An assessment and forecast highlighting the importance of restructuring and integration in cross-border acquisitions in Poland. An analysis of M&A experts' opinions.*

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This study analyses the importance of restructuring activities and integration in cross-border acquisitions of Polish firms. We find that in comparison to acquisitions in developed economies analogous transactions in Poland are characterized by the particularly high role of retrenchment, positive impact of changes among incumbent managers and the relatively lower role of integration depth. Evidence concerning possible changes of these factors in the future is not unambiguous. Nonetheless, our findings indicate the possibility of their transition as well as its direction. Potential changes are expected to go in the direction of reducing the role of restructuring and increasing the role of integration.

Die Studie analysiert die Wichtigkeit von Umstrukturierungsmaßnahmen und der Integration in grenzüberschreitenden Akquisitionen von polnischen Firmen. Wir finden heraus, dass im Vergleich zu Akquisitionen in entwickelten Ländern analoge Transaktionen in Polen Faktoren wie die Einsparung, der positiven Effekt des Auswechselns von amtierenden Managern und die relative schwache Rolle der Integrationstiefe eine große Rolle spielen. Nachweise über mögliche Veränderungen dieser Faktoren in der Zukunft sind nicht mehrdeutig. Nichtsdestotrotz zeigen unsere Ergebnise die Möglichkeit dieser Transition und auch die einzuschlagende Richtung. Potenzielle Änderungen werden in Richtung von der Reduzierung der Rolle der Umstrukturierung und des Verstärkens der Rolle der Integration abzielen.

Key words: Cross-border acquisitions / Poland / Restructuring / Integration / Privatisation

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Introduction[1]

Cross-border acquisitions have played an important role in the transition "from plan to market" which has been underway in Poland since the beginning of the 1990s. As a result, they displayed specific features, absent in cross-border acquisitions in developed markets. First of all, acquisition targets have been often either SOEs (State Owned Enterprises) or former SOEs, formally privatised but still displaying lack of fit to the market-oriented system (Błaszczyk et al. 2001). Secondly, the Polish economy has been gradually opening to foreign investment only since beginning of the transition, with very few investments before 1990. As a result, cross-border acquisitions undertaken in 1990s have often constituted first-entries into the market. Thirdly, the Polish economy underwent major restructuring with output reductions in some industries and dynamic growth in others. Last but not least, the dynamic character of the transition, as reflected by regulatory reform, capital markets development and industry restructurings, exerted an influence on the relevance of acquisition success drivers.

Research on cross-border acquisitions into Poland has usually focused on the process of transforming State-Owned Enterprises through foreign acquisitions (McDonald 1993, Kotowicz-Jawor 2001, Fahy et al. 2003). As the number of studies on cross-border acquisitions in the CEE region is still limited and sometimes refers to the very early stage of transition (Uhlenbruck/DeCastro 2000) new studies on the topic seem justified.

Classical research on mergers and acquisitions has provided two competing approaches to post-acquisition value creation. This can take place either by means of restructuring a target's operations without integrating the acquirer with the target or changing incumbent management (Anslinger/Copeland 1996) or on the contrary by achieving synergies through organizational integration (Larsson/Finkelstein 1999). Research does not provide a clear answer as to which of these approaches is more advisable and in which circumstances. In the context of CEE it is being found for example that on the one hand retrenchment often accompanies cross-border acquisitions (Kotowicz-Jawor 2001) which are overall successful (Krajewski 2001) but on the other hand it may have some negative effects on a target's operations (Meyer/Lieb-Dóczy 2003). Therefore in this study we want to explore the possible effects of restructuring and integration for acquisition performance on the example of cross-border acquisitions in Poland.

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Restructuring

Restructuring is defined in various ways, although it usually refers to a sudden change in company assets, capital structure or organisational structure (Singh, 1993). Therefore the scope of restructuring activities may encompass such aspects as: organisational restructuring, rationalisation of the scope of activity, financial restructuring, employment rationalisation, as well as privatisation or other change in the legal status (Borowiecki/Nalepka 2003). Restructuring actions are being classified depending on the reasons for their execution as creative, anticipative, adaptive or remedial (Borowiecki/Nalepka 2003, compare also Jagoda/Lichtarski 1994). Robbins and Pearce (1992) argue that irrespective of specific characteristics of restructuring processes, they can be divided into two phases of retrenchment and recovery. Retrenchment in all turnaround cases refers to cost reductions and in more severe cases also to divestment of assets and laying off excessive personnel. The recovery phase is defined in a less precise way but it involves the creation of a new strategy, which can be expected to entail investment in new activities.

Retrenchment activity was relatively widespread in Polish enterprises in the 1990's as they adapted to new rules of the market game. Research shows that many managers in Polish firms realized the need to restructure by means of employee lay-offs or asset divestments (Karpińska-Mizielińska 1995). Such divestment activity was indeed found to be relatively intense and referred most frequently to the divestment of products/services, divestment of production assets and divestment of support or social services units (Osbert-Pociecha 1998, 1999). Research by Gorynia (2000: 172-178) on the adaptive actions of firms in the Poznań region shows the relatively high importance of employment restructuring (although higher in 1993 than in 1995) as well as frequent cases of divestment and the relatively high relevance of cost reductions. Although restructuring activities were undertaken in all types of enterprises research indicated that restructuring following cross-border privatisations was relatively more effective than in cases of domestic privatisations (MacDonald 1993).

Research from developed markets concerning the effects of post-acquisition retrenchment provides contradictory evidence. Some studies show that post-acquisition lay-offs offer cost savings (KPMG 2003) while others show that reductions in a target's work force do not diminish costs and therefore also do not improve performance (Capron 1999).

Research on post-acquisition restructuring processes in Polish enterprises (Kotowicz-Jawor 2001) indicates that reduction in employment has been observed in the majority of cross-border privatisation acquisitions in Poland. The effects of such reductions in cross-border acquisitions in CEE have received mixed evaluation. Uhlenbruck and DeCastro (2000) provide indirect evidence of positive effects by finding that employment guarantees included in privatisation contracts led to relatively lower ROA of targets. Meyer and Lieb-Dóczy (2003) on the other hand point to three negative effects associated with downsizing such as: depressing employee morale, losing crucial people and/or assets and finally eliminating organizational slack and thus decreasing the innovative potential of targets. Case study research on Beiersdorf's acquisitions of Pollena Lechia in Poland (Blazejewski et al. 2003) shows in turn that application of a voluntary leave scheme based on severance payments may allow the positive effects of workforce reductions to be captured and prevent the negative ones. A more general study into the effects of downsizing in Polish firms (Mroczkowski et al. 2005) also shows mostly beneficial outcomes of this practice.

As far as post-acquisition investment is concerned, the research shows that foreign acquirers undertake substantial investments, at least in privatised firms, both in production technologies (Kotowicz-Jawor 2001) as well as in marketing and distribution networks (Krajewski 2000). Similar attention to post-acquisition investment in privatised firms has been observed in other CEE countries (Estrin/Meyer 1999). Investment in physical assets of the target has been found to have a positive impact on their sales and performance (Uhlenbruck 1998).

Integration

Integration refers to the amount of interaction and coordination between firms involved in acquisitions (Larsson/Finkelstein 1999). It can be undertaken along various value chain dimensions and its degree can vary. Haspeslagh and Jemison (1991) link the optimal integration level with two factors: the need for strategic interdependence and the need for organizational autonomy. According to their model, the effects of integration may be particularly beneficial if the need for strategic interdependence is high while the need for organizational autonomy is low. Although the depth of integration may depend on positive and negative synergies between the acquirer and the target, acquisitions characterized by full integration may have a higher chance of success than combinations with partial or no integration (Mirvis/Marks 1992). Larsson and Finkelstein (1999: 16) found that "the greater the degree of interaction and coordination between combining firms, the greater the degree of synergy realization". Therefore integration can be regarded as means of achieving synergies and thereby improving acquisition performance.

Due to the time value of money, the timing of synergy realisation has an important influence on the overall acquisition performance (Sirower 1997). The sooner synergies are realised, the higher their present value. On the other hand, delaying synergy realisation gives competitors the opportunity to take counteractive actions and diminish expected acquisition gains (Sirower 1997). Hence, fast integration increases the likelihood of gains from synergies. It may help also in easing post-acquisition anxiety (Ashkenas et al 1998). Target employee morale and motivation could be undermined if decisions concerning their future were delayed (Buono/Bowditch 1989).

The only study dealing with the degree of integration in the Polish context (Jasiński 2001) indicates that integration in M&A transactions in Poland is relatively high. Unfortunately it does not distinguish between domestic and cross-border transactions and therefore its applicability to cross-border acquisitions is ambiguous. As far as speed of integration is concerned, Tewes (2001) finds that speed of integration is one of the key factors in the post-acquisition phase in the context of cross-border privatisations into Poland.

Changes of incumbent management

Integration and restructuring may be accompanied by changes among incumbent management. Such change may be performed either because of poor pre-acquisition performance or in order to introduce acquiring managers into the target firms and thus to facilitate integration. However, previous research on acquisitions in developed markets (Cannella/Hambrick 1993) found that post-acquisition departures of a targets' top executives, especially CEOs, presidents or chairmen, negatively affect acquisition performance, independently of target's pre-acquisition performance. The negative effect of post-acquisition management changes can be interpreted as a consequence of losing the valuable knowledge of the departing managers. Research on top management turnover following cross-border acquisitions has provided supportive evidence for such reasoning indicating that turnover tends to be lower when acquisition constitutes first FDI in a particular country (Davis/Nair 2003). This makes knowledge of incumbent managers even more valuable.

The value of incumbent managers in the transition economy may not be so obvious or similar to that in developed market economies. Demands posed by the communist system created a specific behavioural pattern among management cadres who, as a result, faced substantial difficulties in adapting to new market conditions (Kostera/Wicha 1996). Research on the role of managers in transition economies shows that changes of top managers, can contribute to performance improvements, particularly in privatised companies (Djankov/Murrel 2002). In Poland 83% of cross-border privatisations analysed by Karpińska-Mizielińska (2001) involved top management changes, and in most cases the introduction of expatriate managers. According to Karpińska-Mizielińska (2001) this can be attributed to a higher degree of trust afforded towards expatriate management and to their higher qualifications, at least as perceived by acquirers. The use of expatriate managers can facilitate also transfers of strategic organizational practices from the parent company to its subsidiary (Kostova 1999). The chances of such transfers are enhanced if the 'transfer coalition' at the subsidiary is committed towards the parent firm, identifies itself with the parent and trusts the parent firm (Kostova 1999). Expatriate managers might therefore fulfil the role of 'transfer coalition' better than incumbent managers. Various case studies indicate that expatriate managers indeed act as change agents in post-acquisition restructuring processes and contribute to improved management of the target (McDonald 1993, Robinson 1999).

Some studies from emerging economies (Tewes 2001, Peng/Luo 2000) point, however, to the potentially valuable role of incumbent managers, who may possess valuable customer contacts or ties with officials, important in certain industries. As a result dismissal of incumbent managers may in some cases mean loss of its networking connections.

Research questions

In our study we would like to analyse whether and how the specific character of a transition economy like Poland affects the role of retrenchment. We are interested in finding out what the impact of post-acquisition retrenchment and investments on acquisition outcome is and if it depends on transaction circumstances. As previous research tells us little regarding the role of integration depth in analysed circumstances, we want to inquire into the role of integration depth and speed and compare their relevance with that of restructuring activities. We want to see also if the role of post-acquisition changes among incumbent managers distinguishes acquisitions in Poland from transactions in more developed markets. Last but not least we want to learn how the dynamic character of institutional change going on in Poland may affect the relevance of analysed factors for acquisition outcomes. Although previous research has revealed that progress in transition increases FDI receipts of transition countries (Bevan et al. 2000) and strengthens the tendency to use wholly-owned entry modes (Meyer 2000) no study, as to our knowledge, has addressed possible changes in the strategy of carrying out cross-border M&A.

Methodology

The empirical research is based on quantitative data derived from a questionnaire survey and qualitative data derived from interviews. Both of these techniques of data collection were applied to a sample of experts active in M&A related services in Poland. The questionnaire research was conducted between April and June 2002 while interviews were conducted between February and April 2003.

The chosen approach has certain advantages and disadvantages. A major advantage of targeting specific M&A experts lies in the relatively large pool of M&A experience represented by these respondents and the reliability of the obtained answers. While self-reporting bias cannot be excluded, we can expect that such a bias can be smaller than would be the case if managers from acquiring firms were involved. As far as advantages of approaching M&A experts are concerned, one needs to mention their accessibility. Contrary to acquiring firm's managers who are relatively often moved to other subsidiaries shortly after the transaction, M&A experts are located in Poland and more easily accessible. Earlier studies on cross-border acquisitions (Tewes 2001) and alliances (Hoffmann/Shaper-Rinkel 2001) found also that experts and consultants are a reliable source of information. On the other hand, a major weakness of the applied approach lies in methodological limitations concerning quantitative analysis of data. As obtained responses cannot be matched to specific acquisition transactions and their characteristics, it is not possible to conduct regression analyses. Hence we apply only descriptive statistics and treat quantitative data as a starting point for further analysis in which we refer mainly to qualitative data.

The choice of experts for our research was made on the basis of publicly available data regarding M&A experts in Poland. A sample of 39 firms was chosen on the basis of two main sources: the web ranking of legal advisors "the European Legal 500" (Legalease 2002) and an article in the Polish leading business daily Rzeczpospolita (Karpiński/Piskorski 2001) presenting a ranking of State Treasury privatisation advisors. Additionally, several firms specializing in M&A transaction services and in strategic consulting, which were not represented in the above rankings, were included in the sample. In choosing firms for the sample we tried to keep a balance as regards such dimensions as country of origin (domestic versus multinational firms), firm size and field of expertise. Nonetheless, we focused on leading M&A advisors rather than use a representative sample of all firms involved in such services. Overall, our sample included 10 legal advisors, 10 investment banks or similar institutions and 19 advisory firms, 6 of which were large international strategic consultancies.

The applied research techniques consisted of a questionnaire survey and interviews. The questionnaire survey had a response rate of 77% as 30 out 39 respondents replied. Additionally we conducted 22 'focused interviews' (Frankfort-Nachmias/Nachmias 2001). These interviews were used as a source of supplementary data concerning the relevance of analysed factors and as the main source of data concerning possibilities of change in their relevance. Interviews supplied quantitative data concerning changes in analysed factors, which was subsequently analysed by means of t-tests, as well as qualitative data. Interviews were conducted in Polish as both the interviewer and interviewees were Poles. The same nationality as well as a common background due to the interviewees' links with academia (6 held PhD titles while 3 were PhD candidates) could have contributed to the lowering of cultural barriers and higher trust, positively influencing the reliability of the results (Michailova 2004).

Results and discussion

The overall outcome of questionnaire survey seems to favour the role of retrenchment while the relevance of integration depth is lower than one could have expected. Nevertheless, as our results show, mean values of all analysed factors significantly exceed the value of zero[2], which indicates that factors are more than moderately important for success in acquisitions.

Table 1. Relevance of analysed acquisition KSFs

	Frequency					Average	Standard deviation
	-2	-1	0	1	2		
Post-acquisition cost rationalizations: layoffs, downsizing	0	1	5	13	11	1,13	0,82
Speed of integration	0	1	5	15	8	1,03	0,78
Investments in production assets, marketing	0	1	6	14	8	1	0,8
Changes of management	0	2	13	11	4	0,57	0,82
Degree of integration	2	1	7	17	2	0,55	0,95

Post-acquisition retrenchment has been found to be the most important factor with a mean value of 1,13. We have not found support for the negative effects of post-acquisition lay-offs in the target firm, as suggested by Meyer and Lieb-Doczy (2003) or Capron (1999). However, the positive effects of downsizing are much more likely in privatisation transactions which could be attributed to a relatively low productivity per employee and few improvements in the cost efficiency in SOEs (Bałtowski 2002). Therefore as an interviewee suggests:

“in SOEs some programs of cost reductions have to be undertaken; SOEs are usually characterized by over-employment by some 30-50%”.

Bowman et al.’s (1999) review of studies on the performance effects of restructurings indicates that lay-offs lead to improved performance only if accompanied by other organizational changes. As we find that post-acquisition retrenchment shows significant correlation to other restructuring factors (see Table 2), this provides indirect support for Bowman et al.’s (1999) observation. This could also explain the potentially harmful effects of post-acquisition retrenchment (Meyer/Lieb-Doczy 2003) if retrenchment was not accompanied by other restructuring measures.

As far as the role of investment is concerned, its relatively high role (see Table 1) is consistent with previous research on cross-border privatisations in CEE (Uhlenbruck 1998). However, interviews indicate that investment needs may vary depending on the industry. Additionally, the background of incumbent

[2] at the significance level of $\alpha=0{,}01$

management exerts an impact on a targets' technical base and their investment needs.

"Polish managers often have an engineering background and therefore whenever they have financial resources at their disposal they tend to invest them in machinery … but they … do not undertake the financial analysis of investment's rate of return".

Table 2. Correlations between analysed factors

		1	2	3	4	5
1	Degree of integration	1,000				
2	Post-acquisition retrenchment	0,246	1,000			
3	Post-acquisition investments	-0,217	0,491	1,000		
4	Changes of management	0,281	0,450	-0,108	1,000	
5	Speed of integration	-0,075	0,331	0,533	-0,031	1,000

Hence the role of investment for targets in a good financial situation may be lower. Other research indicates also that foreign acquirers indeed tend to invest their resources differently as cross-border privatisations are characterized by higher investment in sales and distribution than domestic privatisations (Krajewska/Krajewski 2002). Further research would be needed in order to distinguish between the effects of investment in production capacity and sales and distribution.

A comparison of opinions on the relevance of post-acquisition investment displayed by particular professional groups shows interesting patterns. Experts classified as 'strategic consultants' assess the relevance of post-acquisition investment much lower, mean for this group 0, than for example investment bankers, mean for this group 1,11 (Nowiński 2005). A possible interpretation of this finding could refer to the influence of investment commitments on the outcome of privatisation negotiations. As previous research (Tewes 2001) has shown, such commitments increase the chances of winning a privatisation contract. This could explain why investment bankers attach higher importance to this factor. The impact of such investments on the long-term performance of acquired targets need not be equally unequivocal. For example one of interviewees argued that:

"in cases of privatisations post-acquisition investments are often forced upon acquirers by the Treasury and therefore their impact is not unambiguously positive"

Further analysis concerning post-acquisition investment should therefore go in the direction of discerning between reasons for such investment commitments.

Our findings concerning the relevance of the degree and speed of integration indicate that their relevance to cross-border acquisitions into Poland is significant although speed of integration is more important than its depth (see

Table 1). The relatively lower role of integration depth might indicate that acquisitions into Poland display comparatively fewer synergies related to organizational integration. However, according to the interviewed experts this could be contingent upon acquisition motives.

"Importance of integration depends on an acquisition's goals. Should the main goal be acquisitions of market share, integration is not too important. Should it be used to expand production capacity then integration is more important."

If we take into account that the majority of cross-border acquisitions into Poland are conducted for market-related reasons (Meyer 1998, Tewes 2001, Karaszewski 2001) this could explain the relatively lower score obtained by integration depth in the questionnaire survey. At the same time unequivocal assessment of integration is related to its potentially harmful effects. As some experts argued, integration which is enforced without proper analysis of potential synergy gains may hinder acquisition outcomes by killing creativity and creating a situation when the target is well aligned with the acquirer but ill-aligned with the market. Finally one more explanation for the lower role of integration depth provided by some of the experts refers to size differences between the acquiring firm and the target.

„... discrepancy in size might lead to easier integration and therefore less stress on degree of integration as well as more acceptance for longer integration and therefore less stress on speed of integration"

This brings us to the issue of integration speed. Interesting insights can be drawn in this regard from correlations between values attached to integration speed and other factors, such as post-acquisition investment or cultural differences. The last was discussed in Nowiński (2005). The relatively high correlation coefficient between integration speed and post-acquisition investment (0,53) suggests that targets which require post-acquisition investment may also require faster integration with the acquirer. Speed of integration is highly correlated also with cultural differences (correlation coefficient of 0,56) which implies that attention to integration speed goes in pair with attention to cultural differences. One possible interpretation of this finding is that acquirers who pursue faster integration need to pay more attention to cultural differences and potential problems related to this issue[3].

Although the relevance of management changes for acquisition success, has been found to be less important than that of retrenchment or investment[4], its

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3 Although issues related to cultural differences were covered by the original research, they are not discussed more in-depth due to the space constraints of the paper.

4 According to Cochran and Cox test the mean value for managerial changes is smaller than the mean value for post-acquisition retrenchment at $\alpha=0,05$ and smaller than the post-acquisition investment at $\alpha=0,1$

impact tends to be positive (see Table 1), contrary to findings from developed markets (Cannella/Hambrick 1993). Interviews provide numerous insights concerning conditions in which management changes have had a positive or negative impact on acquisition success. Interviewees usually shared the opinion that changes of incumbent managers may have the best outcomes in privatisation transactions “as management boards of SOEs are often selected according to political criteria”. Despite the overall positive assessment of top management changes in privatisation deals interviewees referred to a number of circumstances in which changes of incumbent management may not be advisable.

One of reasons for keeping the ‘old’ management team is good financial performance before the acquisition. Due to the character of the market and significant number of privatisation deals this may be relatively less frequent than in developed market economies.

According to some experts, and in line with previous research (Peng/Luo 2000) target managers may encompass valuable ties with governmental agencies or customers. The first type of contacts may be especially important in industries, either highly regulated or where the state is an important customer.

“in some industries it is still hard to function without contacts and insider position (for example in the construction industry…)”… “…in the power generation industry and other highly regulated industries good contacts with officials are very important”

Loss of top managers may therefore in some cases mean loss of contacts with regulators, while in others it may be the loss of contacts with customers. Therefore acquirers should be careful about management changes in target firms whose sales depend on top management ties with customers. In some acquisition cases, particularly in the private sector, partial rather than complete change of the incumbent management team may be the optimal solution.

“changes of management in private targets usually do not work – an alternative is the addition of a new board member by the acquirer”

“it may be enough to add new people to the board (i.e. financial director) in order to control and facilitate change”

Acquirers have to weigh the numerous pros and cons of dismissing the incumbent management team and take into account the intricacies of the target situation. Nevertheless, according to interviewees such decisions should be taken relatively fast.

Our findings show that we cannot take for granted the adverse effects of such changes stipulated by previous research from developed markets (Cannela/Hambrick 1993). However, while management changes are frequently desirable, their effects may depend on numerous factors, such as: ownership characteristics of the target, its financial situation, industry or value of incumbent managers' ties with stakeholders.

Progress in transition and changes in acquisition strategy

It has been expected that progress in transition, as exemplified by such occurrences as EU enlargement, should influence ways in which cross-border acquisitions in Poland are conducted and factors which determine their outcome. Our findings in this regard were collected through interviews with 21 experts. Forecasts were made in early 2003 while the forecast horizon was 2005. Predictions were coded as "+1", in cases when an increase in the relevance of the factor was expected, "-1", in the case of an expected decrease in the relevance or "0", in the case when either no change was expected or the expert did not provide a clear answer. We analysed probability of change in the relevance of each factor by verifying the null hypothesis that no change will occur by means of the t-test which was applied to see if the mean value of responses significantly differs from zero (see Table 3).

Table 3. Forecasted changes in the relevance of analysed acquisition KSFs

KSFs	t statistics	At α=0,05 m=0 for $t \in$ (-1,725;1,725)		At α=0,1 m=0 for $t \in$ (-1,325;1,325)	
Post-acquisition cost rationalizations: layoffs, downsizing	-1,451	m=0	=	m<0	↘
Investments in production assets, marketing	-2,024	m<0	↘	m<0	↘
Changes of management	-2,169	m<0	↘	m<0	↘
Degree of integration	1,826	m>0	↗	m>0	↗
Speed of integration	1,826	m>0	↗	m>0	↗

m - means value

We could not reject the null hypothesis only for post-acquisition retrenchment. These results show that some changes should be expected, even though we cannot assess how great or how fast they may be. In order to provide a more complete explanation of these results we will refer to supplementary comments collected during interviews.

As far as post-acquisition retrenchment is concerned, the interviewed experts expressed an opinion that the economic slow-down of 2000-2001, along with increased exposure to competition, have already forced many firms to turn around, hence decreasing the need for further restructuring.

"relevance of post-acquisition retrenchment will decrease because firms (including potential targets) have been improving their productivity"

The results concerning the future relevance of cost reductions and lay-offs are not fully conclusive although 6 of the experts expect its reduction. As a consequence of the accession, we can expect temporary pressures on cost reductions (Wysokińska/Witkowska 2003) for example due to the elimination or phasing out of state subsidies. Hence, acquisitions of firms experiencing such post-accession pressures may still be characterised by the high relevance of cost reductions. Nevertheless, in the longer run the role of retrenchment is expected to diminish.

The importance of post-acquisition investment is expected to drop. This can be attributed to the expected decrease in the share of privatisation transactions in overall M&A. As a result, cases where investment commitments can determine who wins the privatisation contract may become less frequent thus diminishing investments conducted purely for the sake of fulfilling privatisation obligations. Gradual development of the Polish financial sector may also play a role as it enables local firms to finance their investments through other means than foreign direct investors.

Progress in transition is reflected also in the expectation that the relevance of post-acquisition changes among targets' management team should decline. This finding indicates that Polish incumbent managers may become increasingly valuable for foreign acquirers. Research from developed market economies, which treats managers as valuable company resources should become increasingly applicable.

The forecasts concerning changes in the role of integration depth and speed are not fully conclusive even though the null hypothesis has been rejected. Interviews provided some supportive evidence for the expectation of the rising role of integration in analysed acquisitions. Experts argued, for example, that acquirers may be pressured into a better evaluation of complementarities with targets, as identification of value creation sources becomes more difficult. Such complementarity was expected to be particularly important for larger deals. Experts referred also to the rising relevance of the ability to adapt the target to the acquirer's business model as well as the ability to transfer know-how. Thus while restructuring was the main source of value creation in cross-border acquisitions into Poland in the past, it may gradually be replaced by other activities related to exploiting complementarities through integration. Such new ways of adding value are all the more needed since acquisition prices tend to increase (Kowalski 2003, Nowiński 2005). We can also speculate that a potential increase in the role of integration may be also a derivative of such factors as: a rising share of efficient private targets, shift from market driven to efficiency driven acquisitions and last but not least the increasing role of mergers between MNC subsidiaries, which follow global mergers of their parent firms. The merger between Hypovereinsbank and UniCredit Italiano and the resulting merger between PeKaO S.A. and BPH serve as an example of such processes.

Overall, our findings concerning the possibility of future changes in the relevance of analysed factors for post-acquisition value creation are not unambiguous but indicate that the relevance of specific factors may be changing. They also point to the direction of such a change.

Summary

This study indicates that cross-border acquisitions into Poland are different from equivalent acquisitions in more developed markets in three main respects: first, retrenchment contributes to acquisition success to a relatively high degree, secondly, its impact is significantly stronger than that of integration depth and thirdly, changes of management, although to a lesser degree, have a generally positive impact on acquisition success. The relevance of retrenchment depends on a target's restructuring needs, which may differ for particular firms depending on their ownership history or industry. Therefore further research should control the effects of restructuring for these variables.

The impact of post-acquisition investment seems to be related rather to the increased chances of winning the privatisation bid than to post-acquisition value creation. The financial situation of the target prior to the acquisition may, however, influence both the scale and effects of consecutive investments. As a consequence of the reported engineering bias of incumbent management, investment may be more needed in sales and marketing than in production. Changes of incumbent managers are advisable mostly in privatised firms. These changes should be conducted in such a way as to retain valuable contacts with customers and/or regulators, which are in some cases embodied by incumbent top managers. Partial change of the board may be therefore more advisable than full change.

As far as post-acquisition integration is concerned, our study shows that the impact of integration depth on acquisition success is lower than the impact of restructuring activities. This could be related to the market-oriented motives of these acquisitions. Furthermore, the relatively smaller size of Polish targets could make integration comparatively easier. Thus, while generally deep integration does not seem to be the priority in cross-border acquisitions into Poland, transactions involving firms of comparable sizes as well as acquisitions driven by cost-efficiency motives might require more attention to integration processes. Our research reveals that further progress in transition should diminish the specific character of cross-border acquisitions into Poland. The relevance of restructuring activities, particularly post-acquisition investment and changes of incumbent management, will decrease. Changes in the relevance of investment can be attributed to a decrease in the number of privatisations and a relative decrease in the number of targets experiencing pre-acquisition financial distress. As far as changes of incumbent management are concerned, the drop in their significance can be attributed to an overall improvement in managerial

skills and the continued importance of managerial contacts. Our findings concerning the future relevance of integration, although not fully conclusive, generally indicate the possible rise of their relevance.

The study is not without limitations. First, it is based on reports from close observers of the M&A market and not directly from companies undertaking acquisitions. Therefore they should be rather regarded as a starting point for further research targeted directly towards acquiring firms. Secondly, as a result of the research design we could not control for variables, which could influence the effects of the analysed factors on acquisition outcomes. Finally, the research started from an implicit assumption about acquisition success as a satisfactory return on conducted investment. Although in the author's conviction such an approach was shared by most of the respondents it was not explicitly verified, which means that some differences in this respect were possible.

Further studies of the role of integration in cross-border acquisitions in CEE could benefit from discriminating between various industries, acquisition motives and types, as well as characteristics of targets and acquirers, such as their size and ownership features. Extending the study to other transition countries could further verify the hypothesised relationship between progress in transition and changes in the relevance of restructuring and integration.

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