the hi-tech sector, than on those involving other types of companies. This, in turn, may mean that exploring these CSFs in relation to M&A involving start-ups may yield clearer research results.

LITERATURE REVIEW

Many scholars have attempted to identify and classify the main CSFs (critical success factors) in M&A. Different research streams have sought to explore the determinants of M&A performance, including such aspects as trust between merging firms, national and corporate cultural differences (Weber & Tarba, 2012), leadership (Vasilaki, 2011), knowledge transfer (Junni & Sarala, 2013; Oberg & Tarba, 2013), or implementation of the post-merger integration process (Ellis, Weber, Raveh, & Tarba, 2012).

Firstly, there is evidence that trust is critical to the successful implementation of M&A, as it helps the management to overcome resistance and gain commitment from employees. The period following the announcement of an M&A is one of intense risk assessment, when trust is easily damaged and is then difficult to restore. A new top management team tends to be accompanied by a lack of trust (Hurley, 2006) and resistance to change (Stanley, Meyer, & Topolnytski, 2005). Thus, the ability to involve, foster trust among the target company's key personnel and retain it is considered to be the main challenge for M&A (Graebner, 2004).

Further, one of the key debates in M&A research revolved around the role of cultural differences. Scholars have agreed that cultural differences tend to have a negative impact on M&A performance, although some positive impacts were identified as well (Björkman, Stahl, & Vaara, 2007). Thirdly, the quality and intensity of communication is a significant factor in managing M&A effectively. The management can deal with employees' reactions to a merger, as well as with the anxiety and stress levels that tend to follow a merger or an acquisition through effective and timely communication.

One of the most prevailing responsibilities of top management, when it comes to M&A and to changing management, is therefore to ensure extensive communication, especially to employees. In fact, it is also not uncommon for employees to feel ambivalent, experience conflicting emotions regarding the change (Piderit, 2000), and for the attitudes toward change to vary over time across the different stages of change implementation. The degree to which employees are able to offer informed input for the change of strategy is largely contingent on whether organisations share information through a variety of communication channels; whether they enable the workforce participation at the planning and implementation stages (Elving, 2005). The findings of several studies suggest that committed change recipients tend to report higher levels of readiness to change and change acceptance (Madsen, Miller, & John, 2005). In order to successfully lead a major organisational change, it is important for the management to consider both the human and technical aspects of change.

Finally, most M&A have the purpose of realising synergies, as this has benefits. such as enhancing the acquiring company's future growth potential, reducing costs or creating value (Zaheer, Castañer, & Souder, 2008). Other benefits of synergy realisation include cost-based synergies, revenue-based synergies or organisational learning (Austin & Leonard, 2008). Many corporations announce wonderful expectations for inter-firm synergies following a merger, yet organisational integration is an essential determinant for synergy success.

To summarize, past research regarding M&A tends to suffer from a few deficiencies:

1. An almost endless search for a cluster of variables that may explain the variance and could predict the circumstances in a consistent way. In particular, the definitions of success and the way to measure it within the field varies. This turns the 'success' definition into a contentious term (Meglio & Risberg, 2010).
2. Organisations that differ in their size and sector, as well as in their reasons to conduct M&A, are often all included in one study and compared to one another, although they might not be comparable (Teerikangas, 2012).
3. The differentiation between different types of organisations' ownership (public, private or commercial) is often insufficient (Zaheer, Castañer, & Souder, 2011).

4. The dominant research method when studying M&A is quantitative, with only very few studies utilising qualitative methods (Cartwright, Teerikangas, Rouzies, & Wilson-Evered, 2012).

MATERIAL AND METHODS

The study employed 10 semi-structured interviews with key managers of acquired firms (for more details see Zaks, 2016). Many M&A studies use top-level executives as key informants because they are suitable to provide critical information about constructs such as cultural differences, autonomy and involvement by target managers (Capron, 1999). The semi-structured interview questionnaire prepared for the sake of this study was based on a combination of two interview protocols: one that was used by Drori, Wrzesniewski and Ellis (2011) to identify cultural clashes in high-tech start-ups and the other was used by Weber and Tarba (2011) to explore integration processes.

Each interview lasted approximately one hour and all ten interviews were carried out between March 2015 and June 2015. All the interviews were recorded, with the permission of participants, who were assured of their anonymity and confidentiality. The interviews were conducted in the Hebrew language. They were then transcribed and translated into English. Participants were also guaranteed that their responses would be reported in an aggregate form.

In the analysis of the scripts, we treated texts as subjective analysis units and aimed at exposing the inductive connection between the sub-texts which are referred to as 'Themes'. The aim of creating thematic categories consists of assigning several response codes that have functionally equivalent meaning to a higher order (superordinate) thematic category (Zaks, 2016). In the current study, we looked for relationships between the themes obtained from recorded interviews in order to find, theoretically and empirically, equivalent meaning in such a way that will allow us to generalise findings or provide support to previous findings.

The practical model for analysing interview responses was based on Shkedi's (2003) method. The method utilises a thematic analysis based on words and descriptions that informants use to describe their emotions, thoughts, beliefs and knowledge. We therefore paid attention to what interviewees said and not how they said it. This was done by referring to the context instead of focusing on key words. Therefore, in the analysis of the current study, text paragraphs were used as the analysis sections. A phenomenon is usually understood within its own nature and culture. Therefore, after the interviews with informants were conducted, the data was analysed by splitting the information into categories and by rearranging the different categories into a specific meaningful analytical order. Shkedi's (2003) four stages of analysis, in which each stage is based on the previous one, was adopted for the sake of this research. Two potentials emerged from these stages – a focused description and/or a theoretical description. Throughout the dynamic and repetitive analysis we continuously asked ourselves: Who? Where? Why? How? And so what? The process of categorisation, or coding, was conducted by differentiating, classifying and separating texts in order to find the data's conceptual meaning. The names of the categories were extracted from the informants' own language, 'in-vivo' (especially during the initial stages; these names can be different than the terms extracted from the quantitative segment of this research). We followed Shkedi's (2003) instructions and began the data-analysis with data narrowing by coding interviews texts and developing data displays by capturing all coded data and quotes in a matrix table. At the same time, we were aware of the 'concept perspective' and of the 'theoretical sensitivity' in the grounded theory tradition (scholars' literature, research and documentation). A 'categories tree', a data driven schematic presentation of the themes, was another tool used in the analysis.

RESULTS AND DISCUSSION

Overview of Cases

Our main research question involved identifying the specific factors that are most critical for the success of M&A involving start-up companies. In order to present the overall findings, we first present the results divided into firms which experienced an M&A as a success and those which experienced it as a failure.

Successful Cases

Y.V. – began his entrepreneurial career in 1969, at the age of 26, as co-founder of the first software house in Israel. Y.V. is now an early stage investor ('angel'). Since 1996 he has been active in founding young Internet companies and start-ups. The sale of his last start-up inspired a whole generation of young Israelis to establish start-ups of their own. In recent years Y.V. has been active in fostering a culture of innovation and creativity in Israel and abroad: '[…] *What the Israelis have is more related to culture than to technological knowledge […]. What the big companies like in us, and are willing to collaborate with, is the culture of running fast, to attack, to improvise, not to give-up to conventions by thinking 'out of the box'.[…] Israelis – you see them everywhere, they don't stay at home and waiting […] they run everywhere. If they are thrown out the door, they enter through the window*'.

B.V. – established his own start-up company in 2005 together with two co-founders as part of an 'incubator'. The company provided solutions for clients when and where there was excess demand for mobile communication. When excess demand was identified, the company's technological solutions balanced the demand so that entire mobile networks would not collapse. Since 2010 the company has been selling technological systems and has been financially balanced. In 2012 it was acquired. 'Our products are complementary' B.V. stated '*Together we can offer a unified product and aggressively compete in the market'. […] in the past there were some 'flirtations' and offers to buy us, but we felt that they were not the proper partner*'. He intends to remain working in the acquired company: '*I'm looking for challenges and I can find great ones here – to proceed and grow the business in the signalling area*'.

B.S. – is a serial entrepreneur. Since 1999, he and his co-founder have made six exits totalling more than 1 billion dollars. His last start-up was established in 2011 and two years later a product was already developed: *'[…] actually we operate as a virtual operator to the cloud area. We allow companies to put their software and applications on cloud systems and we manage it with transparency for them*'. He believes that the price paid by the buyer for their company mainly reflects the readiness of the acquirer to pay for the technology and its exclusivity. The price that other acquirers paid for similar targets was also taken into account when the price for B.S's company was negotiated. In any case *'[…] the decision to sell is only made by the entrepreneur and not the investors or the angels*'.

R.V. – is currently during his second exit. The present exit is with a telecom company that supports mobile network operators specialising in the utilisation of automatic networks. The companies' software monitors unexpected and unusual faults via a mathematical algorithm and rejects exceptional events (such as excess in demands for video and data). Their platform has no competitors as of yet. R.V. recommends to young founders: '*(…) Build a profitable company that justifies its existence (don't rely on capital raising). The acquirer bought us because the company was profitable and it was excellent in innovation*'.

A.B. – joined an acquired company which produces electronic security products in 2009 after a career as a strategic marketing manager in the telecom industry. The founder nominated him as the company's CEO two years before the acquisition took place. The founders' 'sprit de core' included strategic and cultural continuity in Israel, responsibility for people, leadership and positive mind-set in order to realise the advantages, synergy and serendipities of the deal. His main concern was how to best manage the process of internal communications during the M&A while, at the same time, managing employees' emotions and personal plans. '*I delivered communication on every detail to avoid rumours about hidden owner's interests*', he argues, '*transparency at all times was my orientation – even in bad things*'.

T.B.Z. – joined his childhood friends in order to 'earn money for existence' by producing a few 'not existing nor innovative' products without any intent to establish a big company. The software they developed was quite conventional, but its supporting tool became a 'real hit' that changed the rules of the game for T.B.Z. and his partner. They refused an offer to sell the company for $18M. Today, they are worth more than $1B, following their second M&A as an acquirer. His opinion regarding the lack of domestic deals is '*One of the problems is that entrepreneurs think that they can do everything alone. It is amazing how much technology and start-ups are here and how few deals occur. The reason that it fails is because of ego – who will manage, lead and in which structure. We understood that it's all about combination of organic and inorganic growth*'. During their first M&A, T.B.Z. states, '*what amazed me is that while we succeeded with our technology, they [the buyers] have succeeded without technology but with such a great operating system that I knew it's not reasonable that we'll have a similar one. Finally, together with our acquirer we created a kind of DNA that first of all believes in openness to see what you have and what you will not get alone. It is like in psychology, when you learn to recognise your own 'defects*''.

Failure Cases

I.B. – Three years after I.B. had established and managed a start-up, it was acquired for its technological knowledge following issues with receiving income from sales. His main concern, following his second exit, was that '*people felt that they worked in a vacuum where there were no customers […] they were stressed and some couldn't wait so they left […] for me it was important to continue with the project after three years in which we'd developed something and it was reported in public, there was a competitor and a 'Buzz*''. He mentioned that '*I sold the company mainly to end it nicely. When you sell in a failure situation you know it and, therefore, I convinced the buyer to agree to acquire us, without even raising the issue of the price they would have to pay for acquiring us. […] the acquirers' business unit that bought us was not technologically complimentary or capable of managing our potential product*'.

N.B. – was part of a TMT as a business development manager. His start-up, offering camera optical solutions, suffered from problems relating to reaching customers. The financial forecast indicated cash flow issues as investors held further investments. For N.B., the indication that an acquisition was required was '*[…] that the company was going nowhere […] without cash flow the sales would have gone down and the technological advantages would have gotten lost in the global competition*'. As far as he is concerned, the main reason for this situation was that '*[…] the CEO was a technological leader but was less business orientated and didn't have enough emotional 'sensitivity' to positively communicate with customers from different cultures*'.

Success Factors of Acquisitions

The main categories identified through the analysis of the qualitative data are related to themes such as: the perceived reasons for acquiring an Israeli start-up company, different attitude terminology and narratives of success and failure cases. As this study looks at CSFs, the analysis of the data focused on the informants' description of M&A and on how the acquirer is perceived by the acquired TMT. The sub-categories, second order themes that were analysed are: the acquired leading team, the start-up employees, the Israeli start-up culture, the M&A process, communication patterns, the technology and the differences that emerge from the company's size.

Figure 1 presents the schematic network analysis diagram which is the outcome of focused analyses. A similar analysis was performed for the failure cases and we found that three themes were in common: employee, TMT and technology. It means that our informants see those themes as the major CSFs in success and/or failure of M&A deals. To summarise, according to informants, the conditions for a successful M&A include: prioritisation of employees rather than technology, during the negotiations; commitment for development continuity of the products; the placing of projects in Israel with resources and a fixed schedule; exclusive, independent and high standard projects; the option for being separately managed as a business unit, without a need to integrate or disassemble; and the recognition that the acquired firm (management and employees) needs to adapt to the acquirer. The sections below elaborate on the success factors in more detail.

Acquirers, mainly global hi-tech giants, are constantly scouting Israel for new ideas and innovative, advanced solutions because *'[...] people in Israel don't make innovation – they live innovation, because it's in their DNA*'. This continuous matchmaking between large companies and start-ups is part of the local ecosystem. One of the informants said in relation to acquirers: '*they are ready to finance starting initiatives, to support the development of excellence centres and 'incubators', they remain local in developing products and services*' and '*[…] they don't pack the brain gain and the knowledge into 'boxes' and take it abroad*'. At the same time, acquirers recruit new employees in order to keep growing. By so doing they contribute to the establishment of long term processes and strategic thinking norms: '*they buy businesses, not patents or technology by itself*' and, therefore, they view the existing acquired TMT as those who will continue to run the business.

Thus, through their local M&A activity, acquirers earn talented and skilled employees as well as unique products which add value to their businesses. In order to retain these core employees acquirers *'[…] did everything they could to satisfy our employees: relocation, vacations, work from home, etc.'*. Flexibility, on both sides, is one of the CSFs of M&A. Openness and recognition in the acquired experience, furthermore, what is essential in M&A: *'[…] mutual consultations and respected compromises taught us to fit ourselves together with deep breath takings*'.

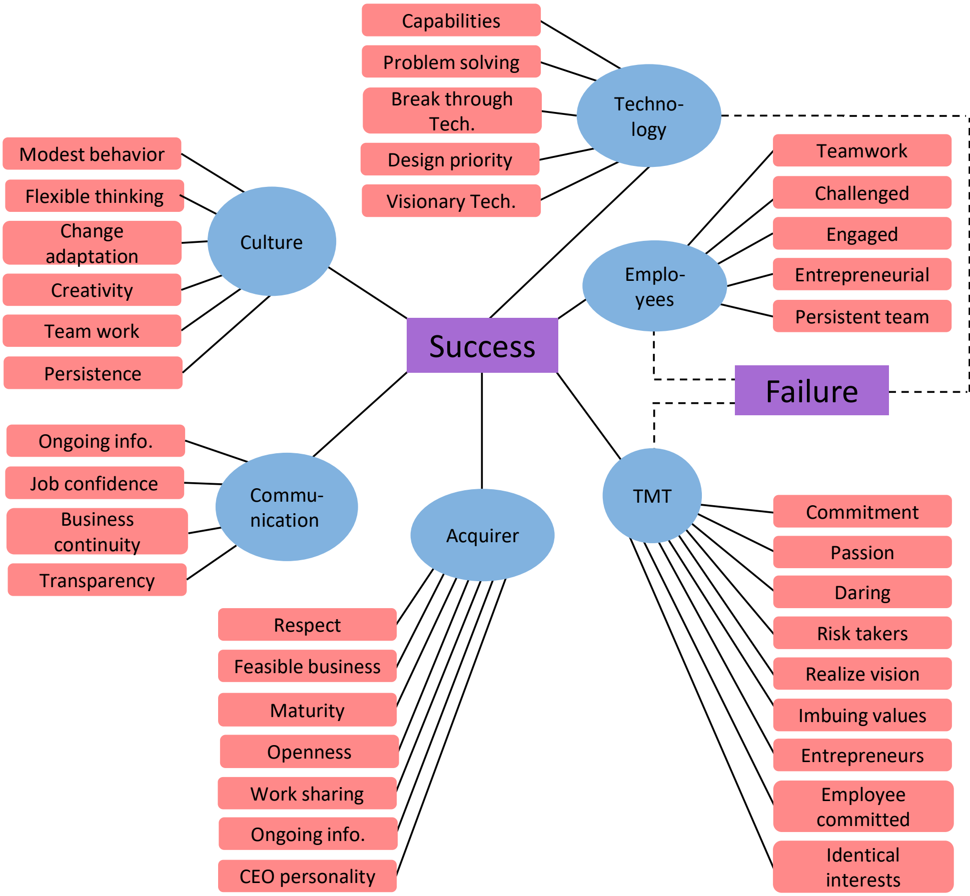

Figure 1. Network of analysed categories

Source: Zaks, 2016. Note: First order themes are in red boxes; Second order are in blue boxes and Major theme in Purple box

Further, the narratives that emerged from the interviewees who experienced successful M&A all pointed to success in the sense of the realisation and continuation of the founder's vision, of culture and product brand name preservation, of continuity in TMTs leadership as a modelling message for employees and of acquirer's openness and recognition in the acquired experience. Conversely, interviewees who had experienced M&A as a failure used expressions such as: '*It was always an option here*', '*there were not too many options – it was a 'force major'* ' and '*it was […] a case of leave or die. I sold the company because there was no progression with customers. Theology is an asset and if you don't continue to invest in it – the knowledge expires*'. In these cases, it is usually the technology and/or the knowledge that constitutes the acquired asset.

From the very beginning of a start-up firm the 'fuel' that generates its activity is related to the fact that '*people need to take risks, to give up on income, to take high risk* *decisions with high failure probability*'. When it comes to considering a merger or an acquisition deal, start-ups usually have alternatives to choose from. The choice will usually be directed at joining *'[…] safe and stable companies that could be considered as a warm home for the employees*'. It appears that start-up leaders find it incredibly important to '*[…] maintain the culture, the identity and less the brand name's product*'. During the beginning of the PMI process there is usually a drive to '*satisfy the acquirer but simultaneously insist on our way [of doing things]. From our perspective this was about avoiding wars and doing what is convenient for everyone*'. It appears that if the acquired company's leadership is given a choice, it would usually take the following characteristics of potential acquirer into account: stability, good home, recognition of acquired performance, flexibility, personality of the acquirers' leadership and communication flow.

Further, the continuity of the product development seems to be more important to TMTs than other considerations such as retaining autonomy, revenues from exit, self- reputation, or similar motivations. A follow-up on the reviewed cases indicated that three out of the six M&A success stories are managed as separate units retaining a broad autonomy. The factors which limit autonomy are mainly related to purchasing, accounting reporting, hiring approval, legal issues and administrative regulation (e.g. travelling procedures, etc.). It can therefore be concluded that acquired start-ups do not necessarily insist on remaining autonomous and that retained autonomy is viewed as part of the negotiations' 'give and take' trade-offs.

The analysis of the qualitative interviews reveals, moreover, that mature start-ups, which had already raised money, developed a customer base and were treated by acquirers as 'businesses', were more successful in their M&A than those which were treated as technological assets or 'time to market' buying opportunities. In cases where the acquired firms remained local and somewhat independent or autonomous, the reported performance and satisfaction were higher than in acquired start-ups that were assimilated, relocated or transferred into other acquirers' business units.

Communication was found to be a significant factor influencing start-ups' success during M&A processes. The results of this research highlight the communication climate (comprising of factors such as openness, trust, supportiveness and interest of top managers in the employee's well-being) as a vital behavioural mechanism influencing post-acquisition performance. The present study also suggests that communication is key for increasing employee job satisfaction during a merger. We noted that such initiatives improve employees' perceptions of personal control, organisational commitment and job satisfaction, and reduce the likelihood of employee resignations or absence. Generally speaking, a carefully planned, employee-centred communication programme, coupled with a high level of employees' relationship-building exercises, is needed to gain the acquired employees trust (Nikandrou, Paplexandris, & Bourantas, 2000). Timely and honest communication, as well as different courses, workshops, and psychological preparation, were also suggested as means of dealing with the human challenge during M&A processes (Marks & Mirvis, 2001). According to the informants interviewed for this research, managers who are proactively involved in the M&A process and want the acquisition to succeed tend to do all that is in their power to keep their employees motivated throughout the merger or acquisition process. In particular, this research found that leaders should provide employees with reasons as to why the merger is necessary and a realistic perspective of actual and future continuity, as well as employ methods to reduce uncertainties resulting from the merger (Giessner *et al*., 2006; Van Dick, Ullrich, & Tissington, 2006). Leaders should also pay attention to status differentials (for example, between employees of the acquiring and the acquired organisations). This is because employees of the lower-status merger partner (usually, the acquired entity) may have different concerns to those of the higher-status merger partner.

Given the high failure rate of M&A, as well as the stress and uncertainty experienced by acquired firms' employees, it is important that leaders and top managers of acquired firms understand, prepare, and better manage the employees-related CSFs, such as trust, communication and readiness and commitment to change, which were found to significantly influence M&A success. Although it may be difficult to isolate the relative contribution of each factor to the success of M&A, research findings (both of this research and of previous studies) have demonstrated that particularly 'soft', or 'human', factors contribute to the success of M&A. Leader's communication, furthermore, plays an invaluable role in facilitating the post-merger integration.

In a related quantitative study (Zaks, 2016) it was found that the retained autonomy level of the acquired company does not have a positive influence on M&A perceived success. Firstly, it is worth noting that another recent study by Zaheer Castañer, and Souder (2013) also found a significant but negative relationship between acquired firm post-acquisition autonomy and structural integration with related small and medium enterprises. Indeed, previous research into M&A implementation often focused on the challenge of balancing integration and autonomy. While post-acquisition integration and resource reconfiguration may be necessary in order to exploit potential synergies between the acquired and acquiring firms (Capron, 1999), the loss of autonomy that typically accompanies integration can itself be detrimental to acquisition performance (Very, Lubatkin, Calori, & Veiga, 1997). Moreover, effective integration of the acquired firm demands substantial commitment of managerial resources, a requirement that may distract the acquirer from its own core business (Schoar, 2002).

The dilemma between integration and autonomy may be especially important in acquisitions of technology firms. Such acquisitions are often motivated by the desire to obtain and transfer tacit and socially complex knowledge-based resources (Ranft & Lord, 2002). However, integration may ultimately lead to the destruction of the acquired firm's knowledge-based resources through employee turnover and the disruption of organisational routines (Puranam, Singh, & Zollo, 2002). Larsson (2005) suggests a co-competence integration approach whereby best practices from both the acquiring and the acquired company may be combined during the integration process. Consequently, it is essential to mutually identify and respect the competencies of the other firm in order to pursue the superior co-competence approach for organisational integration. Ranft and Lord (2002) suggest practices that may reduce the integration-autonomy tension by reducing the negative effects of integration. These practices include engaging in frequent, rich communication with acquired employees and placing acquired leaders in influential positions in the combined firm.

At this point, it is worth exploring some observations from the interviews conducted in this study:

1. Start-ups' TMTs can be graded on a scale ranging from having 'successful business orientation' with active and enthusiastic managers to having 'unsuccessful business orientation' with less active managers.

2. The successful managers (those with 'successful business orientation') had the vision, leadership and strategic capabilities to formulate priorities and goals which led to desired M&A configuration. The unsuccessful managers (those with 'unsuccessful business orientation') focused, and insisted, on certain details or elements (such as a specific technology or technological capability) while overlooking the greater picture and giving up options to negotiate over other sources of revenues or benefits.
3. Most of the merger or acquisition preparation work was personally conducted by the leader on the part of the acquired firm. The leader planned the forthcoming negotiation priorities hierarchy which was comprised of (in order of importance): the continuation of the business; the people; remaining as a united project team; and, finally, remaining autonomous.
4. The style of successful leaders is characterised by self-efficacy and flexibility. Unsuccessful leaders, on the other hand, are more willing to accept the terms of the acquirer in order to avoid, or minimise, clashes and confrontation.

Due to the heterogeneity and the small size (10 interviewees) of our sample, it is impossible to reach to any generalisable conclusions regarding attitudes towards autonomy. Nevertheless, it seems that, even with managers who have previous experience with M&A, the recognition of the importance of autonomy retention often only arises post-mortem, after discussions regarding autonomy have been neglected or continuously postponed in the negotiations process. This observation takes into account that while negotiating, managers must deal with a vast number of considerations simultaneously in order to highlight their attractiveness to the acquirer. Even though autonomy is expected to be a subject of great importance to start-ups, before, during and after M&A Israeli TMTs treat retained autonomy as one of many items listed on their negotiation checklist. During the negotiating process they tend to adopt a pragmatic approach prioritising certain topics over others. During this process the subject of autonomy is at times dropped out of the list of items that the acquired company wishes to insist on. In retrospect, during the post-merger phase, acquired managers may come to regret their approach towards autonomy retention during the negotiation process.

Finally, we found that effective knowledge transfer to the acquired company is one of the essential determinants of success. In fact, scholars generally point to a positive relationship between post-acquisition performance and effective knowledge transfer. Several factors were identified as affecting the success or failure of knowledge transfer, such as an individual's perception of the quality of the merging partner, whether the individual feels that the sharing of knowledge might translate into losing power in the organisation, or the social relationships between the employees of both firms, which can influence their willingness to engage in knowledge transfer (Björkman, Stahl, & Vaara 2007). In our study, acquired managers (our informants) who had a successful M&A experience report positive feelings and praise the acquirers' manner of transferring knowledge (one even called those procedures 'the Bible'). Other informants were more selective in sharing knowledge with their counterparts and they declare that they 'kept some cards close to the heart'. Some of the informants who expressed doubts regarding knowledge transfer mentioned that they avoided making 'enemies' within the acquirers' internal politics by choosing the 'wrong' person to share knowledge with. They therefore preferred to remain passive. Others mentioned that they did not want to be 'buried under some organisational structure' and decided to 'keep their distance' from any initiative aimed at improving procedures or methods. Finally, one informant mentioned difficulties in understanding the acquirer's complexities and 'basic dynamics'.

CONCLUSIONS

The present study makes an additional contribution to the ongoing debate on the success factors of cross-border M&A by building on the empirical setting of multinational corporations acquiring Israeli start-up companies in high-tech sectors and by exploring and presenting the success factors on the part of acquired firms. Hence, it draws attention of acquiring firms to the relevance of ensuring several success factors related to the acquired companies. Several closing remarks can be made in order to summarise the findings presented in the preceding chapters.

Firstly, M&A also require a clear business plan which is based on realistic needs. A major fault in many start-ups is focus on technology rather than on strategy. The present study found that companies that invested in strategic thinking were more respected and appreciated by buyers than companies that focused on the technology alone.

Secondly, core team expertise, diversified knowledge and flexibility are essential for the success of start-ups. Many angels, VCs and potential buyers highlight the assessment of the core team in making investment decision. Very often start-ups are founded by young people who are reluctant to hire suitable, experienced managers despite the fact that they lack management skills and experience themselves. This creates difficulties in both R&D and the marketing processes. In certain cases, start-ups' lack of managerial expertise may decrease or harm the growth potential of the business and the probability of being acquired. This study presented a few examples of M&A failure cases in order to illustrate this situation.

Thirdly, most start-ups are established and staffed by engineers and scientists who often believe, erroneously, that a good product will sell. Marketing is not always viewed as a profession within itself and founders, especially those with high technological capabilities but no marketing experience, may take on the role of marketers and lead the firm in a wrong direction. In such cases marketing departments are established very late (often too late) and are frequently treated as an area for cutting costs. The findings of the present study, based on qualitative interviews, suggest that start-ups that have a pre-prepared, detailed vision and business agenda are more attractive to, and more respected by, potential acquirers than those that do not.

Fourthly, firms acquiring unfamiliar products tend to rely on the acquired institutional structure and leadership by allowing greater autonomy and decision-making authority to the acquired firm's management team (Haleblian & Finkelstein, 1999). This may be the case when firms acquire other firms in order to expand their organisational knowledge.

The conclusions of this study may be limited to the Israeli culture of start-up organisations. Therefore, it is assumed that interviewees reflect their own domestic culture and this impacts their perceptions regarding the role of leaders' communication during the post-merger or post-acquisition integration stage. Thus, examining the influence of national cultures on the acculturation of international M&A might yield different conclusions than those reached in this study. Future study could therefore be extended to include an analysis of cross-border M&A, focusing on the construct of 'national culture' and examining the impact of this construct on leaders' communication and employee identification during the cultural integration of the post-M&A period.

Acquisitions by, and of, international and non-domestic, nationally different firms could add an additional cross-cultural element to the perception of autonomy and the PMI process. Cultural differentiation in acquisitions, in relation to the organisational type, could also provide interesting and additional cross-cultural insights to perceived autonomy, acquisition integration and performance relationships. The small sample utilised in this study did not include Israeli buyers and, therefore, we were not able to explore the cross-cultural element. Nevertheless, to the best of the authors' knowledge, start-up leaders' background, attitude and orientation is global and therefore we have not noticed any major nationality differences that may have created 'noise'. The TMTs treat cross-cultural issues as trivial or as a marginal side effect.

Several other limitations of this study are noteworthy. The sample of the study included mainly executives. It was impossible to reach out to more employees of acquired companies, as their acquirers refused to participate in the research. While we strove to include a wide variety of high-tech industries in the research, the results of this study cannot be generalised to sectors not represented by the sample. In addition, we were not able to add more cases to the study because of shortage in start-up companies willing to participate in the research. This was partly due to the ethical restrictions regarding anonymity and confidentiality we adopted.

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