The Role of Human Resource Management in Post-acquisition Integration

Evaluation of the Philips NVI approach to post-acquisition HR integration – an exploratory study

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*Evaluation of the Philips NVI approach to post-acquisition HR Integration – an exploratory study*

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Jim Bijwaard

Delft, February 24th 2012
Abstract

Building on the experience built up from the management of more than 30 integration projects, the objective of this research has been to improve the post-acquisition HR integration approach of Philips New Venture Integration, based on a gap analysis between the current model approach and actual HR integration processes employed during the integration of acquisitions.

Opportunities for improvement of the HR integration approach are proposed with respect to the definition of HR integration objectives and the implementation of HR integration activities.

As the field of post-acquisition integration is very broad, initial research themes are developed by both internal and external interviews. Because the NVI HR Integration model is a mature model which has been used and improved over the last five years, the internal interviews serve to quickly focus on the most pressing issues, whereas the external interviews provide an out-of-the-box view which might provide solutions to problems which Philips has not yet been able to solve.

The action research method is used for this research with the aim of positively affecting organizational change, by developing the improved HR Integration approach together with the persons involved in the actual integration of acquisitions. Action research is a cyclical process that consists of five distinct phases: (1) Diagnosing, (2) Action Planning, (3) Action taking, (4) Evaluation and (5) Specifying Learning. Due to the limited time, this research is based on one single cycle.

Based on the results of this single cycle it can be concluded that the Philips NVI post-acquisition integration model incorporates many of the concepts of the process-perspective on socio-cultural integration discussed in academic literature. Both the perspectives of task integration and human integration are both clearly represented in the post-acquisition integration model. Using the action research method I have been able to outline opportunities for improvement in order to better match the planning, management and execution of the HR integration approach with the intended results.

The inherent complexity of the M&A integration process, and the heterogeneity between deals, make it difficult to develop generalizable conclusions when comparing many different acquisitions, without the risk of over-generalizing and oversimplifying.
these acquisitions. By using a qualitative approach, this research allows to investigate a single approach in depth. The resulting conclusions shed new light on certain existing paradoxes within the academic literature on post-acquisition integration, and although these insights are not statistically generalizable, they might serve as a starting point for improved understanding of the performance of mergers and acquisitions.
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<tr>
<td><strong>Acculturation</strong></td>
<td>Acculturation in mergers and acquisitions (M&amp;As) is the outcome of a cooperative process whereby the beliefs, assumptions and values of two previously independent work forces form a jointly determined culture.</td>
</tr>
<tr>
<td><strong>C&amp;B</strong></td>
<td>Compensation and Benefits</td>
</tr>
<tr>
<td><strong>Functional lead</strong></td>
<td>The functional expert within the department of NVI who is responsible for the development and maintenance of the functional integration approach.</td>
</tr>
<tr>
<td><strong>HR</strong></td>
<td>Human resources</td>
</tr>
<tr>
<td><strong>HRM</strong></td>
<td>Human resource management</td>
</tr>
<tr>
<td><strong>HRSS</strong></td>
<td>Human Resources Shared Services is a Human Resource supporting function within Philips Corporate which is not specifically bound to one sector. There are several HRSS-groups in different geographical locations, due to regulations being largely consistent within geographical locations.</td>
</tr>
<tr>
<td><strong>M&amp;A</strong></td>
<td>Mergers and Acquisitions</td>
</tr>
<tr>
<td><strong>NVI/New Venture Integration</strong></td>
<td>The department of New Venture Integration is a corporate department tasked with the assignment to improve the performance of acquisition activity by the development and management of post-acquisition integration approach.</td>
</tr>
<tr>
<td><strong>Organizational fit</strong></td>
<td>How the organizations fit together with respect to the strategic vision. Who will do what</td>
</tr>
<tr>
<td><strong>Program Manager</strong></td>
<td>Program managers</td>
</tr>
<tr>
<td><strong>Socio-Cultural Integration</strong></td>
<td>The combination of groups of people possessing established norms, belief, and values</td>
</tr>
<tr>
<td><strong>Strategic fit</strong></td>
<td>How the acquired company fits with the intended strategic vision</td>
</tr>
<tr>
<td><strong>Strategic vision</strong></td>
<td>Why a certain company is bought. Which objective Philips wants to reach</td>
</tr>
<tr>
<td><strong>Synergy</strong></td>
<td>Although many different types of synergy exist, synergy can be broadly defined as value created by combination of two previously autonomous organizations.</td>
</tr>
<tr>
<td><strong>Workstream</strong></td>
<td>The activities, which together for the integration approach, are divided into several function specific worksteams. A workstream is responsible for the development and implementation of the integration plan of their respective</td>
</tr>
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**Introduction**

In order to remain competitive in the fast moving and global economy, many companies aspire continuous growth. In order to reach these growth targets, the management of these companies often employs a mix of both *organic* growth and *inorganic* growth through mergers and acquisitions (M&As). These companies engage in M&As in the belief that deal will allow the them to attain their strategic goals more quickly and less expensively than if the firm attempted on their own (Haspeslagh & Jemison, 1991).

Inorganic growth is playing an increasingly important role in achieving the strategic goals of a company (M. Hitt, Harrison, Ireland, & Best, 1998). This is underlined by the worldwide volume and value of M&A activity. In recent years the combined value of worldwide deals has grown massively; from $462 billion in 1990 to over $4.6 trillion in 2007 (Marks & Mirvis, 2010). Even during the financial crisis in 2008 and 2009 the volume and value of M&A deals remained significantly high, and we are currently seeing a renewed upturn in M&A activity; In 2010 global activity was more than $2,0 trillion and it is expected that total deal value will reach $2.9 trillion in 2011 (Amodeo, 2011).

Given the enormous amount of money involved in M&A deals, one would expect that the results from these deals are predominantly positive. However, paradoxically, academic research on M&A performance reveals that between 50% and 80% of M&A’s fail to deliver their expected value (Datta & Puia, 1995; Kitching, 1967; Marks, 1988; Sirower, 1997).

This low success rate and the immense economic importance have given rise to a large amount of academic research performed focusing on M&As in several different research fields. However, even with this increased attention, there is no clear indication for improvement, as “acquisitions continue to produce negative average returns similar to those seen historically (Marks & Mirvis, 2010 p. 330).”

**1.1 Objective of Mergers and Acquisitions**

Given the large failure rates, why do companies engage in M&As? To answer this question we need to look at the history. Companies have started to engage in M&A activity since the late 19th century. Depending on the relationship between the acquiring and acquired business 4 different types of deal-types can be identified: horizontal
integration between competitors, vertical integration of suppliers/distributors within the supply chain, product and market extensions, and diversification where unrelated companies form a conglomerate (Lubatkin, 1983).

Historically, different waves of M&A activity can be identified, which were each driven by different determining factors and strategic goals. Marks and Mirvis (2010) identify the following six waves.

Table 1: Waves of M&A (Marks & Mirvis, 2010)

<table>
<thead>
<tr>
<th>Year</th>
<th>Wave mainly distinguished by</th>
</tr>
</thead>
<tbody>
<tr>
<td>1890</td>
<td>Horizontal mergers bringing together small companies to form giants.</td>
</tr>
<tr>
<td>1925-1931</td>
<td>Vertical combinations</td>
</tr>
<tr>
<td>1974 – 1990</td>
<td>(a) Financially driven opportunistic deals,</td>
</tr>
<tr>
<td></td>
<td>(b) Megamergers; focus on corporate control.</td>
</tr>
<tr>
<td>mid 1990 – 2000</td>
<td>Globalization. Small acquisitions to build out new business lines in geographical areas</td>
</tr>
<tr>
<td>mid 2000 - ...</td>
<td>Well-defined capability building and value creation through acquisitions.</td>
</tr>
</tbody>
</table>

A merger or acquisition is not a strategy in and of itself, but it is a means for a company to achieve its strategic intent. M&As could therefore represent distinct strategic activities. According to Bower (2001) there are 5 distinct strategic reasons for companies to engage in M&A activity, these are:

1. Reduce overcapacity within a mature industry by consolidation.
2. Implement geographic expansion by rolling up geographically fragmented competitors.
3. Extend product lines
4. Acquire R&D capability
5. Exploit emerging converging of industries by create a new industry

The large volume and value of M&A deals in recent history shows that indeed many managers believe it is easier and more efficient to reach these strategic objectives through M&As, than by means of organic growth. But even when the initial strategic objective may be reached through a merger or acquisition, this does not necessarily mean that a deal is successful. The end-goal for a publicly traded company is to create value for its’ shareholders. When a deal achieves the strategic objective, but does so without creating significant shareholder value, the deal cannot be deemed successful.

1.2 Value creation through M&As

In order for a company to create value through M&As, the value of the combination must be higher than the stand-alone value of the separate companies. For valuation of a target, companies often rely on discounted cash flow models. Economic value is created when the return on capital employed in an acquisition exceeds a target’s weighted average cost of capital (David M. Schweiger & Very, 2003). Or in other words, “value is created when organizations join forces in a way that genuinely enhances the capacity of the combined organization to grow and prosper” (Marks & Mirvis, 2010 p. 6).

If an acquirer pays more than intrinsic value that the target represents it is unlikely that value is created “unless, a buyer can utilize the acquisition to improve the cash flows of either the target, itself, or both value cannot be created” (David M. Schweiger & Very, 2003 p. 3). This improvement of cash flows is referred to as synergy. Several sources of synergy are identified, these are: (1) economies of scale and scope and cost savings, (2) combination of resources, resulting in increased market power (3) revenue enhancement and (4) new knowledge and capabilities (Marks & Mirvis, 2010; David M. Schweiger & Very, 2003).

The correlation between pricing, synergy and value creation can be seen in Figure 1. The potential for value creation is determined by the difference between the price paid for the acquired company, the stand-alone value and the range of potential synergies.
1.3 Integration; the key to value creation

Only when the potential value of a merger or acquisition is larger than the price paid, there is potential for value creation. If the price paid for the target is lower than the stand-alone value of the acquired company no synergies are required in order to create value. However the price paid for a company often contains a significant premium on the stand-alone value (KPMG, 2006). This means that the achievement of value creation from the deal depends strongly on the realization of the projected synergies after the transaction has been finalized and the companies are combined into one organization (Hampeslagn & Jemison, 1991).

![Diagram showing the relationship between price paid and potential value](image)

**Figure 1: Pricing, Synergy and Value Creation (D. M. Schweiger, 2002)**

“The success of a company realizing multiple synergies lies in the management's ability to define and quantify what the synergies are and devise a concrete strategy to realize the cash flows associated with them” (David M. Schweiger & Lippert, 2005 p. 22).

Next to pressure on synergy realization, the stand-alone performance of the acquired company is also under pressure. The combination of the two companies can lead to disruptions in Business-as-usual or (BUA) or lead to customer attrition. This concept is also referred to as negative synergy (David M. Schweiger & Very, 2003). The complete
process of value creation through integration is summarized in Figure 2 (David M. Schweiger & Lippert, 2005).

In this framework the management of the integration process influences both value creation and value preservation. Effective management of the post-acquisition phases leads to both value creation through synergy realization, and value preservation. Consistent with this framework, literature shows that most deals fail due to poor post-deal integration, and not because of a false strategic rationale (Myers, 2011; Nogeste, 2010; Stahl & Mendenhall, 2005), with some studies putting the attribution of poor post-deal integration management at 70% of all failed deals (Vester, 2002).

Figure 2: Value creation and value preservation within mergers and acquisitions (David M. Schweiger & Lippert, 2005)

1.3.1 The role of human resource management in post-acquisition integration

The previous section describes the importance of effective management of the integration phase. The question remains what actually constitutes effective management. The outcome of post-acquisition integration depends on two different but interdependent processes: task integration and human integration (Birkinshaw, Bresman, & Håkanson, 2000). Task integration is defined as the identification and realization of operational synergies, while human integration is concerned with the creation of positive attitudes towards the integration among the employees on both sides.

Many scholars have called for more attention towards the human, or soft, side of integration (Aguilera & Dencker, 2004; Buono & Bowditch, 1989; Cartwright & Cooper, 1990; Moran & Panasian, 2005; Schuler, 2001). The human side of integration is often neglected “by managers intent on doing the deal and realizing operational synergies”
Without adequate attention to the impact of *socio-cultural integration*, defined as “the combination of groups of people possessing established norms, belief, and values” (Stahl & Mendenhall, 2005 p. 6) the integration process can lead to “sharp interorganizational conflict as different organizational cultures, managerial viewpoints, HR management systems and other aspects of organizational life come into contact” (Stahl & Mendenhall, 2005 p. 6). This can lead to both organizational and individual issues with employees of both the acquiring and acquired company. Effective human resource management is therefore of critical importance to value creation in mergers and acquisitions.

### 1.4 Philips New Venture Integration

Since the 1990s a trend can be identified in which companies perform multiple consecutive, smaller acquisitions. This has opened up the opportunity for these companies to learn from previous acquisitions in order to improve performance of the next. A well-documented example of a company utilizing their acquisition experience in a structured way is GE Capital (Ashkenas, DeMonaco, & Francis, 1998). Normally deals are seen as unique one-off events, however this approach views deals as similar events for which a replicable process can be created and fine-tuned. Some companies are now performing so many deals that they are called *serial acquirers*. Philips, too, is one of these companies, engaging in more than 30 acquisitions in the past 5 years.

Philips established the department of New Venture Integration (NVI) in 2007. In order to develop acquisition integration as a core competence. The NVI department has the mission to “provide Philips with world-class support and expertise to create value via the successful integration of new acquisitions” (N. V. I. Philips, 2011 p.3).

Philips acknowledged that it had a ‘generally good analysis and valuation structure in place’ and the strategic fit of the acquired company into Philips was generally well thought out, but improvement of the integration of the acquired company into the organization was a necessity. Areas of improvement expected from NVI were amongst others; integration costs known upfront, so that it would be part of valuing the deal, improved planning and management of the integration phase, and *increased focus on 'soft' issues like HR management and communication* (N. V. I. Philips, 2011 p.5).
Based on the premise that the value potential identified can only be achieved through a well-managed integration approach, NVI’s objective is to support the acquiring Philips business units to realize its acquisition value targets, give advice to the Philips Board of Management on improving the effectiveness of the integration process, and provide leadership in developing and maintaining integration expertise.

Philips NVI works closely together with the Philips corporate M&A department and is increasingly involved in planning and management of the deal throughout the different stages of the acquisition, from pre-deal planning, to the finalization of integration into a combined organization.

Towards the purpose of improving integration performance, Philips NVI has developed a structured model for managing the integration of acquisitions. This model is based upon knowledge from prior deals and the input from consultants.

1.5 Research objective

Based on the Knowledge Based View of the firm (Grant, 1996), it is argued that acquisition integration performance can be improved by the accumulation of knowledge from experience (Singh & Zollo, 1999). However, empirical research on the relationship between acquisition experience and performance has been inconclusive, with some studies showing a positive relationship and others showing a non-significant relationship (Barkema & Schijven, 2008; Puranam & Srikanth, 2007; Zollo & Singh, 2004). Experience by itself does not seem to lead to improved performance. The high levels of heterogeneity between acquisitions, could explain that experience from one acquisition might not be generally applicable to others (M. A. Hitt et al., 2009). In some cases this will even lead lower performance in subsequent acquisitions (Haleblian & Finkelstein, 1999). In order for organizational capability building to occur, deliberate learning mechanisms are needed to make sense of and disseminate lessons learned throughout the organization (Barkema & Schijven, 2008; Zollo & Singh, 2004). Codification of knowledge and subsequent evaluation are essential to leveraging experience to improve performance (Zollo & Singh, 2004).

It is therefore important to capture the knowledge existing in the minds of employees involved in integration and disseminate it throughout the NVI organization, in order to improve the performance of the NVI integration approach. The partial aim of this
research is therefore to learn from the experience of employees involved in HR integration, by capturing the tacit knowledge on the integration of human resources.

Experience with the model in more than 30+ deals might have caused the people working with the model to substantially divert from the original model in their day-to-day activity, because they have identified more effective methods to reach the same objectives, or because certain elements of the model are simply impossible to implement. The people involved in integrating acquired companies into Philips have developed valuable tacit knowledge through their experience working with, and implementing the NVI approach to HR integration.

The differences between the model and the applied approach can be attributed to three different reasons. Firstly it might be impossible to achieve the objectives of the Philips model because of internal and external constraints in the integration process, secondly the employees involved in the integration have developed a more effective or efficient approach to achieve the same objective, thirdly certain activities, which are not yet part of the model, also need to be managed. All three types of gaps are important to uncover in order to improve the Philips model. Gaps of the first kind create a need to adapt the model to ensure important integration goals are reached. Gaps of the second and thirds kind can substantially improve the Philips model and consequently add to the body of literature on HR management in post-acquisition integration.

1.6 Research questions

The goal of this study is to evaluate and to improve the current post-acquisition integration approach to HR integration as used by Philips NVI, by learning from the collective experience that Philips employees have built up working with the NVI integration approach over the course of more than 30 integrations.

In order to fulfill this goal, this research intends to answer the following research questions

Q1: What are the features of the current post-acquisition integration model and to what extent does the intended model differ from the actual processes of post-acquisition integration at Philips.

Q2: What improvements could be made to the current model in terms of:
a. Definition of HR integration objectives

b. Implementation of HR integration activities.

1.7 Report outline

- Chapter 1 introduces the objective of this research.
- Chapter 2 details the qualitative research methodology used throughout the different steps of empirical research of this master thesis.
- Chapter 3 gives an overview of the literature on merger and acquisition integration. Several different research streams concerning M&A integration are discussed, followed by an overview of the process perspective on socio-cultural integration, which forms the theoretical basis on which the approach towards human resource integration is based.
- Chapter 4 describes the first step of the empirical research. First of all the NVI HR Integration approach is compiled by analyzing different sources of information, after which specific areas of discrepancies between theory and practice are developed tough pre-interviews with respondents from the NVI organization. Also opportunities for improvement of the HR integration approach are gathered trough benchmarking interviews as well as external industry experts. The resulting research themes for further investigation trough semi structured interviews in chapter 5.
- In chapter 5 the research themes developed in chapter 4 are investigated in depth trough explorative interviews with employees responsible for the implementation of the human resource integration of acquired companies. This chapter discusses the development, analysis and results of these explorative interviews.
- Chapter 6 discusses the gaps which can be identified between theory and practice, based on the results of the explorative interviews in chapter 5. Next to a gap analysis also opportunities for improvement of the HR integration approach are discussed. Based on these opportunities for improvement, managerial implications for the short, mid and long-term are provided.
- Chapter 7 reflects on the research with general conclusions about the research and provides recommendations for future research.
2 Research methodology

The objective of this research is to improve the Philips NVI approach to HR integration based on the experience of employees working with the approach in over 30 acquisitions since the beginning of NVI and external. The desired end-result of this research will be the development and implementation a new HR integration Checklist specifically, and recommendations for improvement of the HR Integration approach in general.

Because the of the intention of this research to instigate change within the organization, this research will make use of the action research method (Lewin, 1946; Whyte, 1991). Action research is often used in organizations with the aim of positively affecting organizational change. “In action research the researcher makes an inventory of the problem field and – together with the persons involved in the organization – gains insight into the relationship between subfields” (Van Der Velde, Jansen, & Anderson, 2004 p.9).

This research aims to lead to the implementation of changes in the current approach, based on the gaps identified between the current NVI HR integration approach, and the actual application of this approach. This will lead to recommendations on how this approach could be improved based on experience of the employees involved. Involving persons within the organization trough action research enables them to suggest solutions based on their experiences, and helps motivating these persons to accept the outcome of the research (Brydon-Miller, Greenwood, & Maguire, 2003).

As the research question is explorative by nature, a semi-structured research strategy will be used. In this case the survey research methods fits very well with the stated objectives because, “survey research concerns the opinions, attitudes, motives, values and norms of research units, or their actions” (Van Der Velde, et al., 2004 p.77).

Action research is a cyclical process that consists of five distinct phases of (1) Diagnosing (2) Action Planning, (3) Action taking, (4) Evaluation and (5) Specifying Learning (Susman & Evered, 1978).
Survey research can be used in conjunction with action research. "In this mixed form, you use the report of the survey research as an intervention in the organization, instead of it being the end-point of the research".

It is suggested that validity of action research might be influenced by the fact that direct involvement of the researcher with the studied situation might result in a lack of impartiality and bias, and that the focus of action research on problem solving limits the scientific contribution. In order to improve rigor of the Action Research methodology (McKay & Marshall, 2001) it is suggested to add a second external route of research not focusing on problem solving, but on a specific research interest. This model is represented in Figure 4.

The separation of research interest and problem solving results in in two different reports. The results on problem solving are presented internally to the Philips NVI group. This internal presentation will focus on the actual changes that are implemented in the HR approach to integration. The questions and comments resulting from this presentation will serve as further input for the research findings.
Not all recommendations from the research findings can be directly implemented into the existing NVI organization and processes. These findings will therefore be discussed internally, but not directly incorporated into the new HR integration approach. These findings are however very relevant to the research questions and themes in general. In this thesis report I will discuss both the practical changes and the theoretical findings, and give recommendations for short-term and long-term managerial and academic implications of these findings. This model of dual cycle action research is visualized in Figure 4.

Another method suggested for improving the scientific rigor of the action research method is by incorporating techniques from the grounded theory approach (Corbin & Strauss, 1990; Glaser, 2002) into action research. "Much of the literature on action research currently assumes that theory evolution and exposition will occur as a natural consequence of problem formulation” (Baskerville & Pries-heje, 2000 p.2).
One key aspect of the scientific relevance of action research method is the role of theory. The foundation for action research is the existing theory. During the cycle of action research, this theoretical framework might be reinforced, withdrawn or modified, to reflect the effects of the action taken. However, Baskerville and Pries-heje (2000) argue that there is a lack of attention to the exact process by which such theories are developed during the course of action research. They suggest that incorporating grounded theory techniques into the diagnosis, evaluation and learning phases of action research phases improves the theory-rigor of action research. They especially refer to the use of open-coding because it defines an exact process by which the theory is formulated upon which the diagnosis and action planning are based.

2.1 Research design

In line with the action research method described in the previous section, the research design can be divided into five distinct phases.

Beginning with the diagnosing phase, first of all a literature study will be performed to provide the theoretical foundation on M&A integration performance. This literature study will focus on the existing academic research on strategic management, organizational theory and human resource management issues in mergers and acquisitions, and their impact on the performance of the combined organization.

Secondly, the current Philips model is compiled from the training material and internal documentation available from Philips NVI. Next to the Philips model, internal and external pre-interviews are held in order to develop research themes which can be used to analyze the differences between the model approach, the actual approach, and other opportunities for improvement. The internal interviews are held with representatives of the Program Management department within NVI. These are further added to by benchmark interviews with representatives from other multinational corporations with M&A integration experience. The information from other companies can lead to new insights as Philips will not have experienced all variations of integration issues first-hand. This type of learning “may be important even at later stages of capability building” (Barkema & Schijven, 2008) because it requires a certain level of prior knowledge to effectively grasp the concepts. These benchmarking interviews are held with three different HR M&A Integration managers from large multinational companies.
that have all have a larger degree of experience with M&A integration than Philips. Taken together the analysis of this information will lead to primers for the research themes, which will be further investigated in the third phase.

Next in the action planning phase the differences between the Philips HR integration model and the actual HR Integration approach, as well as the reasons for these differences are identified. Differences between the model and applied approach can arise due to constraints in the integration process, which inhibit the practitioners to apply the model as it has been developed. On the other hand practitioners might identify other activities necessary for effective integration, which are not part of the current Philips model.

Next during the action taking phase, a reflection on the research lead to the development of managerial implications. These results are discussed with the NVI team during an annual meeting and a number of subsequent follow-up meetings, in which the NVI team members could comment on the results.

These comments and criticisms further refine the interpretations, and contributed to the development of a pragmatic approach to HR integration. During the ‘specify learning’ phase in this research, a reflection on the thesis and recommendations for future result are presented.

A visualization of the different steps in this research is shown in Figure 4.
Figure 5: Graphical representation of the research design
2.2 Scientific relevance

In their review of the research on sociocultural integration in M&As, Stahl and Mendehall (2005) describe several paradoxes in existing M&A literature, which they attribute to a lack of coordination between diverse research perspectives. They argue that the reason for a lack of coordination between these research perspectives might follow from the fact that they are almost exclusively founded upon the scientific philosophy of logical positivism.

Meglio and Risberg (2010) make a similar observation adding that most research on M&A are cross-sectional investigations trying to find a correlation between variables determining M&A performance. This type of research assumes that variables are similar across different firms at different times.

The inherent complexity of the M&A integration process, and the heterogeneity between deals, make it difficult to develop generalizable conclusions, without the risk of over-generalizing and oversimplifying the acquisitions. This is however the way many prior studies have been approached. Consequently contradictory research findings have led to paradoxes in literature, which could benefit from in-depth research through qualitative research methods.

Both authors argue for the use of qualitative research methods to be used in M&A integration studies, to uncover the yet unknown variables influencing M&A integration performance, which could help shed light on these paradoxes.

In the light of this discussion, this study intends to add to the body of literature on M&A integration by performing an in-depth investigation into how socio-cultural integration is applied in a large multinational corporation, and reflecting on that application by studying the variables that govern the behavior of the employees involved in these integrations.

The findings in this research, based on the experience of the employees involved in the application of HR integration in Philips NVI, are therefore not statistically generalizable, but can be applicable in other settings outside of Philips.
3 Theoretical background

The chapter on the theoretical background is the starting point for the action research cycle. Together with chapter 4, this forms the diagnosing phase of the action research approach. The following figure shows, marked in green, the locus of this chapter in the research design.

3.1 Overview of M&A research

With the growth of M&A volume and value; also the attention from academic research has grown extensively. Over time several diverse streams of academic research have studied the performance of mergers and acquisitions. Each of these research streams “has its distinct theoretical roots, objective function, and central hypothesis” (Birkinshaw, et al., 2000 p. 396). The following research streams are identified: Strategic Management, Capital markets, Organization Theory and Human Resource Management. Similar distinctions can be found in Birkinshaw et al. (2000), Haspeslagh & Jemison (1991) Larsson & Finkelstein (1999), and Stahl & Mendenhall (2005). In some cases these authors use a slightly different categorization, but this can be expected as these research streams are distinct, but certainly not unrelated.

3.1.1 Strategic Management

The literature on strategic management examines the strategic motives and drivers of M&A and their implications for merger performance (Stahl & Mendenhall, 2005).
Researchers in the field of strategic performance have set out to investigate the performance impact of a range of variables of the acquirer, the target, or their relation (Haseplagh & Jemison, 1991).

The basic premise based on industrial organizational economics is that mergers and acquisitions have a positive impact on the performance of the acquiring company because of economies of scale, scope, and market power (Lubatkin, 1983).

It is suggested that the strategic fit between the acquiring company and the target influences the performance, and that target selection based on this strategic fit would influence M&A performance. However, research into this relationship is non-significant (Chatterjee, Lubatkin, Schweiger, & Weber, 1992). Suggesting that more variables determine M&A outcomes, other than sound strategic reasoning.

Another perspective is based on the resource-based view of the firm (Barney, 1991). Based on this perspective, only synergies which are unique to the combination of the acquiring and acquired company will have a positive effect on the acquirer performance (Birkinshaw, et al., 2000) as these synergies would otherwise be reflected in the purchase price.

### 3.1.1.1 Combination forms

Most academic literature uses the words acquisition and merger interchangeably, but it is important to realize the differences between these two forms of strategic combination when looking at the theoretical background on M&As. A merger involves the combination of two separate organizations into a third new entity, where an acquisition is the purchase of one organization for incorporation into the parent firm.

In many instances the existing theory does not differentiate between them. The term M&As will be used throughout the review of existing literature, unless it is apparent that the statements are only applicable to either mergers or acquisitions. This is especially important in this research, as Philips New Venture Integration only so far only has managed deals that can be characterized as acquisitions.

### 3.1.2 Financial economics, or capital markets perspective

The capital markets perspective looks at M&A performance from the perspective of the shareholders of the acquired and the acquiring company. Using stock-market-based
measures the net wealth gains are measured that are achieved when the targets assets are purchased. The acquiring company believes it can put the assets to better use than can existing management. The central proposition of this theoretical perspective is that deals enhance the efficiency of the market for corporate control and, thus, result in net wealth creation for shareholders. By following changes in stock price after adjusting for overall market fluctuations, these scholars attempt to determine whether wealth has been created as a result of a merger or acquisition (Haspeslagh & Jemison, 1991). This body of research has consistently shown that the acquired company shareholders profit from the deal, but not the acquiring, firm. Research by Sirower (1997) shows that between 59% and 79% of acquiring firms experience negative returns based on stock-market indicators.

3.1.2.1 Measuring M&A Success

The economic, financial, and strategic research streams all define M&A performance by different methods (Zollo & Meier, 2008). This means there is no agreement on how to measure the outcomes of M&As. However, because this research project is specifically indented to improve the Philips NVI integration approach, I have conceptualized the performance of M&A integration as the achievement of the financial goals as stated in the official business-plan driving the acquisitions in which Philips NVI is involved.

3.1.3 Organization Theory

The change associated with a merger or acquisition is a very disruptive process to both the individuals as well as the organizations involved. The academic research on organization theory seeks to understand the process by which previously separate companies are combined into a cohesive whole. The main focus on this line of work is how the two companies integrate their structures, systems, and cultures to achieve synergies (Stahl & Mendenhall, 2005).

Much attention has focused on the process of acculturation. “Acculturation in mergers and acquisitions (M&As) is the outcome of a cooperative process whereby the beliefs, assumptions and values of two previously independent work forces form a jointly determined culture” (Larsson & Lubatkin, 2001 p. 1574).

It is argued that cultural distance between the acquiring and acquired firm influences the amount of acculturation stress that rises due to the integration process, and that the
amount of stress subsequently influences the success of the implementation of the combination (Nahavandi & Malekzadeh, 1988).

Achieving acculturation represents a major post-acquisition challenge to acquiring firms (Larsson & Lubatkin, 2001) as the expected benefit from M&A’s is often not realized because of conflicting organizational cultures (Cartwright & Cooper, 1990).

The cross-cultural factor in M&A success has been the subject of debate as contradictory finding are reported (Stahl & Voigt, 2008; Teerikangas & Very, 2006). Cultural differences do not necessarily negatively impact the performance of the M&A, and might even be a source of value. Marks and Mirvis (2010) note that the success of a combination does not require the partners to be cultural clones, and the most successful integrations follow from deals where there is at least some cultural heterogeneity. Morosini et al., (1998) also report a positive association between national cultural distance and cross-border acquisition performance.

According to (Slangen, 2006), the effect of cultural distance is dependent on the level of organizational integration. The study shows that stronger levels of organizational integration lead to lower performance if the cultural distance is higher.

3.1.4 Human Resource Management

HR issues can have a significant impact on M&A outcomes. Research on HR issues in M&A integration has focused on people issues in both the organization as a whole as well as the effect of integration on individual employees.

The likelihood of change and the inherent uncertainty produces psychological stress for employees of both the acquiring and the acquired company. Marks and Mirvis (2010) refer to the psychological effect of M&A as merger syndrome. The psychological effect on employees is especially large on the employees of the acquired firm (Larsson & Finkelstein) as they often face the largest change.

Individual employees tend to be preoccupied with the (perceived) impact on career development, concerns about financial security, geographic relocation and the growing tensions due to stress. These issues can have a direct negative impact on productivity and performance of the employee, because of the preoccupation with change instead of a focus on business as usual. Research also shows an increase of illness and absenteeism (Marks & Mirvis, 2010).
At the organizational level, the stress and uncertainty lead managers to increase centralization and reduce the amount of communication, while they are waiting on decisions to be made. This in turn increases insecurity and rumors among employees, effectively producing “worst-case-scenario thinking that distracts employees from regular duties and causes them to obsess about the impact of the combination upon themselves and their work areas. All of this hampers integration, reduces productivity, and contributes to turnover of key people” (Marks & Mirvis, 2010 p. 40).

Next to the direct impact, stress can also negatively influence co-worker trust, motivation and engagement. When a company is acquired, the ‘social contract’ an employee has, is disrupted (Cartwright & Cooper, 1993). Combined with uncertainty and perceived job insecurity, the loss of social identity with the firm (Ullrich & Dick, 2007) and the interruption in career development can increase the chance that employee might leave. This is substantiated by several studies showing that the turnover of employees drastically increases in the months and even years after announcement of the deal (Cartwright & Price, 2003; Krug, 2009).

In deals that are rationalized by the synergy created by the reduction of headcount, increased turnover of employees might be welcomed, but in most cases the capabilities of the key-management team, R&D-specialists and other employees with important professional skills are essential to the success of the deal.

In order to prevent M&A-stress and the resulting negative impact on Business as Usual and integration performance researchers have investigated the effect of transformational leadership and communication on integration performance.

Schweiger and DeNisi (David M. Schweiger & DeNisi, 1991) show that merely increasing the amount of communication during the integration phase, and providing a realistic view of the mergers directly improves the amount of trust and reduced the perception of uncertainty. However in their research the question “whether the actual content of communications makes any difference” remains unanswered.

Cartwright and Cooper state that “early clarification and consistent communication of (1993, p. 9 p.9) the type of organizational marriage supplemented by a shared realistic and informed understanding of both partners' cultures, is of major importance in
addressing employee uncertainty and arresting any unnecessary and undesirable post-merger/acquisition drift.”

Typically only the negative impact has been examined, but issues of improved career opportunities, improvements in job security, compensation and benefits improvements and other financial and non-financial advancements can be very beneficial in improving employee morale and engagement.

3.2 The process perspective of M&A integration - Linking strategic objectives, synergies and integration activities

Irrespective of the increased attention from the academic world, the performance of M&As has not significantly increased in recent years. (King, Dalton, Daily, & Covin, 2004; Stahl & Voigt, 2008). This lack of improvement of M&A performance calls the validity of findings in the individual perspectives in question (Haspeslagh & Jemison, 1991; Stahl & Mendenhall, 2005).

Studies investigating the predictors across these individual streams of research have produced inconsistent and confusing results (Y. Weber & Fried, 2011). Meta-analyses examining the most widely studied variables in the M&A literature (King, et al., 2004; Stahl & Voigt, 2008) have not been able to clearly establish the reasons for the consistently high failure rate of M&As. It is argued that this is because of the fragmentation of research, which has resulted in several barriers to the development of more integrative research on M&As (Larsson & Finkelstein, 1999).

For example the financial economics literature implicitly treats M&As as though post-acquisition processes were undifferentiated and hence unimportant, as performance is measured by determining the changes in stock prizes days after the transaction is done.

Recently several academic researchers have taken a different approach by introducing a process perspective on M&A integration (Birkinshaw, et al., 2000; Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986; Larsson & Finkelstein, 1999; Stahl & Mendenhall, 2005). The process perspective is an integrative model combining elements of the strategic, financial, organizational and Human Resource Management perspectives and views acquisitions as a series of linked phases each of which has an impact on the subsequent phases and on the final outcome of the M&A (Stahl & Mendenhall, 2005).
The process perspective retains the important role of issues of strategic fit and organizational fit defined by the strategic and organizational research streams, but it adds the consideration of how aspects of the acquisition decision-making and integration processes can affect the final outcome.

Several researchers have developed integrative theoretical models (Birkinshaw, et al, 2000; Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986; Larsson & Finkelstein, 1999; Stahl & Mendenhall, 2005). These integrative models differ slightly in naming and structure but basically agree that conditioning factors strategic fit, price paid for the targets, and the initial organizational fit form the upper bound on the degree of success that a combination can achieve and that a combination of effectively managing both the organizational and human integration tasks determine the extent to which this potential is realized.

“The strategic motives for a particular merger or acquisition can be viewed as potential benefits that are realized through organizational integration and HRM, all of which affect a combination’s performance” (Larsson & Finkelstein, 1999, p. 2). To fully understand acquisition value creation, the management of the integration phase should therefore be studied with the actions that lead up to the acquisition in mind.

### 3.2.1 M&A Process Phases

The process of M&A integration can be divided into several distinct phases in which certain activities need to be performed in order to effectively manage HR integration. Several different frameworks are mentioned which are all variations on a similar theme.


The framework shown in Figure 6 developed by Schweiger (2002) divides the M&A integration process into 5 distinct phases.

![M&A Integration process phases](D.M.Schweiger,2002).
Although they use different naming, most authors agree on the fact that there process starting with the formulation of corporate strategy, which could be, achieved through inorganic growth followed by the selection of a potential target and valuation of the potential for value creation. When the potential for value creation is confirmed, the company enters into agreement to acquire, after which a transition and integration stage follow in which organizational integration and human integration both need to be achieved in order to realize the potential for value creation, this in return should lead to increased performance.

In each of these phases distinct opportunities and challenges exist with respect to socio-cultural integration and thus the HR function. Philips NVI has developed a dedicated approach to the management of these HR issues. The approach to HR integration describes what needs to be considered during the different phases, and describes specific activities, which need to be done in order to successfully integrate an acquisition into the Philips organization. The next chapter will describe this approach in detail.
4 Philips approach to M&A integration

This section of the research serves as the ‘diagnosing’ step in the action research method described in Chapter 2. As shown in the literature study, the concept of M&A HR Integration is very broad. In order to be able to derive meaningful results it is therefore important to focus on specific research themes.

This chapter consists of three different sections, though which the research themes are developed in an inductive manner. The first section describes the Philips NVI approach to the human resource integration of acquisitions, further referred to as the model HR Integration approach. This representation of the NVI integration approach is based on internal documentation and training material and several discussions with the functional leads for HR and Communications.

In the second part of this chapter, it is determined how people, working with the HR integration approach, perceive the model HR integration approach. This information is obtained through open interviews with three members of the program management department within NVI. These program managers are directly involved in the development of the integration plans and therefor knowledgeable of the actual implementation of the integration approach. These interviews serve a dual purpose. On the one hand they help improve the understanding of the NVI integration approach, as it is currently applied in practice, and secondly they give an early indication for potential areas for improvement, as the respondents indicate where they believe problems exists with the current approach.

In line with the knowledge-based view of the firm, discussed in the introduction, another (Barkema & Schijven, 2008) source of information on possible opportunities for improvement of the HR Integration approach is the experience of other companies. It is unlikely that Philips has experience with all different scenarios, which might occur during the integration of acquisitions. External benchmarking interviews provide insight in the different approaches taken to handle similar challenges.

The external benchmark interviews were held with HR Integration managers of three large multinational corporations with integration experience which matches or exceeds the amount of experience Philips NVI in both number of deals, as years of experience. Because these companies will face similar challenges, it is interesting to see how they
have chosen to approach certain challenges, and understand the reasoning behind these choices.

At the end of this chapter, the different sections within this chapter are aggregated into research themes. These research themes form the starting point for the action planning phase of this research which is described in chapter 5.

The approach outlined in this chapter corresponds with the items marked in green in Figure 6.

![Figure 6: Representation of the fit of this chapter in the research design (elements discussed in this chapter are marked in green)](image)

**4.1 The Philips NVI integration approach**

In order to understand the NVI approach to integration, it is first important to describe the relationship between NVI, the corporate Mergers & Acquisitions department and the acquiring Philips Business Group (BG) or Business Unit (BU). This section therefore starts with an explanation of how NVI fits into the Philips organization and its role in the total acquisition and integration process. When the structure, process and strategy
of the NVI group are clear, the integration activities proposed NVI Human Resources, will be further discussed in detail.

4.1.1 Data sources

This description of the Philips NVI integration approach is based on internal documentation, archival documentation, presentations and information from discussions with the functional leads for Human Resources and Communication.

One of the responsibilities of the functional lead for NVI HR is to train HR Managers from the acquiring businesses on the HR Integration approach. The documents used in this training serve as a starting point to describe the HR integration approach.

Next to this internal training material Philips NVI has an internal database of documentation. These documents are used to triangulate the information provided in the training material. The following documents where used to add to the understanding of the HR integration approach

- Documentation on the lessons learned from previous integrations.
- The collection of templates and tools developed to support integration project planning and management from, start to finish. (Must-Do list, Workstream charter)
- Internal presentation to introduce NVI to other departments and businesses in the Philips organization.
- Monthly internal reporting on the performance of individual integration projects.

4.1.1.1 Analytical procedure

The documents on which the information in this chapter is based are analyzed using open coding. Open coding is a method of analyzing written texts. While reading the texts notes and headings are written in the margin of the document. Afterwards the written material is read through again, and as many headings as necessary are written down in the margins to describe all aspects of the content (Elo & Kyngäs, 2008 Burnard). These headings are further used to describe the approach in detail. Next to the analysis of the written texts, several discussions where held with the functional leads for human resource management and communication. From these discussions, field notes where made which were subsequently used to further improve the model.
Because this chapter serves as the starting point of for exploration within research it is important that there is agreement about the current approach. After the development of the content of this chapter, it was shared with and checked by the functional leads for HR and Communications within NVI.

4.2 Philips New Venture Integration

The department of Philip New Venture Integration was created in 2007 with the goal to provide Philips with world-class support and expertise in order to create value via the successful integration of new acquisitions (N. V. I. Philips, 2011).

The responsibilities of Philips NVI department are to:

- Manage tailored integration projects together with the businesses.
- Build a competence center by capturing, sharing and developing know-how, standardized tools and metrics on acquisition integration with sectors and functions.

Since the start Philips has managed more than 30 integrations. Figure 7 shows an overview of the geographic and sectorial dispersion of acquisitions since 2007.

Figure 7: Overview of the geographic and sectorial dispersion of acquisitions since 2007
4.2.1 Strategy and guiding principles

Philips NVI works in close relation with the corporate M&A department and the acquiring business. Overall during the process the acquiring business is always in the lead in decision making.

NVI functional leaders and Program Managers get involved in the deal some time after a specific company is identified as a potential acquisition target.

Philips NVI adheres to a set of globally defined integration principles. There principles are defined as the absolute starting point for integration planning and management:

- Full integration of the acquired company into Philips with respect to policies and procedures.
- Integration timing and activities need to be tailored to the strategic rationale of the deal.
- Be sensitive to cultural differences.

4.2.2 Organizational structure of NVI

The NVI organization is a corporate function, which means that is part of the overarching organization supporting the business sectors. The head of NVI reports directly to the Board of Management of Philips. The NVI organization further splits up...
into two distinct areas of responsibility. First off all NVI offers dedicated functional leaders for HR & Culture, Communications, IT, F&A and Supply Management. These people have a large background in their respective area of expertise, and therefore a large network of functional experts within the business sectors and Philips corporate. These functional leaders are responsible for their respective area of expertise when it comes to the development of integration plans.

Next to the functional leaders NVI also consists of a team of seasoned program managers with broad business and M&A process experience and Program Management skills. Program Management is the management of different but related projects together in order to improve overall performance of all projects (Nogest, 2010). In the case of NVI, program management refers to the overarching development of the integration plans for all workstreams.

The program managers support specific integrations and provide mentoring and guidance for the integration management team, for whom it is often the first acquisition in which they are involved.

4.2.3 NVI Resourcing

The budget from NVI comes out of the corporate fee, which the Philips sectors are required to pay each year. This means that the resources NVI offers to the acquiring business group (BG) or business unit (BU) are ‘free’ (or pre-paid) resources, which don’t affect the integration budget. It should however be noted that this system is about to change and will be replaced by a system in which the costs of integration are part of the integration budget. The effects of this change are not yet clear; since the change has not happened yet, but it can be concluded that this change will increase pressure on the NVI group to make the M&A performance improvement from integration clearly visible.

4.2.4 The acquisition and integration process

The acquisition and integration process is separated into three distinct phases; (1) Pre-Close. (2) Post-Close Transition and (3) Post Close Integration. The definition of these phases closely resembles those regularly used in literature - pre-combination,
combination and post-combination (Marks & Mirvis, 2010), or transaction, transition, and integration (Schuler, 2001).

4.2.5 Pre-close phase

Based on the strategic review, a business unit (BU) or business group (BG) from Philips enters a Project Initiation Form (PIF). This PIF is the starting point to begin the acquisition process. Based on the PIF, Corporate M&A starts sourcing for a company that fits the objectives of the deal. At this moment in time, often the NVI Program Managers are involved by the business group or business unit doing the acquisition. The NVI Program Managers are given the task of establishing an integration structure before the Non-Binding Request for Approval (NB-RFA) and developing the High-Level integration planning for the Binding RFA. The Philips Board of Management needs to sign-off on both these documents in order for the Business Unit or Business Group to actually acquire the company.

When sign-off is obtained for the RFA, Philips engages into an ‘agreement-to-acquire’ with the target company. This is often the start of a regulatory period, in which the authorities of the country or economic zone in which the deal takes place needs to give regulatory approval for the deal. Based on the deal-characteristics (e.g. private or publicly traded company) this period can take from 0-time, to up to several months.
When regulatory approval is obtained, the deal is legally ‘closed’ and the integration phase starts.

**Figure 9: Acquisition process steps**

4.2.6 The role of NVI during the acquisition and integration process

During the early stages Philips NVI works in close relation with the department of Mergers and Acquisitions (M&A). The M&A department is responsible for the actual deal making part of the acquisition process. There are many overlapping areas of interest. During the early stages of deal making, NVI gets involved to develop the integration chapter of the business case that is used to justify perusing the acquisition. Furthermore the role for NVI is to establish an integration structure and a high-level integration plan in order to be ready to jump-start the integration right from the moment that the deal is signed.

Figure 10 shows the specific activities managed by NVI during the acquisition and integration process.

![Diagram of Acquisition process steps]

**Figure 10: NVI support in acquisition phase**

4.2.7 Integration phase

During the integration phase NVI supports the business in delivering on the financial and project goals set in this RFA. The structure and integration plan, developed in the
pre-close phase, is now set into action, and performance is measured against the goals defined in the RFA.

4.2.8 Roles and responsibilities within the integration

NVI employees are actively involved in strategy development, management and execution of the integration phase. In order to do so effectively, members of the NVI employees fill several key positions in the integration teams. Figure 11 shows a graphical representation of the different organizational groups and their roles and responsibilities during the integration.

The integration steering committee is responsible for key-decision making. The integration steering committee consists of high-placed employees from the acquiring and acquired business, preferably completed by a representative of the sector and from Philips NVI.

The integration management team is responsible for the overall daily project management and decision-making. The team consists of a Business Integration leader from Philips, and a representative from the acquired company. NVI is represented in this team by the Program Managers.

The functional areas are covered by the functional workstreams. These workstreams are co-chaired by managers from both Philips and the acquired business. The workstreams are responsible for developing and implementing the workstream plans.
4.2.9 Performance measurement

Philips NVI keeps business-balanced scorecards (BBSC’s) to track the performance of the integrations. Performance is measured on financial, project management, and engagement key performance indicators. These indicators measure performance against pre-determined targets set at the start of the integration.

An example business balanced scorecard can be found in Appendix D.

4.3 Philips NVI approach to human resource integration

The previous section has discussed the global approach to integration, as defined by Philips NVI. Next to the general approach, there are several functional areas. Because of the research topic the functional area of interest to this research is naturally that of human resource management.

Planning and preparation of the integration starts well before the transaction is completed. An integral cost estimation of HR integration costs needs to be part of the deal valuation. Also a high level PMI plan must be ready before close in order to realize the deal value directly from the first day of integration.

The approach to HR integration is developed and maintained by the NVI HR functional lead. However the actual implementation of integration activities is done by the acquiring business, by the HR integration workstream. These functional leads support
these workstreams as experts in their respective fields and “serve on the functional support & Due Diligence teams pre-close, then assist workstreams as needed during implementation” (Philips, 2010d).

4.3.1 Organization of the HR workstream

The HR workstream consists of members of both Philips and the acquired company. The HR workstream leader is the lead-responsible during the integration phase, and reports to the integration management team. The HR workstream leader develops the HR PMI plan in close collaboration with respectively the M&A HR lead, the NVI HR lead, sector and country functional experts (and when applicable, HR Shared Services\textsuperscript{1}).

The NVI HR functional leader supports the HR workstream by:

- Supporting the development of the PMI HR integration plan.
- Capturing, sharing and developing HR integration know-how and lessons learned.
- Providing standardized tools and metrics for HR integration.

The most important driver for the HR integration approach is that it fits the strategic rationale of the deal and to unlock the deal value for Philips. In principle Philips strives for full integration of HR processes and policies, when this conflicts with the deal rationale, the global head for HRM determines the approach. (Philips, 2010d)

4.3.2 HR Integration performance measurement

The objective of HR integration management is to ensure maximization of value creation through the integration of the workforces of the acquired company and Philips. NVI considers the following Key Performance Indicators (KPI’s) to be determinants of HR integration success, contributing to this objective.

- **HR integration project management**: The HR integration progress, measured by the number of tasks completed.
- **Key Person retention**: The percentage of employees retained for the combined organization after receiving a retention package.

\textsuperscript{1} HR Shared Services is shared pool of HR experts supporting all of the businesses within a certain geographical region. Not all geographical regions have a Shared Services group.
- **Employee engagement**: The total average engagement survey score held once every two quarters. This survey measures concepts of employee perception of future direction, strategic vision and trust, inclusion and teamwork, employee communication, and employee engagement.

Next to these KPI’s, the costs attributed to HR integration are measured and compared with the budget for integration. See also Appendix D for an example Business Balanced Scorecard.

### 4.3.3 Objectives of HR integration

The HR integration approach is comprised of several objectives, which are defined as important for effectively integrating acquired companies into Philips.

The following high-level categories of activity are defined in order to plan and manage the HR integration process.

1. HR Integration Planning and Organization Structure
2. Organizational Design and staffing
3. Compensation & Benefits and Service Delivery
4. People Management
5. Key Person Retention
6. Cultural Integration and Change Management
7. Employee Communication

These sub-activities belonging to these top-level categories further detailed in the HR integration *must-do list*. This extensive list of activities is the starting point for planning the HR integration plan for each individual integration project. The functional expert of NVI owns the content on the Must-Do list, but the actual implemented activities are determined by the acquiring business. In order to do so the acquiring business appoints a HR workstream lead, who is responsible for the development and implementation of the HR integration plan and reports to the integration manager.

### 4.3.4 HR Integration project management

The objective of HR integration project management is to start planning as soon as possible to be able to hit the ground running when the transaction between the companies is legally finalized.
The integration planning starts in the pre-close phase of the deal. The HR workstream leader, in close collaboration with the different relevant Philips HR organizations and the acquired company HR organization, develops the HR PMI plan. Often in small acquisitions the acquired company doesn’t have a separate HR organization, which means that this function will be a partial responsibility of a member of the management team.

The HR PMI plan starts with the HR integration Must-Do list provided by NVI. This list is an exhaustive collection of activities relevant to HR integration and is built up and improved by experience from previous acquisitions. As every acquisition is different, it is very important to tailor the HR PMI plan to the strategic rationale of the deal, and the characteristics of the acquired company.

The end result of the HR project management dimension is the development of the HR Workstream Charter. This charter can be seen as the guiding document for the HR integration and contains information about HR Integration team, the integration activities, timing of integration activities, and an analysis of the risks, dependencies and issues concerning the project. The activities and timelines detailed in the workstream charter are further entered into a project management tracker, which is used to manage the progress of the integration. (Philips, 2010c)

Figure 12 shows the roles and responsibilities of the process of developing the finalized HR integration plan.

Figure 12: HR Integration planning process
4.3.4.1 Organization structure

The objective of this dimension is the development of an organizational structure which reflects the strategic rational of the acquisition. This means assessing the current organization structures of the both companies and develop a bridging plan towards the combined organization.

In order to design the new organizational structure, a complete high-level assessment of the acquiring Philips business and the acquired organization needs to be available including: strategy, business model, current organization structure, culture and governance processes.

In close relation with the integration steering committee the preferred organizational design is determined and a gap analysis is performed, which leads to the organizational development plan (Philips, 2010f).

4.3.4.2 Key person retention

Key person retention is one of the key performance indicators measured during the integration. Key-person retention is particularly important during the Pre-Close phase and is part of the deal Request for Approval.

Key employees are those people, which are critical for business and integration success. In collaboration with the acquired company's top-management, the key employees for are identified. Retention packages are designed based on their current salary and benefits, and the likelihood of post-acquisition departure.

Which employees are key-persons, depends on their professional skills and/or leadership competencies. Depending on the strategy behind the deal these skills might be more or less important to retain in order to successful integration the core business into Philips.

Employees receive a retention package when Philips believes that these persons are essential to the success of the integration and the business. The KPI measurement of Key-Person retention only focuses on retaining the employees who actually receive a retention package (Philips, 2010e).
4.3.4.3 Compensation & Benefits and Service Delivery

Compensation & Benefits (C&B), Service delivery, represent a significant part of the integration costs. These costs are ultimately attributed to the bottom line of the acquired company, and therefore put pressure on the potential value creation of the deal. The costs for compensation and benefits integration are a major part of HR due diligence and deal valuation.

The end-goal is full integration of C&B-policies and services as soon as possible and no longer than 3 years after integration start. The reason behind this timing is that early integration of compensation & benefits for employees of the acquired company gives strong signal of belonging to the Philips family. In order to ensure fiscal and legal compliance on the first day of the legal transfer of business, a transition-state needs to be determined.

The full integration of C&B, Service delivery and HR data management comes with increased costs for the combined business. This means that the actual implementation needs to be phased to ensure the business case remains compelling, but the maximum set time for integration is within 3 years (Philips, 2010a).

4.3.4.4 People Management

The dimension of people management looks at developing the acquired employees within the Philips organization. Talent management and employee development are key areas of responsibility for the HR function.

The purpose of integration is ensuring the fast and effective transition from two separate HR approaches, into one approach, in which the practices of Philips and the acquired company are compared and a best-of-both-worlds approach is determined and deployed.

Talent management at Philips is based around the globally defined Philips leadership competencies. As these leadership competencies are defined globally for all Philips sectors and businesses, the purpose of integration is to align talent management with the existing talent management approach.

Other items, which are also taken care of, are the legal obligations around Affirmative action, Diversity and pay Equity. However there are no specific Integration objectives around these issues (Philips, 2010g).
4.3.4.5 Cultural integration and change management

In the Philips NVI approach culture is an item high on the integration agenda. In the due-diligence phase of the deal-transaction a cultural quick-scan of the acquired company is made based on the cultural dimensions described by Hofstede (1984). This assessment is compared to the Philips culture of the acquiring BU. Based on these differences a cultural awareness workshop is held between Philips and the acquired company management teams, in order to create mutual understanding of the cultural differences, and assess risks and activities in order to make sure cultural differences won’t affect business performance. (Jonkers, 2011; Philips, 2010b).

Next to cultural integration, the HR integration approach also develops a change roadmap, in close relation with the other functional workstreams. The idea of this roadmap is to have a clear understanding of when the change initiatives will be implemented.

4.3.4.6 Employee Communications

The objective of employee communications is to keep all employees informed about the integration process and to support the workstreams in informing the acquired employees about the changes that are about to happen.

- Inform and engage our new employees on Philips Values, Culture, Brand and Strategy
- Align and ensure employee commitment to the ambition and vision of the new combined organization
- Enhance employee experience to further improve job satisfaction, engagement, professional development and career opportunities
- Support the integration teams in their communication efforts

The communication effort can be divided into four distinct phases. The actual messaging during the first three phases happens on a very specific date, but preparations need to be made well in advance. These specific moments are:

a. Acquisition announcement
b. Acquisition close; when regulatory approval of the deal is obtained
c. Day One event
After the initial messaging surrounding the deal, ongoing communications need to be maintained in order to keep all employees informed and motivated about the deal.

d. Employee communications during integration

Out of these communications objectives, NVI HR & Communications is directly responsible for Day One event and ongoing integration. The communications activities prior to these dates are primarily the concern of M&A communications in collaboration with corporate communications. (Philips, 2011a)

A graphical representation of the planning and management of this communications approach is given in Figure 13.

Figure 13: Integration communication planning and management

4.4 Internal pre-interviews

As described in the previous section, the NVI approach consists of a general approach to integration, as well as specific approaches to the integration of functions. The functional approaches are developed and maintained by the functional leads for Finance and Accounting, IT, Supply management and HR & Communications.

Based on these functional approaches an integration plan is developed by the acquiring business. From the start of the acquisition the involvement of NVI is not immediate, but grows steadily with the likelihood that the transaction will actually take place. Only
after Philips decides to go ahead with the acquisition are the actual workstreams put into place. As a result, the early, high-level integration planning is primarily supported by the NVI program managers. The program managers have first-hand experience with the HR approach to integration, as they are responsible for the development of the integration chapter of the official Request for Approval. Also the program managers are the first NVI members to get involved in the acquisition process, and remain involved until the closing of the HR workstream.

Because of their involvement with the development of HR integration plans, it is chosen to conduct three interviews with members of Program Management, to uncover potential issues with the existing HR approach to integration. Figure 14 shows the roles of the interviewees within the NVI organization. Because program managers are external to the Philips HR organization, they are in an ideal position to objectively reflect on the HR integration approach.

In total 3 interviews are held with employees with NVI program managers. Two interviews are held with program managers, and one with the head of program management.

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**Figure 14: Organizational role of pre-interview respondents (highlighted in green)**
4.4.1 Interview procedure

Because of the exploratory nature an unstructured approach is used. The subject of the interviews is the HR integration approach. Before the interviews started I was announced within the organization as an intern investigating the HR Integration approach under the supervision of Lucille Peeters-Adriaens, the functional lead for HR Integration for NVI. This helped in getting everybody involved in the research process. The interviewees where approached by e-mail. Without exception all respondents were willing to help. The interviews lasted about 60 minutes each. Because the interview was also the first time I would personally meet these respondents, the interviews where preceded by a short personal introduction and an introduction of the research topic. During the interview notes were made, which were directly summarized afterwards in order to have the information freshly available. The summarized interviews where shared with the respondents to make sure that all answers were represented correctly and to give opportunity to add more information. In one case the respondent sent back additional comments after receiving the summary.

4.4.2 Analytical procedure

Because of the small number of respondents and the unstructured nature of the interviews, quantifying the results will not yield significant results. The summaries are analyzed using the technique of open coding. Open coding allows the research to compared events/actions/interactions with others for similarities and differences and given conceptual labels. In this way, conceptually similar fragments are grouped together to form categories and subcategories (Corbin & Strauss, 1990). As such the answers given by the respondents can be compared with the model integration approach. The next section discusses the results of the analysis of the internal pre-interviews.

4.4.3 Areas of interest identified by internal pre-interviews

There are no significant inconsistencies identified between the answers given by the respondents in the pre-interviews. The following issues are mentioned with respect to the management of M&A integration in general and HR in particular.

- Firstly the role of NVI is to support the business in the achievement of integration goals, however NVI is not directly accountable for actually
reaching these goals. NVI functions as a quality check, and mainly functions as advisors to the businesses doing the acquisition. As a consequence the influence of political aspects can have strong influence on the level of participation by NVI in the integration.

Secondly, the integration should focus better on the achievement of acquisition objectives. In smaller acquisitions, it is more difficult to achieve synergy, but this is not the sole reason why Philips could engage in acquisitions. In addition to that, the KPI’s defined for integration success not always logically reflects the strategic rationale of the deal, which could be a distraction of achieving the actual strategic intent.

The Philips NVI approach has proven to be successful in helping the Philips businesses achieve their synergy objectives. The average synergy realization taken over all deals in 2010 is calculated to be 106%. This means that even more financial benefits are created through synergy realization than anticipated during valuation of the deal. It is important to note that the financial reporting shows that this number skewed by a few large acquisitions performing very strongly, this compensates for other smaller deals, which do not reach 100% of their synergy targets. Synergy realization seems to be particularly difficult in smaller acquisitions.

It is also mentioned that small acquisitions often don't have the organizational structure to sufficiently take care of the HR integration activities, because of the lack of pre-existing resources and systems. Taking these issues into account, the activities on the Must-Do list are not generally applicable in every situation and should be tailored to fit the purpose of the deal, but also size, organizational structure and cultural should influence the approach to integration.

The accessibility to the knowledge existing within the NVI organization is not very pragmatic. Lessons learned are captured at the end of integration, but they are predominantly shared trough informal discussions. Qualifying lessons learned is very difficult. Also the structure of the shared document library does not help in finding relevant information.
4.5 External benchmark interviews

The benchmarking interviews and meetings are held with the HR M&A and Integration managers of three large multinational companies in the software, oil and electrical engineering industries. The benchmarking meetings serve the purpose of uncovering possibly different approaches to the Philips NVI approach. These differences serve as sensitizing concepts for further research during the survey-interviews.

4.5.1.1 Selection of benchmarking partners

In total three companies where selected for benchmarking interviews. These specific respondents are selected because of the fact that these companies are comparable in size with Philips, and because of their experience with M&A Integration. All three companies have more experience with a dedicated M&A Integration group than Philips has, both years as in deal volume. The initial contact with these respondents was made during a conference on the role of HR in M&A integration.

4.5.1.2 Interview and benchmark procedure

The three interviews with the HR M&A and Integration managers from multi-national corporations were done through multiple methods of data-collection. With one of the companies the contact eventually lead to a full benchmarking exercise held over two different days during my internship. The other two interviews where planned for 90 minutes. The interviews with the software, oil and electric engineering companies where done respectively by a benchmarking meeting, face-to-face interview and a telephone interview.

Because of the breadth of the topic of HR management in M&A integration, these interviews are semi-structured around the issues identified in the literature study with respect to socio-cultural integration.

The topics of the benchmark meeting where discussed prior to the meeting itself, so both parties could prepare short presentations about the topics to be discussed, however the topics where very broad and allowed for a lot of freedom to divert to other areas of interest when that was desirable.

The following subjects were discussed:

- M&A integration strategy, scale and scope
- Organization structure of the M&A integration team
- Integration objectives and activities

The benchmark has the additional benefit that the resulting discussion between Philips NVI and the benchmark partner also improved my understanding of the HR integration process of Philips NVI.

4.5.1.3 Analytical procedure

Minutes summarizing the discussion where made from the benchmarking meetings which were subsequently shared with the benchmarking partner in order to make sure the discussed items where represented correctly. Not further changes or additions were made.

During the telephonic interview notes were made and after the interview, these notes where directly summarized to make sure all information was captured while it was still fresh. The interview with the HR M&A Integration manager of the oil company was recorded and subsequently transcribed into a summary.

Again the data collected will be analyzed through open coding, as earlier described in the chapter on the analytical procedure used to analyze the internal pre-interviews.

4.5.2 Identified differences between Philips and external companies

All companies recognize the importance of having a dedicated approach to socio-cultural integration. When comparing the operational details of the integration approaches there are many differences, which can be identified between the companies. These differences are interesting by themselves, however, as these interviews primarily serve as a starting-point for the in-depth investigation of the Philips process, it is important to focus on those differences, which represent a fundamentally different strategy. Especially those areas where the external companies deliberately choose a different approach than Philips are interesting for further investigation.

The following items are the most significant differences between the Philips approach, and the approaches of the other multi-national corporations.

4.5.2.1 M&A and Integration team organization

All of the external companies have one organization, which is responsible for both deal making and integration. One company has combined these organizations recently in
order to improve the handover of information during the transition from transaction into integration. Two of the other companies indicate that they started out with separate organizations, but decided to combine these in order to improve the transition from transaction to integration. The respondents state several benefits.

- Firstly, it has become much easier to involve sub-workstreams early because there are fewer issues with confidentiality. This helps speed up the deal.
- Secondly, because the employees remain involved during the entire timespan of the deal, there is no information lost due to handover of responsibilities.
- Thirdly, by ensuring that the people making the deal, are also responsible for delivering the projected benefits, the people involved apply more caution in valuation of the target and deal making.

This is a big difference with the Philips approach. It is worth investigating what effect the separation of M&A and NVI might have.

4.5.2.2 Integration team resourcing

The companies all employ different strategies towards resourcing the integration teams. The resources could either come from the country organizations of the acquiring business units in which the integration occurs, as is also the case with Philips. Another approach taken by one of the respondents is having a dedicated integration team working full time on operational integration. Another accompanying difference is that fact that this company actually puts the accountability of synergy realization with the M&A and Integration organization, something that NVI is currently not directly accountable for.

4.5.2.3 Integration plan tailoring

Philips tailors each integration plan every time they acquire a company. One company has a distinctly different approach, with several shelf-plans are prepared for different situations.

4.5.2.4 Change management

One of the respondents expresses that change management is primarily seen as an integration management objective, and specifically not a responsibility for the HR department. The HR department however plays an important role in supporting the
achievement of the intended change. Within the Philips NVI approach, this is currently not the case as the change management approach is a sub-set of the HR integration activities.

4.5.2.5 Cultural integration

Culture is seen by all respondents as a very important issue to manage during integration, but there are different approaches to dealing with cultural differences. One company indicates that they have stopped doing a complete analysis and comparison of cultures, but instead define a set of behaviors, which they believe are important for the success of the business.

4.6 Research Themes

This chapter discusses the research themes resulting from the preliminary research. The archival documentation, internal pre-interviews, and external benchmarking interviews serve the purpose of developing relevant areas for further investigation.

The results of this chapter form a starting-point for the development of the survey interviews. Because of the fact that it needs to be a starting point, the research themes are limited to the main categories derived from the pre-interviews.

These categories can be grouped further based on the M&A process phases.

![Figure 15: Research themes based on pre-interviews and HR integration model approach](image-url)
The information from the pre interviews are further used to develop the initial unconstrained coding matrix, which is further used during the analysis of the explorative interviews.
5 Action planning: Explorative interviews

This chapter described the design, analysis and results of the explorative interviews used to investigate the gaps between the HR approach and the actual implementation of this approach. Next to the interviews other sources of information are used for triangulation to determine the validity of the interview results. These sources of information are archival documentation, and formal and informal meetings attended as part of the NVI department as an intern. The collection and analysis of the information from these explorative interviews serve as the action-planning phase of the action research method approach described in Chapter 2 on research methodology.

5.1 Interview design

Within the explorative research multiple methods of information collection can be used. In this particular case, oral interviews were chosen because the research mainly concerns knowledge, facts and opinions of individuals (Van Der Velde, et al., 2004).

Because we want to investigate the research themes developed in chapter 4 in depth, a semi-structured approach is chosen, in order to ensure the high-level topic for each interview is the same, while remaining free to go in depth on specific elements which might come up during the interviews.
5.1.1 Selection of respondents

The main research-unit for the survey interviews is ‘the persons actively involved in HR integration planning and management’, because they actually determine the application of the HR approach, and subsequently experience the effects of the application. In order to be able to triangulate the data from the interviews, two different groups working with the HR integration approach are interviewed. These groups are the Program Managers and the HR Workstream managers.

The survey research strategy requires a large sample large enough to generalize the findings across the whole organization. Therefor it is chosen to interview all current NVI Program Managers, and a large sample of HR Workstream leaders from integrations spread across time, geography and the Philips sectors. In total 23 interviews are conducted with of which 10 are with Program Managers and 13 with HR Workstream managers.

5.1.2 Development of interview questions

The interviews are semi-structured. The topic of HR integration in very broad, so in order to ensure that the main topics of interest are discussed, a number of top-level questions are prepared. Next, follow-up questions are also prepared in order to be able to go into further detail based on the answers given by the respondents.

These interview questions were developed based on the research themes identified in the previous chapter. The interview protocols used for program managers and human resource managers have a similar top-level structure, however the sub-questions are slightly different, as program managers will have more knowledge about the acquisition and integration process, whereas the human resource managers will have more in depth knowledge of the application of the HR integration approach.

An overview of the interview protocols used can be found in appendix A and B.

5.1.3 Interview procedure

All respondents were approached by e-mail with the request to participate in an interview about their experiences with HR integration which would last between 60-90 minutes. All of the persons which were approached were willing to participate.
The interviews took place by telephone, as most respondents are dispersed across the globe. A limited number of interviews, with respondents that worked in the same location as me, where done face-to-face, as calling from one office to the other seemed impractical.

All respondents where explained prior to the interview that the information would be collected anonymously in order to help the respondents feel at ease being critical. At the start of each interview the explicit permission was asked to record the interview and to use the answers as part of this master thesis, this was granted without exceptions.

5.2 Data analysis procedure

The interviews will be analyzed through content analysis (R. P. Weber, 1990). Content analysis is a method of analyzing written, verbal or visual communication messages. Using content analysis, many words of texts are reduced into fewer content categories based on explicit rules of coding.

Content analysis can be approached in an inductive and deductive way or a combination of the two, depending on the level of former knowledge of the phenomenon. As the interviews used to gather the data are semi-structured, a deductive form of content analysis, called directed content analysis is used (Hsieh & Shannon, 2005). Key concepts and initial coding categories identified in the analysis of the Philips NVI approach to HR integration with literature study and the analysis of the pre-interviews, and archival documentation form the starting point for the coding-framework, however, after making sense of the data as a whole, a more inductive approach is used for grouping and abstraction, as the answers given by the interviewees are not restricted further than the broad concepts on which the semi-structured interviews are based. Figure 17 shows a graphical representation of what this content analysis method looks like, and how it relates to the other methods of content analysis.

Within the analysis of texts, there are different units of analysis. (a) Words, (b) word sense, (c) sentences and (d) themes. A theme is a unit of text that contains one of each of the following items: the perceiver, the perceived or agent of action, the action and the target of action (R. P. Weber, 1990). This level of detail is necessary to analyze the actions taken by the respondents with respect to the issues under investigation.
In order to analyze the text using content analysis the interviews are first transcribed. The detail in transcription determines the detail to which the interview can be analyzed. Because of the explorative nature of the research and the semi-structured approach a very basic transcription is made. The level of detail necessary to answer the research questions, is to analyze what was said about the content-themes, not specifically how it was said, therefor the transcriptions are a summary of exactly what was said.

The benchmarking interviews and internal interviews result in an initial coding scheme, which consists of two levels of abstraction. This initial coding scheme can be found in Appendix C.

Based on this preliminary categorization a unconstrained coding matrix is developed (Elo & Kyngäs, 2008). In order to fill the matrix all the data is coded by first reading trough the text and highlighting fragments that contain themes, these are subsequently coded for correspondence and exemplification of the previously identified categories. When themes in the text do not fit the categories in the matrix, new concepts are added in order to capture all information from the interviews (Hsieh & Shannon, 2005).
An example of content analysis procedure is given here based on an excerpt from an interview with one of the respondents from the department of program management:

On the question, if it is always possible to gather all information needed to develop the integration plan pre-close, the interviewee responds as follows:

“It is not always possible to get all of the information required to develop the integration chapter of the request for approval. For example with [company] it was difficult to get a foot between the door with M&A and the acquiring business. There was a minimum amount of feedback on the questions, and I only received the RFA at the time that it was also sent to the board.”
Based on this response, themes can be analyzed from the text through content analysis. These themes are noted in the sideline of the interview transcripts by hand. An example of a theme derived from this excerpt would look as follows:

- The program manager is not always able to collect the information necessary to develop the integration chapter of the request for approval.
- The information gathering was limited by a minimum amount of feedback and late delivery of information by M&A and the acquiring business.

Subsequently these themes would be coded in the coding matrix. When the theme represents a positive remark about a certain action, this is coded as a ‘1’, a negative remark is coded as a ‘-1’. The abovementioned themes would therefore be coded as:

- Information gathering during pre-close: -1
- Adequate involvement of NVI by the acquiring business: -1

Furthermore, statements made by other respondents, which are similar in content are rolled-up into a sub-category, which is further categorized and abstracted into grouping categories and main categories. These analytical steps eventually result in a coding matrix similar to the following:

Table 2: Example of the completely filled coding matrix

<table>
<thead>
<tr>
<th>Respondent #</th>
<th>HR Managers</th>
<th>Program managers</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>1 1 1 1</td>
<td>1 1 1 1</td>
</tr>
<tr>
<td>#2</td>
<td>1 1 1 1</td>
<td>1 1 1 1</td>
</tr>
<tr>
<td>#3</td>
<td>1 1 1 1</td>
<td>1 1 1 1</td>
</tr>
<tr>
<td>#4</td>
<td>1 1 1 1</td>
<td>1 1 1 1</td>
</tr>
<tr>
<td>#5</td>
<td>1 1 1 1</td>
<td>1 1 1 1</td>
</tr>
<tr>
<td>#6</td>
<td>1 1 1 1</td>
<td>1 1 1 1</td>
</tr>
<tr>
<td>#7</td>
<td>1 1 1 1</td>
<td>1 1 1 1</td>
</tr>
<tr>
<td>#8</td>
<td>1 1 1 1</td>
<td>1 1 1 1</td>
</tr>
<tr>
<td>#9</td>
<td>1 1 1 1</td>
<td>1 1 1 1</td>
</tr>
<tr>
<td>#10</td>
<td>1 1 1 1</td>
<td>1 1 1 1</td>
</tr>
<tr>
<td>Total</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

The greyed out fragments represent similar statements about the over-arching sub categories and are grouped together by rolling these rows upward into one. The two numbers in the total-columns of both the HR Manager and program manager responses are the sum of negative and positive statements made about the sub-category. This separation is made because program managers and HR managers have differentiating roles and responsibilities, and might therefore have a different opinion about certain aspects of the NVI HR Integration approach.
After analysis and coding of 8 interviews, the categorization was analyzed to see if further sub categorization and abstraction was necessary to improve the structure of the coding matrix.

In addition to the interviews, archival data was collected covering all of the deals in which NVI has been involved. This archival data is stored on the internal Philips intranet network. The dataset includes both pre-acquisition and post-acquisition data including, a limited number of valuation documents, due diligence reports, acquisition business cases, integration plans and budgets and a complete set project management reports, and financial performance reports. Next to that I had access to the internal documentation on processes and policies concerning Integration planning, including training material on HR integration developed by several consecutive NVI HR and communication leaders in cooperation with NVI program managers and HR integration managers. I also had access to all the tools and templates used during integration for integration planning, management and execution purposes.

The results from archival data analysis are used to further triangulate the findings from the interviews. The data from the archival documentation and participatory could corroborate or contradict the findings of the interviews. The results from this investigation are mentioned in the results section discussion the interview results, when the findings are significant.

5.3 Results

This chapter elaborates on the results obtained from the content analysis of the interviews held with Program Managers and HR Managers responsible for the integration of recent integrations. The results can be separated in five main categories:

1. Acquisition strategy development and communication
2. Acquisition and Integration process
3. HR workstream team organization
4. HR Integration activities
5. HR Integration tools.

The next couple of paragraphs will start with the coding matrix for that particular main category of results. Afterwards the results in the matrix will be discussed in detail.
5.3.1 Acquisition strategy and communication

Table 3: Coding matrix interview results - Acquisition strategy and communication

<table>
<thead>
<tr>
<th>Acquisition strategy</th>
<th>HR Managers</th>
<th>Program managers</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5 6 7 8 9 10 11 12 13</td>
<td>14 15 16 17 18 19 20 21 22 23</td>
<td></td>
</tr>
<tr>
<td><strong>Strategic Vision</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Definition</td>
<td>1 1 1 1 1</td>
<td>1 1 1 1 1</td>
<td>8</td>
</tr>
<tr>
<td>Communication</td>
<td>-1 1 -1 1</td>
<td>-1 1 -1 -1 1</td>
<td>1</td>
</tr>
<tr>
<td>Consistency</td>
<td></td>
<td>0 1 1 1 1</td>
<td></td>
</tr>
<tr>
<td>Strategic Fit</td>
<td>-1 1 1 1 1</td>
<td>-2 -1 -1 -1 -1</td>
<td>-2</td>
</tr>
<tr>
<td><strong>Organizational Fit</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Defined pre close</td>
<td>-1 1 -1</td>
<td>-3 -1 -1 -1 1</td>
<td>-3</td>
</tr>
<tr>
<td>Consistent during integration</td>
<td>-1 -1 -1</td>
<td>-1 -1 -1 -1 -1</td>
<td>-4</td>
</tr>
</tbody>
</table>

Most respondents indicate that there is a clear strategic vision on which the acquisition is based. As one respondent indicates this is also to be expected, as this is necessary for the Request For Approval and therefore always done. However, not all respondents believe this strategic vision is also clearly communicated. Secondly the definition of the strategic fit is not always clear or convincing to the respondents. Meaning that the respondents indicate that they don’t see how the acquired company is actually contributing to the strategic vision it was bought for.

Next to having a clear vision on what Philips wants to achieve with the acquisition, it is also important that Philips understands how the acquired company is going fit in the Philips organization to help Philips achieve that strategy. Six respondents believe the organizational fit wasn’t clearly defined at the start of the integration. Not only do interviewee’s respond that this organizational fit could be better defined, also the organizational fit often changed during the integration. In total 7 out of 10 program managers indicate that they have experienced this in integrations in which they have been involved.
5.3.2 Acquisition and integration process

Table 4: Coding matrix interview results - Acquisition and integration process

<table>
<thead>
<tr>
<th>Respondent #</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
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5.3.2.1 Pre-Close

The acquisition and integration process can be separated in a pre-close and a post-close phase. During the full length of the deal the acquiring business is in the lead, with corporate M&A and NVI providing support in respectively deal making and deal integration. During the pre-close phase there is a strong overlap between the work by M&A and NVI, each providing separate input to the Request for Approval that gets send to the Board of Management.

During this pre-close phase, NVI involvement is mostly limited to the Program Managers, just before, or at close, the NVI functional leads are involved and introduced to the acquiring business HR manager responsible for HR Integration.

The acquired business decides when to involve both M&A and NVI, and so the access to the necessary information for integration planning depends on the acquiring business support for NVI. When asked about the availability of information from the acquired company, an interesting result is obtained. A sharp contrast between the Program Managers in the US and in other geographical areas can be observed. All US based Program Managers responded negatively (to a certain extent) to the availability of
information, stating that information collection was sometimes limited by the acquiring business as well as the M&A team.

Next to internal obstacles to information collection, other external factors can influence the availability of information. External factors influencing the availability information are: deal type (asset deal vs. equity deal), regulatory limitations, and quality of information systems in the acquired company.

The Program Managers indicate that they often function as a linking pin in an integration, as the players involved in deal making often leave directly after signing the deal, and others coming aboard to do the actual integration.

**5.3.2.2 Integration**

During the development of the integration plan a large majority of the respondents felt the need to tailor the integration plans to the acquired company. The Must-Do list provided by the functional lead of NVI HR is seen as a seed-starter that helps to build a tailored integration plan for the acquisition, taking into account the acquisition goals set out during the pre-close phase. However, not all activities are negotiable, and some respondents point out that there should be a distinction between must-do items, and nice-to-do items, as some items are non-negotiable, while others might be applicable only in certain circumstances.

Overall the HR Managers indicate that the integration strategy is clear to them.

**5.3.2.3 Workstream Closure**

At the end of integration, there is a structural collection of information about things that went right, and things that went wrong during the integration. Although this process is consistently done, 7 respondents indicate that the 'lessons learned' process is not proving to be effective. These respondents believe that the lessons captured in this process aren’t structurally used to improve the process for future integrations. Although lessons are intrinsically used and shared among colleagues, there are “lessons that keep on coming back” during multiple acquisitions. This indicates that the lessons are not sufficiently internalized in tools and processes to ensure that the same issues are not repeated in future deals.
5.3.3 HR Acquisition and integration team organization

Table 5: Coding matrix interview results - Acquisition and integration team organization

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Also with regards to the organization of the HR integration team, there are two phases that can be clearly identified. During the acquisition phase the deal is strongly supported by M&A HR and a HR Business Partner from the acquiring business group. However, as soon as the deal is closed, there is a handover of responsibility to a different HR person in the acquired business. All of the respondents with whom this is discussed indicate that this was indeed in their deals.

The communications workstream is also almost always the responsibility of the HR Workstream; however, the actual communication material is not necessarily prepared and delivered by the HR workstream. In most cases this is taken care of by communications employees within the acquired company, or the acquiring business. In one region, there is actually one communications person dedicated to integration communication. The costs for this resource are shared among the acquisitions in that region.
### 5.3.4 HR integration activities

Table 6: Coding matrix interview results - HR Integration activities

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5.3.4.1 Risk analysis and integration planning

Four respondents commented on the development of the risk analysis. All of these four respondents reacted in a similar fashion. As there is an overarching risk analysis performed, the HR risks are also taken into account. There is no necessity to perform a secondary risk assessment as part of the HR integration Must-Do list.

5.3.4.2 Organization design

The organization design is very dependent on the organizational fit that is defined. As can be seen in the previous section, the way the definition of the organizational fit often changes throughout the integration. With respect to organization design, similar observations are made. In several deals, the organizational design needed to be changed due to changes in the strategy by which Philips wanted to integrate the company into the existing organization.

5.3.4.3 Cultural due diligence and cultural integration

Most respondents believe that culture is an important factor influencing integration success. However, almost all respondents state that the cultural due diligence and cultural integration is not done according to the process defined by NVI HR. Several different reasons are given. First and foremost the respondents don’t feel that the tools and processes are pragmatic, nor fit the purpose. Instead cultural differences are uncovered by other methods, for example during discussions with top-management of the acquired company.

Respondents indicate several limitations to the current approach. Firstly, companies are multi-cultural by nature, but Philips only gets to talk to the top-management of the company during the pre-close phase. Therefor the value of the assessment of cultural differences is limited as the number of data points by with this cultural assessment is done is not significant. Secondly, during due diligence, the seller is at its best behavior, because it wants to make a good impression, this could influence the assessment of cultural differences. Thirdly top-management of the acquiring Philips business isn’t always interested in the cultural due-diligence results, making it less of a priority.
Because the practical value of cultural due diligence appears to be limited, there is not always pressure from top management to do it, and because of the time-pressure during due diligence, employees tend to deprioritize cultural due diligence for other activities.

10 out of 23 respondents indicate that there are clear cultural differences. The three categories of cultural differences, which are mentioned most often, are: small, family owned and entrepreneurial.

5.3.4.4 Key Person Retention

Key Person Retention is one of the Key Performance Indicators defined and measured by NVI during the length of the integration. Almost all respondents indicate that there is a retention plan for certain people from the acquired company.

The assessment is often based on information by the acquired company top-management. Further assessment is often limited to discussions with top-management about the flight-risk of these employees. Further key-person assessment by has not been performed in many cases. This is often because of the fact that assessment is difficult, due to limited access to these individuals during the pre-close phase.

Not all employees indicated as key-persons are also talents. However, key-person retention is also a method for ensuring continuity of Business as Usual.

In some cases respondents indicate that Philips is quite generous with retention bonuses. Some employees might already be happy with a letter of appreciation, providing them with the certainty of job security.

Not in all cases has the retention of these people resulted in the desired effect. A number of respondents also raise the issue of the ex-owners. Often these ex-owners are retained for a long period of time, in order to ensure business continuity. However, the ex-owner can become a large roadblock to change management when cultural differences force them into a role they are not willing to fulfill. Especially the extensive reporting obligations can lead to problems. This could be an expensive problem, as the ex-owners often get a large retention bonus, but can negatively impact integration when they are not happy.
5.3.4.5 People management and talent management

There is no dedicated retention strategy for talents. However many of these employees might still be attributing to the success of the acquired company. Some respondents indicate that talent management was not part of the integration plan.

Philips however has a highly structured annual Philips Performance Management (PPM) system. Integration of these systems can be highly beneficial to the acquired company's performance. However in four different cases the respondents indicate that the official PPM cycle was not started during the integration period. In one case the respondent indicates that a different PPM system was used to ensure that the benefits of PPM would still contribute to the performance of the acquired company.

5.3.4.6 Compensation and benefits

The integration of Compensation and Benefits is one of the largest cost-drivers for integration. The Philips standpoint is that there must be full harmonization of compensation and benefits within 3 years of the acquisition. Harmonization meaning, that the pay-structure and the benefits are all transferred to the existing Philips policies and providers. There is only one respondent who indicates that full integration of the compensation and benefits policy is currently not done, but even in this case the intention is to eventually transfer to Philips when the company is financially stable enough to cope with the costs.

The costs for harmonization are accounted to the Profit and Loss statement of the acquired company. This means that the acquired company incurs a lot of extra costs in order to harmonize. Because of the total size of the costs for harmonization, many companies delay the full harmonization of compensation and benefits, beyond the original date in the integration plan. Some respondents state that they believe the large costs should be a reason not to fully harmonize compensation in benefits, as there are no legal obligations to do so.

One respondent states that Philips also maintains the work-lifetime of the acquired employees, meaning that these employees would be eligible for certain bonuses based on the years working for Philips and for their previous company. This could also increase costs and is not necessary according to the respondent.
5.3.4.7 **HR IT Systems**

The integration of HR IT systems is useful in ensuring availability of information. Philips IT systems are globally defined. Full integration is therefore the objective, because it increases the availability of information, and maintaining separate systems would increase costs in the long run.

Philips HR systems are linked to the intranet-system, which means that people need to have a Philips account, in order to access the available information-sources.

Six respondents state that the timing for HR IT systems integration was not realistic. There is a global IT roadmap, which also contains the roadmap for HR IT systems. All Sectors follow this global roadmap and in some cases it is much more efficient to follow the global IT roadmap for the implementation of changes, therefore the HR IT system integration planning should take this into account.

5.3.4.8 **Change management**

Change management is part of the HR Checklist, but not all respondents agree that this is actually a separate HR activity. The responsibility for change management should be with the integration leader and the steering committee. When looking at the HR must-do list, there are also no clear actionable activities (Philips, 2011b).

5.3.4.9 **Knowledge management**

Knowledge management was not part of the NVI HR must-do list. Also it is not extensively discussed during the interviews, but in those interviews where it was discussed, none of the respondents said that there was a dedicated process. Most of the time knowledge management is seen as something that intrinsically happens by interpersonal contact.
### 5.3.5 HR Integration planning tools

#### Table 7: Coding matrix interview results - HR Integration planning tools

<table>
<thead>
<tr>
<th>NVI Integration Tools</th>
<th>HR Managers</th>
<th>Program managers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1 2 3 4 5 6 7 8 9 10 11 12 13</td>
<td>14 15 16 17 18 19 20 21 22 23 24 total</td>
</tr>
<tr>
<td>HR Must-Do (Check)list</td>
<td>total</td>
<td>total</td>
</tr>
<tr>
<td>Structure</td>
<td>-1 -1 -1 -3 -1 -1 -1 -1</td>
<td>-4</td>
</tr>
<tr>
<td>Content</td>
<td>1 1 1 1 4</td>
<td>1 1 2</td>
</tr>
<tr>
<td>Usability during planning</td>
<td>-1 -1 -1 -4 -1</td>
<td>-1</td>
</tr>
<tr>
<td>Usability for management</td>
<td>1 1 1 1 4</td>
<td>1 1 2</td>
</tr>
</tbody>
</table>

The HR Integration must-do list is used in both the planning and management of the HR integration. In the planning phase, the HR Must-do list is seen as too long, overly explicit, and the content should speak of what should be done, not how it should be done.

During management of the HR Workstream, respondents are much more positive about the HR Must-do list, stating that it is a useful tool in making sure that the HR workstream is taking care of all its responsibilities, and nothing is overlooked. In this phase, the exhaustiveness, and completeness of the must-do list is very much appreciated.
6 Conclusions and recommendations

Figure 18: Graphical representation of chapter contents

Inorganic growth through mergers and acquisitions is playing an increasingly important role in achieving the strategic goals of many multi-national corporations. Philips, with more than 33 acquisitions in the last five years, can certainly be counted among these companies.

The increasing pace of innovation and globalization require companies to pursue strategic moves, which they believe can be achieved quicker and at lower costs through acquisitions than through organic growth.

Acquisition projects remain however, very complex and difficult projects to manage. Developing integration management as a core competence shows a lot of potential in helping companies improve value creation through inorganic growth. However, the effectiveness of this approach stands or falls with the organizational ability to incorporate the lessons learned from the experience with previous post-acquisition integration projects effectively in new acquisitions.

This research contributes to this goal by evaluating the gaps existing between the model for HR Integration as developed by the New Venture Integration department, and the actual application as performed by Philips employees involved in the integration of acquisitions. The tacit knowledge existing in the minds of these people contain valuable
insights which need to be captured and shared throughout the organization in order for organizational capability building to occur and lead to improved value creation.

This research therefore intends to answer the following two research questions:

**Q1: What are the features of the current post-acquisition integration model and to what extent does the intended model differ from the actual processes of post-acquisition integration at Philips.**

And based on the gaps between the model and the actual processes of post-acquisition integration:

**Q2: What improvements could be made to the current model in terms of:**

   a. Definition of HR integration objectives
   b. Implementation of HR integration activities.

Based on the answers to these research questions, managerial implications are proposed for the short, mid and long-term.

### 6.1 Features of the Philips NVI post-acquisition integration model

As can be seen from chapter 4, the Philips NVI post-acquisition integration model incorporates many of the concepts of the process-perspective on socio-cultural integration discussed in academic literature. Both the perspectives of task integration and human integration are both clearly represented in the post-acquisition integration model.

The actual application however is not always consistent with the Philips model and these differences potentially limit the effect that NVI is able to have on value creation and the realization of the strategic intent of the acquisitions.

The impact of the activities in the pre-deal phase on the eventual performance of the integration is considerable. Many of the integration activities need to be prepared during the pre-close phase in order to be effective during the integration phase. A clear example of this is key-person retention, which needs to be finalized before the deal is closed, however, the end-goal for key-person retention is the effective management of the integration and the business during the integration period.
6.1.1 Gap identification

First of all the gaps identified between the model and the actual application of the NVI approach to HR integration are discussed. Three sources of gaps are expected: (1) internal limitations preventing the HR Integration approach to be applied as it is intended (2) more effective and efficient approaches achieving the same objective, and (3) integration activities identified which are currently not part of the scope of the HR integration approach.

6.1.2 Internal limitations to applying the HR Integration approach

Several limitations to the application of the HR Integration approach are identified. These limitations mainly result from the interaction between the M&A and NVI departments.

6.1.2.1 Limited access to information during pre-close phase

Overall the information needed for due-diligence and valuation of the target is adequately available. Although the characteristics of the transaction can influence the availability but this doesn’t lead to big problems. Information necessary for integration planning however is not always readily available, or becomes available too late. In some regions, the collaboration with M&A and the acquiring business is not always as good as it should be, limiting the effectiveness of integration planning and management.

6.1.2.2 Handover of responsibility

The person doing due diligence will often only be involved until the deal is signed. This person is therefore primarily concerned with transactional side of due diligence. As soon as a transaction is finalized the responsibility for HR integration management is passed onto another HR manager, often lower in the hierarchy. M&A, too, disappears from the stage. Some Program Managers identify themselves as the “linking pin” in the integration, as tacit knowledge about the acquisition objectives might get lost in the handover.

Because of the involvement of Philips NVI definitely improves the subsequent process of task integration and human integration. However, the notion that “pre-combination transition planning teams continue to be disbanded too early, many of the insights that are generated through systematic due diligence assessments of acquisition targets or
merger partners fall into a literal interorganizational void due to time pressures and internal politics, and post-combination integration orchestration falls well short of expected efforts” (Buono & Bowditch, 2003, p. 386), still seems to be relevant.

6.1.3 Differentiating approaches to achieve similar HR objectives,

6.1.3.1 Cultural integration

The approach to cultural integration is perceived as overly complicated and too abstract for pragmatic implementation. The respondents agree that cultural awareness and sensitivity are very important, however the current approach is not pragmatic.

An in depth case-study into the cultural due diligence and cultural integration activities in acquisitions in which NVI has been involved, shows that all five of the cases studied some activities where performed with regards to cultural awareness and sensitivity. None of the cases however followed the cultural integration approach as proposed by NVI HR. This is also corroborated by the research of Jonkers (2011) who performed an in depth investigation into the role of cultural integration at Philips NVI.

6.1.3.2 Communications

The communications workstream is almost always the responsibility of the HR workstream.

Often somebody outside of the organization prepares and sends-out the communication materials. Having a dedicated communication resource in one geographical area has been highly appreciated and could be a good alternative to finding a resource in each acquisition capable of producing effective integration communication material.

6.1.4 Activities performed outside of the scope of the HR integration approach.

Most of the respondents stated that the HR Must-Do list is complete, and that there is no need to expand the scope of the integration activities. However based on literature there seems to be a void in the approach towards knowledge management approach within the integration.

Key person retention is one way of ensuring that knowledge is retained within the company, but for true capacity building through M&A, knowledge management practices
are needed in order to ensure the fast and effective sharing of organizational capabilities between the previously separate companies.

6.2 Opportunities for improvement of the HR integration approach

Next to the gap analysis, also opportunities for improvement of the Philips NVI approach to HR integration are identified. From the responses it is clear there is no need for a completely new process. According to the HR Integration Managers the scope of the activities in the HR Must-Do list is complete, so there is no need to extend the list of activities, which now constitute the HR integration Must-Do list. There are however a number of opportunities identified which could improve both the objectives of the HR Integration approach and the process of the HR integration approach.

6.2.1.1 Key person retention

Retention of key-employees is a critical element of HR integration (Kay & Shelton, 2000; Marks & Mirvis, 2010; Schuler, 2001; Tarique & Schuler, 2010). This is not only a well-developed concept in literature, but is also clearly accepted within Philips NVI as much attention is put on this task during pre-close activities.

Because of limited access to the acquired company employees during the pre-close phase key-person retention is often based on a list produced by the acquired company management. The risk of this approach is that there is a strong potential for bias by the acquired company management team, and the retained people might not perform up to Philips management standards.

However, not all respondents agree that this necessarily bad for the performance of the deal, because even the retention of a mediocre manager is valuable if it protects Business-as-Usual.

More often than not, retention plans are limited to top-management (tier 1 and 2) of the acquired company. Only when the acquired company is of substantial size, retention packages might also be provided for employees lower in the hierarchy.

The respondents indicate that although Philips is successful in retaining the people identified as key-persons they are also is generous when it comes to retention-packages. Furthermore the retained employees are generally performing towards the purpose of their retention packages.
More attention needs to be given to the role of the ex-owner, as this person is often overwhelmed by and unsupportive of the reporting-discipline that Philips expects from its businesses. As this often leads to dissatisfaction with integration, the ex-owner can become a real roadblock to the integration effort. The ex-owner is also often not motivated by money, because they stand to make quite a lot more from the sale of their company.

Looking at the importance of key-person retention in academic literature, it seems odd that Philips NVI only tracks the retention of employees who actually received a retention package. This seems to be a missed opportunity. Retention of employees with a retention package is expectably high, but it is the people without a package that pose the highest risk of leaving. Also research suggests that especially newly hired employees suffer from increased turnover (Krug & Shill, 2008). It could therefore still be the case that value is lost because of involuntary turnover, due to the integration.

6.2.2 Improvement of the definition of HR objectives

A number of HR integration objective are currently not achieved. This section describes these objectives and discusses how these objectives might be better reached.

6.2.2.1 Unclear strategic fit, and often changing organizational fit

The strategic vision on why a company is acquired is part of the Request for Approval and is therefore always developed prior to the closing of the transaction. Many respondents have stated that the strategic fit, or “how this specific company is going to help Philips realize that strategic vision” is often less well developed. The basic premise of the process perspective on socio-cultural integration is that the specific strategic rationale of the deal should influence the approach taken towards integration. When the organizational fit is not completely clear, this could result in ambiguity about the objectives of integration, which in turn could lead to reduced performance value creation through M&A.

Academic literature consistently underlines the importance of leadership relating to change management (Waldman & Javidan, 2009). However at Philips NVI, the process of change management is currently a sub-set of the HR integration approach. Although HR obviously has an important role to play in the achievement of change management through cultural integration and employee engagement, it would be expected that the HR
function supports the change management approach developed by the integration management team, instead of driving it. It is therefore unusual that the HR workstream has the responsibility of developing this change management roadmap. It will therefore be interesting to see the actual implementation of change management in deals, what the extent of the role HR is, and if there is a reason to change this approach.

6.2.2.2 Integration plan development

The HR Integration managers are responsible for the development of the HR integration plan. Based on the tools provided by NVI, these HR workstream leaders indicate that have difficulty in translating the objectives of the checklist into concrete deliverables. This is mainly attributed to the fact that the length and the scope of the HR Integration Must-Do list is perceived as very overwhelming, and it doesn’t differentiate between what is really necessary to do, and what is nice to do. The pressure on value creation subsequently causes attention to shift to operational integration tasks.

The respondents identify a clear need to tailor the HR integration in order to take into account the strategic objective of the deal as well as the value creation objectives. NVI HR acknowledges the integration plan needs to be tailored and as the acquiring business is in the lead, HR Workstream leads have the flexibility to adjust the plan according to their integration strategy. The structure and the name of the must-do list however instill a sense of rigidity.

After introduction of the HR Must-Do list there are several iteration steps before the actual integration plan is built and put it into effect. Very different interpretations of the HR PMI plan can be identified between different acquisitions. In order to make sure the objectives of HR integration are achieved it is suggested to develop a list of high-level HR integration deliverables. This list would help in determining the level of flexibility HR Integration managers have in tailoring the integration plan, as well as help ensure that the most essential HR activities are considered in every step of the planning process.

When falling back on the checklist later on in the integration, the HR managers are very appreciative of the completeness because it provides a complete scope and a reminder of all of the important integration tasks.
6.2.2.3 Timing of integration activities

Philips always strives for full integration of the acquired company by either consolidation or standardization. This means that within the timeframe of integration, all policies and processes need to be integrated. This research suggests however that this objective is often not attainable or desirable.

Two items especially stand out, IT integration and the harmonization of compensation and benefits, although because of very different reasons. The harmonization of compensation and benefits is often a large cost driver and needs to be spread out in different phases in order to protect the business from incurring costs they are unable to cope with. This is not the only reason mentioned for delays in the planning of Compensation and Benefits, very often the actual planning of harmonization is delayed until the 1st of January of the next year after the harmonization is prepared. This is because many benefit-plans follow a yearly cycle and this date causes the least disruption to both Philips as well as the acquired company employees. This not only helps reduce the strain on the administrative effort for Philips HR employees, but also reduces the uncertainty for acquired company employees, as this date already requires them to review their benefit plans.

Another element of HR Integration that is shown to take longer than the suggested timeframe is the integration of HR IT systems. These delays are attributed to the global roadmap to IT integration as defined by Philips. Because of global changes to the HR IT systems where planned in the near future, it was decided that it would be better to delay the HR IT systems of the acquired company.

There is however a subset of IT related HR issues, which need immediate attention because of their implications for other areas of HR. Philips has a dedicated intranet, which serves as the information-hub. However if the employees of the acquired company are not yet entered into Philips HR IT systems, these employees don’t have access to the resources they need. This is especially true for HR Integration managers of the acquired company, as they are supposed to perform many tasks for which additional information is needed.

These findings suggest a different view to the paradox of speed described by Stahl & Mendenhall (2005). This paradox describes conflicting studies in which some show that integration speed is essential to value creation, because there is a limited timeframe in
which employees expect change, however other studies indicate that such speedy initiatives are contributing factors to the high failure rates of M&A performance.

This research suggests that there might be two subsets of HR activities. One subset that requires speedy integration to benefit the integration, and another subset of activities could actually improve the integration performance by limiting the perceived uncertainty that many acquired company employees are known to experience.

6.2.2.4 Communications

The role of communications is primarily seen as a supporting function for employee communications. The communications activities are without exception the responsibility of the HR workstream lead.

Communications are an essential element of preventing ‘merger syndrome’ (Marks & Mirvis, 2010) by developing trust engagement and mutual understanding. Although this is an important aspect of communication, this is not the only way communications can improve integration performance. Communications for example also plays a major role in knowledge transfer between the different Philips organizations and the acquired company.
6.3 Managerial implications

Based on the research findings there are several recommendations suggested to Philips NVI in order to improve the HR Integration approach. These recommendations are summarized here. Not all recommendations will be easily implemented due to the impact and organizational change necessary to implement these recommendations.

6.3.1 Short term

The alignment with M&A HR is very important to ensure process variables influencing the post-close integration are taken into account during the pre-close HR activities. In order to do so a joined approach is needed.

Many HR Integration workstream managers have expressed that they have difficulty to understand the importance of HR integration objectives from the tools provided. Consequently the resulting HR integration plans are not always as consistent with the HR integration approach.

Throughout the entire process a practical approach is needed to ensure that the essence of the HR integration objectives is not lost out of sight. To do so the pre-close and post-close HR managers need to be educated on the interdependencies of acquisition and integration activities. The first step is the clarification of the high level objectives for M&A HR and NVI HR. The high level overview of HR objectives can be found in Table 8.

A second step is the development of a visual overview of the M&A and NVI HR process in which there is a clear division of roles and responsibilities between M&A and NVI. This document can be found in Appendix E

The HR Integration Must-Do list is renamed into the HR Integration checklist, to instill a sense of flexibility. The function of the checklist is to help acquiring Philips businesses check if they have considered all of the contingencies, not to force activities upon them if they believe it doesn’t help achieve the strategic rationale.

In order to create consistency between the different steps in the process the high-level objectives of the HR Integration approach are repeated in all of the documents necessary to develop the HR Integration plan. Lastly these documents are consolidated into iterative excel document.
Based on the feedback provided during the internal representation of these managerial implications, it is chosen to limit the project tracker to the actual integration activities, because that is the moment that the tracker is actually implemented.

Table 8: High Level HR Integration Objectives

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<td>HR PMI Plan</td>
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<td>PMI Team Staffing</td>
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<td>HR Reporting</td>
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<td>High Level Organizational Design</td>
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<td>1.2</td>
<td>HR Organizational Structure</td>
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<td>1.3</td>
<td>Staffing combined organization</td>
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<td>2.1</td>
<td>Tier 1 Leaders Retention Plan</td>
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<td>2.2</td>
<td>Tier 2 and others retention Plan</td>
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<th>3</th>
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<td>Cultural Integration</td>
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<td>3.2</td>
<td>Pulse Survey process repeated until EES</td>
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<td>3.3</td>
<td>Onboarding Process</td>
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<th>4</th>
<th>Total Rewards, Labor Relations and Service Delivery and HR IT systems</th>
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<td>Total Rewards Policy</td>
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<td>4.2</td>
<td>Service Delivery</td>
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<td>4.3</td>
<td>Labor Relations</td>
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<td>4.4</td>
<td>HR Data Management and IT Systems Implementation</td>
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<td>Employee Development Curriculum</td>
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<td>Affirmative Action/Diversity programs</td>
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<td>5.3</td>
<td>Talent Development</td>
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<td>5.4</td>
<td>PPM System</td>
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<tr>
<td>5.5</td>
<td>Staffing Organization Alignment</td>
</tr>
</tbody>
</table>

6.3.2 Medium term

Another recommendation for the NVI organization is the development of a structured approach to learning from experience. This research has shown that valuable knowledge is generated from experience when this information is actually collected and analyzed. Although lessons are not already collected, however there is a clear need for a structured method of analyzing and sharing this information. The most important issues with the current lessons learned process is the fact that there is no evaluation of the learning process. Therefor it is not clear if lessons are actually learned, but also if interventions made based on these lessons are actually improving performance.
The following learning cycle is proposed in order to kick start the development of a dedicated learning process:

![Learning Cycle Diagram]

**Figure 19: Learning approach**

### 6.3.3 Long term

Several findings indicate that the transition from deal making, to deal integration should be properly managed to prevent loss of value. In many integrations the HR manager from the acquiring business involved in due diligence hands over the responsibility for the HR workstream to someone else in the acquiring business. Similarly the primary supporting role shifts from M&A HR to NVI HR.

The separation of the M&A and NVI department complicates the ability of Philips to ensure the proper handover from the pre-close to post-close phase.

There is a need for integration planning to happen together with representatives from the acquiring business in order to create buy-in from the acquired company top-management for integration activities, however this process can only start when the transaction is finalized. On the other hand the persons responsible for due-diligence will not have any official involvement anymore because the responsibility is handed over from M&A to the acquiring business.
Currently the program managers serve as a linking pin to ensure continuity, however as shown in the research results, even the NVI program managers sometimes have difficulty to get a foot between the door with the acquiring business and the M&A department. This is especially evident in the US.

Without proper attention to the handover of information the pre and post close phases will only be marginally informed by each other. To prevent the loss of value resulting from this apparent disconnect, better coordination is needed between the HR functions of the M&A and NVI department. As long term solution might be joining NVI and M&A. Although this will probably not be the most popular choice, the benefits which the companies from the external benchmark claim, make this possibility certainly something to think about.
7 Reflection

7.1 Thesis reflections

The objective of this research has been to improve the HR integration approach, based on a gap analysis between the current model approach developed by Philips NVI, and the actual HR integration processes as used by the NVI program managers and the HR workstream leaders from the acquiring Philips businesses.

The research model employed for this research is the action research method. This method is specifically chosen because it intends to initiate change in an organization by involving the subjects of research in the data collection.

As the subject of HR Integration is very broad, the collaborative nature of the action research method helped in quickly determining the most relevant research themes.

The action research method has proven to be a useful research method for collecting and analysis the data necessary to develop the conclusions of this thesis. Based on the research results it can be concluded that, overall the action research method proves to be a useful methodology to perform a gap analysis and come up with recommendations for improvement for the HR Integration approach.

As the subject of HR Integration is very broad, the collaborative nature of the action research method helped in quickly determining the most relevant research themes. In my opinion, the fact that Philips NVI already has a number of years experience with the HR Integration approach has helped the utility of the research method. The maturity of the model means that the respondents which are interviewed during this research have long time experience with the model, and are therefore better prepared to make a distinction between important and less important research themes. This is especially important because of scale and complexity of the research topic.

The action-planning phase of this research, described in chapter 5, could probably have been improved by using a different method of data collection. In my thesis I have used semi-structured interviews in order to collect the data necessary for my analysis and conclusions. Interchanging the separate interviews with a workshop with several people could make improvements to this approach. Collecting the information through
these workshops offer two important advantages. It would allow the experts to address differences in opinion, and come to a common understanding of the ideal approach, this would not only be a fast way to get to the core of the problem, but by empowering the respondents to come up with their own ideal solution, it would become easier to get these people to accept the recommended changes to the integration approach.

It should be noted that the use of semi-structured interviews as also led to the development recommendations for short, medium and long term opportunities of improvement. Many of the suggested short-term suggestions for improvement are now actually incorporated in the HR Integration approach, and therefore one can argue that this is also an effective method of investigation.

There are however also research findings that could not be readily incorporated into the action-taking phase due to the drastic nature of their implications. It would however be very useful to investigate these issues further. Especially the effect of the relationship between the department of Corporate M&A and NVI seems to be a barrier in the efficient and effective implementation of the NVI integration approach, especially when it comes to continuity, which in turn influences the perception and engagement of the acquired employees. It would be valuable see if the organizational structure, and especially the separation or combination of the departments of M&A and Post-acquisition integration influences M&A performance in organizations that perform multiple smaller acquisitions.

The content of this research has aligned very well with the content of the Management of Technology Master program. Because mergers and acquisitions have such a large impact on a business and their workers, there have been numerous touch-points with courses like human resources management, leading the corporation, the internal organization of the firm, technology and strategy and even corporate finance. Seeing how the theory from these different courses is applied in real life has given an extra dimension to my master education as a whole.

**7.2 Limitations**

This research has a number of limitations that should be acknowledged. As the findings are mainly based on experience that is built up trough integration projects within Philips, the results of this research are not statistically generalizable to a larger
population. However as the primary goal of this research is to uncover differences between the integration model used by Philips, and its application in real life, the findings might be transferable to other organizations involved in M&A integration as these organizations might face similar issues.

Action research itself is also limited due to the participatory nature of the researcher with the research subject. The participatory nature of the action research framework diminishes the researcher’s ability to control the process and the outcomes of the research. As described in the research methodology it is attempted to reduce the influence of the collaborative nature of the research by using an external research route focusing on research interest outside of the problem at hand. Another method by which the research bias is reduced is by integrating techniques from the grounded theory methodology, in this specific case, the use of open coding during the diagnosing and action planning phases of the research.

The research method used relies on subjective coding for data analysis. Although it is tried to prevent researcher bias as much as possible by introducing theoretical rigor trough grounded theory techniques, as well as a structured approach content analysis, it cannot be assumed that the results are completely free from bias by the researcher, as other researchers have not validated the coding scheme. However if further analysis is needed the coding schemes and all audio files are collected and stored unedited. These will however only be made available, when explicit prior consent by Philips NVI is obtained.

The researcher's role as an intern during data gathering might have affected the respondent’s sense of anonymity. One month after starting my internship with Philips, the new CEO, Frans van Houten, was appointed. With the arrival of van Houten, the Accelerate! program was announced, which brought budgetary cuts and a number of high profile, lay-offs within the HR organization. This could have resulted in respondents holding back their criticisms during the research as they were commenting on their own performance.

On the other hand, the increase attention to performance and growth might function as an incentive for the NVI organization to be extra willing to improve their performance. Every single person I approached was immediately willing to be interviewed and help me with my research.
Philips NVI has only been involved in acquisitions, however the majority of the academic research on which the theoretical background is based, has studied mergers and acquisitions as one and the same phenomenon. As such the findings from this research can only be generalized with respect to this type of organizational combination.

7.3 Recommendations for future research

Because of the limitation of time it was only possible to finish one research cycle, this in itself is a limitation of this research approach because there is only one cycle of theory-evolution. In this research I would suggest an ongoing cycle of improvement of the internal HR integration approach, either as an internal process or by inviting external researchers to perform a follow-up research.

Another interesting area worth investigating is the need for harmonization of Compensation and Benefits between the acquired company and Philips. Based on the issues identified (the perception of being second-rank employees; as well as the Philips requirement for alignment of HR systems and policies) It could be argued that the need for harmonization is stronger depending on the level of integration necessary to achieve the strategic objective of the deal.

It is not recommended to use the action research method in this research, because the impact of interventions needed to test these assumptions will limit the opportunity for action taking and evaluation. A better methodology would be the case survey methodology in which the performance of M&A integration can be related to the way Compensation and Benefits integration is approached, compared with subsequent merger performance.
References


Philips. (2010g). HR MA Integrations Playbook Workshop - People Management: Philips NVI.


Appendices

Appendix A | Interview protocol, program managers

Introduction project

My name is Jim Bijwaard and I am currently doing an internship with Philips NVI for my master thesis. The subject of my master thesis is the role of HR in Mergers and Acquisitions.

I’m working with Lucille Peeters-Adriaens on evaluating the HR Integration approach and especially the Integration Checklist. The objective is to simplify the process and the tools in order to ensure that the defined activities are actually implementable in practice.

In order to do so I would like to ask you some questions on your experiences of previous deals with the HR integration approach and the checklist. I am especially interested in details about the application of the HR Checklist.

- **Have all elements been applied?**
- **Was it possible to do all activities at the time they are meant to be done?**
- **Were the templates and tools provided for each task applied and effective?**
- **Were there activities that needed attention in which were not represented in the checklist?**

Now, before we start there are a few things I would like to clarify first.

I want you to know that what we discuss today is part of my thesis research. This means that the results of these interviews might be published. From each interview I will make a report, which will be presented anonymous, and will not be published directly.

Also, this is not an evaluation of performance of the integration, but an evaluation of the processes and tools, it is intended to get insight in the real-life application of the process developed by NVI. So please feel free to answer freely and openly about your experiences. Before anything is published this will first be agreed with Lucille Peeters-Adriaens.
Given this explanation is it ok if I record this interview? If anything is off the record, please let me know in advance.

**Personal experience**

- How long have you been working for Philips?
- What is your current role? How long have you been working in your current role?
- In which integrations have you been involved, are you currently involved?
- Which sector was the acquiring sector?

**PMI process**

Next I would like to ask some questions about the process of deal making and integration of the acquisitions that you have been involved in.

- At which stage did you become involved in the deal?
- What is exactly your role during the deal making and integration phase, and what are your obligations towards to NVI?

**Pre-Deal/Due Diligence**

- Did you have access to acquired company during due-diligence?
  - When no or limited access, did you manage to collect the necessary information for the RFA?
  - What kind of information was the hardest to collect?
- When did the HR Workstream leader get appointed?
- Was the HR Workstream leader the same person during the length of the integration?
  - If no, how was the handover of information managed?
- Was there a separate communications workstream?
  - Was the communication workstream leader the same person during the length of the integration?

**Integration**

- How long did the total integration take?
- Was there a clear strategic vision of how and where the acquisition would fit into Philips?
o Was this vision shared by both acquiring company and acquired company? Or was it more driven by Philips?
  o Was this vision communicated clearly with all employees?

• Was there a clearly defined integration end-state for the combined organization?
  o Was this end-state communicated clearly with all employees?

**HR checklist activities**

The activities on the HR Integration checklist are divided into several dimensions. I would like to take a look at these dimensions, and determine which items on the checklist were actually performed and how, if the different objectives were met and if and how the checklist should be changed in order to reach the objectives.

**HR Risk analysis and integration planning**

*PMI Team Staffing, HR Risk Analysis, HR PMI Plan*

• Who is responsible for the High Level PMI plan, which is attached to the RFA?
• What content is expected from HR for the High Level PMI plan?
• Was there a risk analysis available for the integration before close?
  o If yes, what were the main HR risks for this particular deal?

**Organization design**

*High Level Organizational Design, HR Organizational Structure*

• What is the role should the HR function play during the development of this design in your opinion?

**Key person retention**

*Tier 0 and 1 Leaders Retention Plan*

• Were retention plans developed for Tier 0 and 1 in the pre-close phase?
• For which reasons were these specific people designated as key-persons?
• Has Philips been able to retain the necessary persons?
• Are the retained employees living up to expectations?
• Is the retention plan evaluated in a later stage?
Other Tier Retention Plan

• Were there any other retention plans next to tier 0 and 1 to your knowledge?
• Is key-talent assessment also part of the retention plan? Or does Philips only look at current key-employees?

Culture and engagement

Cultural Integration, Pulse Survey/EES, Onboarding Process

• Was there a cultural integration assessment?
  o How was the culture of the acquired company determined?
  o Was there also a cultural assessment of the acquiring Philips business?
• What were the major cultural differences? Did these lead to difficulties for integration?
• Was there a clear cultural vision and cultural integration plan?
• Change Management is part of the HR Checklist. Do you believe HR should be responsible for Change Management?
  o What kind of activities where there, specifically for Change Management?

Total rewards, labor relations and service delivery

Total Rewards Policy, Labor Relations, HR Data Management and IT Systems Implementation

• Are the total rewards/compensation and benefits analyzed in depth before deal close?
• Have all HR Data management systems and IT Systems been integrated, or was this adapted based on the deal rationale?
• Are there necessary activities in this dimension, which are not part of the current Checklist?

People management

Employee Development Curriculum, Affirmative Action/Diversity programs, Talent Development, PPM System, Staffing Organization Alignment

• Have all Philips ’People Management’ procedures been implemented, or was this plan adapted based on the deal rationale?
• Are there necessary activities in this dimension, which are not part of the current Checklist?

*Employee communications*

• Was there a special communications workstream?
• Which kind of communication channels were used?
• Where these communication channels used on a regular basis?
• What kind of information was communicated?

*Integration closure*

• How were lessons learned captured during the integration? Was there a structured method?

*Close*

This is the end of my list of questions. Is there anything that you would like to add based on your experience in the integration which we haven’t talked about, but can be relevant for improving the HR Integration approach?

Thank you very much for your time. I will make a summary of this interview, which I will share with you in order to ensure that your answers are represented the way you intended them.
Appendix B | Interview protocol, HR managers

Introduction project

My name is Jim Bijwaard and I am currently doing an internship with Philips NVI for my master thesis. The subject of my master thesis is the role of HR in Mergers and Acquisitions.

I’m working with Lucille Peeters-Adriaens on evaluating the HR Integration approach and especially the Integration Checklist. The objective is to simplify the process and the tools in order to ensure that the defined activities are actually implementable in practice.

In order to do so I would like to ask you some questions on your experiences of previous deals with the HR integration approach and the checklist. I am especially interested in details about the application of the HR Checklist.

• Have all elements been applied?
• Was it possible to do all activities at the time they are meant to be performed?
• Were the templates and tools provided for each task applied and effective?
• Were there activities that needed attention in which were not represented in the checklist?

Now, before we start there are a few things I would like to clarify first.

I want you to know that what we discuss today is part of my thesis research. This means that the results of these interviews might be published. From each interview I will make a report, which will be presented anonymous, and will not be published directly.

Also, this is not an evaluation of performance of the integration, but an evaluation of the processes and tools, it is intended to get insight in the real-life application of the process developed by NVI. So please feel free to answer freely and openly about your experiences. Before anything is published this will first be agreed with Lucille Peeters-Adriaens.

Given this explanation is it ok if I record this interview? If anything is off the record, please say so in advance.
Personal experience

- How long have you been working for Philips?
- What is your current role? How long have you been working in your current role?
- As an HR workstream leader, what is your role in the M&A process?
- In which integrations have you been involved, are you currently involved?
- Which sector was the acquiring sector?

PMI process

Next I would like to ask some questions about the process of deal making and integration of the acquisitions that you have been involved in.

- At which stage do you become involved in the deal?
- What are your obligations towards NVI during the M&A and Integration phase?

Pre-Deal/Due Diligence

- Did you have access to acquired company during due-diligence?
  - When no or limited access, did you manage to collect the necessary information for the RFA?
  - If not, how long did it take after closing to collect the remaining information?
- When did the HR Workstream leader get appointed?
- Was the HR Workstream leader the same person during the length of the integration?
  - If no, how was the handover of information managed?
- Was there a separate communications workstream?

Integration

- How long did the total integration take from start to finish?
- Was there a clear strategic vision on how and where the acquisition would fit into Philips?
  - Was this vision communicated clearly with all employees?
- Was there a clearly defined integration end-state for the combined organization?
- Was this end-state communicated clearly with all employees?

**Integration Cclosure**

- How where lessons learned captured during the integration? Was there a structured method?

**HR checklist activities**

The activities on the HR Integration checklist are divided into several dimensions. I would like to take a look at these dimensions, and determine which items on the checklist were actually performed and how, if the different objectives were met and if and how the checklist should be changed in order to reach the objectives.

**HR Risk analysis and integration planning**

PMI Team Staffing, HR Risk Analysis, HR PMI Plan

- Was there a risk analysis available for the integration?
- Who is responsible for the High Level PMI plan which is attached to the RFA? What content is expected from HR for the High Level PMI plan?

**Organization design**

High Level Organizational Design, HR Organizational Structure

- Is the high level organizational design an HR responsibility, or does HR support the development of this design? What constitutes the organizational design?

**Key person retention**

Tier 0 and 1 Leaders Retention Plan

- Were retention plans developed for Tier 0 and 1 in the pre-close phase?
- For which reasons were these people retained?

Other Tier Retention Plan

- Were there any other retention plans to your knowledge?
- Is key-talent assessment also part of the retention plan? Or does Philips only look at current key-employees?
Culture and engagement

Cultural Integration, Pulse Survey/EES, Onboarding Process

- Was there a cultural integration assessment?
- How was the culture of the acquired company determined?
- Was there also a cultural assessment of the acquiring Philips business?
- What were the major cultural differences? Did these lead to difficulties for integration?
- Was there a clear cultural vision and integration plan?
- Change Management is part of the HR Checklist. Do you believe HR should be responsible for Change Management?

Total rewards, labor relations and service delivery

Total Rewards Policy, Labor Relations, HR Data Management and IT Systems Implementation

- Are the total rewards/compensation and benefits analyzed in depth before deal close?
- If yes, where there significant differences between the estimations and actual costs?
- To which extent where labor relations an issues during the integration?
- Did you fully integrate all HR Data management systems and IT Systems?
- Are there necessary activities in this dimension, which are not part of the current Checklist?

People management

Employee Development Curriculum, Affirmative Action/Diversity programs, Talent Development, PPM System, Staffing Organization Alignment

- Was there a specific Affirmative Action plan for the integration, or was there only the need to bring it in line with the Philips policy?

Employee communications

- Was there a special communications workstream?
- Which kind of regular communications were used?
Close

• This is the end of my list of questions. Is there anything that you would like to add based on your experience in the integration which we haven’t talked about, but can be relevant for improving the HR Integration approach?

Thank you very much for your time. I will make a summary of this interview, which I will share with you in order to ensure that your answers are represented the way you intended them.
### M&A Strategy development
- Strategic vision
- Integration strategy development
- Integration objective

### Acquisition and Integration Process management
- Organizational structure M&A and NVI
- PMI team resourcing
- HR Due Diligence roles and responsibilities
- HR integration planning
- Learning

### HR Integration Team Organization
- HR team resourcing
- Handover or responsibility

### HR Integration Activities
- Organization Design
- Cultural Integration
- Change Management
- Key Person retention
- Talent Management
- Performance Management
- Compensation and benefits
- Knowledge management
- Communications

### NVI Integration Tools
- HR Must-Do list
- Project Tracker
Appendix D | Example Business Balanced Scorecard

<table>
<thead>
<tr>
<th>Performance Dimension</th>
<th>KPI</th>
<th>Results / Score</th>
<th>Acquisition name</th>
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<td><strong>FINANCIAL</strong></td>
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<td>YTD Sales</td>
<td>Acquiring Business, in M Euro</td>
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<td>Synergy Benefits, in M Euro</td>
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<td>Integration Costs</td>
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<td><strong>PROCESSES</strong></td>
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<td>Overall Project Management</td>
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<td>Retention</td>
<td>Retain Tier 1 and Tier 2, in %</td>
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<td><strong>CUSTOMERS</strong></td>
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<td>Sales/Customer</td>
<td>Net Promoter Score (for acquisitions with sales &gt; 100 M Euro)</td>
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<td>Recommendation</td>
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The items marked in green are relevant to the HR workstream
## Appendix E | Visualization of HR Integration activities

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<th>HR Overview</th>
<th>HR Acquisition Integrations Checklist</th>
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<td>Pre-close</td>
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<td>Detailed planning</td>
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### Pre-close

- **HR Overview**
  - Pre-close
  - Due diligence
  - Post-close

- **HR Acquisition Integrations Checklist**
  - Pre-close
  - Due diligence
  - Post-close

- **Deal closure**
  - Pre-close
  - Due diligence
  - Post-close

- **Execute & track**
  - Pre-close
  - Due diligence
  - Post-close

### Key deliverables

#### Pre Close

- **Deal closure**
  - Pre Close
  - Due Diligence
  - Post close

- **HR Acquisition Integrations Checklist**
  - Pre Close
  - Due Diligence
  - Post close

- **Deal closure**
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  - Post close

- **Execute & track**
  - Pre Close
  - Due Diligence
  - Post close

### Due diligence

#### Pre Close

- **Deal closure**
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  - Post close

- **Execute & track**
  - Pre Close
  - Due Diligence
  - Post close

### Post Close

#### Pre Close

- **Deal closure**
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  - Due Diligence
  - Post close

- **HR Acquisition Integrations Checklist**
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  - Post close

- **Deal closure**
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  - Post close

- **Execute & track**
  - Pre Close
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### HR Overview

#### Pre Close

- **Deal closure**
  - Pre Close
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  - Post close

- **HR Acquisition Integrations Checklist**
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- **Execute & track**
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  - Post close