Why Are ESOP Acquisitions So Successful? A Qualitative Study From Consultants' Perspectives.

Article *in* Academy of Management Annual Meeting Proceedings · April 2018

DOI: 10.5465/AMBPP.2018.12927abstract

1 author:

Suzanne Cromlish
Saint Xavier University

EMPOWERING THE 99%...ONE ESOP AT A TIME! A CONSULTANT PERSPECTIVE QUALITATIVE STUDY OF EMPLOYEE-OWNED COMPANY AND NON-EMPLOYEE OWNED COMPANY ACQUISITIONS

Suzanne Cromlish

Submitted in partial fulfillment of the requirements for the Third Study
in the Doctorate of Management Program
at the Weatherhead School of Management

Committee Members:
Simon Peck, Ph.D. Advisor and Chair
Dick Boland, Ph.D.
Kathy Buse, Ph.D.
James Gaskin, Ph.D.

CASE WESTERN RESERVE UNIVERSITY

April 2017

DEDICATION

This research project represents one of my lifelong ambitions & is dedicated with pride and also with a deep sense of humility to our Lord Jesus Christ, the creator & Savior of the world for giving me the strength, stamina, & health to complete these 3 studies & the Ph.D. degree program at Case Western Reserve University in Cleveland, Ohio!

To my husband, sweetheart & lifelong partner, Dave, better known as Mr. Chirpy, who provided invaluable support & assistance throughout this entire process. How could I ever express the full measure of my love & appreciation for your constant daily willingness to assist with everything involved? You were always by my side at all of the ESOP & academic conferences, ready, willing, & eager to offer encouragement & support! I am so very deeply grateful for the high measure of understanding & support, which you so graciously offered! You are the absolute BEST partner & research assistant anyone could ever hope to have! Thank you for always being there & keeping me "chirping" through this arduous effort!

To Simon Peck, Ph.D., Associate Professor, Design & Innovation, my research advisor, & to the faculty & staff of the Doctorate of Management Degree Program at Case Western Reserve University for teaching us these stellar research methods, which give us the joy & the honor of having the opportunity to live our passions & make a positive impact & a difference in our world!

To Dr. Joel Vickers, former chair & to the faculty of the Masters of Health Administration at Pfeiffer University in Charlotte, NC, whose degree changed my career path from corporate America into academia!

To Asghar Sabbaghi, Ph.D., Dean of the Graham School of Management at Saint Xavier University, for providing me with my first full time position as an Assistant Professor of Management at a wonderful university that truly lives the values of the Sisters of Mercy by placing the greater good over profitable ventures!

To my cousin, Carole Jean Stoessel Zvonar, MD & her husband, Alex, who have always been there for us by providing support & encouragement in all of our endeavors!

To my late Mother, Wanda Shoaf, & my late Aunt, India Stoessel, who taught us to truly live our ethical & Christian values & encouraged us to overcome obstacles & fulfill our dreams & passions!

To Dave's family, especially Brian & Christy Crawford, whom we love & appreciate very much!

May all of you mentioned here be richly blessed just as much as you are willing to bless others in their quest for life!

TABLE OF CONTENTS

Abstract 5
Introduction 6
Research Question 7
Literature Review 8
Methodology 16
Data Collection 19
Data Analysis 20
Findings 23
Discussion 34
Post- Acquisition Cultural Integration from an ESOP Perspective 40
Conclusions, Limitations, and Future Research 41
Appendix: Interview Protocols 45
References 48
List of Tables
 Table 1: Number of Acquisitions and Results 18
List of Figures
 Figure 1: Top 10 Target Nations M&A Withdrawn Deal Values 9
 Figure 2: Code Tree – Consultants 22
 Figure 3: ESOP Acquisition Consultant Interview Quotes 23
 Figure 4: Non-ESOP Acquisition Consultant Interview Quotes 27
 Figure 5: ESOP Acquisition Consultant Interview Quotes 29
 Figure 6: Non-ESOP Acquisition Interview Quotes 30
 Figure 7: ESOP Acquisition Consultant Interview Quotes 32
 Figure 8: Non-ESOP Acquisition Consultant Interview Quotes 33
 Figure 9: Successful ESOP Acquisition Conceptual Mixed Methods Model 37

ACKNOWLEDGEMENTS

The author is extremely grateful for the continued collaboration and vital support for this research project with Corey Rosen, Ph.D., the founder of the National Center for Employee Ownership (nceo.org.), who years ago, accepted a telephone call from a total stranger desiring to research employee ownership, & provided us with this research topic realizing that our passion was to empower the 99% & to make a positive impact upon the world of employee ownership. None of these conference presentations would have been possible without your offering us support from the NCEO, critiquing my papers, publishing articles about this project, & even having material posted about this project on your website. The opportunity of collaborating & serving your wonderful organization is truly an honor!

Special gratitude is due to Joseph Blasi, Ph.D., J. Robert Beyster Professor, Distinguished Professor, Rutgers, The State University of New Jersey School of Management and Labor Relations for his continued support, mentoring, critiquing of papers, and thoughtful considerations for this project.

To The ESOP Foundation for awarding me with a Louis O. Kelso Fellowship. I'm fully aware of the magnitude of this honor & will do my very level best to be worthy of this gift. It's with feelings of solemnity & a sense of responsibility that I accept this high honor that this organization has bestowed upon me.

Grateful recognition is also expressed to Mr. Michael Keeling, Executive Director of The ESOP Association (esopassociation.org) in Washington, DC & Mr. Roy Messing, Executive Director, of The Ohio Employee Ownership Center (oeoc.org) at Kent State University in Kent, OH. Both of these organizations have provided invaluable support & ongoing collaboration by opening doors propelling this project forward to make a positive impact upon the ESOP world. Continuing to receive the benefits from the experience & wisdom of both of your outstanding organizations is truly an honor!

Recognition is also due to Daphne Berry, Ph.D., Assistant Professor of Management at The Barney School of Business at The University of Hartford for her encouraging support and wisdom for this project.

The author would also like to recognize and thank Jacquelyn Yates, Ph.D., Former Associate Professor Emeritus at Kent State University and Former Research Director at the Ohio Employee Ownership Center for her invaluable and creative guidance and direction as a subject matter expert.

EMPOWERING THE 99%...ONE ESOP AT A TIME! A CONSULTANT PERSPECTIVE QUALITATIVE STUDY OF EMPLOYEE-OWNED COMPANY AND NON-EMPLOYEE OWNED COMPANY ACQUISITIONS

ABSTRACT

This qualitative research project focuses on a compare and contrast between acquisitions by ESOP and Non-ESOP organizations from a consultant's perspective to obtain a third party viewpoint. Also discussed is a review of the academic literature on Mergers and Acquisitions, the reasons for failures, and possible solutions for successful acquisitions. An ESOP is an Employee Stock Ownership Plan, where the employees are actually company owners. Most successful ESOPs implement various types of progressive management strategies including open book management and open door communication policies and procedures. These practices of active employee engagement and participation enhance productivity and profitability because employees are personally empowered to improve company performance. This study researches the following questions to obtain a third party viewpoint by interviewing consultants who have experienced acquisitions with ESOP and Non-ESOP firms: 1) How does an ESOP company accomplish a successful acquisition? and 2) What, if any, organizational behavior patterns are associated with this process?

The study offers a compare and contrast between ESOP and Non-ESOP acquisitions by interviewing 16 consultants with ESOP acquisition experience and 9 consultants with Non-ESOP acquisition experience. The findings of this project revealed that there are differences between ESOP and Non-ESOP acquisitions and that the ESOP acquisitions were more successful and more of them even exceeded the acquirer's expectations. Non-ESOP acquisitions are more focused on a higher risk acceptance, financial impact, creating shareholder value, emotional acquisition purchases, and short-term profitable ventures, whereas the ESOP acquisitions are more risk averse, emphasize a longer term orientation for organizational sustainability, methodological strategic planning, and creating and maintaining an inclusive organizational culture with both companies. ESOP consultants revealed that ESOP executives, do indeed implement certain organizational behaviors including: ethical values, shared visions, long term orientations, altruistic behaviors, strategic planning, and organizational empowerment processes, which contribute to successful acquisitions.

Key words: ESOP acquisitions; Non-ESOP acquisitions; risk, financial returns, ethical values; shared vision; long term orientation; altruistic behavior; strategic planning; organizational empowerment; cultural integration; successful acquisitions

INTRODUCTION

Mergers and acquisitions, or M&As as they are more commonly known, can be regarded as a catch-all phrase; however, the true meaning refers to the buying and selling of companies. A merger occurs when both companies combine, with each one having an equal stake with defined clear roles within the new entity, and can also be described as a unification of two or more organizations into a new one. In the legal world, true mergers rarely occur as in most occurrences, the parent company may acquire or purchase either a majority or minority stake of equity from the target firm (Straub, 2006). These mergers are not usually successful as one entity almost always ends up in control of the newly combined enterprise.

Acquisitions are far more common and occur when one firm purchases another one, a division, product line, specific assets, or the majority of the shares from another firm. It is usually referred to when more than 50% of the total equity of the target organization is purchased with the acquiring firm obtaining total control over the target enterprise (Fleuriet, 2008).

These M&As are so common that they have created an entire industry. In fact, during the previous decade, according to Jansen (2002), M&As dramatically increased in 2005 more than at any time during the previous five years. After a merger or acquisition, it stands to reason that the total number of organizations diminishes. In addition, the target company may continue to remain autonomous by retaining its own identity, or it may become totally integrated into the acquiring or parent organization, although in the legal environment, the two organizations may remain independent firms. In addition, how well the M&A relates to the existing organization is a critical factor, which also requires examination.

Acquisitions certainly can accelerate expansion as well as provide a sustainable competitive advantage. By purchasing an existing complementing organization, the acquirer can bypass their own stage of growth by purchasing existing product lines as well as an established customer base. Among other benefits and combinations for enhanced performance, acquirers can obtain new technology, create synergies and/or diversification, expand market share geographically, and expand products and/or services. Although this paints a rosy picture, many studies indicate that varying results both successful and unsuccessful occur with acquisitions for various reasons as this subject is full of complexity with many variables for consideration.

This paper will attempt to build on an executive self-reported previous mixed methods study examining the organizational behaviors of executives of ESOPs during the acquisition process. By interviewing consultants to obtain a third-party viewpoint, this study will seek to either validate or invalidate the previous qualitative and quantitative studies and also provide a comparison of both ESOP and Non-ESOP companies during the acquisition process, explore their leadership styles, and also discuss some disadvantages of ESOPs in general. An ESOP, which is an Employee Stock Ownership Plan, is an established company retirement plan in which the company either contributes stock to the employees or permits them to purchase the stock at a subsidized rate (Hart, 2001). These shares accumulate annually, and long-term employment can result in a considerable number of shares if the company prospers and the stock increases in value.

RESEARCH QUESTION

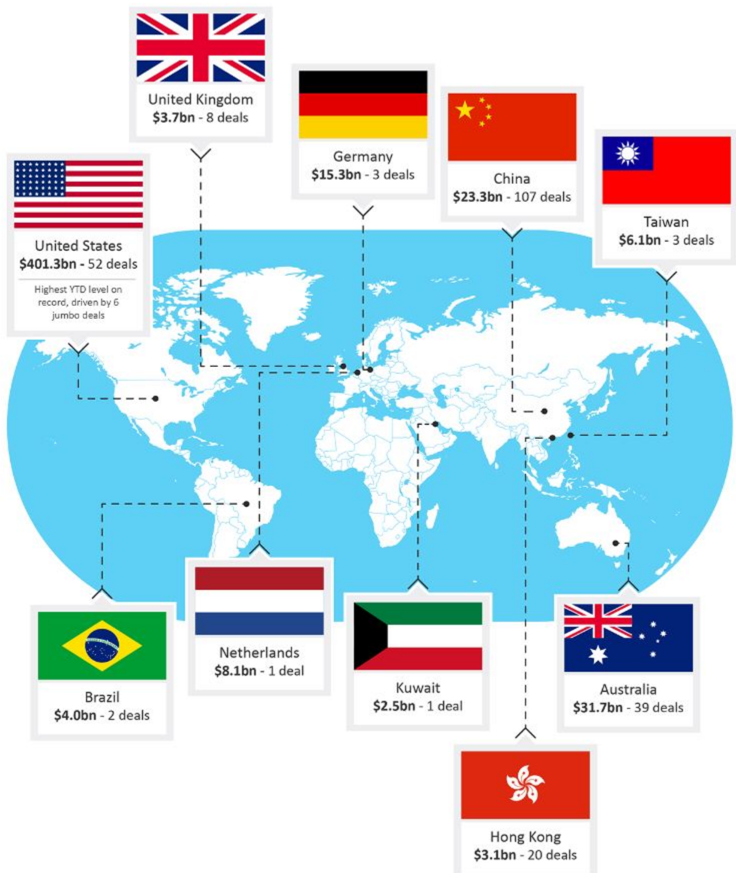
What organizational behaviors have ESOP and Non-ESOP executives implemented to complete successful acquisitions? What solutions have these companies designed to fulfill the challenges of successful acquisitions? What impact does cultural integration have upon this process and are there other factors imposing a high impact upon acquisition processes?

We will attempt to explore the decision-making processes and the role of organizational conflict in executive judgments regarding the acquisition on the acquiring firm and on the target firm. These constructs, supported by extensive practitioner experiences, will inform the development of a conceptual model for this study. We hope to gain knowledge regarding certain organizational behaviors, such as culture, style, firm leadership, cultural integration, etc., and specific strategic factors that promote the adoption and sustainable implementation by successful ESOP acquisitions.

LITERATURE REVIEW

According to the Dealogic Research Institute in New York, 2016 was a record year for M&A transactions as $4.7 trillion worth of deals were announced, which was double the level reached in 2015; however, 2016 was characterized by high profile and large transaction failures. In addition, they report that the total value of withdrawn, rejected, or expired offer M&As is at the highest level since 2007; that the U.S. is at the top of the list for these withdrawn deals, and that failed deals have set new records (Dealogic, 2016). Figure 1 demonstrates the top 10 nations of withdrawn M&A deal values this year.

FIGURE 1
Top 10 Target Nations M&A Withdrawn Deal Values



In addition to withdrawn M&As, very few of them deliver the desired and hoped for financial returns. Lybrand (1992) designed and conducted a survey, which discovered that approximately 54% of all acquisitions fail to deliver returns expected from the acquiring company as their shares underperformed and another study conducted by Child, Faulkner, and Pitkethly (2001) indicates that approximately 50% of all acquisitions are failures.

Straub (2006) also reports that in general, shareholders from the acquiring firms do profit from M&As; however, the shareholders from the target firms generally do not. He reports a likely occurring consensus that M&As do create value; therefore, further corporate control top-down management practice should be encouraged.

Attempts in Comprehending Failures

Why are there so many failures? What lessons can be discovered? What factors distinguish the successful acquisitions from the failures? Why do so many acquisitions with good intentions and high hopes end in failure and disappointment?

Straub (2006) reports that there are three main reasons for these failures as follows:

1. The acquiring company chooses an incorrect target company (strategic logic and management perspective), and this is represented by market similarities and complementarities, similar production operations and complementarities, and market and purchasing power.

To deter these M&A failures, previous research indicates that ESOP acquiring executives appear to intricately and meticulously choose their target companies and have several meetings with the target owners prior to even mentioning the concept of an acquisition to ensure that cultures and values will most likely be a successful match. These executives want to know if the target owner may possibly have family members, who may be interested in the continuity of the firm and how concerned that they may be about the welfare of their employees. After the acquisition is discussed, they also explain the general culture and values of ESOPs, so the target owner will be more informed about their acquiring management strategies, and they strategically plan how to integrate this new management style as well as how to retain as many of the target employees as possible with the target company owner. These acquiring ESOP executives actually view the target company employees as assets even prior to the acquisition being finalized.

2. The target company is poorly culturally integrated (organizational behavior perspective), and this is represented by acquisition experience, relative size, and cultural compatibility.

As a prevention measure, previous research indicates that, after the acquisition, ESOP executives also appear to go to extraordinary lengths to ensure the cultural integration is successful. During the qualitative study, the executives, or their department heads, were willing to meet with every target company employee one on one to ease their concerns and some even chose acquiring employees to work side by side with the target employees. These acquiring executives all had power point presentations defining the ESOP structure and culture to the target employees, a great many of them installed hotlines, and every executive purposely appointed a contact person for all target employees to call with future questions and concerns.

After a lengthy qualitative interview with a target employee, she stated that the target employees were fearful of airing their concerns to the acquiring company during the cultural integration as they feared termination. As time passed, after experiencing the progressive strategies of open book management and open door communication, they realized and grew to accept and even became grateful for the new management structure and style as the realization of ownership became clarified.

Many times, with ESOP acquisitions, the target company owner will assist in this integration process, and usually, current management is retained to further ease this transition. The owner generally states to his employees something like the following: “I provided a job for you, but this ESOP can give you a career” or “I have good news and bad news. The bad news is that the company has been sold and the good news is that you are now all owners.”

In addition, all ESOPs have a communication committee, and many acquiring companies have T-shirts printed up that state “Ask Me Anything” for the target company employees. They also have games, like Monopoly, for all employees to play, that further explain how an ESOP works, and a training course that employees can choose to complete, after which the employees receive a CEO certificate, which states “You are now a Certified Employee Owner.”

3. The acquiring firm overestimates the value of the target company and pays too high of a price for it (financial perspective), which is represented by the acquisition premium, the bidding and due diligence processes.

There can also be differences in management versus owner perspectives; and since the compensation packages of executives are generally based on the size of the organization, as a result, the top management firms may desire to conduct acquisitions due to self-interest, which may possibly not become a true benefit to the shareholders (Christofferson, McNish, & Sias, 2004). This self-interest did not appear to be a factor in the previous ESOP research studies as the ESOP executives appeared to be very focused on the welfare of the employees as well as the future sustainability of their organizations. Altruistic behaviors and ethical values appeared again and again in the previous two ESOP studies.

According to Hussey (1999), the failure rate for M&As is too high, and he advocates a strategic management with thoughtful and rigorous approaches as well as a fit for vision and strategy between the two firms. He continues by stating that some of the problems are obtaining information for proper analysis and objectively interpreting the information. ESOP executives appear to implement these thoughtful and rigorous approaches as they actively seek shared visions and cultures prior to planning their acquisitions. They are so attentive to the needs of their employees that they attempt to objectively analyze the target company for proper fit prior to the acquisition.

Hayward (2002) discovered that acquirers fail to learn from previous experience and fail to realize their full potentials. He states that learning relates to the quality of the experience as opposed to the quantity of acquisitions that when previous acquisitions are very similar, the acquiring executives lack the skills to appreciate a diverse range of possible target opportunities and when acquisitions are too diverse, they lack the talents to obtain gains from any one industry type.

Possible Solutions for Successful M&As

For a successful acquisition, Straub (2006) also advocates defining the strategic reasons for the M&A, handling and monitoring the cultural integration of both companies, and discovering an appropriate purchase price for the target company. His study discovered that all three above factors demonstrated a positive effect with a significant quantitative relationships for successful acquisitions. Based on the previous two ESOP studies, it appears that ESOP acquiring executives do indeed practice Straub's above strategies; however, future research would be required to determine if appropriate prices were actually paid to obtain the target companies. At this stage in the ESOP study, we do know that a phenomenal number of their acquisitions are indeed successful.

According to Fleuriet (2008), the acquiring company should conduct an estimated and detailed bottom-up study of the synergy involved and that a synergy value of zero or a negative number will not create a successful merger or acquisition. He gives two examples as follows:

1. Revenue goals – Providing the same products or services for sale to more consumers or clients, providing more products or services to the existing base of customers, or fulfilling both of these concepts is essential.
2. Cost Evaluations – The two firms in combination should cause a reduction in expenses and operation costs.

He continues by stating that synergies should be measured by calculating the difference between the combined entity's value versus the values of the sum from the two separate firms individually.

Based on the two previous studies, many ESOP acquisitions were successful because they offered new technologies, synergies, diversification, and expanded market, geographical, and product lines. Revenue goals, synergies, and costs were intricately examined by the acquiring ESOP companies prior to delivering the letter of intent to the target company owners.

Larsson and Finkelstein (1999) discovered three findings as follows:

1. If the target company possesses complementary operations to the acquirer, a successful acquisition is more likely to occur due to a boosting of synergies.

2. Cultural integration was the single most vital element to synergy success.

3. Employees demonstrated less resistance to acquisitions that demonstrated complementary benefits to the acquirer.

The authors advocate strong support for implementation of an all-inclusive cultural integration strategy by top management for both firms during each acquisition. As previously discussed in this paper, ESOP executives appear to believe that cultural integration is an essential and vital factor for a successful acquisition and they are willing to go to lengthy efforts to accomplish this.

Bergh (2001) discovered that employment tenure of acquired executives was an important factor with acquisitions. He continues by stating that retaining executives from the target company with employment tenure will produce more successful acquisitions because they have firm-specific knowledge to support the acquisition process.

Douma and Schreuder (2008) discovered that experienced acquirers are more successful with acquisitions; however, our quantitative study indicated that the number of previous acquisitions was not a significant factor for a productive and successful ESOP acquisition. Perhaps this could be due to the fact that ESOP executives appear to intricately scrutinize each acquisition. Douma and Schreuder also report more positive returns for investors in acquisitions and more economic value being created when the target company's assets are transferred to effective and experienced management teams.

Ranft and Lord (2002) discovered that acquirers must scrutinize and evaluate key stakeholders of the target company prior to the acquisition and must comprehend these relationships and apply this knowledge to the acquisition process. They continue by stating that retaining key employees only occurs by exchanging and managing resources while simultaneously not diminishing the target company's autonomy.

ESOP executives appear to agree with these strategies of Berg and Ranft and Lord, as a great number of them retained the target company executives to ensure a smooth transition. In addition, many of these target executives desired to remain with the ESOP acquirer even after their initial acquisition employment contracts expired.

Transition Advisors (2015), a consulting firm, report that better long-term results occurred with larger and more frequent acquisitions; however, our quantitative study does not support these findings. When our quantitative study controlled for the number of acquisitions completed by the ESOP acquiring companies, the relationships to a productive and successful post-acquisition were not significant. The Transaction Advisors' executives recommend a 5-step model consisting of the following:

1. Accountability sharing between the business units, executives, and the Board of Directors.
2. Commitment to due diligence with sophisticated view of the target company's assets
3. Designing and implementing a repeatable cultural integration model to optimize the momentum of the acquisition.
4. Comprehension of emotional reactions to combat the excitement of optimism and the fear of uncertainty.
5. Post-acquisition reinvestment in the business.

ESOP executives appear to be implementing the first four of the above recommendations and future research would be required to determine a measurement for the post-acquisition reinvestment factor. They clearly have all communication lines open for information sharing, they are committed to the due diligence process and even view the employees as assets, and their cultural integration efforts are superb. In addition, these executives have an openness with a continual inquiry mindset to receive novel concepts for successful acquisitions. Evolutionary thinking is required permitting firms to benefit from diverse experiences and also for acquirers to develop specific abilities to take advantage of exciting opportunities by exploring new possibilities.

METHODOLOGY

Semi-structured interviews were utilized to complete this study (Corbin & Strauss, 2008) regarding how organizational behaviors may or may not effect successful or unsuccessful acquisitions in both ESOP and Non-ESOP firms. Implementing grounded theory builds cumulative theories along with exploratory methods involving rigorous coding along with theoretical sampling by constantly comparing the data (Glaser & Strauss, 2011). Emerging themes can be discovered by implementing continuous comparison and contrasting with open coding, and the data collection and analysis provides results in various grounded theories, which are supported by the data (Maxwell, 2005). Themes emerge with continual analysis and re-analysis of certain open codes within the interviews, which require continuous refinement.

Since previous studies with consultants of ESOP and Non-ESOP acquisitions have been extremely limited, if at all, a qualitative research method was chosen for this study utilizing grounded theory. Unbiased pure and novel insights, which are not influenced by academic literature, along with emergent themes are standard concepts of grounded theory. Rich and robust narratives, extracted from the respondent’s direct experiences, interpretations, and comprehension can be obtained from open-ended questions (Maxwell, 2005). Ideas and themes from the interviews along with recurring words and concepts are recorded by the researcher to build a true picture of important concepts which emerge from the respondents.

To obtain a more effective portrayal to contrast ESOP versus Non-ESOP acquisitions, sixteen consultants with experience with ESOP acquisitions and nine consultants with experience with Non-ESOP acquisitions were interviewed. Since the previous mixed methods acquisitions study was self-reported by ESOP executives, by interviewing consultants, it is hoped that this study would obtain a third party viewpoint to either validate or invalidate the previous study. These executives were employed at various consulting firms located all over the United States and have experience with acquisitions from diverse industries and demographics, having direct experience with both successful and unsuccessful acquisitions with both ESOP and Non-ESOP firms. These consulting firms were selected from the author's professional network and with the assistance of the three major ESOP Associations as follows: The National Center for Employee Ownership in Oakland, California, The ESOP Association in Washington, District of Columbia, and The Ohio Employee Ownership Center located at Kent State University in Kent, Ohio. These consultants have worked with ESOP and Non-ESOP firms of various sizes and locations all over the United States and telephone and email were the primary channels utilized for contacting the respondents. A total of 25 consultants were interviewed; 16 had ESOP acquisition experience, and nine had Non-ESOP acquisition experience.

Table 1 indicates the number of acquisitions with which each consultant had experience, whether the consultant had ESOP or Non-ESOP acquisition experience, the reasons for the acquisition, and results of how many of those acquisitions were considered successful or exceeded expectations. The green interview numbers in column one represent the information obtained from ESOP consultants, and the yellow rows indicate the information obtained from the Non-ESOP consultants. If an area is left blank, it is because the consultant was unable to recall the requested information.

This study discovered that, on average, 91% of the ESOP acquisitions met the acquiring company's expectations while 43% of them actually exceeded expectations. The Non-ESOP consultants reported that, on average, 74% of the Non-ESOP acquisitions met the acquiring company's expectations while 23% exceeded expectations; however, only three Non-ESOP consultants were aware of or were able to recall the number of acquisitions that exceeded the acquiring company's expectations. In addition, the reasons for the acquisitions are as follows: Synergies - 14; Expanding Market Share - 13; Diversification – 10; and New Technology – 7. There are also a few other reasons listed in column five The differences between ESOP and Non-ESOP target company layoffs is negligible; however, many Non-ESOP consultants were unable to recall this information. Information is also lacking as to whether or not the target companies were able to retain their own identities.

TABLE 1
Number of Acquisitions and Results

INT #	#1	#2	#3	#4 SYN	#4 EMS	#4 Div	#4 NT	#5	#6	#7
1										
2	6	100%	90%	X	X			Strategy	0	0
3	50	100%		X	X	X			0	1
4	11	100%		X		X	X		0	0
5	50	100%		X	X	X	X			
6	10	95%	30%	X		X			1	2
7	9	72%	40%	X	X				0	3
8	5	100%						New Product	1	0
9	4	100%		X	X	X			2	0
10	10	60%	25%	X			X	Eliminate Comp	1	1
11	75	90%		X	X				0	
12	25								0	
13	10	80%	30%		X	X		Growth	0	
14		90%			X	X			5%	
15	7	100%			X	X	X		0	0
16	28	100%	40%	X					0	75%
17	400	68%	20%				X	IP Prod	5%	
18	5								0	
19	3			X	X				0	0
20	25	50%	25%	X	X	X	X	Strategy	20%	20%
21	35	65%	25%	X	X	X	X		7%	26%
22										
23										
24										
25	25	75%		X	X					
ESOP	268	91%	43%							
NON ESOP	525	74%	23%							
Totals	768	86%	36%	14	13	10	7			
		Avg	Avg							

Demographic Questions:

1. How many acquisitions has your firm been involved with in the last five plus years?
2. What percentage of these acquisitions has met the buyer's expectations?
3. What percentage has exceeded their expectations?
4. For the acquisitions in which you have experienced, how many of these common reasons have applied:

SYN= Synergies   EMS= Expand Market Share DV=Diversification: NT= New Technology

5. If there have been other reasons for acquisitions, please indicate them here.
6. How many acquisitions resulted in closure or significant layoffs at the target firm? Why do you think this occurred?
7. How many of the target companies retained their own identities?
8. Do you have a formula for a successful acquisition? What element or elements do you think are most critical in a successful acquisition?
9. In your experiences, share with me what processes most acquiring companies utilize for a successful cultural integration?

DATA COLLECTION

The collection of data occurred between the months of May of 2016 and April of 2017 utilizing a semi-structured digitally recorded interview approach with durations of approximately forty-five to sixty minutes in person or by telephone. The collected data remains confidential, and all respondents were given opportunities to conclude their interview at any time with the promise of being destroyed. Participants were notified of confidential agreements explicitly defining how the research would be conducted, thus ensuring their comprehension of this study. During the interview, the author took handwritten notes gaining further insight by observing non-verbal communication and aiding in the recollection of key themes. After the conclusion of each interview, the digital recording was downloaded, saved, secured with a specific file name, and then all interviews were properly transcribed into word-processing documents. The respondent's personal knowledge and experiences prior to and during their ESOP and Non-ESOP acquisition experiences were the focus of the interviews and probing was implemented by the researcher for further clarification. Open-ended questions were utilized, and the researcher inquired with follow-up questions about specific experiences and details regarding the events and situations surrounding the acquisitions. Probing also occurred regarding cultural integration, employees' reactions to the acquisition, whether employee engagement was nurtured and encouraged, whether or not the acquisitions became an ESOP and the reasoning behind that decision, and whether or not the acquisitions were successful or unsuccessful as well as factors occurring that may have had a causal effect upon the success or failure. The main goal was to collect vivid personal experiences, by obtaining a third-party viewpoint, and relationships from these educated and experienced practitioner consultants regarding organizational behavior and other factors influencing ESOP and Non-ESOP acquisitions in the context of their environments.

DATA ANALYSIS

As advocated by a grounded theory approach, each transcript was de-identified as to whether the interview was with an ESOP consultant or a Non-ESOP consultant as each interview was simply assigned a specific number. It was hoped that this strategy would further assist the researcher in maintaining a more open-minded approach to the research project. The open coding process was utilized with the interviews not being labeled as from an ESOP or Non-ESOP consultant. Data collection and analysis occurred simultaneously as the digital recordings were transcribed and utilizing constant comparison; and, in the search for repeating themes and constructs, the data was repeatedly reviewed. As Saldaña (2013) recommends, categorizing and analyzing detailed coding occurred in three phases as follows:

1. Open-coding was completed utilizing NVivo software with each written transcript enabling the researcher to capture multiple possibilities from the data. This process is also referred to as the recording of all possible codable moments, including all data

fragments exhibiting any potential relationship to the research phenomena, to be identified, labeled, compared with all other interviews, and categorized by the researcher. Over 1,250 distinctive open codes were discovered through line by line analysis and recorded from the 25 transcripts to grasp each unexpected and expected phenomena, and further analysis led to evaluation and categorization.

2. Axial Coding further carefully refined the coded fragments by collapsing the open codes into categories and sub-categories as various emergent themes appeared from the open coding data. A total of sixty-five axial codes emerged from within the open coded data collection. Open codes were cross-referenced with axial codes to identify grouping behavior patterns and revealed previously undiscovered connections between categories. Fulfilling saturation point with continual analysis of the data was the goal of the researcher as repeated attempts were made to eliminate any duplications.

3. Theoretical coding from the axial codes further refined and emphasized important categories as recurring themes appeared from the author's findings. Emerging conceptual themes from the interview questions and literature review continued to appear from further and continual data exploration. Similarities in behavioral patterns among the respondents from the consultants with ESOP acquisition experiences and the consultants with Non-ESOP acquisition experiences began to surface allowing a broader perspective and deeper comprehension of the research project, and as these certain key concepts became apparent, accounts with cohesiveness began to combine into findings.

The researcher repeatedly re-examined the codes, and certain distinctive characteristics between the ESOP and the Non-ESOP consultants emerged.

In summary, this study utilized both manual coding and software providing qualitative data analysis as well as information drawn from the literature regarding the repeated themes emerging from the collected data. After continually infusing information drawn from the interviews, transcripts, memos, and literature review, the following code tree demonstrated in in Figure 2 emerged.

FIGURE 2
Code Tree – Consultants

OPEN CODING

Employees Utilized as Role Models
Financial Position
Employees Performance Sharing
Respect Each Other
Deal Traps
Pursing Cultural Integration
Small Business Culture
Competitive position
Meetings with Target Employees
Bottom-up ideas
People First
Deal Fatigue
Succession Plans
Cautious
Mgmt. By Observing
Employee Welfare
More Efficient
Cash Flow
Open Mindedness
Emotional purchases
Environmental Scanning
Industry Reputation
Acquisition Teams
Growth Desired
Employee Future
Stakeholders Future
Emotional Acquisitions
Employee Wealth
Deal Excitement
Commitment to Organization
Employee Benefit
Shared Value Culture
Core Competencies
Companies with Shared Visions
Deal Pressure
Communicate with Honesty & Trust
Collective Action
Open Door Communication
Month to Month
Enhance Resources for Growth
More Effective
Planning for future jobs
Open Book Management
Creating Shareholder Value
Collective Action

AXIAL CODING

Diversification
Honesty & Trust
Company First
Emotional Connection
Cultural Integration
Expand Market Share
Short Term Orientation
Cautious Long Term Orientation
Expand Geographically
Completive Market
Continual Inquiry
Balance Sheet
Culture Alignment
Synergies
Financial Returns
Excitement
Cohesiveness
Progressive Mgmt.
Risk Averse
Due Diligence
Business Environment

EMERGING THEMES

Altruistic Behavior
Cautious Sustainability
Ethical Values
Strategic Planning
Shared Vision
Organizational Empowerment
Financial Impact
Shareholder Value
Deal Fever
Time Orientation Line

FINDINGS

Finding One

Organizational behaviors during the acquisition process. 1A. ESOP executives tend to focus on three organizational behaviors as follows: actively searching for a Shared Vision with the target company, believing that Ethical Values, honesty, and trust plays an important role during the process, and very Cautiously and meticulously implementing Strategical Planning for a productive and successful acquisition.

FIGURE 3
ESOP Acquisition Consultant Interview Quotes

The acquiring co. become aware of the target co. and had a couple of conversations about how they may benefit from our providing them capital. The CEO of acquiring co. was contacted by the CEO of the target co., which was owned by a private equity firm. The target co. CEO knew that the private equity owners were looking for liquidity and that they simply wanted to sell his co. and so he reached out to the CEO of the acquiring co. and stated that he had been thru this process before and he was really tired of that private equity firm process. He said he thought the two firms would strategically and practically be the perfect fit because the target co. competed with the acquiring co. in certain markets. The target co. wanted a strategic buyer instead of another private equity buyer and they wanted to be owned by a strategic owner as opposed to a financial owner. I would say that the acquiring co. became more beneficial, but if you talked to the target co. executives, they would say that they were ecstatic that it was synergetic for both companies. ESOP Consultant Interview 2 page 2-3.
An acquiring co. located a target co. to complement their own core capabilities; however, discovered that the target co. was bogged down with administrative duties, such as HR and accounting responsibilities, which was eating up all of their time. The target co. was very well known and had a good reputation within the industry. The acquiring co. was able to take all of these administrative duties off of their plate enabling them to run with what they did best and focus 100% of their time on continuing their operation, so that created a kind of synergy between them both. ESOP Consultant Interview 3 page 3.
The acquiring co. is a billion-dollar revenue and in the ESOP world, that is a very sophisticated big company but they have the resources, and they realize that they do a great job at marketing. Their head of marketing is fantastic, and they're really excited about the ESOP. The company has done well and has been an ESOP for over 10 years now. Employees are very talented, and they're essentially doing well doing what they have always been doing. They have applied their external marketing skills to market the ESOP to their internal employees to get them onboard with the ownership culture. They're having discussions like, hey, now you're an ESOP, and your opinions matter. The same stuff they did for their regular employees when the ESOP started they do for the target company employees. ESOP Consultant Interview 3 page 5.
It's better if the target company is a long-time business partner. Establish the date before the wedding, and long term compatible cultures are very important. Top down leadership and commitment and bottom-up empowerment and implementation is the ESOP way. ESOP Consultant Interview 4 page 3.
Some get outside (external) advice some have internal. The ESOP co. had an internal team, and they thought they did due diligence appropriately to expand their product and services; however, the representation by the buyer was untruthful. The acquiring co. became frightened with the cover up and the target co. deceived the buyer. The acquiring co. didn't find out until a month after the closing (of the acquisition). The acquiring co. went through years of closing parts of the co down. Over time it was ok but the 1st 2 years was a disaster. It had

to do with the customer base and how the target co. earned its money. Fortunately, the acquiring co. turned it around in 2 years. To give you an idea of how bad it was, 95% of the target co. executives were terminated. They had separate operating units in different cities. If the acquiring co. would have brought in outside experts, they would have found it out before (the acquisition closing). It took 6 months after closing before they discovered the problem the target co. was 25% of the size of the acquiring co. and this is a lesson to be learned. The senior people have to spend time with the target co. before the acquisition. This acquiring company has now made 3 other successful acquisitions, and they have worked hard to integrate the new companies. It takes 2–3 yrs. to have it done successfully. They put senior people in there to teach about ESOPs, and they bring people from the target co. and teach them, and they go back and teach the others (employees). ESOP Consultant Interview 6 pages 3-4.
Make sure you have a very good internal team that has time and get an expert on board at the beginning to do the due diligence on the financial side and the CEO and senior management has to budget time after the acquisition to spend time with the target co. to make sure it works. ESOP Consultant Interview 6 page 4.
Usually, executives are focused on the next one when they close the 1st one, but in our experience, the time you spend after the acquisition is more important than the time you spend during the acquisition as far as making it successful. That's why ESOPs have a high success rate. Communication with all employees and integration with (the ESOP) structure is very important to them. They do it on a daily basis with their own people (employees), so it's the same with the new target company employees. That's only my opinion. We find the same in our client base that they are more focused on the people and have a higher sense of responsibility for the company. We found the ESOP CEO is the founder and primary shareholder and their primary responsibly is to the employees as a beneficiary of the business itself, so if they fail, it hits them the hardest. On the ESOP side, when you get past the first wave of executives to the next generation of employees that started the ESOP, they have a higher sense of responsibility to the company and the newer employees as a whole, so that's more important to them. ESOP Consultant Interview 7 page 2.
One acquisition was truly a mismatch of expectations between the acquirer and the target company. It wasn't that we had errors in completing the due diligence, it was that the target co. executives didn't expect how they would emotionally react to the transaction and so it wasn't long term like we had hoped. That target co. was lost without leadership. The expectation (of the acquiring co.) was that they would be engaged for a minimum of 2 years. We (the acquiring co. executives and the consultant) guess dealing with the fact that they weren't in charge (of the target co.) anymore was something they couldn't handle so we did the opposite (of what an ESOP usually does) we got rid of them. ESOP Consultant Interview 7 page 3.
So, revenue (in one acquisition) was less than we expected, but it's okay. The goal of the ESOP acquiring co. was to retain 90% of the revenues (from the target co.) but they only retained 80% because it's (the target co. market) highly competitive, so that's a good thing for an ESOP to know. If they're going to purchase a company like this (with a lot of competition), they need to lowball the offer because we offered cash. ESOP consultant 8 page 2.
If you're not growing EBITA, you are not growing value. ESOP Consultant Interview 8 page 4.
One company was diversifying out of their core business (competencies) and were looking for a (new) market they could service, so they diversified and bought a business that could use their production facilities, but the product they produced had a new market and had no correlation with their (the acquiring co.) existing market. After entering this new market, they bought another co. in the same market with a different product. The acquiring co. then bought a third target co. The first acquisition they ended up having to sell because their core business became too weak (to support the other acquisitions). They had to sell their biggest acquisition to shore up the original core business. ESOP consultant Interview 8 page 4.
The ESOP is no different than a Non-ESOP. You need a purpose that you are trying to achieve by the transaction. My point is that you have to understand why you are doing it (the acquisition), you need a well-defined purpose. It could be diversification or synergy but what you need is a plan saying why are we doing this what are we trying to achieve. The issue is having a process first knowing and stating why and then a plan of how to achieve it. ESOP Consultant Interview 8 page 6

ESOPs buy to spread the gospel…they (ESOP executives) say "I want to make the other co. part of ours." The Non-ESOP bankers and consultants…not all of them can do ESOPs. They (ESOPs) are a special animal. You're not just setting up a transaction. You're establishing a brand-new program that has never been done in your organization before, and you better have advisors, not bringing complications, but knowing the ins and outs of how ESOPs work so the transaction can be planned better. ESOP Consultant Interview 11 page 3.
We bought a co. in the XXXX industry and they ended up wanting to be purchased by an ESOP, so we located an ESOP acquirer and completed the acquisition transaction. We were a structured investment of that co. meaning that we owned the note and that gave us equity. This target co. has stayed an ESOP, people from our company are on the Board of Directors, and that company has never done an acquisition in 12 years. We owned another co. that wanted to create an ESOP, and they went to the bank after several years and bought us out. Some people from our company are still on the Board of Directors of this company, and they are 100% employee owned. We owned both companies along with the management team, and we sold 100% of both companies to the employees. Both companies were well run. The culture didn't change; however, the recession, not the company, did affect them, but they became even more employee centered and came back (from the recession) and are both doing well now. Neither of these two companies have completed acquisitions. Sometimes it's better just to grow the company instead of doing acquisitions because there are no culture problems. ESOP Consultant Interview 13 page 1.
We have done lots of acquisitions. If a co. (acquiring co.) is performing well and if acquisitions make sense, why not? We have three companies now, and they're looking at acquisitions but haven't done it yet. It's really difficult to make an acquisition and make it work. We do it for a living. We are properly cautious because it's complicated. We show them how to do that. It's a very special skill set, and you can't learn it on the job. ESOP Consultant Interview 13 page 3
To expand market share, I have a client that is based in XXX but expanded their territory with an acquisition in their same core competencies. They acquired staff plus a new geographic location. One acquisition involved a specific territory that became available, and since the acquiring co. are experts, a certain company, that was not satisfied with their current arrangement in a specific territory, contacted them (acquiring co.) asking for a bid. They have had multiple acquisitions, and every one of them have been successful. ESOP Consultant Interview 14 page 1-2.
There is one target co. I can think of that was growing slowly, and when my client acquired them and obtained their distribution network and their customers, synergies occurred and they just shot up in revenue. The revenue of the target co. doubled or tripled. ESOP Consultant Interview 14 page 2
One of my clients purchased a company in the XXXX industry, and it never took off. There were other dominant players in the market, and they had a lot of powerful competitors. So, if you're looking at a target co., make sure you know scan the environment & know about the competition. After 3–4 years, the acquiring co. ended up selling the acquisition to a third party. ESOP Consultant Interview 14 page 3-4
When an ESOP acquires a target co., very few target employees are not offered employment. Sure, they are some because you have two of everything so some are gone. In my experience, the target co. employees that are let go has been less than 5% of the total number of employees. ESOP Consultant Interview 14 page 6.
I once did an acquisition that was one and a half times the size of the acquiring co. This (acquisition) was very successful, and it got rid of all their ESOP debt, and it was very successful. The acquiring company was leveraged and had a significant amount of debt, and the combined revenue of both companies eliminated the debt problem, so the combined revenue between both of them created a sort of revenue synergy. The acquiring company was fearful of doing that when they were already so far up to their neck in debt but the trustees wanted to make sure that even with all of that debt they could both still continue to operate. ESOP consultant Interview 14 page 7.
Acquisitions are a way to use cash to create growth. They (acquiring cos.) can start with a small acquisition, and they do tend to look for growth or expand geographically and look for a market share that expands them. In general, ESOP acquisitions in the long run tend to work out OK. They may take longer to get there, but in the

end, it will most likely be OK. A co. in XXX completed their first acquisition, which was a target co. about 1/3rd their (acquiring co.) size and they both had similar business models. ESOP Consultant Interview 15 page 1.
I probably do have some unsuccessful acquisitions, but I'm having trouble thinking of one that didn't work. Come to think of it, I've never had one that didn't work. ESOP Consultant Interview 16 page 5.
They (ESOP executives) don't have to hurry. They just keep their ears and eyes open, and lots come out in the conferences. Here's one for you. I did an ESOP with a contractor. They had guys (service personnel) in the field, who were exempt from the ESOP by a collective bargaining agreement (CBA). There were over 20 people in the company, who were members of a union; however, there was a special clause in the CBA enabling them to leave the union. All but 3 people left the union to join the ESOP, and the three that chose to remain with the union were planning to retire in 3 years. That's a testimonial for the power of the ESOP over a union and what it means. ESOP Consultant Interview 16 page 6.
My job is inorganic growth for the company, and we are an ESOP. I lead a team here to figure out how to supplement our company with M&A growth. I make sure the business models are compatible, and we have a set strategy for what is best for our company. I have a score card and we evaluate every possible transaction. ESOP Consultant Interview 19 page 3.
There have been a couple of newly acquisitions where they had to walk away from them. Acquiring cos. need to start small. One that didn't work was the business models weren't accurate, and the two companies couldn't be integrated. The target co. was a competitor of the acquiring co. and they had to sell it off to another co. If it doesn't work, you have to minimize the damage and walk away. ESOP Consultant Interview 15 page 2.
One unsuccessful acquisition occurred because the CFO thought he was God's gift to the finance world. This was a $200 million company, and he never listened to anyone. He knew more, and he figured out to take some of the capital and use an alternative investment. How much money you can lose? The alternative investment was a riskier investment, and he decided to do this. The acquisition was much bigger than 10%, and it didn't work out, but he was so bull headed. The target co. was in a riskier industry than their previous acquisitions, and they went off of the curve. He was trying to diversify. Egos can get in the way all of the time. The acquisition is now on the market to be sold. Sometimes there are emotional purchases, but generally, these are with the Non-ESOP world. ESOPs are less likely to let that get to become a factor. ESOP Consultant Interview 20 page 3.

1B. Non-ESOP executives tend to focus on certain organizational behaviors as follows: actively searching to create shareholder value, being more willing to accept acquisitions as emotional purchases with a higher risk, and being more focused on financial returns.

FIGURE 4
Non-ESOP Acquisition Consultant Interview Quotes

We estimate that there wasn't enough time spent up front fully understanding what this business was, where it was headed and what was needed to be successful. It ended up being something different than what was expected. Out of 9 acquisitions, maybe 40% have actually exceeded expectations. Non-ESOP Consultant Interview 7 page 5.
There are egos involved in these acquisitions. The CEO and CFO, they want to increase their own wealth. They want to create their own material wealth, so they go out there looking for companies to increase their size because they get a sizeable amount of compensation increase and there are no repercussions given to executives for making bad deals, so what have they got to lose? I've worked a deal where someone was just trying to tap into acquisitions so they could become wealthier. I've seen that more in the XXX industry and I can think of 4 or 5 examples of it. Non-ESOP Consultant Interview 8 page 7.
I have seen the due diligence be less valuable than they thought. For example: like XXX and XXX, the resulting new company was not controllable. In this case, the acquisition was poorly managed, and this caused a failure. If management has been there 20 years, they can't change, and neither company did change. Non-ESOP Consultant Interview 10 page 4.
I, myself, have worked for 2 private companies that have been acquired and in both cases, I have been acquired out of a job. Do you know an ESOP that I can go to work for? Non-ESOP Consultant Interview 10 page 5.
It's a control issue. If they (acquiring co.) leave them (target co.) alone, then that's a risk to the acquired company. People lose focus on why they were acquired in the first place. It's a lack of trust. Like I bought you, but you can't do it on your own. It's an ego thing. You're going to be under my umbrella now, and you're not going to have your own. I'm taking your umbrella away. Non-ESOP Consultant Interview 10 page 6.
When XXX was acquired by XXX, it was not a good fit. Manufacturing and technology firms' cultures and work environments are so different. One culture was more laid-back but hard-working with long hours, and the other was an 8 hr. job a day and then getting off work for family life. I don't know if it was lack of planning or lack of foresight. Knowing the people that worked there, it was not a successful cultural fit. Too many employees from the target co. left because they weren't happy and that lowered productivity for the acquiring company. The acquiring co. had to get more people and pay them more with bonuses, so their labor costs went up. It originally was a financial deal, and they wanted to expand market share and become more profitable. Non-ESOP Consultant Interview 10 page 6.
In the deals I've seen, the issue is where the transaction is done for the wrong reasons…being done for reasons financial and not altruistic. They don't really care about employees. They are thinking about the financial transactions for my benefit and what happens afterwards is not my problem. Non-ESOP Consultant Interview 11 page 3.
If I had to put a number on the successful acquisitions, they are harder to predict…less than 90% probably 65 to 70% of them are successful. Non-ESOP Consultant Interview 11 page 4.
We bought a company about 10 years ago our management team fell in love with the target co. They were growing rapidly and were in our same industry, and there was fraud and unethical practices involved. The target co. enhanced their portfolio. They made it look better than it should have been and we didn't do the due diligence well. I wasn't involved at the time but it was a big mess, and the acquiring company became emotional like I've got to have that target company. I wasn't involved, but I'm sure that's what it was…the lack of disclosure and relationships. The seller told us what we wanted to hear to sell it no matter what. They should have revealed everything, and they didn't. I think culture fit is the biggest reason for unsuccessful acquisitions. We try to keep all the target people. Also, the company is successful because of the people, so we want to keep everyone. They

(acquiring co.) meet with target co. employees and have communication programs going on and the target co. comes to the acquiring co to work together. Non-ESOP Consultant Interview 13 page 2.
If you have less layers between the due diligence and the decision makers, the less layers you have, the better off you are. The psychology comes into play in all the committees. Sometimes the target co. doesn't like the acquiring co. so we try to weed that out before the deal goes thru. Non-ESOP Consultant Interview 18 page 2.
They could have started out to do something, but it really wasn't what they wanted. After a certain point, we only have X amount of dollars in the deal and let's keep going. The person managing the project had all the responsibility but no authority, and if they pulled the plug (on the acquisition), he would have to go upstairs and tell them why they spent $75k on acquisition fees when now you are just going to blow it off. That's when corporate culture is its own enemy. No one wants to stand in front of a committee after spending X amount of dollars and say we've got nothing, so they just keep going forward with nothing in place to present a counter argument why we shouldn't do that. To avoid this, there should be 2 teams to decide separately and then come together. First, no one said let's bite the bullet and walk away. Maybe 2 teams from different points of view…say from sales and operations, and they work separately. Nobody bothered to call or survey the target co. customer base and never compared lists of customers in both companies and that wasn't very good. Non-ESOP Consultant Interview 1 page 4-5.
In all acquisitions, the most important thing is to make sure the goals are aligned and continue to grow the company. Every company is different. A service company is different than a manufacturing one. Make sure key people are in the right place and leave things alone. Don't make changes just for the sake of making changes. Every company is so different. Non-ESOP Consultant Interview 13 page 3.
It's a fine line being a pessimist and crushing an opportunity, but you need someone on the other side of the desk not to be an obstructionist but to raise counterpoints against the arguments. No one is going to stand up and say, you know I think this is the dumbest mistake we ever made, because the boss likes it and that's how you progress. He likes to get it done whether it is a good idea or not. Non-ESOP Consultant Interview 18 page 5.
Just making an assumption here…the middle or high-end acquisitions don't work well. I'm thinking the small ones are going to have a higher success rate….you got less layers. Once you get above $20 million, you are just crunching numbers there is no people focus. They have meetings, and nothing gets done in a meeting. With the smaller businesses, the buyer and seller will look at each other they will shake hands, and there is more emotional bonding that goes on. Under $5 million are family or individually owned companies, and they care about it. Grandpa started this, and they feel guilty about it where a large one, they don't really care about the people. Non-ESOP Consultant Interview 18 page 7-8.

Finding Two

Timeline orientation and risk approach. 2A. ESOP executives have more of a conservative risk-averse approach toward expansion, and Long-Term Orientation perspective toward their acquisitions and the succession and sustainability of the organization is in the forefront of their minds during the acquisition process.

FIGURE 5
ESOP Acquisition Consultant Interview Quotes

If an ESOP Company is not in debt, they are kind of very conservative, so they're going to look for a successful acquisition for a long time. If they are already 100% employee owned, because of the savings from not paying federal income taxes, they have some cash set aside. That that allows them to have the flexibility to kind of sit around and wait and wait until something good comes up. They are not acquiring just to acquire. They will wait until something that's going to add value to the bottom line comes along. I think it's that they tend to be more conservative and I think it's also that they do have the responsibility so they can't gamble like a Wall Street company and they know that they can pay too much. You know, if it comes to that, the trustee - even if they have an internal trustee that they trust - you should still say no if the deal is too risky. We don't know. If we pay X for the acquisition, we don't know what we're going to get for our value, and that's just too risky for us. If you're a Wall Street CEO looking at quarterly return stock prices, you may take that gamble. ESOP Consultant Interview 3 page 4.
If they're (target co. employees) going to end up working for an ESOP company, they know their jobs are going to be safe. ESOP Consultant Interview 3 page 7
Generally, they (target cos.) don't have a succession management plan. They're seeking an ESOP so the employees can be the beneficiary. The purpose is to continue the business, and they know that the ESOP will continue. ESOP Consultant Interview 8 page 2.
Many ESOP executives do not want to make acquisitions. That's exactly right. They don't have the skill set to do it and are afraid they will lose what they have. They feel such a responsibility to their employees for sustainability, but sometimes it's riskier to do nothing than to do something. ESOP Consultant Interview 8 page 5.
I believe that often times Non-ESOP executives may not have a long-term view and lots of public companies fail – maybe 80%. The concept of stewardship is important to ESOPs, and they look at it as necessary. They (ESOP executives) take a long time and look to manage their risk in a safer manner. They take longer and do the due diligence right and are not in a rush. They would rather be right than wrong. ESOP Consultant Interview 8 page 7.
The typical ESOP deal is a variance of synergy and most are done in the hopes of maintaining continuity through community management and people and sustainability. They are so concerned with the company and the succession plan, and you're going to be there when I'm gone and that kind of thing... even so far as the co. is the town and the town is the company, and they absolutely take joy and pride in that. In one ESOP co., the place of work was also a XXXX in a stoplight town and if the company didn't exist, that town wouldn't be there anymore. ESOP Consultant Interview 11 page 1.
With respect to inequality, ESOPs are tremendous at creating wealth equality. You can create much more wealth as an employee in an ESOP company than you can otherwise. ESOP Consultant Interview 13 page 4.
Eventually, it (the acquisition) works but it's slow, and the synergies didn't show up as fast as they thought. If all had the same expectations, then it would work perfect, but they are not. If you're far away, you have to know how to do it correctly. Some weird things can happen. One acquisition occurred where the acquiring co. knew that the target company's revenue was XXX million; but in reality, it became XXX million less and this created stress. Why did you buy it a loss of XXX million dollars? Because it was investment for a long-term investment. It was part of the acquisition. We have a lot more people, but the XXX number of shares is now spread more thinly. Not only that, but the major strength is that they (acquiring co.) are a most patient ESOP. Why don't we have the money? They know it takes time and private investors won't put up with that. In the long run, after 4-5 years, this acquisition did better than was expected and it took 18 months to get it going and another 18 months to organize it. Non-ESOP executives generally want better turn-around time and many times have unrealistic expectations that the acquisition's going to be a real success. ESOPs tend to do more internally, so it's more of an internal thing than the Non-ESOP companies so they (ESOP executives) all feel beholding to each other and that

doesn't exist in a Non-ESOP company. They (Non-ESOPs) are more likely to hire external people. ESOP Consultant Interview 15 pages 3-4.
An ESOP will have enough to buy itself 5 times over. They roll out, and someone else rolls in and in a life span of 100 years, it will buy itself 5 times over. ESOP Consultant Interview 16 page 7.
It's (acquisitions) more important to an ESOP because it's THEIR money. There are several reasons that an acquisition doesn't work. One - you made the wrong choice and two - integration. ESOP Consultant Interview 20 page 2.

2B. Non-ESOP executives are more likely to accept risk and can be focused on more of a Shorter-Term Orientation perspective toward the financial impact of their acquisitions.

FIGURE 6
Non-ESOP Acquisition Interview Quotes

Private equity firms are pools of capitol that are looking to acquire companies and move them forward and grow them and make them more efficient. They want to add value to them and over a 3–7-year period, sell them again to someone else. If you sell to a private equity firm, they have to sell the company in 5 years because they need liquidity. That's the way they operate. Non-ESOP Consultant Interview 2 page 1.
Private equity firms are aggressively doing acquisitions because they're creating value and that creates capitalism…putting capital to work at its most efficient way. Non-ESOP Consultant Interview 5 page 3.
One woman sold her business because she was sick. We sold it in 6 months so for her she was the biggest beneficiary, but the buyer say came in and fired people to do whatever and make more money on it and ran the business better, and you would say he is the biggest beneficiary. He's a fixer-upper and he can create more value. Non-ESOP Consultant Interview 5 page 4.
If you're a huge company, like XXX, you will have a full-time M&A team as part of your company that's going to do your acquisitions for you. They might pull in a big firm for acquisitions, and they will use an outside law firm for legal agreements other than that it's an internal team. Non-ESOP Interview 5 page 4
We have seen this…often a private equity firm will go out and locate and buy and maintain everything, the trade name and the culture. This private equity firm, they don't want to run the company, they just want to get the money and own the shares and show up once a quarter and make sure everything is still good. Even when they do buy similar companies, they do a very slow integration. Non-ESOP Interview 5 page 5
Poor information of financial information by the acquiring company is a problem and causes them to pay too much for the target company. They also can underestimate the overhead. The acquiring company can get excited and pay too much for the target
Company and we call it Deal Fever. Another problem is Deal Fatigue. You do it so long, and you get sick of it. You want to walk away or get it closed. Ultimately, the target company may either get sold to someone else or go out of business. If they get bought by someone else, the culture change can be for the worst, and people lose jobs where with an ESOP, they will keep their job. Non-ESOP Consultant Interview 7 page 3.
Non- ESOP acquisitions don't have the long-term viewpoint that ESOPs do and private company acquisitions are generally more successful. Public company acquisitions are driven to grow, and a lot of pressure is on them in hopes that it works. In ESOP deals, they can't pay more than the fair market value of the company and Non-

ESOPs can pay anything they want. In certain transactions, they (acquiring co.) will overpay to get the right fit. Non-ESOP Consultant Interview 8 page 7
I've done 10 acquisitions maybe 75% have been successful, and 80% have met expectations. I can't think of any that haven't worked out well. Three of them have exceeded expectations, and that's great! None of them resulted in significant layoffs of the target companies. If it's (the acquisition) done for synergies, then you will lay off people, so it's the why of the acquisition. I think ESOPs are different because it's their money vs. the public company. Non-ESOPs don't always do acquisitions for the right reasons. The ESOPs are like the private equity firms…worried that it will work out ok. All of my acquisitions have been with private companies….our money vs. theirs and that makes a big difference. I think a long-term focus is really important and again public companies are run on a quarterly basis. ESOPs can have a longer time frame. Non-ESOP Consultant Interview 13 page 3.
The reality is they (Non-ESOPs) don't lay a bunch of people off after the acquisition. The only way they make money is streamlining and getting more efficient. The average is 5 to 7 years to grow the acquisition, and then they sell it. It's not a quick buck. Non-ESOP Consultant Interview 17 page 1.
Private equity firms raise money and maybe $100 million at 2%. They have to use the money. They can't just sit on it. They have to deploy it, and there is lots of pressure to deploy capital because there is a lot of dry powder, which is the money waiting to be invested, sitting out there and there is increased competition. They raise money from pension funds, and they get a management fee of 2%. They must deploy the money so that could cause deal fever which could cause it (the acquisition) to fail. The time frame for a private equity firm is typically 3-5 years. Let's say they collect $100 million. The dry powder is ready to roll. They have to show they are doing something because they raised the money and they have to answer to the people here is what we did with your money. That could cause pressure and deal fevers and not doing the due diligence they need to do. In the market right now there are a lot of private equity firms and we have a lot of funds out there. It's very attractive, and they can take their money and park it somewhere. A lot of money is pouring in and it is easy to raise funds in today's market because the upper class is very attractive and lucrative. As a result, there are about 1200 private equity firms in the U.S., and a lot of folks are competing for these assets. These could be some of the reasons for the 50% failure rate. So, we have 3 big reasons why the percentages of failure rate are high. 1. There is not a consistent definition of failure, 2. Private equity firms having dry powder, and 3. The super competitiveness of the private equity industry itself. Non-ESOP Consultant Interview 17 page 7.

Finding Three

***Management strategies and cultural integration*.** 3A. ESOP executives are more employee and company centered and have more of a perspective toward providing a genuinely inclusive environment for the cultural integration of the target company employees. Since they are constantly attempting to "sell" the ownership culture to their own employees, this mindset spills over into the target company during the acquisition process.

FIGURE 7
ESOP Acquisition Consultant Interview Quotes

Both (acquiring and target) companies and the third piece that they could leverage going forward is the employee ownership culture. If you go to the acquiring co. today you will see employees wearing shirts saying, "I'm an Owner, " and this is a culture issue that is a unique benefit of an ESOP. It's the most important benefit. ESOP Consultant Interview 2 page 3.
The CEO explains to all employees about the ESOP. We have seen rollouts, and the rank and file (employees) can think of it like a mortgage on a house. You put 10% down, yes, you own the house, but you really don't own it because the bank owns the other 90% and you create the value of equity when you pay that (the ESOP) loan down. That is what we use to educate rank and file members about what it's like to be 100% owned by the ESOP. They borrowed money in the first place, and by paying down the loan, you create value in the shares, which are distributed to the owners (employees). ESOP Consultant Interview 2 page 3.
If an ESOP has a great marketing dept. then they are generally better at spreading the word about the ESOP. Because they have an excellent external marketing department, they can internalize that talent in "selling" the integration to their own employees. They have internalized this skill and can heavily market the ESOP to all participants of both acquiring and target employees. ESOP Consultant Interview 3 page 5.
One of my clients in XXX has made three successful acquisitions. They worked hard to integrate the new companies it takes 2–3 years to have it done successfully, and they put their senior people in there (the target co.) to teach them about ESOPs, and then they also bring people in from the target company into the acquiring company. They teach them about the ESOP, and then they are the people to go back and teach the target company employees. ESOP Consultant Interview 6 page 4.
Usually, Non-ESOPs are focused on (locating) the next one (acquisition) when they close the first one, but in our experience, the time you spend after the acquisition is much more important than the time you spend during the acquisition as far as making it successful. ESOPs have a high success rate in communicating with all employees and integration with a specific structure, so they do it with the target company because they're doing it on a daily basis with their own people, so it's the same with the new target company employees. ESOP Consultant Interview 7 page 2.
ESOPs generally do not take big chances with their employees' and their own money. I've experienced a 95% success rate with ESOP acquisitions, and when it does fail, it's usually the inability to integrate acting like a team. So, an ESOP is "We bought you, and now you own us." This is what XXXXX says. Something fundamental about a traditional (Non-ESOP) company is when they do an acquisition the target company people can feel like they've been conquered by this occupying army that's taking them over and they feel like second class citizens - not being in with the in crowd and they don't feel much loyalty, but in the ESOP, they get shares and have more of an equal status. Wow! We are shareholders of this company, and they feel better about the acquisition. ESOP Consultant Interview 9 page 1.
It's (an acquisition) really a win-win for both companies. Some of the target co. may be 80% owned by one person and the rest (may be owned) by the top people. A lot of people will still stay on longer and only be acquired by a company that will keep all of us and not just sell to the highest bidder. Being part of the ESOP is perfect, and they will share in the ownership and a great culture. The target co. is very thrilled if the offer is from an ESOP. If the ESOP offer is close to other offers, they will go with the ESOP other than a private equity firm. A strategy for a larger acquisition will take a leader from the target co. to serve on Board of Directors to get a positive reception and the acquiring company hears from the target. The CEO of the target company will also get on the Board (of Directors) of the acquiring co. It helps with culture integration to get confidence and trust with everything between the 2 companies. Lots of ESOP cos. have a committee to go and meet with the employees of the target co. and often will invite employees from the target co. to join that committee. One acquisition I can think of…the target company had 90 employees, and only two were laid off. ESOP Consultant Interview 9 page 2.

It’s (cultural integration) the same with ESOPs and Non-ESOPs. The only difference is in an ESOP, you have to promote the ownership culture. That’s the cherry on top of the ESOP. All integration activities are pretty much the same. Out of all of the ESOP acquisitions that I’ve been involved with, about 95% of the target employees have been offered employment. ESOP Consultant Interview 11 page 5.
A minority ESOP was acquired that was a synergy. They were concerned because the culture was not completely compatible and waited 18 months to start to integrate. It takes time. The same company now has offices in XXX and globally. It took a lot of juggling around, and it’s hard to predict. Most ESOPs keep working at it. ESOP Consultant Interview 15 page 1.
I think the integration is great with ESOPs but not with Non-ESOP companies. ESOP Consultant Interview 16 page 6.
One time we acquired a small XXX company. When the target co. was acquired, we focused on the brand and not the people. The upper management team made less money and we lost a lot of them, and the knowledge of the target company was lost. It was a big mess and didn’t made as much money as they thought. Integration starts with culture criteria selection. If culture doesn’t match, it’s a deal breaker, so we make that stipulation in the pre-acquisition phase. Culture is a big deal. You (executives of both companies) need to have meetings and discussions and happy hours together to see if the culture matches with both companies in the day to day things. ESOP Consultant Interview 19 pages 3-4.

3B. Non-ESOP executives can be less employee and company centered and have more of a perspective toward providing a positive financial impact during the acquisition process.

FIGURE 8
Non-ESOP Acquisition Consultant Interview Quotes

Culture is everything, oh boy! Culture is how many hours a day you’re supposed to work. The small bureaucratic things like timesheets are more intensive in larger companies than in smaller ones. If you’re a small family, you’re concerned with small details, and if you’re big like XXX or XXX, yes, you have to do a timesheet, and your computer has to be this way. After an acquisition, your new employee manual may be 100 pages instead of 10. There are just more rules and bureaucracy, and there are definitely different cultures and personalities and just attitudes. Different companies in different industries have different attitudes. Some of that is an issue and at times the history between the parties…their specific history. The 2 companies probably were competing against each other before the acquisition. Now, one company is buying the other, and that can affect attitudes and culture fit. Non-ESOP Consultant Interview 5 page 6
The biggest thing is investing in consultants and spending time in the business and the target co. feeling like being a part of it (the acquiring co.) In integration, the Senior VPs should get together once a year and then integrate with others. All that helps, and then people feel like they are all on the same team. ESOP acquisitions have typically had a 95% success rate, and the Non-ESOP acquisitions I’ve experienced had a 90% success rate. Non-ESOP Consultant Interview 7 page 5.
Usually, unsuccessful acquisitions are due to the failure to bring people on to a corporate culture. A start-up was acquired by a well- known international company XXX and their failure to integrate the new target co. was the reason for failure. The acquiring co. has to appreciate the target co. employees, be willing to give them time off, etc. The target co. was used to having town hall meetings, and after acquisition, all of that went away. Their culture was gone. Some of the larger firms do not value the people where in an ESOP, the top priority is the people. Non-ESOP Consultant Interview 10 page 3.
In the Non-ESOP world, they don’t need to promote ownership, they just work there. With that mentality, you don’t need to get everyone excited. You should find that high-level engagement. Without the ESOP world, when

a Non- ESOP buys another Non- ESOP, in a regular Non- ESOP acquisition, they don't even try to integrate. They (acquiring co.) just tell them (the target co.) you're part of our company now, and your culture is going away. In the Non- ESOP world that's why everyone in the target co. ends up leaving. They leave the new company, and they lose people and have to go out recruit, and it's a terrible expense. If they would take the time to fully integrate, they would get better results on their acquisitions. I would love to tell all of my clients and give them more tools to understand how ESOPs work their acquisitions, but in the Non-ESOP acquisition world, it's not at the top of the list. Cultural integration is not on the list for Non-ESOPs. Non-ESOP Consultant Interview 11 page 5.
When they think about the organizational change management, it's nerve-racking for the employees because they don't know what's going on. The companies that do well, they have a separate team that works with them from WIFM, which means what's in it for me. The acquiring company needs to let the people know what's going on. The company should really focus on this and help people understand how things are going to change. The hardest thing to do is to get all the people on board with the new policies. No doubt there is a significant methodology to what they are doing. Understanding what the target company will do moving forward and what key functions are needed, it's best to be upfront with the organization. With some organizations, you may have more synergy to combine separate work streams into one. It starts with town hall meetings and the acquiring co. needs to put together a stakeholder analysis defining who are the ones to do the communication and what's needed like emails, meetings, etc. Then have a communication plan to roll it out. Non-ESOP Consultant Interview 17 page 5.
An unsuccessful acquisition occurred because of culture. The acquiring co. was in the technology industry and the target co. was in a precise manufacturing industry. They had 2 very different cultures. The target co. employees were like artisans, who were highly skilled in a specific trade and had learned this trade through apprenticeships. The acquiring co. knew they would not be able to replace these workers with other job applicants, so they (acquiring co.) became very excited about keeping these highly skilled workers and because these artisans were a rare breed, they (acquiring co.) offered them very lucrative healthcare, retirement, and vacation benefit packages. It ended up that they (acquiring co.) overpromised them and expenses were so high and not enough revenue was coming in so the acquiring co. hurt themselves in a couple of different ways. This was an example of deal fever. These artisans didn't feel comfortable with a bunch of suits strolling up from the acquiring co. and the acquiring co. should have done more market research to alleviate the revenue problems because the synergy they expected with the 2 companies didn't happen.
I would say that most acquisitions haven't lived up to expectations. I think a lot of times its cultural problems. I know of a XXX company in the Midwest, and they tried to purchase a company on the west coast. They were unable to merge the cultures, and they didn't take the time to do it right. Non-ESOP Consultant Interview 12 page 2.

DISCUSSION

Comparisons to the ESOP World

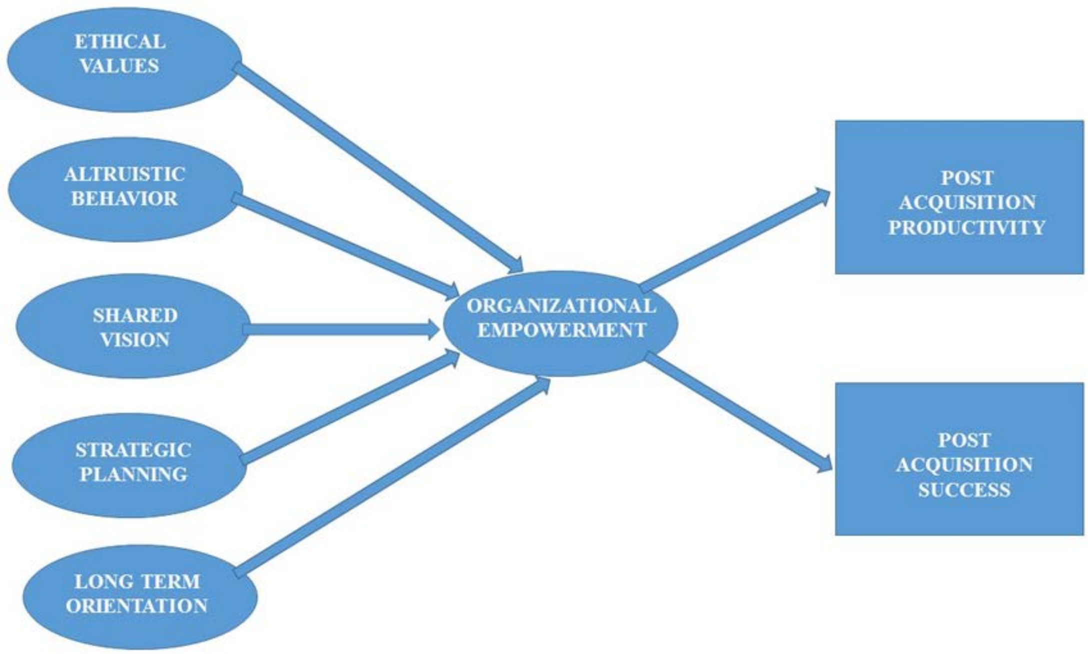
The most successful ESOPs implement a progressive management structure, including open book and/or open door communication strategies, which include active employee engagement and participation. While ESOP companies vary in their corporate cultures, they generally tend to implement open-book management and high employee involvement practices in work-level decisions more often than conventional firms (Magowan, 2010). These employee-owned companies have proven to be more successful in equality (Onaran, 1992) and productivity (Sauser, 2009) because the employees are personally empowered to improve the performance of the company.

The recommended solutions for M&As, as stated previously from the academic literature, appear to dovetail with this study from the third-party consultants with ESOP and Non-ESOP acquisition experience. After completing this study, it appears that ESOP executives have a somewhat different picture of their acquisitions than do non-ESOP executives and they also appear to be implementing many of the recommended solutions as depicted in the academic literature.

Perhaps because ESOPs are employee-owned companies, ESOP executives appear to be very mindful and aware that their employees are owners and, as a result, they feel a huge responsibility to making the correct decision when contemplating an acquisition. First and foremost, in their minds are the employees as well as the future sustainability of their company, and offering employment positions to as many target company employees as possible was critical to them. These executives scheduled many meetings with the target company owner attempting to match values, visions, goals, and organizational cultures. In fact, these issues were of utmost importance to them way prior to any discussion of a price for the acquisition and the target company employees were actually also perceived as assets. Not one of the consultants from this study stated that the ESOP executives desired to simply purchase capital assets from their target companies without highly regarding the employees. In today’s business environment, this is extremely refreshing, and perhaps this mindset and perspective are the main reasons for this striking acquisition success rate with ESOPs which was discovered.

Surprisingly, almost all consultants interviewed judged the ESOP acquisitions to be successful, and all of them converted their acquisitions into ESOPs. Even the unsuccessful acquisitions were advised and supported until they became successful. The cause of this success rate may possibly be based on the organizational behavior and structure of the ESOPs that were interviewed. Successful ESOPs with the necessary capital to obtain acquisitions typically implement a progressive and inclusive management style that eases the burden of welcoming acquisitions into their work families. A striking finding was how caring and conscious capitalism was demonstrated with every one of the target companies. Every effort was made by the acquiring companies to provide employment positions for as many target employees as possible prior to the acquisition. The findings reveal that 90% to 95% of the target company employees were offered employment positions with the acquiring company. In addition, all of the acquiring companies were focused on long-term vision and planning for the welfare of the company as a whole as opposed to making choices for obtaining short term profits. Certain organizational behaviors emerged from this study, which resulted in validating the following model as shown in Figure 9, which emerged in Phase One and was further validated in Phase Two:

FIGURE 9
Successful ESOP Acquisition Conceptual Mixed Methods Model



Based on the above model, a previous quantitative Phase Two study was conducted by implementing an internet survey utilizing Qualtrics and SmartPLS software components, and all hypotheses were discovered to be significant (Cromlish, 2016).

Although all paths were significant, Shared Vision to Organizational Empowerment and Organizational Empowerment to Post-Acquisition Success yielded the strongest effects, and Altruistic Behavior to Organizational Empowerment depicted the weakest effect. Because all of the paths are significant, this could have huge managerial implications to ESOP executives desiring to complete successful acquisitions. In both the Phase One and Phase Two studies, 98% of all of these acquisitions were successful and compared to the academic literature on acquisitions, these results are striking.

ESOPs are generally very conservative and risk averse with acquisitions and are sometimes even fearful of them because they face their shareholders on a daily basis and realize that the company needs long-term orientation focus for sustainability. In addition, acquisitions cause debt to occur, which may affect their stock price. Since the general failure rate of acquisitions is widely known, these ESOP executives do not want to commit errors with acquisitions. In addition, if they are 100% employee owned and an S Corporation, they do not pay any income taxes on their profits so they can just wait around for a good and profitable acquisition to come along.

Comparisons to Non-ESOP World

After repeated examination of the interviews and coding process, certain characteristics specifically related to the Non-ESOP acquisitions emerged. As specific codes were examined to determine from which transcript they emerged, it was discovered that the Non-ESOP consultant transcripts repeatedly discussed financial impacts, competitive position, cash flow, emotional purchases, deal fever, deal excitement, deal fatigue, deal traps, deal pressures, creating shareholder value, more profitable, more effective, and more efficient, along with other related financial factors. In addition, the Non-ESOP consultants stated that these executives generally do not interact with their shareholders on a daily basis and are not accustomed to receiving regular feedback from them. Due to globalization and recent technological advances, it is no longer necessary for executives to be on site managing facilities, and, as a result, virtual management has become a reality.

Although the academic literature generally states that approximately 50% of corporate acquisitions fail, this project discovered an average success rate of approximately 75% with the Non-ESOP acquisitions. The consultants generally related this to the size of the acquiring company and the target company. Most consultants in this study were involved with small to mid-size acquisitions with the target company being significantly smaller than the acquiring company, which, of course, would involve less of a risk for the buyer. In most cases, many of the target company employees were also retained as was routinely practiced with the ESOP acquisitions. Another issue with the Non-ESOP acquisitions was that although third party organizations were specifically hired to complete the due diligence process, sometimes the executives would not heed the advice of the consulting firm, whom they hired. In these cases, executives blatantly disregarded the firm's recommendations and went along on their merry way to acquire the target company. This, again, demonstrates that emotions can play a strong role and can create a "deal fever" to bring the acquisition into fruition. In these cases, as the academic literature states, too high a price can be paid for the target company, which, of course, affects the future bottom line.

Another issue is with Wall Street requiring quarterly reports, corporate executives are more likely to take a risk or gamble with an acquisition in with the hopes of enhancing their financial returns, especially if their shareholders are located throughout the global environment. Non-ESOPs are more focused on creating value and putting their capital to work, and over the long term, their acquisitions tend to under-perform. Sometimes the acquiring company doesn't obtain enough working capital because they paid too high a price for the target company.

Private equity firms are generally focused on advancing capitalism and are constantly and aggressively seeking acquisitions to create shareholder value, which is effectively putting capital to work for a more profitable future. Their objective is generally to monitor operations from a quarterly perspective attempting to obtain revenue and increase the share price

Another issue with private equity firms is that they are always working and utilizing other people's money. Their existence is solely dependent on external investors and maximizing profits.

The sellers are concerned about how the acquiring company is going to operate post-acquisition, how their people are going to be treated, and whether they are going to be integrated or left alone to retain their own identity.

Another issue is cultural integration. It appears with the Non-ESOP acquisitions, not enough attention is paid to this element and Larsson and Finkelstein (1999) state that this integration is the single most vital factor to a successful acquisition. According to Straub (2006), corporate values and organizational culture compatibility should meticulously be matched between both companies and an integration strategy should be in place prior to the acquisition to propel a shared vision for the two companies. The Non-ESOP consultants referred to cultural integration as being a slow and cumbersome process. The acquiring companies had more bureaucracy with distinct and lengthy policies and procedures, and both companies may have been competitors prior to the acquisition, which further could impede the integration progress. Many times, the acquisition team is an external or third party that is hired for their expertise and, as a result, can become distracted during the deal because after the close of the acquisition, they are focusing on locating the next deal.

POST- ACQUISITION CULTURAL INTEGRATION FROM AN ESOP PERSPECTIVE

After the acquisitions were completed, during the cultural integration process, these ESOP executives exhibited extraordinary efforts for cultural integration. Acquiring executives, or their appointed teams, were willing to meet one on one with every target employee. One executive even stated that they permitted the new target employees to work side by side with veteran staff because they would have a superior learning experience being educated by someone in the same position as opposed to corporate trainers. This strategy was implemented even though it was more expensive for the company because it promoted friendships and trust and when the new employees had questions or problems, they had a “friend” to contact who was not located at the corporate office. All acquiring executives interviewed had power point presentations explaining the employee-owned ESOP culture to the new target company employees and many invited veteran employees as cheerleaders to give personal “testimonies” at these meetings. All target employees within this project were assigned a person to call with any inquiries and some companies even installed hotlines with dedicated numbers for them to call. Vanderslice and Lu (2014) report that it’s critical for new employees to comprehend the values and ESOP culture and that top management needs to welcome feedback and suggestions. Surprisingly, all acquiring companies also attempted to keep the current target company management or owner in place to ease the transition. The Business Forum reports that The Parsons Corporation is an ESOP that has completed many acquisitions by retaining the target company management and granting them autonomy for daily business operations (Parsons Corporation, 1995). Even though they may have had shared visions and values, most of the executives and owners of the target companies interviewed were unfamiliar with the open book management culture, and this was a huge change for them. The acquiring company provided education and training, which assisted in changing the target company’s culture. This process was eased by having several veteran employees from previous acquisitions interacting with the new target company employees. The National Center for Employee Ownership reports that “many studies suggest that this cultural fit is the most important contributor to the future success or failure of an acquisition” (Gordy et al., 2013: 101).

CONCLUSIONS, LIMITATIONS, AND FUTURE RESEARCH

As noted in Phase One from the qualitative study, 98% of all of these acquisitions were successful. In addition, the Phase two quantitative study, after receiving 86 responses, demonstrated that out of a total of 467 acquisitions, 465 are meeting expectations and 442 are considered successful.

After completing these three phases of research studies, it seems logical to assume that dovetailing with the previous qualitative and quantitative research projects, the six organizational behaviors of ethical values, shared vision, long-term orientation, strategic planning, altruistic behavior, and organizational empowerment appear to drive the decision-making process of these ESOP executives with regards to their acquisitions. These six behaviors also appear to be rooted and grounded within these executives' behaviors and also appear to lead them all throughout the acquisition and cultural integration processes and into a successful post-acquisition future. In addition, the quantitative study demonstrated that these five behaviors reflected from these leadership theories may actually be antecedents for organizational empowerment and cultural integration as well as the daily operations for a productive and successful acquisition future.

This Phase three study was attempting to obtain a third-party viewpoint of both ESOP and Non-ESOP acquisitions by conducting qualitative interviews with consultants with acquisition experience of both categories. Due to the highly successful results of the first two studies and the fact that these previous studies were self-reported, it was decided to obtain more information from the consultants as well as to conduct a compare and contrast study from both ESOP and Non-ESOP acquisitions. The results of this study are very interesting. The Non-ESOP acquisitions appear to be more financially oriented, and the ESOP acquisitions appear to dovetail with the previously discussed organizational behaviors by focusing on the people involved, the sustainability of the ESOP organization, and a long-term orientation perspective for future strategic management practices.

This third phase study discovered that on average, 91% of the ESOP acquisitions met the acquiring company's expectations while 43% of them actually exceeded expectations. The Non-ESOP consultants reported that on average, 74% of the Non-ESOP acquisitions met the acquiring company's expectations while 23% exceeded expectations. It is surmised that these ESOP success rates can be attributed to the organizational behaviors of the ESOP executives previously discussed.

Since the quantitative study in Phase 2 only received 86 responses, a larger study of this same type should also be conducted to obtain the viewpoints of a larger sample size.

Since the qualities of servant leadership and transformational leadership can also become emulated and integrated within the followers, future studies should also include examining the employees within these ESOP organizations both prior to and post-acquisition. A follower's lens or viewpoint could be studied to determine if the followers perceive that these ESOP executives are actually practicing the qualities of servant and transformational leadership during the acquisition and cultural integration process.

Employees from the target organizations could also provide insight into the processes involved in transitioning from the perspective of being simply a "worker" to becoming a true company "owner" and how this new structure could and does affects their thoughts and behavior patterns.

More interviews should also be conducted with ESOP Executives who have completed both successful and unsuccessful acquisitions as well as the target company executives who were purchased by the ESOP acquiring companies and chose to remain employed by the ESOP. Further insights could also be gained by interviewing target company executives who chose not to remain employed by the ESOP acquiring company.

In addition, a study should be conducted by completing another qualitative and quantitative study with non-ESOP executives to compare and contrast with ESOP executives as to what organizational behaviors could contribute to successful acquisitions. This study could provide promising results, especially if it resulted in discovering that specific organizational behaviors could actually determine how acquisitions could be more successful for the Non-ESOP world.

After reviewing the results of these three studies, it appears that if the ESOP plan is to have the desired effect upon motivation, productivity, and success, proper and effective communication to the acquiring and target company participants is vital. In the ideal case, an ESOP can provide an enhanced investment result for the employees, while simultaneously, providing a market for the shareholders of the organization.

Productivity was no problem 100–200 years ago when virtually all Americans were independent entrepreneurs—farmers, shopkeepers, and craftsmen. In only a few generations, however, we have transformed ourselves from a nation of entrepreneurs into a nation of employees as larger and more global enterprises have become the necessary norm. If we are to reassert ourselves economically, we must reactivate the entrepreneurial enthusiasm of working Americans. Given our modern corporate economy, it appears as if the most feasible method of unleashing those energies is through employee stock ownership!

APPENDIX
Interview Protocols

ESOP Acquisition Qualitative Research Project – Suzanne Cromlish

Consulting Firms &/or Attorneys

Contact: suzanne.cromlish@case.edu   Mobile: 704-797-1157

1. For one of your most common ESOP acquisition experiences, please share with me an experience of what was most influential? Synergies, Expanding Market Share, Gaining New Technology, Diversification, etc. What benefits were they seeking?

2. Please share with me an experience with an ESOP acquisition as to which company was the highest beneficiary? Was it the acquiring company or the target company? In this situation, what were the reasons behind the obtained benefits?

3. Can you share an experience about an ESOP utilizing an acquisition team & whether or not this strategy was successful? In your experiences, do most ESOPs utilize acquisition teams?

4. Could you share with me a situation where an ESOP experienced an acquisition that did not meet their expectations? Why do you think this acquisition was unsuccessful? Please share with me some difficult challenges they experienced. What occurred that was unexpected?

5. Could you share with me an experience that an ESOP had in converting the target company into the ESOP & how they structured the cultural integration?

6. Share with me an experience you had when an ESOP chose not to blend the target company into the ESOP & how they reached this decision. Are there other examples?

DEMOGRAPHIC QUESTIONS:

1. How many acquisitions by ESOP companies has your firm been involved with in the last 5 plus years?

2. What percentage of these acquisitions has met the buyer's expectations?

3. What percentage has exceeded their expectations?

4. For the acquisitions in which you have experienced with ESOPs, how many of these common reasons have applied:

   Synergies: ______________

   Expansion of Market Share: _________________

   Diversification: _________________________

Gaining New Technology or Patents: ____________________

5. If there have been other reasons for acquisitions, please indicate them here. Are these reasons common or unusual?

6. Out of all of the ESOP acquisitions you have experienced, how many acquisitions resulted in closure or significant layoffs at the target firm? Why do you think this occurred?

7. In your experiences, how many of the target companies retained their own identities? How many of the target companies were not included in the acquiring company's ESOP? Could you share with me why these situations occurred?

8. In your experiences, how many, if any, did the target company set up an ESOP first to take advantage of the Section 1042 deferral? If this did not occur, can you please explain the reasoning behind this decision?

9. Do you have a formula for a successful ESOP acquisition? What element or elements do you think are most critical in a successful acquisition?

10. In your experiences, share with me what processes most ESOPs utilize for successful cultural integration?

Non-ESOP Acquisition Interview Questions - Suzanne Cromlish

Consulting Firms &/or Attorneys

Contact: suzanne.cromlish@case.edu Mobile: 704-797-1157

1. For one of your most common acquisition experiences, please share with me an experience of what was most influential? Synergies, Expanding Market Share, Gaining New Technology, Diversification, etc. What benefits were they seeking?

2. Please share with me an experience with an acquisition as to which company was the highest beneficiary? Was it the acquiring company or the target company? In this situation, what were the reasons behind the obtained benefits?

3. Can you share an experience about an acquiring company utilizing an acquisition team & whether or not this strategy was successful? In your experiences, do most acquiring companies utilize acquisition teams?

4. Could you share with me a situation where an acquiring company experienced an acquisition that did not meet their expectations? Why do you think this acquisition was unsuccessful? Please share with me some difficult challenges they experienced. What occurred that was unexpected?

5. Could you share with me an experience that an acquiring company had in converting the target company into their organizational culture & how they structured the cultural integration?

6. Share with me an experience you had when an acquiring company chose not to blend the target company into their culture & how they reached this decision. Are there other examples?

DEMOGRAPHIC QUESTIONS:

1. How many acquisitions has your firm been involved with in the last 5 plus years?

2. What percentage of these acquisitions has met the buyer's expectations?

3. What percentage has exceeded their expectations?

4. For the acquisitions, which you have experienced, how many of these common reasons have applied:

   Synergies: _____________

   Expansion of Market Share: ________________

   Diversification: ________________________

   Gaining New Technology or Patents: _____________________

5. If there have been other reasons for acquisitions, please indicate them here. Are these reasons common or unusual?

6. Out of all of the acquisitions you have experienced, how many resulted in closure or significant layoffs at the target firm? Why do you think this occurred?

7. In your experiences, how many of the target companies retained their own identities? Could you share with me why this occurred?

8. Do you have a formula for a successful acquisition? What element or elements do you think are most critical in a successful acquisition?

9. In your experiences, share with me what processes most acquiring companies utilize for a successful cultural integration?

REFERENCES

Bergh, D. D. 2001. Executive retention and acquisition outcomes: A test of opposing views on the influence of organizational tenure. ***Journal of Management***, 27(5): 603-622.

Child, J., Faulkner, D., & Pitkethly, R. 2001. ***The management of international acquisitions***. New York, NY: Oxford University Press.

Christofferson, S. A., McNish, R. S., & Sias, D. L. 2004. Where mergers go wrong. ***McKinsey Quarterly***, 2: 32-41.

Corbin, J., & Strauss, A. 2008. ***Basics of qualitative research***. Sage Publications, Inc.

Cromlish, S. M. 2016. ***Empowering the 99%...One ESOP at a time! A quantitative study of employee-owned company acquisitions***. Quantitative Research Report, Case Western Reserve University, Cleveland, OH.

Dealogic. 2016. ***The wedding is off: failed M&A deals***. Retrieved from http://www.dealogic.com/insights/wedding-off-failed-ma-deals/.

Douma, S., & Schreuder, H. 2008. ***Economic approaches to organizations***. London: Pearson Education.

Fleuriet, M. 2008. ***Investment banking explained***. New York, NY: McGraw Hill.

Glaser, B. G., & Strauss, A. L. 2011. ***The discovery of grounded theory: Strategies for qualitative research***. New Brunswick, NJ; London, UK: Aldine Transaction, a Division of Transaction Publishers.

Gordy, V., Hawkins, N., Josephs, M., Merton, W., Miller, R., Rodrick, S., Rosen, C., & Solimine, J. 2013. ***Leveraged ESOPs and employee buyouts***. Oakland, CA: The National Center for Employee Ownership.

Hart, M. A. 2001. ESOPs in corporate acquisitions: What every buyer should know about the target company's ESOP. ***Benefits Law Journal***, 14(1): 9.

Hayward, M. L. 2002. When do firms learn from their acquisition experience? Evidence from 1990 to 1995. ***Strategic Management Journal***, 23(1): 21-39.

Hussey, D. 1999. Some thoughts on acquisition and merger. ***Strategic Change***, 8(1): 51-60.

Jansen, S. A. 2002. Pre-and post merger integration in cross border transactions: Trends, tools, theses and empirical tests of old and new economy deals. In G. Picot (Ed.), ***International handbook of mergers and acquisitions***: 371-398. London: Palgrave.

Larsson, R., & Finkelstein, S. 1999. Integrating strategic, organizational, and human resource perspectives on mergers and acquisitions: A case survey of synergy realization. ***Organization Science***, 10(1): 1-26.

Lybrand, C. 1992. ***A review of the acquisitions experience of major UK companies***. London: Coopers & Lybrand.

Magowan, S. P. 2010. A new old idea for incorporating employees into the governance of ESOP companies. ***Journal of Employee Ownership Law & Finance***, 22(3): 11-41.

Maxwell, J. 2005. ***Qualitative research design: An interactive approach*** (Vol. 42). Thousand Oaks, CA: Sage Publications, Inc.

Onaran, Y. 1992. Workers as owners: An empirical comparison of intra-firm inequalities at employee-owned and conventional companies. ***Human Relations***, 45(11): 1213-1235.

Parsons Corporation. 1995. Parsons Corporation CEO Pieroni says ESOP a win-win effort [Interview], ***The Business Forum***. 20: 10. California State University, Los Angeles.

Ranft, A. L., & Lord, M. D. 2002. Acquiring new technologies and capabilities: A grounded model of acquisition implementation. ***Organization Science***, 13(4): 420-441.

Saldaña, J. 2013. ***The coding manual for qualitative researchers*** (2nd ed.). Sage.

Sauser, W. 2009. Sustaining employee owned companies: Seven recommendations. ***Journal of Business Ethics***, 84(2): 151-164.

Straub, T. 2006. ***Reasons for frequent failure in Mergers and Acquisitions***. Frankfurt, Germany: Deutscher Universitats-Verlag.

Transition Advisors. 2015. ***Repeatable M&A in consumer goods***. June 2015. Retrieved from https://www.transactionadvisors.com/insights/repeatable-ma-consumer-goods.

Vanderslice, G., & Lu, L. 2014. Onboarding new employees. ***Current Issues for Employee Ownership Companies***, 2014: 31-34.