

Chapter IX

Managing Information Systems Integration in Corporate Mergers and Acquisitions

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ABSTRACT

In this chapter, we focus the role of information systems (IS) integration in the context of corporate mergers and acquisitions (M&As). We address the domain from a management perspective and especially target the consequences IS integration has for the acquisition initiative. Based on a literature review, the chapter presents a framework for describing, explaining and managing IS integration in M&As. The framework is suitable both for academics conducting scientific research on IS in M&As as well as business professionals considering an acquisition or merger. The usefulness and validity of the framework is shown by a case study: the Trelleborg Industrial Hose acquisition and IS integration. Based on the framework, the case and relevant literature lessons learned and future research needs are presented and discussed.

INTRODUCTION

Beginning along with the economic recuperation after World War I in the 1920s, waves of M&As have swept over the Western countries for almost a century. During the last decades, the act of M&As has become a prominent tool for corporate strategy (Sirower, 2003). In 2003, the total number of M&As reached 30,200 operations (8,700 involving European Union [EU] targets and 7,900 United States [U.S.]), with a purchase price of 1,365 billion Euro (EC, 2004). That sum amounts to some 15% of the U.S. gross domestic product, as a comparison.

Although, the word “merger” suggests a neutral combination of two objects, while “acquisition” derives from the verb “acquirer” and its meaning of takeover, the formal distinction is only juridical and related changes in ownership and juridical body. This distinction makes little sense to researchers interested in organizational change, and therefore, the combined term M&A will be used in this chapter. M&As are driven by a complex pattern of motives that usually boils down to be about the idea that the combination of two organizational units has potential synergies, meaning that the two organizations may be run more efficiently and/or effectively together than apart (Lubatkin, 1983). To actually leverage these potential benefits, the two organizations must be integrated in their respective business systems and, as a constituent part in these business systems, also in their IS.

The case in this chapter is based on a study where we and the Swedish industry group Trelleborg AB jointly studied Trelleborg's acquisition and integration of a French industrial unit from the Michelin group. Empirical data was gathered through a dozen interviews with key employees, document studies and on-spot observations. Efforts were based on the framework presented later in this chapter, and the case serves as an exemplification on the application and usefulness of the framework. The study covers the acquisition and

integration work during a 10-year period from a management perspective on IS, beginning with the initiation of the deal in 1996 until 2005, when integration has reached a stable level. The case reconfirms that M&A-related IS integration possesses a new set of difficulties in the integration process and, in addition, amplifies some problems that naturally exist in all integration projects to an extent where it becomes necessary to emphasize the phenomenon separately.

The purpose of this chapter is twofold: First, based on a literature review, develop a framework for IS integration in corporate M&As; and second, use the framework to present and discuss the IS integration in a corporate M&A, Trelleborg AB's acquisition of CMP/Kléber Industrie. The developed framework can be used to study IS integration in corporate M&A, and by using the framework comparative studies can be done and cumulative knowledge can be developed. The framework can also be used by firms in their acquisitions. It shows through its dimensions IS integration issues, decisions and actions a firm has to consider in acquisition processes.

This chapter is organized as follows: The next section reviews the literature on IS integration in M&A and points out the lack of empirical studies as well as the lack of theory and practical guidelines. Next, we present a framework for studying IS integration in M&A, followed by the case study: the Trelleborg Industrial Hose acquisition and IS integration. Based on the framework, the case and relevant literature, the final section presents lessons learned and suggests future research.

LITERATURE REVIEW

When talking about IS integration, it is normally thought of in the context of modern, global corporations doing real-time business with its partners, but the idea of integrating IS is not new. Along with the development of systems engineering during the 1940s to 1960s, the discipline of systems

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