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## Management Review

**Freek Vermeulen**

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# How Acquisitions Can Revitalize Companies

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Although most companies undertake acquisitions with an eye toward fueling growth, the resulting infusion of new ideas, perspectives and processes can produce lasting benefits that are broader and deeper.

**Freek Vermeulen**

**W**hen you ask corporate executives why they are making a particular acquisition, they usually offer a strategic explanation, such as “The geographic spread lines up perfectly with where we are,” or “Their product portfolio has remarkable synergy with ours.” If you ask them two years later how the company has benefited from the acquisition, the answer is often dramatically different. They tend to focus at that point on the “softer” factors with comments such as “They made us rethink our decision-making processes,” or “They introduced us to a new approach to product development,” or simply “They shook up our culture.” Usually, these softer considerations had nothing to do with the original impetus for the acquisition, yet they often turned out to be critical to the direction of their companies.

Indeed, revitalization is an important outcome of acquisition and should be a strong consideration when making the decision to acquire. In my research, I analyzed the acquisitions and subsequent performances of a number of large, successful companies, several of which, at some point in their histories, had become rigid and inert in their thinking — a well-known phenomenon that has been labeled the *success trap*.<sup>1</sup> (See “About the Research,” p. 46.) The analysis showed that the acquisitions helped the companies restore a sense of vitality to their businesses and unleashed a subsequent surge in performance. Indeed, the acquired companies often stimulated the acquiring companies to develop new perspectives and different ways of doing things at times when they were most

needed. Acquisitions kept their organizations fresh and vital. Even if the companies did not pursue acquisitions for this reason, the process of buying businesses and deciding how to integrate them into their corporate structures enabled acquirers to renew themselves before their products and operating methods became outdated.

Consider the case of Pfizer, the pharmaceutical giant that acquired Warner-Lambert, a conglomerate that included the pharmaceutical division Parke-Davis, in June 2000. Management’s rationale for this acquisition was fairly straightforward — it wanted to gain full control over the anticholesterol drug Lipitor, which it had been jointly copromoting with Parke-

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## About the Research

I conducted my research on the revitalizing effect of acquisitions in three stages over the course of five years. In the first stage, I worked with three different companies to examine their acquisition strategy, integration processes and the impact the acquisitions had on organizations as a whole. The second stage involved statistical analysis of a sample of 25 Dutch multinationals, including Elsevier, Wolters Kluwer, Ahold, Heineken, Vopak, DSM and Imtech (formerly International Muller). The database consisted of all of their acquisitions from 1966 to 1999. I estimated a variety of statistical models — using techniques such as logit and OLS regression analysis and survival analysis — to assess variables including the number of acquisitions the companies made, the businesses they were involved in, their geographical locations and growth and profitability of the companies. The first set of statistical models focused on when companies undertook acquisitions in terms of periods of growth or decline. The second set of results focused on performance consequences of acquisitions revealing, among other things, that companies can do too many of them or not enough.<sup>1</sup> The third set of models examined a company's acquisition intensity over time. These models indicated, among other things, that companies that regularly engage in a limited number of acquisitions performed better than companies that alternated periods of high acquisition intensity with periods of inactivity. In combination, these models shed light on when and how acquisitions may revitalize companies. In the third stage of the research, I conducted another round of in-depth interviews at seven companies. These were specifically aimed at examining the effects of a number of individual acquisitions about two years after they had been completed.

i. The relationship (estimated through a fixed-effects regression analysis) between the number of a firm's acquisitions over the past five years and the addition to the firm's profitability (return on equity) in the subsequent year was positive, indicating that these companies benefited from their acquisitions. However, the relationship turned negative for companies that did more than 25 acquisitions over any five-year period. This suggests that the firms in the sample that acquired heavily were negatively affected by them in terms of their subsequent performance. The minimum number of acquisitions per five years for firms in the data set was 0, the maximum was 43.

Davis. After the acquisition, Pfizer intended to sell off Warner-Lambert's other divisions while integrating Parke-Davis into its corporate structure. In the midst of this process, however, Pfizer saw that many of Parke-Davis' functions were organized differently from its own. In response, Pfizer decided not to impose its way of doing things on the newly acquired business but rather to allow managers to develop new processes. This created some integration challenges. There were many reports of culture

clashes, power struggles and people trying to maintain the status quo. But gradually, new organizational practices began to emerge. For example, Pfizer developed new approaches to human resources ("Our people-management processes are better now; we learned the softer things like talent management"); to resource management ("Before, we were so used to having so much money that we didn't think about efficient use of resources"); and to decision making ("There is now a more open culture, a faster decision-making process").<sup>2</sup> The infusion of new practices from Parke-Davis led to a revitalization of several areas that were at risk of becoming rigid. As a result, Pfizer became a looser and more nimble organization.

Similar changes have occurred in other organizations, changes that later on appeared vital to the companies' survival. Although it is well known that successful companies often encounter success traps, we know much less about the steps they take to get out of them or, more importantly, how to avoid falling into such traps in the first place. My research and analysis indicates that acquisitions can play a significant role. (See "About the Research.") Smaller acquisitions on a regular basis (say, every year or two) can help managers revitalize their organizations continuously, before rigidity and complacency set in. Acquisitions can trigger a process that I refer to as *hybrid vigor*,<sup>3</sup> a term borrowed from genetics that introduces variety to organizations and introduces managers to new things they may not even realize they need. Once managers are aware of this effect, some elect to undertake acquisitions specifically for this reason.

### The Value of Cross-Fertilization

Companies make acquisitions for a variety of reasons: to get access to a new business or technology, to gain a foothold in a new geographical market or to consolidate a market. Some companies seek to learn something, such as a particular skill or capability that they identify as useful. All acquisitions, however, require that companies find ways to integrate organizations that do things differently. Pfizer, for instance, originally bought Parke-Davis for strategic reasons, but while integrating it and seeing how differently it operated, management realized how rigid and complacent Pfizer had become. As one manager put it, "We were so successful, which had led to an insular, comfortable state of mind. This acquisition was a consciousness-raising exercise. It made us realize that we could do better; now we realize there are other ways of doing things."<sup>4</sup> An acquisition can remind management that there are different ways of doing things and that it may be time for them to consider change.

The realization that companies could and should operate differently often triggers another learning effect. For instance, in the wake of acquisitions the merged company sometimes develops completely new processes and systems that the individual companies had not considered before the acquisition nor could have

## One Snapple manager put it this way: “We have learned from Nantucket Nectars’ expertise in guerrilla marketing activities. They reacquainted us with how to execute on the street level.”

developed by themselves. This was not simply a matter of the acquiring company adopting practices or technologies of the other companies; it involved a cross-fertilization of core elements of the organizations’ “DNAs,” which formed something that was altogether new.

For example, rather than adopting the practices of Parke-Davis, Pfizer management chose to develop completely new practices for HR, resource management and decision making. This was similar to the approach followed by Swatch Group Ltd., headquartered in Biel, Switzerland, which is often cited as an example of how innovation can alter competition within an industry. Although Swatch may be best known for rescuing the Swiss watchmaking industry from oblivion, equally noteworthy is how Swatch was formed by the merger between two struggling watch companies, ASUAG and SSIH. ASUAG had the engineering and production expertise and SSIH provided marketing and branding skills, but neither company could have come up with the innovation alone; it required a complete overhaul of market positioning, distribution and manufacturing technology. As Swatch CEO Nicolas Hayek put it, “It created new possibilities and a new culture.” Acquisitions can introduce new values, beliefs, skills and knowledge, which when blended with the company’s existing repertoire can lead to a new set of practices.

Acquisitions can help companies retain or recover their vitality. Snapple, the U.S. beverage company, is a case in point. Snapple became successful by launching innovative products, based on fruit juices and teas, into the beverage market. But it was hard for the company to maintain its reputation for being funky and flexible. Over the last few years, Snapple completed several acquisitions (including Mystic, Orangina, Yoo-hoo and Nantucket Nectars) in an effort to extend its market reach and eliminate some competition. The acquisitions have also helped the company counter the advances of rigidity and inertia. Each acquisition has helped to restore the sense of feistiness that Snapple had begun to lose. Take, for example, the acquisition of Nantucket Nectars in 2001. As one manager said, “The acquisition was first of all financially driven. We wanted to expand our product offering; we saw the complementarities of our product lines and wanted to shed costs.” But later, management realized that buying Nantucket Nectars affected the company in other ways, too. One of the most important areas of influence was marketing. One

manager put it this way: “We have learned from Nantucket Nectars’ expertise in guerrilla marketing activities — how to execute them on the street level. They have reacquainted us with this.” According to a former Nantucket Nectars manager, “They [Snapple managers] have learned our grassroots approach to marketing.” Snapple picked up valuable knowledge from Nantucket Nectars, which, in turn, learned other things from Snapple. A former Nantucket Nectars manager said: “We have learned a ton from them. They [Snapple] were much more educated in consumer insights research, in the science of marketing, in data-tracking research, in the financial proposition — the numbers stuff.” The melding of different knowledge bases has helped Snapple regain some of its former vitality.

### **Making Organizational Revitalization Happen**

Acquisitions can introduce companies to different organizational practices<sup>5</sup> and lead the way to organizational revitalization. However, this does not always happen. For example, whereas Snapple may have benefited greatly from the integration of Nantucket Nectars, the Quaker Oats Co.’s acquisition of Snapple in 1994 clearly did not achieve the same level of success. In fact, Quaker Oats turned around and sold it off again in 1997 in response to severe financial losses. There are several principles that can help acquirers achieve revitalization through acquisitions.

**Select Acquisitions You Can Learn From** The first thing managers need to do is understand the characteristics of the acquisition target. Acquisitions can only bring variety to acquiring companies if they are different in some important respects. If the two companies have too many of the same characteristics and are managed in much the same way, they cannot really learn from or cross-fertilize each other. However, organizations can also be too different.<sup>6</sup> The greater the differences, the more difficult it is for the acquiring company to absorb the acquisition. (See “Gauging the Revitalization Potential of an Acquisition Target,” p. 48.) Snapple and Nantucket Nectars, for example, had some important similarities in terms of their products and customers, but they were different in terms of their cultures and business processes, and therefore could enrich each other. If the gap between the two companies had been much larger, the acquiring company wouldn’t be able to grasp and relate to the acquisition’s

# Gauging the Revitalization Potential of an Acquisition Target

## STEP 1

The questionnaire below is designed to help managers determine the revitalization potential of acquisition candidates. It assesses organizational differences on six dimensions: customers, country, product, distribution, processes and systems, and organizational culture. Each dimension represents a different aspect of strategic and organizational similarity.

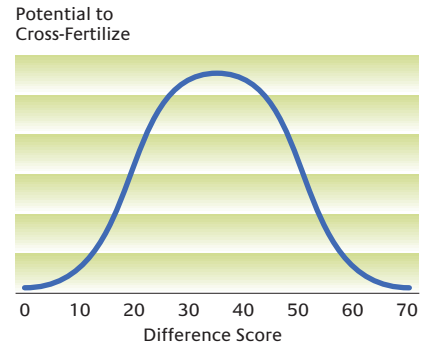
	MUCH THE SAME	PARTIAL OVERLAP	VERY DIFFERENT		
<b>HOW DIFFERENT IS THE CUSTOMER BASE?</b>					
Breadth of the customer base	0	1	2	3	4
Consumer versus business-to-business	0	1	2	3	4
Price versus differentiation focus	0	1	2	3	4
<b>HOW DIFFERENT IS THE GEOGRAPHICAL PRESENCE?</b>					
Geographic location (that is, distance)	0	1	2	3	4
Language of home countries	0	1	2	3	4
Dominant religion in countries	0	1	2	3	4
<b>HOW DIFFERENT IS THE PRODUCT PORTFOLIO?</b>					
Product/service mixture	0	1	2	3	4
Breadth of product portfolio	0	1	2	3	4
Research and development intensity	0	1	2	3	4
<b>HOW DIFFERENT ARE THE DISTRIBUTION CHANNELS?</b>					
Marketing intensity	0	1	2	3	4
Physical logistics	0	1	2	3	4
Integration of supply chain	0	1	2	3	4
<b>HOW DIFFERENT ARE WORK PROCESSES AND SYSTEMS?</b>					
Structured versus unstructured	0	1	2	3	4
Flat versus hierarchical	0	1	2	3	4
Loose versus tight control	0	1	2	3	4
<b>HOW DIFFERENT IS THE ORGANIZATION'S CULTURE?</b>					
Open versus closed	0	1	2	3	4
Process versus results oriented	0	1	2	3	4
Formal versus informal	0	1	2	3	4

TOTAL SCORE (OUT OF 72):

NOTE: Strategic similarity is assessed following Markides' "who, what, how" model. See C. Markides, "All the Right Moves: A Guide to Crafting Breakthrough Strategy" (Boston: Harvard Business School Press, 1999). This model assesses (1) who is the company's customer (in this test divided in "customer base" and "geographic presence"), (2) what is the product ("product portfolio"), and (3) how to get the products to the customers ("distribution channels"). The items for organizational similarity ("work processes and systems" and "organizational culture") are adapted from G. Hofstede, B. Neuijen, D. Ohayv and G. Sanders, "Measuring Organizational Cultures: A Qualitative and Quantitative Study Across Twenty Cases," Administrative Science Quarterly 35, (1990): 286-316; B. Neuijen, "Diagnosing Organizational Cultures" (Groningen: Wolters-Noordhoff, 1992).

## STEP 2

Compare score with the graph at right. In general, a company's score should be above 20 but below 50. A score below that range indicates that the candidate is too similar to provide much benefit. A score above it suggests that the target is too different.



## STEP 3

In some cases, it is useful to acquire a company that is similar to yours; in others, it is useful to acquire a company that is different. It depends on the size of the acquisition and your company's state of performance. Apply the conversion below to your score to check if this applies.

	CONSISTENTLY IMPROVING	STABLE	DECLINING IN RECENT YEARS		
Company's financial performance in recent years	1	2	3	4	5
	≥ SAME	30%	10%	5%	≤ 2%
Size of the acquisition candidate, as compared to you	1	2	3	4	5

### YOUR ADJUSTED SCORE:

$$\text{'your score'} \times \left( \frac{\frac{1}{2}(\text{performance score} - 3) + 3}{3} \right) \times \left( \frac{3}{\frac{1}{2}(\text{size score} - 3) + 3} \right)$$

Compare the adjusted score to the graph above. Your adjusted score should still be well above 20 but below 50.

The adjustment factor indicates that it is OK if your acquisition candidate is like your company *if*:

- It is a relatively large acquisition, and
- Your own performance has been worsening for several years.

The adjustment factor also indicates that it may work to acquire a company that is quite different from you, on several dimensions, as long as:

- Your performance is improving, and
- The company to be acquired is relatively small.

processes and systems and blend them with its own. The research indicates that organizations can only understand and learn from each other if they have some things in common. Without a common base of understanding (about products, customers or cultural heritage), it is difficult to blend practices, and the companies can't easily fertilize each other. For example, my statistical analysis showed that for companies that acquired a foreign competitor without ever having operated abroad and for companies that acquired businesses in industries they weren't active in before, the benefits were limited. These acquisitions had very little effect on the vitality of the acquirer.<sup>7</sup>

**Link the Size of the Acquisition to Corporate Need** Corporate executives often wonder how big their acquisitions should be. There is no hard-and-fast rule, but the size of an acquisition should bear some relation to the amount of trouble the company is in. Big acquisitions can be very disruptive. However, if the company is stuck in a success trap and unable to break out of existing constraints, a big disruption may be good. The two companies that merged into the Swatch Group were both in severe trouble. Therefore, they needed a significant merger to bring about the necessary changes; a smaller deal wouldn't have been enough to shake things up. The merger of drug companies Hoechst and Rhône Poulenc in 1999 provides another useful example. Both companies were struggling financially. Yet their merger led to the formation of Aventis SA, a vibrant and fast-growing multinational life science company (now part of Sanofi-Aventis). On the other hand, when a company is experiencing healthy internal growth, a big acquisition might be too disruptive and do more harm than good. Smaller acquisitions may be more suitable for maintaining vitality. Networking equipment maker Cisco Systems of San Jose, California, has a long history of buying small companies for their innovative technology. However, people at Cisco also acknowledge that the process of integrating companies has helped the company maintain its own organizational energy and entrepreneurial spirit.<sup>8</sup>

**Integrate Acquisitions, But Don't Destroy Them** It is well known that efforts to integrate acquired companies often result in frustration and friction. Therefore, many managers try to avoid these problems either by leaving acquired companies alone or by quickly and completely assimilating them — in effect, forcing people to adapt fully or leave.<sup>9</sup> Although the companies that were able to revive their businesses through acquisitions have followed different approaches, they have one thing in common: They approached organizational differences head on, through a process that I call *blending*. Revitalization cannot occur if acquisitions are isolated from the rest of the company; nor will it occur if the acquired company's values and practices are suppressed through complete assimilation.

Blending allows companies to enrich each other and create new organizational practices. Companies often assume that simply bringing people together will be sufficient, that they will automatically learn from each other. However, the research shows that bringing people together in and of itself won't do much. Rather, a well-designed integration process requires that people from both parties identify best practices and agree on follow-up processes to ensure that the practices are actually put in place. It also means assigning people from the acquired unit to tasks and responsibilities for the wider company. In many cases, this has involved establishing teams consisting of people from both organizations with at least two persons from each company, thus preventing differing viewpoints from being ignored.<sup>10</sup> In addition, it is useful for managers from the acquired unit to be assigned responsibilities in the acquiring company in order to stimulate the diffusion of the acquisition's values and practices.<sup>11</sup>

The process of blending can begin either when the acquisition still exists as a separate unit or after it is merged into the larger company structure. Either way, a new repertoire can be created that is unique from those of the previous companies. Pfizer, for instance, made the explicit choice not to assimilate Parke-Davis; instead, it developed an integration structure that was designed to produce a new set of practices. Management referred to this process as *two in the box*; for every function and geographical area, one lead person was selected from Pfizer and one from Parke-Davis. Together, the individuals co-chaired a task force to “identify the processes in that area, to decide which process was better or to create a new one.”<sup>12</sup>

**Embrace Friction** Most efforts to combine organizations are complicated by power struggles, culture clashes and disputes over who is responsible for what and whose process works better. However, integration problems should not be viewed as problems on their own but as part of a larger effort to re-examine old methods and routines. The integration of Nantucket Nectars into Snapple offers a case in point. Initially, the former Nantucket Nectars employees found it difficult and cumbersome to work with the Snapple people and vice versa. Snapple people complained that former Nantucket Nectars employees were disorganized in that they didn't “have any hierarchy and processes,” so that they “were putting out fires all the time.” They also complained that “Nantucket managers lacked specialization, which diluted their time and attention,” forgetting “to look at strategic issues, as opposed to day-to-day sales.” Nantucket Nectars people, in turn, considered Snapple “a conservative environment,” and complained that they “had to get approval for everything” and that Snapple people didn't have as much appetite for “gut and passion and hard work” as they had. As a consequence, the initial period after the acquisition integration was uncomfortable and disturbing for both sides. But in hindsight, many people came to realize

**At the time of the acquisition, the culture clashes seemed troublesome and obstructive, but they also made Snapple managers realize that their company was in need of renewal.**

that working through the differences brought real benefits. As one Snapple manager said, “At the time of the acquisition, we saw issues around culture as second or third in importance but afterwards we realized that this brings good things. The people from Nantucket Nectars bring a sense of passion for what they do. The influx of their management has been a breath of fresh air.” At the time, the culture clashes seemed troublesome and obstructive,<sup>13</sup> but they also made Snapple managers realize that the company was becoming bureaucratic and in need of renewal. Although acquisitions can create turmoil, they can also point management to areas where they need to change.

**Balance Acquisitions and Organic Growth** A final condition that can influence the extent to which acquisitions revitalize companies is top management’s overall attitude toward growth. Do managers want to grow through acquisitions, or do they prefer organic growth? Some top managers spend much of their time scanning for acquisition candidates and potential deals. They view the company as a portfolio of businesses to be assembled and managed. Others prefer to avoid acquisitions, either because they have heard of difficulties or experienced them firsthand. They see the company as an organization to be grown from within. However, the research shows that companies that managed to sustain growth best didn’t adhere to one approach to the exclusion of the other. Rather, they expanded through a mixture of acquisitions and organic growth and balanced the two over time.<sup>14</sup> This suggests that the two modes of growth are not substitutes for one another but complementary.

Throughout the 1990s, Ahold, the Netherlands-based retailer that acquired various supermarket chains largely in the United States, succeeded at balancing the two approaches to growth. Management explicitly wanted growth through acquisitions and internal growth to complement each other.<sup>15</sup> The way management saw it, the acquisitions were not so much an avenue for growth by themselves but platforms for further expansion. In addition to carefully selecting companies to buy, Ahold went to great lengths to integrate them, extracting knowledge wherever possible in hopes of creating further opportunities for growth. Gradually, however, management’s emphasis began to shift. Management increasingly relied on acquisitions as replacements for, rather than enablers of, autonomous growth. By 2003, Ahold was depending on acquisitions almost exclusively to meet its growth

targets. Management’s efforts to integrate its various businesses were all but abandoned.<sup>16</sup>

AS TIME GOES ON, successful companies tend to become less open in their thinking and less receptive to different ways of operating. They become less responsive to changes in their environments. Some companies, however, have found that acquiring new companies restores vitality, which ultimately increases their bottom line. To be sure, integrating acquired companies causes major disruptions in the status quo, and it often leads to painful clashes between those representing the old guard and those promoting the new, but it is often these very conflicts that generate the revitalizing benefits.

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2. Personal communications, February to April 2003.
3. Hybrid vigor occurs when a large, secluded population whose gene base has grown narrow over the years is combined with a relatively small group with a different set of genes. Although in itself a small event, it may trigger an exponential process that in a short period of time restores the variety in the population’s gene base, enabling it to avoid decline and readapt to its environment. For instance, there is some evidence that this effect took place in Polynesia when the mutineers of the H.M.S. *Bounty* took their Polynesian wives. An acquisition may have a similar effect on a larger firm; the practices of the acquired unit may combine with those of the acquiring corporation to enable the creation of a new repertoire, in terms of the firm’s beliefs, systems and practices, which revitalizes the entire company. See L.F. Keller and D.M. Waller, “Inbreeding Effects in Wild Populations,” *Trends in Ecology & Evolution* 17 (2002): 230-241; P.K. Ingvarsson, “Restoration of Genetic Variation Lost — The Genetic Rescue Hypothesis,” *Trends in Ecology & Evolution* 16 (2001): 62-63.
4. Personal communication, April 2003.
5. There may be other ways. Prior research, for instance, shows how a firm’s foreign subsidiaries may bring fresh approaches from their

local environment into the firm. See J. Birkinshaw, "Entrepreneurship in Multinational Corporations: The Characteristics of Subsidiary Initiatives," *Strategic Management Journal* 18 (1997): 207-229; J. Santos, Y. Doz and P. Williamson, "Is Your Innovation Process Global?" *MIT Sloan Management Review* 45 (summer 2004): 31-37. For a similar effect for a variety of product markets, see D. Miller and M.-J. Chen, "Sources and Consequences of Competitive Inertia: A Study of the U.S. Airline Industry," *Administrative Science Quarterly* 39 (1994): 1-23. Hiring executives from outside the company may also bring in fresh ideas. See, for instance, D.W. Boeker, "Executive Migration and Strategic Change: The Effect of Top Manager Movement on Product-Market Entry," *Administrative Science Quarterly* 42 (1997): 213-236.

6. See P.J. Lane and M. Lubatkin, "Relative Absorptive Capacity and Interorganizational Learning," *Strategic Management Journal* 19 (1998): 461-477.

7. Specifically, in a series of panel data and survival models, the financial performance and success rate of the acquiring companies was regressed on their number of acquisitions during the preceding five years. The effect was generally positive. In contrast, the effect of acquisitions in unrelated businesses (measured through the companies' SIC codes) and the effect of acquisitions in regions in which the firm had not been active before were statistically insignificant.

8. P. Puranam, "Grafting Innovation: The Acquisition of Entrepreneurial Firms by Established Firms" (Ph.D. dissertation, University of Pennsylvania, 2001); P. Puranam, H. Singh and M. Zollo, "A Bird in the Hand or Two in the Bush? Integration Trade-Offs in Technology-Grafting Acquisitions," *European Management Journal* 21 (2003): 179-184.

9. For some pairwise comparisons between these two approaches see, for instance, R.F. Bruner, "Applied Mergers and Acquisitions" (New York: John Wiley & Sons, 2004): 895-900.

10. For empirical evidence on this topic see C.B. Gibson and F. Ver-

meulen, "A Healthy Divide: Subgroups as a Stimulus for Team Learning Behavior," *Administrative Science Quarterly* 48 (2003): 202-239.

11. Snapple, for example, carefully retained core people within Nantucket Nectars, and after discovering their value made sure to promote them within the larger company to stimulate cross-fertilization. See also M.E. Graebner, "Momentum and Serendipity: How Acquired Leaders Create Value in the Integration of Technology Firms," *Strategic Management Journal* 25 (2004): 751-778.

12. Thus, blending is designed to create something new. As Igor Landau, chairman of Aventis, put it, "The strategy was to create a *new* company and not be the sum of the two previous companies. We decided either we create something new or we would pay the price down the line."

13. For a more specific focus on the role of culture in acquisition integration, see J.R. Carleton and C.S. Lineberry, "Achieving Post-Merger Success" (New York: John Wiley & Sons, 2004).

14. See also F. Vermeulen and H. Barkema, "Learning Through Acquisitions," *Academy of Management Journal* 44 (2001): 457-476.

15. As CEO Cees van der Hoeven put it on Oct. 29, 1999: "How do we realize growth? In the first place, through strong autonomous growth. As a second course of growth, we regularly add small takeovers to existing store chains. This year, for example, we announced a number of acquisitions in Spain, Poland, Argentina and Brazil. Absolutely essential is that both parties, for the benefit of all stakeholders and particularly the consumer, can increase each other's value."

16. Early in 2003, Ahold had severe financial difficulties and CEO Van der Hoeven was forced to step down.

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