The Employment Effects of the Acquisition of Indian Entrepreneurial Firms – A Mixed Methods Study

By

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Declaration

I hereby certify that this material, which I now submit for assessment on the programme of study leading to the award of Doctor of Philosophy is entirely my own work, and that I have exercised reasonable care to ensure that the work is original, and does not to the best of my knowledge breach any law of copyright, and has not been taken from the work of others save and to the extent that such work has been cited and acknowledged within the text of my work.

Signed:

ID No.: 18211400

Date: 30th August 2022

In memory of my father,

Late Shri Kamlesh Tiwari

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Like Rome, this thesis wasn't written in a day, and it surely wasn't a product of my labour alone. I am delighted to have this opportunity to express my gratitude to all those who helped me realise this monumental undertaking.

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May 2022, Dublin
Anish

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List of Abbreviations

AI	Artificial Intelligence
AVP	Assistant Vice President
B2B	Business to Business
B2C	Business to Company
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Original Officer
CTO	Chief Technology Officer
FY	Financial Year
GMV	Gross Merchandise Value
HQ	Headquarter
HNI	High Net-worth Individual
HR	Human Resource
INR	Indian Rupee
IT	Information Technology
IBO	Institutional Buyout
LBO	Leveraged Buyout
MBO	Management Buyout
MD	Managing Director
SaaS	Software as a Service
TMT	Top Management Team
VC	Venture Capital

Abstract

The Employment Effects of the Acquisition of Indian Entrepreneurial Firms – A Mixed Methods Study

Anish Tiwari

Despite the growing number of acquisitions of entrepreneurial firms, the evidence of employment change resulting from such acquisitions remains ambiguous. Researchers have primarily relied on econometric models, large datasets of public companies and firm-level characteristics to examine post-acquisition employment change. This thesis seeks to extend the knowledge of acquisition induced employment change in a sample of Indian entrepreneurial firms using a mixed-method approach. It uses a systematic review to identify the gaps in the acquisition literature, followed by a matched-pair regression analysis to examine the short-term employment effects on the acquired firm. In addition, it uses a multiple case study method to investigate the firm and individual level issues that lead to post-acquisition turnover, especially in the top management team.

The study makes four contributions to the field of entrepreneurship. Firstly, the systematic literature review highlights the complexity and ambiguity of the empirical evidence on acquisition induced employment change and the lack of coverage of entrepreneurial firms in the literature. Secondly, using quarterly employment data from a novel proprietary database of Indian entrepreneurial firms, the study finds that acquisitions do not lead to short-term employment loss in the acquired entrepreneurial firms vis-à-vis their non-acquired counterparts. Instead, it finds that financial, and related acquisitions lead to short-term employment growth in the acquired firms. Thirdly, the case findings highlight the importance of the integration and human capital strategy in mitigating the post-acquisition employee turnover risk. The findings reinforce the centrality of the top management team in the acquisition of entrepreneurial firms and underline their retention as a necessary precursor to acquisition success. The study also extends the voluntary turnover model by highlighting the issues that lead to the turnover of the top management team in entrepreneurial firms. Finally, through a three-stage framework, the study underlines the importance of temporality in post-acquisition employment change.

Chapter 1: Introduction

1.1 Research Background

Entrepreneurial firms have emerged as the focal point of the discourse on economic policy (Brown & Mason, 2014) as the world transitions to a knowledge-based economy (Gilbert et al., 2004; Stiglitz, 2019; Wright et al., 2007). Entrepreneurial firms, defined as relatively young, independent firms that exploit new market opportunities and have the potential to attain significant growth (Alvarez & Barney, 2004; Bhide, 2000; Zott & Amit, 2007), act as a critical component of economic growth (Graebner & Eisenhardt, 2004; Schumpeter, 1934). They disproportionately contribute to job creation across developed countries (Cusmano et al., 2018; Haltiwanger et al., 2013) and emerging economies (Ayyagari et al., 2014). The role of entrepreneurial firms in job creation is now widely accepted among policymakers (Block et al., 2018; European Commission, 2017). Besides generating employment, entrepreneurial firms also contribute to economic growth by increasing the national innovative output (Galindo & Méndez-Picazo, 2019), facilitating technology transfer (Xiao, 2015), strengthening the international competitiveness of a nation (Praag & Versloot, 2007) and through knowledge spillover (Mason & Harrison, 2006).

Due to their innovative capabilities, entrepreneurial firms often lead to the creation of disruptive products and services (Wagner, 2016; Zhao, 2009). The strong innovative orientation and disruptive potential of entrepreneurial firms also make them attractive acquisition targets (Graebner & Eisenhardt, 2004; Graebner et al., 2010). For an incumbent firm, acquiring an entrepreneurial firm is a quick and affordable way of sourcing technologically valuable resources (Ranft & Lord, 2002), which mitigates the redundancy risks associated with rapid technological change (Puranam & Srikanth, 2007). It is also an effective way of sourcing human capital and domain expertise in emerging industries (Lambe & Spekman, 1997; Makinen et al., 2012). Given the lucrative value proposition, the acquisitions of entrepreneurial firms have been increasing globally (CBInsights, 2022). In 2020, 1,529 entrepreneurial firms[1] were acquired for $149 billion (Crunchbase, 2021).

[1] The list only includes firms with external equity in their capital structure.

1.2 Research Problem

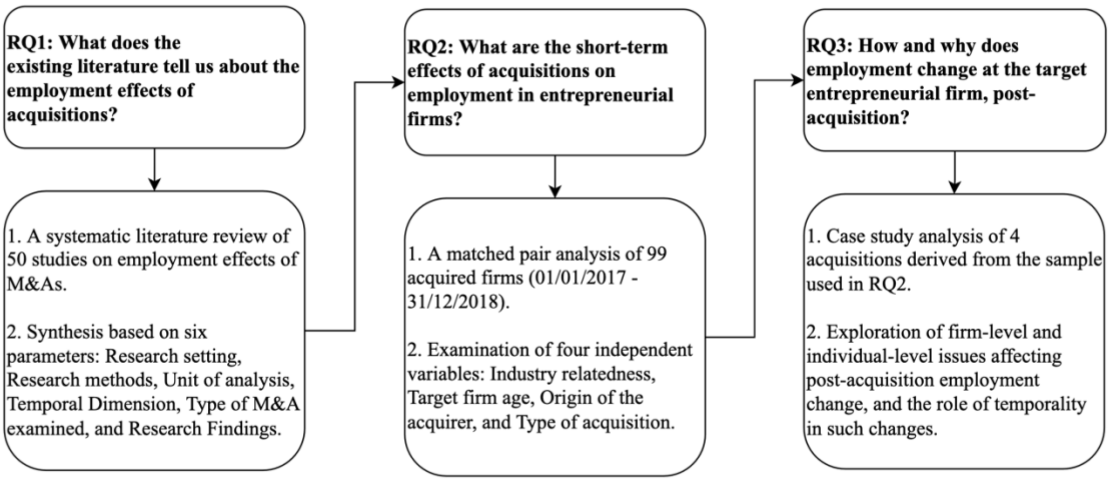
The rise in the acquisition of entrepreneurial firms has, however, concerned policymakers (Margolis, 2006; OECD, 2020), as they often lead to divestments and layoffs at the acquired firm (Bandick & Görg, 2010; Geluebcke, 2015; Li, 2013). The acquisition-induced employment loss concern is especially amplified in the case of entrepreneurial firms, because such acquisitions are often motivated to concentrate market power by eliminating competition (Letina et al., 2021; Santos & Eisenhardt, 2009). Incumbent firms may acquire entrepreneurial targets to pre-empt future competition by discontinuing their innovative projects (Cunningham et al., 2021). These concerns, captured in the killer acquisition hypothesis, have gained increased attention in recent years (Latham et al., 2020) as they not only discourage market competitiveness but impede the job creation potential of the acquired entrepreneurial firms as well (Letina et al., 2021). Killer acquisitions are especially a concern for emerging economies that rely heavily on entrepreneurial firms to fuel their economic growth (Bruton et al., 2008). A recent study by Koski et al. (2020) shows that killer acquisitions not only lead to the discontinuation of the acquired firm but also reduce the availability of funding in the industry of the acquired firm and discourage the entry of other entrepreneurial firms, thus creating a kill zone.

Despite the amplified risk of acquisition-induced job cuts in entrepreneurial firms, only a handful of studies have examined the phenomenon (Geurts & Biesebroeck, 2019; Xiao, 2015). Most studies investigating the employment effects of acquisitions have focused on large, public, multi-national enterprises (Stiebale & Trax, 2011). In addition, there has been inadequate coverage of emerging economies in existing studies (Lipsey et al., 2013; Liu et al., 2015). In light of the emerging evidence in support of the killer acquisition theory, the crucial economic role of entrepreneurial firms (Acs et al., 2008a; Baumol, 2002; Bruton et al., 2008) and the rising trend of acquisition of entrepreneurial firms in emerging economies (The Economic Times, 2022; The Hindu, 2021), there is an immediate need to examine the impact that these acquisitions have on the employment of the acquired entrepreneurial firms (Haleblian at al., 2009). In 2021 alone, 255 Indian entrepreneurial firms were acquired (Entrackr, 2022), and the employment impact of these acquisitions remains unknown. It could have led to job cuts and divestment (Cunningham et al., 2021; OECD, 2020) or growth and expansion (Mawson & Brown, 2017; Xiao, 2015).

1.3 Research Aims

In line with the research calls by Demir et al. (2017), Haleblian et al. (2009) and Mawson & Brown (2017), this study aims to generate insights into the employment outcomes of the acquisition of entrepreneurial firms by examining the acquisition-induced employment changes in Indian entrepreneurial firms. Furthermore, the study also investigates the causes of post-acquisition employment change in acquired entrepreneurial firms. Based on a mixed-methods, sequential explanatory quan → QUAL research design (Creswell & Clark 2007; Crick, 2004), the thesis synthesises findings from three key streams of evidence, as outlined in Figure 1.1.

Figure 1.1: Three Key Evidence Streams of the Thesis



Firstly, using a systematic literature review (SLR), this study synthesizes the existing empirical evidence on the employment effects of acquisitions. Following on from Amess et al. (2014) and Haleblian et al. (2009), it examines if acquisitions lead to employment loss at the acquired firm. The key findings emerging from the SLR inform the 'quan' phase of the study, where a matched pair analysis is performed on a sample of 99 acquired entrepreneurial firms (Lehto & Böckerman, 2008). The matched pair analysis investigates the short-term employment effects of the acquisition. Additionally, it examines the impact of four variables on post-acquisition employment. The variables derived from extant literature are as follows: the origin of the acquiring firm (Huttunen, 2007; Geluebcke, 2015), industry relatedness between the acquiring and the target firm (Conyon et al., 2002a; Krishnan et al., 2007), age of the target firm (Baumol, 2002;

Girma, 2005) and the type of acquisition (Hellmann, 2002; Metrick & Yasuda, 2011) have an impact on the post-acquisition employment.

In the final 'QUAL' phase, the thesis deploys a multiple case-study method (Yin, 2009) to answer the 'why' question by investigating the reasons that lead to post-acquisition employment change at the acquired entrepreneurial firm (Datta et al., 2010). The top management team of the acquiring and target firm are interviewed to identify the key firm-level (O'Shaughnessy & Flanagan, 1998) and individual-level (Bellou, 2008; Travaglione & Cross, 2006; Walsh, 1989) issues affecting post-acquisition employment change. In line with Angwin (2004), and Krug & Hegarty (1997), the study also investigates the temporal dimension of post-acquisition employment change in the acquired firm. This mixed method research strategy intends to bring entrepreneurial firms to the forefront of acquisition research and generate rich insights into the acquisition of entrepreneurial firms, a phenomenon which has captured the imaginations of policymakers and researchers globally (Affeldt & Kesler, 2021; Calvano & Polo, 2021; Furman et al., 2019; OECD, 2020). The thesis aims to create knowledge on the acquisition-induced employment change in entrepreneurial firms by highlighting its unique and distinctive characteristics.

1.4 Research Objectives

This thesis serves three key purposes. Firstly, it synthesizes the current body of knowledge on acquisition induced employment change and identify the key research gaps through a systematic literature review. Secondly, it investigates the short-term employment effects of acquisitions in Indian entrepreneurial firms using a matched-pair analysis (Lehto & Böckerman, 2008). Finally, through a multiple case study analysis, the thesis examines how and why employment changes at the target entrepreneurial firm post-acquisition. The thesis focuses on answering three main research questions:

RQ1: What does the existing literature tell us about the employment effects of acquisitions?

RQ2: What are the short-term effects of acquisitions on employment in entrepreneurial firms?

RQ3: How and why does the employment change at the target entrepreneurial firm, post-acquisition?

1.5 Research Methodology Overview

The thesis uses a pragmatic paradigm (Creswell & Clark, 2007) and an "action-oriented" research procedure (Maarouf, 2019) to investigate the post-acquisition employment changes in entrepreneurial firms. It relies on a mix-methods research strategy using an abductive approach. More specifically, a sequential explanatory quan → QUAL research design, with a pilot quantitative study and a dominant qualitative study. The quan → QUAL is preceded by a systematic literature review, where the existing empirical evidence on the employment effects of acquisitions is reviewed, thus providing a useful starting point for the study (Eisenhardt, 1989). The systematic review highlights the key research gaps which inform the research design for the quantitative phase of the study. Matched-pair analysis and multiple regression models are used in the quantitative phase of the study to investigate the short-term employment effects of acquisitions in Indian entrepreneurial firms. The findings of the quantitative phase are then further explored using the multiple-case study method. This research strategy builds on Gokhale et al. (1995) and is in line with recent calls for methodological rejuvenation to advance the knowledge of acquisitions involving entrepreneurial firms (Demir et al., 2017; Haleblian et al., 2009; Meglio & Risberg, 2009).

1.5.1 Unit of Analysis: Entrepreneurial Firm

Entrepreneurial firms lie at the heart of this research as the main unit of analysis. The definition of an entrepreneurial firm has been and continues to be a subject of intense debate in the entrepreneurship literature (Daily et al., 2002). As a result, scholars have conceptualized entrepreneurial firms in multiple ways, ranging from high-growth firms (Carland et al., 1984) to founder-run businesses (Daily & Thompson, 1994) to firms that exist to generate and appropriate economic rents associated with market opportunities (Alvarez & Barney, 2004). Langlois (2007), building on the seminal work of Joseph A. Schumpeter, Israel M. Kirzner and Frank H. Knight, defines entrepreneurial firms as those that offer a solution to the coordination problem in a world of change and uncertainty. Entrepreneurial firms find fundamentally new and disruptive ways of doing business (Ireland et al., 2001) by combining ideas, knowledge and resources in unique ways (Olsson & Frey, 2002; Zott & Amit, 2007), thus fostering innovation (Baumol, 1993; Xiao et al., 2022).

Given the wide-ranging definitions of entrepreneurial firms, this study uses a broad and liberal definition of an entrepreneurial firm. Following Bhide (2000), this study defines an entrepreneurial firm as a relatively young and independently owned organization with a potential for attaining significant growth and profitability. Section 2.3 discusses the definition of entrepreneurial firms in greater detail.

1.5.2 Chronology of the Research Process

Firstly, a systematic review methodology is used for the literature review phase (Fisch & Block, 2018). Forty-eight peer-review journal articles and two working papers are reviewed to synthesize the empirical evidence on the employment effects of acquisitions. The systematic review process is guided by six clearly defined review questions (Nguyen et al., 2018). Three key databases: Scopus, Science Direct, and Web of Science, are used for the literature search. The results are then screened using the inclusion and the exclusion criteria (Abidi et al., 2014). Finally, additional literature is identified using the backward and forward snowballing method (Bezerra et al., 2014). The final review sample comprises 50 articles from 41 different research outlets spanning over 31 years, from 1988 to 2019.

Secondly, a matched-pair analysis and multiple regression models are used to examine the short-term employment effects of acquisitions in Indian entrepreneurial firms (Amess et al., 2014; Oldford & Otchere, 2016). The findings from the systematic literature review inform the research design for the matched-pair analysis. The analysis examines short-term employment changes in acquired Indian entrepreneurial firms vis-à-vis their non-acquired counterparts. In addition, based on the acquisition literature, the study investigates the impact of four key variables on post-acquisition employment at the target firm. The variables are as follows: the origin of the acquiring firm (domestic/international), industry relatedness between the firms (related/unrelated), age of the target firm and type of acquisition (strategic/financial). The central data source for the study is a private-research platform in India – Tracxn. To the best of the researcher's knowledge, Tracxn is the only platform covering employment details (measured quarterly) of Indian entrepreneurial firms. A sample of 99 entrepreneurial firms, acquired between 01/01/2017 to 31/12/2018, is used for the study. Using a one-to-one matching technique (Oldford & Otchere, 2016), a sample of non-acquired firms is constructed for the estimation. The matched sample comprises 54 non-acquired firms. Model-fit tests and robustness checks are performed to ensure the reliability of the test results (Navarro & Foxcroft, 2022).

Finally, the multiple-case study method is used to further explore the results emerging from the matched-pair analysis. This qualitative enquiry explores the individual and firm-level issues behind the post-acquisition employment change at the target firm. In addition, it also aims to investigate the role of temporality in such changes. The cases are selected using the theoretical sampling technique and a selection matrix. Semi-structured in-depth interviews are used as the primary source of data collection (Eisenhardt & Graebner 2007), supplemented by secondary data sources such as media articles, press releases, financial statements and company blogs. The interviews follow an interview protocol. Respondents are chosen from the acquiring and the target firm (Graebner & Eisenhardt, 2004) and include members of the top management team and non-managerial employees. The top management team comprises founding managers and non-founding managers. 11 interviews and 78 archival sources are transcribed and coded for the analysis. The data analysis unfolds in two stages, within-case analysis and cross-case analysis. NVivo 12 is used for the data analysis process. Yin’s (2009) tests for construct validity, reliability and generalizability are used to evaluate the findings of the analysis.

1.6 Contributions of the Research

This section briefly summarizes the key contributions of this research. The section begins by discussing the empirical contributions of the study. The theoretical implications of the empirical findings are discussed next in the section on theoretical contributions, followed by the contributions to policy, managerial practice, and methodology. Chapter 8 further elaborates on the contributions of this study.

1.6.1 Empirical Contributions

The study makes four main empirical contributions. Reflecting the mixed method research design there are both quantitative and qualitative findings. Firstly, to the best of the researcher’s knowledge, this thesis is the first to examine the employment effects of acquisitions in the context of Indian entrepreneurial firms. In doing so, the thesis addresses a crucial research gap concerning the underrepresentation of entrepreneurial firms and emerging economies in the M&A literature (Lipsey et al., 2013; Liu et al., 2015). The thesis uses a novel database to extract data on acquired entrepreneurial firms between 2017 and 2018 to capture recent acquisition trends, thus adding to the empirical knowledge base on acquisition-induced employment change (Cartwright & Schoenberg, 2006; Haleblian et al., 2009), which so far has relied on dated datasets (Stiebale & Trax, 2011). Overall, the quantitative analysis demonstrates that acquisition does not lead to employment loss in entrepreneurial firms in India. This finding challenges the work of scholars like Cunningham et al. (2021) and Geluebcke (2015), who report acquisition-induced employment loss at the acquired firm. Consistent with the work of entrepreneurship scholars like Latham et al. (2020) and (Xiao, 2015), the findings of the quantitative analysis indicate that acquisitions can also lead to employment growth at the acquired entrepreneurial firm.

Secondly, when the sample is stratified, the results show that cross-border acquisitions, i.e., acquisitions where the acquiring firm is of foreign origin, did not negatively impact the employment at the acquired entrepreneurial firm. This finding is crucial as cross-border acquisitions are generally associated with layoffs (Bandick & Görg, 2010; Margolis, 2006). Furthermore, post-acquisition employment is higher in related and financial acquisitions which runs contrary to the existing empirical evidence (Amess et al., 2014; Conyon et al., 2002a). Related acquisitions are known to lead to layoffs due to a greater scope for rationalisation given the operational overlap between the acquiring and the target firms (Krishnan et al., 2007; O'Shaughnessy & Flanagan, 1998). Similarly, financial acquisitions, driven to maximise financial returns over a short period (Masulis & Nahata, 2011; Metrick & Yasuda, 2011), often lead to job cuts at the acquired firm. Trimming the workforce at the acquired firm allows the acquiring manager to generate financial returns for their investors (Goergen et al., 2014). The finding of the quantitative analysis challenges these viewpoints. The findings of the quantitative analysis, thus, highlight that the existing evidence on employment effects of acquisitions, derived largely from the examination of publicly listed firms, do not apply in the context of entrepreneurial firms. Primarily because entrepreneurial firms are acquired to source technical knowledge, expertise, and talent (Graebner et al., 2010; Makinen et al., 2012; Mawson & Brown, 2017), thus facilitating growth (Hitt et al., 2001) rather than enforcing disciplinary managerial practices in the acquired firm to improve the financial performance of the firm (Chatterjee, 1986; Lehto & Böckerman, 2008).

Thirdly, the findings of the qualitative analysis offer two broad categories of explanations behind post-acquisition employment changes in entrepreneurial firms, firm-level and individual-level. Consistent with the prior studies, the findings indicate that firm-level issues such as acquisition motives (Geurts & Biesebroeck, 2019; Taguchi & Yanagawa, 2013), prior-acquisition experience (Collins et al., 2009), integration strategy (Puranam & Srikanth, 2007; Steigenberger, 2017), human capital strategy (Chaudhuri & Tabrizi, 1999; Ranft & Lord, 2002), and economic performance of the acquiring firm influence the post-acquisition employee turnover, especially at the non-managerial level. Case firms with prior-acquisition experience, which implemented their announced integration strategy, suffered lower post-acquisition employee turnover vis-à-vis other firms. Elaborating on the role of the acquirer's origin, the case study evidence shows that international acquirers take active measures such as offering retention bonuses and better roles to retain the employees of the target firm, thus reinforcing the finding from the quantitative study. Acquiring case firms that successfully retained the top management team of the acquired firm faced lower employment loss in the transition and post-transition period, thus, highlighting the importance of human capital in the acquisition of entrepreneurial firms (Graebner, 2004; Ranft & Lord, 2000).

The study reveals novel insights on individual-level drivers of employee turnover at the acquired entrepreneurial firms. The case findings indicate that personal reasons such as the desire for improved work-life balance are influential in driving the turnover of founding managers whereas professional reasons such as mismatch in job expectations lead to turnover at the level of non-founding managers. Furthermore, the thesis also generates novel insights by examining the reasons behind the turnover at the level of non-managerial employees, which so far have received little attention in M&A and entrepreneurship research. The findings indicate that financial reasons, such as higher pay, improved financial security and better incentive structure, are crucial individual-level issues that inform the employee turnover at the non-managerial level.

Finally, in line with Angwin (2004) and Kuvandikov et al. (2014), the findings inform a novel three-phase framework of acquisition that accounts for the temporal aspect of acquisition-induced employment change. The framework underlines the non-linearity of post-acquisition employment change and concurs with Puranam et al. (2006) view of taking a longitudinal view while examining acquisitions, especially in the case of entrepreneurial firms. The framework identifies three distinct phases of acquisition, the negotiation phase (6 to 11 months), aimed at deal negotiation and finalisation; the transition phase (3 to 24 months), aimed at knowledge transfer and post-transition phase. The model highlights that significant employment decline at the acquired firm, if any, occurs after the mutually agreed transition period. The three-phase acquisition framework and its associated employment consequences extend the scholarship on acquisition targeted at entrepreneurial firms by accounting for the role of temporality in post-acquisition employment change, as highlighted by Haleblian et al. (2009) and Meglio & Risberg (2011). Prior research has suggested that the negotiation process between the seller and the buyer in acquisitions is akin to a courtship (Graebner & Eisenhardt, 2004). This thesis extends the courtship view by emphasising the importance of a good "prenup" to retain the key members of the top management team during the transition period and beyond.

Despite the novel geographic context, the findings of the thesis apply to entrepreneurial acquisition beyond India. The quantitative findings on international acquisitions contribute to prior work by Xiao (2015) and Damijan et al. (2014), who suggest that high-tech firms often benefit from foreign acquirers given their strong managerial and financial resources. Similarly, the quantitative finding on related acquisitions is consistent with Graebner et al. (2010) and Lebedev et al. (2015), highlighting that Indian entrepreneurial firms, like the firms in the USA, are also acquired for growth and not efficiency motives. The case study findings on the turnover of the top management team extend the empirical evidence on entrepreneurial exit (Wennberg et al., 2010) and entrepreneurial recycling (Mason & Harrison, 2007) by identifying the key drivers behind the turnover of founding and non-founding managers and its influence on post-acquisition employee turnover.

1.6.2 Theoretical Contributions

The thesis makes four main theoretical contributions. Firstly, in including individual-level issues, this thesis facilitates a greater understanding of acquisition-induced employment change, which to date has largely relied on the examination of organisational antecedents (Datta et al., 2010). The study examines individual-level drivers at the managerial and non-managerial levels (Bourantas & Nicandrou, 1998). To the best of the researcher's knowledge, this is the first study to adopt this approach. Given the importance of the target firm's management team (Ranft & Lord, 2002) and the high rate of their post-acquisition turnover (Walsh & Ellwood, 1991; Hambrick & Cannella, 1993), it is important to understand the reasons behind their turnover (Krug et al., 2014). Theoretically, it draws on and extends Maertz & Campion's (2004) voluntary turnover model to the under-researched context of entrepreneurial management teams (Krug et al., 2014).

The findings indicate that personal and professional reasons are the main reasons behind the top management team turnover at the target firms. In addition, financial considerations are influential in dictating the course of action for non-managerial employees. The theoretical categories derived from the case study evidence (personal, financial, professional reasons and reasons related to work relationships) align with the forces identified by Maertz & Campion (2004) in their voluntary turnover model (normative forces, alternative forces, calculative forces, and constituent forces). This thesis also offers a unique application of the general model of voluntary employee turnover in the context of acquisitions. Entrepreneurs value independence, prefer environments which allow them to take initiative (Brockhaus, 1982; Palmer et al., 2019), and often start a new venture after securing an exit (Mason & Harrison, 2006). Consistent with the literature, 8 of the 11 founding managers left the acquiring firm to start a new venture. The desire to start a new venture, captured in the thesis under the second-order code of professional reasons, was consistent with the alternative forces of the voluntary turnover model. Exhaustion from running the company and the desire for a better work-life balance also influence the turnover of the top management team (Harada, 2007). Thus, this thesis provides a theoretic explanation for the role of personal and professional reasons in entrepreneurial exits, as empirically observed in prior work by Wennberg et al. (2010). It represents an important theoretical contribution and is the first application of the voluntary turnover model (VTM) to TMT in entrepreneurial exit via acquisition.

Secondly, the thesis adds to the literature on the role of human capital, especially top management teams (TMT), in entrepreneurial firms (Unger et al., 2011; Sluis et al., 2005). Previous studies have explored the role of human capital (Cooper et al., 1994;

Marvel et al., 2016) and TMT in the growth and success of entrepreneurial firms (Lechler, 2001; Fauchart & Gruber, 2011; Ucbasaran et al., 2003). Studies have also examined the role of human capital in acquisitions aimed at entrepreneurial firms (Chaudhuri & Tabrizi, 1999; Ranft & Lord, 2002). This thesis further extends the literature by underlining the continued influence of the TMT in governing post-acquisition employment change at the acquired entrepreneurial firms. In doing so, the study extends Langlois's (2007) theory of 'Charismatic Authority' in the context of acquisitions of entrepreneurial firms. Charismatic Authority, defined as the mechanism for ensuring the structure and organization of an entrepreneurial firm, allows the TMT to effectively navigate the firm in uncertain environments (Coleman, 1990). In entrepreneurial firms, which generally lack a system of rules (Langlois, 2007), it plays a central role in communicating decisions, ensuring effective coordination, and keeping the firm together (Langlois, 1998).

The case findings show that acquiring firms that successfully retained the top management team experienced lower employee turnover. The failure to retain the top leadership translated to revenue stagnation and attrition. Target firm employees, especially at the non-managerial level, perceived the departure of the TMT as a loss of a key work relationship which discouraged them from remaining post-acquisition. The study, thus, underlines the influence of the TMT, especially founding managers, on the decision-making of the non-managerial employees and argues that the TMT remains the locus of decision-making not just during their active employment (Daily et al., 2002) but also for a period after leaving the firm. The charismatic authority of the TMT continues to impact the employees even after they depart from the firm.

Thirdly, adding to the post-acquisition integration literature, the case findings suggest that avoiding major strategic pivots during the transition period is an effective way to limit post-acquisition employee turnover, as it facilitates knowledge transfer and improves the scope for realisation of the synergistic potential of the acquisition. This is consistent with the work of Puranam et al. (2006) on the strategic importance of post-acquisition integration. Acquiring case firms that pivoted from their announced integration strategy in the transition period (Marketing Tech) experienced significant employee turnover and, in turn, revenue stagnation. The acquiring firm in Marketing tech had to eventually grant autonomy to the acquired firm to grow their business and realise the acquisition objectives. Whereas acquiring case firms which remained consistent with the announced integration strategy and did not enact strategic changes in the transition period (Regulatory Tech) experienced employment growth. Consistent with Graebner (2004) and Latham et al. (2020), the thesis shows that, if implemented well, acquisitions can lead to employment growth at the acquired entrepreneurial firm.

Finally, the thesis challenges the efficiency theory of acquisition (Trautwein, 1990), which argues that managers use acquisitions as an instrument to transfer assets under more capable management (Amess et al., 2014). As per the efficiency theory, acquisitions tend to be followed by organisational restructuring and employee rationalisation at the acquired firm (Datta et al., 2010), the case study findings, however, show that efficiency theory does not hold in the acquisition of entrepreneurial firms. Unlike other acquisition targets, entrepreneurial firms are acquired to source new knowledge, technological capabilities, and industry expertise (Graebner et al., 2010; Mawson & Brown, 2017; Puranam et al., 2006). These capabilities are often tacit in nature and reside in the organisational routines and informal networks between employees (Mathews, 2010; Ranft & Lord, 2002).

Post-acquisition restructuring, as outlined in efficiency theory, can disrupt these routines, and adversely impact the performance of the acquired firm (Puranam & Srikanth, 2007). Similarly, post-acquisition employee rationalisation can lead to the loss of human capital, which is often the key source of competitive advantage for entrepreneurial firms (Davidsson & Honig, 2003; Marvel et al., 2016; Unger et al., 2011). In the context of entrepreneurial firms, therefore, it is in the interest of the acquiring manager to refrain from immediate restructuring and retain the talent of the target firm to realise the synergistic potential and fulfil acquisition objectives (Chaudhuri & Tabrizi, 2002; Puranam et al., 2009), as observed in Marketing Tech. This is especially crucial in emerging economies with high institutional uncertainty, like India (Tracey & Philips, 2011).

Together the theoretical insights from (1) the literature on the top management team, (2) the voluntary turnover model and (3) the post-acquisition integration strategy provide the basis for extending the current model of acquisition-induced employment change to include entrepreneurial agency. In addition to organisational antecedents, models on acquisition-induced employment change also need to consider the importance of the acquiring firm's integration strategy and top management team retention in the post-acquisition period. These two factors can be easily incorporated as variables in future quantitative studies for more robust and consistent results. The acquiring firm's integration strategy can be sourced from secondary sources such as press statements and media articles and incorporated as a dichotomous variable in the model (1 for autonomous and 0 for fully integrated). Similarly, information on TMT retention can be sourced from the LinkedIn profiles of individual members and incorporated as ordinal variables in the quantitative models (1 for 25%, 2 for 50%, 3 for 75% and 4 for 100%). For instance, if the target firm had a co-founding team of four members, of which only three get retained post-acquisition, the assigned value would be 3 (75%).

1.6.3 Contribution to Policy and Practice

In addition to the theoretical and empirical contribution, the study also contributes to practice by debunking the employment loss concerns associated with acquisitions. It highlights that acquisitions can also enable the entrepreneurial firm to realize its growth potential and thus advises against protectionist measures concerning the acquisition of entrepreneurial firms (Margolis, 2006). The study also underlines the importance of retaining the top management team of the target firm and being consistent with the announced integration strategy to mitigate the risk of employee turnover (Marks et al., 2017; Steigenberger, 2017). The case study findings underline the importance of a good "prenup" between the acquiring and the target firm with provisions for bonuses, financial incentives, and career progression to ensure the retention of the top management team for the transition period and non-managerial employees beyond the transition period. This is a crucial intervention in the M&A practice, especially given the high rate of failures of acquisition due to integration-related issues (Hitt et al., 2012).

1.6.4 Contribution to Methodology

As per Rossi et al. (2013), this thesis contributes to methodology by adopting a unique mixed-methods, sequential explanatory quan → QUAL research design. Existing studies on acquisition-induced employment change had relied extensively on quantitative methods (Meglio & Risberg, 2009), which often failed to account for and capture the complexities of the acquisition process (Molina-Azorín et al., 2012). Furthermore, this thesis also contributes to methodology by recommending the addition of variables. The integration strategy of the acquiring firm and the number of members of the top management team retained after the acquisition. Including these variables in future quantitative studies on acquisition-induced employment change in entrepreneurial firms would increase the robustness of the results.

1.7 Structure of the Thesis

This thesis comprises eight chapters, which are as follows.

Chapter 1: Introduction

This chapter offers an overview of the research background and problem, the research objectives, the methodology used, the contributions of the thesis and the thesis structure.

Chapter 2: Key Definitions and an Overview of the Research Context

This chapter sets out the key definitions, concepts, and research context. It begins by defining the key terms employed in the study – Acquisitions and Entrepreneurial Firms. It also identifies the Top Management Team (TMT) members in entrepreneurial firms. It then provides a brief overview of the literature on acquisition motives, particularly motives behind the acquisition of entrepreneurial firms. This is followed by a discussion of the global acquisition trends and acquisition trends of Indian entrepreneurial firms.

Chapter 3: Employment Effects of Acquisitions – A Systematic Literature Review

This chapter addresses the first research question by synthesising the existing evidence on the employment effects of acquisitions. The chapter examines a sample of 50 peer-reviewed articles on the following parameters: research setting, research methods, unit of analysis, temporal dimension, type of acquisition examined and the research findings. The chapter discusses the overall findings and highlights the key research gaps in the literature on the employment effects of acquisitions.

Chapter 4: Methodology

Chapter 4 outlines the methodology adopted in this thesis. The chapter starts by discussing the overview of the philosophical underpinnings concerning the ontological and epistemological choices adopted for the study. It then provides the rationale for adopting a mixed-method strategy and demonstrating the suitability of sequential explanatory quan → QUAL design. The chapter elaborates on the two research methods, matched-pair and multiple case-study analysis and addresses the issues concerning data collection and research validity. The chapter concludes by discussing the ethical considerations and limitations of the methodology adopted.

Chapter 5: Short-term Employment Effects of the Acquisition of Entrepreneurial Firms

Chapter 5 addresses the second research question by examining the short-term employment effects of the acquisition of entrepreneurial firms. The chapter starts with an overview of the research on the acquisition of entrepreneurial firms, followed by hypotheses development. Five hypotheses are tested in the chapter using two models. Hypotheses development is followed by a brief overview of the data and the empirical strategy adopted for the analysis. The following sections discuss the descriptive statistics and results of the matched-pair and multiple linear regression analysis.

Chapter 6: Qualitative Exploration of Post-Acquisition Employment Changes – Within-Case Analysis

Chapter 6 addresses the third research question by discussing the first part of the multiple case study analysis. The chapter begins with a detailed description of the four cases – Real-estate Tech, Regulatory Tech, HR Tech, and Marketing Tech. Each case starts with an overview of the acquisition and the target firm, followed by the acquisition motives. Acquisition motives are followed by an overview of the post-acquisition changes. Each section concludes with a discussion of the determinants of post-acquisition employment change. The analysis uses rich citations and extracts from the primary and secondary sources to support empirical interpretations and findings of the cases.

Chapter 7: Qualitative Exploration of Post-Acquisition Employment Changes – Cross-Case Analysis

Chapter 7 discusses the second part of the multiple case study analysis by collating and comparing the evidence from the within-case analysis. Findings emerging from each case are compared to investigate the similarity of patterns (or lack thereof) across cases. The patterns are compared with the relevant theories to offer interpretations to extend theoretical frameworks. The chapter compares the evidence under three main headings:

firm-level issues, individual-level issues, and the role of temporality in post-acquisition employment change.

Chapter 8: Conclusion

The final chapter discusses the findings, interpretations, and contributions concerning the prior conceptual and empirical literature. The chapter starts by discussing the empirical contributions of the study. The empirical contributions are discussed in order of the research questions. This section is followed by sections on theoretical contribution and contribution to practice. Next, the chapter discusses the thesis limitations and avenues for further research. The chapter ends with a brief conclusion of the thesis.

In addition to the above chapters, the thesis also includes a comprehensive set of appendices that details information on the sample of review articles for the systematic literature review, a record sheet of the data set for the matched-pair analysis, interview protocols, the sample of NVivo analysis, research ethics forms and plain language statement. The next chapter outlines the key definitions, concepts, and an overview of the research context.

Chapter 2: Key Definitions and an Overview of the Research Context

2.1 Introduction

Having discussed the research objectives and aims in chapter 1, chapter 2 focuses on setting a foundation for the research by clarifying the terminology used in the study and locating the study geographically and in the literature. Based on the existing body of knowledge and recent acquisition trends, this chapter highlights the need to examine the employment effects of the acquisition of entrepreneurial firms in an Indian context. This chapter serves three purposes. Firstly, it defines the key terms used in the study, acquisitions in section 2.2 and entrepreneurial firms in section 2.3. Secondly, it briefly outlines the existing state of knowledge on the motives behind the acquisitions of entrepreneurial firms in section 2.4. Finally, it provides an overview of the research context by discussing the global acquisition trends in section 2.5 and acquisition trends in India over the past two decades in section 2.6. More specifically, it examines the acquisition trend of Indian entrepreneurial firms in section 2.7. The chapter concludes with a summary in section 2.8.

2.2 Defining Acquisition

The term ‘Acquisition’ in a generic sense can be used to refer to any type of takeover (Halpern, 1983). The OECD defines acquisition as the process where one firm obtains ownership and control of another firm or business entity, in whole or in part (The OECD, 2022). Researchers working in the field tend to use the terms mergers and acquisitions interchangeably (Burghardt & Helm, 2015; Doytch et al., 2011). However, there is a distinction between the two terms. A merger refers to a combination of two firms which leads to the creation of a new, combined business entity (Tobin & Parker, 2008). An acquisition, however, doesn’t involve the creation of a new business entity. In an acquisition, the acquired company either becomes a subsidiary or is fully absorbed into the acquiring firm (Öberg et al., 2007). Hitt et al. (2001) further argue that, unlike in an acquisition, the dissolution of one of the participating entities and the permanency of the transaction are two key characteristics of a merger. Öberg et al. (2007, p.926) define acquisition as:

> “An acquisition refers to situations where one company attains ownership control over another company, or business unit, which becomes a subsidiary to the acquiring party.”

Takeover is another term commonly used to refer to acquisitions. However, it has a negative connotation as it is often used to refer to the acquisition of poorly performing firms in declining industries (Mørck et al., 1989). Acquisitions are further classified into the following categories: Acquihire - an acquisition undertaken with the main objective of leveraging the human capital of the target firm (Makinen et al., 2012). Product extension acquisition - an acquisition undertaken to leverage the key product offerings of the target firm (Schlossberg, 2004). Market extension acquisition - an acquisition undertaken to facilitate expansion in a new geographic region (Seth, 1990). Vertical acquisition - an acquisition involving two firms of the same value chain (Lin et al., 2014). Horizontal acquisition - an acquisition involving two firms from the same industry (Capron, 1999). Conglomerate acquisition - an acquisition involving firms from unrelated industries (Seth, 1990). This study focuses on the acquisition of entrepreneurial firms. The following section defines entrepreneurial firms.

2.3 Defining Entrepreneurial Firms

The term 'Entrepreneurial firm' is often used to denote firms engaged in entrepreneurship (Dabić et al., 2011) and is employed by researchers in multiple contexts. Researchers have used it to refer to small businesses, high-tech firms, young firms, and start-ups alike (Block et al., 2018; Baucus & Cochran, 2009). Scholars from different streams have conceptualised entrepreneurial firms in different ways. For instance, grounded in organizational economics, Alvarez & Barney (2004) have defined entrepreneurial firms as those that leverage new market opportunities to generate economic rents. Whereas Langlois (2007), building on entrepreneurship theory, has defined entrepreneurial firms as those that solve the coordination problem in a dynamic world of change and uncertainty.

Despite the variations, growth rate and growth potential are commonly used criteria for defining entrepreneurial firms (Baucus & Cochran, 2009; Bhide, 2000). Job creation, regarded as the most important outcome of the entrepreneurial process, is often associated with rapidly growing firms (Henrekson & Johansson, 2010). This makes growth rate and growth potential key defining criteria for entrepreneurial firms. The rapid growth potential of entrepreneurial firms often stems from their innovative abilities (Dabić et al., 2011). This involves the recombination of existing resources to exploit an opportunity and create value (Stevenson et al., 2006) or the implementation of fundamentally new and disruptive ways of conducting business that changes the competitive landscape in the industry and leads to the creation of new business models (Ireland et al., 2001; Langlois, 2005). Authors such as Covin (1991) and Schramm (2006) present innovativeness as the necessary feature of entrepreneurial firms.

Block et al. (2018) use age as a key criterion, while defining entrepreneurial firms. They categorise firms between 1 and 7 years old as entrepreneurial firms. Several other authors have used firm age as a key criterion. However, there is no consensus on the age range. The age range varies from 0 (firms established in the year of data collection) (De Matos & Parent, 2016) to 10 years (Haltiwanger et al., 2013). Researchers have used the upper age limit of 3 (Criscuolo et al., 2014), 4 (Burton et al., 2016), 5 (Kuhn et al., 2016) and 6 (Åstebro & Tåg, 2017) years to define entrepreneurial firms. Some researchers have rejected age as a defining criterion for identifying entrepreneurial firms (Roach & Sauermann, 2015) and have emphasised a broader set of parameters.

The liability of "smallness" is also often associated with entrepreneurial firms (Ranger-Moore, 1997), which makes firm size, measured in terms of employee strength, another crucial criterion used to define entrepreneurial firms However, like age, researchers disagree on the ideal size of an entrepreneurial firm. The upper limit of the size used by researchers varies from no employee (Coad, 2009) to 2,500 employees (Adrjan, 2018). As shown in Table 2.1, most researchers do not use size as the defining criterion because job creation – the most crucial outcome of entrepreneurial firms – has recently been found to have no relationship with firm size (Lawless, 2014). The type of ownership is another defining criterion used for identifying entrepreneurial firms. Some authors only consider privately held, independent firms entrepreneurial (Bengtsson & Hand, 2013), while others call for broader criteria to include firms emerging from corporate entrepreneurship (Baucus & Cochran, 2009).

Entrepreneurial firms are characterized, also by resource constraints (Zott & Amit, 2007). Due to their liability of newness and smallness (Ranger-Moore, 1997), entrepreneurial firms possess fewer resources than established firms (Mosakowski, 2017). Unlike established firms with various means to achieve their organizational goals, entrepreneurial firms work with limited resources to attain the best possible outcomes

(Sarasvathy, 2001). They are known to lack managerial expertise (Bonardo et al., 2010), human resource systems (Leung et al., 2006), well defined organizational structure (Ranft and Lord, 2002) and financial resources (Li et al., 2020). The decision of entrepreneurial firms to engage in an acquisition, where they get acquired by an established firm, is often motivated by the desire to access these resources (Lockett et al., 2011; Xiao, 2015).

Due to the novel research context, a relatively broad definition of entrepreneurial firms was deemed appropriate for this study. Instead of relying on the definition put forward by Ejermo & Xiao (2014), who define entrepreneurial firms as: *"New, small and independent start-ups that exploit entrepreneurial opportunities."* (Xiao 2015). This thesis builds on the work of Bhide (2000) and defines entrepreneurial firms as relatively young and independently owned organizations capable of attaining significant growth and profitability. This definition focuses on the independent ownership aspect as a defining feature of an entrepreneurial firm (Bengtsson & Hand, 2013) over age and size. This definition allowed for the construction of the largest possible sample of the acquisition of entrepreneurial firms (Zott and Amit, 2007), especially given the limited data availability in the given research context of India (Roy & Weide, 2022; Sandefur, 2022).

Table 2.1: Firm Age, Size, and Ownership Attributes of Entrepreneurial Firms

S. No	Authors	Age (in Years)	Size (No. of Employees)	Ownership
1	**Acs and Mueller (2008)**	0	No restrictions	-
2	**Asterbo and Tag (2017)**	<6	-	-
3	**Carod et al. (2008)**	0	>10	-
4	**Carree and Thurik (2008)**	-	No restrictions	-
5	**Criscuolo et al. (2014)**	<3	No restrictions	-
6	**Fritsch (1997)**	1-10	<50	-
7	**Haltiwanger et al. (2013)**	<10	No restrictions	-
8	**Lawless (2014)**	<5	No restrictions	
9	**Mueller at al. (2008)**	-	No restrictions	
10	**Adrjan (2018)**	<3	<2500	Independent
11	**Brixy et al. (2007)**	<5	<200	Private
12	**Burton et al. (2016)**	<4	No restrictions	Independent
13	**Dorner et al. (2017)**	<4 years	-	Independent
14	**Heyman (2007)**	<6	>2	-

15	**Kim (2018)**	<5	No restrictions	-
16	**Nyström and Elvung (2014)**	1-5	No restrictions	-
17	**Nyström and Elvung (2015)**	<3	<20 at establishment	-
18	**Schmieder (2013)**	<10	No restrictions	
19	**Bengsston and Hand (2013)**	No restrictions	No restrictions	Private & Independent
20	**Hand (2008)**	No restrictions	No restrictions	-
21	**Messersmith et al. (2018)**	<6	No restrictions	Private & Independent
22	**Litwin and Phan (2013)**	<6	No restrictions	-
23	**Brixy and Murmann (2016)**	<3	No restrictions	-
24	**De Matos and Parent (2016)**	0	No restrictions	-
25	**Schnabel et al. (2011)**	0	-	Private
26	**Kuhn et al. (2016)**	<5	No restrictions	-
27	**Malchow-Moller et al (2011)**	0	No restrictions	-
28	**Coad et al. (2016)**	0	None or 1	-
29	**Noack et al (2017)**	No restrictions	No restrictions	-
30	**Ouimet and Zarutskie (2014)**	<5	No restrictions	-
31	**Roach and Sauermann (2015)**	No restrictions	No restrictions	-
32	**Roach and Sauermann (2017)**	No restrictions	No restrictions	-
33	**Sauermann (2018)**	<5	<100	

2.4 Motives for Acquisition of Entrepreneurial Firms

In recent years, the acquisition of entrepreneurial firms has attracted a lot of research attention from entrepreneurship and M&A scholars, given their contribution to job and wealth creation (Haltiwanger et al., 2013), knowledge development (Benson & Ziedonis, 2008; Mosey et al., 2016) and economic development (Ayyagari et al., 2014; Stiglitz, 2019). Traditionally acquisitions were driven by motives such as leveraging synergies (Trautwein, 1990), enforcing efficiency (Gaughan 1991), consolidating market power (Andrade et al., 2001), geographic, revenue and risk diversification (Damodaran, 2005; Fukao et al., 2008; Shleifer & Vishny, 1988), navigating complex regulatory environments (DePamphilis, 2011) and manager hubris (Malmendier & Tate, 2008; Liu et al., 2009). Acquisition of entrepreneurial firms, however, given their unique characteristics, is driven by an additional set of motives (Graebner et al., 2010; Mawson & Brown, 2017).

Adding strategically valuable resources such as innovative products and services, technical expertise, and complex social knowledge are the most widely cited reasons behind the acquisition of entrepreneurial firms (Graebner, 2004; Ranft & Lord, 2000; Schweizer, 2005). Entrepreneurial firms are known to be a key source of technological advancement (Xiao, 2015) and tend to be more innovative than established firms (Ranft & Lord, 2002; Zenger & Lazzarini, 2004). The acquisition of entrepreneurial firms enable the acquiring firm to source valuable technology and expand its knowledge base (Mawson & Brown, 2017), mitigate the risk associated with disruptive innovation (Wagner, 2016), aid its internal R&D efforts (Zhao, 2009) and enhance its competitive advantage vis-à-vis its competitors (Elango et al., 2013).

The acquisition of entrepreneurial firms are also a quicker and more effective way of accessing valuable technology than technological alliances and internal development (Capron & Mitchell, 2008). The acquisition of entrepreneurial firms allow the acquiring firm to avoid the uncertain and time-consuming process of internally accumulating technological resources (Puranam & Srikanth, 2007). This is particularly useful in the present day and age, characterised by rapid technological change across industries (Aghasi et al., 2017; Brueller & Capron, 2021). The acquisition of entrepreneurial firms also enable to acquiring firm to access the tacit and socially complex knowledge resources embedded in the relationships and communication structure of the entrepreneurial firms (Ranft & Lord, 2002). These knowledge resources amplify the strategic advantage achieved through the acquisition of entrepreneurial firms (Graebner et al., 2010). In addition, such acquisitions enable the acquiring firm to access and leverage valuable human resources of the acquired entrepreneurial firm (Chaudhuri & Tabrizi, 1999; Makinen et al., 2012; Setor & Joseph, 2017).

The acquisition of entrepreneurial firms also allows the acquiring firm to achieve strategic renewal, i.e., a significant change in the firm’s approach to attain improved and superior performance (Agarwal & Helfat, 2009). The acquisition of entrepreneurial firms facilitates strategic agility in acquiring firms (Brueller et al., 2014) by stimulating resource redeployment and reconfiguration (Karim & Mitchell, 2000). Large firms often develop internal rigidities which inhibit their adaptation to new environmental challenges (Graebner et al., 2010; Leonard-Barton, 1992). Acquiring an entrepreneurial firm enables the acquirer to "unfreeze their mental maps, structures and processes" (Vermeulen & Barkema, 2001, p. 460) by exposing them to new practices and routines. In addition, acquiring young and dynamic entrepreneurial firms improve the acquirer's innovative ability and absorptive capacity. This is especially useful for large technology companies operating in dynamic and competitive environments (Brueller et al., 2014; Graebner et al., 2010).

Access to the strategically valuable resources of the entrepreneurial firms facilitates the consolidation of the acquiring firm's market power (Graebner, 2004; Puranam et al., 2009), which is another key motive behind the acquisition of entrepreneurial firms (Santos & Eisenhardt, 2009). Acquiring an entrepreneurial firm can add the required expertise necessary for the expansion of the acquiring firm in new markets and market segments (Graebner, 2004; Xiao, 2015). Large technology firms often engage in the acquisition of entrepreneurial firms to eliminate competition, thereby enhancing their market power (Affeldt & Kesler, 2021). Large established firms tend to acquire smaller entrepreneurial firms with competitive technology (Santos & Eisenhardt, 2009), thus eliminating competition and leading to market power concentration (Calvano & Polo, 2021). Killer acquisitions, acquisitions where the acquiring firm takes over an entrepreneurial firm to discontinue the development of its competitive technology, are now a common phenomenon (Cunningham et al., 2021).

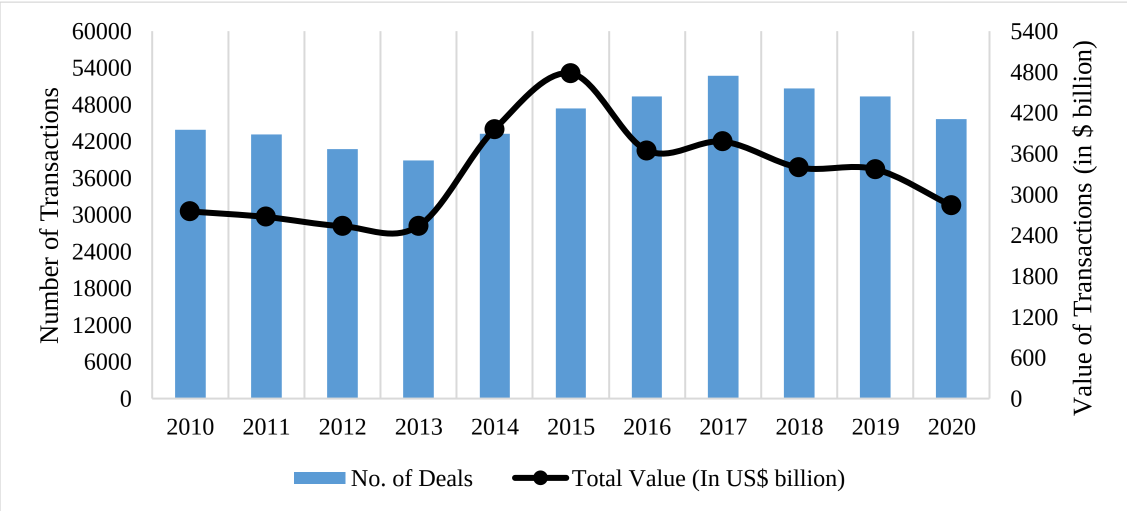
The rise of killer acquisitions, especially of entrepreneurial firms (Letina et al., 2021), has raised policy concerns (Furman et al., 2019) due to the role of entrepreneurial firms in job creation and overall economic progress (OECD, 2020). The employment loss concerns associated with killer acquisitions are further amplified in the case of emerging economies, which rely heavily on entrepreneurial firms for job creation (Ayyagari et al., 2014). In light of these policy concerns and the central role of entrepreneurial firms in emerging economies like India, this study investigates the post-acquisition employment change in Indian entrepreneurial firms.

Furthermore, given the importance of human capital in entrepreneurial firms (Eisenhardt, 2013; Makinen et al., 2012; Ranft & Lord, 2002), this study explores what influences key individuals to stay or leave post-acquisition. The study, in particular, focuses on the Top Management Team (TMT) of entrepreneurial firms. Hambrick & Mason (1984) define Top Management Team as a small group of most influential executives at the apex of an organisation. Building on Carpenter et al. (2004), this study classifies and categorises TMT as comprising the founding managers and non-founding managers. In addition, the study also explores the individual-level issues motivating employee turnover at the level of non-managerial employees. The next section documents the rise in importance of acquisitions globally followed by an examination of the pnenomenon in India.

2.5 Research Context: Global Acquisition Trends

Foreign direct investment (FDI) is one of the key aspects of globalization, and acquisitions account for a very large share of FDI. Initially only significant in the USA, acquisitions have become a common phenomenon in Europe and emerging economies (Haleblian et al., 2009). An acquisition refers to a scenario where one organization attains ownership control of another organization or business unit (Öberg et al., 2007). The total number of global acquisitions increased from 43,940 deals in 2010 to 49,327 deals in 2019, reaching an all-time high in 2017 with 52,740 deals (IMAA, 2021a). Similarly, the total value of global acquisitions has increased from \$2.75 trillion in 2010 to \$3.3 trillion in 2019, reaching an all-time high in 2015 with \$4.7 trillion (Figure 2.1).

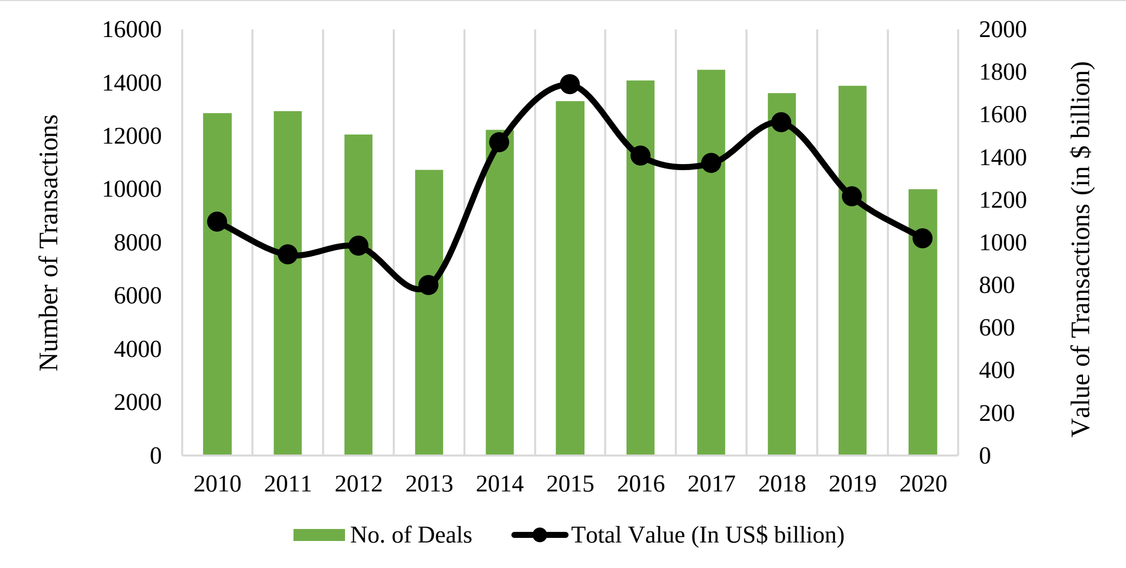
Figure 2.1: Global Acquisition Activity (2010-2020)



Source: M&A Statistics, Institute for Mergers, Acquisitions & Alliances, 2022

Despite the pandemic, 45,652 acquisitions valuing over $2.8 trillion were recorded in 2020. In a similar vein, Cross-border acquisitions increased from12,868 deals in 2010 valuing $1.09 trillion to 13,872 deals in 2019 valuing $1.2 trillion (IMAA, 2021b). The cross-border acquisition activity reached an all-time high in 2017 with 14,492 deals valuing $1.37 trillion (Figure 2.2). 10,000 cross-border acquisitions with a cumulative value of $1.01 trillion were recorded in 2020. These trends highlight the increasing significance of acquisitions in the contemporary business environment.

Figure 2.2: Global Cross-border Acquisition Activity (2010-2020)



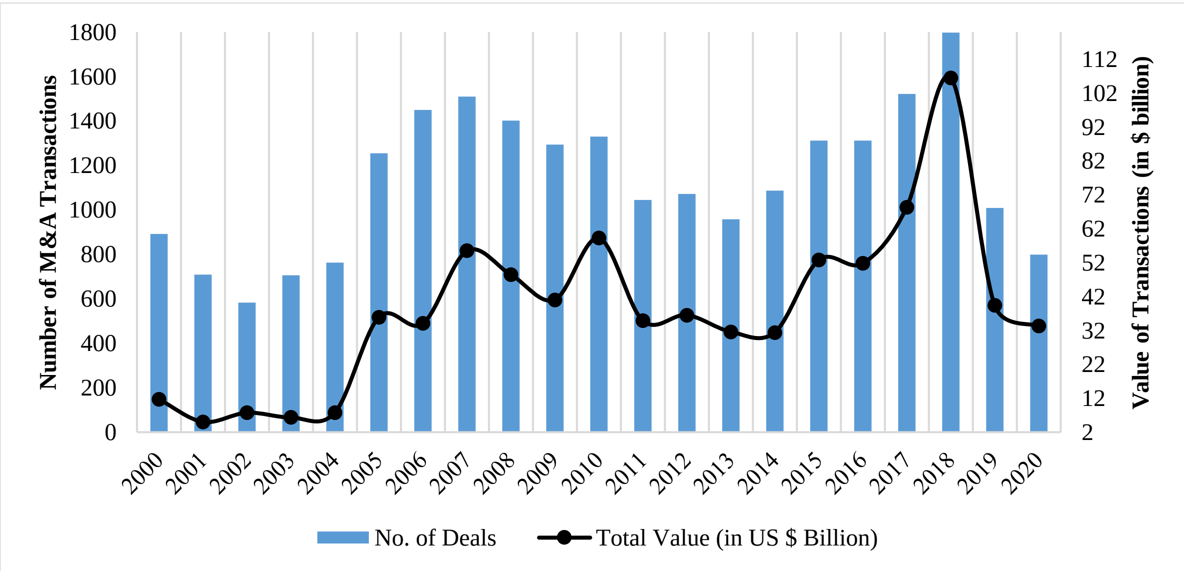
Source: M&A Statistics, Institute for Mergers, Acquisitions & Alliances, 2022

However, the steady rise in global acquisition activity, especially cross-border acquisitions, has also raised policy concerns with regard to their impact on the host economies. The employment effects of the acquisition on the regional economy can be both positive and negative depending on the level of value-addition functions carried out in the merged/acquired entity during the post-acquisition period (Jude & Silaghi, 2016; Williams, 2003). The biggest concern from the point of the host economy relates to the potential downsizing and divestment post-acquisition (Bandick & Görg, 2010). Associated concerns also include repatriation of profits, loss of advanced technology (Werner, 2003), reduction in pension and lower wages (McGuckin & Nguyen, 2001; Nguyen & Ollinger, 2009), loss of national identity (Reguly, 2002), reduced bargaining power of national labour unions (Huizinga, 1990; Ramsay, 1995), displacement of key managerial skills (Ashcroft & Love, 1993) and elimination of market competition by taking over domestic rival firms (Thompson, 1999). In recent years several studies have documented the employment effects of cross-border acquisitions. However, the findings of these studies have been inconclusive. Some studies have reported positive employment effects of cross-border acquisitions (Portugal: Mata & Portugal, 2004; Europe: Oberhofer, 2013), while others have highlighted job cuts and downsizing (UK: Conyon et al. 2002b; Finland: Huttunen, 2007; Canada: Oldford & Otchere, 2016).

2.6 Acquisition Trends in India

Over the past two decades, India has emerged as a global target for Foreign Direct Investment (FDI) and is consistently ranked among the leading recipient of FDI inflows (UNCTAD, 2019). The FDI inflows in India reached $57 billion in 2020, registering a year-on-year growth of 13%. This growth was observed despite the 42% decline in global FDIs in 2020 (Forbes, 2021). In tandem with the growth in FDI inflows, the M&A activity in India has grown over the years, rivalling China (Financial Times, 2018) which has been the leading destination for inbound M&As in emerging economies. In 2020, India accounted for 4.1% of the global inbound M&As in terms of deal value (Japan External Trade Organization, 2021). As shown in Figure 2.3, The M&A activity in India has steadily increased over the past two decades by value and number of deals. The acquisition activity peaked in 2018 with 1798 deals valued at over $106 billion (IMAA, 2022).

Figure 2.3: Acquisition Trends in India (2010-2020)



Source: M&A Statistics, Institute for Mergers, Acquisitions & Alliances, 2022

The steady rise of M&As in India has attracted the attention of researchers in the area, although it remains relatively under-examined (Lebedev et al., 2015; Zhou et al., 2016). Moreover, most of the studies have focused on large publicly listed Indian firms and emphasized the perspective of the acquiring firm (e.g., Banerjee et al., 2014; Bhaumik & Selarka, 2012; Kumar & Bansal, 2008). For instance, Buckley et al. (2014) have examined country-specific linkages as the determinant of foreign acquisition by Indian firms. Elango & Pattnaik (2011) have examined the foreign acquisition strategies adopted by Indian firms. Ranju & Mallikarjunappa (2019) have examined the impact of M&A announcements on the stock performance of rivals of the acquiring firm. Agarwal & Bhattacharjea (2006) have examined the impact of regulatory shocks on the M&A activity of Indian firms, and Soni et al. (2019) have examined the shift in the M&A strategy of Indian IT firms etc. Table 2.2 provides a list of key studies on M&As concerning Indian firms.

Table 2.2: Selected M&A Studies on Indian firms

S. No	Authors	Perspective	Time period	Focus
1	Pandit & Siddharthan (1998)	Acquiring firm	1987-1990	Impact of technology acquisition on investment decision of acquiring firms.
2	Agarwal and Bhattacharjea (2006)	Acquiring Firm	1973-2003	Impact of regulatory shocks on M&A activity of Indian firms
3	Popli & Sinha (2014)	Acquiring Firm	2001-2011	Firm level determinants of Cross-border acquisitions by Indian Firms
4	Kohli et al (2012)	Acquiring Firm	1997-2008	Impact of acquisitions on the wealth of the acquiring Indian firms & the determinants of such wealth gains.
5	Kumar & Bansal (2008)	Acquiring Firm	2000-2006	Impact of M&As on corporate performance of acquiring Indian Firms
6	Nayyar (2008)	Acquiring Firm	2000-2006	Internationalization of Indian firms through M&As
7	Rani et al (2015)	Acquiring Firm	2003-2008	The impact of M&As on the long-term financial performance of the acquiring Indian firm
8	Aggarwal & Garg (2019)	Acquiring Firm	2007-2012	The impact of M&As on the accounting-based performance of the acquiring Indian firms
9	Buckley et al (2014)	Acquiring Firm	-	Host-home country linkages as determinants of foreign acquisitions by Indian firms

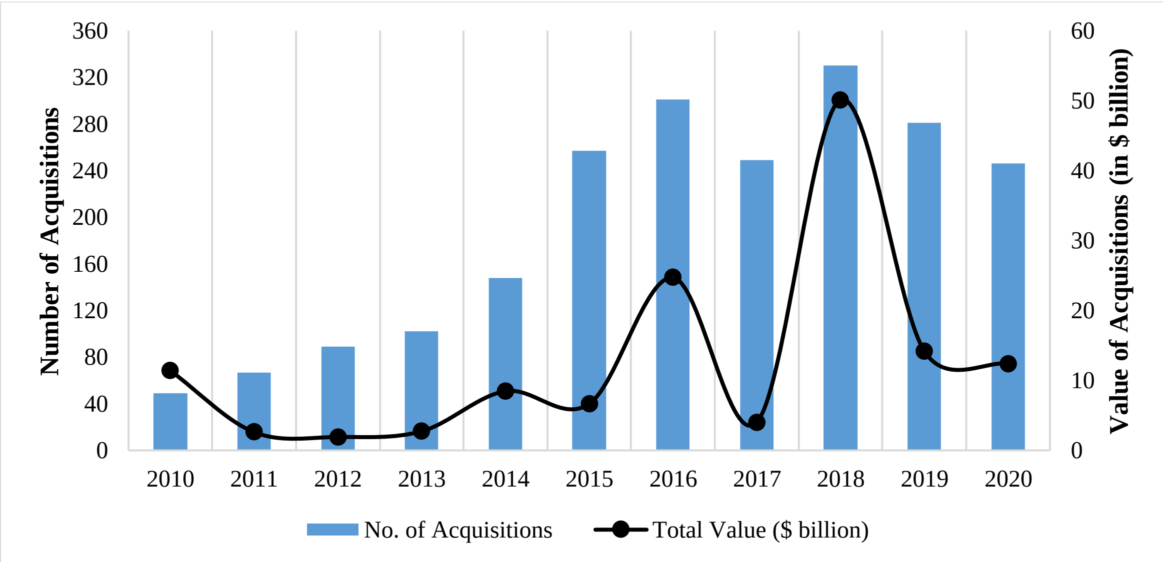
10	Elango & Pattnaik (2011)	Acquiring Firm	2000-2006	Role of acquisition in the internationalization process of Indian firms
11	Gubbi et al (2010)	Acquiring Firm	2000-2007	Impact of cross-border acquisitions by Indian firms on shareholder value creation
12	Popli et al (2017)	Acquiring Firm	2005-2013	Impact of business group affiliation on post-acquisition performance of acquiring Indian firms.
13	Banarjee et al (2014)	Acquiring Firm	1995-2011	Impact of M&As on the profitability of the acquiring Indian firm
14	Ahsan et al (2021)	Acquiring Firm	2000-2018	Motives for cross-border acquisitions by Indian firms
15	Bhaumik & Selarka (2012)	Acquiring Firm	1995-2004	Impact of ownership concentration on the post-acquisition performance of the acquiring Indian firm.
16	Sinha et al (2010)	Acquiring Firm	2000-2008	Impact of M&As on the financial efficiency of the acquiring Indian firms
17	Reddy et al (2019)	Acquiring Firm	2004-2006	Impact of M&As on the post-acquisition performance (abnormal returns) of the acquiring Indian firm.
18	Soni et al (2019)	Acquiring Firm	2000-2015	Motives for domestic and cross-border M&As undertaken by Indian IT firms
19	Ataullah et al (2014)	Acquiring Firm	1997-2008	Impact of cross-border acquisitions on the post-acquisition employment and productivity growth at the acquiring Indian firms

In addition, many of the 19 studies have focused on post-acquisition performance and have used financial indicators as measures for evaluating performance (Kohli & Mann, 2012). Few studies, such as Ataullah et al (2014), have used employment numbers as the post-acquisition performance measure. However, their study examines foreign acquisitions undertaken by Indian firms and looks at the post-acquisition employment growth in the acquiring and not the acquired firm. Despite the steady increase in in-bound M&As in India, the perspective of the acquired firm remains under-examined in M&A research. Furthermore, despite the growing concern about acquisition induced employment loss (Lehto & Böckerman, 2008), there is a lack of research on the employment effects of acquisitions in an Indian context. This study aims to fill both these crucial research gaps by examining the employment effects of acquisitions at acquired entrepreneurial Indian firms.

2.7 Entrepreneurial Acquisition Trends in India

The growing number of M&As in India has also resulted in the rise of the acquisition of entrepreneurial firms in India. In 2021, 255 entrepreneurial firms in India were acquired, with the biggest deal being $4.7 billion (Entrackr, 2022). Figure 2.4 outlines the trends of the acquisition of entrepreneurial firms in India from 2010 to 2020. As can be observed, such acquisitions have gained momentum in the past decade. The rise in acquisition activity reflects the flourishing Indian entrepreneurial ecosystem. India, with 94 unicorns – start-ups valued at or over $1 billion – is the fourth largest start-up ecosystem globally (Business Today, 2022). In 2021, the ecosystem raised $8.4 billion in equity funding, registering a year-on-year growth of 22% and adding 44 unicorns (livemint, 2022).

Figure 2.4: The Acquisition Trend of Indian Entrepreneurial Firms (2010-2020)



Source: Tracxn database

Acquisition has also emerged as a preferred exit route for Indian entrepreneurs with 57% of Indian entrepreneurs highlighting acquisitions as their preferred exit strategy (Innoven Capital, 2020). In the last ten years, exits through acquisition have increased by over 500% in India, from 49 in 2010 to 255 in 2021. The activity peaked in 2018 with 330 acquisitions and a combined deal value of over $50 billion. Walmart's acquisition of the Indian e-commerce start-up – Flipkart remains the largest acquisition of the Indian entrepreneurial ecosystem thus far. Walmart acquired a 77% stake in the company for $16 billion (TechCrunch, 2018). Despite the rising number of the acquisition of entrepreneurial firms in India, the phenomenon remains under-investigated. The employment effect of such acquisitions constitutes an important policy issue as entrepreneurial firms tend to generate high-quality jobs on a large-scale (Government of India, 2021).

Given the economic importance of entrepreneurial firms, their underrepresentation in the M&A studies concerning India, the rising number of the acquisition of entrepreneurial firms, the tendency of entrepreneurial firms to be targeted by killer acquisitions (Cunningham et al., 2021), and the associated employment loss concerns (OECD 2020; Letina et al., 2021), collectively necessitates the investigation of the phenomenon. This study aims to contribute to our understanding of post-acquisition employment change in acquired entrepreneurial firms by investigating the direction and scale of post-acquisition employment change. The study will also investigate the factors affecting such changes. In doing so, this study will extend the knowledge base on entrepreneurial firms, their acquisitions and associated employment change as has been recommended by Cunningham et al. (2021), Demir et al. (2017), Mawson & Brown (2017), Rossi et al. (2013).

2.8 Chapter Summary

Chapter 2 discussed the definition of the key terms used in the study and a brief overview of the research context. The chapter began by defining the two key terms - Acquisitions and Entrepreneurial firms. While previous studies have used the terms mergers and acquisitions interchangeably, this study exclusively uses the term acquisition, specifically entrepreneurial acquisition. Similarly, while entrepreneurial firms have attracted significant research attention, their definition remains ambiguous. Section 2.3 presented the main parameters used while defining entrepreneurial firms. These sections were followed by section 2.4, which briefly outlined the key motives behind acquisitions. Section 2.5 elaborated on the distinct motives behind the acquisition of entrepreneurial firms. Next, sections 2.6 and 2.7 outlined the overall acquisition and entrepreneurial acquisition trends in the context of India. The combined streams of evidence highlighted the need for an increased focus on the acquisition of entrepreneurial firms and their impact on post-acquisition employment change. The next chapter (Chapter 3) systematically reviews the evidence on the employment effects of acquisitions.

Chapter 3: Employment Effects of Acquisitions – A Systematic Literature Review

3.1. Introduction

Chapter 3 seeks to address the first research question by synthesising the available empirical evidence on the employment effects of acquisitions. Despite its importance, the area has received relatively little research attention (Amess et al., 2014), and very few studies have sought to investigate the topic (Goergen et al., 2011). Similarly, Haleblian et al. (2009), who comprehensively reviewed the literature on the causes and consequences of acquisitions, argue that there is still much to learn about the employment effects of acquisitions. This chapter aims to address this by understanding the existing scholarship on the employment effects of acquisitions. To achieve this aim the study uses a systematic review approach, covering empirical acquisitions research over three decades. The studies are reviewed on the following parameters: (a) The research context – geography & industry focus, (b) The methodology used, (c) The unit of analysis, (d) The temporal aspect of measurement, (e) The type of M&As examined and (f) The research findings.

The chapter will allow the reader to familiarise themselves with the current state of scholarship in the area. Through this review, the chapter intends to answer RQ1:

> **"*What does the existing literature tell us about the employment effects of acquisitions?*"**

Through a thorough examination of existing empirical evidence, the review highlights the key knowledge gaps in the current literature. It further identifies and elaborates on the factors that lead to post-acquisition employment changes. The chapter is structured as follows: Section 3.2 elaborates on the systematic review method by highlighting the planning, screening, selecting and analysing procedures, followed by section 3.3, which highlights the findings of the systematic review aligned with the examined parameters. Section 3.4 synthesises the main findings and underlines the identified research gaps. The chapter ends with a chapter summary in section 3.5.

3.2 A Systematic Narrative Literature Review

Despite decades of research on the employment effects of acquisitions, few attempts have been made to translate these research findings into an analytical review. There is a pressing need to examine the various aspects of the existing literature and investigate the empirical evidence comprehensively and pragmatically. Thus, a systematic review methodology has been adopted to achieve this objective. The systematic review process is a thorough review of the existing evidence driven by a clearly formulated review question (De Menezes & Kelliher, 2011).

Systematic reviews employ a reproductive scientific procedure to eliminate bias through literature searches (De Menezes & Kelliher, 2011; Tranfield et al., 2003), which enhances the quality of review procedures and results, by implementing transparent protocols and replicable processes (Crossan & Apaydin, 2010). This ensures fidelity, completeness, and rigor in the review (González et al., 2010). The following sections discuss the four main steps involved in conducting a systematic review: Planning, Searching, Screening and Extraction/Synthesis/Reporting as outlined by Tranfield et al. (2003).

3.2.1 Planning and Searching

A successful review hinges on a clear research question(s) (Nguyen et al., 2018) as it helps in the navigation of the systematic review process (De Menezes & Kelliher, 2011), and outlines the overall review process. This review rests on the following key questions:

1. What is the geographic and industry focus of the studies examining employment effect of M&As?
2. What methodology is employed to measure the employment effects of M&As?
3. What is the unit of analysis?
4. What is the time-period covered?
5. What are the types of M&As examined?
6. What are the findings reported by such studies?

The objectives of the review are to synthesize the research on employment effects of M&As; to examine the range of variables that explain this relationship, and to identify the research gaps. Database search was a core tool in the search process. Three key databases have been used in for literature search namely: Science Direct, Scopus and Web of Science. These three databases were selected due to their extensive coverage and the full article access functionality. Web of science is a multi-disciplinary database covering 10,000 of the world's highest impact journals. ScienceDirect offers access to over 2500 Elsevier journals across 24 major scientific disciplines[2]. Scopus is one of the world's largest abstracting and indexing database of research literature offering access to titles from more than 5000 publishers[3].

A general selection requirement was applied for the initial search to minimize the possibility of excluding any relevant article. The scope for the search string was set to the title, abstract and author-specified keywords which is the default setting in all three databases. The search was not restricted to a specific publication period to ensure that all relevant articles get covered irrespective of their publication date. The decision regarding the keywords to be used was then made (the "*" sign was used at the end of some keywords to expand the range of possible studies as many papers use slightly different keywords for the same concept, e.g., 'merger' instead of 'mergers'). Based on the research questions the following two classes of keywords were used:

1. Words related to employment: "***labour market****", "***labour market effect****", "***employment***", ***"job*",*** "***employment effect****"; and
2. Words related to mergers and acquisitions: "***takeover****", "***merger****"and "***acquisition****"

The literature search was based on all possible combinations of these two types of keywords. The combinations were generated using Boolean connectors (AND, OR, AND NOT) to create search strings. The entries returned by the databases were then recorded. A total of 190 articles were returned by the databases. Table 3.1 outlines the protocol used for the database search.

[2] Source: https://www.elsevier.com/solutions/sciencedirect/content
[3] Source: https://www.elsevier.com/solutions/scopus/how-scopus-works/content

Table 3.1: Database Search Protocol

Database	Date Range	Scope	No. of Publications
Scopus	Any	Title, Abstract, Keywords	88
Web of Science	Any	Title, Abstract, Keywords	74
Science Direct	Any	Title, Abstract, Keywords	28
Total			**190**

3.2.2 Screening

The inclusion and exclusion criteria were determined to ensure fidelity and completeness and to protect the objectivity (Abidi et al., 2014), as illustrated in Table 3.2**.** The review was extended to include literature from various disciplines, including *Business, Management, Finance, Economics, Accounting, Industrial Relations, and Development Studies*. The review, however, was restricted to published peer-reviewed journal articles and working papers written in English. Peer-reviewed journal articles are validated streams of knowledge that significantly impact the discipline (Ordanini et al., 2008). Journal ranking was not a key criterion in the review methodology. This decision ensured that recent and relevant articles from new journals were not omitted.

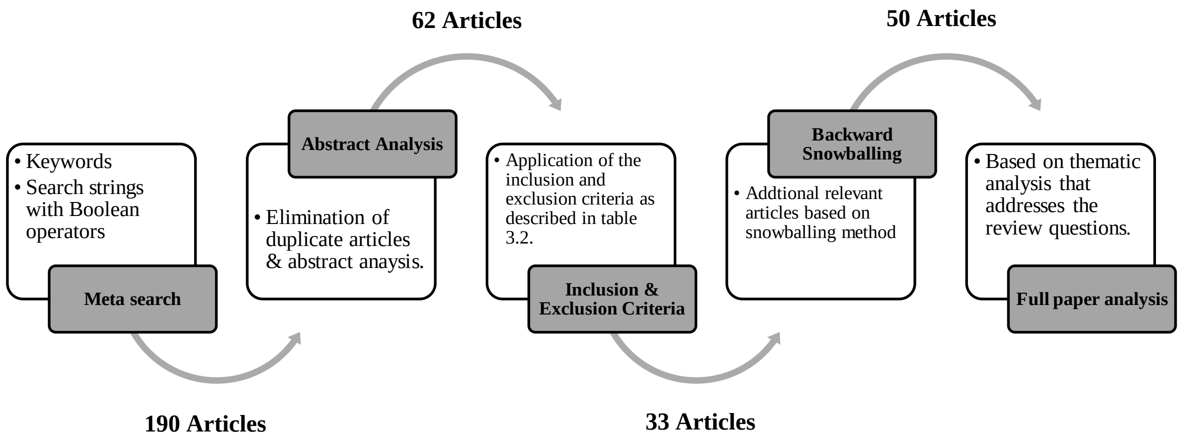
Only the articles that examined the relationship between M&As and post-M&A employment levels were shortlisted. After eliminating the duplicate articles, the abstracts were screened. Post abstract screening, a total of 62 articles were deemed relevant. The inclusion and exclusion criteria were then applied, which resulted in a total of 33 articles.

Table 3.2: Inclusion and Exclusion Criteria

	Inclusion Criteria	Exclusion Criteria
Preliminary Screening	1. Peer reviewed journal articles & Working papers. 2. **Disciplines:** Business, Finance, Economics, Industrial Relations, Developmental Studies, Accounting. 3. **Date Range:** Any 4. **Journal Rank:** Any	1. Conference proceedings, Opinion Pieces, Book Chapters. 2. Articles in languages other than English
Abstract Screening	Articles primarily examining the effects of takeovers/ M&As on the level of employment.	Articles primarily focused on the relationship between takeovers/M&As and any other variables besides employment such as shareholder wealth and sales etc.

The snowballing method identified additional relevant articles. Backwards snowballing was performed using the sample of 33 shortlisted articles. Snowballing is a common and pragmatic approach used by researchers to shortlist papers for a systemic review (Bezerra et al., 2014). It involves scanning through the references of the shortlisted articles. Additional 17 articles were identified through this process. The final review sample comprised 50 studies on the employment effects of acquisitions. Table 3.1 illustrates the article screening process.

Figure 3.1: Article Screening Methodology



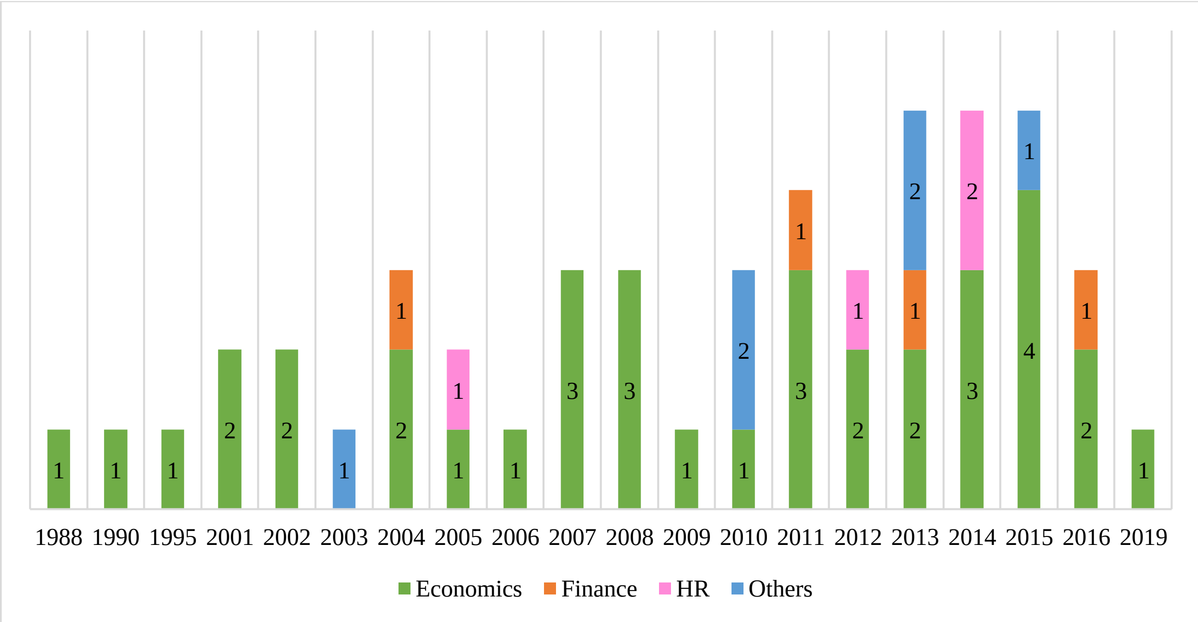
Source: Adapted from Abidi et al. (2014)

3.2.3 Sample of Articless

The review sample set contained a total of 50 studies (48 peer-reviewed journal articles and 2 working papers). Both the working papers in the sample were published by the National Bureau of Economic Research (NBER). The peer-reviewed journal articles in the sample represent a total of 41 different journals. *European Economic Review* is the journal with the highest representation in the review sample with three studies. It is followed by *The Review of Economics and Statistics*, *Journal of Economic Behavior and Organization*, *International Journal of Industrial Organization*, *Small Business Economics* (SBE) and *Canadian Journal of Economics* with two studies each. The remaining 35 articles represent 35 different scientific journals. 72% of the review articles

(36) belong to journals in the subject area of Economics. Finance and Human Resource Management each account for 8% of the studies (4). The remaining 12% of the studies (6) represent six different subject areas: social sciences, organisation studies, strategy, international business and area studies, general management, and information management. The complete list of reviewed articles is attached in Appendix A.

Figure 3.2: Review Articles across Subject Areas



The dominance of the economics journals reflects the research methodology adopted in the studies. The review articles cover a span of 31 years ranging from the year 1988 to 2019. 58% of the review articles (29) were published in the last decade (in or after 2010) despite the date range not being a key parameter of the inclusion criteria. The number of publications on the employment effects of M&As peaked in the year 2013 (five studies) and remained steady till 2015 after which it declined (Figure 3.2). Notably, 66% of the review articles (33) were published during or after the global financial crisis of 2008. It is also worth highlighting that 92% of the peer-reviewed journal articles (44) included in our sample are published in ABS ranked journals. Additionally, 60% of the journal articles were from journals ranked three or higher, signifying their originality, exclusivity, and high regard amongst the scholarly community (ABS, 2018). For a full list of the publications refer to Appendix B.

3.2.4 Record Sheet

In line with Meglio & Risberg (2011), an excel spreadsheet recorded and stored all the information on each article (author name, year of publication, and the journal name). The spreadsheet also recorded the summary of each article and the key findings. A screenshot of the spreadsheet is attached in Appendix C. Per the review questions, the studies are analysed using the following parameters:

Research Setting: The research setting records the geographical and industry classification of the shortlisted papers. The industry classification is categorized as manufacturing and multiple. "Multiple" denotes studies based on a diverse range of industries. In addition, the code records the geographic focus of each study. The geography is categorised as North America, European Union States, UK, China, Japan, and others for presentation purposes.

Research Methods: The research method records the type of method used in the articles to measure the employment effect of acquisitions. The methods are categorised as quantitative, qualitative, and mixed methods (Meglio & Risberg, 2011). In addition, it records the total number of dependent variables in each study and the type of the databases used.

Unit of Analysis: This code records the unit of analysis used by the researchers to study the employment change. The unit of analysis is categorised as an acquired firm, acquiring firm or other unit used. In several articles, especially in the manufacturing sector, employment is measured in the new entity resulting from the acquisition. In such cases, the unit of analysis is the acquiring firm. In addition, this code records the type of firms examined in each study. The firms are classified as publicly listed, privately owned or a mixed sample comprising both types.

Temporal Dimension: This code records the time period measured (Meglio & Risberg, 2011) and captures the number of years after the acquisition used by the researchers to measure employment. In addition, this code recorded the upper-year limit of the datasets examined in the sample articles.

Type of M&As examined: This code records the type of acquisitions investigated in the articles. Acquisitions are categorised as domestic acquisitions, cross-border acquisitions, hostile takeovers, institutional buyouts (IBOs)/ management buyouts (MBOs)/ leveraged buyouts (LBOs) and others if any.

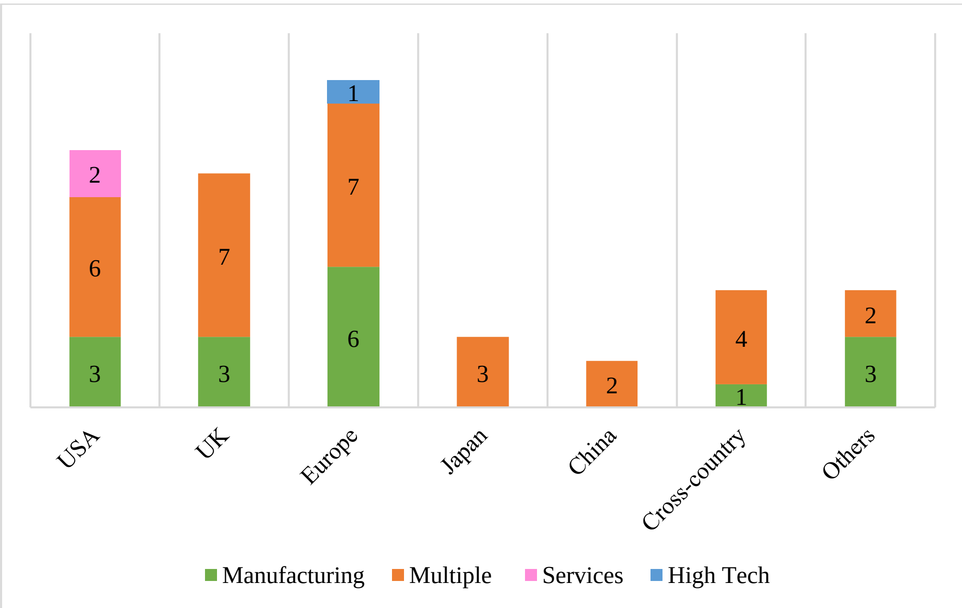
Research Findings: This code records the findings related to post-acquisition employment change for each article. The findings are categorised as positive, negative, mixed and no effect.

3.3 Results

3.3.1 The Research Setting – Geographic and Industry Focus

The articles were coded based on their geographic and industry focus to understand where the employment effect of acquisitions was being studied. Figure 3.3 provides a breakdown of the review articles across research settings. Manufacturing was the single most studied sector with 16 studies (32%) (e.g., McGuckin & Nguyen, 2001).

Figure 3.3: Research Setting: Geographic and Industrial Focus



The manufacturing sector remained consistently popular, with studies ranging from 1987 to 2016. 62% of the studies (31) were based on panel data spanning multiple industries (e.g., Almeida 2007). This could be due to the reason that a broad spectrum of the industrial composition increases the generalizability of the findings (Beckmann &

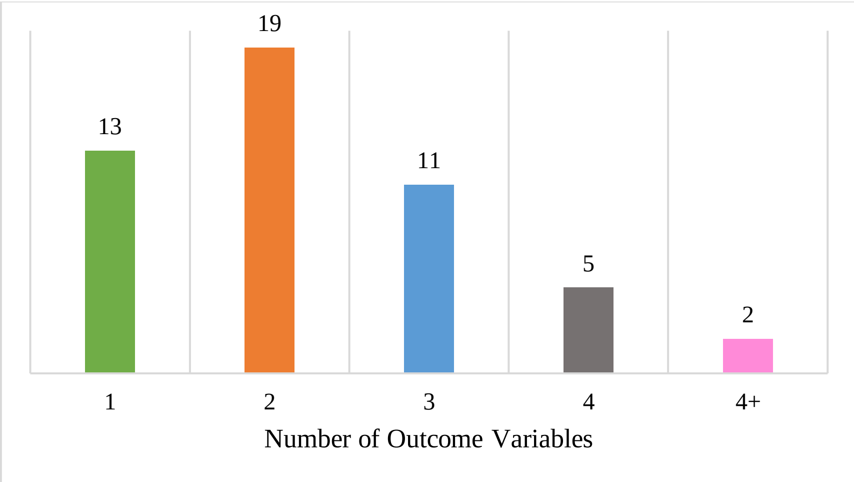
Forbes, 2004). The services sector seems to have attracted less interest with only two studies (Healthcare: Currie et al., 2005; Telecommunications: Majumdar et al., 2010). Only one study specifically looked at the high-tech sector (Xiao, 2015). Europe (excluding the UK) was the most commonly occurring geographic region in the sample. Fourteen (28%) articles examined the employment effects of acquisitions in Europe (e.g., Huttunen, 2007). The USA, however, was the most studied country, with a total of eleven studies (22%) (e.g., Chari et al., 2012), closely followed by the UK with ten studies (20%) (e.g., Conyon et al., 2002b). Cross-country studies accounted for 10% of our sample with six studies (e.g., Hijzen et al., 2013). Among the cross-country studies, three of the five articles either compared countries within Europe (e.g., Oberhofer, 2013), a European country with the UK (e.g., Stiebale & Trax, 2011) and the USA (Gugler & Yurtoglu, 2004).

Multiple scholars have highlighted the over-representation of the western hemisphere in the acquisition literature (Liu et al., 2015; Meglio & Risberg, 2011). However, such an overrepresentation could be due to readily available, widely accessible, transparent and complete databases. Asian countries made up 12% of the sample with six studies. Three studies were from Japan (e.g., Kubo & Saito, 2012), two studies from China (e.g., Liu et al., 2015) and one from Indonesia (e.g., Lipsey et al., 2013). The shift to Asia is relatively recent, with the oldest study dating back to 2007 (e.g., Gong et al., 2007). In addition, the sample had one study each from Canada, New Zealand, South Africa and Brazil, respectively.

3.3.2 Research Methods Used

All studies in the sample employed quantitative methods to investigate the employment effects of acquisitions. In line with Meglio & Risberg (2011), different types of statistical analyses (using both primary and secondary data) were categorized under the heading of 'Quantitative'. The Difference in Difference (*DiD*) analysis with Propensity Score Matching (*PSM*) was the most widely used empirical strategy (e.g., Amess et al., 2014; Ataullah et al., 2014; Chari et al., 2012). 80% of the studies (40) compared the post-M&A employment changes in the acquired firm with a control sample of non-acquired firms (e.g., Bandick & Karpaty, 2011; Stiebale & Trax, 2011). Such a comparison makes the analysis robust by controlling for industry and market-related shocks, which can have a bearing on the post-M&A employment change (Almeida, 2007; Kubo & Saito, 2012). The remaining 20% (10) of the studies employed other methods to evaluate the post-acquisition employment changes. Beckmann & Forbes (2004), for instance, controlled for industry-related shocks by comparing the post-acquisition employment change in acquired firms with a benchmark associated with their respective industries. Williams (2003), used the ordered probit model to compare the post-acquisition employment change with other modes of Foreign Direct Investment (FDI). Brännlund et al. (2016), deploy the sequential bargaining model to study the impact of Cross-border M&As on the employment level of the target firm. Sector-specific studies used dummies to control for industry-related effects (Behar & Hodge, 2008; Currie et al., 2005; Majumdar et al., 2010).

Figure 3.4: Number of Outcome Variables across Studies



In terms of the outcome variables, the majority of the studies (74%; 37) examined more than one variable (Figure 3.4). 38% of the studies (19) examined the impact of acquisition on two outcome variables, 22% (11) on three and 10% (5) on four outcome variables. Of the remaining two studies, Li (2013), studied the impact of acquisitions on five outcome variables and Fabling & Sanderson (2014), examined six outcome variables. The second most widely studied outcome variable after employment was wages. 48% of the studies (24) studied the impact of M&As on employee wages. This was followed by productivity (24%; 12), output[4] (20%; 10), survival (10%; 5), investment (8%; 4), profitability (6%; 3) and human capital (4%; 2). Other outcome variables included divestures, tax savings

[4] The variable output includes sales and revenue.

(Bhagat et al., 1990), efficiency (Oldford & Otchere, 2016) and employee workload (Currie et al., 2005). Table 3.3 lists the outcome variable used across the studies.

Table 3.3: Outcome Variables across Studies

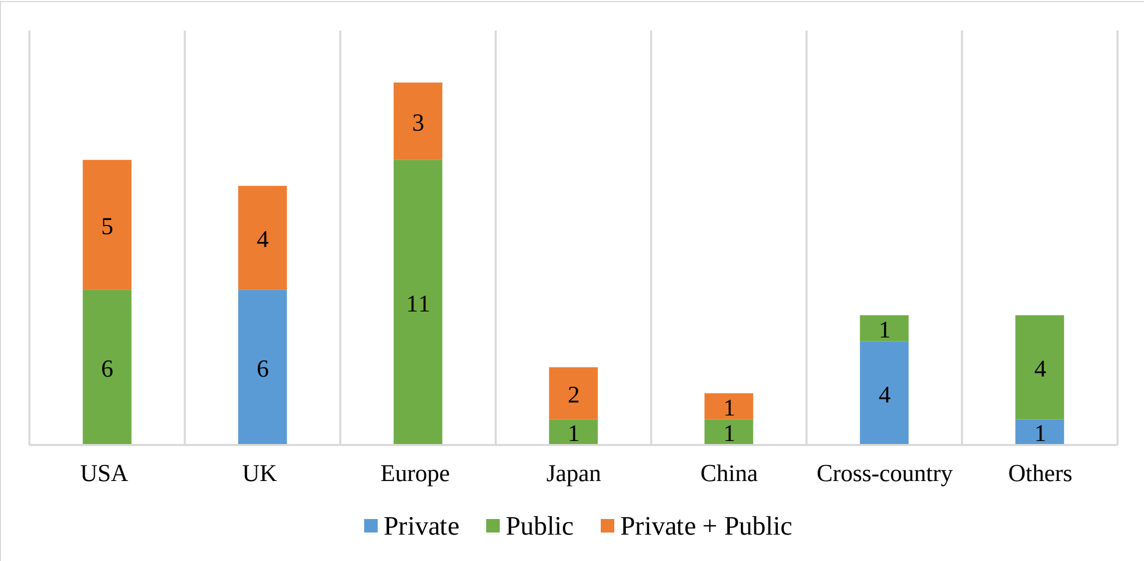
Studies \ Outcome variables	Wages	Productivity	Output	Survival	Investment	Profitability	Others
Almeida (2007)	✓						Human Capital
Amess et al. (2014)	✓						
Ataullah et al. (2014)		✓					
Bandick & Görg (2010)				✓			
Beckman & Forbes (2004)	✓						
Behar & Hodge (2008)	✓						
Bhagat et al. (1990)					✓		Divesture Tax Savings
Brännlund et al. (2016)	✓						
Brown & Medoff (1988)	✓						
Chari et al. (2012)			✓			✓	
Conyon et al. (2001)			✓				
Conyon et al. (2002a)			✓				
Conyon et al. (2002b)	✓	✓					
Curie et al. (2005)	✓		✓				Workload
Dragan & Dusan (2016)	✓	✓					
Fabling & Sanderson (2014)	✓	✓	✓	✓	✓		
Fukao et al. (2008)		✓				✓	
Geluebcke (2015)		✓					
Girma (2005)	✓		✓				
Goergen et al. (2014)	✓	✓				✓	
Gokhale et al. (1995)	✓						
Hizen et al. (2013)	✓						
Huttunen (2007)	✓						
Kubo & Saito (2012)	✓						
Li (2012)	✓						
Li (2013)	✓	✓	✓		✓		

Liu et al. (2015)	✓						
Majumdar et al. (2010)	✓						
Martins & Esteves (2015)	✓						
Mata & Portugal (2004)	✓			✓			
McGukin & Nguyen (2001)	✓			✓			
Nguyen & Ollinger (2009)	✓			✓			
Oldford & Otchere (2016)		✓					Efficiency
Siegel & Simons (2010)		✓	✓				Human Capital
Stiebale & Trax (2011)		✓	✓		✓		
Visic (2015)		✓					
Xiao (2015)			✓				
Total	**24**	**12**	**10**	**5**	**4**	**3**	

The studies were largely based on secondary sources of data available either from government agencies (e.g., Bernard & Sjöholm, 2003; Margolis, 2006), private databases (e.g., Conyon et al., 2002a; Oberhofer, 2013) or a combination of both (e.g., Beckmann & Forbes, 2004; Doytch et al., 2011). Some studies employed additional primary data collection methods such as interviews (Gokhale et al., 1995), surveys (e.g., Williams, 2003) and archives (e.g., Conyon et al., 2002a; Kuvandikov et al., 2014) to identify additional variables and complement the secondary data sources. Financial magazines and business periodicals were a crucial source of data in several studies (e.g., Kuvandikov et al., 2014; Conyon et al., 2002a). For instance, in Lehto & Böckerman (2008), a privately-owned weekly magazine – *Talouselämä*, was the primary data source.

Magazines and periodicals fill a crucial information gap in acquisition research, especially in deals where the entities are merged after the transaction, making it difficult to attribute the changes in quantitative information (Bhagat et al., 1990). They also add richness to the data sample by highlighting information that can be missed by quantitative datasets, for instance, the identification of hostile acquisitions (Conyon et al., 2001) and post-acquisition integration issues (Beckmann & Forbes, 2004). In addition, most of the studies in the sample (78%) relied wholly (e.g., Fabling & Sanderson, 2014; Geluebcke, 2015) or partially (e.g., Hijzen et al., 2013; Visic, 2015) upon datasets collated by government agencies. Only 22% of the studies (11) were based solely on private databases (e.g., Ataullah et al., 2014; Kuvandikov et al., 2014). The review found that 80% of cross-country studies and 60% of studies based in the UK relied exclusively on privately owned databases (Figure 3.5). Whereas the majority of Europe (79%) and US-based studies (55%) exclusively relied on public databases.

Figure 3.5: Database Types across Regions

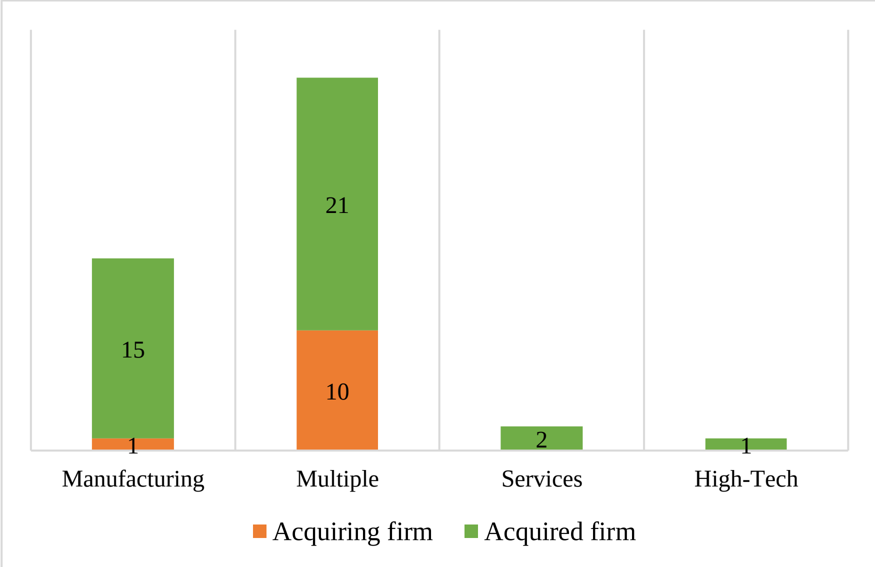


3.3.3 Unit of Analysis

As two parties are involved in an acquisition, the studies were coded based on the unit of analysis. The units of analysis were categorised as acquiring firm[5] and acquired firm. The acquired firm was the most used unit of analysis. In 39 (80%) articles, scholars measured the post-acquisition employment effects from the perspective of the acquired firm (e.g., Siegel & Simons, 2010). This trend isn't surprising as the employment concerns associated with acquisitions stem from the breach of trust hypothesis (Shleifer & Summers, 1988), which argues that acquisitions create opportunities for the management of the acquiring firm to renege on implicit contracts with workers, further leading to layoffs. The acquired firm perspective was dominant across all industrial classifications (Figure 3.6). In the remaining 11 (20%) articles, scholars have evaluated the employment effects of acquisitions from the perspective of the acquiring firm (e.g., Stiebale & Trax, 2011).

[5] The 'Acquiring firm' category also includes studies that examined employment in the new entity created post-M&A.

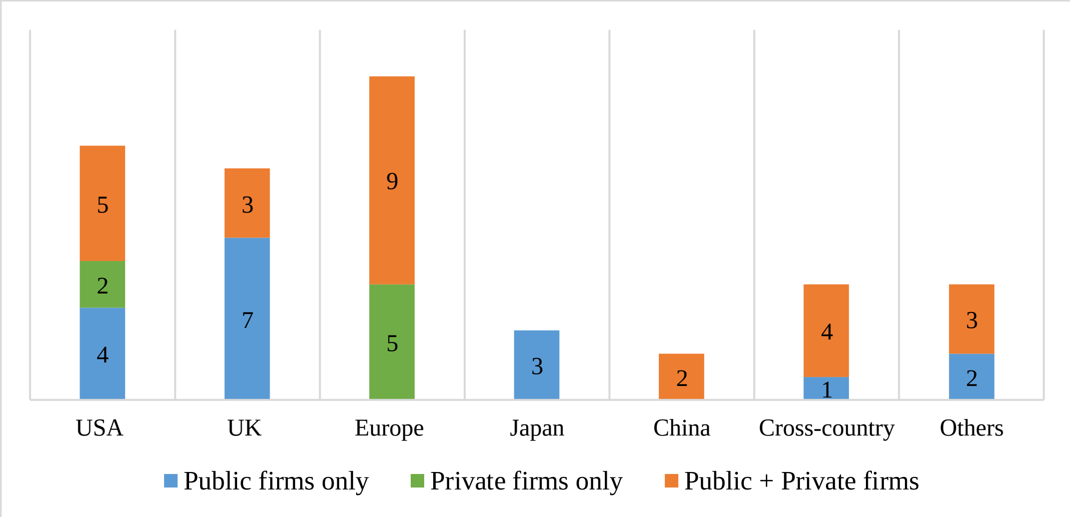
Figure 3.6: Unit of Analysis across Industries



The articles were also categorised based on the type of firms examined. The three categories were public firms, private firms, and a combination of public and private firms. 52% (26) of the studies had a mixed sample comprising public and privately owned firms (e.g., Margolis, 2006; Siegel & Simons, 2010). 34% (17) of studies examined acquisitions in publicly listed firms, and only 14% (7) looked at acquisitions in private firms. Five out of these seven studies were Europe based studies (Almeida, 2007; Geurts & Biesebroeck, 2019; Huttunen 2007; Lehto & Böckerman, 2008; Xiao, 2015).

The other two studies of privately owned firms were US-based studies (Brown & Medoff, 1988; Currie et al., 2005). 20% of the studies in our sample (10) were UK-based, but none of those examined private firms exclusively (Figure 3.7). The UK samples were either made of public firms only (7) or a combination of both public and private firms (3). The acquisition literature is known to be heavily biased towards large firms (Girma, 2005), and the findings indicate the same. Only 13 studies in the sample examined datasets that included small firms. 75% of which (9) were Europe-based studies. Two of the remaining three studies were from the UK (Williams, 2003) and Indonesia (Lipsey et al., 2013), while one was a cross-country study (Hijzen et al., 2013).

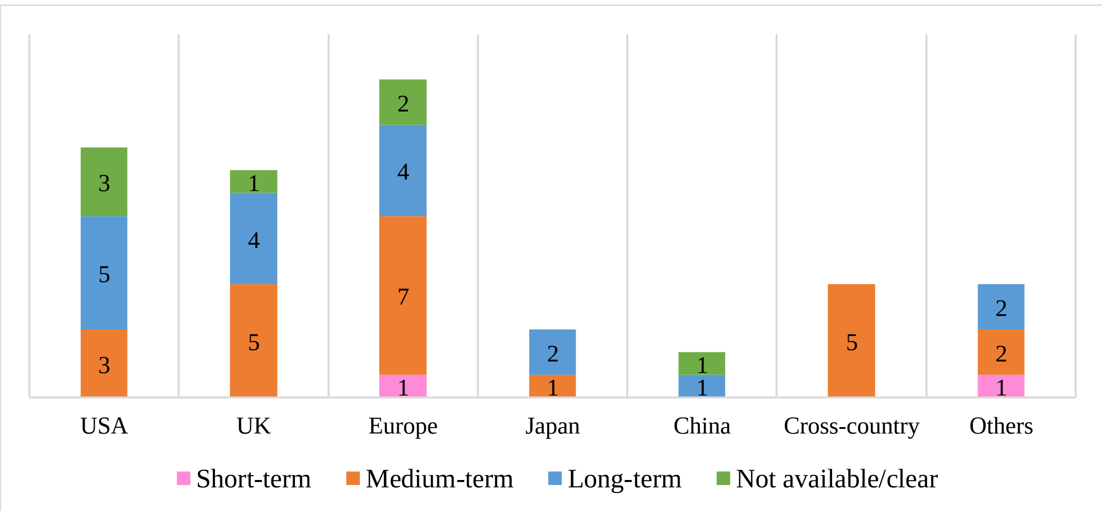
Figure 3.7: Type of Firms across Regions



3.3.4 Temporal Dimension

This section focuses on the 'when' question and examines the time period employed. Based on Meglio & Risberg (2011), the time period is classified as short-term (≤ 1 year), medium-term (>1 year ≤3 years) and long-term (>3 years). 14% of the sample articles (7) did not provide a clear indication of the time scale used in the study. Doytch et al. (2011), for instance, argue that they examine both short-term and long-term employment effects of acquisitions, but do not elaborate on their definition of the terms. 82% of the articles (41) examined medium to long-term employment effects of acquisitions (Figure 3.8). Only 4% of the studies (2) used a short-term scale.

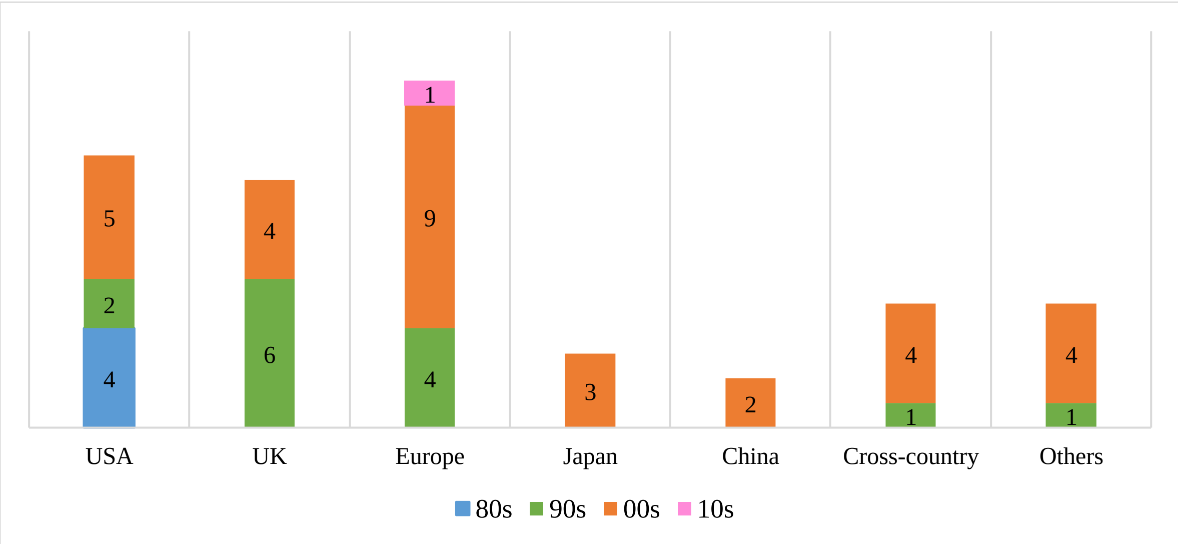
Figure 3.8: Used Time Scale across Regions



The medium-term scale was the most used time scale with 23 articles (46%). All cross-country studies used the medium-term scale to gauge the employment effects of acquisitions. 36% of the articles (18) used a time scale longer than three years and up to 10 years (e.g., Taguchi & Yanagawa, 2013). Only one study reported varying degrees of employment changes post-M&A based on the time-scale of measurement (Kuvandikov et al., 2014). The study found that post-acquisition employment progressively declined from 2.6% in the first year to 9.2% three years after the acquisition, with divestments in the acquired firm being the key reason behind the change.

To examine the topicality of the datasets used in the reviewed articles, the upper-year limit of the dataset was also recorded. The upper-year limit ranged from 1984 (Brown & Medoff, 1988) to 2012 (Geurts & Biesebroeck, 2019). The upper-year limit of 62% of the studies (31) was between the years 2000 to 2009 (e.g., Brännlund et al., 2016; Oldford & Otchere, 2016) (Figure 3.9). Geurts & Biesebroeck (2019) is the only article in our sample with a post-2010 upper-year limit, highlighting the lack of coverage of recent acquisitions. 36% of the studies (18) had an upper-year limit of 1999 or earlier (e.g., Bhagat et al., 1990; Mata & Portugal, 2004).

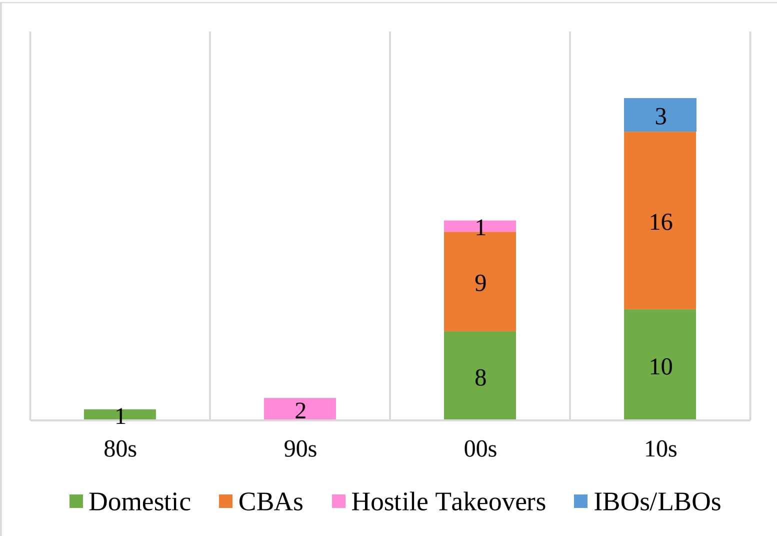
Figure 3.9: Dataset's Upper Year Limit across Decades and Regions



3.3.5 Type of M&As Examined

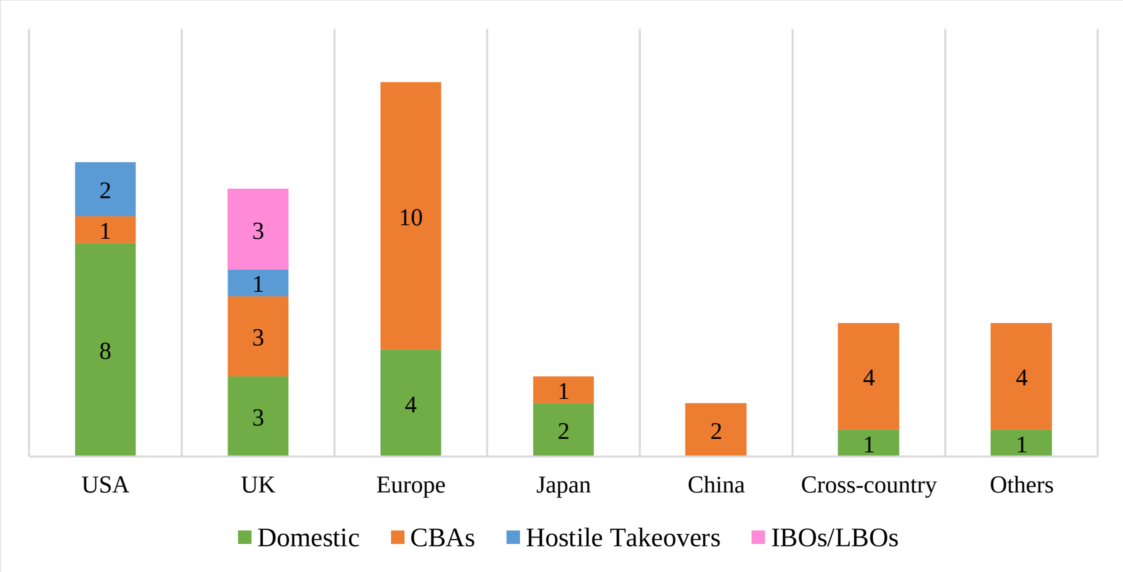
This section focuses on the 'what' question and examines the type of acquisitions studied in the review articles. The acquisitions have been classified into domestic, cross-border, hostile takeover, and private equity takeovers. Though the acquisitions can be further broken down into categories such as horizontal/vertical (e.g., Bandick & Görg, 2010; Geurts & Biesebroeck, 2019) and related/unrelated (e.g., Amess et al., 2014; Conyon et al., 2002a), there were very few such studies in the sample. Most review articles treated the word acquisitions and merger interchangeably with a few exceptions (e.g., Taguchi & Yanagawa, 2013). 50% of the review articles (25) examined cross-border acquisitions. This is not surprising as CBAs are generally associated with post-acquisition layoffs (Bandick & Görg, 2010; Oldford & Otchere, 2016). 38% of the review articles (19) examined domestic acquisitions, whereas hostile takeovers and private equity takeovers accounted for 6% of the review articles (3). This section documents the distribution of review articles based on the type of acquisitions examined over time (Figure 3.10) and across regions (Figure 3.11).

Figure 3.10: Type of M&As Examined across Decades



The interest in cross-border acquisitions has steadily increased over the decades. This trend highlights that the concerns related to employment loss are more pronounced in cross-border than in domestic acquisitions (Lehto & Böckerman, 2008). Private equity takeovers (IBOs/LBOs) have attracted the attention of scholars in the last decade. The three studies of private equity takeovers in the sample were published in 2011 (Goergen et al., 2011) and 2014 (Amess et al., 2014; Goergen et al., 2014). All three studies were UK-based. The analysis also shows that the share of domestic acquisitions was higher in the USA than in Europe. Eight of the Eleven (73%) US-based studies examined the employment effects of domestic acquisitions (e.g., Doytch et al., 2011; Li, 2012). The opposite was true for European studies, with ten of fourteen studies (71%) focusing on the employment effects of cross-border acquisitions. Cross-border acquisitions also dominated studies based in emerging economies, with five of the six studies (83%) focusing on the employment effects of CBAs (Ataullah et al., 2014; Gong et al., 2007; Liu et al., 2015; Lipsey et al., 2013; Martins & Esteves, 2015).

Figure 3.11: Types of M&As across Regions

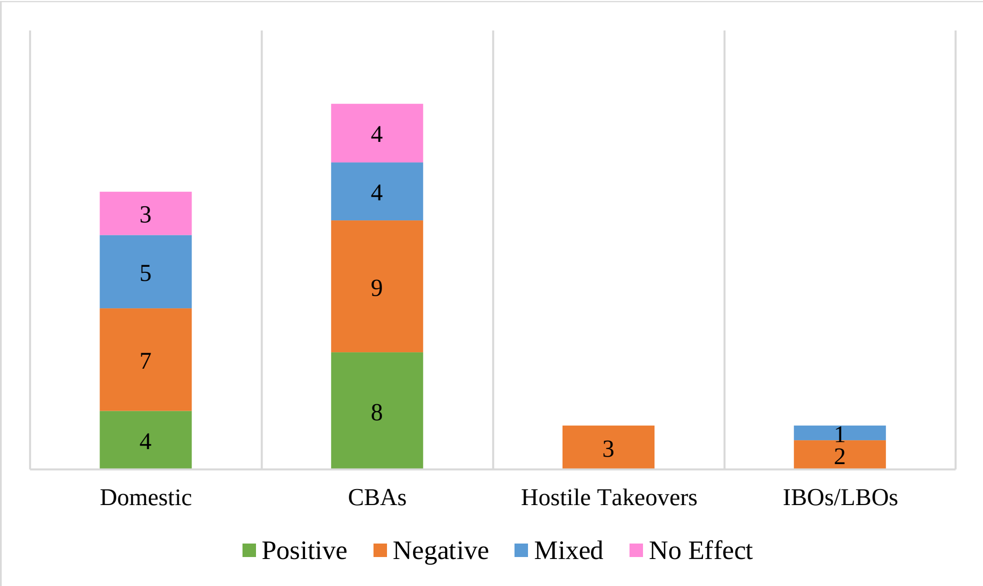


3.3.6 Research Findings

This section focuses on the "what" question by outlining the employment-related findings reported in the reviewed articles. The findings are divided into four categories: positive effects, negative effects, mixed effects, and no effects. 42% of the reviewed articles (21) report negative employment effects of acquisitions (e.g., Chari et al., 2012; Geluebcke, 2015), whereas 24% (12) report positive employment effects (e.g., Nguyen & Ollinger, 2009; Fabling & Sanderson, 2014). 20% of the articles (10) report mixed effects, i.e., effects conditional upon an additional variable such as type of deal (Brown & Medoff, 1988), geography (Gugler & Yurtoglu, 2004; Hijzen et al., 2013), size of acquisition (Girma, 2005), period of analysis (Kuvandikov et al., 2014), sector (Liu et al., 2015), industry relatedness between the acquiring and the acquired firm (Amess et al., 2014; Conyon et al., 2002a) and acquisition motive (Geurts & Biesebroeck, 2019). Additionally, 14% of our review articles (28) report no significant employment effect of acquisitions (e.g., Beckmann & Forbes, 2004; Fukao et al., 2008).

Given the complex nature of the phenomenon, the findings were further analysed based on the type of acquisitions (Figure 3.12), geography (Figure 3.13) and industry examined (Figure 3.14). This dissection allowed to develop a nuanced understanding of the data. Several scholars have argued that the type of acquisition can have a bearing on the post-acquisition employment change (Brown & Medoff, 1988; Taguchi & Yanagawa, 2013).

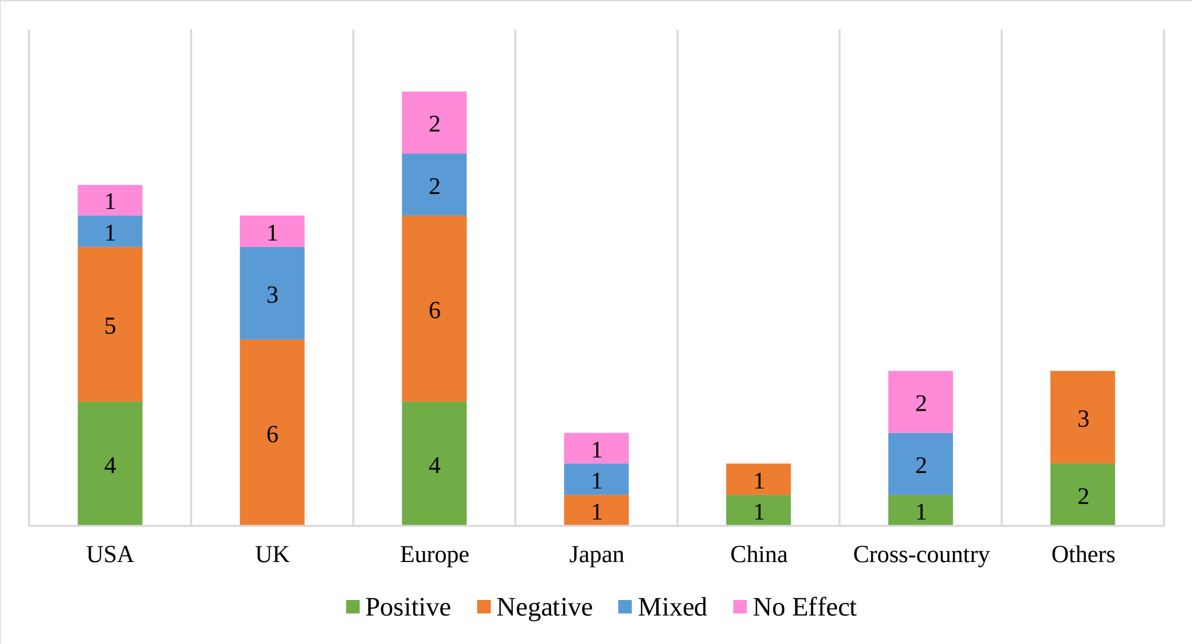
Figure 3.12: Employment Effects of M&As across M&A Type



Analysing the employment effects based on the type of acquisition, the review finds that the negative effects are more pronounced in hostile takeovers and institutional/leveraged buyouts. 83% of the review articles (five out of six) based on hostile takeovers and private equity takeovers report post-acquisition employment loss (e.g., Conyon et al., 2001; Goergen et al., 2011). The only exception is the study by Amess et al. (2014), which found no significant employment change following the takeover. The study, however, highlighted that leveraged buyouts backed by other sources lead to an employment loss of 11% post-acquisition.

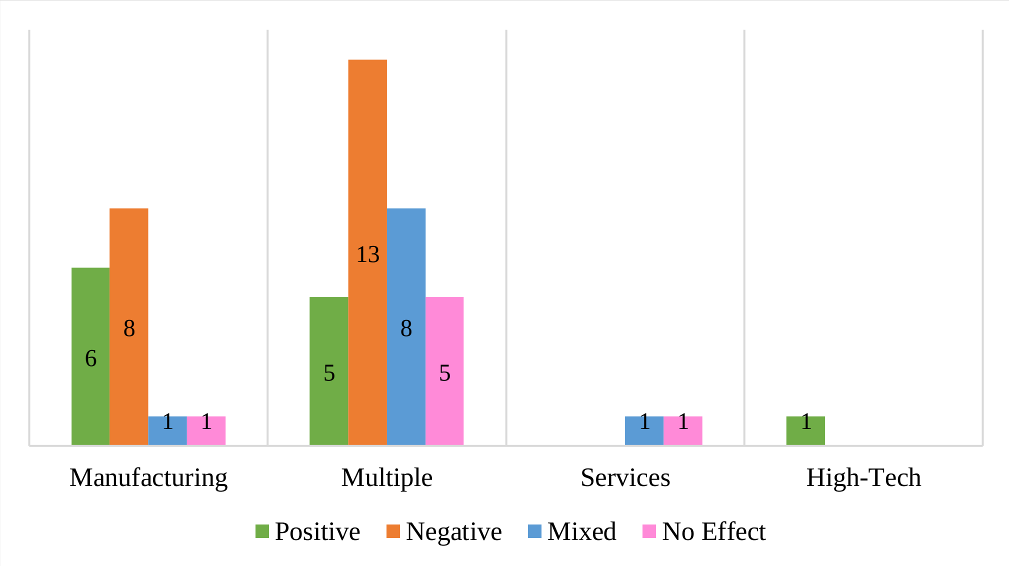
Contrary to the commonly held notion, a fewer share of studies on cross-border acquisitions reported negative effects than studies on domestic acquisitions. 37% of the studies on domestic acquisitions (7 out of 19) reported a post-acquisition employment loss (e.g., Margolis, 2006; Siegel & Simons, 2010) compared to 36% of studies on cross-border acquisitions (9 out of 25) (e.g., Huttunen, 2007; Martins & Esteves, 2015). Similarly, a higher share of studies on cross-border acquisitions reported either positive or no significant effect on post-acquisition employment (48%; 12 out of 25) (e.g., Bandick & Görg, 2010; Stiebale & Trax, 2011) than studies on domestic acquisitions (37%; 7 out of 19) (e.g., McGuckin & Nguyen, 2001; Visic, 2015). Thus, contrary to perceived wisdom, these results show that cross-border acquisitions do not result in significantly higher employment loss post-acquisition vis-à-vis domestic acquisitions.

Figure 3.13: Employment Effects of M&As across Regions



Behar & Hodge (2008), in their study of the mergers in the mining industry in South Africa, argue that the nature of the labour market in a country can have a bearing on the post-acquisition employment change. Consistent with Behar & Hodge (2008), the employment effects in the reviewed articles varied across geography. The review finds that a higher share of studies in the UK reported negative employment effects (60%) (e.g., Conyon et al., 2001; Williams, 2003) than in the USA (45%) (e.g., Chari et al., 2012; Li, 2013) and Europe (43%) (e.g., Dragan & Dušan, 2016; Lehto & Böckerman, 2008). Gugler & Yurtoglu (2004), in their study of domestic M&As in the USA and Europe, find that domestic acquisitions led to an employment loss of 10% only in Europe and not in the USA. Similarly, Hijzen et al. (2013), in their cross-country study, found that positive employment effects were observed only in Indonesia (25%) and Portugal (24%) and not in Brazil, Germany and the UK.

Figure 3.14: Employment Effects of M&As across Industries



Several authors have also argued that the industrial focus of the study has an impact on the post-acquisition employment change (Amess et al., 2014; Fukao et al., 2008; Lehto & Böckerman, 2008). The findings indicate that the share of studies reporting negative employment effects is much higher in the manufacturing sector (50%; 8 out of 16) (e.g., Huttunen, 2007; Siegel & Simons, 2010) than studies based on a sample from multiple sectors (42%; 13 out of 31) (e.g., Gokhale et al., 1995; Margolis, 2006). The chances of overlaps between the acquiring and the target firm are higher in the manufacturing sector, leading to redundancies. Such redundancies and overlaps might lead to post-acquisition layoffs to improve firm efficiency (Amess et al., 2014; Geluebcke, 2015). The rising trend of outsourcing in the manufacturing sector can also be a reason for such layoffs. The incoming management could move aspects of the manufacturing function abroad to achieve cost benefits (Kakabadse & Kakabadse, 2002).

The review also showed that 42% of the multi-sector studies either reported a mixed or no impact of the acquisition on employment (e.g., Beckmann & Forbes, 2004; Taguchi & Yanagawa, 2013). Similarly, the studies focused on the services sector, i.e., telecommunications (Majumdar et al., 2010) and healthcare (Currie et al., 2005), found mixed or no significant effect on post-acquisition employment at the target firm. These findings underline the complex relationship between acquisition and post-acquisition employment.

3.4 Discussion and Key Research Gaps

Acquisitions are events that can have a profound impact on the local economy, resulting in layoffs at the acquired firm (Bandick & Görg, 2010). Given the disruptive potential of acquisitions, it is important to have a better understanding of their impact on employment.

Beginning with the publications, the review showed that economics journals dominate the studies on employment effects of acquisitions. 72% of the review articles were published in economics journals. The other major streams were finance (8%) and human resource management (8%). Employment change is a core economic topic, and statistical methods required to measure such change are well understood within the economics discipline (e.g., Brännlund et al., 2016). However, given the multi-dimensional and inter-disciplinary nature of M&As, the question of employment change post-acquisition could benefit from theoretical and empirical foundations from other disciplines (Haleblian et al., 2009). For instance, given the emerging importance of acquisitions among SMEs and entrepreneurial firms (CBInsights, 2021; Mawson & Brown, 2017), entrepreneurship scholars could bring their perspectives and add to this debate.

Cross-border acquisitions, in particular, are associated with layoffs and are considered a threat to the local economy (Bandick & Görg, 2010; Lehto & Böckerman, 2008). This trend is visible in the sample of review articles. 50% of the examined studies focused on cross-border acquisitions. However, contrary to the widely held belief, the findings indicate little difference in the negative employment effects between cross-border (36%) and domestic acquisitions (37%). 34% of the studies report mixed or no significant employment effects. In addition, 24% of the studies reported positive employment effects. The share of studies reporting positive employment effects was highest in cross-border acquisitions (32%; 8 out of 25). This finding suggests that cross-border acquisitions, especially from advanced to emerging economies, lead to the transfer of financial capital, managerial expertise, and business networks which can further catalyse the growth of the acquired firm (Lipsey et al., 2013). Cross-border acquisitions also facilitate the transfer of technological know-how, thus facilitating faster growth of acquired firms (Gong et al., 2007).

Multiple other key insights emerged from the analysis. Most studies on the employment effects of acquisitions were cross-sectoral studies (62%). While cross-sectoral studies improve the generalizability of the findings (Beckmann & Forbes, 2004), they often do not account for industry-specific idiosyncracies (Kim & Finkelstein, 2009). For instance, Lehto & Böckerman (2008), in their study Finland-based study found that cross-border acquisitions led to employment loss only in the manufacturing industry. Though employment effects of acquisitions have been extensively studied in the manufacturing industry, the services sector remains underexamined. Only 4% of the review articles (2 out of 50) focused on the services sector (Currie et al., 2005; Majumdar et al., 2010). This lack of coverage of the services industry reflects an inaccurate picture of the global economy. The share of the manufacturing industry in the global GDP has declined from 31.2% in 1997 to 27.3% in 2015. In the same period, the share of the services sector increased from 63% to 69% (Deloitte, 2018). Even in terms of employment, the services industry in OECD employs roughly 5.5 times more workers than the manufacturing sector (OECD, 2018).

Only one study in the sample of review articles focused on acquisitions in the high-tech industry (Xiao, 2015). The existing empirical evidence shows that high-tech firms extensively engage in acquisitions to consolidate their market power, enter new businesses and enhance their competitive advantage (Brueller & Capron, 2021; Graebner et al., 2010). Furthermore, several multi-sector studies have reported varying employment effects for high-tech firms. For instance, in their China-based study, Liu et al. (2015) found that acquisitions led to an increase in employment and wages only in high-tech industries and not in low-tech industries. Similarly, Stiebale & Trax (2011) found that post-acquisition growth in Total Factor Productivity (TFP) was higher in high-tech industries vis-à-vis other industries. Additionally, four of the world's top five most valuable companies in the world by market capitalisation are technology companies (Statista, 2021). Given their importance, acquisitions in the high-tech industries demand increased attention.

Similarly, the review finds that barring a few exceptions (e.g., Geurts & Biesebroeck, 2019; Xiao, 2015), studies of employment effects of acquisitions are based on large publicly listed multinational enterprises. This could be due to the easy availability and accessibility of data on such firms. Some researchers have argued that this underrepresentation is due to the lower participation of small companies in acquisitions (Stiebale & Trax, 2011). However, recent studies have highlighted the importance of acquisitions in the growth of privately held firms (Geurts & Biesebroeck, 2019), especially in entrepreneurial firms (Mawson & Brown, 2017; CBInsights, 2021). From the buyer's side, entrepreneurial firms undertake acquisitions to source technological expertise and to pursue their growth objectives (Weitzel & McCarthy, 2011). From the seller's side, the acquisition by an established firm facilitates access to scarce resources such as managerial expertise and financial capital (Brueller & Capron, 2021; Graebner et al., 2010; McGuckin & Nguyen, 2001). Entrepreneurial firms often lack these resources, which are crucial for pursuing growth (Xiao, 2015). In 2020 alone, despite the pandemic, 1529 startups were acquired globally for $149 billion (Crunchbase, 2021). These trends, thus, underline the need for a renewed focus on acquisitions and their employment effects in the context of entrepreneurial firms.

The analysis also indicates that certain geographic regions have received more research attention than others. 70% of the review articles focused on the USA, the UK, or European nations. Multiple authors have previously highlighted the overrepresentation of the western hemisphere in acquisition research (e.g., Lipsey et al., 2013; Liu et al., 2015). This overemphasis is not an accurate representation of the state of the present global economy. Three of the top five global economies are outside the western hemisphere (Investopedia, 2020). Only 4% of the studies in our sample examined acquisitions in China despite China accounting for 16% of the world economy and being one of the leading attractions for inbound M&As (Financial Times, 2018). Hijzen et al. (2013), in their cross-country study, argue that most studies of employment effects of cross-border acquisitions are limited to European countries, despite being far more crucial in developing economies. In a similar vein, Meglio & Risberg (2011), in their review of the acquisition research, posit that the performance of acquisitions is not universal, instead is sensitive to the research setting. Given the ongoing geographic shift in the global economy, the emergence of startup clusters in Asia (Nikkei Asia, 2018) and their role in job creation, there is a need to shift the focus of acquisition research to underexamined geographic contexts.

82% (41) of the review articles measured the medium to long term changes in post-acquisition employment. The medium to long term scale of measurement varied from three years (e.g., Oberhofer, 2013) to ten years post-acquisition (e.g., Taguchi & Yanagawa, 2013). Three years post-acquisition (categorised medium-term) is considered the average time needed to complete the post-acquisition integration process (Zollo & Singh, 2004). However, the inconclusive evidence on employment change from the review suggests that putting a "timer" on the completion of the post-acquisition integration process is a difficult task (Meglio & Risberg, 2011). In addition, the sample of review articles do not fully capture the recent acquisition trends. The most recently published study in the sample (Geurts & Biesebroeck, 2019) examines acquisition between 2006 and 2012. This highlights a significant gap in the literature as acquisition activity has steadily increased over the past decade. The past two decades have also witnessed the emergence of highly acquisitive technology giants such as Amazon, Google and Facebook. Amazon alone has acquired a total of 91 companies in its lifetime (Crunchbase, 2021). The extensive participation of these tech giants has also attracted the attention of regulators in anti-trust allegations and trials (Letina et al., 2021). Facebook, for instance, was sued by the Federal Trade Commission of the USA, alleging illegal monopolization and elimination of rivals over its acquisition of Instagram (FTC, 2020). Given these trends, it becomes crucial to examine the employment effects of acquisition using more recent datasets.

Finally, the review also finds that given the dominance of quantitative methods, most articles do not consider the role of the rationale behind acquisitions on the post-acquisition employment level. Only two of the fifty reviewed articles (Geurts & Biesebroeck, 2019; Taguchi & Yanagawa, 2013) account for the acquisition motives while evaluating the employment effects of the acquisition. Acquisitions are known to be driven by different motives, which can influence post-acquisition employment at the target firm (Amess et al., 2014). For instance, Geurts & Biesebroeck (2019), in their Belgium-based study, found that domestic acquisitions motivated by market power led to a permanent employment reduction of 14%, whereas acquisitions motivated by efficiency gain led to a 10% increase in employment. In their Japan-based study, Taguchi & Yanagawa (2013) found that acquisitions with the function of extension and growth led to employment growth, whereas mergers with a consolidation function led to a decline in employment.

Similarly, Goergen et al. (2014) reported a significant employment decline following a private-equity takeover. Private equity takeovers often focus on recovering investments and earning a profit over a short period, thus often leading to post-acquisition layoffs to cut costs (Goergen et al., 2011). The acquisition motives, however, are difficult to fully capture with the statistical methods that dominate the research on acquisitions (Meglio & Risberg, 2009). Thus, there is a need to combine secondary datasets analyses with primary data collection to develop a nuanced understanding of the acquisition motives and their impact on post-acquisition employment change.

3.5 Chapter Summary

The objective of this chapter was to answer the first research question by systematically analysing the existing evidence on the employment effects of acquisitions. The chapter examined 50 peer-reviewed articles on the employment effects of acquisitions from 1988 to 2019. The analysis generated crucial insights into the phenomena of acquisition-induced employment change. The review highlighted that the empirical evidence on employment effects of acquisitions remains inconclusive and relies on several factors. The analysis indicated that CBAs do not necessarily lead to employment loss. Hostile takeovers and related acquisitions had a higher rate of post-acquisition layoffs vis-à-vis friendly and unrelated acquisitions. The review also highlighted the need for increased geographical and industrial coverage to incorporate the data from emerging economies and rapidly advancing high-technology sectors. Given the rise of the acquisition of entrepreneurial firms and their economic importance, the review highlighted the need for a more comprehensive analysis of the issues determining post-acquisition employment change, facilitated by a mixed-method research design with qualitative elements, which is the focus of the next chapter.

Chapter 4: Research Methodology

4.1 Introduction

This chapter describes the methodology used in this study and serves two central purposes. First, it outlines the philosophical underpinnings of the research including the epistemological and ontological assumptions that inform the methodological choice. Second, is describes and justifies the mixed methods strategy employed in this study. It shows how the matched sample analysis, used in chapter five, is implemented in a consistent manner with existing studies (Lehto & Böckerman, 2008). It then demonstrates how the case study method, used in chapters six and seven, has been rigorously implemented with 'Technical Adequacy' prescribed in extant literature (Colquitt & Ireland, 2009, p.226).

The chapter is structured as follows, the first section, section 4.2, revisits the purpose of the study, followed by section 4.3, which discusses the philosophical stance adopted in the research that informs the research strategy. The research design and the rationale for the choice of the research design are discussed in sections 4.4 and 4.5. The following sections, 4.6 and 4.7, discuss in detail the research methods used in the quantitative and qualitative phase of the study. Section 4.8 addresses the ethical considerations of the research methods, followed by section 4.9, which focuses on the methodological considerations of the study. Finally, the chapter ends with a summary in section 4.10.

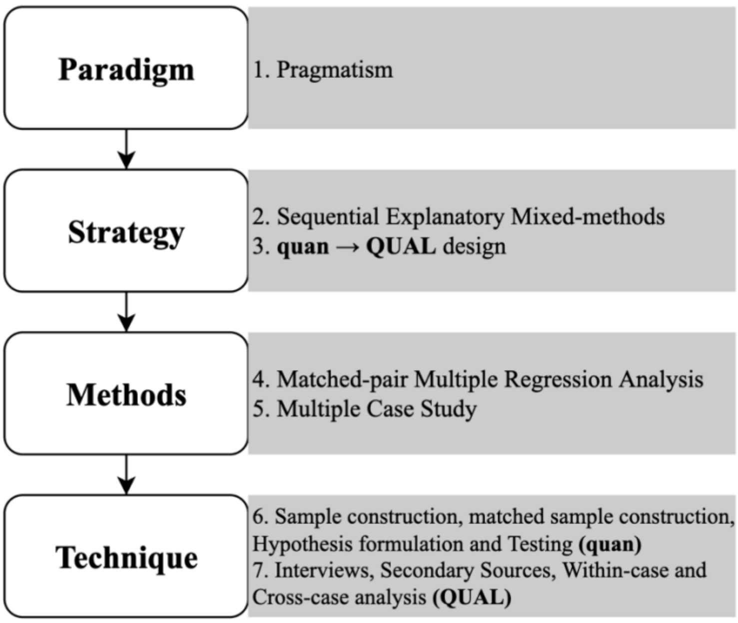
4.2 Purpose of Enquiry

The purpose of this study, as described in chapter 1, is to investigate if the acquisition of entrepreneurial firms leads to employment changes at the acquired firm. As highlighted in chapter 3, despite the increasing rate of acquisitions of entrepreneurial firms (Crunchbase, 2021; Mawson & Brown, 2017) and their role in employment generation (Haltiwanger et al., 2013; Henrekson & Johansson, 2010), they remain under-represented in the studies on employment effects of acquisitions. This is a significant gap in empirical knowledge (Demir et al., 2017; McKelvie & Wiklund, 2010). Besides filling the gap in empirical knowledge, this thesis also seeks to explain how and why such changes occur? What are the key explanations behind such changes?

The existing research on employment effects of acquisitions has relied largely on quantitative methods (Lehto & Böckerman, 2008), which have led to inconclusive results, as discussed in chapter 3. One key reason for the inconclusive results points to the structural limitation of quantitative research. An acquisition is a complex phenomenon that relies on several organisational and institutional factors (Fukao et al., 2008; Williams, 2003). Despite the importance of contextual factors in determining the employment effects of acquisition (Liu et al., 2015), quantitative research methods often fail to account for it. This key shortcoming necessitates a qualitative approach to examining the employment effects of M&As (Meglio & Risberg, 2009). Qualitative methods, such as case-study analysis, are especially useful in investigating complex phenomena like acquisitions (Yin, 2009). This gap gives rise to the research questions for the exploratory research (Chapter 1).

The methodology employed in this thesis has been dictated by the research questions (Clark & Creswell, 2008; Robson, 2011). Figure 4.1 provides an overview of the research design employed in this study. Each element of figure 4.1 is discussed below in detail.

Figure 4.1: Research Design Typology Overview



Source: Adapted from Strang (2015, p.4)

4.3 Research Paradigm

Paradigms, inform how a researcher experiences or thinks about the world, including beliefs about morals, values, and aesthetics (Clark & Creswell, 2008). They contain a basic set of beliefs and assumptions that guide the ontological and epistemological choices of the researcher (Guba & Lincoln, 1994). Paradigms, as human constructions, enable researchers to express their philosophical views, which shape how they design, implement, and disseminate their scholarly research (Guba & Lincoln, 2005; Strang, 2015). Although paradigms are deeply rooted in the personal experiences, culture and history of a researcher, they continuously evolve based on new experiences and thoughts. The discussion of paradigms is crucial as every research relies on a set of assumptions that the researcher makes about the reality, how knowledge is obtained, and the methods of gaining knowledge (Creswell & Clark, 2007). This section begins with a discussion of the philosophical positions within research paradigms, followed by an introduction to the various paradigms and their philosophical assumptions.

The term paradigm refers to the philosophical assumptions or to the basic set of beliefs that define the worldview and guide the actions of the researcher (Lincoln et al., 2011). Paradigm has been conceptualised in several ways by researchers, such as: worldviews (Rossman & Rallis, 2011), ideology (Strang, 2015), design strategy (Patton, 2002), shared belief among members of a speciality area (Kuhn, 1996), epistemological stances (Guba & Lincoln, 2005), model examples of research (Morgan, 2013), and philosophical belief (Yin, 2009). Generally, the discussion of paradigms entails the discussion of ontology (the nature of reality), epistemology (how we know what we know) and methodology (the process of research) (Clark & Creswell, 2008). Ontology is concerned with the nature of reality (Hesse-Biber, 2010), whether reality is objective and independent of human construction or subjective and perceived through human construction (Guba & Lincoln, 1994). The positivist paradigm's ontological view holds that there is one reality that can be ascertained with a high degree of probability (Mertens, 1998). The interpretive-constructivist ontological view contests the positivist view and argues for the recognition of multiple socially constructed realities (Clark & Creswell, 2008).

> "Ontology is a philosophical standpoint onto the research process that asks such questions as, what is the nature of reality? Ontologies are theories on the nature of being and existence." – *Hesse-Biber (2010, p. 126)*

Epistemology is concerned with the nature of knowledge and the relationship between the researcher and the subject under investigation (Guba & Lincoln, 1994). While ontology represents different views on the nature of reality, epistemology represents different views on the process of knowledge creation (Creswell & Clark, 2007), answering foundational questions such as who can know and what can be known (Hesse-Biber, 2010).

> Epistemology is a philosophical standpoint onto the research process that asks such questions as, what can we know and who can know? A researcher's epistemology encompasses his/her standpoint on the nature of knowledge and learning.
> – *Hesse Biber (2010, p. 126)*

Objectivity is of utmost importance in the positivist paradigm and is thought to be achieved by observing the phenomena of interest from a distant and dispassionate standpoint (Mertens, 1998). Whereas, in the interpretive-constructivist paradigm, the interaction between the researcher and the participants is considered essential for creating knowledge (Clark & Creswell, 2008). Finally, the methodological stance is concerned with the methods used to collect and analyse data and issues such as rigour of the study and ethical considerations. Decontexualisaed and interventionist quantitative methods are primarily characteristic of the positivist paradigm, while the interpretive-constructivist paradigm primarily uses qualitative methods in a hermeneutical manner (Guba & Lincoln, 1994; Mertens, 1998).

The positivist paradigm, characterised by a detached researcher, deductive approach and quantitative methods, aims to ascertain an objective reality through concrete facts. Alternatively, the constructivist paradigm, characterised by a participative researcher, inductive approach, and qualitative methods, aims to explore multiple realities through socially constructed interpretations. The debate between these two paradigms is referred as the qualitative-quantitative debate. This debate between the two paradigmatic positions led authors to present a compatibility thesis based on a different paradigm referred to as *'Pragmatism'* (Reichardt & Rallis, 1994). Pragmatism, also commonly referred to as mix-methods, contains elements of both qualitative and quantitative approaches (Patton, 1990). The pragmatic paradigm is pluralistic, focuses primarily on the research questions (Creswell & Clark, 2007) and relies on abductive reasoning that moves back and forth between induction and deduction (Clark & Creswell, 2008) (Table 4.1).

Table 4.1: Common Elements of Popular Paradigms

Paradigm / Element	Positivism	Constructivism	Pragmatism
Ontology	Singular Reality	Multiple Realities	Singular and multiple realities
Epistemology	Distance and impartiality	Closeness	Practicality
Methods	Quantitative	Qualitative	Combination of both
Connection of theory and data	Deduction	Induction	Abduction
Relationship to research process	Objectivity	Subjectivity	Intersubjectivity
Inference from data	Generality	Context	Transferability

Source: Adapted from Clark & Creswell (2008, p. 58) and Creswell & Clark, (2007, pg. 24)

4.3.1 Paradigm Choice

The pragmatism paradigm was considered most suitable by the researcher to guide the study. Pragmatism offers a way to address and bridge the gap between positivist and constructivist paradigms (Clark & Creswell, 2008). Pragmatism argues for the abolition of the dichotomy between positivism and constructivism, and also of metaphysical concepts such as "truth" and "reality". Instead, it calls for a practical and applied research philosophy to guide the research methodology (Tashakkori & Teddlie, 2003). Pragmatism values both objective and subjective knowledge and draws on the idea of employing "what works", using diverse approaches (Creswell & Clark, 2007). Research in pragmatic tradition seeks to clarify meanings, is driven by anticipated consequences (Cherryholmes, 1992), is centred around research problems, and is oriented toward real-world practice (Creswell & Clark, 2007).

Ontologically, the pragmatic paradigm asserts that there is both a single "real world" and that all individuals have their unique interpretations of that world (Clark & Creswell, 2008). Pragmatism denies foundationalism, the view that truth can be ascertained once and for all. Pragmatists concede to the ontological question of "What is really real" by arguing that there's no definitive way of ascertaining the realness of reality. Instead of focusing on the metaphysical concepts of truth and reality, the pragmatic paradigm focuses on selecting an approach best suited to produce the desired outcome in the study (Cherryholmes, 1992; Tashakkori & Teddlie, 2003). Additionally, researchers adopting the pragmatic paradigm move away from the dichotomy between 'universal' and the 'context-specific' nature of research findings. Instead, pragmatists focus on the issue of '*transferability'* and focus on investigating whether the findings from one research context can be transferred to other settings (Clark & Creswell, 2008).

Epistemologically, the pragmatic paradigm adopts an "*intersubjectivity"* approach by underlining the duality between "complete objectivity" and "complete subjectivity" (Clark & Creswell, 2008). Pragmatism relies on a "*reflexive*" orientation where a researcher is attentive to the social processes that produce both consensus and conflict in the field. Treating issues of intersubjectivity as a crucial component of social life, pragmatists create knowledge by engaging with the research subject while constantly and critically evaluating their positionality (Creswell & Clark, 2007). Methodologically, pragmatism combines quantitative and qualitative methods in a manner that is best suited to answer the research questions (Tashakkori & Teddlie, 2003). Reliance on one type of methodology often limits the researcher's ability to develop a full-fledged understanding of the phenomena under investigation. Mix-methods study overcomes this limitation by noting trends and generalisations, as well as, in-depth knowledge of participants' perspectives. The mix-methods approach is also useful in situations where a purely quantitative or purely qualitative design is not sufficient to fully uncover the phenomena under investigation (Creswell & Clark, 2007).

Given the emphasis on abduction, intersubjectivity, and transferability the pragmatic paradigm was found suitable for the study. In line with recent calls for methodological rejuvenation in the field of acquisitions (Haleblian et al., 2009; Meglio & Risberg, 2009), this study employs a mix-methods approach to investigate the employment effects resulting from the acquisition of entrepreneurial firms and the factors affecting such changes.

Finally, the ontological flexibility offered by the pragmatic paradigm allows for the investigation of the "reality" of post-acquisition employment change both from the perspective of the firm and the individuals employed at the firm. The ontological flexibility also allows for the investigation of factors affecting employment change at the top management and the non-managerial level, Thus filling a crucial gap in the acquisition and turnover literature (Walsh, 1988; Walsh & Ellwood, 1991). In summary, the adopted paradigm, pragmatism, is best suited for the study. The appropriate research strategy for guiding this paradigm is presented next.

4.4 Research Design: Sequential Explanatory Mixed-Methods

As discussed in chapter 3, the dominance of quantitative methods in studies investigating employment effects of acquisitions has led to inconclusive findings as they often fail to incorporate the complexity involved in the process (Amess et al., 2014; Barmeyer & Mayrhofer, 2014). They often also fail to account for the research context, which impacts the post-acquisition employment change (Taguchi & Yanagawa, 2013). While qualitative methods are useful in accounting for the complexities of the acquisition process (Meglio & Risberg, 2009), for the study, it was important to first establish a cause-effect relationship between acquisition and employment, especially given the under-explored context of Indian entrepreneurial firms.

Given the research problem, research objectives, and the methodological limitations of the existing studies, a mixed-method design was deemed fit for the study. The integrated methodological approach mitigated some of the risks associated with a purely quantitative or qualitative method (Brewer & Hunter, 1989). A mixed-method design provides a better understanding of a complex phenomenon than a single approach (Creswell & Clark, 2007). In addition, it also facilitates triangulation of results, thus enhancing the overall validity of the findings emerging from the study (Niglas, 2004). Since the research questions focused on examining the employment effects of the acquisition of entrepreneurial firms and the reasons leading to such changes, a mixed-method design beginning with a quantitative examination leading to a qualitative analysis was deemed fit.

> “By using a combination of qualitative and quantitative data gathering techniques, investigators can clarify subtleties, cross-validate findings and inform efforts to plan, implement and evaluate intervention strategies” – *Black & Ricardo (1994, p. 1066)*

More specifically, a sequential explanatory design with the dominance of the qualitative analysis, “quan → QUAL” (Hesse-Biber, 2010; Mores, 2003), was adopted for the study (Figure 4.2). The quan → QUAL design is useful when the researcher requires quantitative information to purposefully select participants for an in-depth qualitative study (Creswell & Clark, 2007) and to explore in detail the findings emerging from the pilot quantitative study (Molina-Azorín et al., 2012). The two-phased sequential explanatory design quan → QUAL allowed the use of qualitative data to build on the initial quantitative results (Creswell et al., 2003) and gave way to theory testing and theory expansion in the same study (Molina-Azorín et al., 2012).

In the first phase, a sample of acquired Indian entrepreneurial firms and their matching non-acquired counterparts was constructed using secondary data sources. A matched pair analysis was then used on the sample to investigate whether the post-acquisition employment loss was higher in acquired firms than in the matching autonomous firms, thus testing the breach of trust hypothesis. In addition, the first phase investigated the impact of four key variables on post-acquisition employment (Caracelli & Greene, 1993). The four variables, industry relatedness between the acquiring and the target firm, the origin of the acquirer (domestic or international), age of the target firm and type of acquisition (financial or strategic), are derived from the acquisition literature. The results of the first phase were crucial in establishing a cause-and-effect relationship between the acquisition of entrepreneurial firms and post-acquisition employment.

In the second phase, a multiple-case study method was used to seek clarification and elaborate on the results of phase one. Firstly, four case firms were selected from the quantitative sample using the purposive sampling technique (Creswell & Clark, 2007) to investigate the reasons behind post-acquisition employment change in entrepreneurial firms (May & Etkina, 2002). Secondly, the findings of the quantitative study informed the interview questionnaire used for primary data collection of the second phase (Crick, 2004). In the conclusion chapter of the thesis (Chapter 8), the findings of the two phases were integrated for a complete understanding of acquisition and its associated employment outcomes (Clark & Creswell, 2008). This thesis follows the general stylistic guide of sequential explanatory research while analysing the data and reporting the findings.

4.5 Rationale for quan → QUAL Design

4.5.1 Sequencing

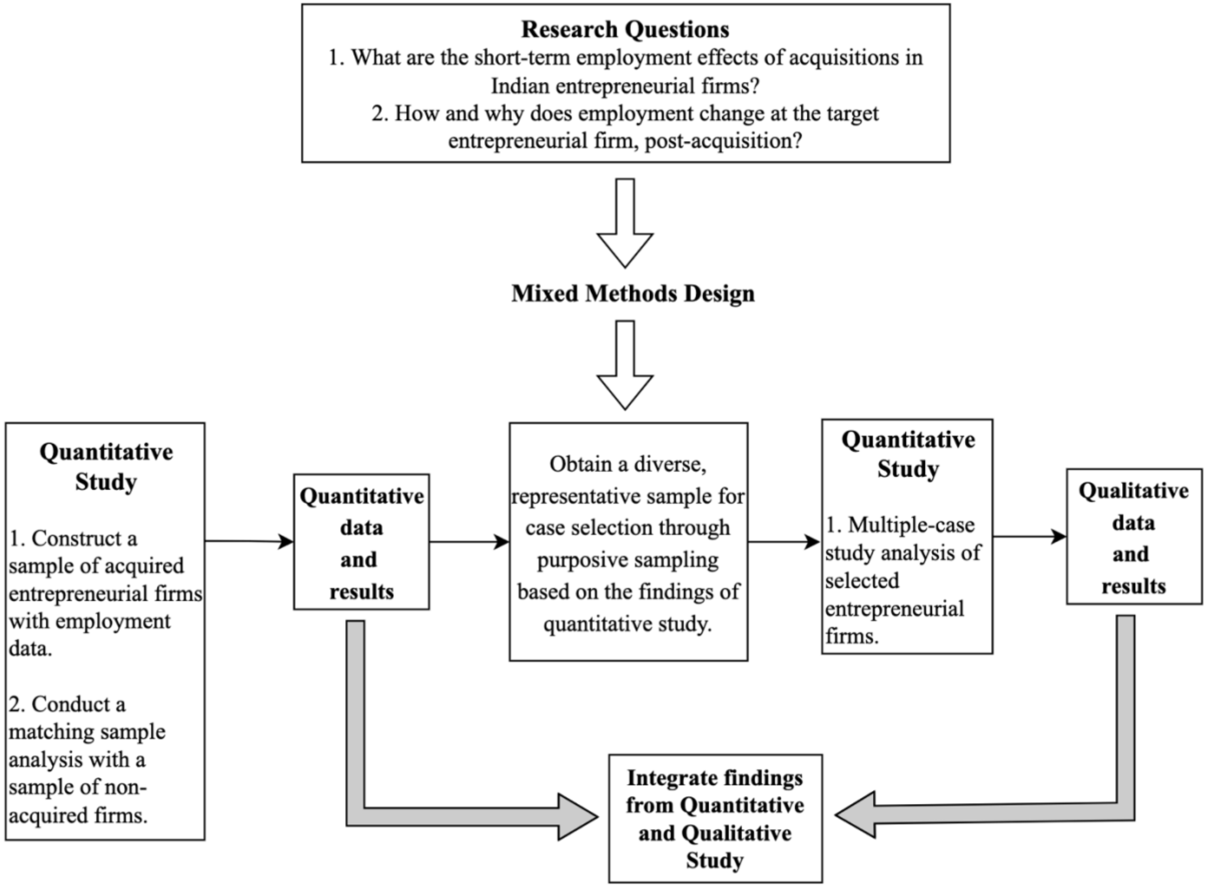
The research question informed the sequence of the quan → QUAL research design. Having addressed RQ1 in chapter 3, RQ2 builds on the findings of the systematic review and focused on examining the impact acquisitions have on post-acquisition employment in Indian entrepreneurial firms. Given the inconclusive results of the previous studies and the novel research context of entrepreneurial firms in India, investigating the cause-and-effect relationship between acquisition and employment was necessary before further exploration (Molina-Azorín et al., 2012). The matched-pair analysis answered the 'what' question concerning the acquisition-induced employment change in Indian entrepreneurial firms, which opened possibilities for further examination. The results of the quantitative analysis were further investigated and elaborated upon in the qualitative phase, where a multiple case-studies method was used to answer the 'why' question (RQ3). The focus of the semi-structured interviews used for data collection in the qualitative phase was to cross-examine and expand on the statistical findings from the quantitative analysis. A similar approach has previously been used by Crick (2004), in their study on the internationalisation of UK-based SMEs in the clothing sector.

4.5.2 Dominance of qualitative analysis

The dominance of the qualitative analysis in the research design was informed by two main factors. Firstly, one of the main objectives of the study, as captured in RQ3, was to explore the reasons behind why the employment at entrepreneurial firms was changing or not changing post-acquisition. While previous studies had looked at organizational antecedents of post-acquisition employee turnover (Conyon et al., 2004; Krishnan et al., 2007; O'Shaughnessy and Flanagan; 1998), very few studies had considered employee-level antecedents. Given the central role of employees in entrepreneurial firms (Lechler, 2001; Unger et al., 2011), this study wanted to investigate the organizational and employee level antecedents to develop a complete understanding of the acquisition-induced employment change in entrepreneurial firms. The nature of the inquiry, the unique context and the complexity of the phenomenon under investigation necessitated an extensive qualitative examination that leverages the statistical results from phase one.

Secondly, practical considerations also played a role in choosing multiple-case study as the dominant method. As has been highlighted by Crick, (2004) and Greene et al. (1989), one of the main objectives of the dominant sequential designs is complementarity. Complementarity is particularly useful in cases where the researcher faces practical constraints in data collection (Molina-Azorín et al., 2012). Since privately owned Indian firms are not obligated under law to report employment numbers, a private database (*Tracxn*) was used to retrieve the required information. Due to the limited availability of data on Indian entrepreneurial firms (Financial Times, 2019; Livemint, 2019), an equivalent status design (QUAN + QUAL or QUAL + QUAN) could not be used. Given the constraints, a qualitatively dominant sequential design was deemed appropriate for the study. The matched-pair analysis informed and facilitated the multiple-case study analysis. The following section discusses, in detail, the methodology used in the first phase (quan).

Figure 4.2: Research Design Overview (quan → QUAL)



Source: Adapted from Hesse-Biber (2010, p. 110)

4.6 Research Method I: Matched Pair & Multiple Regression Analysis

A matched pair multiple regression analysis was deemed fit for the first phase of the study. Regression forms the fundamental building block of statistical modelling (Su et al., 2012) and is popular among researchers in the field of acquisitions (Conyon et al, 2002a; Amess et al., 2014) and entrepreneurship (Eisenhardt & Schoonhoven, 1996; Ozmel et al., 2013). Researchers often use linear regression models to test their hypotheses and establish relationships between the variables of interest (Navarro & Foxcroft, 2022). The method also fits well with the RQ2, focused on estimating the employment effects of acquisitions. The study estimates the employment effect using a sample of acquired entrepreneurial firms and comparing it with their non-acquired counterparts.

4.6.1 Multiple Regression Model

In the first phase of the study, the multiple linear regression method has been adopted to test the hypotheses and answer RQ2. A multiple regression model or multivariate analysis is used when the study comprises multiple independent variables or predictors (Navarro & Foxcroft, 2022), and is one of the most widely used methods in social sciences. It serves two purposes: prediction and causal analysis (Allison, 1999). Due to the presence of multiple independent variables in the study, a multivariate regression analysis was deemed appropriate. The study comprises six variables as outlined in Table 4.2. The post-acquisition employment in the target firm is the sole dependent variable in the study. The five independent variables tested in the study are as follows: state of acquisition (acquired or non-acquired), the origin of the acquiring firm (Domestic or International) (Geluebcke, 2015), Industry relatedness between the acquiring and the target firm (Related or Unrelated) (Lehto & Böckerman, 2008), type of the acquisition (Strategic or Financial) (Metrick & Yasuda, 2011) and age of the target firm (Krishnan et al., 2007).

Table 4.2: Variable Description

Variables	Variable Type	Coding Format	Definition/Measurement
Employment	Dependent Continuous	-	Employment data in the sample is reported quarterly. Only those acquired start-ups for which employment data was available one quarter prior to acquisition and two quarters after the acquisition are included in the sample.
Acquisition Status	Independent Nominal	Acquired Non-acquired	Firms have been categorised as acquired if they have been acquired by an external firm. If not, they are classified as non-acquired
Industry Relatedness	Independent Nominal	Related Unrelated	Acquisitions in the sample are categorised as related if the first order of industrial classification on the Tracxn databases matches between the acquirer and the target firm. If such a match is not found, the acquisition is classified as unrelated.
Target Firm Age	Independent Continuous	-	Calculated as the difference between the year the firm gets acquired and the year the firm was incorporated
Type of Acquisition	Independent Nominal	Private Strategic	An acquisition is categorised as Financial if the acquiring firm falls under the category of Private Equity, Venture Capital, or Investment Management firm. and strategic if the acquirer is not classified as a financial acquirer.
Origin of the Acquiring Firm	Independent Nominal	Domestic International	An acquiring firm is defined as international if its HQ is based outside of India and as Domestic if its HQ is based in India.

4.6.2 Matched Pair Analysis

One of the major limitations of investigating the employment effects of post-acquisition employment change in target firms is the issue of survivorship bias. Survivorship bias refers to the selection and analysis of only successful, high-performing, or surviving units of the total population (Rohleder et al., 2011). In M&A studies, survivorship bias translates to the analysis of only those firms which manage to survive post-acquisition, leading to skewed and non-representative results. Like M&A research, survivorship bias or selection effect is often highlighted in the entrepreneurship literature (Damijan et al., 2014). Authors argue that acquiring firms tend to target high-performing entrepreneurial firms for acquisition, which is why such acquired firms often tend to outperform their peers (Xiao, 2015).

To address the problem of survivorship bias in M&A research, researchers have emphasised the construction of a matching sample comprising a set of non-acquired firms

(Oldford & Otchere, 2016). Matched sample acts as a control group, with which the results of the treatment group (in this case, acquired firms) can be compared (Peck, 1985). Matched sample analysis has emerged as a popular tool in M&A research as it allows the researcher to enhance the validity of their causal analysis (Norrman & Bager-Sjögren, 2010). As per, Oldford & Otchere (2016) and Westhead (1995), this study uses a one-to-one matched-pair analysis to investigate the effects of acquisitions on the employment of the target firms by comparing the results of the treatment group (acquired firms) with a sample of non-acquired firms (Lehto & Böckerman, 2008). Section 4.5.5 elaborates on the process of matched sample construction.

4.6.3 Main Data Source

The M&A database of *Tracxn* was the primary data source used in the study. Founded in 2012, Tracxn is a privately owned research platform used by over 850 customers, including private equity firms, venture capital firms, governments, universities, and investment banks (Tracxn, 2022). The use of privately owned databases and research platforms is prevalent in M&A research (Oberhofer, 2013). Several databases such: as *Zephyr* and *Orbis* from *Bureau van Dijk*, *Refinitiv*, *CBInsights*, *ProwessIQ* by *Centre for Monitoring Indian Economy* (CMIE), *VCCedge*, and *Xeler8* were consulted before finalising Tracxn as the central data source. Research objectives and availability of information informed the choice of the database. Publicly owned databases curated and maintained by the government were also considered as per Lehto & Böckerman (2008). However, no such database was available in the given research context. The following four key preconditions dictated the choice of the database.

- Availability of information on the acquisition of privately owned entrepreneurial firms in India.
- Availability of employment information for the acquired firms before and after the acquisition.
- Availability of information on the acquiring firm.
- Availability of information on the key competitors of the acquired firm.

Unlike public firms, privately-owned Indian firms, by law, are not obligated to disclose their employment details which limited the choice of the database. After completing the trial period of the shortlisted databases, Tracxn was deemed to be the most appropriate.

Tracxn offered an M&A database of privately owned Indian firms along with quarterly employment information on a sample of these firms. Tracxn also offered a competitor list for every firm in each industry constructed using its proprietary algorithm. To further validate the choice of the database, the researcher sought expert opinion from a local expert (A tech journalist who had covered Indian start-ups for over a decade). The advisor approved the selection.

> "As far as employment numbers of Indian start-ups are concerned, I think Tracxn is your best bet unless you manage to extract that information from the HR division of each company, which is highly unlikely"
> *– Mihir Dalal, Local Expert & Tech Journalist*

4.6.4 Ancillary Data Source

In addition to the primary data source, several ancillary data sources were used in the study. The ancillary sources facilitated triangulation, corroboration, and completion of the information available from Tracxn (Kuvandikov et al., 2014). Ancillary data sources included the company websites, media publications and LinkedIn profiles of the sample firms. These sources enhanced the reliability of the information available, confirming attributes such as date of incorporation, headquarters of the target firm, industry affiliation, the origin of the acquiring/acquired firm and the date of acquisition (Walsh & Bartunek, 2011). The estimated employment range available on the company's LinkedIn profile was compared with *Tracxn's* employment information for accuracy.

4.6.5 Sample Construction

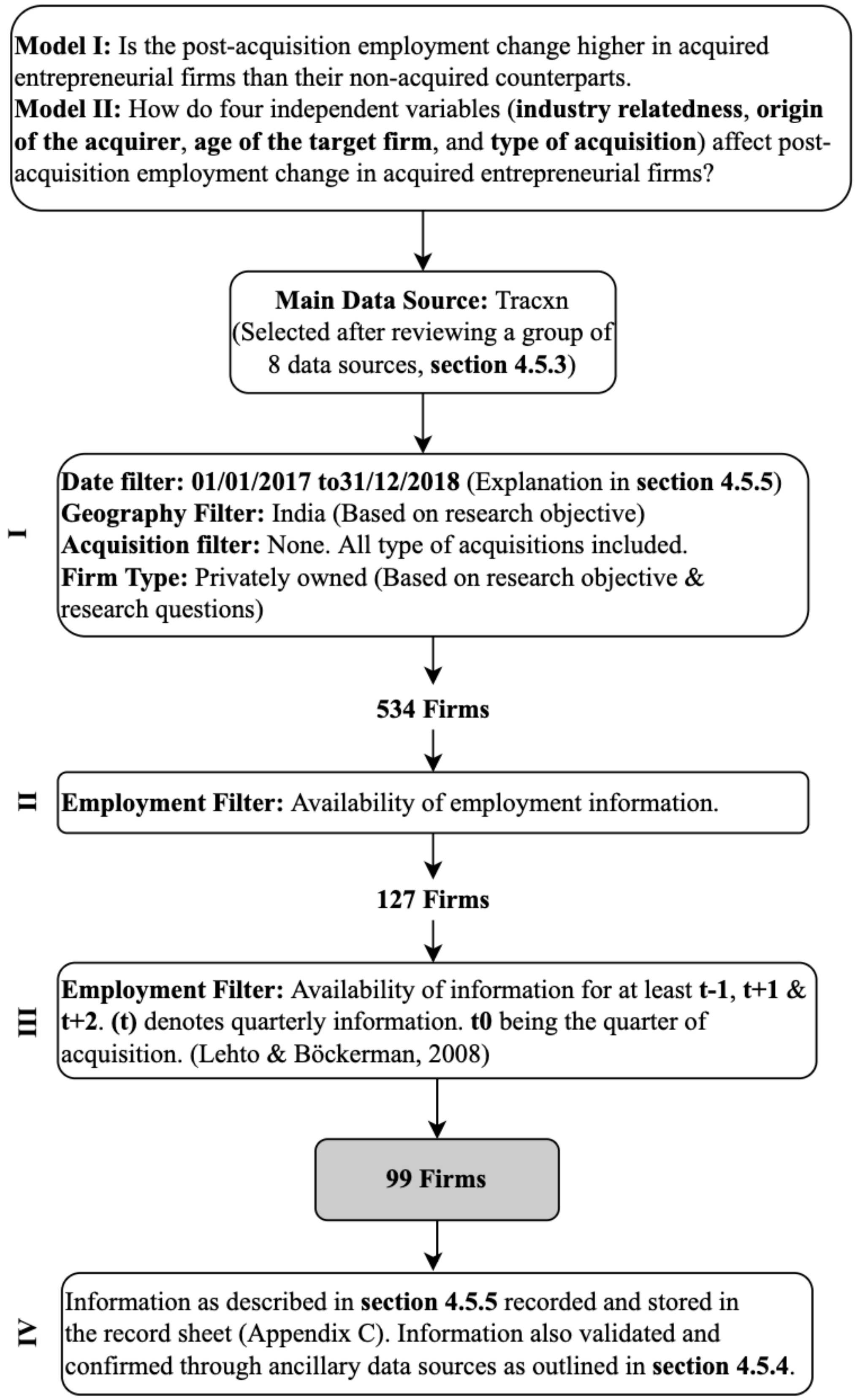
The treatment group or the sample of acquired firms was constructed through a well-defined protocol. Figure 4.3 outlines the entire process of sample construction. A two-year period from 1st January 2017 to 31st December 2018 was chosen to shortlist the acquisitions. Two main factors informed this decision. Firstly, as highlighted by the findings of the literature review, one of the key research gaps was the use of dated datasets. To address this gap the two-year time period was chosen to capture recent trends in the acquisition of entrepreneurial firms. Moreover, the chosen data source had started keeping a record of the employment information from 2016, which further aided the choice of the time period. Secondly, based on the multi-method research design, a handful of firms from the sample were to be investigated in the case study analysis in phase two of the study. The choice of dates ensured that the memory of the acquisition decision was still fresh for the respondents (Graebner & Eisenhardt, 2004). Next, the privately-owned firms headquartered in India acquired in the selected period were included in the sample. These filters resulted in a sample of **534 firms**.

The two-stage inclusion criteria were then applied to these firms. In the first stage, firms were filtered based on the availability of employment data. Of the **534 firms**, employment data was only available for **127 firms**. In the second stage, the inclusion criteria were applied to these **127 firms**. Only those firms for whom the employment information was available for at least one quarter before the acquisition ***(t-1)*** and at least two quarters after the acquisition (***t+1*** and ***t+2***) were included in the sample. These inclusion criteria are standard in M&A research (Almeida, 2007; Kuvandikov et al., 2014; Lehto & Böckerman, 2008). The final sample comprised **99 firms**, representing 18.5% of the total acquisitions.

The following information for each firm was manually extracted from the database:

- Name of the target and the acquiring firm
- Industry affiliation of the target and the acquiring firm.
- The city and the country of the HQ of the target and the acquiring firm.
- Employment information of the target firm.
- Year of incorporation of the target and the acquiring firm.
- The ownership type of the acquiring firm (Public or Private).
- Type of acquisition (Strategic or Financial).

Figure 4.3: Sample Construction Process



As discussed in Section 4.5.4, the obtained information was validated and updated through ancillary sources of information. Excel sheets were used to store all confirmed information on the final sample of firms (Meglio & Risberg, 2011) (Appendix D). Section 4.5.6 offers a summary of the final sample. The hypothesis tests were conducted on the updated final sample of 99 acquired firms.

4.6.5 Matched Sample Construction

Using one-to-one matching a control group comprising non-acquired firms was also constructed. The control group facilitated the comparison of the post-acquisition employment in target firms (Kubo & Saito, 2012). Besides acting as a control group to enhance the reliability of the analysis, a one-to-one matched sample also controlled for broad industry-related shocks, which often are crucial predictors of post-acquisition employment change (Mitchell & Mulherin, 1996). Tracxn's proprietary competitor list was used to obtain a one-to-one match for all the 99 firms in the sample. Firstly, for firms to be included in the matched sample, they had to be privately owned and headquartered in India. This allowed for replication of near-perfect conditions to those observed in the firm included in the treatment sample. This also allowed to control for macro-economic factors at the regional and country level (Hijzen et al., 2013), which further enhanced the reliability of the comparison.

Secondly, only firms with complete employment information were included in the matched sample. The date of acquisition was used to match the employment information of the selected non-acquired competitors with the firms in the treatment group. For instance, if a firm in the treatment group was acquired in the second quarter of 2017, the matched firm was required to have employment information beginning from the first quarter of 2017. The first company on the competitor's list which met the inclusion criteria was included in the matched sample. A one-to-one match could only be found for 54 of the 99 firms. The strict matching criteria and limited availability of information on privately held Indian firms contributed to a relatively small control group. However, a small control group vis-à-vis the treatment group is common in a matched-pair analysis. Maintaining a transparent selection protocol becomes crucial in such cases (Norrman & Bager-Sjögren, 2010). The study clearly outlined the matched sample construction protocol to bolster transparency (Westhead, 1995).

4.6.6 Data Analysis

The data analysis began with developing an overview of the data by analysing the descriptive statistics (Hijzen et al., 2013). Sample characteristics such as industrial categorisation, the mean age of the target firms, the country of origin of the acquirer (domestic versus international), the type of acquisition (strategic versus financial), were analysed. The descriptive statistics of the matched sample were also examined and compared with the treatment group (Norrman & Bager-Sjögren, 2010). Table 4.3 presents the summary of the descriptive statistics of the treatment sample. The examination of descriptive statistics was followed by hypothesis testing (The following two equations were used to test the hypothesis:

$$\mathbf{1}.\boldsymbol{Employment_i = \beta_0 + \beta_1 Acquisition\ Status + \epsilon_i}$$

Where $\boldsymbol{Employment_i}$ refers to the post-acquisition employment recorded quarterly. $\boldsymbol{\beta_0}$ refers to the intercept. $\boldsymbol{\beta_1 Acquisition\ Status}$ refers to the independent variable depicting the status of acquisition, categorised as acquired and non-acquired. Firms included in the treatment group were coded as 'acquired' whereas matched sample firms as 'non-acquired'. Finally, $\boldsymbol{\epsilon_i}$ refers to residuals of the model with a normal distribution such as $\boldsymbol{\epsilon_i \sim N}$ **(0,** $\boldsymbol{\sigma}$**2i)**.

$$\mathbf{2}.\ \boldsymbol{Employment_i = \beta_0 + \beta_1\, Origin_i + \beta_2\, TypeAcquisition_i + \beta_3\, Relatedness_i + \beta_4\, Age_i + \epsilon_i}$$

Where $\boldsymbol{Employment_i}$ refers to the post-acquisition employment recorded quarterly. $\boldsymbol{\beta_0}$ refers to the intercept. $\boldsymbol{\beta_1\, Origin_i}$ refers to the origin of the acquired firm categorised as domestic and international, $\boldsymbol{\beta_2\, TypeAcquisition_i}$ refers to the type of acquisition, categorised as strategic and financial. $\boldsymbol{\beta_3\, Relatedness_i}$ refers to the industry relatedness between the acquiring and the target firm and $\boldsymbol{\beta_4\, Age_i}$ refers to the age of the target firm. Finally, $\boldsymbol{\epsilon_i}$ are the residuals of the model with a normal distribution. These models were used to test the hypotheses of the study. The tests were conducted using the statistical software of Jamovi. The results of the analysis were then examined and discussed. The next section discusses the robustness checks carried out to enhance the validity and generalisability of the results.

Table 4.3: Data Sample Summary (Treatment Group)

Variable	No. of firms	Variable	No. of firms
(N= 99)			
Origin of the Acquiring firm		**Type of Acquisition**	
Domestic	52	Strategic	83
International	47	Financial	16
Industry Relatedness		**Target Firm's Age**	
Related	45	Mean age	15.1
Unrelated	54	Lower-Upper limit	1 - 97
Employment information (Target Firm)			
t+2	99		
t+3	96	*t+8*	33
t+4	89	*t+9*	24
t+5	80	*t+10*	16
t+6	68	*t+11*	11
t+7	52	*t+12*	6

4.6.7 Robustness Checks

Linear regression models rely on six key assumptions: homogeneity of variance, linearity of relationship, independent and normally distributed residuals, uncorrelated predictors, and absence of data anomaly (Navarro & Foxcroft, 2022). Diagnosing and testing these assumptions are crucial to ensure the validity of the regression results. Three key tests are necessary for regression models. First is testing the assumption of normality, like most statistical models, multiple linear regression also relies on the assumption that the residuals denoted by are distributed normally (Hamidi et al., 2008). The difference between the fitted and the observed value is referred to as residuals (Navarro & Foxcroft, 2022). The normality of residuals can be checked by drawing the QQ plots and plotting the residuals.

The second assumption is that of collinearity. The collinearity test is especially crucial in multiple regression models, as it checks the level of correlation between the independent variables. A high degree of correlation between the independent variables can lead to ill-informed results (Allison, 1999). The Variance inflation factor (VIF) values are examined to test collinearity. A high VIF value denotes a high degree of collinearity between the independent variables (Uyanik & Güler, 2013). The final assumption test concerns a lack of anomalous data points in the sample. Anomalous data points refer to bad outliers that heavily influence the analysis, raising questions on the validity of the analysis. Cook's distance of the model is estimated to test this assumption (Navarro & Foxcroft, 2022). A high Cook distance is a cause of concern as it denotes a high level of outlier's influence on the outcome. All these tests were performed and reported to test these assumptions and enhance the validity of the results.

4.6.8 Phase I (quan): Findings and Insights for Phase II (QUAL)

"The quantitative phase of the study set out to test five hypotheses informed by the findings of the systematic review and the literature on acquisition-induced employment loss. The results of the quantitative phase were instrumental in shaping and informing the qualitative phase of the analysis. The first hypothesis, which predicted a significantly higher employment decline in acquired entrepreneurial firms vis-à-vis their non-acquired counterparts, was not supported by the results. This result was contrary to the breach of trust (Shleifer & Summers, 1988) and the killer acquisition hypothesis (Cunninghamm et al., 2021), which definitively argue in favour of an employment loss following acquisition. Exploring the reasons behind this contrary result became the primary source of motivation for the qualitative phase of the study. The qualitative phase of the study focused on exploring the reasons behind this divergence through an in-depth analysis of four cases selected from the quantitative dataset.

In addition, the results, contrary to the conventional wisdom, indicated that post-acquisition employment was higher in related than unrelated acquisitions. Previous studies had reported a higher post-acquisition employment loss in related firms due to overlapping operations and greater scope for rationalisation (Conyon et al., 2002a; Dutz, 1989). In the selection process, related acquisitions were prioritised to explore and capture the reasons behind this divergence. Specific questions concerning operational overlap and employee rationalisation were also added to the interview questionnaire. Similarly, the results indicated no significant impact of international acquirers on post-acquisition employment change, as indicated by Lipsey et al. (2013). International acquisitions were, thus, prioritised in the case selection process to explore this result further. The questionnaire was also modified to bring out the unique characteristics (if any) of cases involving international acquirers. The following section outlines the research method used in the second phase of the analysis.

4.7 Research Methods II: Case Study Analysis

The case study method was found to be appropriate for the second phase of the analysis. Case studies contribute to our knowledge of an individual, group, organizational, social, political, and related phenomena by allowing investigators to retain the holistic and meaningful characteristics of real-life events (Yin, 2003).

> "A case study is an empirical enquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context is not clearly evident." – *Yin (2003, p.13)*

The case study approach was deemed applicable for the study due to five main reasons. Firstly, the nature of the evidence which was required to answer the research questions drove the researcher towards a case study analysis. The second phase of the analysis sought to investigate the factors behind post-acquisition employment change in target entrepreneurial firms. Specifically, how, and why did employees of the target firm decide to leave or stay at their jobs after the acquisition. The phenomenon of the study lends itself to case study research. The case study analysis allowed for an in-depth investigation of the intentions, motivations, and strategy of the management team behind these decisions. The decisions around acquisitions generally involve only a few members of the management team (Graebner & Eisenhardt, 2004). Similarly, the decision to stay or leave the job is taken by the employees. A qualitative enquiry through case-study analysis facilitated the discovery of the intentions behind the decision (Maxwell, 1998).

Secondly, the case study research was well suited for the qualitative enquiry as the researcher had no control over the behavioural events in the research. As per Yin (2009), case-study research is deemed appropriate in studies where the researcher cannot manipulate the phenomena under investigation. The factors which affected the post-acquisition employment change had not only taken place but were driven purely by the top management team of the firms. The researcher had no control over these events, making the case study method a good fit for the study.

Thirdly, the case study method was also considered appropriate for the study as it is often used to investigate real-life complex and contemporary phenomena in their dynamic settings (Eisenhardt, 1989; Yin, 2003). This thesis explores the complex and contentious phenomena of the acquisition of entrepreneurial firms and post-acquisition employment change (Margolis, 2006; Oldford & Otchere, 2016) within a real-life and dynamic context of entrepreneurial firms (Mawson & Brown, 2017). The literature supports the view that acquisitions of entrepreneurial firms are noticeably different from other acquisitions (Brueller & Capron, 2021; Sears & Hoetker, 2013), indicating a variance in their post-acquisition employment change outcome. However, this relationship remains unverified, making the boundary between the context and the phenomena unclear. This lack of clarity further necessitates the use of the case study method.

Fourthly, the case study method is deemed particularly useful when the researcher is trying to answer the “Why” and “How" questions (Yin, 2003). The second phase of the study was conceptualised to answer the “Why” and “How” questions related to post-acquisition employment change in the acquiring firm. Questions such as:

- Why does the post-acquisition employment at the target firm higher in related acquisitions?
- Why is the post-acquisition employment at the target firm higher in international acquisitions?
- Why do some employees decide to leave the firm post-acquisition while others decide to stay?
- How does the post-acquisition employment change vary over time?

Lastly, the case study was also deemed fit for the qualitative part of the study due to its increasing popularity in the M&A (Karim & Mitchell, 2004; Reddy, 2015; Massis et al., 2012), entrepreneurship (Mawson & Brown, 2017), employee turnover literature (Stovel & Bontis, 2002; Strojilova & Rafferty, 2013). Case studies are appropriate when studying complex interactions between people and processes within an organisation (Cepeda & Martin, 2005). Case studies are particularly useful to study employment changes in the acquisition of entrepreneurial firms due to the underdeveloped theory and knowledge in the field (Mawson & Brown, 2017).

4.7.1 Multiple Case Study

This study adopts the multi-case study method. Multiple case studies are regarded as more robust as their evidence is considered more compelling (Herriott & Firestone, 1983). Investigating a phenomenon using multiple cases enables the researcher to systematically collect, patternize, analyse and compare data across cases (Bengtsson & Larsson, 2012). It produces comparisons that clarify whether the findings are idiosyncratic to a single case or are consistent across several cases (Eisenhardt, 1989). Multiple case studies address the limitation of generalizability often associated with single case studies and offer a more fine-grained analysis of complex phenomena within an organisation than questionnaire surveys (Larsson, 1993). Multiple cases also enhance the external validity of the research and help mitigate the risk associated with the researcher's bias (Meyer, 2001). In sum, multiple cases allow for an extra dimension of cross-case analysis, which leads to richer theory building, especially for studies that depend on the principle of theoretical replication (Carson et al., 2001; Eisenhardt & Graebner, 2007).

Case selection is one of the most important considerations in a multiple-case study analysis (Eisenhardt, 1989). In terms of the number of cases to be included in the multi-case analysis, scholars have divergent opinions. Yin (2009) argues that sample size is largely irrelevant to the study design and depends on the level of certainty expected by the researcher from the cases. Alternatively, Eisenhardt (1989) argues for a minimum of 4 cases to meaningfully build theory from case-study research. Table 4.4 summarises the key aspects of the two approaches to multiple case-study research. Guided by the two leading contributors to case-study research, this study investigates post-acquisition employment changes in four acquired entrepreneurial firms. While the sample is small enough to allow for a detailed and contextually rich analysis of the complex process, it also meets the criteria laid out by Eisenhardt (1989).

The objectives of the study have guided the case selection process. The process has also been informed by purposive sampling (Clark & Creswell, 2008) and theoretical sampling approaches (Eisenhardt & Graebner, 2007). In terms of research strategy, an exploratory multiple case study strategy is adopted. The exploratory case study strategy is commonly used by researchers to investigate complex organisational dynamics and processes (Yin, 2009).

Table 4.4: Multi-Case Study Approaches

	Open Multi-case study Approach by Kathleen M. Eisenhardt	**Theory based multi-case study approach by Robert K. Yin**
Aim	Theory Building	Theory Enhancing
Number of Variables	Several	Limited Set
Level of Detail	Detailed open analysis, qualitative & quantitative data	Specific, focused analysis, qualitative & quantitative data
Number of Cases	Approximately 4-10	Not specified
Theoretical Foundation	Ex-ante mostly non-existent	Ex-ante already analysed
Generalisation	Feasible	Feasible

Source: Strang (2015, p.328)

4.7.2 Case Selection

As mentioned above, purposive, and theoretical sampling techniques informed the choice of samples. Purposive sampling, also known as nonprobability or qualitative sampling, focuses on choosing a sample that is best suited to answer the research questions (Clark & Creswell, 2008). Similarly, theoretical sampling argues for selecting cases that can illuminate and extend relationships and logic among constructs under examination (Eisenhardt & Graebner, 2007). The notion of 'replication', literal or theoretical, thus, is crucial in selecting cases in a multi-case study (Carson et al., 2001). As argued by Yin (1994), and implemented by Graebner & Eisenhardt (2004), cases are chosen for theoretical reasons such as replication, the extension of theory, contrary replication, and elimination of alternative explanations.

In this study, cases were selected based on their probability to provide information for the phenomenon under investigation (i.e., factors affecting the post-acquisition employment change in the target firm). Since the purpose of the study was to develop and extend theory rather than test it, purposive theoretical sampling was deemed fit. Cases were selected to exemplify the choice of the phenomenon under study, thus, helping to develop a greater understanding of it (Eisenhardt, 1989; Yin, 2003). The cases were selected from the sample used in the quantitative analysis in phase one of the study. Firstly, firms located in the accessible geographic regions by the researcher, Bangalore, and Delhi NCR, were extracted from the sample of the 99 acquired firms. The extraction did not lead to issues of skewness as these two cities combined account for over 60% of the entrepreneurial activity in India. This is also important from the perspective of placing boundaries in the research. Cases may be limited to a time and place, as in this study (Creswell, 2009), to time and activity (Stake, 1995), and by definition and context (Miles and Huberman, 1994). Examining cases in the same geographical location also reduces discrepancies resulting from institutional factors (Chang et al., 2010), thus, minimising external variations (Eisenhardt, 1989).

Secondly, based on the preliminary results of the quantitative study, a selection matrix was constructed. The industry relatedness between the firms and the origin of the acquirer were the two variables used in the two-by-two selection matrix. On the one hand, the variables were significant from the perspective of M&A theory (Origin of the acquirer: Oldford & Otchere, 2016; Xiao, 2015; Industry relatedness (Amess et al., 2014). While on the other, the variables also lead to interesting results in the preliminary analysis of the quant study in phase one. The two variables were then mapped to post-acquisition employment, as portrayed in Figure 4.4.

Figure 4.4: Case Selection Matrix

Industry relatedness		**Origin of the acquirer**	
		Domestic	***Foreign***
	Related	Employment Gain: 2 Employment Loss: 3	Employment Gain: 4 Employment Loss: 2
	Unrelated	Employment Gain: 1 Employment Loss: 1	Employment Gain: 2 Employment Loss: 0

Total: 15 cases

The purposeful theoretical sampling method led to an information-rich analysis (Patton, 2002). Based on the boundary conditions, a total of 15 cases were identified. Each case comprised two entities, the acquiring firm, and the target firm, which resulted in a sample of 30 companies. The management team of all companies were contacted to collect primary data. The top management teams of 12 companies from 8 cases responded positively to the request and agreed to the interviews. In the end, only four complete cases (cases with interviews from both the acquiring firm and the target firm) were included in the study. The four cases represented four different industry sectors, increasing the generalizability of the study (Graebner, 2004). Across the four cases, the average age of the target firm ranged from 5 years to 11 years. The number of employees at acquisition in the target firm ranged from 6 to 232. Table 4.5 offers a summary of the four cases. A total of 11 in-depth interviews were conducted across the four cases, lasting 10 hours. The secondary sources, outlined in section 4.7, supplemented the interview data. The interviews were stopped upon reaching theoretical saturation, i.e., when additional data resulted in no new insight (Eisenhardt, 1989).

Table 4.5: Summary Information on Case Firms

	Real-estate Tech	**Regulatory Tech**	**HR Tech**	**Marketing Tech**
Industry	Real-estate Tech	Regulatory Tech	Human Resource Tech	Marketing Tech
Year Founded	2012	2006	2013	2007
Date of Acquisition	May-17	Feb-17	July-17	May-17
Age at Acquisition	5	11	5	10
Acquirer Origin	Domestic	International	Domestic	Domestic
Team Size at Acquisition	83	232	6	53
Most Recent Employment	47	265	200	30
Headquarter	Bangalore	Bangalore	Delhi NCR	Delhi NCR

4.7.3 Unit of Analysis

A fundamental consideration in case study research is identifying the unit of analysis. This identification affects how the emergent findings from the study will relate to the existing theory. The hierarchy of data aggregation comprises the unit of analysis, and it can range from micro (individual and firms) to macro (communities and regions) (Yin, 2009). Selecting a unit and deciding around the unit of analysis is crucial in establishing the central unit of contribution by the researcher (Patton, 2002). In this study, the target entrepreneurial firm as a system and its employees form the core unit of analysis. This is a crucial intervention as the research on employment effects of acquisitions has overlooked the employee's perspective in the acquired firm (Walsh & Ellwood, 1991). As advised by Yin (2009), this study maintains a distinction between the unit of analysis and the unit of data collection. Researchers often collect data at the level of an individual to investigate collective units, such as organisations and communities. The data collection unit for the qualitative phase of the study, which focused on the reasons behind the post-acquisition employment change, comprised the top management team of the acquiring and the acquired firm.

4.7.4 Research Technique: Triangulation

This section outlines the main data sources used in the study, the data collection, and the data analysis process. Table 4.6 provides an overview of the research process. Whilst the table suggest the process was linear, in practice some steps were implemented concurrently. The entire process involved regular back and forth, as often observed in case study research (Yin, 2003; Graebner & Eisenhardt, 2004).

Table 4.6: Research Process

Step 1	Case Company Identification	Case companies identified from the sample constructed for study 1 and from preliminary results of study 1. Participation requests were then sent to companies (LinkedIn & Email)
Step 2	Secondary Data Collection	All secondary information available from research platforms, databases, news archives, online articles, press releases, YouTube videos and LinkedIn blogs by the management team were retrieved and analysed for pre-interview case familiarisation.
Step 3	Interviews	26 to 75 minutes interviews were conducted with 11 participants between June 2020 and January 2021.
Step 4	Further Secondary Data Collection	Financial reports, emails, field notes and informal conversations of all 8 companies where gathered. 71 different secondary sources of information were utilised.
Step 5	Data Analysis: Coding	Manual transcription of interviews followed by data segmentation and rearrangement into different categories.
Step 6	Data Analysis: Within-case Analysis	Detailed description of each case and identification of key codes and themes. Data interpretation and sense making.
Step 7	Data Analysis: Cross-case Analysis	Thematic analysis across the four cases. Search for meaningful patterns and key deviations.
Step 8	Synthesis	Re-examination of transcripts, Interpretation of findings reviewed against theory and the literature in the field.
Step 9	Validation and Presentation	Key findings discussed with industry experts and research participants through informal conversations over zoom calls. Findings also discussed with supervisory panel and written up post-consultation

4.7.5 Data Collection

This study uses a multi-method approach within case-study as the main data collection method (Gillham, 2000). Case studies generally involve data collection through multiple sources such as verbal reports, personal interviews, observation, and written reports as the motive is to bring out the depth and focus of the research object (Ghauri, 2004). Collecting data through multiple methods augments the process of triangulation (Eisenhardt, 1989). No obtained data was disregarded, everything was weighed, checked, and corroborated (Gillham, 2000). Triangulating data is crucial in the research process as it allows the researcher to adopt different perspectives to observe the phenomenon under investigation (Denzin & Lincoln, 2000). The guidelines laid out in seminal works on case study research were followed in this study. Sources such as interviews, media articles, annual and financial reports, press releases, blogs, and relevant videos on YouTube. This data helped identify, corroborate, and validate the emergent findings (Yin, 2009).

> "A judge presiding over a judicial inquiry (as distinct from a court of law) turns no evidence away but assesses what faith can be placed in it and relates it to other evidence to hand. Broadly speaking, this is the approach of the case study researcher"
> *– Gillham (2000, p. 10)*

4.7.5.1 Interviews

Interviews are regarded as one of the most important sources of case study information (Yin, 2009) and are often used by the researcher as their primary data source (Eisenhardt & Graebner, 2007). The top management team of all 30 companies were approached for the interview via LinkedIn. The top management team of both the target and acquiring firm included the following profiles:

- Chief Executive Officer (CEO) / Group CEO
- Chief Operating Officer (COO)
- Chief Technology Officer (CTO)
- Chief Financial Officer (CFO)
- Co-founder(s)
- Managing Director
- Senior Vice President
- Director
- Group President

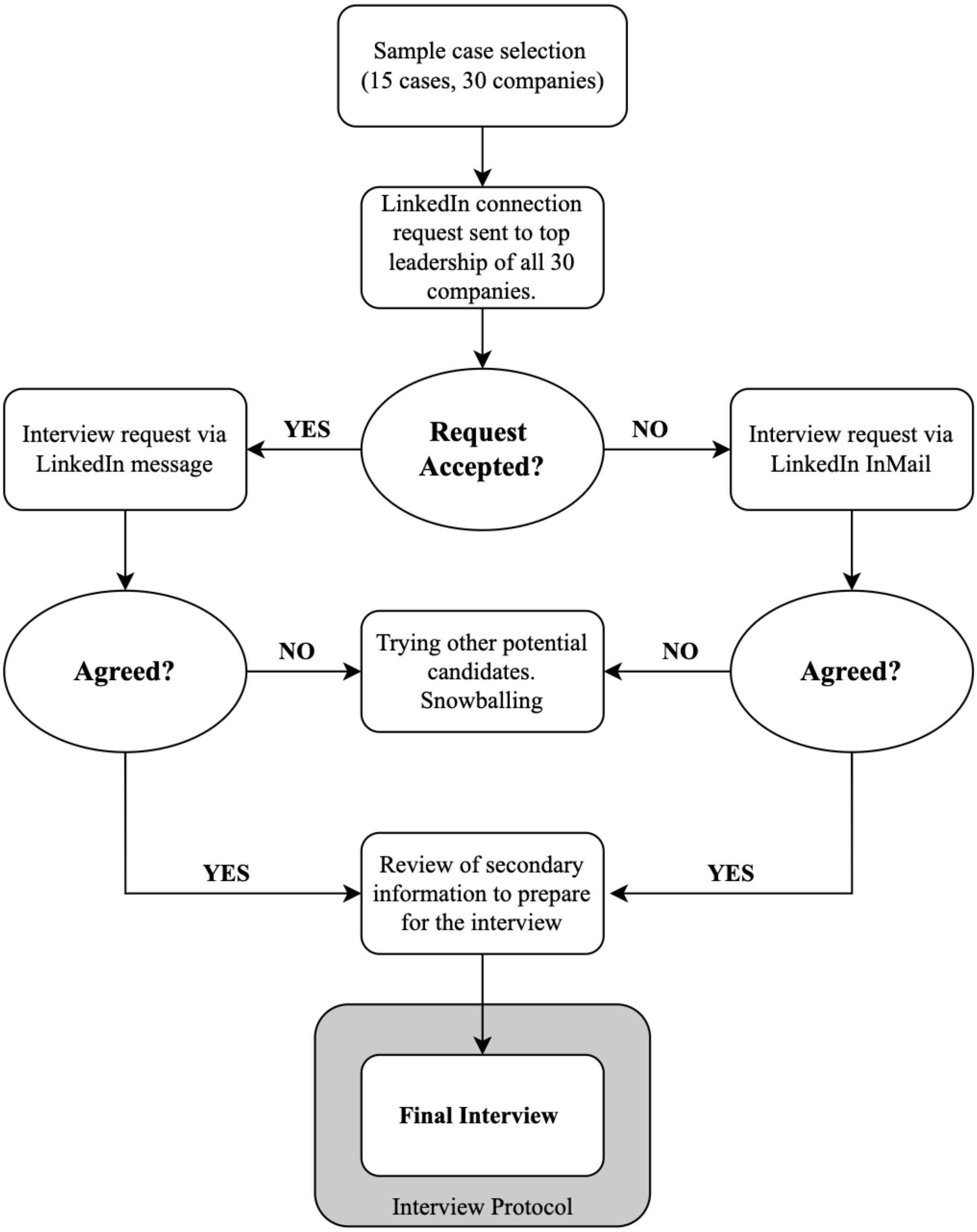
These interviewees were selected as per Graebner & Eisenhardt (2004), who have established the importance and centrality of the top management team in acquisition research. The selection of the informant should correspond to the variables and issue under investigation, as interviewing informants unrelated to the topic under investigation might not provide us with accurate and relevant information (Ghauri & Grønhaug, 2002).

> "…Firm's acquisition decisions usually are made by a very small set of people, typically the chief executive officer (CEO) and two or three key executives and/or board members. Other individuals have limited, if any, awareness of the events taking place."
> – *Graebner & Eisenhardt (2004; 369-370)*

Figure 4.5 outlines the complete interview process. The interviewees were first sent a connection request on LinkedIn. The interviewees who accepted the connection request got approached for an interview via LinkedIn message. Other interviewees were sent an interview request through Email (Appendix E-1) and LinkedIn InMail (Appendix E-2). Once the interviewees agreed to participate, the secondary information obtained from archival records and documentation was reviewed to develop a familiarity with the acquisition and the companies involved (Graebner, 2004). The process began with a review of the company's website, LinkedIn page, media articles, press releases, blogs, and old videos on YouTube to obtain an initial understanding of the case. Two pilot interviews preceded the main data collection effort. The pilot interviews served three purposes. First, to familiarise the researcher with the process of conducting the interview. Second, to develop preliminary insights into the acquisition process and third, to test the potential interview questions (Graebner, 2004). The pilot interviews were crucial in informing the data collection effort and shaping the interview questions. Next, 15 exploratory, semi-structured, in-depth interviews with members of the top management team of the acquiring and the target firm were conducted. The details of the interviews are outlined in (Table 4.7). However, only 11 interviewees made it to the final study[6].

[6] The remaining four interviews were not included in the final analysis as the top management of the corresponding acquiring firm could not be interviewed.

Figure 4.5: Flowchart of the Interview Process



An interview consent form was shared with the participants before the interview (Appendix F). The participants were also informed about the topic and the purpose of the research (Graebner & Eisenhardt, 2004). The interviews followed the question included in the interview protocol (Appendix G), developed before the fieldwork. Appendices G-1 and G-2 showcase the protocol used for the respondents of the acquiring and the target firm. In each case, at least two interviews (one from the target firm and the acquiring firm) were conducted. Depending on the affiliation of the interviewee (Acquiring firm/ Target firm), adjustments were made to the interview protocol.

The interviews followed a courtroom procedure (Eisenhardt, 1989; Graebner, 2004; Graebner & Eisenhardt, 2004), where the questions focused on facts and related to the acquisition and post-acquisition employment change. Such an emphasis on facts is less likely to be subject to cognitive biases and impression management (Miller et al., 1997). The interviews began by asking closed-ended questions about the firm's history, such as its founding date and founding team size, which confirmed and corroborated the background information obtained from secondary sources. A series of open-ended questions then followed, the questions focused on the events leading up to the acquisitions and post-acquisition employment changes. The open-ended questions were crucial given the exploratory nature (Yin, 2009). Such questions are also known to result in higher accuracy in retrospective reports (Miller et al., 1997). The interviewees were asked to recall, in their own words, specific events from their perspectives (Stauss & Weinlich, 1997), which was instrumental in giving the interview participants their "voice" (Leitch et al., 2010).

Table 4.7: Description of the Interviews

Case	**Interviewee Title**	**Length (min)**	**#Pages (transcript)**	**Date of Interview**
Real-estate Tech	Co-founder (T)	74	13	July-20
	Co-founder (A)	37	11	June-20
Regulatory Tech	Co-founder & COO (T)	55	11	Jul-20
	President (A)	44	-	Dec-20
HR Tech	Co-founder & CEO (T)	58	11	Aug-20
	Co-founder & CTO (T)	54	15	Jul-20
	Co-founder & Group CEO (A)	26	7	Jan-21
Marketing Tech	Co-founder & MD (T)	56	13	Jul-20
	Co-founder & Director	76	15	Jul-20
	Senior VP (A)	41	9	Aug-20
	CFO (A)	32	9	Jul-20
Total	**11**	**553**	**114**	

Throughout the data-collection stage, steps were taken to minimise the informant biases. Firstly, the informants included individuals from both the acquiring and the target firm. Such individuals are likely to have different interests and perspectives on the acquisition (Graebner & Eisenhardt, 2004). The risk of retrospective bias was also mitigated as there were no notable differences between their event descriptions. The choice of interviewees also enhanced the credibility and reliability of the data. The information provided by members of the top management team is often considered the most reliable due to their knowledge of and influence on the company (Kumar et al., 1993). To further motivate the interviewees to offer accurate information, they were guaranteed confidentiality and anonymity (Miller et al., 1997).

Each interview ranged from 26 minutes to 76 minutes in length. All but one interview was recorded and transcribed verbatim. In one interview (Regulatory Tech, acquiring firm), the interviewee did not consent to the recording. The researcher thus took copious notes to compensate for the verbatim transcription (Appendix H). All the interviews took place in the eight-months between June 2020 and January 2021. Although the researcher was based in India at the time, the interviews were conducted online via Zoom due to the restrictions imposed by the COVID-19 induced lockdowns. After each interview, the researcher took notes to gather observations and perceptions of the interviewee. Overall, 10 hours of interviews (excluding the pilot) were analysed and captured by 114 pages of interview transcripts. Informal and off the record conversations complemented the recorded interviews. The participants were also used to approach other key interviewees in some cases.

4.7.5.2 Secondary Data Sources

Follow up conversations with participants allowed the researcher to clarify the point that arose in data analysis stage. In addition, secondary sources such as annual reports (Regulatory Tech) were used to source accurate information on data points like the deal value. Given the strong focus of the study on employment, the Tracxn database was used to retrieve the most up-to-date employment information on firms. Other secondary data sources used in the study included: LinkedIn profiles and posts of the top management team, over 50 media articles on the case firms and the acquisition, financial reports including balance sheet and income statements, press statements and public interviews available on YouTube. All the obtained information was leveraged to build an in-depth case profile (Yin, 2009). Table 4.8 offers a breakdown of the secondary data sources used in the study.

Table 4.8: Secondary Data Sources

Year	**Real-estate Tech**	**Regulatory Tech**	**HR Tech**	**Marketing Tech**
2012		OA (1)		
2014			OA (7)	
2015		OA (3)		
2016	OA (1)	OV (2) FR (1)	FR (1)	OV (1)
2017	FR (1) OA (12) FR (1)	OA (9) PS (1) FR (1)	FR (1)	SMP (1) OA (7) FR (1)
2018	FR (1)	FR (1) AR (1)	PS (1) OA (11)	OV (2) FR (1)
2019	FR (1)	FR (1)	FR (1) FR (1)	FR (1)
2020			OD (1)	FR (1) OD (1)
Total (78)	**17**	**21**	**24**	**16**

Abbreviations: OA, online articles; FR, financial reports; OV, online videos; SMP, social media posts, PS, press statements, AR, annual reports, OD, online databases.
Source: Adapted from Diaz-Moriana et al., 2022.

4.7.6 Data Analysis

The data analysis stage of the study is comprised of four main steps. The process began with data coding, where all interviews and secondary information were coded followed by the case description and individual case analysis in the within-case analysis section. The cross-case analysis followed where crucial patterns and variances across cases were analysed. Finally, key frameworks were developed based on the findings (Chapter 8). The data analysis process was iterative and involved several back-and-forth steps between the gathered empirical data and the theoretical framework (Eisenhardt, 1989; Graebner, 2004). The following sections elaborate on each step of the data analysis process.

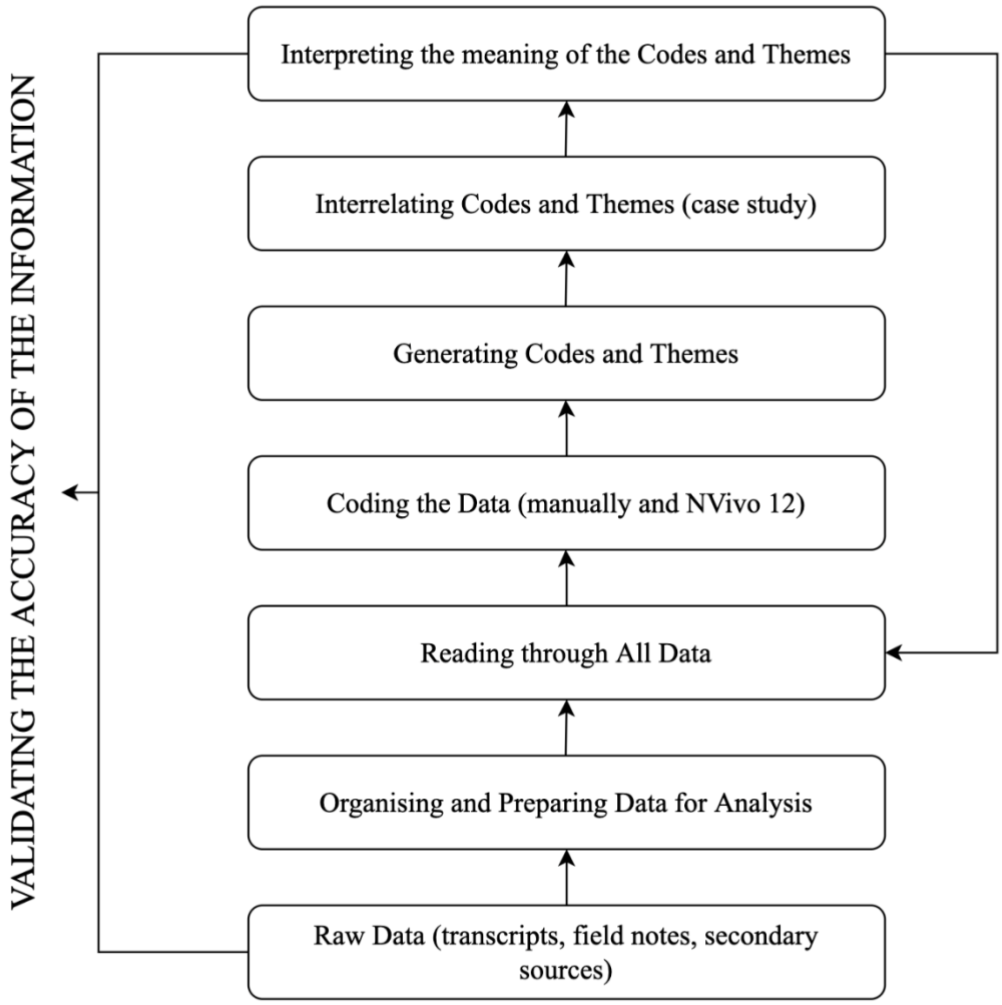
4.7.6.1 Data Coding

The first step of the data analysis process involved coding the interview transcripts and the secondary data. The data was coded using the approach recommended by Creswell (2009) (Figure 4.6). Coding qualitative data, as highlighted by Strauss & Corbin (1998), involves segmentation, and rearrangement of data into categories that facilitate data analysis and theory development. The first order codes were created using the "Focused coding" approach (Charmaz, 1995). Focused coding emphasises coding in a manner that facilitates the understanding of the phenomenon under investigation (Hesse-Biber, 2010). The primary data coding relied on existing theory, prior research, and the research questions to develop the initial coding categories (Potter & Levine-Donnerstein, 1999).

For instance, given the theory and previous empirical evidence on the importance of acquisition motives on post-acquisition employment change (Geurts & Biesebroeck, 2019; Taguchi & Yanagawa, 2013), direct quotations and the researcher's interpretation of acquisition motives, from interviews and archival sources were coded. Using theory to rationally and systematically, develop coding categories helps the researcher in reducing a complex phenomenon into a manageable and limited set of attributes (Potter & Levine-Donnerstein, 1999). Similarly, previous research also established that employment change is either a bottom-up driven phenomenon (Based on an employee's decision) or a top-down phenomenon (Driven by the firm's decision) (Walsh 1988; 1989; Kuvandikov et al., 2014). Based on this insight, the determinants of employment change, both at the employee and the firm level, were systematically coded.

The data analysis software – Nvivo 12 was used for this process. NVivo 12 allows researchers to store, organise, manage, and test data and ideas to report results across predetermined and specified parameters (Welsh, 2002). All interview transcripts and secondary data were imported into the software and were organised into primary and secondary evidence folders, across the four cases (Appendix I).

Figure 4.6: Data Structure for Analysis



Source: Adapted from Creswell (2009, p.185)

All the transcripts and documents were carefully reviewed and analysed. Verbatim quotes from interviews and archival sources representing acquisition motives and determinants of post-acquisition employment change at the individual and the firm level were coded, highlighted, and annotated for clarity (Miles & Huberman, 1994). The initial fine-grained, focused coding resulted in 39 codes and over 300 quotations and pieces of text. For instance, the data depicting evidence such as: "Decided to leave to improve-work life balance", "decided to stay due to higher remuneration", "Left due to mismatch in expectations", and "Stayed due to good work relationships" were designated to individual-level issues. Individual-level issues comprised eleven, and firm-level issues comprised eight first-order codes (Appendix J).

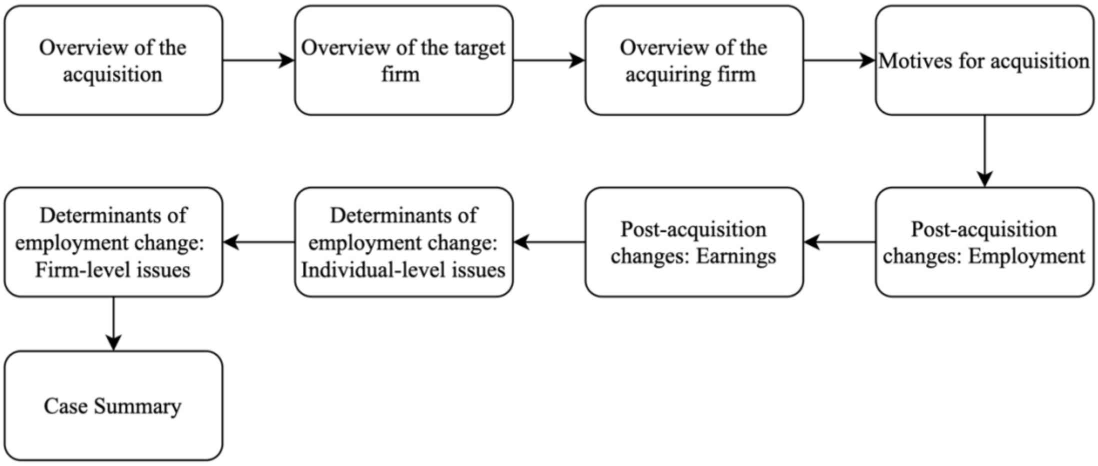
In the second step, the first order codes (except codes on acquisition motives) were grouped into second-order codes. The codes depicting acquisition motives were used to inform the within-case analysis and case description (chapter 7) but were dropped from the second phase to keep the study focused on the main research questions. The eleven first order codes were grouped into four second-order codes: Personal reasons, financial reasons, Professional reasons, and reasons related to work relationships. These four themes formed the aggregated theoretical dimension of Individual level issues. Similarly, the eight first-order codes allocated to Firm-level issues were grouped into four second-order themes: Efficiency forces, prior-acquisition experience, strategic and structural forces, and economic forces. The coding process was iterative and involved constant revisions, grouping and regrouping (Eisenhardt & Graebner, 2007). This constant reorganisation and the back-and-forth movement between data and theory forms an integral part of the qualitative research, which adds nuance to the study (Hesse-Biber, 2010). The coding manual with the list and definition of codes was shared with the researcher's supervisor, and the codes were further revised based on the feedback. The revision based on feedback made the research design more robust and bolstered its transparency (Miles & Huberman, 1994; Weber, 1990).

4.7.6.2 Within-case Analysis

The within-case analysis followed the data coding stage. As per Graebner (2004), detailed case histories for each acquisition were constructed as a first step of the analysis. The case histories include detailed descriptions of the case background, profiles of the companies involved, details of the event and a thematic analysis of each case (for within-case analysis please refer to chapter 6). The case history also informed the cross-case analysis presented in chapter 7. The goal of the within-case analysis was to develop a rich understanding of the phenomenon under investigation through the description and analysis of various constructs emerging from the data.

Each section in the within-case analysis starts with a brief overview of the acquisition, followed by a description of the target and the acquiring firm, familiarising the reader with the case at the outset. The next sections follow the chronological order of the acquisition process. Acquisition motives, given their importance in driving acquisitions and their impact on the acquisition outcomes (Geurts & Biesebroeck, 2019), are discussed after the overview. This helps the readers to familiarise themselves with the broad objectives and expectations associated with the acquisition. The following section provides an overview of the post-acquisition changes observed at the acquired firm and discusses the employment, revenue, and profitability trends to help the reader evaluate the performance of the acquisition (Chari et al., 2012; Curie et al., 2015; Hijzen et al., 2013). The discussion of post-acquisition employment trends leads to a detailed discussion of the reasons behind such changes. In the final section, two broad categories of explanations emerging from the data, one at the firm level and the other at the employee level, are discussed to explore the dynamics of employment change in the post-acquisition period within each case.

Figure 4.7: Layout of the Within-case Analysis



All four cases follow the same format. Diagrams and summary tables are used to examine and present the data. Summary tables are known to confirm the rigour and the depth of the analysis conducted. They also provide an empirical foundation required for the process of theoretical development (Eisenhardt, 1989; Eisenhardt & Graebner, 2007). The within-case analysis is often regarded as the ‘heart and soul’ of exploratory case study research (Schweizer, 2005). The within-case analysis helped in developing familiarity with each case. It also allowed the researcher to identify the key factors driving the post-acquisition employment change in acquired firms. Key insights related to the temporal dimension of post-acquisition employment change also emerged from the within-case analysis.

4.7.6.3 Cross-case Analysis

The cross-case analysis follows the within-case analysis, in the exploratory multiple case study method (Graebner, 2004). Findings of the within-case analysis formed the building block for the cross-case analyses. As per Graebner & Eisenhardt (2004), the researcher compared the cases to identify the notable similarities and differences. To further refine the emerging relationships, the researcher used the replication logic. The recurring patterns enhanced the validity of the emerging relationships and offered crucial insights for answering the research questions. Cases where the emerging relationships were not confirmed allowed for the opportunity for theory extension (Eisenhardt, 1989). The iterative analysis process and the recurring patterns (Graebner, 2004) led to the development of the frameworks outlining the reasons and temporality of post-acquisition employment change in acquired firms, discussed in chapter 7.

Consistent with the quan → QUAL research design, the cross-case analysis brings together the findings from the within-case analysis and compares the explanations offered by each case to build an overall understanding of the dynamics of acquisition-induced employment change in Indian entrepreneurial firms. Consistent with Bhagat et al. (1990) and Gokhale et al. (1995), the within-case analysis highlighted a varying degree of acquisition-induced employment effects across managerial and non-managerial employees at the target firm. Additionally, it underlined the distinct reasons behind the employment change across managerial and non-managerial employees. The findings of the cross-case analysis, thus, are presented under these two employee categories. Within each category, the aggregate dimensions of firm-level and employee-level issues are discussed. The dimensions further offer a detailed account of the second-order themes produced by synthesising the first order-codes. Grouping the cross-case findings across two broad employee categories leads to a nuanced understanding of the phenomenon of employment change across acquired entrepreneurial firms.

Post the cross-case analysis, the transcripts and the secondary data were revisited to ensure the consistency between the data and the findings (Graebner & Eisenhardt, 2004). The interpretation of the findings was reviewed against the key theories in the literature on employment effects of acquisition (Eisenhardt, 1989). The findings were shared with the supervisor and the interviewees over informal conversations. The conversations also offered the researcher an opportunity to address the confidentiality and anonymity concerns of the research participants. Minor adaptions were made to the findings and the frameworks based on the feedback. The following sections in the chapter elaborate on the validity aspect of the case study research.

4.7.7 Criteria for Evaluating Research

The primary objective of the researcher in a case study is to minimise subjectivity and authentically capture the lived experiences of the informants (Creswell & Clark, 2007). The written text of the researcher captures these experiences (Denzin & Lincoln, 2005), which often leads to the representation problem (Clark & Creswell, 2008). The question of representation, rigour, validity, and generalizability of findings are often raised in case study research (Tashakkori & Teddlie, 2003; Flyvbjerg, 2006; Miles & Huberman, 1994; Reddy, 2015). Traditionally quantitative validity concepts such as validity, generalizability and reliability have been used to address these concerns (Clark & Creswell, 2008). However, authors have also called for a serious rethinking of these terms and reconceptualising them using labels that are more acceptable for qualitative research (Denzin & Lincoln, 2005; Lincoln & Guba, 1990). One set of validity criteria has been offered by Lincoln & Guba (1985), comprising of four labels: Credibility - a replacement for the quantitative concept of internal validity, transferability – a replacement for external validity, dependability – a replacement for reliability and confirmability – a replacement for objectivity (Clark & Creswell, 2008, p. 278). This study uses the validity tests proposed by Yin (2009), the central guiding text of the second phase of the study.

4.7.7.1 Construct Validity

Construct validity, concerned with the identification of correct operational measures for constructs under investigation, is often classified as the most challenging test in the case study research (Yin, 2009). The researcher’s bias and subjective judgments in the data collection process have been one of the central criticisms of case study research (Flyvbjerg, 2006). Given the concerns around the decisions related to data collection, transparency becomes central to the research process. Using multiple sources of evidence, establishing a chain of evidence, and sharing the preliminary findings and draft case study reports with key informants are effective ways to enhance the construct validity (Gibbert et al., 2008). All the prescribed measures were adopted in the study to strengthen the construct validity.

Firstly, multiple sources of evidence, as advised by Yin (2009), were used in the study to facilitate data triangulation. In addition, multiple respondents from the companies included in the cases were interviewed to mitigate the risk of confirmation bias and develop an overall understanding of the phenomena under investigation (Graebner & Eisenhardt, 2004). Multiple respondents and multiple data sources allowed the researcher to provide rich descriptions of the evidence to support the findings. Secondly, the data collection process, organisation, and analysis were presented to establish a clear and legible chain of evidence. NVivo 12 further enabled the establishment of a clear line of enquiry and a chain of evidence. Finally, participant, and expert validation was accomplished by sharing the draft cases and preliminary findings with the informants (Miles & Huberman, 1994) and the supervisor. The conversations focused on acquisition motives and the key individual and firm-level issues instrumental in informing the post-acquisition employment change at the target firm.

4.7.7.2 Internal Validity

Internal validity is concerned with the validity of the causal relationships established in the study. In case-study research, it is crucial to ensure that the identified relationships are causal and not spurious (Patton, 2002). The issue of internal validity is central to the problem of making inferences and is particularly crucial in an explanatory research design followed in this study (Yin, 2003). Every time an event is observed indirectly, it raises the issue of making inferences. Pattern matching, explanation building, and addressing rival explanations are effective ways of addressing the concerns related to internal validity (Yin, 2009).

The measures suggested by Yin (2009) have been adopted in the study to quell the internal validity concerns. Firstly, through within-case and cross-case analysis, pattern matching techniques were implemented in the study. Pattern matching was also ensured by drawing linkages between the literature and the emergent findings (Eisenhardt, 1989). Secondly, the usage of NVivo 12 enhanced the explanation building process by allowing aggregation and analysis of multiple different sources of information. The explanations being considered were shared with experts to ensure the inferences being made by the researcher were true. Finally, the rival explanations for the emergent findings were considered and discussed with the informants to mitigate the risk of confirmation bias and further bolster internal validity (Yin, 2009).

4.7.7.3 External Validity

External validity, concerned with the generalizability of the case study findings is a frequent test faced by case-study research (Flyvbjerg, 2006). Using theory, replication logic (Yin, 2009) and describing cases, participants, and research setting address the concerns related to external validity effectively (Lincoln & Guba, 1985). This study uses the following measures to address external validity concerns. Firstly, as per Lincoln & Guba (1985), this study offers a detailed description of the research setting, research context, and the firms and people involved. The detailed description facilitated a nuanced analysis, which enhanced the external validity of the research (Gibbert et al., 2008). Secondly, there was a consistent use of theories in the data analysis process and drawing references. Theoretical generalisations were derived using acquisition motives and voluntary turnover theories. Finally, in line with the recommended replication logic, the findings of the cases were compared against each other (Yin, 2009). Though necessary steps were taken to extend the generalizability of the findings, the researcher also acknowledges the heterogeneity across entrepreneurial firms. Considering the notable heterogeneity, the focus of the study was to develop a nuanced understanding of the phenomenon rather than findings universal patterns and explanations (Flyvbjerg, 2006).

4.7.7.4 Reliability

Reliability, concerned with the replicability of the research process, is an important test of the case study design. It deals with the question of whether similar results can be produced by another researcher following the same method (Yin, 2009).

This study uses the following steps to address reliability concerns. Firstly, as per Yin (2009), the study uses well-defined protocols throughout the case study, beginning from the case selection protocol to the interview protocol and data analysis protocol. Secondly, as per Lincoln & Guba (1985), an audit trail was developed outlining the entire research process from data collection to data analysis. All the major decisions taken by the researchers throughout the process were duly recorded (Creswell, 2009). Finally, the researcher also maintained a chain of evidence. All the evidence used in the case study process was clearly and sequentially documented, from research questions to sample selection to interview protocol and data coding. All information was recorded and stored to bolster transparency and enhance reliability. Table 4.9 summarises the quality criteria for the study.

Table 4.9: Quality Criteria for Case Study Research

Test	Adopted Tactic	Research Phase
Construct Validity	• Used multiple sources of evidence • Established chain of events • Made key informants review the findings	Data collection Data collection Report composition
Internal Validity	• Pattern matching • Explanation building • Addressed rival explanations	Data analysis Data analysis Data analysis
External Validity	• Use theory • Offered rich detailed explanation • Used the replication logic	Research design & Data analysis Data analysis Research Design
Reliability	• Used protocols • Established audit trail • Established chain of evidence	Data collection Data collection & Data analysis Data collection & Data analysis

Source: Adapted from Yin (2009, p. 41), and Lincoln & Guba (1985)

4.8 Ethical Considerations

Ethical considerations form an important component of the research process (Bloomberg & Volpe, 2008). Researchers need to diligently seek required approvals and permissions before venturing into the fieldwork stage of their research (Creswell & Clark, 2007). This section outlines the procedures followed and steps taken to comply with the ethical issues and mitigate risks associated with the research participants.

The permission for ethics clearance was sought from the Ethics committee set up under the Global India European Training Network project led by Dublin City University before initiating the fieldwork (Appendix K-1). The ethics committee approved the ethics form in August 2018 (Appendix K-2). To further comply with the ethical considerations of the

Dublin City University, a participant informed consent form was shared with the respondents before the interview. A plain language statement of the interview was attached with this consent form which explained the following issues: purpose and the nature of the study, risks associated with participation in the study, data storage and usage protocol, assurance of anonymity and confidentiality and contact details of the research ethics committee at Dublin City University (Appendix L).

The informed consent form indicated voluntary participation of the informant in the research process and that informants were free to withdraw from the research process at any time. The consent form also conveyed the intention to use the information collected from interviews to make a collective analysis by anonymising the names of the participants and their firms. Consent was sought from informants to audiotape the interview. The researcher did not record the interview in cases where consent was not given. All interviews conducted in the study took place during COVID-19 induced global lockdowns. Only the audio (mp3) version of the recordings was downloaded from the zoom cloud and used for analysis to protect the identity of the informants. Verbal consent for participation in the research and audio taping was also sought before starting the interview as well. The informants were also assured of a copy of the research output, if requested. The following section discusses the limitations of the methodology.

4.9 Limitations of Methodological Approach

This chapter has discussed the many strengths of the mixed-methods design, linear regression models and case study research. However, there are certain limitations to this methodology that apply to the thesis. The researcher took due care to ensure rigour in the methods used in the study. In the first phase of the study, involving the multiple regression method, assumptions tests such as residual plotting, QQ plots, Variance inflation factor (VIF) and Cook's distance were used to enhance the reliability of the analysis. These tests addressed the concerns and criticisms associated with the multiple regression method - assumption testing. Assumptions such as the absence of anomalous data points, normal distribution of residuals and non-collinearity are foundational assumptions of a regression model (Navarro & Foxcroft, 2022). Testing these assumptions is necessary to establish the validity of the results. The overall model fit was also examined through the R^2 value to determine the overall strength of the regression models (Allison, 1999; Hamidi et al., 2008; Uyanik & Güler, 2013).

Another key criticism concerns the completeness and reliability of the sample set on which the analysis takes place (Navarro & Foxcroft, 2022). Incomplete or inaccurate data can lead to misleading results (Almeida, 2007). Several steps, including data triangulation and expert advice, were used to mitigate the risk associated with sample construction. The small size of the sample also acts as a key limitation. However, given the unexplored context, limited data availability and transparency in the data collection process, the small sample size seems fit for analysis. Such sample sizes are not uncommon in M&A research (Amess et al., 2014). The matched sample in this study is much higher than the benchmark set in published works in the entrepreneurship field, such as Hamidi et al. (2008).

Multiple case study method was used in the second phase of the analysis. Three major criticisms of the method are concerned with non-generalisable (Flyvbjerg, 2006; Meyer, 2001; Yin, 2009), the idiosyncratic and subjective nature of the case study method and the findings emerging from it (Eisenhardt, 1989; Yin, 2009). The following steps were taken to address these concerns. Firstly, a purposive theoretical technique was employed in the study for sample selection (Clark & Creswell, 2008). The aim of which was not to make universal claims but to generate a deeper understanding of the phenomenon under investigation (post-acquisition employment change). The findings, interpretation and frameworks derived from the rigorous analysis offer analytical rather than statistical generalisations.

Secondly, the study is conducted in the unique context of entrepreneurial firms, and it does not claim that the findings are transferrable to other types of firms. Due to the unique nature of the entrepreneurial firm, the study also does not claim that the findings emerging from the analysis of the selected cases would necessarily apply to other entrepreneurial firms with varying characteristics. The study is in the unique geographic context of India, which can limit the applicability of the findings to entrepreneurial firms located elsewhere in the world. However, given the deep strategic ties between the American and the Indian entrepreneurial ecosystem (Entrepreneur India, 2022) and India's growing influence in the South-Asia region, there might be possible overlaps between the entrepreneurial firms in these regions.

Finally, to alleviate the concerns related to subjectivity and researcher bias in case study research, triangulation (section 4.7) and validity measures (section 4.9) were adopted in the study. These measures helped mitigate the risks associated with researcher and participants bias (Graebner & Eisenhardt, 2004; Yin, 2009). Furthermore, measures such as informal, follow-up conversations with research participants, codebook sharing with the supervisor and rigorous iterative analysis further enhanced the credibility and validity of the research and its findings. Overall, the study has aimed to be rigorous, transparent, and clear in its conduct. The rich details, results, explanations, and narratives emerging from the analysis have allowed for an in-depth investigation and examination of the employment effects of the acquisition of entrepreneurial firms and the key determinants informing such effects.

4.10 Chapter Summary

This chapter presented an in-depth discussion of the research methodology adopted in the study. The researcher decided on a pragmatist approach and an abductive stance as the most suitable for this study. The choice of a sequential explanatory mixed-method design was guided by the research questions and exploratory nature of the study. The study combined multiple linear regression and multiple case study methods. Considerable time and effort were invested in sample construction, theoretical issue identification, selection of cases and documentation of case study procedures. The data collection, data analysis and validity tests were discussed for both the methods used. Finally, the limitation of the research methodology was discussed. The next chapter (Chapter 5) presents the first phase of the study – quantitative analysis using linear regression.

Chapter 5: Short-term Employment effects of the Acquisitions of Entrepreneurial Firms

5.1 Introduction

The objective of this chapter is to present the first phase of the mixed-method analysis. The chapter investigates the short-term employment effects of the acquisition of entrepreneurial firms using matched-pair, multiple regression analysis. The chapter is structured as follows: section 5.2 builds on the findings of chapter 3 and provides a brief overview of the research on employment effects of acquisitions, followed by section 5.3, which outlines the hypotheses development and the regression models. Next, sections 5.4 and 5.5 provide an overview of the data and the empirical strategy used for estimation. Section 5.6 discusses the descriptive statistics, followed by section 5.7, which discusses the regression results. The robustness checks of the estimation models are discussed in section 5.8 followed by the conclusion in section 5.9.

5.2 Employment Effects of Acquisitions: An Overview

Acquisition induced downsizing and employment loss concerns have long been highlighted in the acquisition literature (Brown & Medoff, 1988; O'Shaughnessy & Flanagan, 1998). As highlighted in chapter three, despite the growing research interest, the empirical evidence on the employment effects of acquisitions remains inconclusive. The results of the systematic review highlighted positive (Almeida 2007; Bandick & Görg; 2010), negative (Bhagat et al., 1990; Chari et al., 2012), mixed (Geurts & Biesebroeck; 2019; Gugler & Yurtoglu; 2004) and no effects (Fukao et al., 2008; Stiebale & Trax, 2011) of acquisitions on post-acquisition employment. Acquisition induced employment change relies on a variety of factors such as the origin of the acquirer (Ataullah et al., 2014; Gong et al., 2007), type of acquisition (Amess et al., 2014; Oldford & Otchere, 2016), geographic context (Conyon et al., 2002b; Fabling & Sanderson; 2014), industrial context (Majumdar et al., 2010; Xiao, 2015), time scale used (Kuvandikov et al., 2014) and unit of analysis (Siegel & Simons, 2010; Stiebale & Trax, 2011). The findings of chapter 3 underlined the complexity of the phenomenon of acquisition induced employment change.

Besides the inconclusive evidence, the systematic review also highlighted the lack of coverage of post-acquisition employment change in the acquisition of entrepreneurial firms (Lehto & Böckerman, 2008). This underrepresentation fails to account for the growing number of the acquisition of entrepreneurial firms, especially in emerging economies (Entracker, 2022). The welfare loss associated with layoffs, as argued by Behar & Hodge (2008), can be pronounced in emerging economies that rely heavily on entrepreneurial firms for job creation (Ayyagari et al., 2014; Baumol, 2002). In addition, the rise of killer acquisitions driven to pre-empt future competition by acquiring and discontinuing the competitive technology of the target firm has raised concerns among policymakers globally (Cunningham et al., 2021; OECD, 2020). Killer acquisitions actively inhibit the job creation ability of the target entrepreneurial firm (Furman et al., 2019; Letina et al., 2021).

On the flip side, acquisitions have emerged not only as a popular exit route for entrepreneurial firms (DeTienne et al., 2015) but also as a source of getting access to innovative resources and capabilities to grow the firm (Graebner et al., 2010; Mawson & Brown, 2017; Norbäck & Persson, 2014). Xiao (2015) argues that entrepreneurial firms often lack the managerial expertise and financial resources necessary to achieve accelerated growth. In such a case, selling to an established firm with the required managerial expertise and resources can help the entrepreneurial firm accomplish its growth objectives. A hitherto unanswered question is if (Duruflé et al., 2017) and how do acquisitions (McKelvie & Wiklund, 2010) enable the start-up to realise their growth plans (Graebner et al., 2010). This is particularly relevant for entrepreneurial firms in emerging economies as they face a higher degree of resource scarcity (Acs et al., 2008a; Ayyagari et al., 2014). In addition, the systematic literature review underlined the positive employment effects of acquisitions in emerging economies (Gong et al., 2007; Lipsey et al., 2013).

This chapter address RQ2: *What are the short-term employment effects of the acquisition of entrepreneurial firms*. The results of the analysis help generate a richer understanding of the acquisition induced employment change in entrepreneurial firms from emerging economies, like India. It aims to demystify the post-acquisition employment change in entrepreneurial firms from emerging economies through a matched pair multiple regression analysis (Details in section 4.5). Using a sample of 99 acquisitions of entrepreneurial firms based in India, between 2017 and 2018, this chapter analyses the short-term impact of the entrepreneurial acquisition on post-acquisition employment at the target firm. In addition, this chapter analyses the impact of four key variables on post-acquisition employment. The choice of predictors is informed by the existing literature on acquisitions. The predictors are as follows; the origin of the acquiring firm (Almeida, 2007), industry relatedness between the acquiring and the target firm (Gugler & Yurtoglu, 2004), type of acquisition (Amess et al., 2014), and age of the target firm (Datta et al., 2010).

5.3 Hypotheses Development

5.3.1 Post-acquisition Employment Loss

Besides their innovativeness and agility (Wagner, 2016), entrepreneurial firms are also characterised by resource constraints (Ejermo & Xiao, 2014). Entrepreneurial firms lack managerial expertise (Xiao, 2015), network effects and financial resources (Graebner, 2004) required to leverage their growth potential. The resource constraint is particularly amplified in entrepreneurial start-ups from emerging economies (Ayyagari et al., 2014). For instance, lack of access to finance was the main motivation behind the exit of Indian entrepreneurs (GEM, 2018; Innoven Capital, 2020). This reflects the lack of well-developed venture capital (VC) markets unlike the US, Europe, and countries like Israel. Furthermore, since many entrepreneurial firms rely on funds from venture capital firms, they often sell under pressure to generate returns for their investors. Entrepreneurial firms funded by VC firms tend to have a much higher exit rate than their non-VC funded counterparts (Catalini et al., 2019; Wasserman, 2017). Given the resource constraints and obligation towards their investors, entrepreneurial firms often tend to engage in acquisitions from a point of weakness (Wennberg et al., 2010). All these factors make entrepreneurial firms attractive acquisition targets, often used by the acquiring firm as an affordable source of the latest technology (Mawson & Brown, 2017). The acquiring firm often integrates the acquired technology and discontinues the target firm (OECD, 2020). In such a situation, the acquisition is followed by layoffs.

However, findings from the literature review indicate that acquisitions, especially of emerging market firms, can also lead to employment growth at the target firm. For instance, Lipsey et al. (2013) found that acquired Indonesian manufacturing firms grew

11% faster than their non-acquired domestic counterparts. Similarly, Graebner et al. (2010) and Xiao (2015) argue that acquisitions enable the acquired entrepreneurial firms to access the financial and managerial resources, thus achieving faster growth. However, since this study focuses on examining the merits of the employment loss concerns associated with the acquisition of entrepreneurial firms, the first hypothesis is formulated as follows:

> **H1:** Post-acquisition employment loss will be significantly higher in acquired entrepreneurial firms vis-à-vis their non-acquired counterparts.

5.3.2 Origin of the Acquiring Firm

Several studies on the employment effects of acquisitions have looked at the mediating role of the origin of the acquirer (Conyon et al., 2002b; Girma, 2005; Huttunen, 2007; Geluebcke, 2015). The nationality of the acquirer is a crucial factor as domestic and international firms engage in acquisitions for different reasons. A firm may acquire a company in an overseas territory to facilitate market entry (Graebner, 2004; Zhu et al., 2011), overcome trade barriers (Boateng et al., 2008), achieve diversification and risk reduction (Amihud & Lev, 1981), achieve tax synergies (Froot & Stein, 1991; Manzon et al., 1994) and access talent (Chaudhuri & Tabrizi, 1999; Ranft & Lord, 2000). Whereas domestic acquisitions are more likely to be driven by motivations such as increasing market power by reducing competition (Graebner et al., 2010), entering new lines of businesses (Shleifer & Vishny, 1988), leveraging synergies (Bradley et al., 1988), accessing innovative products and services (Mawson & Brown, 2017).

Generally, the greater geographic distance leads to higher information asymmetries between the acquiring and the acquired firm (Collins et al., 2009). This makes post-acquisition layoffs less likely as a firm’s most valuable capabilities, especially in the case of high-tech firms, are known to be tacit in nature which rests with the employees (Chaudhuri & Tabrizi, 1999; Ranft & Lord, 2000). Similarly, acquisition by an international firm can lead to efficient utilisation of a firm’s resources and productivity growth, thus leading to employment growth in the acquired entrepreneurial firm (Damijan et al., 2014). Several studies on the employment effects of acquisitions have also found that international acquisitions lead to relatively lower post-acquisition layoffs vis-à-vis domestic acquisitions (Gong et al., 2007; Lipsey et al., 2013). Almeida (2007), in her work on a sample of Portuguese firms, found that domestic acquisition led to a decline in employment at the target firms. Whereas international acquisitions led to post-acquisition employment growth. Consistent with this finding, Feys and Manigart (2010) report that international acquisitions outperform non-acquired counterparts in profit margins and post-acquisition returns. Based on these streams of evidence, the second hypothesis is as follows:

> **H2:** Post-acquisition employment loss is significantly lower in international acquisitions than in domestic acquisitions.

5.3.3 Industry Relatedness between the Acquired and Acquiring Firm

Industry relatedness is one of the most used variables in the studies on the employment effect of acquisitions. The efficiency theory posits that firms engage in acquisitions to extend efficient practices and rationalise the operations at the acquired firm (Lehto & Böckerman, 2008), hence achieving operational synergies and efficiency gains (Chatterjee, 1986). The scope for rationalisation tends to be higher in related acquisitions, where both the acquiring and the acquired firms belong to the same industry. This leads to higher chances of operational overlap and redundancy, thus opening avenues for potential rationalisation (Krishnan et al., 2007). Such rationalisation in the post-acquisition period may take the form of employee layoffs. Studies have found that related acquisitions are more likely to be followed by layoffs than unrelated acquisitions (O'Shaughnessy & Flanagan, 1998). Li (2012), in his US based work, found that related acquisitions led to a greater degree of post-acquisition employment loss in acquired firms vis-à-vis unrelated acquisitions.

Similarly, Conyon et al. (2002a), in their work on acquisitions in the UK between the period 1967-1997, found that related acquisitions led to an employment loss of 19% compared to an employment loss of 8% in unrelated acquisitions. Employment loss is likely to be relatively higher in related acquisitions, especially in industries exhibiting surplus capacity (Dutz, 1989). Similar results were found in Japan (Kubo & Saito, 2012), the US, Europe (Gugler & Yurtoglu, 2004), and the UK (Amess et al., 2014) based studies. The only notable exception to these findings has been the work by Stiebale &

Trax (2011), who report positive employment gains in related and unrelated acquisitions. Notably, their study investigated international acquisitions, generally driven by motives of strengthening market power, entering new markets (Martin et al., 1998) and acquiring new capabilities (Boateng et al., 2008), rather than achieving efficiency gains.

H3: Post-acquisition employment loss is significantly higher in related acquisitions than in unrelated acquisitions.

5.3.4 Acquisition Type: Strategic v/s Financial Acquisitions.

Acquisitions can further be classified based on the type of acquirers. Strategic acquisitions are acquisitions where the acquirer is a publicly listed or a privately owned firm and is acquiring for business-related reasons, such as growth, market expansion and diversification. Whereas, in financial acquisitions the acquirer is a private equity, venture capital or investment management firm. Financial acquisitions comprise investment buyouts (IBOs), management buyouts (MBOs) and leveraged buyouts (LBOs) and are focused on generating and maximising the financial returns of the investors (Metrick & Yasuda, 2011). Unlike financial acquisitions, strategic acquisitions prioritise the strategic impact over the financial returns (Hellmann, 2002).

Financial acquirers utilise acquisition as an instrument for capital accumulation, and their primary focus remains on wealth multiplication and accumulation on behalf of their investors (Masulis & Nahata, 2011). Previous work on the employment effects of financial acquisitions shows that IBOs and LBOs lead to a significant loss in the acquired firm post-acquisition (Goergen et al., 2011; Goergen et al., 2014). Similarly, Amess et al. (2014), in their work on LBOs in the UK, found that it led to a decline of 11% in employment in the acquired firm. One explanation for such a decline could be that LBOs are considered a way of enforcing financial discipline by generating cash flows to service the debt (Thompson et al., 1992). Given that financial acquirers have a duty of generating financial returns for their partners, the investment period tends to be shorter (Arthurs et al., 2008). This urgency of maximising financial returns could trigger rationalization measures such as post-acquisition employee layoffs.

> **H4:** Post-acquisition employment loss is significantly higher in financial acquisitions than in strategic acquisitions.

5.3.5 Age of the Target Firm

The age of the target firm is another widely studied variable in acquisition literature. Young entrepreneurial firms are more dynamic and offer greater potential for long-term growth (Haltiwanger et al., 2013) and disruptive innovation (Lawless, 2014). Young firms get bought out by large multinational corporations to aid their growth prospects (Norbäck & Persson, 2014). Since young entrepreneurial firms are characterised by resource constraints (Mosakowski, 2017; Li et al., 2020; Zott & Amit, 2007), getting acquired by an established firm could lead to greater access to resources and improved growth prospects (Lockett et al., 2011; Xiao, 2015).

In addition, young target firms generally tend to be smaller in size, making it easier for the acquirers to fully integrate the target firm (Krishnan et al., 2007). Whereas older firms generally tend to be relatively larger in size with more developed internal processes leading to a higher chance of redundancies and scope of post-acquisition rationalization. Girma (2005), in his work on acquisitions in the UK, found that large acquisitions led to job losses, whereas smaller acquisitions led to employment growth. This is consistent with the “David-Goliath” symbiosis hypothesis arguing that large acquirers can leverage their assets to develop the innovation capabilities of the acquired small firms (Baumol, 2002). Such efforts could lead to growth in target firms, leading to higher employment opportunities.

> **H5:** Post-acquisition employment loss is lower in young target firms than old target firms.

5.4 Data

As discussed in chapter 4 (sections 4.5.3 & 4.5.4), the Tracxn M&A database, was used as the main data source for this study. A two-year period from 01/01/2017 to 31/12/2018 was chosen for the sample construction. Lack of coverage of recent acquisitions in the literature, as highlighted in Chapter 3, informed the choice of the time period used. The sample of acquired entrepreneurial firms comprised 99 firms across 28 industrial categories as illustrated in Table 5.1. A diverse sample enhances the quality of the study by making the results more generalizable (Taguchi & Yanagawa, 2013).

Six industries, business services (10%), FinTech (9%), financial services (7%), media and entertainment (7%), healthcare (6%), and enterprise applications (6%), collectively account for 45% of the acquisitions, despite only accounting for 21% of the industrial categories. This data point highlights that entrepreneurial firms in these six industries were targeted by the acquiring firms between 2017 and 2018. The number of domestic acquisitions was slightly higher (52) than the international acquisitions (47) in the sample. Similarly, the number of unrelated acquisitions (54) and strategic acquisitions (83) was higher than related (45) and financial acquisitions (16). Financial acquisitions, as highlighted in Table 4.2, are acquisitions where the acquiring firm is either venture capital, private equity, or an investment management firm.

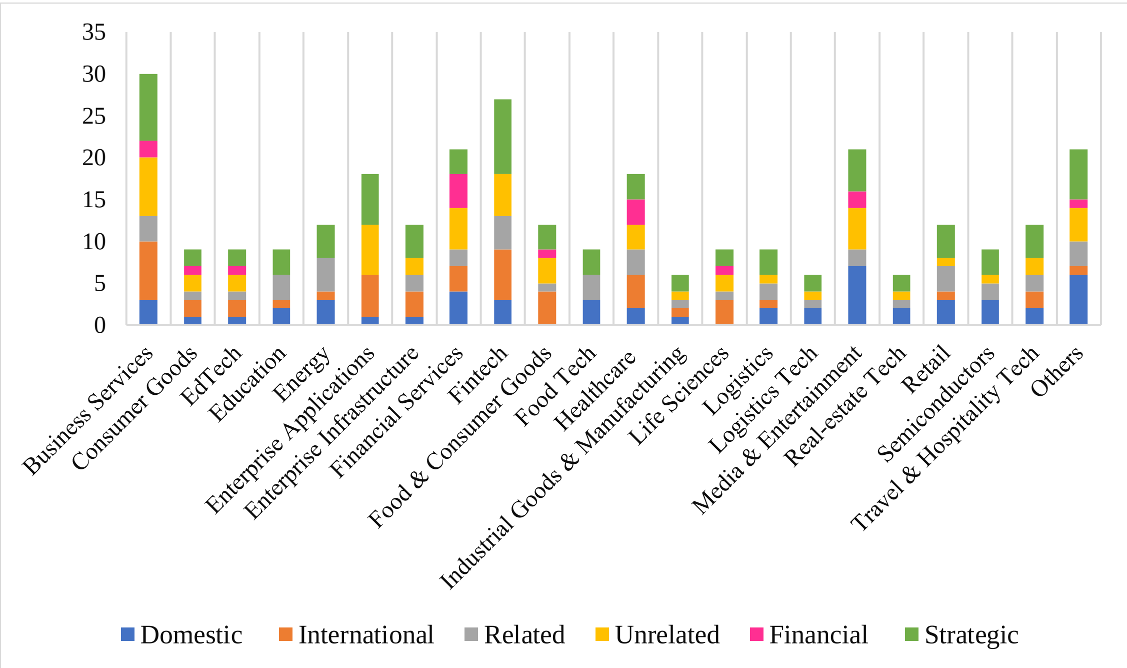
Table 5.1: Industrial Classification of the Sample

Industry	**No. of Firms**	**% Share**
Business Services	10	10%
Consumer Goods	9	3%
EdTech	3	3%
Education	3	3%
Energy	4	4%
Enterprise Applications	6	6%
Enterprise Infrastructure	4	4%
Financial Services	7	7%
Fintech	9	9%
Food & Consumer Goods	4	4%
Food Tech	3	3%
Healthcare	6	6%
Industrial Goods & Manufacturing	2	2%
Life Sciences	3	3%
Logistics	3	3%
Logistics Tech	2	2%
Media & Entertainment	7	7%
Real-estate Tech	2	2%
Retail	4	4%
Semiconductors	3	3%
Travel & Hospitality Tech	4	4%
Others*	7	7%
Total	**99**	**100%**

*Others include Auto (1), Construction Tech (1), Energy Tech (1), Gaming & Mobile (1), Internet (1), Publishing (1) and Waste Management Solutions (1).

Analysis of the sub-categories of data generates crucial insights about the sample. As seen in Figure 5.1, international acquirers were dominant in industries such as business services, fintech and enterprise applications. The dominance of international acquirers in these industries is consistent with the literature on business process outsourcing to Indian firms (Kobitzsch et al., 2001). All entrepreneurial firms in the life sciences industry were acquired by international firms. Domestic acquirers were dominant in industries which rely on a strong localised knowledge base, such as FoodTech, media & entertainment, and industries which enjoy government protection, such as semiconductors (Kumar, 2021) and energy (UKIBC, 2016). Notably, entrepreneurial firms in the healthcare and financial services industries attracted financial acquirers.

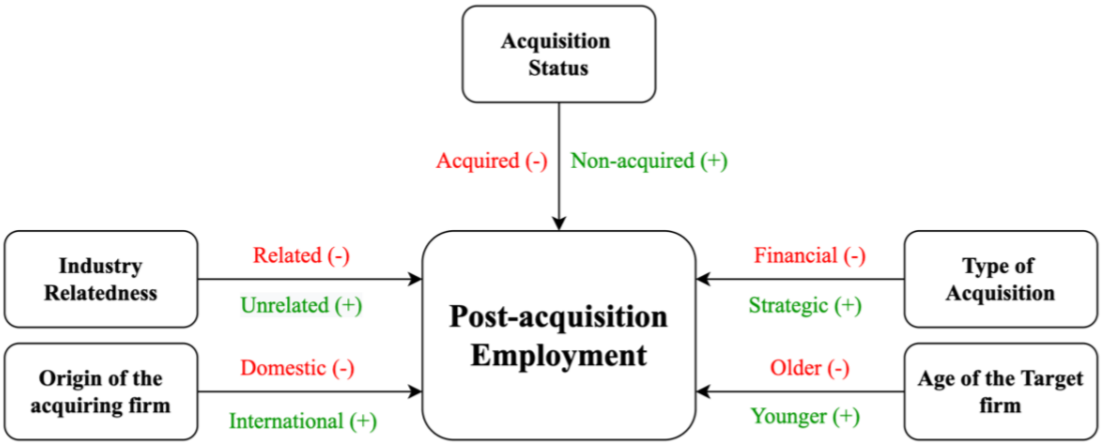
Figure 5.1: Sample Classification by Variables



5.5 Empirical Strategy

As discussed in section 4.5.6, this study employs two models to tests the hypotheses (Figure 5.2). The first model treats the acquisition status of the entrepreneurial firms as a dichotomous variable and examines its impact on the aggregate employment at the firm in the short term. The model allows for the comparison of the employment at the acquired entrepreneurial firms (n=99) with their non-acquired counterparts (n=54), constructed through a one-to-one match. Quarterly employment data was used for the analysis.

Figure 5.2: An Overview of the Hypotheses



For approximately 70% of the acquired entrepreneurial firms, employment information was available for the six quarters after the acquisition (1.5 years). The first model can be described as:

$$\boldsymbol{Employment_i = \beta_0 + \beta_1\, AcquisitionStatus_i + \epsilon_i}$$

Additionally, based on the literature and available data, the study also examines the impact of the following variables on the post-acquisition employment at the acquired entrepreneurial firms (a) Origin of the acquirer (Hypothesis 2: Domestic versus International), (b) Industry relatedness (Hypothesis 3: Related versus unrelated), (c) Type of acquisition (Hypothesis 4: Strategic versus Financial), (d) age of the acquired firm (Hypothesis 5). The second model can be described as:

$$2.\ \boldsymbol{Employment_i = \beta_0 + \beta_1\, Origin_i + \beta_2\, TypeAcquisition_i + \beta_3\, Relatedness_i + \beta_4\, Age_i + \epsilon_i}$$

5.6 Descriptive Statistics

Table 5.2 provides descriptive statistics for the sample. As can be seen, the average age and employment of the matched sample are lower than the sample of acquired firms, which is not uncommon in the studies investigating employment effects of acquisition (e.g., Gong et al., 2007). Section 4.5.5 outlines the steps involved in the matched sample construction. Other interesting findings emerge from the descriptive statistics. For instance, the acquired entrepreneurial firms are larger and more experienced in related acquisitions than unrelated acquisitions. This is a crucial observation as managers often undertake acquisitions to enforce discipline in the target firms, and the scope of disciplinary actions is higher in larger firms (O'Shaughnessy & Flanagan, 1998).

Table 5.2: Descriptive Statistics

	N	Total Observations	Mean Employment	Mean Age
Model 1				
Sample of acquired firms	99	944	1028	15.1
Matched sample	54	510	828	9.03
Model 2				
Related Acquisition	45	-	1296	15.7
Unrelated Acquisition	54	-	822	14.6
Domestic Acquirer	52	-	932	13.5
International Acquirer	47	-	1135	17
Strategic Acquisition	83	-	838	15.4
Financial Acquisition	16	-	2110	13.5

Similarly, the average employment and age of entrepreneurial firms acquired by international acquirers are higher than that of domestic acquirers. This is not surprising as international acquisitions are often driven to access foreign markets and leverage the customer base of the target firm (Seth et al., 2002). Thus, the acquisition objective necessitates the acquisition of a target with industry experience and an established customer base. In addition, the age and size of the target firms can signal quality which is crucial in mitigating the risk of adverse selection in international acquisitions (Humphery-Jenner et al., 2017) characterised by information asymmetry (Collins et al., 2009; Dastidar & Zaheer, 2010).

Another interesting insight from the descriptive statistics concerns the entrepreneurial firm’s acquirer by financial acquirers. The average employment at the firms acquired by financial acquirers is 2.5 times higher than that of strategic acquirers. In addition, they are also younger than the entrepreneurial firms acquired by strategic acquirers (13.5 years vis-à-vis 15.4 years). Consistent with Humphery-Jenner et al. (2017) and Janney & Folta (2006), this indicates that financial acquirers targeted high-quality young entrepreneurial firms with high growth potential. In addition, this finding challenges the existing empirical evidence on financial acquisitions in non-entrepreneurial settings, which argues that financial acquisitions are targeted towards struggling firms with inefficient management (Goergen et al., 2014; Siriopoulos et al., 2006).

5.7 Results

This chapter set out to estimate the short-term employment effects of the acquisition of entrepreneurial firms based on two models. The first model used the matched-pair approach and compared the post-acquisition employment at acquired firms with their non-acquired counterparts. The results of the analysis as shown in Table 5.3, indicate no significant short-term employment loss in the acquired firms vis-à-vis their non-acquired counterparts (*p-value >.005*), thus disproving the first hypothesis **(H1)**. As an extension, the results also do not support the killer acquisition hypothesis, which predicts a sharp decline in the employment of entrepreneurial firms after acquisition (Cunningham et al., 2021; OECD, 2020). It is important to highlight that the results disprove the killer acquisition hypothesis only in the short run, since for 70% of the sample firms, only the employment data for the first six quarters (1.5 years) after the acquisition was examined.

Table 5.3: Estimation Results: Model I

Model Coefficients - Employment

Predictor	**Estimate**	**SE**	**t**	**p**
Intercept[a]	2363.2	289.87	8.152	<.001
Not Acquired - Acquired	-200	148.7	-1.35	0.178

[a]Represents reference level

The second model examined the impact of four key predictors on the post-acquisition employment at the target firm – the origin of the acquiring firm **(H2)**, industry relatedness between the firms **(H3)**, type of acquisition **(H4)** and age of the target firm **(H5)** . Table 5.4 presents the estimation results for Model 2. Concerning the origin of the acquiring firm, the estimation results do not support H2, which predicted significantly lower employment loss in international vis-à-vis domestic acquisitions. However, contrary to the conventional wisdom, the results do not indicate significantly higher employment loss in cases of international acquisitions either. Contrary to the findings of Chari et al. (2012) and Geluebcke (2015), the results indicate that international acquirers do not implement job cuts, at least in the short run. Entrepreneurial firms are often acquired for their technological capabilities (Graebner et al., 2010) derived from their talent base (Ranft &

Lord, 2002; Setor & Joseph, 2017). Implementing immediate job cuts after the acquisition can destroy the synergistic potential of the acquisition (Puranam et al., 2009).

Table 5.4: Estimation Results: Model II

Model Coefficients - Employment				
Predictor	**Estimate**	**SE**	**t**	**p**
Intercept[a]	2363.2	289.87	8.152	<.001
Domestic - International	-464.65	207.78	-2.236	0.026
Related - Unrelated	**1086.31**	224.58	4.837	**<.001**
Strategic - Financial	**-1800.72**	298.55	-6.032	**<.001**
Target Age	-2.18	6.18	-0.352	0.725

[a]Represents reference level

H3, predicting a significantly higher post-acquisition employment loss in related acquisitions vis-à-vis unrelated acquisitions, is not supported by the estimation results. On the contrary, the results point to a positive effect of firm relatedness on the post-acquisition employment at the target firm (*p-value <.001 & a positive estimate coefficient*). This finding challenges the conventional understanding of associating firm relatedness with employment loss (Li, 2012; Krishnan et al., 2007; Kubo & Saito, 2012). The results highlight that the efficiency theory is not as applicable in the context of entrepreneurial firms as it is in other contexts (Lehto & Böckerman, 2008). As discussed in section 2.5, entrepreneurial firms are acquired for growth motives (Graebner, 2004) and not operational efficiency (O'Shaughnessy & Flanagan, 1998). As per the estimation results, these acquisition objectives seem to supersede the avenues for employee rationalization that emerge from the operational overlaps between the acquiring and the target firm.

H4, predicting a significantly higher post-acquisition employment loss in financial acquisitions vis-à-vis strategic acquisitions, is not supported by the estimation results. On the contrary, the results indicate a positive relationship between financial acquisitions and post-acquisition employment at the target firm. This is an interesting finding, as financial acquisitions are known to cause job-cuts (Amess et al., 2014; Goergen et al., 2014). Financial acquirers such as venture capital and private equity funds are focused on generating maximum possible returns for their investors and have shorter investment horizons than the strategic acquirers (Metrick & Yasuda, 2011). Financial acquirers are known for implementing post-acquisition job cuts to generate financial returns (Folkenflik, 2021). However, the results indicate that in emerging markets like India, characterised by high-growth, financial acquirers tend to rely on growth rather than profitability of the target firm to generate financial returns (TechCrunch, 2021).

Finally, **H5**, predicting a significantly higher employment loss in older target firms vis-à-vis younger target firms, is not supported by the estimation results (*p-value = .725*). Thus, indicating that age of the acquired entrepreneurial firm has no impact on its post-acquisition employment change. This finding adds to the debate on age being an accurate indicator of an entrepreneurial firm's growth potential (Haltiwanger et al., 2013; Lawless, 2014). The estimation results of this study do not concur with this view. On the contrary, as discussed in the descriptive statistics, the average age of acquired firms in the sample was higher (15.1) than the average age of their non-acquired counterparts (9.03). This reflects that the age of the entrepreneurial firm in markets like India is perhaps a signal for quality. Entrepreneurial firms, especially from emerging economies, tend to operate in uncertain environments (Yu et al., 2018), making it difficult for the acquiring firm to source accurate information on the target firm. In such cases, a longer operating track record may act as a quality signal for the buyer. Young firms, starting from scratch, often lack organisational routines and internal capabilities to benefit from investment (Coad et al., 2016). In addition, the technology of entrepreneurial firms, which is often their key resource, tends to improve over time, thus offering greater value to the acquirer (Ransbotham & Mitra, 2010).

5.8 Robustness Checks

Consistent with Navarro & Foxcroft (2022), robustness checks were performed to ensure the reliability of the results. Collinearity statistic was used to check the multicollinearity between the independent variables in model II. The VIF value for all independent variables was not greater than 1, signifying low collinearity. In addition, Cook's distance was used to check the influence of outliers on the outcomes. The Cook's distance for both models is below 1, indicating that no particular data point has a significantly influences the results. Table 5.5 presents the estimates of the robustness checks.

Table 5.5: Robustness Checks

Collinearity Statistics

	VIF	Tolerance
Model I		
Acquisition Status	1	1
Model II		
Relatedness	1.27	0.785
Acquirer Origin	1.11	0.904
Type	1.16	0.86
Target Age	1.02	0.978

Cook's Distance

	Mean	SD
Model I	0.0000598	0.00482
Model II	0.0000983	0.00765

5.9 Conclusion

The results of this analysis contribute to our understanding of acquisition induced short-term employment change in entrepreneurial firms. In addressing RQ2, contrary to the killer acquisition hypothesis (Cunningham et al., 2021; OECD, 2020), the results find no significant employment loss in acquired entrepreneurial firms vis-à-vis their non-acquired counterparts. In addition, contrary to the employment loss concerns associated with cross-border acquisitions (Huttunen, 2007; Martins & Esteves, 2015), the results find no significant impact of the acquirer's origin on post-acquisition employment. These results indicate that the acquisition of Indian entrepreneurial firms , whether domestic or international, tend to be driven by growth objectives (Graebner et al., 2010) rather than efficiency gains.

Additionally, contrary to Amess et al. (2014) and Conyon et al. (2002a), the study found higher post-acquisition employment in related and financial acquisitions. These findings suggest that strategic and financial acquirers use acquisitions to enter and expand their foothold in the Indian market (Graebner, 2004) or access growth enhancing product or service innovations (Mawson & Brown, 2017). Financial acquirers, focused on generating financial returns, seek capital accumulation by pursuing growth opportunities in a rapidly growing market like India. The finding also points to the differences in the strategic objectives for acquiring entrepreneurial start-ups and larger established firms. The study found no significant effect of the target firm's age on post-acquisition employment, thus indicating that, at least in the short run, younger entrepreneurial firms do not necessarily outperform their older counterparts in post-acquisition growth (Lawless, 2014; Ouimet & Zarutskie, 2014).

The results of the analysis conducted in this chapter offer rich insights into the phenomenon of post-acquisition employment change in entrepreneurial firms. Acquisition induced short-term employment loss was not observed in the study, quelling the negative economic concerns associated with the acquisition of entrepreneurial firms. In addition, the analysis led to two counter-intuitive results, a higher post-acquisition employment in related and financial acquisitions. These streams of evidence underline the uniqueness of entrepreneurial acquisition. Having established the short-term employment effects of the acquisition of entrepreneurial firms, the next phase of the study adopts a multiple case study design to investigate the reasons behind the employment changes observed in this chapter. The following chapters (Chapters 6 & 7), employ a multiple case study method to explore the determinants behind the changes observed in this chapter.

Chapter 6: Qualitative Exploration of Post-Acquisition Employment Changes – Within-Case Analysis

6.1 Introduction

The objective of this chapter is to present the first section of the multiple case analysis. The chapter contains a detailed description of the four cases providing context for each case. The chapter is structured as follows: Section 6.2 summarises the four cases, followed by a detailed analysis of each case, in sections 6.3 to 6.6. Each case analysis begins with an overview of the target firm, followed by the acquiring firm. It then gives way to a discussion of the motives behind the acquisitions. The motivations are discussed from the perspective of the acquirer and the target firm. The next sub-section outlines the acquisition process, followed by a discussion on the determinants of post-acquisition employment change. The chapter ends with a summary in section 6.7.

6.2 Summary of Case Profiles

Table 6.1 provides a summary of the key characteristics of the examined cases. The cases represented four different industries: Real-estate Tech, Regulatory Tech, Human Resource (HR) Tech and Marketing Tech. The industrial affiliation of the cases informed the case names. Across all cases, the acquiring and the target firm were from related industries. Three of the four cases involved a domestic acquiring firm (incorporated in India). In one case (Regulatory Tech), the acquiring firm was a publicly listed US company.

The average age of the target firm across four cases was 7.75 years, with the target firm in HR Tech being the youngest (5 years) and Regulatory Tech being the oldest (11 years). In terms of size, measured by the number of employees, the target firms ranged from 6 (HR Tech) to 232 (Regulatory Tech) employees. In all but one case (Marketing Tech), the target firms raised external equity. The total funding raised ranged from $1.7 million (Real-estate Tech) to $12.4 million (Regulatory Tech). The target firm in HR Tech had two founders, while in the other three cases, the founding team comprised three members. Finally, the deal value of acquisitions ranged from $75,000 (HR Tech) to $16.9 million (Regulatory Tech).

Table 6.1: A Summary of Case Profiles[a]

	Real-estate Tech	Regulatory Tech	HR Tech	Marketing Tech
TARGET FIRM				
Industry	Real Estate Tech	Regulatory Tech	Human Resource Tech	Marketing Tech
Year of Incorporation	2012	2006	2013	2007
Total Funding Raised	$1.7 m	$12.4 m	$3.4 - 6 m	Bootstrapped**
Founding Team Size	3	3*	2	3
Headquarter	Bangalore	Bangalore	Delhi NCR	Delhi NCR
Date of Acquisition	May-17	Feb-17	July-17	May-17
Age at Acquisition	5	11	5	10
Acquirer Origin	Domestic	International	Domestic	Domestic
Team Size at Acquisition (Target Firm)	83	232	6	53
Most Recent Employment (Target firm)	47*	265	200*	30*
Deal Value	$10 million (65 cr.)	$16.9 million	$75,000 (55 lakhs)	n/a
Integrated/Autonomous	Autonomous in the transition phase. Integrated post-transition.*	Autonomous	Fully Integrated after acquisition.*	Autonomous for the first six months. Integrated mid-transition. Granted autonomy later.*
Employment Change (Target firm)	5% decline in the transition period. 40.5% decline in the quarter after the transition period.	39% increase in the transition period. 6% decline in the quarter after acquisition.	Acquihire. Four of six members, including the CTO retained. Three of the four retained members left post-transition. The employment in the team led by retained CTO increased post-transition.*	Employment declined in the transition & the post-transition. 72% decline in the two years after acquisition. 67% increase after granting autonomy to the target firm.*

[a] A single asterisk sign denotes evidence from interview data; all other evidence collected from archival sources and corroborated with interview data.

6.3 Case 1: Real-Estate Tech

6.3.1 Acquisition Overview

Real-estate Tech involved an acquisition between two online rental platforms. The target firm with 83 employees had been in business for five years. The acquiring firm with 682 employees was a two-year-old, well-funded fast-growing start-up. Market power consolidation was the primary motive behind the acquisition. The relationship between the two firms began as exploring avenues for a business partnership. After a few rounds of meetings, the top management teams of the acquiring and the target firm realized that an acquisition would create more value for both entities.

After nine months of negotiation, due diligence, and legal drafting, the acquisition was announced in May 2017 with a deal value of $10 million. The target firm was to continue as an independent brand post-acquisition (Agarwal, 2017; YourStory, 2017). At the time of the acquisition, no layoffs were announced. The employment at the target firm registered a decline of 5% in the transition period (83 to 79), and a significant decline of 40.5% after the transition period (79 to 47). Target firm's autonomy was revoked post-transition and merged into the acquiring firm.

6.3.2 Target Firm Overview

The target firm, headquartered in Bangalore, was started in 2012 by three first-generation entrepreneurs from the Indian Institute of Technology Madras. It began as a residential real estate management company whose main purpose was to solve the problem of trust asymmetries between tenants and property owners using technology. The firm's focus was on full house lettings for young families in major urban centres in India, witnessing waves of migration from across the country. It developed an end-to-end property management technology to introduce standardization in the home rental market (Agarwal, 2017). Using data (such as location and demand of a given property) and its analytics capabilities, it offered tenants and property owners a fixed rental price (Agarwal 2017; Hussain 2017). In the words of one of the co-founders:

> "So, in a simple one-liner, we were trying to build the trust between the owner and tenant in the residential rental market." – *Co-founder, Target firm (Real-estate Tech)*

Over its five-year lifecycle, the firm raised a total of $1.7 million over two funding rounds involving a group of angel investors. The funding enabled the firm to expand its property portfolio. Its main competitive advantage rested on two key pillars: the first-mover advantage in the market and market leadership in the young family's demographic segment. At acquisition, it was the second-largest start-up in the home rental segment, with a portfolio comprising 4,000 properties and over 10,000 customers (Chakraborty 2017; Venkat 2017). At acquisition, the firm had 83 employees.

6.3.3 Acquiring Firm Overview

The acquiring firm, headquartered in Bengaluru, was started in 2015 by four first-generation entrepreneurs. It started as an end-to-end online home rental platform (Chauhan, 2017). Its service offerings ranged from listing and showcasing the rental units to assisting the tenant during the move-out process (Chakraborty, 2017). The start-up focused on the young immigrant population, and its catalogue largely included semi-furnished and fully furnished residential units. In the words of one of the co-founders:

> "(Acquiring firm name) was started as a platform to create living spaces for working professionals and probably students also at some point of time, (a) large volume of the problem that we were solving was that there was a huge magnitude of (the) population which had moved into (the) city in search of jobs, especially new modelled part of cities that were there and they did not have the right kind of living spaces because of various reasons." – *Co-founder, Acquiring firm (Real-estate Tech)*

The firm expanded rapidly after its incorporation and became India's largest online home rental platform. It had operations in eight major Indian cities[7] with a catalogue of over 10,000 homes and over 25,000 customers (YourStory, 2017). At acquisition, the firm had raised over $43 million in funding over three funding rounds (Agarwal, 2017). Its investors included a combination of high-net-worth individuals (HNIs) and prominent venture capital funds. It had 682 employees at the time of acquisition Table 6.2 provides a summary of the acquiring and the target firm of Real-estate Tech.

[7] The cities included: Delhi, Mumbai, Bengaluru, Gurugram, Hyderabad, Pune, Noida, and Ghaziabad.

Table 6.2: Real-estate Tech – Summary of the Acquiring and Target firm[a]

Details	Target Firm	Acquiring Firm
Ownership	Private	Private
Headquarter	Bangalore, India	Bangalore, India
Industry	Real-estate Tech	Real-estate Tech
Sub-Classification	Residential real estate management with a focus on full-house lettings for young families.*	End to end rental management platform with a focus on shared house. *
Business Model	Business to Consumer (B2C)	Business to Consumer (B2C)
Founding Team Size	3	3
Total Funding Raised	$1.7 million	$43.2 million
Total Funding rounds	2	5
Number of Institutional Investors	None	3
Number of Angel Investors	3*	2
Start Year	2012	2015
Acquisition Year	2017	2017
Age at Acquisition	5 years	2 years
Team size at acquisition	83	682
Team size a year later	47	804
Merged/Autonomous	Autonomous for the first-year post-acquisition. Merged after that. *	-

[a]An asterisk sign denotes evidence from interview data; all other evidence collected from archival sources and corroborated with interview data.

6.3.4 Acquisition Overview: Motives for Acquisition

6.3.4.1 Expansion in a new market segment: The acquiring firm's desire to expand into family housing emerged as the primary driver behind the acquisition. The segment of full-house lettings for families carried significant potential both from the demand and supply sides. Several property owners were only interested in letting their properties to families. At the same time, young families were migrating to major Indian cities for employment-related reasons. Though the acquiring firm had a comprehensive catalogue of properties it focused on shared housing facilities (Sharma, 2017). Only 10% of its catalogue was comprised of full house rentals for families (Chauhan, 2017). Its focus had been on young single customers in the age range of 22 to 30 years (YourStory, 2017). For instance, single women alone accounted for 24% of its customer base in 2017 (The Hindu Business Line, 2017). One of the co-founders of the acquiring firm highlighted:

> “There was a huge demand that we were leaving on the table which was related to when we were looking for full houses. In fact, out of 10 houses, we would talk to definitely there would be 6 or 7 owners who would say that we only want to give to families, and we would leave those houses entirely.” – *Co-founder, Acquiring firm (Real-estate Tech)*

The target firm had built a strong presence in the full-house lettings aimed at families. It had a catalogue of over 4000 properties (Chakraborty, 2017). The acquisition offered the acquiring firm a chance to establish a presence in a new market segment of full house lettings for families. Extension into new market segments and leveraging the existing customer base of target firms are major drivers behind mergers and acquisitions (Graebner et al., 2010; Inkpen et al., 2000). The following quote from the co-founder of the acquiring firm further emboldens the point:

> “We (Acquiring firm name) were largely dealing in shared houses, and we were looking to grow the full house’s portfolio ourselves. We were looking to have a footprint on the full houses side and that was the segment they (Target firm name) already had, they had a good amount of full houses already existing, so it worked for us.”
> – *Co-founder, Acquiring firm (Real-estate Tech)*

> “We (Acquiring firm name) hope to disrupt and restructure the social infrastructure of housing for both singles and families in times to come.”
> – *CEO, Acquiring firm (Real-estate Tech)* (Sharma, 2017)

6.3.4.2 Enhancing Market Power: Enhancing market power and strengthening its competitive position emerged as an important driver behind the acquisition. The acquiring firm had grown to become the largest online rental platform in India, with a portfolio of over 10,000 homes (YourStory, 2017). The second-largest player in the online home rental segment was the target firm. The acquisition offered the acquiring firm an opportunity to grow its property catalogue by 40%, thus, consolidating its leadership position in the online home rental segment. The following quote from the co-founder of the acquiring firm further elucidates the point:

> “At that point of time by (the) number of houses, (the) number of tenants, by revenue, they (Target firm name) were probably number two. So, if we could have had them as well, so basically after that there is nobody for a long distance. All other players were

> with a very small portfolio. So, there was not a chance, so that was one you become more consolidated." – *Co-founder, Acquiring firm (Real-estate Tech)*

The acquisition solidified the acquiring firm's market leadership by making it ten times larger than its nearest competitor (Digital Terminal, 2017). This acquisition is an example of what scholars' term horizontal acquisition, where two or more firms in the same industry combine to form a larger entity. These acquisitions are planned and implemented to achieve a greater concentration of market power (Santos & Eisenhardt, 2009; Trautwein, 1990). The importance of greater market power was also echoed by the co-founder of the target firm. In a press statement after the announcement of the deal, he highlighted:

> "With coming together of the two biggest players in the real estate services segment, we will leap ahead of the competition."
> – *Co-founder, Target firm (Real-estate Tech)* (YourStory, 2017)

6.3.4.3 Eliminating Competition: Another related and important factor behind the acquisition was the acquiring firm's desire to eliminate competition in the online home rental market. Firstly, the acquisition allowed the acquiring firm to reduce competition by eliminating the second-largest player in the market. Secondly, it was also able to limit future competition by limiting the inorganic growth prospects of potential rivals. Elimination of current and potential rival firms is one of the key rationales behind acquisitions (Graebner et al., 2010).

> "It (Target firm's name) becoming an inorganic target for someone else to acquire and jump-start against us is taken out of the game. Now anybody that has to build they have to build from scratch. Otherwise, somebody like (a competitor) who wanted to get into full housing for them it was an easy target to acquire. I mean if there was any inorganic growth attempt that's out of the picture."
> – *Co-founder, Acquiring firm (Real-estate Tech)*

6.3.4.4 Leveraging Financial Synergies: Acquisition decisions are often driven to leverage financial synergies between the participating entities. For instance, they enable involved parties to utilise tax shields effectively (Damodaran, 2005). Leveraging financial synergies were among the main drivers of the acquisition. Before the acquisition, the acquiring firm had raised $43.2 million over five funding rounds (Shu,

2016) and had annual revenue of $4.98 million, as illustrated in Figure 6.3. The acquisition led to an immediate increase in its revenue, which increased its valuation in the following funding round.

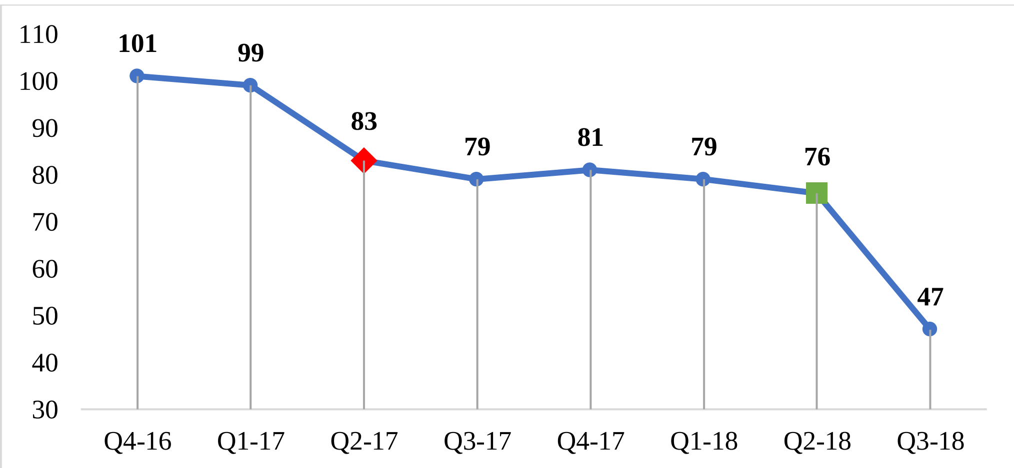
> "I mean their (Target firm's name) revenue when added to our revenue or their GMV (Gross Merchandise Value) when added to our GMV, and then whatever multiples we were getting, then our own valuation goes up by that amount. So, during the next fundraise, you will probably be able to command an equally higher value. I mean if you are paying 7-8 million, your own valuation increases because of that particular thing by say 50 million." – Co-founder, Acquiring firm (Real-estate Tech)

6.3.5 Post-Acquisition Changes:

6.3.5.1 Employment at the target firm

In the first-year post-acquisition (transition period), the target firm registered a marginal employment decline of 5%, from 83 employees in quarter 2 of 2017 to 79 in Q1 of 2018 (Figure 6.1). However, it registered a significant decline of 40.5% after the transition period, from 79 employees to 47 employees, in the six months following the transition. In addition, two of the three co-founders of the target firm also left at the end of the transition period. The third co-founder continued in a managerial position at the acquiring firm for an additional six months before deciding to quit.

Figure 6.1: Real-estate Tech – Employment at the Target Firm



Source: Tracxn Database

(◆: The acquisition quarter; ■: The quarter after the end of the transition period)

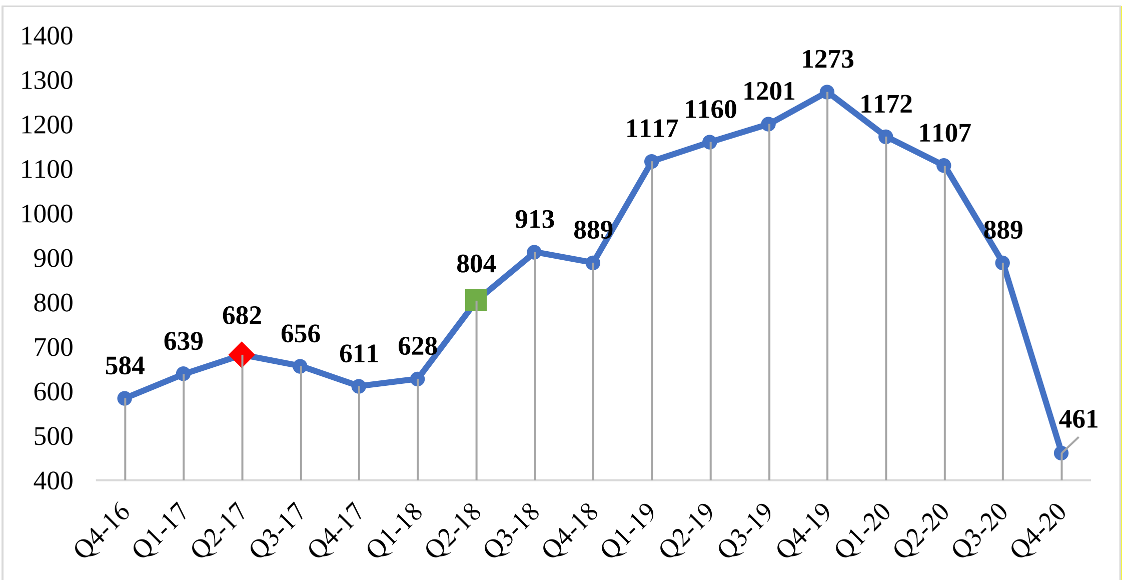
6.3.5.2 Employment at the acquiring firm

After the transition, the autonomy of the target firm was revoked, and its brand was merged into the acquiring firm. Reflecting on the decision to discontinue the brand, the co-founder of the acquiring firm argued:

> "So, we thought initially that we will keep (Acquiring firm name) as the shared housing brand and (Target firm name) as the full housing brand, but we realised largely that creating two separate brands was very costly and it didn't really make sense as such. And secondly, most of the operational elements were very similar. The core business was the same it was collecting the rent settling the rent and all those things. Tenants were similar kinds. So, we thought why not merge it."
>
> – *Co-founder, Acquiring firm (Real-estate Tech)*

After the merger, target firm employees became part of the team of the acquiring firm and got transferred to its payroll. This is evident from the employment figures for the acquiring firm, which rose by 13.5% at the end of the transition period from 804 employees in Q2 of 2018 to 913 in Q3 of 2018. Employment at the acquiring firm peaked at 1273 employees in Q1 of 2019 (before the pandemic), after which it registered a steady decline. By Q4 of 2020, it had 461 employees (Figure 6.2).

Figure 6.2: Real-estate Tech – Employment at the Acquiring Firm



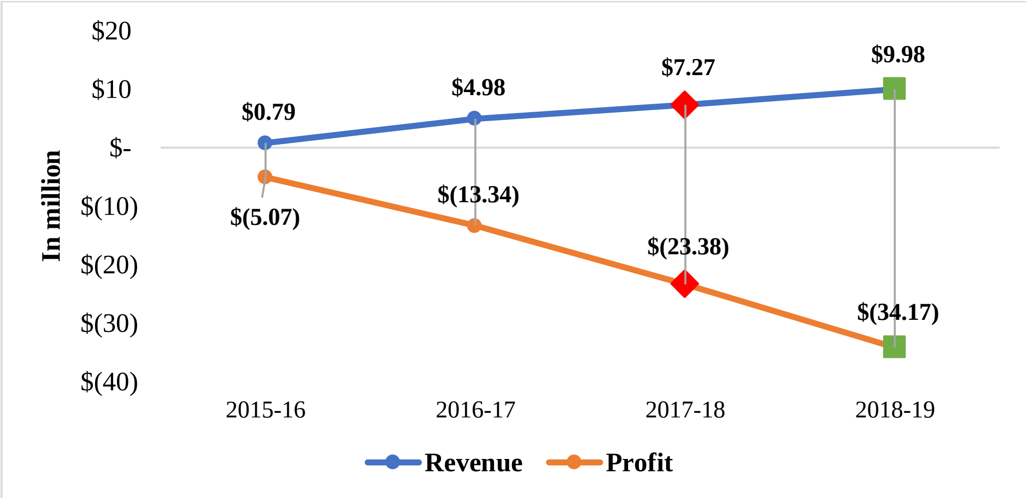
Source: Tracxn Database

(◆: The acquisition quarter; ■: The quarter after the end of the transition period)

6.3.5.3 Earnings of the Acquiring firm

In terms of revenue, the acquiring firm registered over 37% growth post-acquisition. Revenues increased from $7.27 million in the financial year[8] of 2018 (FY18) to $9.98 million in FY19. Over the same period, its losses grew by 156%, from $13.34 million in FY17 to $34.17 million in FY19 (Figure 6.3).

Figure 6.3: Real-estate Tech – Revenue and Profits of the Acquiring firm



Source: Tracxn Database

Figures converted from INR (₹) at constant rate **($1 = ₹ 73.25)**

(◆: The acquisition year; ■: The most recent available data)

6.3.6 Determinants of Employment Change

The available evidence suggests that a variety of issues played a role in the direction and degree of post-acquisition employment change. These issues are divided into two broad categories of explanations. The first is individual-level issues, which reflect the motivations of the individuals employed in the firm. The individual-level issues capture the motives of the top management team and non-managerial employees. The top management team includes both founding-managers as well as non-founding managers. Second is the firm-level issues that reflect the employment change driven by organisational level issues at the acquiring firm.

[8] April 2017-March 2018

6.3.6.1 Individual-level Issues

Based on the thematic analysis, individual-level issues emerged as a major explanatory variable behind employee turnover after the post-transition period. These issues are a collection of sub-codes and codes where an individual employee is the unit of analysis. These codes capture personal, professional, financial, and work-related relationship reasons at the level of the employee, which informed their decision to either stay or quit the job at hand. Individual-level issues were instrumental in determining employment change at all levels.

At the top management level, two of the three co-founders of the target firm left immediately after the transition period, despite being offered managerial roles in the acquiring firm. Reflecting on the importance of retaining the top management team, the co-founder of the acquiring firm noted:

> "We were definitely interested in the team. We knew some of the people were good and we tried to consider them internally at a later stage. Especially the founders who had built the business over a period of time."
> *– Co-founder, Acquiring firm (Real-estate Tech)*

Personal reasons were instrumental in informing the co-founders' decision to quit. The desire for a better work-life balance, the desire to spend more time with family and exhaustion from managerial responsibilities emerged as the key reasons behind the departure of the co-founders of the target firm. Leading an entrepreneurial firm is a stressful undertaking (Graebner & Eisenhardt, 2004) and often, entrepreneurs exit from their business to shed stressful managerial responsibilities (Graebner et al., 2010). As highlighted by one of the co-founders of the target firm:

> "I mean they had given us opportunities like you want to do this, you want to do this, but personally with me and (another co-founder), we wanted to pursue some other path. So, I mean to be very frank, when we were running the company, we were only running a company and nothing else. We were not doing even anything for (our) personal life. Then we consciously made a decision that we will not be continuing or taking up any project in (Acquiring firm name) now."

Another issue that led to the turnover of the non-founding managers was the mismatch between their professional aspirations and the opportunities available at the acquiring firm. Based on rational self-interest, employees calculate the chances of achieving their future career goals within their current organisations. If they feel that they cannot meet their goals within the current organisation, they get motivated to quit (Maertz & Campion, 2004). Several non-founding managers of the target firm expected to be offered roles with added responsibilities in the acquiring firm, which weren't necessarily available. Given the circumstances, many of them felt that continuing with the acquiring firm would not further their career goals and hence decided to quit. Explaining the turnover of the non-founding managers, the co-founder of the acquiring firm stated:

> "It was just that, I think, say their head of engineering for us may not really come in as the head of the engineering. So, now the head of the engineering person may not really want to continue with us once this merger happens. So, at the leadership level of course there was an issue, but at the junior level, we needed all the people."
> – *Co-founder, Acquiring firm (Real-estate Tech)*

Professional reasons led to the turnover at the top management level, while at the non-managerial level, it improved employee retention in the post-transition period. Unlike in the case of non-founding managers, there was no mismatch in the job expectations at the level of non-managerial employees. The acquiring firm needed them to manage the newly acquired customers and cater to its organically growing customer base. The acquiring firm was also a rapidly growing start-up that offered better career progression opportunities for non-managerial employees. As highlighted by one of the co-founders of the acquiring firm:

> "At the junior level, we clearly knew that we are in the growth phase, so we needed the team." – *Co-founder, Acquiring firm (Real-estate Tech)*

Financial reasons at the individual level also played a crucial role in ensuring their retention. The acquiring firm was a rapidly growing, well-funded start-up with support from prominent VC firms, which offered improved financial security for non-managerial employees. Additionally, the acquiring firm offered higher salaries and emoluments. The co-founder noted:

"At the junior level, I don't think it (absorption of target firm's employees) made much of a difference. They were playing the same individual level contributor role, the role at (Acquiring firm name) was probably with better benefits and everything else."
– Co-founder, Acquiring firm (Real-estate Tech)

Additionally, the exit of the co-founders also had an impact on the decision of several other employees. Given the importance of informal networks and relationships in start-ups, the departure of the founding managers is a strong driver for closely connected employees to consider alternative employment opportunities. The departure of the founding managers of the target firm was perceived by several non-managerial employees as a loss of a key work relationship. This perceived loss motivated them to look for external opportunities, which led to their turnover. As highlighted by the co-founder of the target firm:

"What happens is that a lot of people stick with you because of your relationship also. So, people who were very close with us, as we were no more available in the company, so that factor, all of a sudden disappeared and when it disappeared, they started exploring market opportunities, whoever got (the) better package they went. And obviously, package as in, I mean financial thing is, so either you are with the company because of the relationships or the money. So, now that relationship is no more, money plays a bigger role. *– Co-founder, Target firm (Real-estate Tech)*

6.3.6.2 Firm-Level Issues

In addition to the individual level issues, several firm related issues also emerged as crucial determinants of post-acquisition employment change. Firm-level issues comprise sub-codes and codes where the firm is the unit of analysis.

Firstly, the post-acquisition strategic pivot of the acquiring firm was the main driver of post-transition employment loss at the target firm. After completion of the transition period, the acquiring firm decided to revoke the autonomy of the target firm and merge the brand into its existing business. This was a major deviation from the strategy announced at the acquisition. A media report at acquisition highlighted:

> “(Target firm name) will continue to maintain its identity and operations as an independent brand under the umbrella of (Acquiring firm name)”
> - (livemint, 2017)

This strategic pivot gave rise to distrust between the target firm employees and the acquiring firm which triggered employee turnover, especially among the non-founding managers.

Secondly, efficiency-related reasons also led to post-transition employment loss at the target firm. At the top management level, the decision to merge the target firm resulted in a duplication of roles, especially concerning the non-founding managers. Rationalizing duplicate roles often leads to post-acquisition layoffs (Oberhofer, 2013). These duplications further led to redundancies and resulted in expectations mismatch among the non-founding managers at the target firm, which motivated them to leave the acquiring firm and consider alternative employment opportunities. The co-founder of the acquiring firm elaborated:

> “So, at the leadership level of course there was an issue, especially because if we thought that no, we (would) run it as a singular entity at some point of time. Like we didn’t really need a technology head because we had a technology head. We didn’t need an operations head; we had our operations head. So, some of those became very overlapping things. Say their head of (the) engineering for us may not really come in as the head of the engineering. So, now the head of (the) engineering person may not really want to continue with us once this merger happens”
> *– Co-founder, Acquiring firm (Real-estate Tech)*

It is worth highlighting that these overlaps led to redundancies at the managerial level. Only non-founding managers were adversely affected by the merger. Most of the non-managerial employees remained with the acquiring firm. As highlighted by their co-founder:

> “At the junior level, we needed all the people. Like we may merge the contact centres, but we needed people at contact centres. We may merge the operations, but we needed people in operations. People on the ground.”
> *– Co-founder, Acquiring firm (Real-estate Tech)*

The lack of prior-acquisition experience also contributed to the significant employment decline at the target firm. The acquiring firm had no pre-established acquisition protocol, which impeded its ability to mitigate the employee turnover risk. Notably, the employment at the merged entity registered steady growth. In the year after the merger, the employment at the acquiring firm grew from 903 employees to 1202 employees as illustrated in Figure 6.2. Steady revenue growth, as shown in Figure 6.3, was one of the main factors that led to the employment growth.

6.3.7 Case Summary

The within-case analysis of Real-estate Tech analysed the key determinants of post-acquisition employment change and the main motives behind the acquisition. Individual-level issues such as the desire for improved work-life balance were crucial in determining the post-transition turnover at the top management team. Mismatch in professional ambitions and roles offered at the acquiring firm led to the turnover of the non-founding managers. The departure of the founding managers post-transition also impacted the turnover of the non-founding managers. Many employees perceived their departure as a personal loss, which led to their turnover. At the non-managerial level, most employees continued with the acquiring firm. Their decision was driven by financial and professional considerations, such as better career opportunities and higher salaries.

Firm-level issues, such as post-acquisition strategic pivot was the key driver behind the significant employment decline in the post-transition period. The decision to merge the target firm led to the duplication of roles, especially involving non-founding managers. The lack of prior-acquisition experience exacerbated the situation further as the acquiring firm failed to cater to their needs, which led to their turnover. The acquiring firm, however, was successful in retaining the non-managerial employees. Strong revenue growth of the merged entity led to an expansion in the employment at the acquiring firm post-merger.

6.4 Case 2: Regulatory Tech

6.4.1 Acquisition Overview

Regulatory Tech involved an acquisition between two business to business firms providing data management and analytics solutions. The target firm with 232 employees had been in business for ten years. The acquiring firm was a well-established public company from the USA and had been in business for 46 years at the time of the acquisition. Characterised by a slowing growth rate, persistent financial precarity and investor pressure, the target firm started actively pursuing its exit strategy. In consultation with the investors, the founding managers hired an investment banker to scout for potential buyers. The acquiring firm was one of the twenty potential buyers recommended by the investment banker.

In February 2017, after thirteen months of negotiation, due diligence, and legal drafting, the deal was finally announced for $16.9 million. The target firm remained autonomous post-acquisition and became part of the advisory business of the acquiring firm (Nasdaq, 2017). No layoffs happened at the acquisition. The employment at the target firm increased by 39% in the transition period of 2 years. In the quarter after the transition period, the target firm's employment declined by 6%.

6.4.2 Target Firm Overview

The target firm, headquartered in Bangalore, was started in 2006 by three experienced professionals focused on offering analytics, risk, and compliance solutions for the banking sector. Its core offering was for small and medium-sized banks to effectively manage their technology at lowered cost (GlobalNewsWire, 2017). Reflecting on the core offering of the firm, the co-founder and COO stated:

> "Typically banks especially the small-sized banks, they need, you know, expertise to manage their technology and large IT services players don't necessarily focus on small banks, they focus on the large banks. So, we created a kind of a niche, consulting-led products company for the small and medium-sized banks all over Africa, Europe, the Middle East, and India. So, that is how we got started."
> *– Co-founder & COO, Target firm (Regulatory Tech)*

Over its life cycle of eleven years, the target firm raised $12.4 million over three funding rounds involving prominent institutional investors such as Sequoia Capital, Chiratae Ventures and IDG Capital (Crunchbase, 2021; DC Advisory, 2012). In 2015, the firm hired an investment banker to scout for potential acquirers. From the list of 20 potential buyers, the acquiring firm emerged as the lead buyer. The acquisition was announced in

February 2017, following eleven months of deliberations. At acquisition, the target firm had 232 employees.

6.4.3 Acquiring Firm Overview

The acquiring firm was a publicly listed company headquartered in New Jersey, USA. Incorporated in 1976, it was a leading provider of data analytics services to customers across a wide range of sectors including insurance, energy, and financial markets. Inorganic growth has been the preferred mode of growth for the acquiring firm. Before the acquisition under discussion, it had acquired 35 companies globally. Allowing the acquired companies to operate autonomously with minimum disruption to their top management team was a notable characteristic of its acquisition strategy. Table 6.3 summarises the acquiring firm and the target firm of Regulatory Tech.

Table 6.3: Regulatory Tech – Summary of the Acquiring and Target firm[a]

Details	Target Firm	Acquiring Firm
Ownership	Private	Public
Headquarter	Bangalore, India	New Jersey, USA
Industry	Regulatory Tech	Regulatory Tech/Information services
Sub-Classification	Developer of data management & regulatory reporting solutions for financial institutions.*	Data analytics and risk assessment. *
Business Model	Business to Business (B2B)	Business to Business (B2B
Founding Team Size	3*	
Total Funding Raised	$12.4 million	n/a
Total Funding rounds	3	n/a
Number of Institutional Investors	3*	n/a
Number of Angel Investors	n/a	n/a
Start Year	2006	1971
Acquisition Year	2017	2017
Age at Acquisition	11 years	46 years
Team size at acquisition	232	7304
Team size a year later	314	8184
Merged/Autonomous	Remained autonomous.	-

[a]An asterisk sign denotes evidence from interview data; all other evidence collected from archival sources and corroborated with interview data.

6.4.4 Acquisition Overview: Motives for Acquisition

6.4.4.1 Market Expansion: One of the primary motivations behind the acquisition was the acquiring firm's desire to expand and strengthen its foothold in South Asia. The target firm had an established network of clients spread across the middle east, Africa, and India, and represented a valuable addition to the acquiring firm's global clientele. Additionally, the target firm offered the potential to be used as a launchpad to expand the acquiring firm's business to the neighbouring economies. Notably, the acquiring firm had previously acquired two companies with an Indian presence. The target firm was the first Indian company to be acquired by the acquiring firm.

> "Through us, they wanted to access emerging markets especially India, you know, Far East Australia and the Middle East."
> *– Co-founder & COO, Target firm (Regulatory Tech)*

> For (Acquiring firm name) it was a gateway to neighbouring economies, especially in the ASEAN (Association of Southeast Asian Nations) and APAC (Asia-Pacific) region." *– President, Acquiring firm (Regulatory Tech)*

6.4.4.2 Accessing Technology: The core asset of the target firm, its data management platform was the main attraction of the acquisition. The financial data and advisory service of the acquiring firm was a rapidly growing business. The rapid growth resulted in the handling of large volumes of data which highlighted the need for a data management platform. The president of the acquiring firm highlighted:

> Given the wide range of used cases of our product, the business expanded rapidly. We were handling a huge amount of data but were missing out on a data management platform. (Target firm name) offered us the platform and its expertise in regulatory reporting was an added advantage.
> *– President, Acquiring firm (Regulatory Tech)*

The tried and tested advanced data management platform of the target firm added immense value and enhanced the product proposition of the acquiring firm. Additionally, its data management platform and regulatory reporting expertise allowed the acquiring firm to attract clients it had previously failed to entice. By showcasing the newly acquired technology the acquiring firm secured a 10-year strategic deal with a coveted client.

"They got the platform which they were looking for, they were looking to upgrade their data management platforms and they found us. They are also smart guys, and you know what, in the end, they wanted the assets."
– Co-founder & COO, Target firm (Regulatory Tech)
"The acquisition of (Target firm name) positions (Acquiring firm name) to expand our data hosting and regulatory platforms and better address the increasingly complex needs of our clients."
– Group President, Acquiring firm (Regulatory Tech) (Intelligent Insurer, 2017)

"The technology that (Target firm name) built got the ability for (Acquiring firm name) to win a strategic deal in a London with one of the clients which they had wanted to enter and could not enter for a long time."
– Co-founder & COO, Target firm (Regulatory Tech)

6.4.4.3 Accessing Talent: Leveraging the human resource capability was another major factor that motivated the acquisition. The acquiring firm saw the talent pool of the target firm, especially their engineering team as a key component in their offshoring strategy. The trained workforce at the target firm enhanced the data capability of the acquiring firm and enabled them to create an in-house offshoring entity. Notably, the engineering team, post-acquisition, became an excellence hub and started catering to the global technological needs of the acquiring firm.

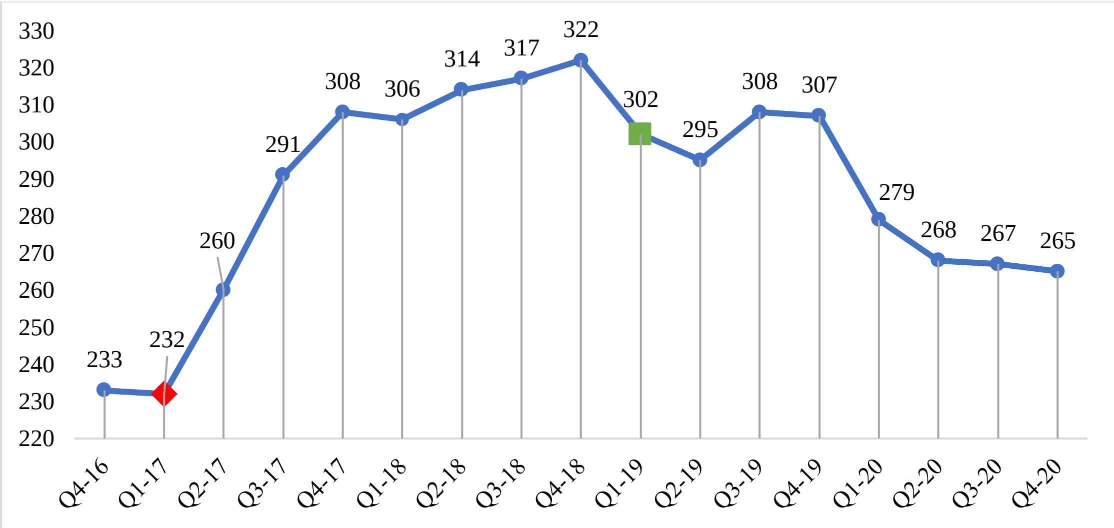
"Gaining access to the talent pool was crucial. (Target firm name) had a strong product engineering team which was of immense value."
– President, Acquiring firm (Regulatory Tech)

"So, with us, they got the workforce they really needed, which is a data analytics and data you know kind of management kind of skills. Second, from a skills standpoint, you know, they wanted to boost their data management capabilities in India. They were working with some vendors, but this created an in-house capability. This workforce in India the ability to grow that workforce I where they saw value in."
– Co-founder & COO, Target firm (Regulatory Tech)

6.4.5 Post-Acquisition Changes:

6.4.5.1 Employment at the Target Firm: Post-acquisition, the target firm's employment steadily increased from 232 employees in Q1 of 2017 (the quarter of acquisition) to 322 employees in Q4 of 2018, a growth of approximately 39%. The employment registered a marginal decline of 6% in the quarter after the transition period. As of Q4 2020, the team size, with 265 employees, was 14% larger than at acquisition (Figure 6.4). The CEO and the co-founder of the target firm continued to lead it for two years after the acquisition before deciding to move on.

Figure 6.4: Regulatory Tech – Employment at the Target Firm

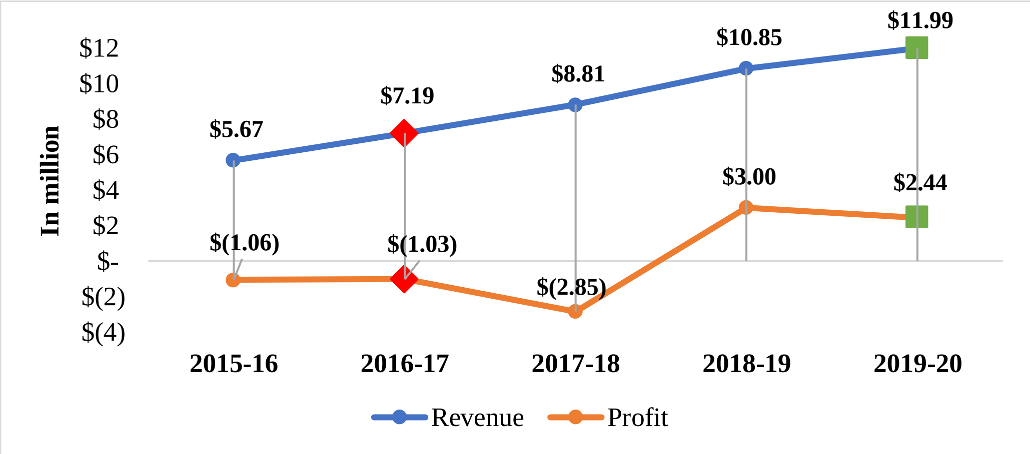


Source: Tracxn Database

(◆: The acquisition quarter; ■: The quarter after the end of the transition period)

6.4.5.2 Earnings of the Target Firm: Similar to the team size, the target firm's revenue registered a steady growth post-acquisition. Four years after the acquisition, its revenue grew by 67%, increasing from $7.19 million to $11.99 million in FY20. Representing an average year-on-year growth of 16.75%. Additionally, its profitability registered a growth of over 337% over the same period, increasing from a loss of $1.03 million in FY17 to a profit of $2.44 million in FY20 (Figure 6.5).

Figure 6.5: Regulatory Tech – Revenue and Profits of the Target Firm



Source: Tracxn Database.

Figures converted from INR (₹) at constant rate ($1 = ₹ 73.25)

(◆: The acquisition year; ■: The most recent available data)

6.4.6 Determinants of Employment Change

Employment at the target firm grew post-acquisition. The available evidence points out to a variety of individual-level and firm-level issues that were instrumental in dictating this course of action. We begin by discussing individual level issues.

6.4.6.1 Individual Level Issues

An increase in salary and emoluments through retention bonuses, improved financial security and better career prospects were the key individual-level issues that ensured the retention of the target firm's employees. These issues were relevant to the employees across all levels. Before its acquisition, the target firm faced financial precarity, which persistently raised doubt among its employees regarding their next month's salary. Such concerns were alleviated after the acquisition. The global footprint of the acquiring firm, combined with its public ownership, assured the non-managerial employees of their financial security. As highlighted by the co-founder of the target firm:

> "Lives of people improved because they started feeling more comfortable because working in a small company, there was always an uncertainty around whether or not we will get our salaries on time. The employees always carried this thing that there is a problem. There were always a lot of rumours doing rounds about what happens to their

salary (if we run out of cash). So, all that stopped after coming to (Acquiring firm name).” *– Co-founder & COO, Target firm (Regulatory Tech)*

Financial incentives were also crucial in retaining the top management team of the target firm for two years after acquisition. The co-founder of the target firm noted:

> “Financially they made it motivating for people to stay for the time period they wish for people to stay. So yeah, there was a two-year period where some biscuits were laid on the time horizon. So, yeah (we stayed for two years).”
> *– Co-founder & COO, Target firm (Regulatory Tech)*

Professional reasons such as improved job profile and career progression also played a crucial role in retaining target firm employees. This was especially evident in the case of the top management team, as they ended up assuming much greater responsibilities post-acquisition. For instance, the CEO of the target firm took charge of leading a business worth $50 million, which was seven times larger than his previous business. The COO also assumed a bigger role in the acquiring firm post-acquisition.

> “So actually, (The CEO) got a role to lead, So, we were doing $10 million worth of business. After we got acquired (The CEO) became the head of a $50 million business within the acquiring entity. So, not just managing our entity but the leadership of our company became the leader of a larger entity within the acquirer himself.”
> *– Co-founder & COO, Target firm (Regulatory Tech)*

> “So yeah, net-net I think we ended up taking much larger roles. For example, I took on the role to do business development for the group, for the acquiring entity.”
> *– Co-founder & COO, Target firm (Regulatory Tech)*

However, professional reasons were also crucial in informing the decision of two members of the founding managers to quit after the transition period. Divergent career aspirations and the desire to start another venture motivated them to leave after the transition period. Reflecting on the decision, the COO highlighted:

> “You know overall, in an offshoring entity, I mean how much more can you really do. So, you can sit and keep claiming salary but that’s not me, (it) is clearly not me. And I

was you know, both me and (The CEO), I think getting back into a start-up, that bug had bitten us already." *– Co-founder & COO, Target firm (Regulatory Tech)*

Notably, only two of the founding managers left after the transition period. The rest of the top management team continued in their roles. The COO of the target firm noted:

"(The CEO) left and then I left. I left after two years, which was what was the agreed term anyway and I think rest of them are still there. Rest of the management team are still there." *– Co-founder & COO, Target firm (Regulatory Tech)*

Personal reasons such as the desire to take a break and spend more time with family were also influential in determining the post-transition turnover of the top management team. The COO noted:

I left in May. It's been more than a year since I left. It's been great. I am getting to spend more time with my child. She is three now and I missed her growing up years because of you know how intense it can get. But now I am making up for it. And it's the best thing that has happened to me in a while.
– Co-founder & COO, Target firm (Regulatory Tech)

6.4.6.2 Firm level Issues

One of the key motivations behind the acquisition was accessing the talent pool and leveraging the expertise of the target firm. This was the most crucial firm-level issue in determining employee retention and post-acquisition employment growth at the target firm. Reflecting on the acquisition motive, the COO of the target firm noted:

"They were more interested than us actually (in retaining the employees). Because, you know, it was one of their strategic plans right. The workforce in India and the ability to grow that workforce. So, obviously, the employees were a core asset and which I think is, it was yeah, more or less in their interest (and) in our interest to make sure that we kept a stable base of employees."
– Co-founder & COO, Target firm (Regulatory Tech)

The engineering team of the target firm was especially an attractive target for the acquiring firm. The engineering team steadily expanded post-acquisition and became a key hub of the acquiring firm's global engineering team. The President of the acquiring firm highlighted:

> "Access to talent pool was one of the key motivations behind the acquisition, especially the engineering team, which now acts as the global engineering excellence team for (Acquiring firm name)." *– President, Acquiring firm (Regulatory Tech)*

Notably, unliked in Real-estate Tech, the acquiring firm in Regulatory Tech did not pivot from its announced integration strategy, which was also helpful in mitigating the risk of employee turnover. The other firm-level issue that was crucial in ensuring post-acquisition employee retention and growth was the prior acquisition experience of the acquiring firm. Prior acquisition experience enables firms to develop acquisition capabilities that further ensure acquisition success (Trichterborn et al., 2015). The acquiring firm had previously acquired 35 companies globally, of which the majority remained autonomous post-acquisition. Allowing the target firm to operate autonomously under the same management minimised the disruption generally observed in the post-acquisition integration period (Steigenberger, 2017). The co-founder and COO of the target firm highlighted:

> "(Acquiring firm name) operates like a group of companies and not as a single company. So, basically what it is, is that every unit has got its own HR, own finance and everybody has a dotted line to the local unit president. The local unit president has a dotted line to the Group HR and the Group finance. So that was already by design and if you notice (Acquiring firm name) is not just one company it is actually 50 companies. Amalgamations are not something they do right. The CEO of (Acquiring firm name) has got a very nice way to explain it. Think of it as dual citizenship right."
> *– Co-founder & COO, Target firm (Regulatory Tech)*

Business expansion and steady annual growth in revenue were also responsible for post-acquisition employment growth at the target firm. The acquisition enabled the acquiring firm to expand its geographic footprint and customer base across the Middle East, Africa, and India. The brand pedigree of the acquiring firm allowed the target firm to access larger clients and charge a premium to their existing clients. The co-founder and COO of the target firm highlighted:

> "I was able to command a greater premium from my existing clients. So, you could now go and say hey we are not (Target firm name) anymore, but (Acquiring firm name) so pay us more. We were able to enter deals which we were not allowed to enter earlier. Like qualification criteria and all that because it's a much larger brand, part of a $20 billion listed company. I mean in B2B sales these things are needed. So, new revenue also came. So, putting both of those together I think that is why employee count went up." *– Co-founder & COO, Target firm (Regulatory Tech)*

Additionally, the target firm became an offshoring entity for the acquiring firm's data management and analytics operations. Given the domain expertise, technological know-how and lower cost of operations, workload started to divert from the US operations of the acquiring firm to the target firm in Bangalore. These forces combined increased the workload and revenue of the target firm, which further necessitated team expansion. The co-founder and COO of the target firm noted:

> "We started doing a lot more work for that entity (Acquiring firm name) in India. So, whatever the employees were doing in the US and were getting paid in $, in India doing the same work was cheaper. So, shifting of work started right. So automatically for that, there was an increase in headcount because now we needed to get that work done."
> *Co-founder & COO, Target firm (Regulatory Tech)*

6.4.7 Case Summary

The within-case analysis of Regulatory Tech analysed the key individual and firm-level issues that influenced the post-acquisition employment change and the key motivations behind the acquisition. The employment at the target firm registered steady growth during the transition period. This growth resulted from the effective implementation of the acquiring firm's integration strategy. The acquiring firm offered retention bonuses to the employees and financial incentives to the top management team to ensure their retention for the transition period. Prior acquisition experience of the acquiring firm also mitigated the employee turnover risk. Transfer of work to the target firm from the head office and revenue growth also contributed to the growth in employment.

After completing the two-year transition period, employment at the target firm registered a marginal decline of 6%. Two retained founding managers also left after the transition.

Their decision was voluntary and driven by individual-level issues such as the desire to take a break and start a new venture. The prospect of better career progression and increased financial security ensured the retention of the majority of the non-managerial employees. A small share of the non-managerial employees left due to the availability of better external opportunities.

6.5 Case 3: HR Tech

6.5.1 Acquisition Overview

HR Tech involved an acquisition between two business to business firms providing human resource management solutions. The target firm with 6 employees was a four-year-old start-up that had developed an industry-first referral hiring product. The acquiring firm with over a thousand employees was a market leader with over twelve years of industry experience. The acquiring firm and the target firm had a pre-established working relationship. The acquisition was an acquihire-cum-acquisition, driven to access the product and the CTO of the target firm.

The deal was finalised in July 2017 and officially announced in January 2018. The target firm was merged into the acquiring firm immediately after the acquisition. The CTO of the target firm was made the head of technology and AI within the acquiring firm. Along with the CTO, three members of the technology team were retained for the transition period (3 months). All three members left after the transition. The employment at the merged entity registered an overall growth of 9% in the year after acquisition. Under the leadership of the target firm's CTO, the technology team doubled in three years post-acquisition, increasing from 100 employees in January 2018 to around 200 employees in January 2021.

6.5.2 Target Firm Overview

Headquartered in Delhi NCR, the target firm was started by two first-generation entrepreneurs. Its main aim was to help companies effectively and efficiently hire suitable talent. The product enabled firms to recruit quality candidates by leveraging the professional network of their employees (Ghoshal, 2018). The product was developed in the backdrop of the increasing importance of employee referrals, which accounted for 40% of the hiring in the Indian market. Additionally, the retention rate of employees hired through referrals was 200% higher than employees hired through other channels. The Co-founder and CTO of the target firm noted:

> "We started talking with people in the industry to understand what problems they were facing. Then we understood, after a couple of pilots, that the pain was in referral hiring. We realized 40% of their hiring is actually done through referral and the retention rate of referral is double of any other source. But the percentage of people getting hired through referral was low. So, we understood that quality is ensured by referral, but people are not able to hire through referral. There is some blockage here."
> *– Co-founder & CTO, Target firm (HR Tech)*

After incorporating the company in 2014, the firm raised seed funding from two institutional investors. In 2015, it launched the final product. Despite the innovative nature of the product, the firm struggled to acquire clients rapidly. As per the co-founding team, two main reasons constrained their business expansion. Firstly, the relatively longer Indian enterprise sales cycle and secondly, its B2B Software-as-a-Service (SaaS) business model. Finally, in January 2018, the firm got acquired. The target firm had a team of 6 permanent employees in Q1 of 2018 (January-March), the quarter in which the acquisition deal got announced.

6.5.3 Acquiring Firm Overview

The acquiring firm, headquartered in Delhi NCR, was the leading human resource services firm with over 200 customers and 800 employees across India (Ghoshal, 2018). It was started in 2006 by two first-generation entrepreneurs. Outside of India, it had clients in Asian markets such as Singapore, Thailand, Malaysia, the Philippines, and Vietnam. It was among the fastest-growing Indian HR services firm and had maintained a compounded annual growth rate of 60% for over a decade (PR Newswire, 2018). It had previously acquired three other start-ups in the HR Tech area. At acquisition, a private equity firm was its majority shareholder, and it had 1006 employees. The summary of the acquiring firm and the target firm in HR Tech is presented in Table 6.4.

Table 6.4: HR Tech – Summary of the Acquiring and Target Firm[a]

Details	Target Firm	Acquiring Firm
Ownership	Private	Privately owned by a PE firm
Headquarter	Delhi NCR, India	Delhi NCR, India
Industry	Human Resource Tech	Human Resource Tech
Sub-Classification	Online referral hiring platform.*	SaaS-based human resource technology company. *
Business Model	Business to Business (B2B)	Business to Business (B2B
Founding Team Size	2	2
Total Funding Raised	$3.4 - 6 million	-
Total Funding rounds	2*	-
Number of Institutional Investors	2	-
Number of Angel Investors	n/a	-
Start Year	2014	2006
Acquisition Year	2018	2018
Age at Acquisition	4 years	12 years
Team size at acquisition	6*	1006
Team size a year later	30*	1094
Merged/Autonomous	Merged post-acquisition.	-

[a]An asterisk sign denotes evidence from interview data; all other evidence collected from archival sources and corroborated with interview data.

6.5.4 Acquisition Overview: Motives for Acquisition

6.5.4.1 Accessing Technology: The main rationale behind the acquisition was to gain access to the target firm's technology. The target firm had developed a patent-pending novel software to address the referral hiring needs of firms. The AI-based software allowed firms to leverage the professional networks of their employees to scout for suitable candidates. The acquiring firm was also working on developing a product internally to address the referral hiring needs of its clients. The acquisition enabled the acquiring firm to leverage the target firm's product to expedite its internal development efforts.

> "So, we were getting a little bit of a heads up on the code that we had, which was around the whole algorithm, which can do AI-based matchmaking for jobs and candidates. So, I think this is how we kind of looked at it."
>
> *– Co-founder & Group CEO, Acquiring firm (HR Tech)*

> "So, they (Acquiring firm name) realized referral hiring and we had a technology, a machine learning based technology which could recommend the right fit for a job. Which no other company at that time had and we had built up a strong, took two to three years to build that technology. So, it was like a perfect match that (Acquiring firm name) found with us, because (Acquiring firm name) wanted their product to have referral and this technology, they were really looking at building it. It gave them a jump start of 9 to 12 months." *– Co-founder & CTO, Target firm (HR Tech)*

6.5.4.2 Accessing Talent and Leveraging Domain Expertise: Accessing talent and leveraging the domain expertise of the target firm in artificial intelligence were other important reasons behind the acquisition. The acquiring firm was especially interested in the CTO of the target firm, an expert in AI and a graduate from the premier Indian engineering institute. The acquisition was referred to as 'acquihire-cum-acquisition' by the CEO of the acquiring firm. Reflecting on the acquisition motives, the CEO noted:

> "So, first (was) the person who had the desired or requisite skills set. In 2018 we were getting an IIT (Indian Institute of Technology) qualified person who was an expert on artificial intelligence and machine learning. So, that was one part. It was an acquihire-cum-acquisition. So, it was acquisition plus hire which we did for (Name of the target firm's CTO), and he continues to be part of (Acquiring firm name) since then."
> *– Co-founder & Group CEO, Acquiring firm (HR Tech)*

> "We are delighted to have (Target firm name) joining in our product family. Recruitment Tech is one of our key focus areas and (Target firm name) technology will help us take it to the next level through AI-based matchmaking and social profiling."
> *– CTO, Acquiring firm (HR Tech)* (SIA, 2018)

> "They needed someone to lead their product which was me. I don't know! I can't tell from their perspective but I still, I feel from the interactions that I have had after coming in (Acquiring firm name), is that they also needed a leader, not to say rosy things about me but they needed someone to lead their products as well."
> *– Co-founder & CTO, Target firm (HR Tech)*

6.5.4.3 Diversification and Strategic Renewal: Diversification in revenue streams and transformation to a product-led company from a service-led company were other key considerations that led to the acquisition. The acquiring firm started as a service-centred company where most of the operations were handled manually by its large employee base. Over time the acquiring firm realised the need to invest in an in-house technology team to develop software products and automate the manual processes. The acquisition was part of a larger technology strategy of the acquiring firm.

> "As we were progressing, we realized that, probably 2018 was the time where we sensed that matchmaking is the next thing in recruiting. So, we wanted to look at building that up in-house and we had a large tech-team, but we came across this start-up called (Target firm name), and we met the founders and we thought that probably this is a better way to have an acquisition because that would be quicker and faster."
> *– Co-founder & Group CEO, Acquiring firm (HR Tech)*

> They (Acquiring firm name) were completely you know a people driven company. They used to be like thousands of employees use to sit there and call candidates and companies and you know close the hiring. They were trying to you know automate their service business into technology and we had a certain type of technology which could have accelerated that process very quickly. So, that's the major reason for them to you know look for the (Target firm name) acquisition.
> *– Co-founder & CEO, Target firm (HR Tech)*

6.5.4.4 Enhancing Market Power: Consolidating the competitive position and enhancing its market power also motivated the acquisition. The acquiring firm was among the leading Indian HR services firm aiming to expand its business in the neighbouring markets. The acquisition of the target firm's AI-based referral software enhanced its product portfolio and gave it a competitive advantage over its competitors.

> "With this acquisition, (Acquiring firm name) SaaS HR technology will become the only global recruitment product from India with a comprehensive offering, right from sourcing, matchmaking to offer generation and onboarding - all powered by Machine Learning." *– Press statement, Acquiring firm (HR Tech)* (SIA, 2018)

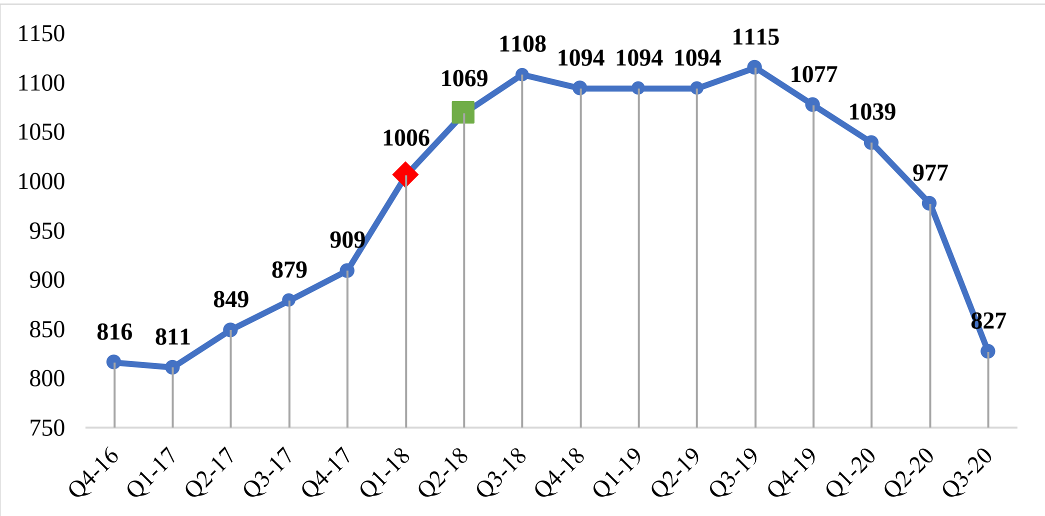
6.5.5 Post-Acquisition Changes:

6.5.5.1 Employment at the Acquiring Firm: The target firm had a team of six people at acquisition, of which four people joined the acquiring firm's technology team. The other two members, including the CEO, did not join the acquiring firm. The acquiring firm had 1006 employees in Q1 of 2018, the quarter in which the deal was announced. The transition period lasted for two months. By the end of the transition period, the team size of the acquiring firm had grown by over 6%. Increasing from 1006 employees in Q1 of 2018 to 1069 in Q2 of 2019. Its team size kept growing post-acquisition, peaking at 1,115 employees in Q4, 2019 (Figure 6.6). Expansion of the acquiring firm's technology team played a crucial role in the overall employment growth. Three years after the acquisition, the technology team at the acquiring firm expanded by 100%. The co-founder & CTO of the target firm continues to work as its Vice President of Product and Artificial Intelligence.

> Yeah, so essentially, they (Acquiring firm name) already had a team for this product (Referral hiring) where this technology (Target firm's technology) got merged. If you were to ask me then from that product, yes, the team has grown because that business has also grown. – *Co-founder & CTO, Target firm (HR Tech)*

> They (Target firm name) are now fully integrated and part of our full-fledged tech team. Now (January 2021) the overall team size of technology is about 200 plus. It was about 100 people when we acquired them.
> – *Co-founder & Group CEO, Acquiring firm (HR Tech*

Figure 6.6: HR Tech – Employment at the Acquiring Firm

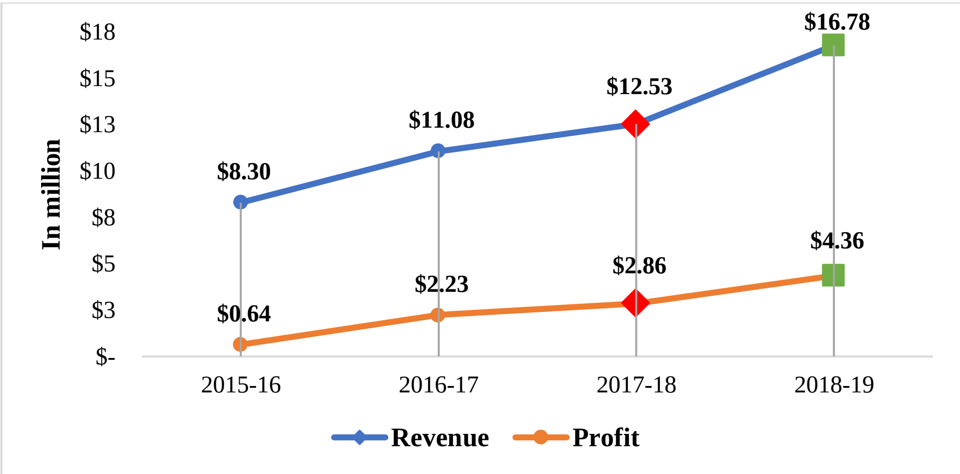


Source: Tracxn Database

(◆: The acquisition quarter; ■: The quarter after the end of the transition period)

6.5.5.2 Earnings of the Acquiring Firm: The revenue and profitability of the acquiring firm also grew post-acquisition. Its revenue registered a growth of 34%, rising from $12.53 million in FY18 to $16.78 in FY19. Its profitability registered an even higher growth of 52%, increasing from $2.86 million in FY18 to $4.36 in FY19 as shown in Figure 6.7.

Figure 6.7: HR Tech – Revenue and Profits of the Acquiring Firm



Source: Tracxn Database.
Figures converted from Indian Rupee (₹) at constant rate **($1 = ₹ 73.25)**
(◆: The acquisition year; ■: The most recent available data)

6.5.6 Determinants of Employment Change

The acquisition was referred as to an 'acquihire-cum-acquisition' by the CEO of the acquiring firm. Though the target firm's team was merged into the acquiring firm, that team kept growing post-acquisition. The available evidence points to multiple individual-level and firm-level issues that were instrumental in dictating this directional change. We begin by discussing individual-level issues.

6.5.6.1 Individual-level Issues

Four of the six-member team of the target firm joined the acquiring firm post-acquisition. The members who did not join included the co-founder and CEO and the sales head of the target firm. Individual-level issues informed both their decisions. Professional reasons like mismatch in career aspiration, the role on offer and availability of better external employment opportunities dictated their choices. For instance, the sales head of the target firm moved to his previous employer instead of joining the acquiring firm. The ex-employer offered him the flexibility to work part-time and dedicate time to building his start-up, which was in line with his career aspirations.

> "Like our sales head did not go and went back to (name of the ex-employer) only. So, we had hired him from (name of the ex-employer) and then he went back to them. He wanted to build his own start-up and work with them part-time, something like that. (The) rest of them from the tech team was happy to join."
> *– Co-founder & CEO, Target firm (HR Tech)*

Similarly, the career aspirations of the target firm's CEO did not align with the aims and objectives of the acquiring firm. The evidence also suggests that the acquiring firm was more interested in retaining the CTO, and they made it clear in the early phases of the negotiation, reinforced by the desire of the target firm's CEO to start another venture. These issues were responsible for him not joining the acquiring firm team.

> "Yeah, when the discussion about the acquisition was going on, after (a) few weeks, I decided to move on. For me, it was very much clear that I want to move forward, and I knew that I am not going to get the deal that I expect, but that was not the case for the team including (Name of the CTO of the target firm) and everyone else."
> *– Co-founder & CEO, Target firm (HR Tech)*

> "He (Name of the CEO of the target firm) did not join (Acquiring firm name). He wanted to do something else of his own. During the dating period, only everyone realized that he wants to move on and maybe they don't wish to work together. So essentially, he moved out after the exit, I stayed back." *– Co-founder & CTO, Target firm (HR Tech)*

> "We told (Name of the CEO of the target firm) that you will not fit in, right? We just clarified on day one and we said this is the deal, you want to take it, you want to drop it, that's your choice. They were a team of around 6 and that's where we got them. Three people joined with (Name of the CTO of the target firm). They were software engineer types. For us, it was more (Name of the CTO of the target firm) because he had the exact understanding. He was the key person, who was the acquihire, who is with us now."
> *– Co-founder & Group CEO, Acquiring firm (HR Tech)*

Individual-level issues such as cordial relationship with the acquiring team and alignment between career aspirations and role on offer also played a crucial role in ensuring the retention of the target firm's CTO. The brand value of the acquiring firm and pay package were other important contributing factors. The CTO of the target firm was offered greater responsibility in the acquiring entity post-acquisition. He was appointed as the head of the AI division and the leader of the acquiring firm's work-tech product offering.

> "I lead two teams at (Acquiring firm name). One is the AI team which I continue to do so because my technology that got merged from (Target firm name), into (Acquiring firm name) was primarily an AI-led technology. So, I continue to lead the AI, for all the products across (Acquiring firm name). We have close to 8 of them. And then the second is one whole end-to-end product and some part of the business of a product called (Product name). I completely took charge of this product, which has a separate brand now." – *Co-founder & CTO, Target firm (HR Tech)*

> "I guess the CTO and the CEO of (Acquiring firm name), the people that I essentially spoke to and talked to before joining, were very good people. They allowed me the freedom and the comfort, giving me that environment to continue working to my potential in the organization. So, thanks to them as well. Credit to them for me continuing with (Acquiring firm name)." – *Co-founder & CTO, Target firm (HR Tech)*

Notably, a few employees of the target firm's technology team left after the end of the transition period. Their decision to quit was driven by the desire to pursue better employment opportunities externally.

> "So, post the acquisition there was a need of only one or two months to merge the technology and that is when till they continued and then they moved out. One went to Google, one started their own company, someone to LinkedIn."
> *– Co-founder & CTO, Target firm (HR Tech)*

6.5.6.2 Firm-level Issues

In addition to the individual level issues, firm-level issues also played a role in post-acquisition employment growth at the acquiring firm. Its organisational growth strategy and prior acquisition experience played an important role in minimising the risks associated with the post-acquisition integration process. The acquiring firm had previously made three other acquisitions (Ghoshal, 2018), all of which were acquihires. Across all the acquisitions, it was able to retain the top management team of the target firm. Through its prior acquisitions, the acquiring firm had been able to develop a robust due-diligence process which enabled it to foster trust in the top management team of the target firm. These firm-level characteristics of the acquiring firm were instrumental in ensuring the retention of the target firm's team.

> "So mostly, I believe in acquihires. We have been lucky that all the companies that we have acquired, all their heads are still with us, and I feel very good about it. It's a great feeling that, so we call (Acquiring firm name) as a group of entrepreneurs than a typical company. So, we are a group of entrepreneurs working together."
> *– Co-founder & Group CEO, Acquiring firm (HR Tech)*

> "So, very simple well I think three things I keep in mind. One, there has to be a person culture match. So, in any of the deals, we had spent at least six months before really merging. Number two I look at the relevance of the product which is coming into the company and be very transparent with the founder that your company will cease to exist. The third is clarity of role, we are super clear that you know that role may change in future but when you come in this is going to be on your new role and that is how you build up." *– Co-founder & Group CEO, Acquiring firm (HR Tech)*

> "We have a full-fledged process through which we meet because we are acquiring product companies. Our HR goes, evaluates their current salaries, puts up the new salaries, what the new cost structure will look like. We look at their contracts, so whole due diligence happens. But we do it so fast and unlike a PE firm that takes six months in evaluation, we don't do that. We do (a) very quick one, the top teams meet with the new founder who is coming in, give him or her the comfort. We meet their families if possible." *– Co-founder & Group CEO, Acquiring firm (HR Tech)*

Another firm-level issue that was instrumental in the post-acquisition employment growth was the transformation strategy. The company started with a service-driven model where a majority of the tasks were performed manually by its workforce. The acquiring firm wanted to move away from that model and become a product-driven company. In pursuance of this strategy, it started acquiring product companies in its domain, and the target firm was one of them.

> "They were in a service mode company till then, they were trying to you know automate their service business into technology and we had a certain type of technology which could have accelerated that process very quickly. So, that's the major reason for them to you know look for the (Target firm name) acquisition."
> *– Co-founder & CEO, Target firm (HR Tech)*

Growth in the overall revenue of the acquiring firm was also instrumental in the post-acquisition employment growth. Notably, the post-acquisition expansion of the technology team at the acquiring firm adversely affected its overall employment. After reaching an all-time high of 1,115 employees in Q4 of 2019, the overall team size of the acquiring firm has declined. As of Q3 2020, it had 827 employees, 22% lower than in the acquisition quarter. The strategic pivot from service-led to product-led model was one of the key factor behind the decline, but it also reflects the impact of the pandemic.

> "We still have 1000 employees overall, but we have now 820-830 permanent people. Rest all are gig so that's where it is, given the current scenario (COVID-19) and use of technology, we don't really need to add people."
> *– Co-founder & Group CEO, Acquiring firm (HR Tech)*

6.5.7 Case Summary

The within-case analysis of HR Tech analysed the key individual and firm related issues that influenced the post-acquisition employment change and the key motivations behind the acquisition. Unlike the previous cases, this acquisition was an acquihire-cum-acquisition driven to source the CTO and the technology of the target firm. The acquisition was part of the acquiring firm's strategy to transform into a product-led company. The acquiring firm successfully retained four members from the six-member team for the transition period.

The prior-acquisition experience, well-developed acquisition protocol and clear communication of the integration strategy proved beneficial for the acquiring firm. The employment at the acquiring firm grew by 9% in the year after the acquisition. Additionally, the team led by the acquihire grew 100% in the three years post-acquisition. Three retained members of the target firm left after the transition to pursue external opportunities. The CEO of the target firm did not continue with the acquiring firm as it was not in line with his career aspirations. The CTO of the target firm continued with the acquiring firm. His decision to stay was based on individual-level issues such as cordial relations with the acquiring team, higher pay, and increased job responsibility.

6.6 Case 4: Marketing Tech

6.6.1 Acquisition Overview

Marketing Tech involved an acquisition between two business to business firms providing enterprise communication service. The target firm with around 60 employees was a ten-year-old bootstrapped start-up that was the market leader in email marketing in the Indian market. The acquiring firm with 232 employees was an established enterprise communication market leader with over 15 years of industry experience. Before the acquisition, the target firm was the email marketing vendor for the acquiring firm. The acquisition was mainly driven to leverage the email marketing expertise of the target firm and extend the product portfolio.

The deal was announced in May 2017 with a mutually agreed transition period of one year. Only one of the three co-founders was retained for the transition period. Six months into the transition, the acquiring firm decided to shift from its announced integration strategy and merged with the target firm. Several employees of the target firm were deemed redundant, especially in the sales department. The chaos that followed the merger led to uncertainty among employees and triggered large scale attrition. Employment at the target firm declined 72% in the two years after the merger. The dramatic decline led to a strategic change, and the target firm was granted strategic autonomy two years after the merger. The acquiring firm rehired several employees who had previously left the firm, which resulted in the expansion of the target firm's team.

6.6.2 Target Firm Overview

The target firm, headquartered in Delhi NCR, India, was started in 2007 by three experienced entrepreneurs. It started as an email marketing platform and expanded into a marketing technology company with SMS and web-based marketing solutions (Entracker, 2017). The firm pioneered permission-based email marketing in India and became the marketing provider for prominent consumer start-ups.

"If you talk about real permission-based marketing, email marketing platform, we started it. And that too permission-based."
– Co-founder & MD, Target firm (Marketing Tech)

"So, we approached the market in a very different fashion. We were the first guys in India to talk about permission-based marketing, especially in email marketing. We did not message anybody who had not requested the message. We only sent it to subscribers." *– Co-founder & Director, Target firm (Marketing Tech)*

The founders pooled capital of $14,000[9] and started the firm. It continued as a bootstrapped company and relied on its earnings from operations to fund its organic growth. In its early years, the firm expanded rapidly. The rise of e-commerce start-ups in India was crucial in its rapid expansion in the early years.

"What happened was India's e-commerce story also started happening. So, from 2010 onwards we started seeing a lot of e-commerce customers and we became one of the biggest platforms in India for e-commerce customers to do their customer email campaigns and newsletter campaigns every day. And that is how it continued till 2014."
– Co-founder & Director, Target firm (Marketing Tech)

"In terms of how to obviously, you won't believe the way we were scaling. (The) first year we did 20 Lakhs (2 million) of revenue and (the) next year we did 60 Lakhs (6 million) and after that, we did 3.6 crores (36 million). So, you know we were multiplying like anything." *– Co-founder & MD, Target firm (Marketing Tech)*

In 2014 several big Indian e-commerce start-ups collapsed. This collapse directly impacted the firm, as a significant share of its revenue was generated by e-commerce start-ups. As per the co-founder, the firm experienced a 25% decline in its cash flow.

"By 2014-2015 our cash flow situation deteriorated with e-commerce companies going belly up and taking our money with them. Companies like (Name Omitted), owed us 20 Lakhs and one day they just shut shops. There was another client that didn't pay on time,

[9] ₹1,000,000. Converted at $1 = ₹71.42

> they still owe us 18 Lakhs. The poster boys of e-commerce in 2014 were (Name omitted), headed by (Name omitted), they defaulted on our money. We lost almost 25% of our cash-flow." – *Co-founder & Director, Target firm (Marketing Tech)*

Due to the cash-flow deterioration, the target firm tried to raise external funding and pursue alternative exit strategies. Finally, in June 2017, it was acquired. The target firm continued as an independent entity post-acquisition (Entracker, 2017). The team of the target firm was transferred to the payroll of the acquiring firm (Medianama, 2017). The target firm had 53 employees in Q2 of 2017 (April -June), the quarter of acquisition.

6.6.3 Acquiring Firm Overview

The acquiring firm, headquartered in Delhi NCR, India, was founded in 2003 by a team of four entrepreneurs (Tracxn, 2021). It was a leading Indian B2B enterprise communication platform with a diverse suite of products and services focused on enhancing customer engagement over digital communication platforms (BusinessWireIndia, 2017; The Hindu Business Line, 2018).

> "Simply put (Acquiring firm name), connects businesses with consumers over digital channels." – *CFO, Acquiring firm (Marketing Tech)*

In the 14 years, from its incorporation till the acquisition, the acquiring firm had raised $21.4 million over three funding rounds (Crunchbase, 2021; Tracxn, 2021). Acquisitions were a key component of its growth strategy. The acquiring firm had previously made three other acquisitions. All acquired firms were Indian and operated in the enterprise communication domain (Medianama, 2017). At acquisition, the acquiring firm had a customer base of over 2500 clients from diverse industries, including e-commerce, retail, banking, financial services, and insurance (The Hindu Business Line, 2018). Its services included enterprise communication, media solutions, social media, products and platforms, and data analytics (Entracker, 2017). It had 232 employees in Q2 of 2017 (April – June), the quarter of acquisition. Table 6.5 summarises the acquiring firm and the target firm of Marketing Tech.

Table 6.5: Marketing Tech – Summary of the Acquiring and Target Firm[a]

Details	Target Firm	Acquiring Firm
Name	Octane	ValueFirst
Ownership	Private	Private (now acquired)
Headquarter	Delhi NCR, India	Delhi NCR, India
Industry	Marketing Tech	Marketing Tech
Sub-Classification	Email marketing service provider.	SaaS-based enterprise communication platform.
Business Model	Business to Business (B2B)	Business to Business (B2B
Founding Team Size	3	4
Total Funding Raised	Bootstrapped	$21.4 million
Total Funding rounds	-	3
Number of Institutional Investors	-	4
Number of Angel Investors	-	1
Start Year	2007	2003
Acquisition Year	2017	2018
Age at Acquisition	10 years	15 years
Team size at acquisition	53-60*	232
Team size a year later	20-25*	295
Merged/Autonomous	Autonomous for the first six months. Merged mid-transition. Granted strategic autonomy 1.5 years after the merger.*	-

[a]An asterisk sign denotes evidence from interview data; all other evidence collected from archival sources and corroborated with interview data.

6.6.4 Acquisition Overview: Motives for Acquisition

6.6.4.1 Market Expansion: The main motivation behind the acquisition was to establish a significant presence in the email marketing area. The target firm was the leading Indian email marketing service provider. They had built a strong market reputation and were trusted by prominent Indian consumer brands. The acquiring firm realised the growing potential of email marketing in India and established a business partnership with the target firm to cater to the email marketing needs of its clients. Before the acquisition, the acquiring firm had also attempted to develop a product in-house to address this demand. The acquisition offered the acquiring firm the opportunity to expand in the email marketing domain by leveraging the goodwill of the target firm.

“It became quite evident that either we build our own (email-marketing product) or we acquire a company because there is enough demand in the market and the market is growing also. We had thought of building our own email platform and we ended up creating one, but then we thought that you know, it would be best to acquire a company because we will get ready use of ready customers who are live with email. It would have taken us a few years to reach to a stage where (Target firm name) had already reached. That’s why we acquired them” *– CFO, Acquiring firm (Marketing Tech)*

“(Acquiring firm name) was using our platform as a customer. We were their supplier for email, and they were massively big in SMS. So, they tried to build it on their own and they had moderate success. And they thought by acquiring us they would get the customer base immediately” *– Co-founder & MD, Target firm (Marketing Tech)*

“(Target firm name) had built a good market reputation in terms of their spamming because email is a very very sensitive channel where a lot of spamming happens, and brands really get discouraged and email platform gets blacklisted and all that. So, the biggest reason (for acquisition) was the market reputation.”
– CFO, Acquiring firm (Marketing Tech)

6.6.4.2 Enhancing Market Power: Consolidating the competitive position and enhancing its market power were crucial in informing the acquisition. The acquiring firm was a leading enterprise communication provider in India with a large suite of products and services serving over 2500 clients (Entracker, 2017). The acquisition offered the potential of expanding its range of services to email marketing and becoming a key player in that domain in India. At the time of acquisition, the target firm had a clientele of over a hundred brands and was the second-largest Indian email-marketing provider (BusinessWireIndia, 2017).

“(Target firm name) was number two player in the market and then there were all the other players who were very very small. We were getting a product which was already serving almost 100 plus clients. It was like a good jump for us. So, indeed competition got wiped out by that.” *– CFO, Acquiring firm (Marketing Tech)*

6.6.4.3 Accessing Technology and Leveraging Domain Expertise: Accessing the technological assets of the target firm was yet another important factor that motivated the acquisition. The target firm had built a state of the art, permission-based, email marketing software and had scaled it to serve a large number of clients (Entracker, 2017). Its product could handle a volume of 10 million emails in a day. In addition, the acquiring firm also wanted to leverage its domain expertise, which it had built by serving the Indian email-marketing domain for over a decade.

> "(Target firm name) had a name and a brand. A brand that was able to handle the volume of 10 million emails a day. That's a lot of emails, so we were able to scale the platform to that level." – *Co-founder & MD (2), Target firm (Marketing Tech)*

> "(Target firm name) brings significant capabilities around its feature-rich email platform as well as its professional services for ROI driven in-box delivery."
> – *CEO, Acquiring firm (Marketing tech)*

> "So, because of (Target firm name) being in the business for a long time and working with good brands they had already a set of IPs which were already warmed up for emailing. So, that IP becomes (an) asset in itself, the warmed-up IPs."
> – *CFO, Acquiring firm (Marketing tech)*

6.6.4.4 Accessing Talent: Accessing the human capital of the target firm was another crucial rationale that informed the acquisition. The acquiring firm wanted to leverage the experience and expertise of the employee base, especially the top management team, who had started and scaled the business over the years.

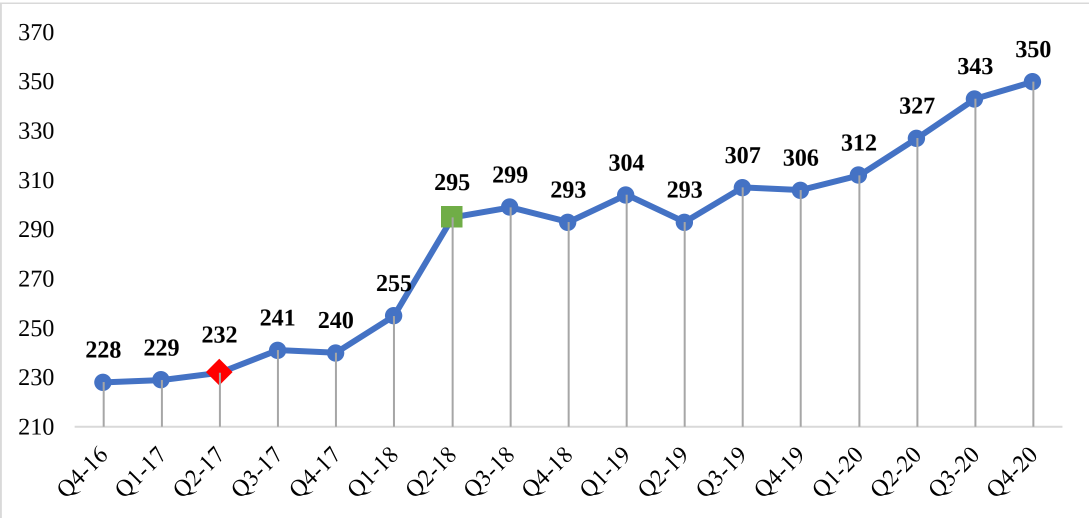
> "The team was very important. So, obviously, our intent was to get all the founders and all the key people as part of the deal, and we tried for that. So, and fortunately, we were able to get most of the people whom we wanted. Particularly the delivery and infra platform technology team. The people who led the product teams which were doing back-end stuff, they were very critical for us and mostly everybody joined."
> – *CFO, Acquiring firm (Marketing Tech)*

6.6.5 Post-Acquisition Changes

6.6.5.1 Employment at the Acquiring Firm: Post-acquisition, the employment at the acquiring firm steadily increased from 232 employees in Q2 of 2017 (the quarter of acquisition) to 255 employees in Q2 of 2018. Representing a year-on-year growth of

10%. The employment at the acquiring firm has been increasing since. As of Q4 of 2020, it had 350 employees (Figure 6.8). Although the employment at the acquiring firm registered an overall growth, at the target firm, it declined by 72% in two years after the acquisition. Decreasing from 53 employees in Q4, 2019 to 15 employees in Q4, 2019.

Figure 6.8: Marketing Tech – Employment at the Acquiring Firm



Source: Tracxn Database

(◆: The acquisition quarter; ■: The quarter after the end of the transition period)

The main reason behind such a drastic decline in employment was the merging of the target firm's team with the acquiring firm team after the transition.

> "The integration did not go as beautifully as we had expected it. And when I say that what it means is that if we would have run it as a separate unit, we might have been more successful. The mistake that we did was to club everything together and bring (Target firm name) people also under the umbrella of existing (Acquiring firm name) people." – *CFO, Acquiring firm (Marketing Tech)*

Given these learnings, the acquiring firm restructured its organization in 2019 and spun out the target firm as a separate business unit. They also reinstated an ex-sales director of the target firm to lead the email marketing business unit within the newly formed business unit. The team of the target firm has been expanding since and has grown to 30 employees.

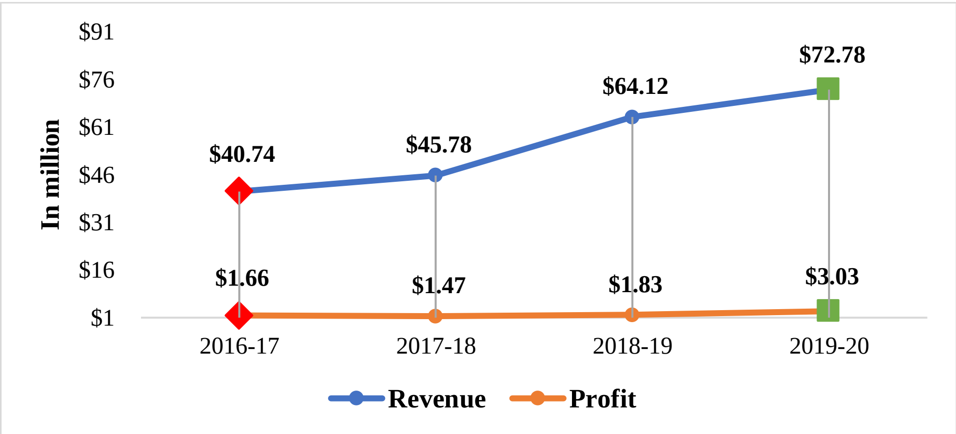
"We have hired people. We have invested in teams like client success and solution consulting. We have dedicated marketing support now. We are now 30 members in the team." – *Assistant Vice President, Acquiring firm (Marketing Tech)*

The email team has grown post-restructuring. Basically, it is still not back to what it used to be when it was running as (Target firm name). But it practically almost got reduced to 10-15 people and now I think it is coming back to almost 25-30 people.
– *CFO, Acquiring firm (Marketing Tech)*

6.6.5.2 Earnings of the Acquiring Firm: In terms of overall revenue, the acquiring firm has registered a growth in sales of 78.6% in the four years since the acquisition, from $40.74 million in FY17 to 72.78 in FY20. The profits, on the other hand, have grown 83% in the same period, from $1.66 million in FY17 to $3.03 million in FY20 (Figure 6.9). The email-marketing business is expected to achieve 300% growth in FY21 as highlighted by the AVP at the acquiring firm:

"We are on track because Q1 and Q2, so far, we have closed some really good business. I can tell you we are already achieving 3x, that is for sure. But now our big ambition is to try for 5x." – *Assistant Vice President, Acquiring firm (Marketing Tech)*

Figure 6.9: Marketing Tech – Revenue and Profits of the Acquiring Firm



Source: Tracxn Database.
Figures converted from Indian Rupee (₹) at constant rate **($1 = ₹ 73)**
(◆: The acquisition year; ■: The most recent available data)

6.6.6 Determinants of Employment Change

The acquisition was referred to as a product-extension acquisition by the CFO of the acquiring firm. Though the overall employment at the acquiring firm registered a growth post-acquisition, the target team suffered employment loss. The available evidence points to multiple individual-level and firm-level issues that were instrumental in dictating this directional change. The section begins with a discussion on individual-level issues.

6.6.6.1 Individual level Issues

Only one of the three founding managers transitioned to the acquiring firm. The decision of the other two founding managers of the target firm to discontinue was largely driven by personal and professional reasons. For instance, one founding manager decided to not join the acquiring firm because he had lost his faith in email marketing as an industry. He felt that the industry had limited growth potential in the Indian market, and he should redirect his technological expertise to a different industry. In addition, the desire to work independently was another reason for his decision. He had started his career as an entrepreneur and had no experience working as an employee.

> "I, being a product guy, started realizing that email marketing is something which has a limited growth potential in the Indian market. I started losing, you can say interest."
> *– Co-founder & MD (2), Target firm (Marketing Tech)*

> The team was very important, although in this particular case, dynamics were such that there were more than one founders. So, one of them was interested in continuing, some of them were not because they wanted to exit the space and they wanted to do something else. So, obviously our intent was to get all the founders and all the key people as part of the deal, and we tried for that. *– CFO, Acquiring firm (Marketing Tech)*

The non-cordial relationship between the founding managers was also a reason behind their turnover. One founding manager decided to not join the acquiring firm because he wasn't sure of the cultural fit between him and their team.

> "When we started running the company, we could see there were differences. We wanted the third co-founder to let go if his active role in the company, but we couldn't. Finally he moved out after the acquisition."
> *– Co-founder & MD (1), Target firm (Marketing Tech)*

I mean, building a company, building a team and then to sell it, you have to ask yourself whether you would move along with the new team. Are you sure that the team, the new team is something you can work with. So, I thought it would be better to move forward."
– Co-founder & MD (2), Target firm (Marketing Tech)

A few employees left during the transition period to pursue external career opportunities and some left due to personal reasons such as relocating to a different country or pursing higher education.

"Despite our assurances and everything we did, still we had some employees who wanted to move on. Some of the employees had to go to a different location, move from Delhi to Bombay and all that stuff happened. Many of them went on to work for larger companies like Cheetah Digital, Amazon, Google."
– Co-founder & MD (1), Target firm (Marketing Tech)

Financial reasons such as equity in the acquiring firm and retention bonus were the key reasons that informed the decision of the retained co-founder to work with the acquiring firm. The brand name of the acquiring firm along with the role on offer also aided his decision to stay for the transition period. He was made the chief marketing officer and a director at the acquiring firm.

"(Acquiring firm name) was a much bigger company than us in terms of revenue and employees. Before us they had made nine other acquisitions and had client base across India and the Middle East." *– Co-founder & MD (1), Target firm (Marketing Tech)*

For the first 6 months (post-acquisition) I lead the unit as a separate entity and then when the merger happened, I became the CMO at (Acquiring Firm name). I got equity in (Acquiring firm name) which I continue to hold.
– Co-founder & MD (1), Target firm (Marketing Tech)

6.6.6.2 Firm level Issues

In addition to the individual level issues, several firm-level issues also played a role in post-acquisition employment change. The main reason behind the significant decline was the decision to integrate the team of the target firm. This integration led to the duplication of several roles which were then rationalised. The acquiring firm also decided to have one combined sales team for all its products. This decision rendered the sales team of the target firm redundant, which led to employment loss in the sales team. This overall loss of autonomy further exacerbated the situation and led to employment loss at the target firm.

> We had a finance function and (Acquiring firm name) had a finance function. So, that rationalization of roles only happened in April of 2018. A year later.
> *– Co-founder & MD (1), Target firm (Marketing Tech)*

> "The mistake that we did was to club everything together and bring (Target firm name) people also under the umbrella of existing (Acquiring firm name) people. So, obviously, what it did was that we had better control, but we lost focus because everything got merged into one team. That theme of oneness created a lack of focus. Email somewhere lost its charm, and we ended up losing some people also from the email side because they were not enjoying the new ecosystem." *– CFO, Acquiring firm (Marketing Tech)*

> "Basically, the team was running without a leader and without a vision. And second because (Acquiring firm name) sales team was taking care of selling (Target firm name) as a platform. They were not enabled enough; they were not trained well. They were used to selling SMS and voice as a commodity I would say, but email is different.
> *– Assistant Vice President, Acquiring firm (Marekting Tech)*

Another factor that restrained the ability of the acquiring firm to retain the non-managerial employees was its inability to retain non-founding managers. Retaining the key members of the target firm has been highlighted as a crucial component of a successful integration strategy (Chaudhuri & Tabrizi, 1999). Despite having prior acquisition experience, the acquiring firm was only able to retain one co-founder and very few non-founding managers for the transition period, which severely impacted their ability to instil trust in the overall team of the target firm. It also adversely affected their ability to facilitate knowledge sharing between the two firms. Limited knowledge sharing and exchange also led to revenue stagnation at the target firm, further limiting employment growth.

> I think what happened during the acquisition was that ValueFirst did not retain any of the founders and the sales leaders. Now, that was surprising to me as well.
> *– Assistant Vice President, Acquiring firm (Marketing Tech)*

> We lost some momentum in the early stages. There were integration issues, several employees left. We couldn't focus on growing the business. After the revamp we are now trying to build it up again. *– CFO, Acquiring firm (Marketing Tech)*

In 2019, the acquiring firm realised the strategic mistake it had committed and reconstituted the target firm as a separate business unit. They also reinstated a former non-founding manager of the target firm to rebuild and expand the business. These steps had a positive impact on employment and the revenue of the target firm. The team size grew from 10-15 employees in quarter 4 of 2019, to 30 employees by quarter 3 of 2020.

> Within (Acquiring firm name) we have created the separate LOB (Line-of-business) now. This means that the email team has its own leader which is, which has sales, product. I mean it's like you can say it's a mini-company within the company. It has started to show results. Basically, it is still not back to what it used to be, but it practically almost got reduced to 10-15 people and now I think it is coming back to almost 25-30 people. *– CFO, Acquiring firm (Marketing Tech)*

> I was hired to grow (Target firm name) again. My job is to look after (Target firm name), grow the business, get new brands on board, deliver services to the existing client, and think about how we can grow the existing business. So, I can tell you, including myself, last six months we have added a lot of new workforce. So, we are now a team of 30.
> *– Assistant Vice President, Acquiring firm (Marketing Tech)*

> "We have been hiring. If you look, I mean almost five to seven people are joining every month. We are continuing with the joining because obviously the demand, we do not see any decline in demand." *– CFO, Acquiring firm (Marketing Tech)*

6.6.7 Case Summary

The within-case analysis of Marketing Tech analysed the key firm and individual-level issues that led to post-acquisition employment decline. Key motives behind the acquisition were also identified. The findings show that the mid-transition strategic pivot was the main reason that initiated the employee loss. The merger of the two firms during the transition period led to the duplication of several roles and created an atmosphere of uncertainty and chaos. This was further exacerbated by the fact that two of the three founding managers were not retained for the transition period. In addition, several non-founding managers left after the merger. These issues combined led to an overall employment decline of 72% in the two years after acquisition.

The decision of two of three founding managers to discontinue post-acquisition was largely driven by individual-level issues such as the desire to pursue another career, uncordial relations between the founder and disenchantment with the industry. Access to better career opportunities and higher remuneration led to the turnover of the non-managerial employees. The retained founding managers also left the acquiring firm after the transition period. The acquiring firm’s decision to grant autonomy to the target firm and rehire erstwhile non-founding managers of the target firm, following the employment decline, led to revenue and employment growth in the target firm.

6.7 Chapter Summary

Within-case analysis was the focus of this chapter. The analyses of the individual cases were presented to identify the main issues behind the post-acquisition employment change (RQ3). The findings of the chapter are presented in Tables 6.6 and 6.7. Regarding the motives behind the acquisition, certain motives appeared as the most salient across all four cases, these summarised in Table 6.6.

Concerning the determinants of post-acquisition employment change, a variety of codes and themes depicting individual and firm-level issues were found to be influential in shaping the decision of the employees. The most notable reasons across each firm are outlined in Table 6.7. In Real-estate Tech, the decision to revoke the autonomy of the target firm post-transition was the key firm-level factor which led to the 40.5% decline in employment in the six months following the transition. This was further reinforced by the lack of prior-acquisition experience of the acquiring firm and role overlaps resulting from the integration. However, the employment decline in the target firm was set off by the rapid revenue growth of the acquiring firm, which led to overall growth in employment. Financial incentives offered by the acquiring firm were important in retaining the founding managers of the target firm for the transition period. Their departure post-transition was driven by personal reasons. At the level of non-founding managers, a mismatch in professional expectations led to their turnover, especially post-transition. For non-managerial employees, better career prospects, salaries, and incentive structure led to their decision to remain with the acquiring firm.

Table 6.6: Summary of the Motives for Acquisition[a]

Case	Motives for Acquisition
Case 1: Real-estate Tech	• Expansion in a new market segment. • Enhancing market power. • Eliminating competition.* • Leveraging financial synergies.*
Case 2: Regulatory Tech	• Expansion in a new geographic region. • Accessing technology. • Accessing talent.*
Case 3: HR Tech	• Accessing talent (acquihire). • Accessing technology. • Leveraging domain expertise (Artificial Intelligence). * • Diversification and strategic renewal.* • Enhancing market power.*
Case 4: Marketing Tech	• Expansion in a new business area. • Enhancing market power. • Accessing technology. * • Leveraging domain expertise. * • Accessing talent. *

[a]An asterisk sign denotes evidence from interview data; all other evidence collected from archival sources and corroborated with interview data.

In Regulatory-Tech, the clarity and consistency of the decision to grant strategic autonomy to the target firm was the key factor that led to a 39% employment growth during the transition period. This was reinforced by the prior-acquisition experience of the acquiring firm and the post-acquisition revenue growth of the target firm. Like Real-estate Tech, financial incentives offered by the acquiring firm ensured the retention of the founding managers for the transition period. Their departure post-transition was driven by personal reasons. Retention bonuses offered by the acquiring firm to all employees mitigated the risk of post-acquisition employee turnover. At the level of non-managerial employees, better career prospects, salaries, job security and brand name of the acquiring firm motivated them to join the acquiring firm.

Like Regulatory Tech, the clarity and consistency of the decision to integrate the target firm post-acquisition were the key factors that allowed the acquihire to grow the technology team of the acquiring firm in HR Tech. Again, this was facilitated by the prior-acquisition experience, organisational objective, and revenue growth. The acquihired CTO led the technology team at the acquiring firm, which increased by over 100% in three years after the acquisition. Four members from the six-member team of the target firm joined the acquiring firm post-acquisition. Three of these members left post-transition due to the availability of better career opportunities.

In HR Tech, the decision of the acquiring firm to pivot from the announced integration strategy and integrate the target firm during the transition was the main reason behind the 72% decline in employment two years after the acquisition. Further reinforced by the inability of the acquiring firm to retain two of the three founding managers of the target firm. Unlike the other cases (Regulatory Tech and HR Tech) where prior acquisition experience proved useful, in Marketing Tech, it became one of the key reasons for the employment decline. Based on its previous acquisition experience, the acquiring firm decided to revoke the strategic autonomy of the target firm and merge the two teams, which gave rise to uncertainty among the employees of the target firm, thus leading to their turnover. This finding highlights that prior-acquisition experience is not sufficient to ensure post-acquisition success. The turnover of key non-founding managers, especially in the sales department, also impeded the acquiring firm’s ability to scale the product and grow the target firm’s revenue, thus limiting employment growth.

Two of the three founding managers did not join the acquiring firm due to a poor relationship between the founding team, further reinforced by their desire to start a new venture. Financial incentives and a managerial job offer at the acquiring firm motivated one founding manager to stay at the acquiring firm for the transition period. Personal reasons led to his departure from the acquiring firm after the transition. Given the dramatic decline in employment, the acquiring firm later granted strategic autonomy to the target firm and rehired former non-founding managers to lead the target firm. The course correction led to a 67% increase in the target firm’s employment in the year after granting strategic autonomy. Having discussed each case in detail, the next chapter reviews these findings and focuses on drawing out key patterns and variations, using a cross-case analysis approach.

Table 6.7: Summary of Within-Case Findings for Firm and Individual-level Issues[a]

Issues	Case 1: Real-estate Tech	Case 2: Regulatory Tech	Case 3: HR Tech	Case 4: Marketing Tech
Firm Level Issues	**Strategic and Structural* Forces -** Post transition strategic pivot leading to merger. **(-)** **Efficiency Related Forces* -** Rationalisation of duplicate roles resulting from post-transition merger. **(-)** **Prior-acquisition Experience -** Lack of prior acquisition experience & pre-established protocols. **(-)** **Economic Forces:** Post-acquisition revenue growth. **(+)**	**Strategic and Structural Forces*** - Clarity and consistency of the integration strategy. **(+)** **Prior-acquisition Experience -** Robust acquisition experience and well-established acquisition and integration protocols. **(+)** **Economic Forces:** Post-acquisition revenue growth. **(+)**	**Strategic and Structural Forces*** - Clarity and consistency of the integration strategy. **(+)** **Prior-acquisition Experience** - Prior acquisition experience & pre-established protocol. **(+)** **Economic Forces:** Post-acquisition revenue growth. **(+)**	**Strategic and Structural Forces* -** Mid transition strategic pivot leading to merger. **(-)** **Efficiency Related Forces* -** Rationalisation of duplicate roles resulting from mid-transition merger. **(-)** **Prior-acquisition Experience -** Ample prior acquisition experience but lack of pre-established protocols. **(-)** **Economic Forces:** Post-acquisition revenue stagnation of the target firm. **(-)**
Individual Level Issues	**Personal Reasons* -** ***e.g.,*** **a)** Higher perceived brand value of the acquiring firm. **(+)** **b)** Desire to improve work-life balance. **(-)** **Financial Reasons* -** ***e.g.,*** **a)** Higher salary at the acquiring firm. **(+)** **b)** Better salary elsewhere. **(-)**	**Personal Reasons* -** ***e.g.,*** **a)** Higher perceived brand value of the acquiring firm. **(+)** **b)** Desire to spend more time with family. **(-)** **Financial Reasons* -** ***e.g.,*** **a)** Retention bonus and higher salary at the acquiring firm. **(+)** **b)** Better salary elsewhere. **(-)**	**Personal Reasons* -** ***e.g.,*** **a)** Higher perceived brand value of the acquiring firm. **(+)** **Financial Reasons* -** ***e.g.,*** **a)** Higher salary & incentives at the acquiring firm. **(+)** **b)** Better salary elsewhere. **(-)** **Professional Reasons* -** ***e.g.,*** **a)** Good profile with greater	**Personal Reasons* -** ***e.g.,*** **a)** Higher perceived brand value of the acquiring firm. **(+)** **b)** Desire to take a career break. **(-)** **Financial Reasons* -** ***e.g.,*** **a)** Equity offer & bonuses at the acquiring firm. **(+)** **b)** Better salary elsewhere. **(-)** **Professional Reasons* -** ***e.g.,***

Professional Reasons[*] - *e.g.,* **a)** Greater career progression opportunities in the acquiring firm. **(+)** **b)** Desire to pursue another career path. **(-)**	**Professional Reasons[*] - *e.g.,*** **a)** Greater career progression opportunities in the acquiring firm. **(+)** **b)** Desire to start a new venture. **(-)**	job responsibility at the acquiring firm. **(+)** **b)** Desire to start a new venture. **(-)**	**a)** Executive level job offer at the acquiring firm. **(+)** **b)** Desire to start a new venture. **(-)**
Reasons Related to Work Relationships[*] - *e.g.,* Departure of the top management team post-transition seen as a loss of key relationship. **(-)**	**Reasons Related to Work Relationships[*] - *e.g.,*** Cordial relations between the top management team of the acquiring and the target firm. **(+)**	**Reasons Related to Work Relationships[*] - *e.g.,*** Cordial relations between the top management team of the acquiring and the CTO of the target firm**. (+)**	**Reasons Related to Work Relationships[*] - *e.g.,*** Uncordial relations between the founding team of the target firm**. (-)**

[a] An asterisk sign denotes evidence from interview data; no sign denotes evidence from secondary sources of data.

Chapter 7: Qualitative Exploration of Post-Acquisition Employment Changes – Case Analysis

7.1 Introduction

Following Graebner & Eisenhardt's (2004) notion of acquisition as a courtship, chapter 6 distilled the strategic underpinnings of the acquisitions from the perspective of the acquiring as well as the target firm. It also identified the key Individual and firm-level issues which dictated the post-acquisition employment change through the within-case analysis. This chapter extends this analysis to a cross-case comparison, the suggested next step in multiple case analyses. This chapter is structured as follows: Section 7.2 discusses the determinants of employment change and comprises two sub-sections designated firm and Individual level issues across the four cases, followed by section 7.33, which discusses the evidence on the temporality of employment change. Finally, section 7.4 provides a summary of the chapter.

7.2 Determinants of Employment change

The key objective of the case study analysis was to investigate the issues that dictate the post-acquisition employment changes in target firms. Across all four cases, certain codes were found to be common. The recurring codes were grouped into themes. The resultant themes were categorized into two broad dimensions: Individual-level and firm-level issues as shown in Figure 7.1 and 7.2, respectively. The following sections offer a breakdown of these two dimensions into their themes and first-order codes. The analysis in these sections provides a more nuanced understanding of how these issues influenced the post-acquisition employment change in the target firm.

7.2.1 Firm level Issues

As observed in chapter 2, firm-level issues are a crucial determinant of the success of an acquisition and post-acquisition employment change. Previous studies have drawn from efficiency theory (Datta et al., 2010), agency theory (Perry & Shivdasani, 2005), changes in governance mechanisms (Vicente-Lorente & Suárez-González, 2007) and upper echelons perspective (Hallock, 1998) to explore organisational antecedents of employment change. The strategic rationale behind acquisitions is also a key predictor of post-acquisition employment change (Amess et al., 2014). For instance, scholars have found that acquisitions motivated by market power can lead to employment growth while acquisitions motivated by efficiency gain can result in post-acquisition employment loss at the target firm (Geurts & Biesebroeck, 2019; Taguchi & Yanagawa, 2013).

Based on the evidence from existing literature, the analysis includes codes concerning firm-level issues. Across the four cases, nine recurring codes captured the firm-level issues. The eight codes were grouped into four themes: Efficiency forces, Prior experience, Strategic and Structural forces, and Economic forces. The categorisation was based on the interpretation of the researcher. Efficiency forces include codes that depict post-acquisition restructuring and rationalization of roles. Prior experience comprises codes that depict pre-acquisition experience, established integration protocols and organizational design of the acquiring firm. Post-acquisition employment changes resulting from changes in integration strategy constitute strategic and structural forces. Economic forces include codes depicting changes in the economic outlook and financial prospects of the acquiring/target firm. The following section explores the impact of each of the four forces on the post-acquisition employment change in the case study firms.

Table 7.1: Data Structure for Firm Level Issues[a]

Evidence						
Real-estate Tech	**Regulatory Tech**	**HR Tech**	**Marketing Tech**	**First-Order Codes**	**Theoretical Categories**	**Aggregate Dimensions**
a, b			A	Statements that conveyed beliefs that employment declined due to rationalisation of roles.	Efficiency Forces	**Firm Level Issues**
	a, B	A, B		Statements that indicated that employment remained stable or increased due to non-rationalisation of roles.		
	a, B	a, B		Statements conveying prior acquisition experience as a positive factor for employment.	Prior-acquisition experience	

			A	Statements conveying prior acquisition experience as a negative factor for employment.	
	a, B	a, B		Statements indicating pre-established acquisition protocols as a positive factor.	
a, B			A, B	Statements conveying that employment declined due to changes in announced integration strategy & rigid organizational structure.	Strategic & structural Forces
	a, B	a		Statements indicating that consistency in implementation of integration strategy and flexible organizational structure led to employment gain.	
c, B	a, B	a, B		Statement indicating that employment grew due to business expansion and addition of new revenue streams.	Economic Forces
			A	Statements indicating that employment declined or stagnated due to revenue stagnation	

[a]Codes for the evidence categories are as follows" "**A,**" evidence from three+ interviews; "**a,**" evidence from two interviews; "**c,**" evidence from one interview; "**B,**" evidence from three+ archival sources; "**b,**" evidence from two archival sources.
Source: Adapted from Walsh and Bartunek (2011).

7.2.1.1 Efficiency Forces: The market for corporate control perspective argues that acquisitions are an instrument of transferring assets to those who can utilise them in a more efficient manner (Amess et al., 2014). Realising efficiency gains are often categorised as a key driver of acquisitions (Geurts & Biesebroeck, 2019; Trautwein, 1990). These efficiency gains are often achieved by employee downsizing (Datta et al., 2010). Furthermore, the scope for employee downsizing is significantly higher in related acquisitions vis-à-vis unrelated acquisitions (Conyon et al., 2002a; Kubo & Saito, 2012). The degree of overlaps between the acquiring and the target firm are much higher in related acquisition, which lead to greater scope for rationalization.

As highlighted in Chapter 6, all four cases examined in the thesis comprised related acquisitions. However, the evidence depicting employment change due to operational efficiency were only observed in two cases (*Real-estate Tech* & *Marketing Tech*). In *Real-estate Tech,* integration of the target firm led to duplication of several non-founding managerial positions such as head of engineering and sales. The duplication led to the acquiring firm adopting rationalization measures, which resulted in the turnover of non-founding managers.

> "I think at the senior level it was a case. Some of those became very overlapping things. Like we didn't really need a technology head because we had a technology head. We didn't need an operations head we had our operations head. So, now the head of (the) engineering person may not really want to continue with us once this merger happens."
> *– Co-founder, Acquiring Firm (Real-estate Tech)*

Similarly, in *Marketing Tech,* integration of the target firm led to duplication of several roles, especially in the sales department. The acquiring firm decided to transfer sales workload for the product of the target firm to its existing sales team. This decision of the acquiring firm rendered the sales team of the target firm redundant. In addition, despite announcing a year-long transition period, the acquiring firm decided to integrate the target firm six months after the acquisition, leading to distrust among the employees which further triggered the employment loss.

> "The mistake that we did was to club everything together and bring (Marketing Tech target) salespeople also under the umbrella of our existing sales team. We lost focus

because everything got merged into one team and that theme of oneness created a lack of focus. We ended up losing some people also because they were not enjoying the new *ecosystem." – CFO, Acquiring firm (Marketing Tech).*

"I think what happened during the acquisition was that (Marketing Tech acquirer) did not retain any of the sales leaders. Now, that was surprising to me as well."
– Assistant Vice President, Acquiring firm (Marketing Tech)

In *Regulatory Tech* and *HR Tech*, employment changes due to efficiency forces were not observed. This reflects the strategic rationale behind the acquisitions in these two cases. In both the cases, accessing the team of the target firm was a key driver of the acquisition. In *Regulatory Tech*, the acquiring firm wanted to leverage the target firm's team as an offshoring unit to achieve cost savings. While in *HR Tech*, the acquisition was classified by the acquirer as an acquihire-cum-acquisition driven predominantly to leverage the expertise of the technology team, especially the CTO of the target firm.

"They were more interested (in the team) than us. Because, you know, it was one of their strategic plans right. This workforce in India the ability to grow that workforce. They did not have an offshoring centre earlier right and they have a lot of data management kind of work that they do on site in the US. They wanted to move that work to India. So, one part of this acquisition was the offshoring opportunity."
– Co-founder & COO, Target Firm (Regulatory Tech)

"For us it was more (CTO target firm) because he had the exact understanding. It was an acquihire-cum-acquisition. So, it was acquisition plus hire which we did for (CTO target firm), and he continues to be part of our team since then."
– Group CEO, Acquiring firm (HR Tech)

The analysis suggests that the strategic rationale behind acquisitions offset the increased likelihood of efficiency-related downsizing in these related acquisitions. Related acquisitions primarily driven to leverage the talent base and fostering business growth can lead to post-acquisition employment growth in the target firm (Taguchi & Yanagawa, 2013), as observed in *Regulatory Tech* and *HR Tech*. In *Regulatory Tech*, where the acquisition was driven by the motive of leveraging the talent base of the target firm, the post-acquisition employment registered a growth of 39% in the two years after acquisition. Notably, in *Regulatory Tech*, the acquiring entity was a US-based firm with no physical presence in India. Large geographic distance between firms implies higher information asymmetries (Collins et al., 2009). Given the tacit nature of knowledge in entrepreneurial firms (Chaudhuri & Tabrizi, 1999; Ranft & Lord, 2000) and high information asymmetries in the case of an international acquirer, retaining the employees of the target firm becomes crucial. To ensure employee retention, the acquiring firm in Regulatory Tech, made provisions for retention bonuses for the target firm employees, which further ruled out the possibility of downsizing driven by operational forces.

> "The entire deal value included a significant portion to be carved out as retention bonuses for people you know sign up bonuses and all of that."
> *– Co-founder & COO, Acquiring Firm (Regulatory Tech)*

In *HR Tech*, where the target firm was merged into the acquiring entity post-acquisition, the overall employment at the acquiring firm registered a growth of 9% in the year after acquisition. The technology team, which the CTO of the target firm was hired to lead, grew at a much higher rate. Three years after the acquisition the team size doubled from 100 to 200 employees. This expansion was in line with the strategic rationale of the acquiring firm, which was to leverage the domain expertise and talent base of the target firm to develop its in-house technological capabilities and transform from a service-led company to a product-led company.

> "They needed someone to lead their product which was me. I don't know! I can't tell from their perspective but I still, I feel from the interactions that I have had after coming in (HR Tech acquirer), is that they also needed a leader, not to say rosy things about me but they needed someone to lead their products as well."
> *– Co-founder & CTO, Target Firm (HR Tech)*

> "As we were progressing, we realized that, probably 2018 was the time where we sensed that matchmaking is the next thing in recruiting. So, we wanted to look at building that up in-house and we had a large tech-team, but we came across this start-up called (HR Tech target), and we met the founders and we thought that probably this is a better way to have an acquisition because that would be quicker and faster."
> *– Co-founder & Group CEO, Acquiring Firm (HR Tech)*

> "(Acquiring firm name) was completely you know a people driven company. They were trying to you know automate their service business into technology and we had a certain type of technology and the talent which could have accelerated that process very quickly." – *Co-founder & CEO, Target Firm (HR Tech)*

7.2.1.2 Prior Acquisition Experience: Organizational learning theory argues that firms with prior acquisition experience are more likely to engage and succeed in subsequent acquisitions (Collins et al., 2009). Prior-acquisition experience helps firms build momentum, which helps mitigate the disruption commonly observed in the post-acquisition period (Steigenberger, 2017). Prior-acquisition experience enables firms to develop protocols and processes regarding due diligence and integration (Finkelstein & Haleblian, 2002), ensuring a successful acquisition (Marks et al., 2017; Trichterborn et al., 2015). In three of the four cases, the acquiring firm had prior acquisition experience. The acquiring firm in *Regulatory Tech*, with 35 acquisitions, had the most experienced. Whereas the acquiring firm in *Real-estate Tech* had the least experience with no acquisitions. The acquiring firm in HR Tech had made 2 prior acquisitions and in Marketing Tech the number of prior acquisitions was 4. Evidence of a pre-established acquisition protocol was observed in *Regulatory Tech* and *HR Tech*.

> We are an acquisitive company. We have acquired firms globally, which gives us a unique advantage in terms of dealing with M&As.
> – *Group President, Acquiring Firm (Regulatory Tech)*

> "We have a three-step approach to acquisition, ensuring a person culture match, ensuring transparency with the founders of target firm, and offering clarity of role. These three things work very well, and I may put a circle around these three things, I would say be fair with the entrepreneur." – *Group CEO, Acquiring Firm (HR Tech)*

In the other two cases *(Real-estate Tech and Marketing Tech),* where evidence of pre-established protocols was not observed, the firms faced significant disruptions after the transition period. In Real-estate Tech, the employment at the target firm registered a decline of 40.5%, reducing from 79 to 47 employees. Similarly, in Marketing Tech, the target firm employment declined by 72%, reaching 15 employees from 53 employees. Additionally, in both cases, the acquiring firm was unable to accommodate the aspirations of the non-founding managers. While their turnover did not lead to any adverse outcomes in *Real-estate Tech*, in *Marketing Tech*, it significantly limited the acquiring firm's capability to leverage the product of the target firm. Notably, despite the turnover at the target firm, the overall employment at the acquiring firm in *Marketing Tech* kept growing.

One explanation for this difference in the outcome could be the expertise of acquiring firm in the target firm's domain. Previous learnings through acquisitions are more influential when significant knowledge overlaps exist between the acquiring and the target firm (Hayward, 2001). In *Real-estate Tech*, the acquiring and the target firm operated in the same segment (online housing rental) within the real estate industry. This resulted in significant knowledge overlaps between the firms, which further compensated for the expertise lost due to the departure of the non-founding managers of the target firm in the post-transition period. In *Marketing Tech*, the firms operated in different segments within the same industry. The acquiring firm was a leading player in the SMS marketing segment, while the target firm was a leader in the email marketing segment. As per the management of the acquiring firm, there were significant knowledge overlaps between the two firms. They were also confident in their acquisition ability from their prior experience. This perception resulted in post-acquisition strategies (discussed in section 7.2.1.3) that led to large-scale employment loss. Eventually, the acquiring firm realised that they had overestimated the extent of the knowledge overlaps.

> In our previous acquisitions, the DNA of the companies were the same. I mean they were in SMS. So, the integration went well because team dynamics one managed beautifully. (Target firm's name) was a good acquisition, but integration became a challenge because email is a different technology than SMS and because a lot of people from the email team left. – *CFO, Acquiring Firm (Marketing Tech)*

7.2.1.3 Strategic and Structural Forces: Integration of the acquired firm is a key driver of the success of an acquisition (Steigenberger, 2017). Acquisition failures, often, are associated with failures in the integration strategy (King et al., 2004; Marks et al., 2017). The choice between keeping the target firm autonomous or integrating it in the acquiring entity remains a contested topic in M&A research (Puranam & Srikanth, 2007). The importance of this decision is further amplified in the acquisition of entrepreneurial firms (Ranft & Lord, 2000). Integrating the target firm post-acquisition can enable better coordination and effective leveraging of the target firm's innovative capabilities (Puranam et al., 2009). However, it can also disrupt existing organizational routines (Benner & Tushman, 2003) and create a perception of dominance by the acquiring firm among the target firm employees (Hambrick & Cannella, 1993).

In three of the four cases (*Real-estate Tech, Regulatory Tech, and Marketing Tech*), the acquiring firm granted autonomy to the target firm post-acquisition. In *HR Tech*, an acquihire-cum-acquisition, it was evident from the outset that the target firm would be merged into the acquiring firm post-acquisition. Through the transition period, the acquiring firm in three of the four cases implemented the strategy announced at the time of acquisition (*Real-estate Tech, Regulatory Tech & HR Tech*). In *Marketing Tech*, the acquiring firm pivoted from its announced strategy and integrated the acquired firm six months after the acquisition. The transition period in *Marketing Tech* was one year. In Real-estate tech, the acquiring firm pivoted from its announced strategy and decided the merge the target firm after the transition period. Notably, employee loss was observed only in these two cases.

In *Real-estate Tech*, the merger led to duplication of roles concerning non-founding managers, which resulted in their turnover. Similarly, in *Marketing Tech*, the acquiring firm's decision to integrate the target firm and club the sales teams led to large-scale attrition of the target firm employees, including non-founding managers and non-managerial employees.

> "We merged the two businesses as it made more sense. This led to a few problems at the senior level, but at the junior level, it was fine. Say their head of engineering for us may not really come in as the head of the engineering. So, now the head of (the) engineering person may not really want to continue with us once this merger happens." *– Co-founder, Acquiring Firm (Real-estate Tech)*

> We merged (Target firm's name) a year later and the integration did not go as beautifully as we had expected it. The mistake that we did was to club everything together and bring (Target firm) people also under the umbrella of our existing people. We ended up losing some people also from the email side because they were not enjoying the new ecosystem. *– CFO, Acquiring Firm (Marketing Tech)*

In the other two cases (*Regulatory Tech and HR Tech*) where the acquiring firm did not deviate from its publicly announced integration strategy, there was no large-scale attrition, and employment grew post-acquisition. In *Regulatory Tech,* the employment registered a growth of 32% in the year after the acquisition, while in *HR Tech* it grew by 8.7%. The adverse impact of strategic pivots on employment was much higher in *Marketing Tech* vis-à-vis *Real-estate Tech*. In *Real-estate Tech,* the acquiring firm announced its intention to discontinue the brand of the target at the end of the transition period, which led to a decline of 40.5% in the target's employment. The team size of the target firm declined from 79 employees to 47 employees. No further large-scale attrition was observed in the target firm. However, in *Marketing Tech,* the acquiring firm merged the target firm during the transition period which led to a steady decline in employment at the target firm. Employment in the target declined by 72% in two and a half years after the acquisition, from 53 employees in May 2017 to 15 employees in October 2019. This decline contrasted with the overall employment of the acquiring firm, which steadily increased post-acquisition.

The impact of strategic pivots on post-acquisition employment between *Real-estate Tech* and *Marketing Tech* could be explained by two factors. Firstly, the retention of the top management team of the target firm and secondly the timing of the integration. In *Real-estate Tech*, the acquirer retained all the three founding managers for the transition period. One founding manager remained employed in the acquiring firm in a managerial role, even after the transition. Whereas in *Marketing Tech*, the acquirer managed to retain only one of the three founding managers. More importantly, the acquiring firm failed to retain the founding managers with the technical expertise. This adversely impacted the acquiring firm's capability to leverage the target firm's product. The acquiring firm in *Marketing Tech* assumed that their in-house technology and sales team was sufficient to integrate and scale the target firm's product. However, upon integration, they realised that their assumption was flawed. This realisation led them to change their strategy. They re-hired some of the key target firm employees including the non-founding managers who had previously left. Retaining the top management team of the target firm, especially in the acquisition of entrepreneurial firms, mitigates the disruptive consequences of integration and facilitates improved coordination (Graebner, 2004; Ranft & Lord, 2002).

> As I said the only mistake that we think we did was combining the two businesses together. Frankly selling SMS is a very different ball game than selling email. It looks like they can be clubbed together as a channel, but the DNA is quite different. So, in hindsight, I think from an economics perspective, from a strategy perspective, keeping them separate makes a lot of sense. I would say that if I am given chance again, I would again recommend acquiring a company like (Target firm's name). However, I would be very mindful of how it is integrated because that is where I think the biggest learning has come. – *CFO, Acquiring Firm (Marketing Tech)*

In *Real-estate Tech*, the acquiring firm also waited for the transition period to complete before announcing the decision to integrate the target firm. The decision to finish the year-long transition period facilitated the seamless transfer of intellectual property and technical know-how between the target and the acquiring firm. It also instilled security among the target firm employees as they continued to work under the same management, in similar roles at the same office. Employee turnover only happened at the end of the transition period when the acquiring firm announced the merger of the target firm. Whereas in *Marketing Tech*, the acquiring firm did not honour the year-long transition period. It decided to merge the target firm six months after the acquisition. This decision led to several target firm employees becoming redundant. The abrupt decision also led to a feeling of insecurity and uncertainty among the employees of the target firm, which triggered large-scale employment loss.

> We had been given one year and the responsibility for transition. So, till the time acquisition happened we were competitors. They did not have access to our data sets and intellectual property. We ensure the transfer of all those things during the transition period. They extracted everything they needed from us.
> – *Co-founder, Target Firm (Real-estate Tech)*

> So, what happened was for the first 6 months we ran as a separate entity. I was leading the team and we were building our traction back again. We had lost some momentum because you know the board got busy with the transaction. But then the board of the (Name of the acquiring firm) decided to merge our team completely within their team and decided that they will have one sales engine for both the products (SMS & Email).
> – *Co-founder & MD, Target Firm (Marketing Tech)*

Besides the integration strategy, the organizational structure of the acquiring firm was also a crucial determinant of post-acquisition employment change. In Regulatory Tech, the acquiring firm maintained a flexible organization structure and operated as a group of companies. Their strategy focused on retaining the top management team of the target firm and granting them the autonomy to lead the business. Therefore, the target firm's team and brand were kept intact in Regulatory Tech. Similarly, in HR-Tech the acquiring firm was known to operate as a group of entrepreneurs. Though the target firm's brand was discontinued post-acquisition, the CTO of the target firm was given a managerial position in the acquiring firm and the autonomy to independently lead his team. Post-acquisition autonomy preserves the tacit knowledge and capabilities of the target firm (Datta & Grant, 1990). When acquiring entrepreneurial firms, acquiring firms prefer to grant post-acquisition autonomy to target firms and integrate slowly over time. This ensures higher employee retention and mitigates integration-related disruptions (Ranft & Lord, 2002).

> "It (*Regulatory Tech acquirer*) operates like a group of companies and not as a single company. So, basically what it is, is that every unit has got its own HR, own finance and everybody has a dotted line to the local unit president. The local unit president has a dotted line to the Group HR and the Group finance. So that was already by design and if you notice (*Regulatory Tech acquirer*) is not just one company it is actually 50 companies. Amalgamations are not something they do. The CEO of (*Regulatory Tech acquirer*) has got a very nice way to explain it. Think of it as dual citizenship right."
> *– Co-founder & COO, Target Firm (Regulatory Tech)*

> "So mostly, I believe in acquihires. We have been lucky that all the companies that we have acquired, all their heads are still with us, and I feel very good about it. It's a great feeling that, so we call ourselves as a group of entrepreneurs than a typical company. So, we are a group of entrepreneurs working together."
> *– Co-founder & Group CEO, Acquiring Firm (HR Tech)*

> I lead two teams at (Acquiring firm name). One is the AI team and the second is the end-to-end work tech product of (*HR Tech acquirer*) which is a separate brand. I am responsible for the numbers of my team, and I report directly to the CTO. So, yeah, they have entrusted me with big responsibility.
> *– Co-founder & CTO, Target firm (HR Tech)*

This flexibility and autonomy were not observed in the other two cases (*Real-estate Tech and Marketing Tech*). Notably, in Marketing Tech, the acquiring firm realised the importance of autonomy after facing large scale employment loss. A year after its decision to merge the target firm, it decided to grant the target firm autonomy by constituting it as an independent business unit within the acquiring firm. As already noted, the acquiring firm also re-hired the ex-employees of the target firm, especially the non-founding managers. The restructuring and granting of autonomy resulted in the expansion of the team size of the target firm. Six months after granting autonomy to the target firm, the team size registered a growth of 67%, growing to 25 employees from 15 employees.

7.2.1.4 Economic Forces: The monopoly theory argues that firms undertake acquisitions to enhance their market power (Trautwein, 1990). Acquisitions can facilitate a rapid increase in a firm’s customer base and enable access to new geographic areas and market segments (Graebner & Eisenhardt, 2004; Graebner et al., 2010). Acquisitions have become an important tool to expedite a firm’s growth, and entrepreneurial firms themselves are increasingly using them to scale their businesses (Mawson & Brown, 2017; Crunchbase, 2021). An increase in market power enhances the competitive advantage of the acquiring firm by inhibiting competition (Santos & Eisenhardt, 2009). As discussed in Chapter 6, growth and increase in market power were the recurring strategic rationales for acquisitions in all four cases. M&A scholars argue that market expansion and growth driven acquisitions lead to employment gain (Taguchi & Yanagawa, 2013). Post-acquisition revenue growth was observed across the four cases as recorded by the Tracxn Similarly, the profitability also improved post-acquisition in all four cases. Table 7.1 illustrates the post-acquisition revenue growth across all cases.

While revenue growth is not synonymous with employment growth, across the four cases it had a positive impact on employment. For instance, in Regulatory Tech, the target firm was able to leverage the international reputation of the acquiring firm to acquire more clients and charge a premium from its existing clients. Their workload also increased due to the internal transfer of work, which contributed to employment growth. Similarly, in HR Tech, the team size expanded because the acquirer successfully scaled the target firm’s product.

> We were able to command a greater premium from my existing clients. We were able to enter deals which we were not allowed to enter earlier. We did a couple of big sales which had to be serviced out of here (India). We started doing a lot more work for that entity (Acquiring firm) in India. So, whatever the employees were doing in the US and were getting paid in US Dollars, in India doing the same work was cheaper. So, shifting of work started. So, putting those things together our revenue went up and employee count went up. – *Co-founder & COO, Target Firm (Regulatory Tech)*

> Yeah, so essentially, they (Acquiring firm) already had a team for this product (Referral hiring) where our technology got merged. If you were to ask me then from that product, yes, the team has grown because that business has also grown."
> – *Co-founder & CTO, Target Firm (HR Tech)*

Table 7.2: Post-acquisition Revenue Growth across Cases.

Revenue growth rate	**One year after the acquisition**	**Two years after the acquisition**	**Three years after the acquisition**
Real estate Tech	37%	-	-
Regulatory Tech	23%	23%	11%
HR Tech	34%	-	-
Marketing Tech	12%	40%	14%

Source: Tracxn.com

In *Real-estate Tech* and *Marketing Tech*, the revenue and the employment at the acquiring firm registered a growth post-acquisition. However, in *Marketing Tech*, the overall growth at the acquiring firm was not representative of the target firm’s performance. The acquiring firm could not scale the target firm’s product due to the bottlenecks arising out of the integration strategy as discussed above. So, while the overall revenue and employment registered a growth, the target firm team as a business unit in the acquiring firm struggled to grow. However, two and a half years after the acquisition, in October 2019, the acquiring firm decided to reverse its position by granting autonomy to the target firm. The target firm was granted strategic autonomy and constituted as an independent business unit. The autonomy enabled them to scale the product, expedite their revenue growth and expand their team.

> We lost some momentum in the early stages. There were integration issues, several employees left. We couldn't focus on growing the business. After the revamp we are now trying to build it up again. We have hired a senior level guy from (target firm) to lead the vertical. The team is expanding. I mean in general we are pretty comfortable with hiring because we don't see any decline in demand.
> *– CFO, Acquiring Firm (Marketing Tech)*

> Look I was hired to grow (Target firm) again. My job is to grow the business, get new brands onboard, deliver services to the existing client and think about how we can grow the existing business. So, new business plus existing business is the focus. We have hired people. I can tell you, including myself, last six months we have added almost 30% of new workforce. we have already invested in our team and technology. We are good for this year and our target is definitely to reach anywhere between 3x of 5x of last year. *– Assistant Vice President, Acquiring Firm (Marketing Tech)*

The cross-case analysis of economic forces highlights that the financial prospects and performance of a firm may have a direct impact on post-acquisition employment change in the target firm. Post-acquisition revenue growth can translate to increased workload, thus leading to employment growth. Similarly, a negative financial outlook and stagnating revenue growth can hurt employment growth.

7.2.2 Summary of Firm level Issues

The synthesis of firm-level Issues across four cases generates important insights on the phenomenon of post-acquisition employment change at the target firm. Firstly, the analysis of efficiency-related forces across the four cases highlights that entrepreneurial acquisition in related industries is often motivated by considerations of enhanced market power, strategic realignment, and expansion in new markets instead of efficiency gains. Efficiency-related employee rationalization, if any, affects either the non-founding managers (*Real-estate Tech*) or employees of specific departments such as the sales department (*Marketing Tech*). The findings also suggest that the medium to long term growth objectives of the acquisition offsets the short-term efficiency-driven employment loss at the target firm.

Secondly, the analysis of the prior acquisition experience indicates that prior acquisition experience and established acquisition protocols mitigate the risk of employee loss. The lack of experience and well-defined protocols can lead to disruptions which can further trigger employee turnover, especially the non-founding managers (*Real-estate Tech and Marketing Tech*). Disruptions are higher in cases with limited knowledge overlaps between the acquiring and the target firm (*Marketing-Tech*). The findings also indicate that prior-acquisition experience, while helpful, does not guarantee acquisition success. For instance, in *Marketing Tech*, the acquiring firm had previously acquired four firms but still struggled to ensure a smooth transition and retention of the employees of the target firm.

Thirdly, analysis of the strategic and structural forces indicates that firms pivoting from their announced integration strategy (*Real-estate Tech and Marketing Tech*) undergo higher employee loss vis-a-vis firms that remain consistent with their integration strategy (*Regulatory Tech and HR Tech*). Pivots in the integration strategy exacerbate post-acquisition disruption by leading to feelings of insecurity and uncertainty among employees, triggering attrition (*Real-estate Tech and Marketing Tech*). Failure to retain the top management team of the target firm and the implementation of strategic pivots during the transition period led to greater disruption and large-scale employee loss, as observed in *Marketing Tech*. The findings related to strategic and structural forces also indicate that granting strategic autonomy to the top management team of the target firm is an effective tool to avoid employee turnover in case of entrepreneurial firms.

Finally, the analysis of the economic forces indicates that the post-acquisition employment change in the target firm is directly related to its business prospects and financial performance. An increase in revenue post-acquisition leads to increased workload, which further triggers the expansion of the team (*Real-estate Tech, Regulatory Tech, and HR Tech*). Similarly, a negative financial outlook and stagnating revenue hurt the prospects of employment growth (*Marketing Tech*). However, the financial performance of the target firm is contingent upon the success of the integration strategy. Table 7.2 summarises the firm-level issues across cases.

This interdependency highlights the complex relationship between firm-level issues and post-acquisition employment change. In all four cases, growth was the driving force behind the acquisitions. However, continuous employment expansion was only observed in two cases (*Regulatory Tech and HR Tech*). In the other two cases, the post-acquisition employment growth was obstructed by the interplay of various firm-level issues. In *Real-estate Tech*, the acquiring firm pivoted from its announced integration strategy after the transition period and decided to merge the target firm. This decision led to the duplication of several roles. The acquiring firm failed to accommodate the aspirations of the employees of the target firm, leading to employee turnover, especially among the non-founding managers of the target firm.

Similarly, in *Marketing Tech,* the decision to not retain the top management team of the target firm and pivot from the announced integration strategy during the transition period led to disruption and uncertainty among the employees of the target firm, which triggered large scale employment loss. Even though the acquiring firm in *Marketing Tech* case had previously made four acquisitions. The prior-acquisition experience, however, did not lead to any benefits. Thus, highlighting the idiosyncratic nature of the acquisition. The large-scale employment loss also impeded the acquiring firm ability to leverage and scale the target firm's product which resulted in revenue stagnation. The stagnation further reduced the possibility of expansion of the team size. The acquiring firm was able to mitigate the losses only after granting autonomy to the team of the target firm.

In conclusion, the cross-case analysis of firm-level issues indicate the non-linearity of post-acquisition employment change. It establishes that post-acquisition employment change depends on the interplay of various issues. The strategic rationale behind the acquisition, though important, is not a sole indicator of post-acquisition employment change. Acquisitions undertaken by experienced firms, to pursue growth objectives could also lead to employee downsizing upon failure of their integration and the human capital strategy.

Table 7.3: Summary of Firm-level Issues and Its Impact on Employment Change across Cases.

	Real-estate Tech	**Regulatory Tech**	**HR Tech**	**Marketing Tech**
Efficiency related Forces	The decision to merge the target firm, post-transition led to duplication of roles (e.g., Engineering Head). The duplication mainly affected the non-founding managers. The non-managerial employees were unaffected by the merger led duplication.	Efficiency driven rationalisation was not observed. Expanding the target firm's team was a key objective of the acquiring firm. The acquiring firm incentivised employee to stay by offering retention bonuses. Employment at the target firm steadily increased during and after the transition period.	Acquihire-cum-acquisition. The acquiring firm was interested in the CTO of the target firm, who continued to work in a managerial position for the acquiring firm.	The acquiring firm decided to merge the target firm and use its existing sales team to cater to the acquired product. The decision led to the redundancy and turnover at the sales team of the target firm.
Prior acquisition experience	Acquiring firm had no prior acquisition experience and established protocols. They managed to retain the three co-founders of the target firm for the transition period. One co-founder stayed after the transition period was over.	The acquiring firm was an international firm and had previously acquired 35 firms globally. It had an established acquisition protocol.	The acquiring firm had previously acquired 2 firms and had an established protocol that emphasised transparency, clarity, and cultural match. The acquiring firm was able to retain the CTO (key reason for the acquisition).	The acquiring firm had previously acquired four firms and had developed a template based on the past experiences. The template relied on leveraging knowledge overlaps by merging the target firm. The same template was deployed which failed.

Strategic and Structural Forces	The acquiring firm pivoted from its announced integration strategy and decided to merge the target firm after the transition period was over. The acquiring firm was able to mitigate the large-scale risk of employment loss by retaining the top management team and completing the announced transition period.	The acquiring firm remained consistent with its announced integration strategy. The target firm remained an autonomous entity within the umbrella of the acquiring firm through and after the transition period.	The acquiring firm remained consistent with its announced strategy of merging the target firm post-acquisition.	The acquiring firm pivoted from its announced integration strategy and decided to merge the target firm before completion of the transition period. It decided to have one combined sales team for both the inhouse and the acquired product. The acquiring firm was able to retain only one of the three founding managers. Two years after merging the target firm, the acquiring firm made another pivot and granted strategic autonomy to the target firm, by establishing it as a separate line of business.
Economic Forces	The overall revenue of the combined entity increased post-acquisition which contributed to an overall growth in employment in the combined entity.	The target continued to operate as an independent entity and leveraged the brand name of its acquirer to charge higher fees from its clients. The brand name also helped the target firm in obtaining new clients. The target firm also started to be utilised as an offshore unit, which resulted in an increased revenue.	The overall revenue of the combined entity steadily increased post-acquisition. The team headed by the CTO of the target firm also saw an expansion in the business.	The failure of the integration strategy led to revenue stagnation from the target firm's product. Though the overall revenue of the combined entity increased post-acquisition. The business prospects of the target firm improved after granting them the strategic autonomy.

Employment Outcome	**There was only 5% employment decline (83 to 79) in the transition period of 12 months**. Significant employment decline was observed after the transition period, especially among the non-founding managers. **The team size of the target firm reduced from 79 employees in Q1 of 2018 to 47 in Q2 of 2018.** No further employment decline was observed. Overall employment at the acquiring firm steadily increased after the merger**. Increasing from 804 employees in Q2 of 2018 to 1273 employees in Q4 of 2019 (Peak).**	The employment at the target firm steadily increased after acquisition. **During the transition period it grew from 232 employees in Q1 of 2017 to 322 employees in Q4 of 2018.** **Immediately after the end of transition period, the employment registered a 6% decline. Reducing from 322 in Q4 of 2018 to 302 in Q1 of 2019.** By Q4 of 2019 employment had grown to 307 employees, 5% lower than the peak**.**	The acquiring firm was able to retain the CTO of the target firm. Four other employees of the technology team left after the transition. **The technology team under the CTO's leadership grew from around 100 employees in July 2017 to 200+ in January 2021.** **The overall employment at the acquiring firm, post-merger increased from 879 employees in Q3 of 2017 to 1077 employees in Q4 of 2019.**	The sales team of target firm went through large scale employee loss. Non-founding managers and non-managerial employees left due to the merger. This also led to spill over effects in other teams. **Target firm team size reduced from 53 employees in May 2017 to 15 in October 2019.** After course correction, the target firm's team started growing. **It grew from 15 employees in October 2019 to 25 employees in July 2020.** **The overall employment at the acquiring firm increased from 232 employees in Q2 of 2017 to 306 employees in Q4 of 2019.**

7.2.3 Individual level Issues

The analysis of the firm-level issues indicated the strategic importance of human capital in the acquisition of entrepreneurial firms. Human capital, especially the top management team constitutes the central source of valuable capabilities in entrepreneurial firms (Makinen et al., 2012; Ranft & Lord, 2002). In entrepreneurial firms, the human capital comprises the founding managers (co-founders), the non-founding managers (Sales Head and Product Head) and non-managerial employees. The failure to retain individuals across these levels can lead to the loss of key capabilities, thus resulting in acquisition failure (Chaudhuri & Tabrizi, 1999; Puranam et al., 2003).

Given the centrality of employees in entrepreneurial firms, this study analyses post-acquisition employment change from the perspective of the individuals employed at the target firm. The aim is to highlight the issues that inform an individual's decision to stay or leave a firm post-acquisition. Although there has been a lot of research on the reasons behind the turnover of top management teams after acquisition (Walsh, 1988; Walsh & Ellwood, 1991; Krug & Hegarty, 1997), these have focused on publicly listed firms (Krug et al., 2014). This study extends the research further by examining the reasons behind the post-acquisition turnover of the top management team of entrepreneurial firms. In addition, this study distinguishes between the founding managers and non-founding managers and examines the individual issues motivating the turnover of non-managerial employees.

Across the four cases, 11 recurring codes captured the individual level issues as outlined in Figure 7.2). These codes were influential in determining the post-acquisition employment change at the target firm. The 11 codes were further categorized into four themes: Personal reasons; Professional reasons; Financial reasons, and reasons related to work relationships. Personal reasons comprise codes related to an employee's personal life, which influences their decision to stay or leave the firm. These includes issues such as work-life balance and family's perception about the employee's job. Financial reasons comprise codes related to an employee's financial health situation to including salary, financial security, bonuses, and incentives. Employees tend to stay at a firm when their financial expectations are met (*Real-estate Tech and Regulatory Tech*), if not they tend to explore external opportunities (*HR Tech*).

Professional reasons comprise codes related to an employee's career aspirations, which influence their decision to stay or leave a firm including issues concerning job profile, career advancement opportunities, level of responsibility and field of interest. Employees tend to stay at a firm where the available opportunities are consistent with their career aspirations (*HR Tech*). If not, they tend to explore external opportunities. Finally, work relationship issues comprise codes related to the aspect of an employee's rapport with their colleagues. Employees tend to leave a firm when they lose meaningful work relationships (*Real-estate Tech*), whereas they tend to stay when such relationships are present. The following section further elucidates the impact of these themes on post-acquisition employment change by discussing their influence on the decision of the top management team and non-managerial employees.

Table 7.4: Data Structure for Individual level Issues[a]

Evidence						
Real-estate Tech	**Regulatory Tech**	**HR Tech**	**Marketing Tech**	**First-Order Codes**	**Theoretical Categories**	**Aggregate Dimensions**
a, d	c, d		d	Statements indicating that the decision to leave was driven by the desire to improve work-life balance	Personal Reasons	**Individual Level Issues**
		a, B	a, B	Statements indicating that the decision to stay was driven by higher perceived brand value of the acquiring firm.		
a		a	a	Statements conveying that the decision to leave was driven by better remuneration elsewhere	Financial Reasons	
a	a	A, d	a, B	Statements indicating that decision to stay		

				was driven by financial incentives and better remuneration at the acquiring firm	
	a, B			Statements indicating that decision to stay was driven by improved financial security	
a, b		c, B	A, B	Statements indicating that decision to leave was driven by better role with increased responsibility elsewhere	Professional Reasons
	a, b	a, d	c, B	Statements indicating that decision to stay was driven by increased responsibility and bigger role at the acquiring firm	
a, b	c, B	a, d	a, B	Statements indicating that the decision to leave was driven by the desire to start another career	
a				Statements conveying that the decision to leave was driven by the mismatch in expectations and the role on offer at the acquiring firm	
c		a	A, b	Statements indicating that the decision to leave was driven by the	Reasons related to Work Relationships

			loss of work-related relationship	
a	a	A	Statements conveying that personal rapport with the members of the acquiring firm motivated the decision to stay	

[a]Codes for the evidence categories are as follows" "**A,**" evidence from three+ interviews; "**a,**" evidence from two interviews; "**c,**" evidence from one interview; "**B,**" evidence from three+ archival sources; "**b,**" evidence from two archival sources, **"d,"** evidence from one archival source. **Source:** Adapted from Walsh and Bartunek (2011).

7.2.3.1 Top Management Team

A. Personal Reasons

At the level of the top management team, the decision to stay or leave the acquiring firm was influenced by issues related to the personal life of the employees as illustrated in Table 7.3. Across all four cases, at least one founding manager of the target firm was retained for the transition period. The perception of friends and family regarding the acquiring firm and the role on offer were crucial in informing their decisions. In *Real-estate Tech*, for instance, the acquiring firm was the largest and fastest-growing online-rental start-up in India. In *Regulatory Tech*, the acquiring firm was a US-based publicly listed multinational firm with a global presence. In *HR Tech*, the brand name and the social prestige associated with the acquiring firm motivated the CTO of the target firm to take up a job at the acquiring firm. The acquirer in *HR Tech* was one of the largest Indian companies in the human resources domain. Similarly, in *Marketing Tech*, one of the co-founders decided to continue with the acquiring firm, given their brand name and social prestige. In *Marketing Tech,* the acquiring firm was the market leader in enterprise communication in India.

However, in all but one case (*HR Tech*) the majority of the co-founders left after the transition period. Desire to improve work-life balance, take some time off, spend more time with family and relocate were the four key reasons that dictated the decision to leave post-transition. In *Real-estate Tech acquisition,* two of the three co-founders left after the transition. Both cited intentions to improve their work-life balance, relocate and spend more time with his family. For instance, one co-founder changed location, moved to a smaller city, and set up an organic farm while advising the regional government on issues related to technology in healthcare. Similarly, in *Regulatory Tech*, one of the co-founders left after the transition period, highlighting the need to improve his work-life balance and spend more time with his family. In *Marketing Tech*, the co-founder left after the transition to go on a sabbatical. Exhaustion from running a business and desire for a balanced work-life are known to be strong motivations behind an entrepreneurial exit (DeTienne, 2010; Graebner et al., 2010). Harada (2007), for instance, found that more than 60% of the surveyed firms in Japan reported non-economic factors such as health issues and taking life easy as the main reasons behind their exits.

Table 7.5: Personal Reasons and Top Management Team[a]

Personal Reasons	Sample Quotation
Decided to leave to improve work-life balance	**Co-founder, Target Firm, Real-estate Tech:** "I wanted to change my location. So, I mean to be very frank when we (the co-founders) were running the company, we were only running a company and nothing else. We were not doing even anything for personal life. After the exit we realized, okay I have a personal life also. I have a wife also. So, then we consciously decided that now according to my family, according to my personal life, according to my journey at this point of time, I will decide what to pursue. I shifted mainly to work on projects with social impact now. "* **Co-founder & MD (B), Target Firm, Marketing Tech**: "For now, I plan to spend some quality time with my family and make my fitness regime more rigorous."** **Co-founder & COO, Target Firm, Regulatory Tech:** I left in May. It's been more than a year since I left. It's been great. I am getting to spend more time with my child. She is three now and I missed her growing up years because of you know how intense it can get. But now I am making up for it. And it's the best thing that has happened to me in a while.*
Decided to stay due to better brand name and prestige of the acquiring firm	**Co-founder & CTO, Target Firm, HR Tech:** "(The acquiring firm) they had been in the HR business for 9 years and had a good hold in the market. The leadership team was comprised of stalwarts, and they were admired in the industry. They knew the market and knew how to grow. So, the plan was to join and grow under their umbrella."* "We started with the vision to revolutionise the world of recruitment. Its been an exciting journey and we look forward to taking it to the next level as part of the (the acquiring firm)."**

	Co-founder & MD (A), Target Firm, Marketing Tech: "(The acquiring firm) was a much bigger company than us in terms of revenue and employees. Before us they had made nine other acquisitions and had client base across India and the Middle East."*

[a] A single asterisk denotes evidence from interview data, a double asterisk denotes evidence from archival data.

B. Financial Reasons

In addition to the issues related to the personal lives of the employees, financial incentives were also crucial in retaining the members of the top management team across all four cases. Table 7.4 provides a summary of the financial reasons across the four cases. In *Real-estate Tech*, the acquiring firm financially incentivized the co-founders through equity to lead their teams through the transition period and facilitate seamless transfer of their intellectual property and key resources. After the transition period, two of the three co-founders sold their equity options and left the acquiring firm. In *Regulatory Tech*, the acquiring firm offered bonuses and other financial rewards to the co-founders redeemable upon completion of the 24-month long transition period. As observed in *Real-estate Tech*, the co-founders also redeemed their financial rewards at the end of the transition period and left.

Table 7.6*:* Financial Reasons and Top Management Team

Financial Reasons	Sample Quotation
Decided to stay due to financial incentives on offer	**Co-founder, Acquiring Firm, Real-estate Tech:** "For the first year the (target firm) founders were still running it. They had some numbers to meet, and they made some cash in the process. The terms of the deal were as such that they were required to meet certain targets and a budget was allocated to them for that. So, it was in their interest to meet the target at minimum cost because whatever percentage they saved from the budget, it went to them only." **Co-founder & COO, Target Firm, Regulatory Tech:** "As a US company they couldn't write such terms but financially they made it motivating for us to stay for the period they wanted us to stay. So yeah, there was a two-year period where some biscuits were laid in the time horizon."
Decided to stay due to financial incentives on offer	**Co-founder & MD, Target Firm, Marketing Tech:** For the first 6 months (post-acquisition) I lead the unit as a separate entity and then when the merger happened, I became the CMO at (Acquiring Firm name). I got equity in (Acquiring firm name) which I continue to hold.

	Co-founder & CTO, Target Firm, HR Tech: "I lead two teams at (Acquiring firm name). One is the AI team which I continue to do so because my technology that got merged was primarily an AI-led technology. So, I continue to lead the AI, for all the products across (Acquiring firm name). And then the second is one whole end-to-end product and some part of the business of a product called (Product name). I completely took charge of this product, which has a separate brand now."

In *HR Tech*, which was an acquihire-cum-acquisition, the CTO of the target firm was offered a generous valuation for the sale of his financially constrained start-up. In addition, he was also offered a managerial role with a lucrative pay package in the acquiring firm, which motivated him to join and stay with the acquiring firm. In *Marketing Tech*, the co-founder and MD of the target firm was offered a CMO position along with equity in the acquiring firm to lead his team through the transition period. The co-founder left after the transition period. However, unlike *Real-estate Tech* and *Regulatory Tech*, the co-founder in *Marketing Tech* did not liquidate his equity. Financial rewards are often the primary motivation for entrepreneurs (DeTienne et al., 2015) and entrepreneurs driven by such motivation are likely to seek opportunities that offer higher financial paybacks (Cumming, 2008).

C. Professional Reasons

Career aspirations of the top management team and their perception of the acquiring firm's ability to fulfil those aspirations was another factor that determined post-acquisition employment change. Table 7.5 summarises the professional reasons behind top management team turnover across all cases. In *Real-estate Tech*, several non-founding managers decided to leave after the transition as they could not find roles aligned to their career goals in the acquiring firm. For instance, the engineering head of the target firm was expecting to join the acquiring firm in the same capacity. The acquiring firm already had an engineering head and thus could not offer that position. This mismatch between career aspiration and the job on offer motivated the engineering head of the target firm to leave after the transition period. Similarly, in *Regulatory Tech*, the co-founders left after serving their transition term. They felt that continuing with the acquiring firm was not aligned with their long-term career goals. Both co-founders moved on and started new companies.

In *HR Tech*, the target firm's CEO also left post-acquisition to pursue another career. He moved on to find an urban mobility start-up. The CTO (the focus of the acquihire) stayed because he was made the head of artificial intelligence and work-tech product in the acquiring firm. He later was offered additional responsibility and became the head of the technology team at the acquiring firm. In *Marketing Tech*, two of the three co-founders also left immediately after the acquisition to pursue alternative career paths. While one co-founder started his own company, the other undertook an executive-level position in an online engagement company. The retained co-founder also left after the transition to explore new opportunities externally. The desire to start a new business or take a new job is one of the major reasons behind the departure of the members of the founding managers of entrepreneurial firms (Harada, 2007). Professional reasons were responsible for the employment loss among the non-founding managers in Marketing Tech. The acquiring firm's decision to merge the target firm team led to the duplication of several roles, leaving non-founding managers redundant, especially in the sales department.

Table 7.7: Professional Reasons and Top Management Team[a]

Professional Reasons	Sample Quotation
Decided to leave (after transition) due to mismatch in expectations and the role on offer	**Co-founder, Acquiring Firm, Real-estate Tech:** "It was just that I think say their head of engineering for us may not really come in as the head of the engineering. So, now the head of engineering person may not really want to continue with us once this merger happens. I mean of course the aspiration level might be slightly different."* **Co-founder, Acquiring Firm, Real-estate Tech:** "I think at some senior level probably they would have expected a better deal out of it. They, would have wanted to take up higher level roles at (Acquiring firm) but they may not have been available."*
Decided to leave (after transition) to pursue another career	**Co-founder & COO, Target Firm, Regulatory Tech:** "And then you know overall, in an offshoring entity, I mean how much more can you really do. So, you can sit and keep claiming salary but that's not me, more or less that is clearly not me. And I was you know, both me and (CEO of the target firm), I think getting back into start-up that bug had bitten us already. So, which is where I decided, I mean if I have to do something, I have to do something. And so yeah, I left."* **Co-founders, Target firm, Marketing Tech:** "Two of the three co-founders will move out and may implement some exciting ideas to set up new business ventures."**

Decided to leave (after acquisition) due to mismatch in expectations and the role on offer	**Co-founder & CEO, Target Firm, HR Tech:** "For me it was very much clear that I want to move forward, and I knew that I am not going to get the deal that I expect or something like that, but that was not the case for the team including (The CTO) and everyone like that. So, I think most of most of the negotiations we had was around them only."*
Decided to leave (post acquisition) to pursue another career	**Co-founder & MD (A), Target Firm, Marketing Tech:** "No actually I had made up my mind that I will move on. I thought it would be better to move forward. One thing was clear in my mind that I will not join any company. I wanted to again build a product and scale it."* **Co-founder & MD (B), Target Firm, Marketing Tech:** "As they say, all good things must come to an end. I feel it's time to explore new ideas and opportunities……Building business and building people is what makes my heart pump"** **CFO, Acquiring Firm, Marketing Tech:** "So, obviously our intent was to get all the founders and all the key people as part of the deal, and we tried for that. Two of the founders did not join because they were very clear that they don't want to be in email marketing space anymore and that they wanted to experiment newer things."*
Decided to stay (for transition) due to a better role & increased responsibility	**Co-founder & COO, Target Firm, Regulatory Tech:** Before acquisition we were doing $10 million worth of business. After we got acquired, we took up much larger roles in the leadership team of $50 million worth of business. I started doing business development for a much larger group within the acquiring entity.* **Co-founder & MD (A), Target Firm, Marketing Tech:** "(Co-founder name) will continue in the leadership team post-acquisition."**

[a]A single asterisk denotes evidence from interview data, a double asterisk denotes evidence from archival data.

D. Reasons related to Work Relationships

Quality of working relationships among members of the founding managers of the target firm and between the management team of the target and the acquiring firm also influenced the post-acquisition employment change at the top management level. Table 7.6 outlines the reasons related to work relationships across the four cases. In *Real-estate Tech*, the founding managers of the target firm had known the CEO of the acquiring firm before the acquisition. In addition, the teams had spent a considerable amount of time together, discussing partnership opportunities before finalising the acquisition. There was mutual respect and admiration between the teams which, ensured the retention of the entire top management team of the target firm for the transition period. One founding manager stayed with the acquiring firm even after the transition period. Additionally, the decision of one of the founding managers to leave after the transition period was perceived as a loss of an important relationship by the other members of the top management team. This perceived loss of an important work relationship was instrumental in informing their decision to leave the acquiring firm.

In the *Regulatory Tech*, the top management team of the target and the acquiring firm had developed a good relationship over the negotiation and due diligence process. The personal rapport and healthy relationship between the management teams ensured the retention of the entire top management team of the target firm for the transition period. Similarly, in *HR Tech*, the personal rapport developed between the CTO of the target firm and the management team of the acquiring firm was a crucial determinant of his decision to stay. Additionally, in *HR Tech*, the CEO of the target firm left after the acquisition. Differences in opinion with his CTO and the management team of the acquiring firm influenced his decision to leave. Differences between the founding managers were also prevalent in *Marketing Tech*. It led to the departure of two of the three founding managers immediately after the acquisition. An employee's relationship with their firm is known to be influenced by the relationship they have with its co-workers. The quality of these relationships could thus dictate the course of their association with the firm (Becker, 2017).

Table 7.8: Reasons related to Work Relationships and Top Management Team[a]

Reasons related to work relationships	Sample Quotation
Decided to stay due to personal rapport with the management team of the acquiring firm	**Co-founder, Target Firm, Real-estate Tech:** "I had known (CEO of the Acquiring firm) because he was my tenant. We started talking to each other and it was more of a business partnership thing and then we realized that if we merge, we will be able to grow together."[*] **Co-founder, Acquiring Firm, Real-estate Tech:** "(CEO of the acquiring firm) he used to live in their (Target firm) unit and had a friendly relationship with the founders. We were not really competitors. We met and kept meeting and all the co-founders together had lovely discussions. They were very talented group of people we really liked them."[*] **Co-founder & COO, Target Firm, Regulatory Tech:** "The buyer really liked us, the management team. The energy that we had, and you know, we also went out of our way to make, we are a B2B sales company, so we know

	how to keep our clients happy. We turned on the charm, they liked us, and, in the end, it worked out."[*] **Group President, Acquiring Firm, Regulatory Tech:** We saw great value in the leadership team. They had built a great business and we wanted them to continue which they did. They helped scale the business after the acquisition which is a sign of a seamless transition.[*] **Co-founder & CTO, Target Firm, HR Tech:** "For me personally, it was (CEO of the acquiring firm) as a person as well who attracted. One was their expertise but also the person himself. He is a great man, great entrepreneur, a great story, I mean a lovely team to work with. And the CTO with whom I was supposed to work with also a great man. So, it was almost like we dated for one month and we got along really well."[*] **Group CEO, Acquiring Firm, HR Tech:** "We met several prospective targets and we found (CTO of the target firm) probably the best person to bet for because we thought it would be a cultural alignment as well. With him, my relationship continued to grow and till date it is growing.[*]
Decided to leave due to loss of personal relationship	**Group CEO, Acquiring Firm, HR Tech:** "We only dealt with (CTO of target firm because our experience of dealing with (CEO of Target firm) was not very pleasant. There were problems between the co-founders. There were serious differences in opinions. We just got lucky that we didn't take both of them in the company and only took one."[*] **Co-founder & CEO, Target Firm, HR Tech:** See technically, I never wanted to sell. But we decided that it was the best option. It was more of (CTO of the target firm) centred decision because I knew I was not going to get the kind of deal I was expecting."[*] **Co-founder & CTO, Target Firm, HR Tech:** "During the dating period only everyone realized that (CEO of the target firm) wants to move on and maybe they don't wish to work together."[*] **Marketing manager, Target firm, Marketing Tech:** It's truly shocking to learn this (departure of the co-founder). I am quite sure (Target firm name) would not be the same without you!....I'd still bother you whenever I need any advice on professional/personal front."[**] **Application developer, Target firm, Marketing Tech:** Really shocked to hear that (name of the departing co-

	founder)…but I am sure you had your own reasons. I will miss you a lot."**
	Second co-founder & MD (B), Target Firm, Marketing Tech: "I had made up my mind that I will move on. I mean, building a company, building a team and then to sell it, you have to ask yourself whether you would move along with the new team. Are you sure that the team, the new team is something you can work with? So, I thought it would be better to move forward."*
	Co-founder, Target Firm, Real-estate Tech: "So, some people were very close with us, and as we were no more available in the company, so that relationship factor all of a sudden it got disappeared. When it disappeared, they started exploring market opportunities, whoever got better package they went."

[a]A single asterisk denotes evidence from interview data, a double asterisk denotes evidence from archival data.

The analysis in this section indicates that post-acquisition employment change at the level of the top management team, in and after the transition period, is contingent upon a variety of issues. The analysis showcases that the members of the top management team value financial incentives, career progression opportunities, good work relationships, social prestige, professional goals, and work-life balance. The presence of these indicators at the acquiring firm can ensure their retention. While the absence of these can lead to their turnover. In the next section, we discuss the impact of individual-level issues on the post-acquisition employment change at the non-managerial level.

7.2.3.2 Non-managerial Employees

Whilst entrepreneurial firms are primarily acquired for their managerial teams (Graebner et al., 2010), non-managerial employees are also critical components of these firms and play an important role in the success of an acquisition (Chaudhuri & Tabrizi, 1999). This section examines the individual-level issues which motivated the turnover decision at the non-managerial level.

A. Financial Reasons

Like the top management team, financial incentives, higher remuneration and better financial security played an integral role in determining the post-acquisition employment change at the non-managerial level. Table 7.7 summarises the financial reasons behind the turnover of non-managerial employees, across cases. In *Real-estate Tech*, the acquirer offered employees access to better pay and an improved incentive structure. The acquiring firm in *Real-estate Tech* was a rapidly expanding, well-funded, online home-rental start-up with offices across eight locations in India. It was also a market leader in its segment, which offered improved financial security and a better career growth trajectory to employees than their previous employer. Thus, the majority of the non-managerial employees stayed post-acquisition.

Similarly, in *Regulatory Tech*, the acquiring firm was a publicly listed multinational corporation headquartered in the USA. This offered increased remuneration, improved financial security and better career growth prospects for non-managerial employees. These factors led to their retention through and after the transition period. In *HR Tech*, however, the non-managerial employees who joined the acquiring firm with the CTO to facilitate technology transfer left after the transition period. Given their technological expertise, they were offered roles in large tech firms such as Google and LinkedIn, which motivated them to leave the acquiring firm. In *Marketing Tech,* while some non-managerial employees continued with the acquiring firm post-acquisition, several others moved out to pursue more lucrative career opportunities outside of the acquiring firm.

Table 7.9: Financial Reasons and Non-managerial employees

Financial Reasons	Sample Quotation
Decided to stay due to better remuneration in the acquiring firm	**Co-founder, Acquiring Firm, Real-estate Tech:** “At the Junior level, I think it was okay. I don’t think it made much of a difference. We needed the team. They were playing the same individual level contributor role, the role at (Acquiring firm name) was with better benefits, incentives, and everything else.” **Co-founder & COO, Target Firm, Regulatory Tech:** "We structured a very good deal for all the employees as well. As part of the deal the founders structured something for everybody. the entire deal value included a significant portion to be carved out as retention bonuses for people you know sign up bonuses and all of that, which we carved out of the deal value to devote to employees." **Co-founder & COO, Target Firm, Regulatory Tech:** "Lives of people improved because they started feeling more comfortable because working in a small company, there is always an uncertainty around whether or not we will get our salaries on time. There are always a lot of rumours doing rounds about what happens, so all that stopped after coming to (Acquiring firm)."

Decided to leave due to better remuneration, better role, and increased responsibility elsewhere	**Co-founder & CTO, Target Firm, HR Tech:** "So, post the acquisition there was a need of only two or three months to merge the technology and that is when till they continued and then they moved out. One went to Google, one started their own company, someone to LinkedIn." **Co-founder & MD, Target Firm, Marketing Tech: "**Despite our assurances and everything we did, still we had some employees who wanted to move on. Many of them went on to work for larger companies like Cheetah Digital, Amazon, Google. But anybody who wanted to stay back, we made sure they stayed back and there was no firing because of restructuring."

At the level of non-managerial employees, no other themes were found to be consistent across all cases. Reasons related to work relationships were relevant in dictating change at the level of non-managerial employees in *Real-estate Tech* and *Marketing Tech* but were absent in the other two cases. In both cases, the departure of the founding managers led to employment loss among the non-managerial employees. The loss of existing work relationships and lack of bonding with the new management were instrumental in their decision. In *Marketing Tech*, the effect was more evident than in *Real-estate Tech*, as the acquiring firm did not retain two of the three founding managers of the target firm for the transition period. Additionally, they also implemented a mid-transition merger which impeded the ability of the non-managerial employees of the target firm to forge relationships with the new management team at the acquiring firm.

> So, some people were very close with us, and as we were no more available in the company, so that relationship factor all of a sudden it got disappeared. When it disappeared, they started exploring market opportunities, whoever got better package they went. – *Co-founder, Target firm (Real-estate Tech)*

> They (acquiring firm) did not retain any of the main founders and sales leaders. That was surprising to me as well because that had an impact on the employee morale. The people leading the business neither had a rapport with the team nor where they trained well. – *Assistant Vice President, Acquiring Firm (Marketing Tech)*

Professional reasons were found relevant in HR Tech and Marketing Tech but not in the other two cases. In both cases, the target firm's non-managerial employees left the acquiring firm to pursue external opportunities. For instance, in HR Tech, the three employees who had joined along with the CTO for the transition resigned post-transition and took up jobs in leading international tech firms. Similarly, Personal reasons such as improved work-life balance or social prestige associated with the acquiring firm were relevant in Regulatory Tech and Marketing Tech, but not in the other two cases. The relocation was the key issue for non-managerial employees in both cases. For instance, in Marketing Tech, an employee resigned to move to Australia. The analysis of issues at the individual level indicates that financial well-being was the most crucial factor that informed the decision of non-managerial employees at the target firm. This is in contrast with the top management team, whose decisions were affected by a wider variety of factors.

7.2.4 Summary of Individual Level Issues

The cross-case analysis of individual-level issues provides useful insights on post-acquisition employment change at the target firm. Firstly, the findings suggest that individual-level issues played an important role in ensuring the retention of the top management team of the target firm. Across all cases, the acquiring firm made provisions for equity options, financial incentives, and role choice to retain the founding managers for the transition period. Failure to retain the top management team adversely impacted the acquiring firm's ability to retain non-managerial employees, as observed in Marketing Tech. In Marketing Tech, the loss of existing work relationships and lack of bonding with the management team of the acquiring firm resulted in a large-scale turnover of non-managerial employees.

Secondly, the findings suggest that financial reasons were an important factor in an employee's decision to stay or leave the firm post-acquisition. At the top management and non-managerial level, employees continued with the acquiring firm for better financial returns. Financial security and retention bonuses were the key issues that ensured the retention of all employees of the target firm in *Regulatory Tech*. In *HR Tech* and *Marketing Tech*, non-managerial employees left the acquiring firm either immediately after acquisition or after the transition. Their decision to leave was largely influenced by the availability of lucrative opportunities outside of the acquiring firm.

The findings also suggest that professional reasons are also an important factor for employees. At the level of non-managerial employees, financial and professional reasons complement each other. They tend to prioritise the firm that offers them a job role in line with their expectations. If such a role is available, they join the acquiring firm, and if they find something better externally, they tend to leave. At the level of the top management team, however, professional reasons manifest differently. Across all four cases, members of the founding team who left after the acquisition firm did not take up a job but continued being an entrepreneur. *In Real-estate Tech*, one of the founders left after the transition to focus on social entrepreneurship and become an angel investor. In *Regulatory Tech*, the co-founder and COO left to start an e-commerce platform to enable local businesses. In *HR Tech*, the CEO left to start a venture in the urban mobility space, while in *Marketing Tech*, the co-founder left to start a venture in the Fintech space. Financial security was not as influential at the level of the top management team as it was at the non-managerial level. This could be because top management teams often generate windfall gains upon the sale of their firms (Wennberg et al., 2010), which is not the case with non-managerial employees.

Personal reasons like improved work-life balance, desire to spend more time with family, take a break, relocate, and go on a sabbatical were more important for the top management team than the non-managerial employees. Across all four cases, the founding managers emphasised the exhaustion and pressure of running a start-up. For instance, the co-founder of *Real-estate Tech* highlighted that the desire to leave the acquiring firm post-transition was a decision led by his family. Some personal reasons such as relocation influenced the decision of the non-founding managers, but these were not consistent across cases.

In conclusion, the analysis suggests that unlike the non-managerial employees, whose decision to stay or leave the acquiring firm can be influenced by firm-level issues, such as the integration and human capital strategy of the acquiring firm, at the level of the top management team, individual-level issues play a more important role. Firm-level issues can create circumstances that could nudge the top management team towards making a decision (*Real-estate Tech*), but ultimately, their decisions appear to be heavily influenced by an interplay of personal, professional, and relationship-based issues.

7.3 Temporality of Acquisition Induced Employment Change

A key finding which emerged from the cross-case analysis of the evidence pertains to the temporal aspect of employment change post-acquisition. The evidence suggests that employment change in the target firm can be categorised into three broad phases: negotiation phase, transition phase and post-transition phase. The negotiation phase covers the negotiation period between the two parties. The employees of the target firm were a crucial factor in negotiation, across all four cases, given their importance in entrepreneurial firms (Ranft & Lord, 2002). The transition phase is concerned with the mutually agreed upon period, which involves the transfer and exchange of intellectual property between the target and the acquiring firm. The post-transition phase is concerned with the period, where the acquiring firms implement their integration strategy. The following sections elaborate on the key trends of employment change observed in each phase.

7.3.1 Negotiation Phase

As highlighted above, the negotiation phase covers the negotiation period between the two parties which precedes the acquisition. Across the four cases, the negotiation lasted from six months (*Marketing Tech*) to 13 months (*Regulatory Tech*) and involved tasks such as due diligence, deal negotiation and legal drafting. In all but one case (*Regulatory Tech*), the founders of the acquiring and the target firm had pre-established connections. For instance, in *Marketing Tech,* the target firm was a service provider for the acquiring firm and had received an acquisition offer two years before the actual acquisition. In *Regulatory Tech*, where the acquirer was an international firm, an investment banking firm brought the two parties together. Notably, the negotiations were the longest in *Regulatory Tech*.

Employees of the target firm were a crucial component of the deal negotiation. *HR Tech,* for instance, was an acquihire-cum-acquisition, where the key objective was to retain the CTO of the target firm. Across all but one case *(HR-Tech),* the founding managers of the target firm demanded a 'Golden period' for their employees where they would be immune from layoffs. The golden period ranged from 12 months in *Real-estate Tech* and *Marketing Tech* to 24 months in the case of *Regulatory Tech*. In *HR Tech,* the target firm had only six employees, two co-founders and four employees of the technology team.

The members of the technology team were part-time employees. Though they had no intentions of joining the acquiring firm, they stayed for the transition period of three months to ensure knowledge exchange.

The acquiring firm, across all four cases, was interested in retaining the employees of the target firm, especially members of the top management team. For instance, in *Regulatory Tech*, the acquiring firm offered improved job profiles and financial incentives to the founding managers. Similarly, non-managerial employees received retention bonuses. The acquiring firm gave job offers to the founding managers in all cases except *HR Tech*. In *HR Tech*, only the CTO of the target firm received a job offer since it was an acquihire-cum-acquisition. Additionally, at the time of the deal announcement, acquiring firms emphasised the importance of the employees of the target firm and made commitments to retain employees at all levels. Table 7.8 outlines the key characteristics of the negotiation phase.

Table 7.10: Negotiation Phase and Employment Change[a]

Case	Negotiation Period	Transition period	Sample Quotation
Real-estate Tech	9 months	12 months	**Press Release, Acquiring Firm:** Post acquisition, (Target firm name) will continue to operate as a separate entity under the umbrella of (Acquiring firm name).** **Co-founder, Acquiring Firm:** For us the team was important, we wanted to make use of them. * **Co-founder, Target Firm:** We had a condition that you have to retain all of them (employees). People who want to leave you don't have any commitment, but you will not make anyone leave without our permission for at least one year tenure.*
Regulatory Tech	13 months	24 months	**Press Release, Acquiring Firm:** The entire (target firm name) team is excited about becoming part of the (acquiring firm name). ** **Group President, Acquiring Firm:** People were an important part of the deal and we wanted to ensure maximum retention which we were able to. We also offered incentives to the leadership team to complete their agreed term. * **Co-founder & COO, Target firm:** The entire deal value included a significant portion to be

			carved out as retention bonuses for people. You know, sign up bonuses and all of that, which we carved out of the deal value to devote to employees. *
HR Tech	8 months	3 months	**Press Release, Acquiring Firm:** The acquisition will see Delhi-headquartered (Target firm name) become a part of the Acquiring firm name) Alt product suite and its team will join the core product team of (Acquiring Firm name). ** **Group CEO, Acquiring firm:** Only two or three people joined with (CTO of the target firm). They were software engineer types who assisted in transferring IP. I don't know if they are still around, for us it was CTO that mattered, and he is still with us.*
Marketing Tech	6 months	12 months	**Press Release, Acquiring Firm:** (Acquiring firm Name) will continue to run the (Target firm name) operations as a separate entity. ** **CFO, Acquiring Firm**: See, team was very important for us. Our agenda was to grow through these acquisitions and not optimize on costs. So, obviously our intent was to get all the founders and all the key people as part of the deal.* **Co-founder & MD, Target Firm:** We said we need to have some golden period in which they will not touch our employees. So, they agreed to keep the same set of employees for the next one year. Like we won't drop anyone for a year at least. *

[a] A single asterisk sign denotes evidence from interview data; a double asterisk sign denotes evidence from archival data.

7.3.2 Transition Phase

The transition phase concerns the period between the announcement of the deal and the end of the agreed-upon period for knowledge transfer. The transition period ranged from 3 months in *HR Tech* to 24 months in *Regulatory Tech*. In *Real-estate Tech* and *HR Tech*, the target firms registered no significant decline in their employment. In *Real-estate Tech*, the target firm's employment declined by 5% during the year-long transition period, reducing from 83 employees in Q2 of 2017 to 79 employees in Q1 of 2018. This decline in employment was voluntary and not initiated by the management. The acquiring firm retained all three co-founders of the target firm, who led their team during the transition phase.

> “We didn't fire anyone in the one year. We wanted to make sure that integration happens when they (co-founders of the target firm) are around.”
> *– Co-founder, Acquiring Firm (Real-estate Tech)*

> “There were people who left because of the merger but we had not asked anyone to leave. I mean from our side, from the management side of (Acquirer) and (target), we had not asked anyone to leave.
> *– Co-founder, Target Firm (Real-estate Tech)*

In HR Tech, the target firm registered no decline in the transition period. Four members of the target firm, including the CTO joined the acquiring firm and remained employed till the end of the three-month transition period.

“So, post the acquisition there was a need of only three months to merge the technology and that is when till they continued.”
– Co-founder & CTO, Target Firm (HR-Tech)

In Regulatory Tech and Marketing Tech, the target firms registered a significant employment change during the transition period. In Marketing Tech, the employment declined, while in Regulatory Tech, it increased. In Regulatory Tech, the target firm had 232 employees at the start of the transition period (Q1 of 2017), which increased to 322 employees by the end of the transition period in Q4 of 2018, registering a growth of 39% in the two-year-long transition period. The acquiring firm retained the two co-founders of the target firm, who led their team during the transition phase.

Unlike the other three cases, the target firm in Marketing Tech experienced a significant decline in employment. The acquiring firm could not retain two of the three co-founders of the target firm. Only one co-founder was retained and asked to lead the team through the year-long transition phase. As per the press release of the acquiring firm, the target firm was to operate as an independent entity post-acquisition. However, six months after the acquisition, they pivoted from their strategy and merged with the target firm. As a consequence of the strategic pivot, the retained co-founder was appointed as the CMO of the combined entity. All these issues combined resulted in a significant decline in employment during the transition phase.

7.3.3 Post-transition Phase:

The post-transition phase begins at the end of the transition period and is characterised by strategic pivots in the acquiring firm's integration strategy. In two of the four cases (*Real-estate Tech and Marketing Tech*), the acquiring firm pivoted from its announced integration strategy and reneged the autonomy of the target firm. The post-transition phase emerged as the most turbulent phase concerning employment decline in the target firm. Firstly, it saw the turnover of the founding managers of the target firm. In *Regulatory Tech* and *Marketing Tech*, all the retained founding managers resigned at the end of the transition phase, whereas in *Real-estate Tech*, two of the three co-founders resigned. In *HR Tech*, the acquisition being an acquihire the retained co-founder continued to work for the acquiring firm.

Secondly, the overall employment at the target firm registered a decline at the end of the transition period across all cases. In *Real-estate Tech*, the employment declined from 76 employees to 47 employees immediately after the transition period, registering a decline of 38%. In *HR Tech*, three of the four employees who had joined the acquiring firm left after the transition period, registering a decline of 75%. In *Regulatory Tech*, employment declined by 6% immediately after the transition period, reducing from 322 employees in Q4 of 2018 to 302 employees in Q1 of 2019. Similarly, in *Marketing Tech*, the acquiring firm pivoted from its integration strategy during the transition period, which led to a dramatic decline in the employment at the target firm. Two years after announcing the strategic pivot, there was a 72% decline in employment.

In *Regulatory Tech* there was marginal growth in employment in the quarters following the end of the transition period. In *Regulatory Tech*, employment increased from 302 employees in Q1 of 2019 to 307 in Q4 of 2019. Similarly, in *Marketing Tech*, after the acquiring firm granted strategic autonomy to the target firm, the employment increased from 15 employees in Q4 of 2019 to 25 employees in Q3 of 2020. In *HR Tech*, employment increased by over 100% in the team led by the acquihired CTO. It grew from 100 employees in Q3 of 2017 to Q1 of 2021. The target firm merged into the acquiring firm after the transition in *Real-estate Tech*, and the overall employment in the combined entity registered a growth. However, there's little evidence to suggest that this overall growth reflected the employment growth in the team of the target firm.

They (Target Firm) are now fully integrated and part of our full-fledged tech team. Now (January 2021) the overall team size of technology is about 200 plus. It was about 100 people when we acquired them (July 2017).
– Co-founder & Group CEO, Acquiring firm (HR Tech)

Basically, it is still not back to what it used to be when it was running independently as (Name of the target firm). But it practically almost got reduced to 10-15 people and now I think it is coming back to almost 25-30 people (July 2020).
– CFO, Acquiring firm (Marketing Tech)

I was hired to grow (Name of the target firm) again. So, I can tell you, including myself, last six months we have added a lot of new workforce. So, we are now a team of 30 (August 2020). *– Assistant Vice President, Acquiring firm (Marketing Tech)*

7.3.4 Summary of Temporality of Acquisition Led Employment Change

The cross-case analysis of the evidence on temporality suggests that post-acquisition employment decline generally happens at the end of the transition period and often is a consequence of strategic pivots concerning the integration strategy of the acquiring firm (*Real-estate Tech & Marketing Tech*). Table 7.9 illustrates the stage-wise change in employment across the four cases. Both the acquiring firm and the target firm make active efforts to retain the talent of the target team, especially the top management team, at least for the transition period. While the founding managers of the target firms demand immunity from layoffs for their employees (*Real-estate Tech, Regulatory Tech, and Marketing Tech*), the acquiring firm incentivises employee retention through bonuses. These efforts form a central part of the negotiations held during the negotiation phase.

In two of the four cases (*Real-estate Tech and HR Tech*), very little to no decline in employment at the target firm occurred during the transition period. On the contrary, in *Regulatory Tech*, it increased at the target firm during the transition period. Across all four cases, the acquiring firms retained at least one founding manager of the target firm to lead their team through the transition phase, which minimised the employment loss at the target firms (Chaudhuri & Tabrizi, 1999; Kusstatscher, 2006). The retention of the employees of the target firm is crucial in facilitating the transfer and exchange of knowledge between the parties, the failure of which could impede the acquiring firm's ability to leverage the synergies arising from the acquisition. In *Marketing Tech*, this failure was evident. The acquiring firm retained only one of the three co-founders for the transition period and merged the target firm much before the agreed-upon transition period. These steps gave rise to feelings of uncertainty and dissatisfaction among the employees of the target firm, which was instrumental in triggering large scale attrition.

A combination of firm and individual level issues drove the employment decline in the post-transition phase. The individual-level issues were dominant at the top management level, while firm-level issues dictated employment change at the non-managerial level. The employment at the target firm also showed signs of recovery in the short-term period after the end of the transition period. Three of the four cases followed this trend. The short-term rise in employment following the transition period highlights the importance of temporality in post-acquisition employment change.

Table 7.11: Temporal Aspect of Post-acquisition Employment Change

Case	Negotiation Phase	Transition Phase	Post-Transition
Real estate Tech	**Top-management Team:** All three co-founders retained for one year period to lead the transition. **Non-managerial Employees:** Employees guaranteed immunity from layoffs for the transition period (12 months).	**Top-management Team:** All co-founders stayed and led the transition. **Non-managerial Employees:** 5% decline in employment. 83 employees in Q2, 2017 to 76 employees in Q1, 2018.	**Top-management Team:** two of the three co-founders left. One co-founder stayed. **Non-managerial Employees:** 38% decline in employment. 76 in Q1, 2018 to 47 in Q2, 2018.
Regulatory Tech	**Top-management Team:** All co-founders retained for two years to lead the transition. **Non-managerial Employees:** Employees guaranteed immunity from layoffs for the transition period (24 months).	**Top-management Team:** All co-founders stayed and led the transition. **Non-managerial Employees:** 39% employment growth. 232 employees in Q1, 2017 to 322 employees in Q4, 2018.	**Top-management Team:** Both co-founders left. **Non-managerial Employees:** 6% decline in employment. 322 employees in Q4, 2018 to 302 in Q1, 2019. **<u>Note:</u>** The employment increased

	Employees also given retention bonuses.		after Q1 of 2019 and reached 307 in Q4, 2019.
HR Tech	**Top-management Team:** Acquihire-cum-acquisition. One co-founder (CTO) retained. **Non-managerial Employees:** Three employees of the target firm retained for the transition period**.**	**Top-management Team:** The retained co-founder stayed and led the transition. **Non-managerial Employees:** All three retained employees stayed for the transition**.** No change in employment.	**Top-management Team:** The retained co-founder stayed on and was given managerial role. **Non-managerial Employees:** All three employees left. **<u>Note:</u>** The teams under the leadership of the retained CTO in the acquiring firm registered a growth of 100% in 3.5 years. 100 in Q3, 2017 to 200 in Q1, 2021.
Marketing Tech	**Top-management Team:** Only one of three co-founders retained to lead the transition. **Non-managerial Employees:** Employees guaranteed immunity from layoffs for the transition period (12 months)**.**	**Top-management Team:** The retained co-founders stayed and led the transition for 6 months. After six months he was discharged from the duty of leading the transition and made CMO. **Non-managerial Employees:** Significant decline in employment due to mid-transition merger.	**Top-management Team:** the retained co-founder left. **Non-managerial Employees:**72% decline in employment. 53 employees in Q2, 2017 to 15 employees in Q4, 2019. **<u>Note:</u>** The employment at the target firm increased after Q4, 2019, reaching 25 employees in Q3, 2020.

In conclusion, the findings suggest that the post-acquisition employment at the target firm follows a non-linear pattern. Depending on the time frame used to measure the change, it can appear as declining or increasing. The employment could stay stable for a year or two depending on the transition period and then significantly reduce, only to recover in the long run.

7.4 Chapter Summary

Chapter 7 investigated the key issues affecting post-acquisition employment change and the temporal dimension of such changes with a cross-case analysis approach. Concerning firm-level issues, section 7.2.1 outlined four key dimensions – efficiency forces, prior-acquisition experience, strategic and structural forces, and economic forces. These dimensions represented how firm-level issues manifested and influenced post-acquisition employment change at target firms. Similarly, section 7.2.3 discussed four key dimensions under individual-level issues: personal reasons, financial reasons, professional reasons, and reasons related to work relationships. These dimensions captured the issues at the level of employees and their influence on post-acquisition employment change. Finally, section 7.3 outlined three distinct phases of the acquisition: Negotiation phase, transition phase and post-transition phase. These phases captured the temporality and non-linearity of post-acquisition employment change. The next chapter summarises the overall findings and elaborates on the main contributions of the thesis.

Chapter 8: Conclusion

8.1 Introduction

The research analysis of this thesis, as aligned to the research questions, was presented in chapter 3 (systematic literature review), chapter 5 (Short term employment effects of the acquisition of entrepreneurial firms), chapter 6 (Within-case analysis) and chapter 7 (Cross-case analysis). It explored the existing state of knowledge on acquisition-induced employment change, short-term employment effects of the acquisition of Indian entrepreneurial firms, and the reasons behind such employment effects. The analyses also explored the temporal aspects of post-acquisition employment change.

The main findings from the four chapters, as outlined above, form the core discussion of this chapter. The empirical contributions are presented in section 8.2, followed by the theoretical contributions in section 8.3. Section 8.4 outlines implications for policy and practice. Next, the limitations and avenues for future research are presented in sections 8.5 and 8.6, respectively. The chapter ends with a conclusion in section 8.7.

8.2 Empirical Contributions

The study began by synthesising the existing empirical evidence on the employment effects of acquisitions to identify the key knowledge gaps (RQ1). Based on the knowledge gaps, the study then examined the short-term employment effects of acquisition using a sample of acquired entrepreneurial firms from India and their matching non-acquired counterparts (RQ2). Based on the acquisition literature, the study also examined the impact of four variables on post-acquisition employment (Industry relatedness, origin of the acquirer, target firm age and the type of acquisition). Next, multiple case-study analysis was used to identify the key employee and firm-level explanations behind the post-acquisition employment change at the acquired firm (RQ3). The study also developed a temporal framework of post-acquisition employment change. The findings and contributions are discussed below in detail.

8.2.1 Research Question One (RQ1)

What does the existing literature tell us about the employment effects of acquisitions?

Chapter 3 presented a systematic literature review of 50 studies on the employment effects of acquisitions. To the best of the researcher's knowledge, it represents the first attempt to synthesise the peer-reviewed empirical evidence on post-acquisition employment change. It makes a crucial contribution as, despite the growing concern around the employment effects of acquisitions, the topic has received little research attention (Amess et al., 2014; Goergen et al., 2011; Haleblian et al., 2009). The synthesis found that the evidence on employment effects of acquisitions remains inconclusive. 42% of the examined studies (21) reported post-acquisition employment loss in the target firm, while 24% (12) reported employment growth. 20% of the studies (10) reported mixed effects, and 14% (7) studies reported no effect.

The mixed-effects studies highlighted that the post-acquisition employment change in target firms was conditional upon several factors. Factors such as the type of acquisition (Goergen et al., 2014), sector examined (Liu et al., 2015), industrial relatedness between the firms (Amess et al., 2014), geography examined (Behar & Hodge, 2008), time-period of measurement (Kuvandikov et al., 2014), unit of analysis (Stiebale & Trax, 2011), the origin of the acquiring firm (Taguchi & Yanagawa, 2013), the motives of acquisition (Geurts & Biesebroeck, 2019), size of the target firm (Girma, 2005) and type of the target firms examined (Lipsey et al., 2013; Siegel & Simons, 2010).

The review also showed that the research on cross-border acquisitions has steadily increased over the past decades. 50% of the review articles were based on cross-border acquisitions, while only 38% (19) examined domestic M&As. The fear of large-scale job loss associated with cross-border acquisitions resulted in the spike of the research interest (Bandick & Görg, 2010). However, the findings of the review were contrary to this belief. The review found that, proportionate to their share, the studies reporting employment loss was similar in domestic and cross-border acquisitions. 37% (9 out of 25) of the studies on cross-border acquisitions reported employment loss, while the share of studies reporting post-acquisition employment loss was 36% (7 out of 19) in domestic acquisitions. This is an important finding, esepcially given the employment loss concerns associated with cross-border acquisitions (Oldford & Otchere, 2016; Sgitlitz, 2019).

The over-representation of the USA, the UK and Europe in the studies was another important finding. 70% of the reviewed articles were based on samples derived from the

USA, the UK, and the European Union nations. The USA was the most studied country with 11 studies (22%), followed by the UK with ten studies (20%). Asia accounted for only six studies (12%), disproportionately lower than its contribution to global trade and economy. The review also highlighted the lack of coverage of recent acquisition trends. 2012 was the most-recent upper-year limit of the dataset used by a study in the review sample (Geurts & Biesebroeck, 2019). All other studies used datasets older than 2012, which makes for a crucial research gap given the increasing rate of acquisitions, especially among entrepreneurial firms (CBInsights, 2021).

Most importantly, the review highlighted the lack of coverage of privately owned entrepreneurial firms in the studies on the employment effects of acquisitions. Only 7 studies (14%) examined the employment effects of acquisitions of entrepreneurial firms. This is a crucial gap in the literature, especially given the increasing rate of acquisitions of SMEs and start-ups (Crunchbase, 2021). Acquisitions have emerged as a crucial aspect of the growth strategies of entrepreneurial firms (Weitzel & McCarthy, 2011). Large established firms are increasingly acquiring start-ups to source talent and technology (Puranam & Srikanth, 2007). Start-ups are also using acquisitions as an exit strategy to access financial and managerial capital (Brueller & Capron, 2021; Graebner et al., 2010). Despite the global economic shift from manufacturing to an innovation-led economy (Sgitlitz, 2019) and an increased rate of the acquisition of entrepreneurial firms by large firms (Cloodt et al., 2006), they have received little research attention in the acquisition literature (Demir et al., 2017; McKelvie & Wiklund, 2010).

In summary, the empirical findings from the systematic literature review highlighted the complexity of the relationship between acquisition and post-acquisition employment change. The direction and the degree of post-acquisition employment change are conditional upon multiple factors. The review also identified key research gaps which were used to inform the following chapters. Addressing the lack of coverage of entrepreneurial firms, especially from the emerging economies, Chapter 5 (RQ 2) examined the short-term employment effects of the acquisition of entrepreneurial firms at the target firm using a proprietary dataset from India. The most recent available data on acquisitions from 2017 to 2018 was used to examine the employment effects of acquisitions in privately-owned Indian entrepreneurial firms. The section below elaborates on the findings of RQ2.

8.2.2 Research Question Two (RQ2)

What are the short-term effects of acquisitions on employment in entrepreneurial firms?

Chapter 5 presented the matched sample analysis on the short-term employment effects of the acquisition of entrepreneurial firms. The study used a sample of 99 acquisitions in the two years from 2017 to 2018. A one-to-one matched sample of 54 non-acquired firms was created for the analysis. In addition, based on the literature the study also examined the impact of four independent variables on the post-acquisition employment change. The variables were (a) industry relatedness between the acquiring and the target firm, (b) the origin of the acquiring firm (domestic vs international), (c) the type of acquisition (Financial vs strategic) and (d) the age of the target firm.

The analysis led to four crucial findings. Firstly, the study found no significant short-term employment loss in the acquired firms vis-à-vis their non-acquired counterparts. It highlights, that the acquisition of entrepreneurial firms does not always lead to post-acquisition employment loss, at least in the short run (1.5 years). This is consistent with the finding reported in the systematic literature review, where no uniform decline in employment was observed post-acquisition. The finding is also a crucial deviation from Walsh (1988), which highlights a significant employee turnover at the target firm in the first year after acquisition. This finding supports the view that accessing technology and talent base is often the driving force behind the acquisition of entrepreneurial firms (Graebner et al., 2010; Mawson & Brown, 2017) instead of efficiency gains (Brueller & Capron, 2021).

Secondly, the study found that contrary to the hypothesis, post-acquisition employment was higher in related acquisitions vis-a-vis unrelated acquisitions. The efficiency theory of acquisition suggests that realising efficiency gains are often the key driver of acquisitions (Trautwein, 1990). Acquisitions are used as an instrument by managers to transfer assets to those who can utilise them more effectively (Amess et al., 2014). These efficiency gains are often achieved by employee downsizing post-acquisition (Datta et al., 2010). Furthermore, prior research suggests that the scope for employee downsizing is higher in related acquisitions, as there are more avenues of operational overlap (Kubo

& Saito, 2012). This literature informed the hypothesis on the variable of industry relatedness between the firms. The finding refuted this hypothesis, highlighting that relatedness between firms does not always lead to post-acquisition layoffs. The finding is also contrary to Amess et al. (2014) and Conyon et al. (2002a), who report negative employment effects of related acquisitions. This finding underlines the distinction between the motives behind related acquisition in a developed economy vis-à-vis an emerging economy. A related acquisition in an emerging economy like India is motivated by growth intentions such as accessing a new market and customer segments rather than synergy gains (Lebedev et al., 2015).

Thirdly, the study found that contrary to the hypothesis, post-acquisition employment was significantly higher in financial acquisitions than strategic acquisitions. Acquisitions, where the acquiring firm was a private equity/venture capital firm, were categorised as financial acquisitions. Private equity and venture capital firms undertake acquisitions to generate maximum return for their investors over a relatively short period (Metrick & Yasuda, 2011; Arthurs et al., 2008). The urgency of generating financial returns often leads to cost-cutting measures post-acquisition, which trigger employee layoffs (Goergen et al., 2014). This literature informed the hypothesis on the negative impact of financial acquisitions on post-acquisition employment at the target firm. The finding refuted this hypothesis, highlighting that, financial acquisitions can lead to employment growth. The finding also suggests that long-term growth prospects drive financial acquisitions in India more than short-term returns.

Lastly, the study found no significant impact of the origin of the acquiring firm and the age of the target firm on the post-acquisition employment change. These findings are in line with the findings reported in the systematic literature review (chapter 3). They further contribute to our understanding of post-acquisition employment change, especially regarding cross-border acquisitions, as they are widely associated with post-acquisition layoffs (Lehto & Böckerman, 2008).

In summary, the empirical findings from the analysis highlight that, acquisitions, including cross-border acquisitions, do not always lead to employment loss. Instead, acquisitions can lead to post-acquisition employment growth in some cases (Related and financial acquisitions). The findings from chapter 5 (RQ2) further embolden the methodology-related knowledge gap highlighted in chapter 3 (Systematic literature review). The idiosyncratic nature of acquisition demands qualitative investigation of the dynamics of post-acquisition employment change. This knowledge informs the within-case and cross-case analysis of chapters 6 and 7. The section below discusses the findings from those chapters.

8.2.3 Research Question Three (RQ3)

RQ3: How and why the does employment change at the target entrepreneurial firm, post-acquisition?

Having analysed the existing state of knowledge on employment effects of acquisitions (RQ 1) and the short-term employment effects of the acquisition of Indian entrepreneurial firms (RQ 2), the study then investigated the factors governing post-acquisition employment change in the target firms. A multiple case study analysis based on four acquisitions was used to investigate the issues affecting post-acquisition employment change at the acquired firm. Based on the data, two broad categories emerged as the main drivers of post-acquisition change: Firm-level issues and individual-level issues as illustrated in Table 8.1. These issues had a varying degree of impact on employment depending on the level of employees.

A. Firm-Level Issues

Firstly, the analysis of the firm-level issues highlighted the integration and the human capital strategy of the acquiring firm as the two main determinants of the direction of the post-acquisition employment change. Across all four cases, catalysing growth was the main motive behind the acquisition. The acquiring firms, across all four cases, wanted to retain and grow the team of the target firm. However, the study found that despite the growth motives, in cases where the acquiring firm pivoted from their announced integration strategy, employment declined post-acquisition. In cases where the acquiring firm did not pivot from their announced integration strategy and retained most of the top management team, employment grew post-acquisition. This finding further highlights the importance of the integration strategy (Steigenberger, 2017) and overall acquisition process in ensuring post-acquisition success (Jemison & Sitkin, 1986). For instance, in

Real-estate Tech, the acquiring firm was able to mitigate the attrition risk by retaining most of the top management team for the transition period. This was not the case in Marketing Tech, where the target firm experienced a significant employment loss post-acquisition. Consistent with Chaudhuri & Tabrizi (1999) and Ranft & Lord (2000), the study suggests that the retention of top management team has a positive influence on the overall employment at the target firm.

The analysis of firm-level issues elaborates on the findings discussed in chapter 5. In the matched sample analysis, the origin of the acquiring firm had no significant impact on the post-acquisition employment change. The findings from Regulatory Tech generate further insight into this finding. The acquiring firm in Regulatory Tech was of international origin and took additional measures to mitigate the risk of employee attrition. The transition period in Regulatory Tech was the longest among the four analysed cases spanning over two years. Non-managerial employees of the target firm were offered retention bonuses, while members of the top management team were given additional responsibility, better job profiles and lucrative financial incentives. These steps ensured maximum retention of target firm employees during the transition period. Due to high information asymmetries, the acquirer in cross-border acquisitions tends to rely on the existing management to accomplish its acquisition goals. Hence, cross-border acquisitions are less likely to be followed by layoff announcements (O'Shaughnessy & Flanagan, 1998). Additionally, unlike the other cases with domestic acquirers, the target firm in Regulatory Tech remained autonomous during and after the transition period. As a result of these measures, the target firm experienced employment growth during the transition period.

Secondly, adding to Haleblian et al. (2009) and Hayward (2001), the study found that prior acquisition experience was a useful tool in mitigating the risk of employee attrition. However, it was not found to be sufficient. Except in Real-estate Tech acquisition, the acquiring firm across the other three cases had prior acquisition experience. Regulatory Tech involved the most experienced acquirer, with 35 acquisitions. Notably, the target firm registered steady growth in post-acquisition employment in Regulatory Tech. However, in Marketing Tech, the employment at the target firm steadily declined despite the prior acquisition experience of the acquiring firm. In addition, the post-acquisition financial performance and business outlook, contingent on the success of the integration strategy had a direct impact on employment change. The employment increased in cases where the target firm's financial performance and business outlook improved post-acquisition. Whereas the opposite happened in cases where the financial performance of the target firm remained stagnant.

Lastly, the study also found that firm-level issues were a more important determinant of employee change at the non-managerial level than at the top management level. Except for the rationalization of non-founding managerial roles driven by pivots in integration strategy (Real-estate Tech and Marketing Tech), the decision of the top management team was predominantly shaped by individual-level issues. For instance, in Real-estate Tech, the acquiring firm pivoted from its announced integration strategy and decided to merge with the target firm after the transition period. The merger led to the duplication of several roles at the managerial level (for instance, head of engineering). The duplication triggered the turnover of several non-founding managers of the target firm.

Notably, in Real-estate Tech, the acquiring firm actively tried to retain the non-founding managers. However, the roles offered by the acquiring firm were not deemed lucrative by the non-founding managers, resulting in their turnover. Whereas in Marketing Tech, the acquiring firm made no such retention efforts. Several non-founding managers of the target firm, especially in the sales department, left after the acquiring firm decided to merge the two teams, rendering them redundant. This is an important finding as it adds to our understanding of the voluntary nature of turnover of the top management team of the target firm (Krug, et al., 2014; Walsh, 1988).

Table 8.1: Framework for Issues Affecting Post-Acquisition Employment Change

First Order Codes	Theoretical Categories	Dimension
Statements that conveyed beliefs that employment declined due to rationalisation of roles.	Efficiency Forces	Firm Level Issues
Statements that indicated that employment remained stable or increased due to non-rationalisation of roles.	Efficiency Forces	Firm Level Issues
Statements conveying prior acquisition experience as a positive factor for employment.	Prior-acquisition experience	Firm Level Issues
Statements conveying prior acquisition experience as a negative factor for employment.	Prior-acquisition experience	Firm Level Issues
Statements indicating pre-established acquisition protocols as a positive factor.	Prior-acquisition experience	Firm Level Issues
Statements conveying that employment declined due to changes in announced integration strategy & rigid organizational structure.	Strategic & structural Forces	Firm Level Issues
Statements indicating that consistency in implementation of integration strategy and flexible organizational structure led to employment gain.	Strategic & structural Forces	Firm Level Issues
Statement indicating that employment grew due to business expansion and addition of new revenue streams.	Economic Forces	Firm Level Issues
Statements indicating that employment declined or stagnated due to revenue stagnation	Economic Forces	Firm Level Issues
Statements indicating that the decision to leave was driven by the desire to improve work-life balance	Personal Reasons	Individual Level Issues
Statements indicating that the decision to stay was driven by higher perceived brand value of the acquiring firm.	Personal Reasons	Individual Level Issues
Statements conveying that the decision to leave was driven by better remuneration elsewhere	Financial Reasons	Individual Level Issues
Statements indicating that decision to stay was driven by financial incentives and better remuneration at the acquiring firm	Financial Reasons	Individual Level Issues
Statements indicating that decision to stay was driven by improved financial security	Financial Reasons	Individual Level Issues
Statements indicating that decision to leave was driven by better role with increased responsibility elsewhere	Professional Reasons	Individual Level Issues
Statements indicating that decision to stay was driven by increased responsibility and bigger role at the acquiring firm	Professional Reasons	Individual Level Issues
Statements indicating that the decision to leave was driven by the desire to start another career	Professional Reasons	Individual Level Issues
Statements conveying that the decision to leave was driven by the mismatch in expectations and the role on offer at the acquiring firm	Professional Reasons	Individual Level Issues
Statements indicating that the decision to leave was driven by the loss of work-related relationship	Reasons related to Work Relationships	Individual Level Issues
Statements conveying that personal rapport with the members of the acquiring firm motivated the decision to stay	Reasons related to Work Relationships	Individual Level Issues

B. Individual Level Issues

Individual-level Issues were another crucial set of issues that determined the post-acquisition employment change, especially at the top management level. The findings also suggest that retention of the top management team has a direct impact on the non-managerial employees. For instance, in Marketing Tech, the acquirer only retained one of the three co-founders for the transition period. The acquiring firm also did not retain several non-founding managers of the target firm, especially in the sales department. The failure to retain the top management team contributed to an overall decline of 72% in employment at the target firm. In cases where the acquiring firm successfully retained the top management team of the target firm (*Regulatory Tech and Marketing Tech*), the post-acquisition employment registered a growth. The top management team is an intrinsic component of a firm's resources base, making their retention a crucial determinant of post-acquisition performance (Cannella & Hambrick, 1993). Non-managerial employees perceived the top management turnover as the loss of a key work relationship which motivated them to leave. This finding complements Cannella & Hambrick (1993) and Walsh & Ellwood (1991), who have previously highlighted the importance of retaining the target firm's top management team for the transition period to ensure post-acquisition success.

The study also found that financial and professional reasons were important in shaping an employee's decision, across all levels. For instance, the retention bonuses and improved financial security played an important role in retaining the employees of the target firm in *Regulatory Tech*. While, the promise of equity payouts helped retain members of the top management team. Professional reasons were also crucial in shaping the decision of employees. However, unlike financial reasons, they manifested differently among the top management team and non-managerial employees. For instance, in *Regulatory Tech*, where the acquiring firm was a multi-national corporation with offices across the world, the non-managerial employees of the target firm stayed due to perceived prospects of better career progression, job security, and long-term growth. But members of the top management team, either discontinued immediately after the acquisition or after completing the transition and taking their payouts. For instance, in *HR Tech*, one co-founder left after the acquisition to start another company to address the problem of urban mobility. While in *Marketing Tech*, one co-founder left after the transition to take time out.

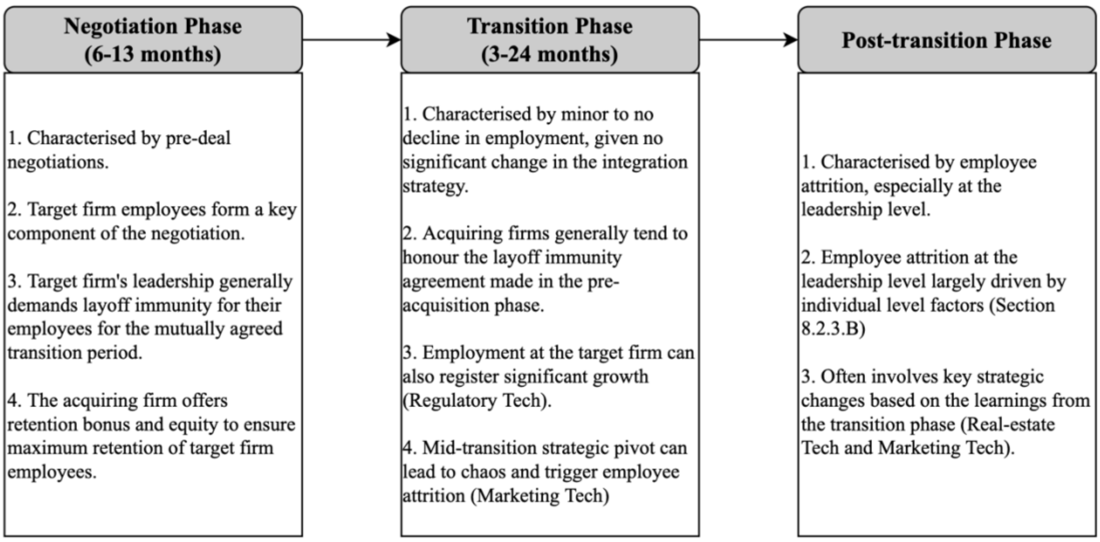
Personal life-related reasons were also crucial in informing individual's decision to stay or leave a firm, mainly at the top management level. The study found that desire for an improved work-life balance, spending more time with family and relocating to a different city greatly influenced the decision of the members of the top management team. For instance, in Real-estate Tech, one of the co-founders decided to leave after the transition to relocate and start an organic farm. This finding is consistent with DeTienne (2010), Graebner et al. (2010) and Harada (2007), who have highlighted exhaustion from running a business and the desire for improved work-life balance as a major motivations behind an entrepreneurial exit. At the level of non-managerial employees, issues such as the better-perceived brand name of the employer among family and friends motivated their decision to stay. This was most notable in *Regulatory Tech*.

C. Temporal Aspect of post-Acquisition Employment Change

The study also found that the post-acquisition employment change at the target firm happens in a non-linear fashion. Given the nonlinearity, a framework was developed to underline the temporal aspects of employment change (Figure 8.1). Based on the data analysed, the post-acquisition employment was mapped into three distinct phases: (a) Negotiation phase, (b) Transition phase and (c) Post-transition phase. The negotiation phase was characterised by due-diligence, negotiations, legal drafting, and finalisation of the deal.

The study found that across all cases, employees of the target firm formed a crucial component of the deal negotiation. The management team of the acquiring and the target firm took active measures to ensure maximum retention of target firm employees. Across all four cases, the founding managers of the target firm demanded a 'Transition period' for their employees where they would be protected from layoffs. The acquiring firm met the demand across all four cases. This ranged from 3 months to 24 months. Notably, the transition period was the longest in the case of an international acquisition. The acquiring firm also took active measures such as offering retention bonuses and an improved incentive structure to maximise employee retention. The negotiation phase was also crucial in determining the future of the top management team of the target firm. For instance, the founding managers of the target firm was offered both financial (bonus and equity) and non-financial incentives (Added responsibility) to stay with the acquiring firm. The only exception was in the case of *HR Tech*, which was an acquihire-cum-acquisition. The CEO of the target firm wasn't offered a position in the acquiring firm.

Figure 8.1: Role of Temporality in Post-acquisition Employment Change



In three of the four cases, no significant employment decline was registered in the transition phase. It either remained stable (*HR Tech*) or registered a marginal decline (*Real-estate Tech*) or registered an increase (*Regulatory Tech*). Voluntary departure drove the marginal decline of 5% in *Real-estate Tech*. In *Regulatory Tech*, the employment of the target firm registered an increase of 39% in the transition period, rising from 232 employees to 322 employees. The only significant decline in the target firm's employment during the transition phase was recorded in *Marketing Tech*, where the acquiring firm pivoted from its announced integration strategy during the transition period. The disruption and uncertainty resulting from the mid-transition strategic pivot led to large-scale employment loss at the target firm.

The post-transition phase was the most eventful phase from an employment perspective. It involved resignations of the target firm's top management team, who left after completion of the transition period. 71% of the retained members of the top management team[10] across four cases left after the transition period. One co-founder each in *Real-estate Tech* and *HR Tech* continued with the acquiring firm post-transition. Even at the non-managerial level, employment at the target firm registered a decline later in the transition period. In some cases, the decline was driven by firm-level issues such as a change in integration strategy (*Real-estate Tech*) or individual-level issues such as the availability of better opportunities externally (*HR Tech*).

The study also found that the knowledge gained by the acquiring firm during the transition period shapes its post-transition strategy. For instance, in *Real-estate Tech*, the acquiring firm learned about the operational overlaps between the two firms. This realisation led to a post-transition strategic pivot involving the merger of the two firms. In *Marketing Tech*, the acquiring firm had pivoted from its integration strategy by revoking the autonomy of the target firm. This merger led to significant attrition of target firm employees. Upon the large-scale attrition, the acquiring firm realised its strategic mistake and decided to grant autonomy to the target firm. The employment of the target firm started growing after this strategic change.

In summary, despite the novel geographic context of India, the empirical findings are generalisable and extend the scholarship on TMT's role by underlining their influence on post-acquisition employee turnover in acquired entrepreneurial firms. While prior studies have examined TMT's influence at the inception and growth phase of the entrepreneurial enterprise, this study extends it to the context of entrepreneurial exit. The lack of support for acquisition-induced employment decline is consistent with the view that entrepreneurial firms may benefit from the financial and managerial expertise of the acquiring firm, thus facilitating their growth and expansion (Xiao, 2015; Damijan et al., 2014). Higher post-acquisition employment in related and financial acquisitions, though contrary to the empirical evidence on employment effects of M&As, is consistent with entrepreneurship literature which highlights that entrepreneurial firms are acquired for growth and not efficiency motives (Graebner et al., 2010; Lebedev et al., 2015). No significant employment loss in foreign acquisitions is consistent with the literature on information asymmetry (Dastidar & Zaheer, 2017) and the role of human capital in

[10]Across the four cases, there were 11 co-founders. The acquiring firms successfully retained 7 of these co-founders for the transition period. 5 of the 7 retained co-founders left post-transition.

entrepreneurship (Unger et al., 2011). Due to geographic distance-induced higher information asymmetry (Boeh, 2011), the desire to leverage human capital (Chen et al., 2021) and the central role of human capital in ensuring acquisition success (Chaudhuri & Tabrizi, 1999; Ranft & Lord, 2002), foreign acquirers to retain target firm employees rather than laying them off.

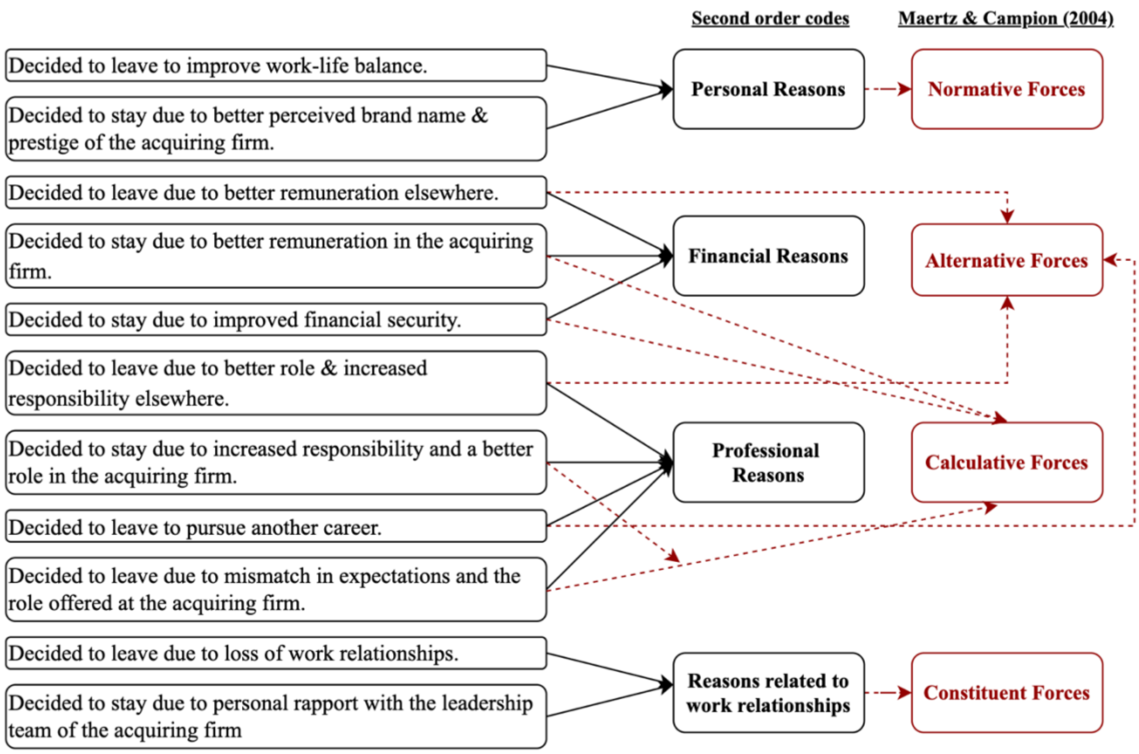
Similarly, the case study findings on personal well-being and exhaustion being one of the key reasons behind the top management team turnover post-acquisition is consistent with the existing studies on entrepreneurial exit in Japan (Harada, 2007), USA (Graebner et al., 2010) and Sweden (Wennberg et al., 2010). TMT turnover driven by the desire to start a new venture is consistent with the literature on entrepreneurial recycling (Mason & Harrison, 2007). Underlining the universal nature of entrepreneurial firms, the empirical findings thus suggest that the dynamics of post-acquisition employment change and the entrepreneurial traits of the TMT in Indian entrepreneurial firms are no different than entrepreneurial firms elsewhere. The variance in the employment effects from the existing empirical knowledge base on M&As, as highlighted by the findings of the quantitative analysis, is driven primarily by the unique context of entrepreneurial firms and not necessarily the geographic context of India.

8.3 Theoretical Contributions

This thesis makes four key theoretical contributions. Firstly, the study contributes to the top management team literature by extending Maertz & Campion's (2004) framework on voluntary turnover in the context of acquired entrepreneurial firms. This application is especially useful for understanding the turnover of the top management team of the acquired entrepreneurial firms, as suggested by Krug et al. (2014). Previous studies have shown that the top management team of the target firm are the first to leave following an acquisition. However, there is a dearth of evidence on the reasons behind their departure (Hambrick & Cannella, 1993; Walsh, 1989). Walsh (1988; p.180) noted "*We know now that top management turnover in merged and acquired firms is higher than normal, but we don't know why*". The studies on post-acquisition top management turnover have largely examined acquisitions of public firms, the findings of which do not apply to entrepreneurial firms (Krug et al., 2014). Given the centrality of the top management team in entrepreneurial firms (Eisenhardt, 2013; Marvel et al., 2016), this study thus addresses a crucial research gap. In addition, previous studies on acquisition-induced employment change, given their extensive coverage of public firms in the manufacturing sector, have largely focused on organisational antecedents of post-acquisition employment changes (Datta et al., 2010). By examining employee-level antecedents, this thesis adds to our understanding of the phenomenon of post-acquisition employment change.

The case evidence suggests that the top management team turnover is voluntary in nature and informed by considerations of family life, personal well-being, and professional objectives. Whereas at the level of non-managerial employees, firm-level issues determine the direction and degree of post-acquisition employment change, such as the integration strategy, prior acquisition experience and financial performance of the acquiring firm. As illustrated in Figure 8.2, The second-order codes of individual-level issues affecting post-acquisition employment change concur with the forces identified by Maertz & Campion (2004) in their voluntary turnover model. This study thus extends the model by outlining how these forces are manifested in the acquisition of entrepreneurial firms.

Figure 8.2: Thematic overlap of Individual level Issues with Maertz & Campion (2004)



Normative forces, defined as the pressure of family and friends to quit or stay in a job (Maertz, 1998), are captured in the study under personal reasons. These normative forces manifested in the study through codes that underlined the desire for improved work-life balance, spending more time with family and associating with a firm with greater perceived brand value. Similarly, constituent forces, defined as the pressure exerted by valued relationships within an organization are captured in the study under reasons related to work relationships. Consistent with Becker (1992), the study found that loss of valued work relationships informed the decision of several employees. The departure of the top management team, especially the founding managers, drove employee turnover at the target firm. The employees saw their departure as a loss of a key work relationship. Alternative forces defined by Maertz & Campion (2004) as the influence of external opportunities on an employee's decision are captured in a combination of codes under financial and professional reasons. Alternative forces manifested in the study through codes depicting a desire to leave the firm due to higher remuneration, pursue a career outside the acquiring firm and for an improved job profile with increased responsibility. The study found that even in a well-planned and executed acquisition, alternative forces can drive post-acquisition employee turnover (Bretz et al., 1994). Similarly, calculative forces, defined as the pressure exerted by the employee's perception of fulfilling their career objectives in the existing organisation (Maertz & Campion, 2004), are captured under financial and professional reasons. Employees whose professional ambitions aligned with the roles offered by the acquiring firm decided to stay, while others left.

Secondly, the thesis contributes to the literature on the role of human capital in entrepreneurial firms (Unger et al., 2011; Wright et al., 2007) by highlighting the role played by the human capital of the acquired firm in ensuring acquisition success. Human capital, defined as the stock of knowledge and skills within an individual (Becker, 1964), is crucial to entrepreneurial success (Florin et al., 2003; Unger et al., 2011). The thesis contributes to this literature by underlining the important role played by the top management team in mitigating the risk of post-acquisition employee turnover. The case findings show that the acquiring firms that successfully retained the top management team of the acquired firms did not experience significant employee turnover (Regulatory Tech). However, acquiring firms that failed to do so suffered large-scale attrition and revenue stagnation (Marketing Tech). The thesis, thus, adds to Langlois's (2007) theory of the *charismatic authority* of the entrepreneur. Defined as the mechanism for coordinating innovation and organization, the charismatic authority of the entrepreneur provides a structure for the orientation of the entrepreneurial firm in an uncertain business environment (Coleman, 1990). Though previous studies have highlighted the influence of the top management team regarding the strategy formulation and decision-making in an entrepreneurial firm (Cooper et al., 1994; Daily et al., 2002), this study adds to the 'charismatic authority' theory by highlighting the lingering influence of top management team, especially founding managers, on the decision of non-managerial employees.

The case findings suggest that the decision of non-managerial employees of whether to associate with the acquiring firm in the post-acquisition period was influenced by the decision of the top management team, especially that of founding managers. This is consistent with the studies underlining the influence of the founding managers in an entrepreneurial firm (Chandler & Hanks, 1994; Colombo & Grilli, 2010; Chapman & Hottenrott, 2022). Entrepreneurial firms are often tight-knit communities of individuals, with the top management team acting as the locus of control and decision-making (Daily et al., 2002). These firms have a set of established organizational routines (Mathews, 2010), which is often the key component of their knowledge and competitive advantage (Chaudhuri & Tabrizi, 1999; Puranam & Srikanth, 2007). The departure of the top management team members, especially founding managers, breaks the networking patterns within the organization and weakens the trust that holds these firms together (Davidsson & Honig, 2003), further leading to employee turnover.

Thirdly, the findings of the study challenge the efficiency theory of acquisition (Trautwein, 1990), which underlines efficiency gains (Chaterjee, 1986) achieved through post-acquisition rationalisation as the key driver of acquisitions (Datta et al., 2010). The central argument of the theory is that managers acquire firms to enforce disciplinary actions, thus improving the operational efficiency of the acquired firm, which further leads to better financial returns (Amess et al., 2014). Disciplinary action entails reneging or renegotiating employment contracts with the acquired firm employees (Conyon et al., 2002a; Shleifer & Summers, 1988). In such cases, financial returns are often attained through job cuts in the acquired firm (Bhagat et al., 1990; Dessaint et al., 2017). However, the thesis does not concur with this view of acquisition. Unlike traditional acquisitions, driven to improve a firm's profitability (Andrade et al., 2001; Gaughan, 1991), entrepreneurial firms are acquired to source new technological knowledge, expertise, and human resource talent (Graebner et al., 2010; Mawson & Brown, 2017; Xiao, 2015). Post-acquisition restructuring, as outlined by efficiency theory, risks disrupting these capabilities, which are often tacit in entrepreneurial firms (Puranam et al., 2006; Puranam & Srikanth, 2007). This was evident in the case of Marketing Tech, where post-acquisition restructuring of the acquired firm by laying off the sales team led to large-scale employee turnover in the acquired firm.

Acquiring firms are known to let acquired firms operate as autonomous entities, especially in the case of entrepreneurial firms (Puranam et al., 2009; Puranam & Srikanth, 2007). For instance, in Regulatory Tech, granting autonomy to the acquired firm resulted in employment growth. Furthermore, human capital is often the key source of competitive advantage for entrepreneurial firms (Marvel et al., 2016; Unger et al., 2011) and acquisitions for entrepreneurial firms are often driven to source talent (Makinen et al., 2012; Setor & Joseph, 2017). Enacting post-acquisition layoffs in entrepreneurial firms can lead to the loss of human capital, further hampering acquisition success (Ranft & Lord). These factors combined incentivise the acquiring managers to leverage the talent base of the acquired entrepreneurial firm rather than treating it as an expendable resource. The thesis also contradicts the killer acquisition hypothesis, which portrays the acquisition of entrepreneurial firms as instruments of stifling innovation and exercising large-scale employee layoffs (Cunningham et al., 2021; Letina et al., 2021). Consistent with Latham et al. (2020), the thesis argues that an effectively implemented acquisition facilitates new and unique ways of resource recombination and redeployment (Olsson & Frey, 2002; Zott & Amit, 2007), which can further result in innovation and growth (Lockett et al., 2011; Xiao et al., 2022) of the target firm. For instance, in Regulatory Tech, the combination of the resources, on the one hand, allowed the acquiring firm to establish a foothold in a new market and on the other, it facilitated revenue and employment growth at the target firm.

Fourthly, in addition to retaining the top management team, as discussed above, the case findings also suggest that being consistent with the announced integration strategy is another important element of ensuring the effective implementation of an acquisition. The case evidence shows that acquiring firms that followed through on their announced integration strategy (Regulatory Tech) experienced lower employee turnover than firms that pivoted from their integration strategy mid-transition (Marketing Tech). This study, thus, contributes to the literature on post-acquisition integration in the context of entrepreneurial firms. Consistent with Puranam et al. (2006), the study finds that the key to minimizing disruptions and employee turnover in the post-acquisition period is to avoid any major pivots in the integration strategy of the acquiring firm during the transition period. Major shifts in the integration strategy during the transition, as seen in Marketing Tech, can impede the knowledge transfer between the firms (Benner & Tushman, 2003; Ranft & Lord, 2002) and lead to distrust and insecurity among the target firm's employees (Chaudhuri & Tabrizi, 1999; Ernst & Vitt, 2000), thus limiting the synergistic potential of the acquisition (Puranam & Srikanth, 2007).

This study adds to the knowledge base on the acquisition of entrepreneurial firms by combining the findings from three distinct streams of literature: top management team (Krug et al., 2014), voluntary turnover model (Maertz & Campion, 2004) and post-acquisition integration literature (Puranam et al., 2009). The thesis recommends that incorporating two variables, the announced integration strategy and members of the top management team retained post-acquisition, in future quantitative studies on acquisition-induced employment change could lead to more robust and consistent findings. Acquiring firm's integration strategy and TMT retention can be incorporated as dichotomous and ordinal variables in future quantitative models on acquisition-induced employment change. To the best of the researcher's knowledge, none of the existing studies on employment effects of the acquisition of entrepreneurial firms has accounted for these two variables, which partially explains the inconclusive nature of their findings, as discussed in chapter 3.

The study also contributes to the acquisition literature by developing a framework outlining the role of temporality in post-acquisition employment change, answering calls for researchers to address this issue (Meglio & Risberg, 2009; Meglio & Risberg, 2011). Consistent with Puranam et al. (2006), the study underlines the importance of accounting for longitudinal employment effects while evaluating the acquisition of entrepreneurial firms. The study develops a three-phase acquisition framework and underlines the distinct employment changes in each phase. The findings from the quantitative and qualitative phases show that in the short-term (negotiation and transition phase), the acquired entrepreneurial firms do not experience any significant decline in employment. Significant employment decline occurs generally after the end of the transition period. The transition period in the case firms, as shown in Figure 8.1, was between 3 (HR Tech) to 24 months (Regulatory Tech). In acquisition research, the role of time is of great importance and demands more attention for a better understanding of the influence of time on the acquisition process and outcome (Haleblian et al., 2009). Furthermore, in line with Graebner & Eisenhardt's (2004) view of acquisition as "courtship", the case study findings underline the importance of a good "prenup", agreed upon in the negotiation phase, in minimising employee turnover. Case study evidence suggests that as part of the "prenup" acquiring firm took active measures such as offering financial incentives and larger roles to target firm employees, especially at the top management level to ensure their retention. Similarly, the top management team of the target firm demanded immunity from layoffs for their employees during the transition period. The case study findings on the role of temporality and pre-acquisition "prenup" add to the acquisition literature (Ranft & Lord 2002) and help underline the non-linearity of post-acquisition employment change.

8.4 Implications for Policy & Practice

The findings of this thesis have important implications for entrepreneurs, practitioners, and policymakers. By gaining a fine-grained understanding of the acquisition-induced employment change in entrepreneurial firms and the reasons behind such changes, this study develops new knowledge in the entrepreneurial acquisition domain.

Firstly, the findings of the thesis quell the layoff concerns related to acquisitions, especially cross-border acquisitions often expressed by unions and politicians. The findings establish that acquisitions do not always lead to layoffs at the target firm. If executed effectively, acquisitions, especially those of entrepreneurial firms, can lead to employment growth at the target firm. These findings inform policymakers to not view acquisitions as a harbinger of layoffs but as a complex and dynamic phenomenon that deserves bespoke investigation on a case-to-case basis (Margolis, 2006). Similarly, the findings of the study also highlight that the negative sentiments associated with cross-border acquisitions (Oldford & Otchere, 2016) do not always hold. Cross-border acquisitions often facilitate the growth of the target firm by sharing their managerial and financial resources (Bandick & Görg, 2010; Stiebale & Trax, 2011; Xiao, 2015). Thus, blanket protective policy measures prohibiting cross-border acquisitions should be discouraged.

Secondly, the study investigated the key firm-level issues that are influential in driving post-acquisition employment change at the target firm. The case study findings underline the importance of the acquiring firm's integration strategy in mitigating the employee turnover risk (Puranam et al., 2009; Steigenberger, 2017). The findings of the study suggest that acquiring managers should have a clear integration strategy before acquisition and should try to follow through with the announced integration strategy. Furthermore, acquiring managers must honour the agreed-upon transition period and should avoid making any significant strategic shifts during this period as it can trigger uncertainty among employees (Chaudhuri & Tabrizi, 1999; Marks et al., 2017). Undertaking a slow integration approach can also prove beneficial to the acquiring managers as it is less demanding for employees (Homburg & Bucerius, 2006), allows attentive communication and helps avoid the disturbance related to a change in organizational identity (Lee et al., 2014). These steps are especially crucial in acquisitions involving entrepreneurial firms, where retaining the talent base is often a key motive for acquisition (Graebner et al., 2010; Makinen et al., 2012).

Thirdly, the findings of the study underline the importance of retaining the top management team of the target firm in ensuring a successful acquisition (Chaudhuri & Tabrizi, 1999; Ranft & Lord, 2000). The findings suggest that acquiring managers must try and retain the top management team at least for the transition period, if not longer. An effective "prenup" offering financial incentives, retention bonuses and equity can be a useful way of ensuring their retention. The absence of the top management team, especially during the transition period impedes knowledge transfer and exchange. It also makes employees feel deserted. Their departure is often perceived by non-managerial employees as a loss of a key relationship which further triggers employment loss. The integration process often involves changes in organizational identity (Steigenberger, 2017), which are navigated more effectively by the existing management of the target firm than by new managers (Angwin, 2004). The cases in which the acquiring firm successfully retained most of the top management team for the transition period outperformed others in revenue and employment growth (Regulatory Tech). The top management team is an essential resource of the target firm that cannot be replaced easily (Hambrick & Cannella, 1993). The departure of the top management team immediately after acquisition can significantly reduce the value of the target firm (Puranam & Srikanth, 2007; Trautwein, 1990). Thus, acquiring managers should take active measures to retain the acquired firm's top management team.

Finally, the analysis of the individual-level issues indicates that personal reasons were most influential in determining the turnover decision of the top management team at the target firm. These reasons included lack of proper work-life balance, exhaustion from running the business, desire to take a break and the desire to spend more time with family. These findings are consistent with the results from the body of literature on founders exit (DeTienne, 2010; Graebner et al., 2010). Increasingly more and more co-founders are quitting their jobs due to burnout and health related reasons (Harada, 2007). Given the crucial role of entrepreneurs in knowledge base economy (Mason & Harrison, 2006), these findings demand immediate attention. A broad-based consultation including all key stakeholders must be facilitated to ensure an ecosystem that leverages the expertise of these entrepreneurs without exerting undue pressure on their physical and mental health.

8.5 Limitations

The dissertations findings and conclusions should be interpreted with caution in view of its limitations. These limitations raise several interesting issues that can provide fertile ground for future research.

Firstly, chapter 5 findings are derived from a sample of 99 Indian entrepreneurial firms acquired between 2017 to 2018. Old datasets were identified as one of the main research gaps in the systematic literature review. The 2017 to 2018 period was chosen to fill the research gap by examining recent acquisition trends. This decision, in effect, limited the scope of the analysis to short-term employment changes. Though the analysed sample is relatively small compared to published research on the topic (Conyon et al., 2002a; Geurts & Biesebroeck, 2019), it represents 19% of the total entrepreneurial firms acquired in the two-year period (534) despite the data availability limitations in India. In addition, to the best of the researcher's knowledge, this is the first study to investigate the employment effects of acquisitions in Indian entrepreneurial firms. The database

(Tracxn) used to source the dataset is a novel research platform offering crucial firm-level data on privately-owned Indian firms and start-ups. Privately owned firms in India are not obliged to disclose their employment numbers, making the dataset even more valuable. A useful advance, going forward, would be to pursue the sample of these 99 acquisitions to examine the medium to long-term employment effects of acquisitions. It will be interesting to observe if there is any significant difference between short-term, medium-term, and long-term employment effects at the target firm. Given the scarcity of firm-level data, especially employment data, on privately-owned Indian firms, this study makes a breakthrough intervention that opens the door for future studies in the area.

Secondly, case-study research is highly criticised for potential research biases and researchers' subjectivity during data collection, analysis, interpretation, and presentation (Flyvbjerg, 2006; Yin, 2003). Several steps were taken during the study to minimise the risk associated with researchers' subjectivity. The findings from the systematic literature review informed the line of enquiry. The cases selection occurred through random sampling, and the research methods guided the data collection process. This helped in ensuring the validity of the research process. For instance, the interviews were guided by the interview protocol composed before the fieldwork. The questions in the interview protocol were derived from the M&A literature. Members of the top management team from the acquiring and the target firm were interviewed. This helped in ensuring a true and fair account of the acquisition events. During the interviews, related secondary information was validated by the interviewer. this data triangulation technique enhanced the validity of the data and minimised the researcher's bias (Gillham, 2000; Miller et al., 1997). A variety of secondary sources of information were used to corroborate the gathered data. The secondary sources included mediums such: as newspaper articles, LinkedIn blogs of major stakeholders, official press releases, financial reports, annual reports, YouTube videos, official websites, and company blogs.

Finally, the findings of the case-study research are based on data collected from acquired firms that were part of the sample used in the empirical analysis conducted in chapter 5. A random sampling method was used during case selection to eliminate the scope of the selection effect. All acquired firms based out of Bangalore and Delhi NCR (the regions researcher had access to) were contacted for interviews. Nine acquired firms responded to the request. However, only four were included due to the inclusion criteria. For a case to be included, interviews with the seller and buyer sides were essential (Graebner & Eisenhardt, 2004). While limiting the geographic scope allowed for control of the macro-economic factors, which can influence the employment at the target firms, it also questions the generalizability of the findings. Non-generalisability of the case study findings is one of the most common criticisms of the case study research (Flyvbjerg, 2006). While the case study findings might not necessarily apply to other geographic regions due to their distinct characteristics, they can act as a foundation for future researchers to build on. Given that the research on entrepreneurial acquisition is still scarce and is at the nascent stage of its development, future researchers could explore the dynamics of post-acquisition employment change at entrepreneurial firms in a wide range of geographies.

8.6 Avenues for Future Research

Despite the limitation discussed in section 8.5, this study illuminates important avenues for future research as discussed next.

Firstly, to further extend the results of the matched-pair analysis, it would be interesting to use the temporal framework of the study to measure the long-term employment effects of the acquisition of entrepreneurial firms, especially in the context of India. Given the limited availability of employment information on Indian entrepreneurial firms, this study examined the short-term employment effects of the acquisition of entrepreneurial firms. However, several studies have highlighted that acquisition induced employment change can vary depending on the time of measurement (Angwin, 2004; Kuvandikov et al., 2014). By investigating the short-term employment effects of acquisition concerning entrepreneurial firms, this study has made a crucial contribution to the turnover literature, which could be further extended by testing if the short-term employment effects hold for the long term. In case of a significant variance, researchers can further explore the causes behind such a deviation. Thus, adding to our understanding of post-acquisition employment change. Longitudinal studies in line with Ahuja & Lampert (2001), that treat employment change as a process can be useful for such an investigation. Researchers should strive to measure post-acquisition employment change at regular time intervals, given the important role of temporality. In addition, given the impact of the acquiring firm's integration strategy on the post-acquisition employment at the target firm, future studies can incorporate it as an independent variable in the equations. This information is generally disclosed when the acquisition is announced and therefore readily available to researchers. This may help increase the explanatory power of quantitative studies on the determinants of post-acquisition employment change.

Secondly, given the importance of the human capital of the target firms (Ranft & Lord, 2002), future research could further explore the post-acquisition turnover from the perspective of the non-managerial employees. The findings of this study indicate that the factors governing the turnover of the top management team are often different from those of the non-managerial employees. Future studies could expand on this finding and investigate, in detail, the factors affecting post-acquisition turnover of non-managerial employees. Such research would allow for a holistic understanding of the post-acquisition employment change phenomena and enable managers to devise better human capital strategies to ensure maximum employee retention in the post-acquisition period. In-depth, multiple case studies in line with Graebner & Eisenhardt (2004) and Mawson & Brown (2017), with a broad respondent base, could be deployed for such an investigation.

Thirdly, given the importance of institutions in shaping entrepreneurial outcomes (Acs et al., 2008a; Feldman, 2014), future studies could aim at a broader empirical base and examine the acquisition of entrepreneurial firms in diverse geographical contexts to see if the findings of this study hold. Behar & Hodge (2008) argue that post-acquisition employment loss tends to be higher in countries with rigid labour markets. A comparative study, in line with Hijzen et al. (2013), could be deployed to test if this finding holds in the context of entrepreneurial firms. In addition, future research could also focus on comparative analyses of acquisitions involving entrepreneurial firms in emerging and advanced economies. The growth potential of emerging economies like India impacts the FDI inflows (Financial Times, 2018) and post-acquisition employment change. Likely, these outcomes do not hold for the acquisition of entrepreneurial firms in advanced economies. Future research could test such hypotheses, thus enriching our understanding of acquisitions of entrepreneurial firms globally.

The entrepreneurial acquisition is a promising area for future research. Given the growing importance of entrepreneurial firms, their central role in the new knowledge-based global economic order (Stiglitz, 2019), and the increasing rate of their acquisitions (Crunchbase, 2021), it will continue to attract the attention of researchers. This research conducted in this thesis will hopefully spur fruitful discussions and lead to engaging studies on this intriguing phenomenon.

8.7 Conclusion

The acquisition of entrepreneurial firms has garnered significant attention from entrepreneurship and management scholars. Given the key role of entrepreneurial firms in employment generation and the layoff concerns associated with their acquisition, this thesis sought to improve our understanding of this phenomenon. By employing a systematic literature review and a mixed-method research design, this thesis investigated the short-term employment effects of acquisitions of entrepreneurial firms in India and explored how and why such changes occur. The literature review underlined the need to examine under-represented regions and under-examined firms, which informed the quantitative phase of the study. The results of the quantitative phase found no significant short-term employment loss in acquired firms. The results also indicated post-acquisition employment growth in related and financial acquisitions. The results of the quantitative phase informed the qualitative inquiry, where multiple case study method was used to explore the causes and seek explanations for such changes.

Research highlights that the real value of entrepreneurial firms is derived from the human capital, especially that of the top management team (TMT). Acquisitions of entrepreneurial firms are focused on capturing this talent base and leveraging their expertise. The findings of this thesis reinforce the importance of the top management team in facilitating knowledge exchange, ensuring acquisition success, and limiting post-acquisition employee turnover. It highlighted the negative forces that contribute to top management turnover, including concerns over work-life balance, exhaustion, and lack of leadership opportunities. However, an effective counterbalancing integration and human capital strategy, to retain the top management team will increase the probability of successful acquisition, thus facilitating better economic returns from entrepreneurial activity.

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Appendices

Appendix A: List of Reviewed Articles

S.No.	Date	Author	Country	Type	Employment Effects	Major Research Findings
1	2007	Almeida (2007)	Portugal	CBA	Positive	1. CBAs have a positive effect on employment (10% - 15%) and wages (2% - 4%). 2. Domestic M&As have a negative effect on employment (-5%) but positive effect on wages (2% - 4%).
2	2014	Amess et al. (2014)	UK	IBOs/LBOs	Mixed	1. PE backed LBOs have no significant effect on the employment level, whereas non-PE backed LBOs lead to employment loss (-11%). 2. Related acquisition lead to employment loss (-10%). 3. LBOs and unrelated acquisitions have no effect on wage levels. 4. Related acquisition leads to an increase in wage levels (+20%)
3	2014	Ataullah et al. (2014)	Emerging Markets	CBA	No Sig. effects	1. CBAs from emerging markets into developed countries lead to no productivity gains.

						2. CBAs from emerging markets into under developed countries and culturally distinct lead to negative productivity effects.
4	2010	Bandick & Görg (2010)	Sweden	CBA	Positive	1. CBAs lead to improved chances of survival. 2. Survival effects are higher in vertical acquisition (17% - 34%) than horizontal acquisition (6% - 8%). 2. Employment and survival effects of CBAs are higher in target firms involved in export.
5	2011	Bandick & Karpaty (2011)	Sweden	CBA	Positive	1. Employment effects relatively higher in acquired MNEs than non-MNEs. 2. Evidence of growth in skilled labour post-acquisition
6	2004	Beckman & Forbes (2004)	UK	M&A	No Sig. effects	1. No evidence to support the breach of trust hypothesis.
7	2008	Behar & Hodge (2008)	RSA	M&A	Negative	1. Negative effect on employment. 2. Effects more pronounced in rigid labour markets.
8	1990	Bhagat et al. (1990)	USA	Hostile Takeover	Negative	1. Layoffs are targeted towards white collar employees.
9	2016	Brännlund et al. (2016)	Sweden	CBA	No Sig. effects	1. Foreign ownership does not affect the bargaining power of the labour unions.

10	1988	Brown & Medoff (1988)	USA	M&A	Mixed	1. Type of deal determines the post M&A effects. 2. SIMPLE SALES: Wages: (-5%); Employment: (+9%) 3. ASSET ONLY ACQ. : Wages: (+5%); Employment: (-5%), 4. MERGER: Wages (-4%); Employment: (+2%)
11	2012	Chari et al. (2012)	USA	CBA	Negative	1. CBAs by Emerging market firm lead to restructuring, employment loss, decreased sales and capital investment of the target firm. 2. Positive effect on profitability and stock market performance (+7%)
12	2001	Conyon et al . (2001)	UK	Hostile Takeover	Negative	1. Both hostile and friendly takeovers result in employment loss (-7.5%).
13	2002	Conyon et al . (2002b)	UK	CBA	Negative	1. CBAs lead to job loss (-6.2%) 2. CBAs result in wage rise (+3.4%), domestic M&As lead to a wage reduction (-2.1%). 3. CBAs lead to a rise in productivity (13%).

14	2002	Conyon et al. (2002a)	UK	M&A	Negative	1. Related mergers result in greater job loss (-19%) compared to unrelated mergers (-8%). 2. M&As result in improved efficiency.
15	2005	Curie et al. (2005)	USA	M&A	No Sig. effects	1. No significant effect on employment level and wages. 2. Workload of the employees increases after an M&A in the hospital industry.
16	2011	Doytch et al. (2011)	USA	M&A	Positive	1. Positive effect on employment levels both in short and long run in all three sectors.
17	2016	Dragan & Dusan (2016)	Serbia	CBA	Negative	1. Positive effects on average wage and productivity of the employees.
18	2014	Fabling & Sanderson (2014)	New Zealand	CBA	Positive	1. CBAs lead to increased output, wage levels and employment at the target firm. 2. No significant positive effect on productivity or capital intensity.
19	2008	Fukao et al. (2008)	Japan	CBA	No Sig. effects	1. CBAs lead to increased productivity and profitability compared to domestic M&As. 2. Productivity and profitability effects are relatively higher in non-manufacturing sectors.
20	2015	Geluebcke (2015)	Germany	CBA	Negative	1. Both domestic M&As(-3% - 5%) and CBAs (-10%) have a negative effect on employment. 2. CBAs have no effect on productivity

						whereas domestic M&As lead to productivity gains.
21	2019	Geurts & Biesebroeck (2019)	Belgium	M&A	Mixed	1. Horizontal mergers driven by market power leads to strong employment declines. 2. Vertical mergers motivated by efficiency gains lead to employment expansions
22	2005	Girma (2005)	UK	CBA	Mixed	1. Employment effects varies by size of acquisition. Large targets lead to job loss whereas small targets lead to job creation. 2. CBAs lead to an increase in labour productivity(1.3%-4.7%). 3. CBAs lead to increase chances of survival by improving efficiency.
23	2011	Goergen et al. (2011)	UK	IBOs/LBOs	Negative	1. No significant changes in productivity or profitability of the target firm.
24	2014	Goergen et al. (2014)	UK	IBOs/LBOs	Negative	1. Negative effects on productivity, wage levels and profitability of the target firm.
25	1995	Gokhale et al. (1995)	USA	Hostile Takeover	Negative	1. Layoffs are targeted towards senior positions.
26	2007	Gong et al. (2007)	China	CBA	Positive	1. CBAS lead to higher employment growth compared to domestic privatisation. 2. Privatisation to foreign owners leads to fewer layoffs than to domestic firms.

27	2004	Gugler & Yurtoglu (2004)	USA & Europe	M&A	Mixed	1. USA: No significant job loss 2. Europe: job loss (-10%) 3. Job loss higher in related domestic M&As
28	2013	Hizen et al. (2013)	Germany, Portugal, UK, Brazil & Indonesia	CBA	Mixed	1. Positive employment effects in Indonesia (+25%) and Portugal (+24%). 2. No significant employment effects in Brazil, Germany and UK. 3. Positive wage effects higher in developing countries (15% - 20%) than developed countries (2% - 8%).
29	2007	Huttunen (2007)	Finland	CBA	Negative	1. Both domestic M&As and CBAs lead to job loss. 2. CBAs have a positive medium term effect on wages (1-3 years)
30	2012	Kubo & Saito (2012)	Japan	M&A	Negative	1. Employment (-4.45%) 2. Average wage (+5.45%) 3. Job loss pronounced in related M&As.
31	2013	Kuvandikov (2013)	UK	M&A	Mixed	1. Employment opportunities grew in the first year post-acquisition in 46% of the sample firms to a degree of 4%. 2. After the first year the average job reduction was 2.6% in 54% of the sample firms.
32	2008	Lehto & Böckerman (2008)	Finland	CBA	Negative	1. CBAs lead to employment loss in manufacturing sector. 2. Domestic M&As by a domestics firm leads to employment loss across sector.

						3. Domestic M&As by an MNE leads to job loss in construction.
33	2012	Li (2012)	USA	M&A	Negative	1. Employment (-3%) 2.Wages (-2%) 3. Acquired firms 2.5 times more likely to close than non-acquired firms.
34	2013	Li (2013)	USA	M&A	Negative	1. Negative effect on employment, wages and capital expenditure of the target firm. 2. No significant increase in productivity.
35	2013	Lipsey et al. (2013)	Indonesia	CBA	Positive	1. Plants acquired by foreign owners grew 11% faster than the plants acquired by domestic firms.
36	2015	Liu et al. (2015)	China	CBA	Mixed	1. CBAs lead to increased employment and wage only in high-tech sectors and not low-tech sectors. 2. CBAs lead to decreased rate of employment growth in the target firm.
37	2010	Majumdar et al. (2010)	USA	M&A	Positive	1. First MERGER WAVE: Employment (6%) and wages(6.5%). 2. Second MERGER WAVE: Wages (-24%).
38	2006	Margolis (2006)	France	M&A	Negative	1. Negative effect on employment, however laid off employees easily find another job.

39	2015	Martins & Esteves (2015)	Brazil	CBA	Negative	1. Both domestic M&As and CBAs have a negative effect on employment, although the effects are more pronounced in domestic M&As 2. Both domestic M&As and CBAs have no effect on wage levels. 3. Foreign firms are less likely to implement job cuts.
40	2004	Mata & Portugal (2004)	Portugal	CBA	Positive	1. Acquisition by foreign firms lead to higher employment growth vis-à-vis domestic firms. 2. Foreign acquirers tend to employee higher educated labour force.
41	2001	McGukin & Nguyen (2001)	USA	M&A	Positive	1. Positive effect on wages and likelihood of survival of the target firm
42	2009	Nguyen & Ollinger (2009)	USA	M&A	Positive	1. Positive effect on employment, wages and the likelihood of survival.
43	2013	Oberhofer (2013)	Europe	CBA	Positive	1. Employment growth is higher in acquired firms (11% - 15%) than non-acquired firms. 2. Acquisitions lead to efficiency gains. 3. Results apply domestic M&A, CBAs, horizontal and vertical acquisition.
44	2016	Oldford & Otchere (2016)	Canada	CBA	Negative	1. Positive effects on wages, productivity and efficiency.
45	2010	Siegel & Simons (2010)	Sweden	M&A	Negative	1. Negative effect of employment. 2. Positive effect on wages and career progression of employees.

46	2011	Stiebale & Trax (2011)	UK & France	CBA	No Sig. effects	1. CBAs (related and unrelated) lead to increased sales, investment and productivity. 2. Effects higher in high-tech industry.
47	2013	Taguchi & Yanagawa (2013)	Japan	M&A	Mixed	1. Mergers lead to employment loss. 2. Acquisitions have positive effect on employment.
48	2015	Visic (2015)	Croatia	M&A	No Sig. effects	1. No significant changes in the employment levels. 2. Productivity increases but remains lower than that of peer firms.
49	2003	Williams (2003)	UK	CBA	Negative	1. FDI via greenfield investment has a positive effect on employment.
50	2015	Xiao (2015)	Sweden	CBA	Mixed	1.Acquisition by domestic and foreign owned firms lead to no significant change in the employment and sales level of the target firm. 2. Acquisition by Domestic MNEs lead to employment growth.

Appendix B: List of publication outlets

Subject Area	Journal Rank (ABS, 2018)	Journal Name
ECONOMICS	**3 Stars & above**	Brookings Paper on Economic Activity; Review of Economics and Statistics; RAND Journal of Economics; Journal of Economic Behavior and Organization; International Journal of Industrial Organization; European Economic Review; Small Business Economics; Journal of International Economics; Canadian Journal of Economics; Journal of Industrial Economics; IMF Economic Review
	2 Stars	Review of World Economics; International Journal of the Economics of Business; B.E. Journal of Economic Analysis and Policy; China Economic Review; International Review of Economics and Finance; Managerial and Decision Economics; Japanese and International Economies; Applied Economics; Review of Industrial Organization
	1 star	Portuguese Economic Journal; New Zealand Economic Papers; IZA Journal of European Labor Studies
	Unranked	Agribusiness; Applied Economic Letters; Economic Annals Actual Problems of Economics
FINANCE	**3 Stars & above**	European Financial Management; Journal of Financial Economics; Corporate Governance: An International Review
	2 Stars	Pacific-Basin Finance Journal
HUMAN RESOURCE MANAGEMENT	**3 Stars & above**	Industrial and Labor Relations Review; Human Resource Management; British Journal of Industrial Relations
	2 Stars	Journal of Labour Research
OTHERS	**3 Stars & above**	Strategic Management Journal; International Business Review; Human Relations; Journal of Development Studies
	1 star	Journal of Management and Governance
	Unranked	Technology and Management

Appendix C: Systematic Literature Review Record Sheet ([Link for the Complete Data]())

Journal	Author(s)	Country	Year	Time Frame	Method	Unit of Analysis		Type of firms	Sample Size	Type of Acquirer		Horizontal/ Vertical	Growth (Domestic)			
										Domestic	Foreign/ Cross-Border		Survival	Employment	Sales	Wages/ Productivity
Brookings Papers on Economic Activity	Lichtenberg, Frank R Siegel, Donald	USA	1987	1972-1981	Quantitative	Individual plant		Manufacturing	20493F 4305 A	✔	✘	n/a	- -		-	Positive*
National Bureau of Economic Research: Working Paper	Brown, C. J.L., Medoff	USA	1988	1978-1984	Quantitative	Target firms	Y	Multiple	30,252	✔	✘	n/a	-	Positive*	-	Negative*
Brookings Papers on Economic Activity. Microeconomcis	Sanjai Bhagat Andrei Shleifer Robert W. Vishny Gregg Jarrel Lawrence Summers	USA	1990	1984-1986	Quantitative*	Acquirer	Y	Multiple	62 Hostile takeovers	✔	✘	n/a	-	Negative	-	-
The Review of Economics and Statistics	Jagadeesh Gokhale Erica L. Groshen David Neumark	USA	1995	1980-1991	Quantitative	Target firms	Y	Multiple	133 Employers	✔	✘	n/a	-	Negative	-	-
The RAND Journal of Economics	Mcguckin, RH H Nguyen, SV V	USA	1995	1977-1987	Quantitative	Individual plant		Manufacturing	28,294	✔	✘	n/a	-	-	-	Positive*
Journal of Economic Behaviour & Organization	Martin J. Conyon, Sourafel Girma, Steve Thompson, Peter W.Wright	UK	2001	1983-1996	Quantitative*	Acquirer	Y	Multiple	433F 240A	✔	✘	n/a	-	Negative	-	-
International Journal of Industrial Organization	McGuckin, Robert H. Nguyen, Sang V.	USA	2001	1977-1987	Quantitative	Individual plant	Y	Manufacturing	314,885	✔	✘	n/a	Positive	Positive	-	Positive
European Economic Review	Martin J. Conyon, Sourafel Girma, Steve Thompson, Peter W.Wright	UK	2002	1967-1996	Quantitative*	Acquirer	Y	Multiple	277 F 442 A	✔	✘	✔/✔	-	Negative*	-	-
The Journal of Industrial Economics	Conyon, Martin J. Girma, Sourafel Thompson, Steve Wright, Peter W.	UK	2002	1989-1994	Quantitative*	Target firms	Y	Manufacturing	n/a	✔	✔	✔/-	-	-	-	Negative*
National Bureau of Economic Research: Working Paper	Bernard, Andrew B. Sjoholm, Fredrik	Indonesia	2003	1975-1989	Quantitative	Target firms		Manufacturing	n/a	✘	✔	n/a	-	-	-	-
International Business Review	David Williams	UK	2003	n/a	Quantitative	Target firms	Y	Manufacturing	1942 F 291 observtns	✘	✔	n/a	-	-	-	-
SBE	Mata J Portugal P	Portugal	2004	1982-1992	Quantitative	Target firms		Multiple		✔	✔	n/a	-	-	-	-
International Journal of Industrial Organization	Klaus Gugler, B. Burcin Yurtoglu	USA & Europe	2004	1987-1998	Quantitative	Acquirer	Y	Multiple	10,282 Firms	✔	✔	n/a	-	Negative*	-	-
European Financial Management	Til Beckmann William Forbes	UK	2004	1987-1995	Quantitative*	Acquirer	Y	Multiple	62 Takeovers	✔	✘	n/a	-	No. Significant effects	-	-

Appendix D: Sample for Matched pair Analysis (Link for the Complete Data)

S. no	Target City	Target State	Target Category	Target Sub-Category	Date of Acq.	Year	Month	Quarter	t-1	t0	t+1	t+2	t+3	t+4	t+5	t+6	t+7	t+8	t+9	t+10	t+11	t+12
1	Mumbai	Maharashtra	Logistics	Cold-Chain Logistics	09/01/2017	2017	1	1	43	**45**	59	60	39	36	31	29						
2	Panaji	Goa	Life Sciences	Diagnostics by technology	10/01/2017	2017	1	1	565	**1283**	1269	1297	1317	1342	1375	1382	1397	1428	1447	1423	1441	1443
3	Mumbai	Maharashtra	Real Estate Tech	Real estate tech	10/01/2017	2017	1	1	912	**723**	702	746	750	587	548							
4	Bangalore	Karnataka	Enterprise Application	Customer service software	11/01/2017	2017	1	1	84	**85**	87	84	90	92	97	88	81	69	67			
5	Bangalore	Karnataka	Enterprise Application	Marketing Tech	19/01/2017	2017	1	1	4	**4**	4	5	5	6	8	8	7	5				
6	Hyderabad	Telangana	Media & Entertainment	Online event Ticketing	24/01/2017	2017	1	1	1078	**1227**	1275	1296	1329	1328	1319	1243	1237	1245	1207			
7	Mumbai	Maharashtra	FinTech	Business Payments	30/01/2017	2017	1	1	406	**392**	386	379	371	369	366	357						
8	Chennai	Tamil Nadu	Waste management Solutions	Water & waste treatment Solutions	09/02/2017	2017	2	1	33	**32**	30	29	30	29	27	27	27	25	21	20		
9	Bangalore	Karnataka	Business Services	IT Services	15/02/2017	2017	2	1	77	**77**	66	68	64	76	84	113	123	146	152	170	150	135
10	Bangalore	Karnataka	FinTech	1. Big Data Analytics, GRC Software 2. Banking Tech, RegTech	27/02/2017	2017	2	1	233	**232**	260	291	308	306	314	317	322	302	295	308	307	279
11	Noida	Uttar Pradesh	Media & Entertainment	Content Management & Distribution provider	01/03/2017	2017	3	1	1070	**1081**	1063	1079	1082	1093	1084	1080	1080	1111	1110	1096	1128	1125
12	Gurgaon	Haryana	Logistics Tech	Logistics Tech	10/03/2017	2017	3	1	8	**6**	14	16	23	40	46	52	54	53	53	73	124	121
13	Mumbai	Maharashtra	Retail	Horizontal e-commerce	25/03/2017	2017	3	1	7186	**7463**	7741	8019	8299	7980	7753	7526	7301					

S. no	Acquirer Name	Acquirer Cit	Acquirer Cour	Acquirer Origin	Acquirer Category	Acquirer Sub-Catego	Acquirer Nature	Target start date	Acquirer Start Date	Target Age	Acquirer Age	Relatedness
1	Stellar Value Chain	Mumbai	India	Domestic	Logistics		Private	1996	2016	21	1	Related
2	Perkin Elmer		USA	International	Life Sciences	Life sciences Tech	Public	1988	1931	29	86	Related
3	PropTiger		India	Domestic	Real estate	Real estate Tech	Private	2012	2011	5	6	Unrelated
4	Arvato Bertelsamnn		Germany	International	Media & Entertainment	Tech for Film & TV	Private	2009	1835	8	182	Unrelated
5	iTransparity	Mumbai	India	Domestic	Business Services	IT Services	Private	2012	2009	5	8	Unrelated
6	Book My Show	Mumbai	India	Domestic	Media & Entertainment	1. Online event ticketing 2. Tech for Film & TV	Private	2014	1999	3	18	Related
7	Ingenico	Paris	France	International	FinTech	Payments	Public	2000	1980	17	37	Unrelated
8	Aspirify Energy	Pune	India	Domestic	Waste management Soluti	Waste management S	Private	1998	2016	19	1	Related
9	Ascendum	Cincinati	USA	International	Business Services	IT Services	Private	2006	2001	11	16	Related
10	Verisk	Jersey City	USA	International	FinTech	InsuranceIT	Public	2006	1971	11	46	Unrelated
11	AION Capital	Mumbai	India	Domestic	VC/PE	VC/PE	VC/PE	1996	2011	21	6	Unrelated
12	1mg	Delhi	India	Domestic	HealthTech	Healthcare booking Platform	Private	2014	2015	3	2	Unrelated
13	Flipkart	Bangalore	India	Domestic	Retail	Horizontal e-commerce	Private	2005	2007	12	10	Related

Appendix E: Sample Interview Requests

Appendix E-1: Email Interview Requests

Appointment Request for a research Interview PhD/Database ×

Anish Tiwari <anish.tiwari3@mail.dcu.ie>
to sinha.pr

Wed, 5 Aug 2020, 13:39

Hi [redacted]

Hope you are safe and doing well. I am writing to express my interest in interviewing you with regard to a research project of mine that looks at the success stories from the Indian entrepreneurial ecosystem.

My name is Anish Tiwari. I am a Marie S. Curie Research Fellow based out of Dublin City University, Ireland. I am a member of a research network called Global India, funded by the European Commission Horizon 2020 initiative.

Given that you were a founding member of one of India's most popular e-commerce startups, it would be great if you could please spare some time to discuss your journey of building and scaling Jabong.

I am aware that you have a very busy schedule, but I would be sincerely thankful to you if you could please spare some time to share your thoughts. Your insights will add great value to my research.

The data collected will be anonymised and the identity of the respondent will not be disclosed. If you could please consider. Please let me know.

Looking forward to your response.
Regards
--
Anish Tiwari
Marie Curie Fellow: Global India ETN
DCU Business School, Dublin City University
Glasnevin, Dublin 9
Ireland

Appendix E-2: LinkedIn Interview Requests

Anish Tiwari (He/Him) • 4:55 PM

Hi [redacted]

Hope you and your family are safe and healthy. I am writing to request an interview with you for my research project that looks at Tech M&As in India.

I am a PhD student based out of Dublin City University in Ireland, currently stationed at IIM-Bangalore as a visiting fellow. My PhD is a part of a larger project called Global India being funded by the European Commission.

I am well aware that you have a very busy schedule, but I would be grateful to you if you could please spare 30-45 minutes to discuss the acquisition of Loco by PocketAces. I am interested in understanding the rationale and strategy behind the acquisition.

I sincerely hope for your support.

Looking forward to your reply.
Thanks and Take care
Anish

Appendix F: Interview Participation Consent Form

HORIZON 2020 Marie Skłodowska-Curie actions

GLOBALINDIA

PARTICIPANT INFORMED CONSENT FORM

I. Research Study Title

The study in which you are being asked to participate has the working title of '*Employment effects of technology acquisitions: Evidence from the Indian start-up Ecosystem'*. It is being conducted by Anish Tiwari, a PhD student at the DCU Business School, Dublin, Ireland as a part of Global India ETN[1].

II. Purpose of the Research

Start-ups are an important driver of a country's economic growth and development. Start-ups help in *generating job opportunities*, lead to the *creation of intellectual property* such as *patents* and *trademarks* and accelerate the *proliferation of novel* and *advanced technology*. Start-ups also, however, are attractive targets of large MNCs due to these reasons. Concerns related to closure and layover in the target firm post-acquisition are widespread in the public domain. This study seeks to understand if such concerns are valid and what are the factors that influence or moderate such post-acquisition effects.

III. Confirmation of Particular Requirements

You are invited to participate in this research because you are/were the co-founder/Executive/Director/Employee/owner of a start-up that acquired/got acquired. The interview conducted over phone/videoconferencing/face-to-face will be requested to be audiotaped.

Participant please confirm the following (Answer Yes/No)

a. Do you understand the information provided? ________

b. Have you had an opportunity to ask questions and discuss the study? ________

c. Have you received satisfactory answers to all your questions? ________

d. Do you agree on having your interview audiotaped? ________

Participant's involvement in the study is completely voluntary. As a participant, you may withdraw from the research study at any point. There will be no penalty for withdrawing before all stages of the research study have been completed.

IV. Arrangements to Protect the Confidentiality of Data

With respect to the participant's/firm's identity full anonymity will be ensured. The data collected will be stored in a password-protected electronic format and will be analysed by the researcher alone. Participant's/firm's actual name will be protected, and fake names will be used if direct references are required. Interview transcripts will be held by the principal researcher and stored in a secure location.

V. Signature

I have read and understood the information in this form. My questions and concerns have been answered by the researcher, and I have a copy of this consent form. Therefore, I consent to take part in this research project.

Participants Signature: ____________________

Name in Block Letters: ____________________

Date: ____________________

[1] This training network is being funded by the European Commission's Horizon 2020 programme. Grant number **722446**.

Appendix G: Interview Protocol

Appendix G-1: Interview Protocol Acquiring Firm

HORIZON2020 Marie Skłodowska-Curie actions

GLOBALINDIA

INTERVIEW PROTOCOL

Interviewee Category: **Buyer**

History & Externalities (Only to be confirmed)

1. When was your company registered/started?
2. What was the size and composition of the founding team?
3. Where was you first office located?
4. What according to you is the main industry your business operates in? *(Industrial Classification)*
5. What is your key product/service offering(s)?
6. How many people are currently employed in your company?
7. Who according to you are your key competitors?
8. In terms of market share, where do you think you are stand vis-à-vis your key competitors.

Specifics of the Acquisition Deal

1. Was this your first acquisition or did you/your company have prior acquisition experience?
2. When did you/your company first think about this acquisition?
3. Who first introduced the idea of this acquisition? *(Snowballing)*
4. How did you come to know about the target firm?
5. Was this the only firm you were looking to acquire or were there other options as well?
6. Were you the only bidder/buyer looking to acquire the target firm or were there other companies competing against you?
7. How long did the negotiations last before the finalisation of the deal?
8. When was the deal officially announced?

Motives/Rationales

1. Was this acquisition driven by internal factors or external factors?
   (Whatever may be the answer request an expansion)
2. What was the key attribute(s) that attracted you/your company towards the target firm?
3. What other attributes of the target firm were considered valuable by you/your company?
4. Were these attributes considered complementary/extension/diversification of your existing product portfolio?
5. Do you think you have been successful in leveraging on those attributes (resources/skillset/knowledge)?
   (If yes, then why? If not, then why not?)
6. In an ideal world what would have been the outcome of this acquisition as per you/your company?
7. What role did the VCs play in this acquisition?
8. How important were the people/employees in the decision?
9. Did the deal make provision for the target's management team or employees?

Anish Tiwari, Marie S. Curie Fellow
Dublin City University, Glasnevin, Dublin 9, Ireland

8a. *Who included these – the target or the acquirer or the VC?*
8b. *What employees were covered?*

Post-acquisition Phase

1. What changes have you/your company brought to the target firm post-acquisition?
2. How are these changes faring so far?
3. You/your company could have fully absorbed the target firm into your business? Why did you choose not to do that?
4. Is that a permanent decision?
   (if yes, they why? If not, then why not?)
5. Did you make an offer to the members of the founding team to continue to stay with the target firm post acquisition or did you offer them a new position in your company?
6. How has the employment level in the target firm changed after the acquisition? Have additional employees been hired or have they been laid off?
7. Why according to you have they been hired/laid off?
8. Which departments have been at the forefront of these hiring/layoffs?
9. What key employee characteristics are you/your company looking at when making these hiring/laying off decisions?
10. Was this hiring/lay off decision made prior to acquisition? Was this discussed with the target firm during the negotiation process?
11. If everything goes as per planned by you/your company, what outcomes do you expect to see from these hiring/layoffs?
12. Do you plan to continue hiring/laying off employees in the future?

Closing remarks & future prospects

1. In general, do you think this was a good investment? Are you/your company satisfied with the acquisition?
2. What are the key reasons for your satisfaction/dissatisfaction?
3. What have you planned for the future of the target firm? Where do you see this relationship going?

Appendix G-2: Interview Protocol Target Firm

HORIZON2020 Marie Skłodowska-Curie actions

GLOBALINDIA

INTERVIEW PROTOCOL

Geography: **India**
Interviewee Category: **Seller**

History & Externalities (Only Confirmation required)

1. When was your company registered/started?
2. What was the size and composition of the founding team?
3. Where was your first office located?
4. What according to you was the main industry your business operates in? *(Industrial Classification)*
5. What was your key product/service offering(s)?
6. How many people were employed in your company at the time of sale?
7. Who according to you are/were your key competitors?
8. In terms of market share, where do you think you are stood vis-à-vis your key competitors(if any).

Specifics of the Acquisition Deal

1. Did you always know that you were going to exit via acquisition, or you had other plans?
2. When did you/your company first think about selling your firm?
3. Who first introduced the idea of an exit via acquisition?
4. How did you come to know about the acquiring firm?
5. Was this the only firm you were looking to sell to or were there other options as well?
6. Were you the only firm the acquirer was looking at or were there other companies competing against you?
7. How long did the negotiations last before the finalisation of the deal?
8. When was the deal officially announced? (Only Confirmation required)

Motives/Rationales

1. Was this sale driven by internal factors or external factors?
2. What was/were the key attribute(s) that attracted you/your company towards the acquiring firm?
3. What other attributes of the acquiring firm were considered valuable by you/your company?
4. Were these attributes considered complementary/extension/diversification of your existing product/service portfolio?
5. Why do you think the acquiring firm chose you? What value do you think you added to their company?
6. In an ideal world what would have been the outcome of this sale as per you/your company?
7. What role did your investors (If any) play in this decision?
8. How important were the people/employees in the sale decision?
9. Did the deal make provision for your management team or employees?

Anish Tiwari, Marie S. Curie Fellow
Dublin City University, Glasnevin, Dublin 9, Ireland

Post-acquisition Phase

1. What changes were brought to the firm by the acquirer post-acquisition? Are you aware of those?
2. Did you expect these changes? Are these the right changes according to you?
3. Were you offered a position in the acquiring firm?
4. How has the employment level in the target firm changed after the acquisition? Have employees been hired or have they been laid off?
5. Why according to you have they been hired/laid off?
6. Which departments have been at the forefront of these hiring/layoffs?
7. Do you think this hiring/laying off employees continue in the future? Where do you see this relationship going?

Closing remarks & future prospects

1. In general, do you think this was a good sale? Are you satisfied with the exit decision?
2. What are the key reasons for your satisfaction/dissatisfaction?

Appendix H: Interview Notes

Research interview.
(Grownout)

⇒ Delhi : 2013
Acquired in Jan 2018 by People Strong.
*) Enterprise Application – HR Tech. (Related)

⇒ SUMIT GUPTA + HARSIMRAN WALIA
(co-founder) (co-founder)
CEO

⇒ Matrix + outbox ventures (series A).
Employees| – Q1 2018 = 909
Q1 2020 = 1077 (Increase. why?)

⇒ companies Merged post acquisition. (TECHNOLOGY)
(Acquiring company seems a
SERIAL ACQUIRER).

(*) 2014 (Jan) : December 2014 (*) (SUPPORT FROM INVESTORS)
a) Background – oracle + Mcaffee
b) other co-founder (sumit) was in
education space. [Delhi Railway station]
c) ATS (applicant Tracking system)
→ ATS with search Bar (Naukri.com) General hiring.
2014 d) 40% of hiring through referral (+) 23% V/s 45% retention rate.
[15% HIRING through REFERRAL]

~~July 2017~~ (6 people) → 2016 funding dried up.
(Growth – Bottomline)
a) partnerships – MONSTER ; E-VALUE serve.
helping in acquiring customers.

(*) People strong (Pankaj Bansal)
b) fully Integrated (Pre-established relationship)
c) May 2017 – July 2017.
d) Growth was an obstacle (speed VC wanted)
e) Complementarity and Prior connection.
f) Needed a leader : PEOPLESTRONG.
g) Vipul & Vikram / (capabilities) → Tripathi

Research Interview

(ZENIFY) - Fully Integrated / 1 year deadline. : (*) (7th Business Model)

⇒ Bangalore - 2012

Acquired nest Away: May, 2017

FOUNDERS: Ankur Agrawal (Nestaway DEC 2018)

Sudarshan Purohit (July 2018 - Name. Not changed)

Kailash Rathi (July 2018)

Employment: 101 (Q4 16)

47 (Q3 18) ↓ Massive decline.

MOTIVES ? ⟶ Funding crunch?

competition?

(*) Three round of investment / Non-institutional

7th Business Model - Pivoting.

(*) Acquirer was a tenant of the target firm.

(*) MUTUAL UNDERSTANDING (4000 + properties).

(*) started as business partnerships ⟶ Investing exclusive partnership.

2016 ⟶ 9 months (1 month - 2 months)

Due Diligence [legal drafting]

(*) Funding crunch / COMPETITION.

= Growth potential (WIN-WIN)

= Responsibility - PRESSURE FROM ANGELS Investor.

= CAPITAL CRUNCH // (Growth Projections - GMV)

= Successfuly running profitable Business.

= Team: very important. (100)

(*) (ACCOUNTABLE) //

*) Fully merged - 90 employees.

= Top performing employees. (20%)

= Never asked anyone to leave.

= Personal life. (FAMILY) / social entrepreneurship.

(*) [RELATIONSHIP] / Not Building for exit. (20%)

*) Transition from entrepreneurial lifestyle ⟶ Normal lifestyle //

44 minutes. good balance of independent- so acquisition. leadership council (15)

Verisk:

Fintellix → Verisk. (continued to work). 10G/sequoia

- Investors were uneasy.
- Fatigue.
2014-2016.

objectives: focused on key verticals
- Finance
- Insurance
- Energy
(culture values)

- Insurer wanted to set up a data analysis company. VERISK was created.
- expand to adjacent verticals.
- cash positive. organic/acquired.

starting 2012: argus: card data consortia.
they expanded. (process to policy)

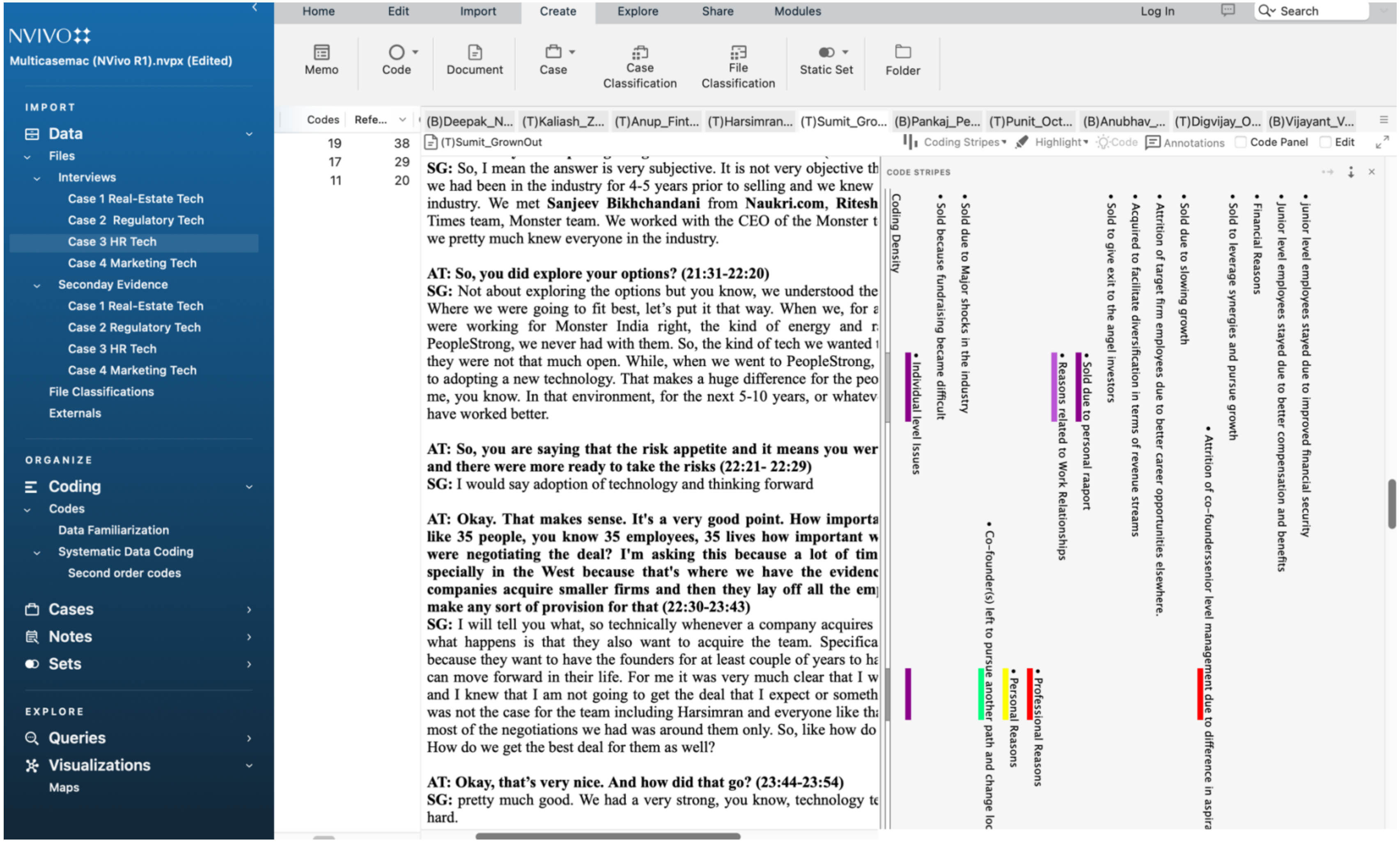
- argus expanded — used cases
- effective media spend.

• argus was handling huge volumes of data. / helped US government.
• they were missing out on data management platform regulatory product.
• Geographic presence. (ASEAN, APAC)
• Access to pool. (232) - (Synergies)

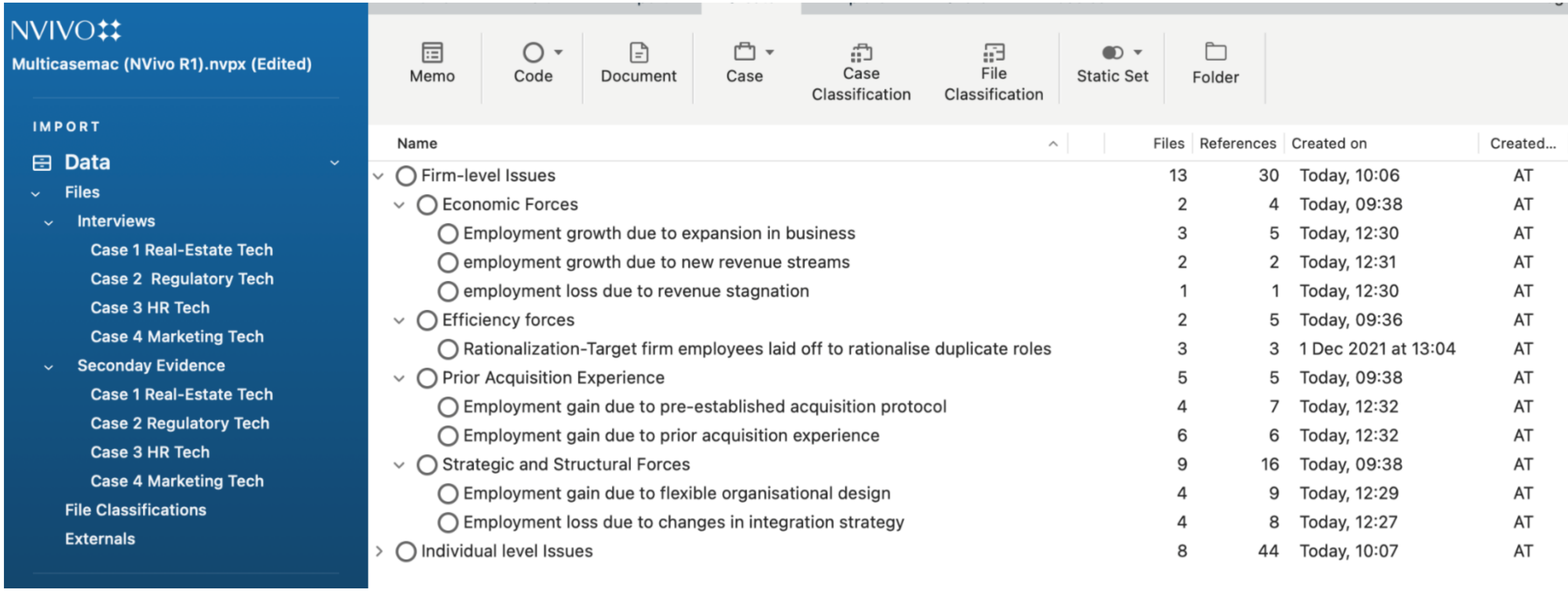
- closer integration / lock in / supporting US Business.
- ERP business line. (relationship - synergies)
- a) IBU
b) Product/corporate (Marketing, HR, Financial)
c) Growing steadily.
- Engineering excellence team. Talent. (Product engineering excellence).
- Global.

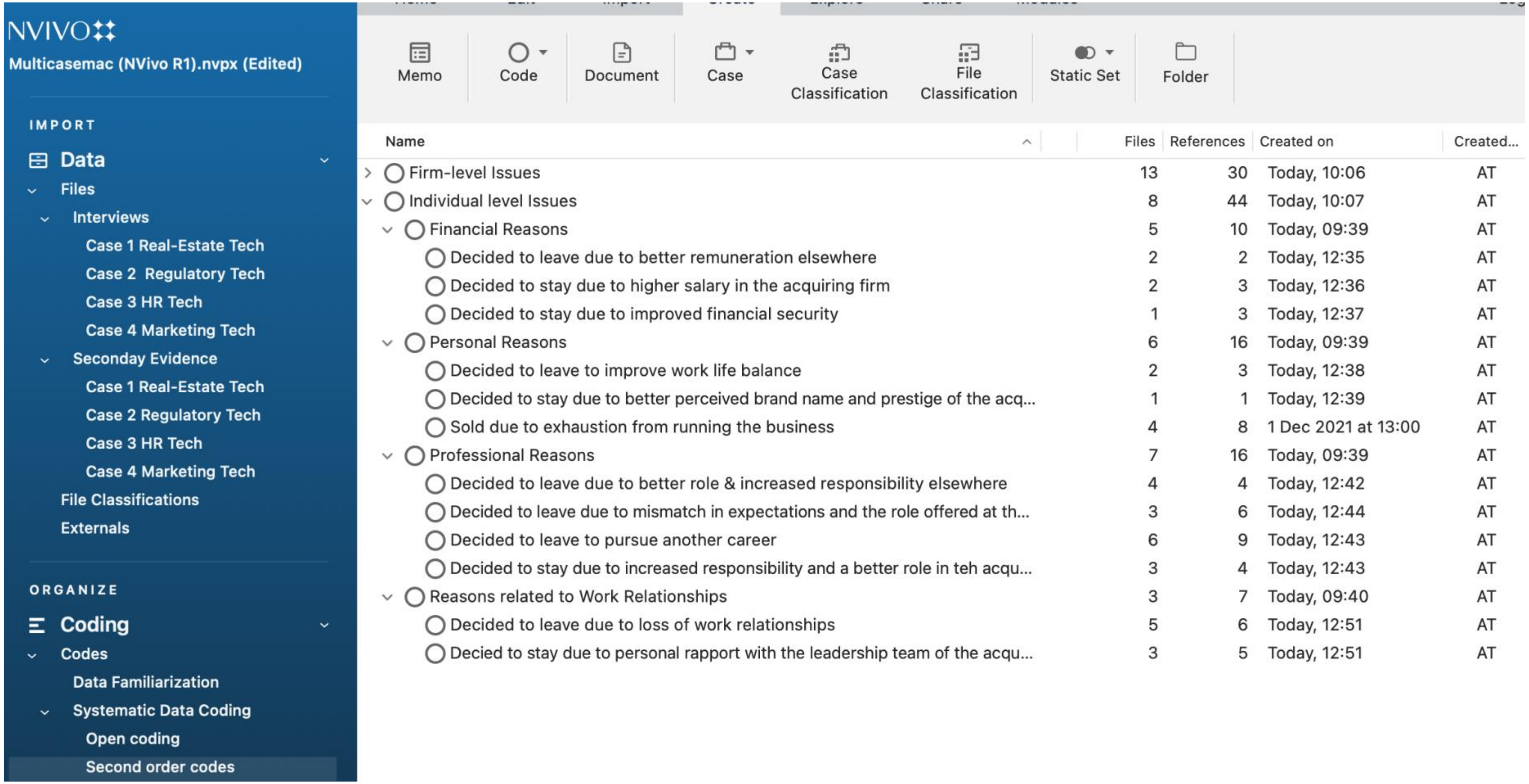
- 350 people. (180 + 80-100 engineering) (7) 2 moved out.
40 people
- Prior acquisition experience. (Other alternative)
- Template / disrupt the key processes etc. younger/ambitious/grower/agile. (Verisk)

Appendix I: Data Organisation – Nvivo



Appendix J: Sample of Nvivo Nodes




NVIVO
Multicasemac (NVivo R1).nvpx (Edited)
IMPORT
Data
Files
Interviews
Case 1 Real-Estate Tech
Case 2 Regulatory Tech
Case 3 HR Tech
Case 4 Marketing Tech
Seconday Evidence
Case 1 Real-Estate Tech
Case 2 Regulatory Tech
Case 3 HR Tech
Case 4 Marketing Tech
File Classifications
Externals
ORGANIZE
Coding
Codes
Data Familiarization
Systematic Data Coding
Open coding
Second order codes
Memo
Code
Document
Case
Case Classification
File Classification
Static Set
Folder
Name
Files
References
Created on
Created...
Firm-level Issues 13 30 Today, 10:06 AT
Individual level Issues 8 44 Today, 10:07 AT
Financial Reasons 5 10 Today, 09:39 AT
Decided to leave due to better remuneration elsewhere 2 2 Today, 12:35 AT
Decided to stay due to higher salary in the acquiring firm 2 3 Today, 12:36 AT
Decided to stay due to improved financial security 1 3 Today, 12:37 AT
Personal Reasons 6 16 Today, 09:39 AT
Decided to leave to improve work life balance 2 3 Today, 12:38 AT
Decided to stay due to better perceived brand name and prestige of the acq... 1 1 Today, 12:39 AT
Sold due to exhaustion from running the business 4 8 1 Dec 2021 at 13:00 AT
Professional Reasons 7 16 Today, 09:39 AT
Decided to leave due to better role & increased responsibility elsewhere 4 4 Today, 12:42 AT
Decided to leave due to mismatch in expectations and the role offered at th... 3 6 Today, 12:44 AT
Decided to leave to pursue another career 6 9 Today, 12:43 AT
Decided to stay due to increased responsibility and a better role in teh acqu... 3 4 Today, 12:43 AT
Reasons related to Work Relationships 3 7 Today, 09:40 AT
Decided to leave due to loss of work relationships 5 6 Today, 12:51 AT
Decied to stay due to personal rapport with the leadership team of the acqu... 3 5 Today, 12:51 AT

Appendix K: Ethics Form

Appendix K-1: Complete Ethics Form

GLOBALINDIA

Global India Ethics Form

Project Title: The Impact of Global Acquisitions on The Growth of Indigenous High-Tech Software Start-Ups and The Development of Technology Clusters in Local Economy"

Researcher Name: Anish Tiwari

Home University: Dublin City University

Supervisor: Dr. Teresa Hogan

Email: teresa.hogan@dcu.ie
anish.tiwari3@mail.dcu.ie

Date Submitted: 05/09/2018

Signed:

Global India Ethics Form

Note: answer YES/NO after each question. Give appropriate additional information as requested. If a question does not apply to you, simply answer NO or N/A (not applicable). Make sure your answer is not highlighted grey to make the form easier to read! The text boxes can be expanded.

1. **Abstract**

Explain your research project in lay terms (max 500 words):

This project examines the impact of acquisitions of Indian high-tech start-ups, particularly cross-border acquisitions, on regional economic development.

High-tech start-ups are important conduits for translating scientific knowledge into commercial products and processes, and play a vital role in the development and diffusion of innovation (Elango, Lahiri, and Kundu 2013; Storey and Tether 1998; Uhlenbruck, Hitt, and Semadeni 2006). Evidence that high-technology firms contribute disproportionately to a region's economic health by stimulating job creation (Audretsch, Lehmann, Paleari and Vismara 2016; Henrekson and Johansson 2009) has led to the widespread acceptance of the view that high-tech start-ups are critical for innovation-driven economic growth (OECD 2001; Storey and Tether 1998; The Kauffman Foundation 2013; World Economic Forum 2011).

Although acquisitions in general, are considered as a win-win for both entrepreneurs and the acquiring company, there has been little research to explore the impact of such acquisitions on the regional economy. This project seeks to contribute to the debate on regional economic implications of high-tech acquisitions. The project will be based in Bangalore, Karnataka which represents the largest share of entrepreneurial activity in India.

The project explores the factors that motivate MNE's to acquire high-tech start-ups internationally and the rationale behind choosing acquisition as an exit strategy. The empirical methodology will comprise a survey and case studies.

2. **Desk-based research**

Are you undertaking archival or other forms of desk-based research? YES

- If YES, do you need any licences or permissions to conduct this research? Give details:

The secondary research for this project will involve reviewing the academic literature in the field using licensed library databases such as Web of Science. It will also involve examination national newspapers and business press using licensed databases.

- Outline any difficulties or ethics issues that you foresee:

None

Are you undertaking web-based research?

YES

- If YES, do you have the right to use the data?

YES

- Do you need to purchase data? Give details:

NO

Are you accessing personal information?

NO

3. Research involving people

3.1 Are you conducting research involving people? (YES/NO)

YES

What form will this research take?

- Interviews

  YES

- Elite Interviews, including expert interviews

NO

- Focus Group

NO

- Survey

YES

- Participant Observation

NO

- Other, detail:

N/A

How will you recruit and identify the participants in your research? Detail:

High-tech firms will be identified through the Federation of Indian Chambers of Commerce and Industry (FICCI) which is an official partner organisation on the Global India Programme.

FICCI is the largest and oldest apex business organisation in India has over 250,000 Indian companies as its members as well as several research bodies. FICCI is the voice of India's business and industry and is the first port of call for Indian industry, policy makers and the international business community.

10 survey participants will be asked to take part in an interview to gain further information on the issues discussed in the questionnaire.

Describe how you will ensure informed consent of your participants:

(Attach the relevant plain language statement and consent forms. The forms of consent can vary with the type of engagement - for example: elite interviews may be recruited by emails)

Participants will be made aware at the outset and throughout that participation is optional, and that their participation will not result in financial gain for anyone involved. Participants will be free to end their participation at any point during the survey and/or interview

Any adverse/unexpected incidents that occur will be reported to the Secretary of the Research Ethics Committee (attached).

Copies of PLS and electronic consent forms are attached below in Appendix 1

3.2 Do the people involved in this research constitute a vulnerable group? (YES/NO)

- Children under 18 years of age

NO

- Vulnerable adults (subjected to dependency)

NO

- Individuals being asked to recall traumatic events or episodes

NO

- Members of minorities groups at risk

NO

- Individuals in custody

NO

- Individuals engaged in illegal activities (e.g. drug taking/selling)

NO

- Other. If you think a category of people you plan to interact with are vulnerable for reasons that are stated above, please give details:

N/A

If you answered YES to any of the above, please explain the nature of the vulnerability of the group you are dealing with, the ethical issues that arise and the steps you will take to

- Ensure the welfare of your research participant

N/A

- Ensure that they have full knowledge and understanding of the research project and their role within it

N/A

- Ensure that they have given informed consent for their participation

N/A

3.3 Survey

Are you undertaking a survey?

Yes

Is it online or in person?

Online

Describe how you will undertake the survey:

The Survey will be administered electronically using databases of companies supplied by FICCI. The survey consists of firm level questions. Participants will be requested to fill in the survey ("Google Forms" survey software) and it will take approx. 15 minutes to complete. The PhD student will conduct data analysis using SPSS software in aggregate form.

The survey will be sent to acquired firms in the Indian software sector. A variation of the survey will be sent to non-acquired (independent) firms in the same sectors. This type of research is very common in this discipline. Draft survey questions are attached in the Appendix 2

Describe the type of questions to be asked:

Draft survey questions are attached in the Appendix 2

Describe the protocols you intend to put in place in relation to personal data (age, gender, ethnicity, etc.), i.e. the storage, the use and the disposal of the data:

The survey and interviews will be with CEOs and/or founders of high-tech firms and we are not collecting personal data.

Make sure you have attached the relevant plain language statement and consent forms you are planning to use.

4. Fieldwork

Do you plan to undertake fieldwork?

- Give details of the location(s) of the fieldwork and the approximate length of time you will spend in the field:

BANGALORE, INDIA 6-10 MONTHS

- Are there any risks to you as a researcher engaging in this fieldwork?

NO

- What protocols, if necessary, will be put in place to negate the risks to you?

N/A

- What protocols will be put in place to keep you in contact with your home university and with the Partner University or institution that will host you during your fieldwork?

1. Weekly reporting mechanism to update both the partner and home university about the progress being made. 2. Bi-monthly meet up with the resource person at the partner university and FICCI the Indian partner organisation to discuss concerns and provide an overview of the process being followed. 3. Visit by supervisor

5. Commercialisation

Does your research have any [potential commercial value?

NO

GLOBALINDIA

If YES, will your research subjects benefit from this research?

N/A

6. Storage and security of data

Describe the protocol you will put in place to store the data collected?

1. Data will be stored in an encrypted hard drive physically to avoid any possibilities of theft or misappropriation.

Describe the protocol you will put in place to store personal data of your participants?

Surveys will be deleted 3 months after collection. Interview tapes will be kept for 1 year. Data entry and interviews transcripts when completed, will be stored in electronic format, password protected on the researchers DCU issued PC, in a dedicated research office, with key card access only (LG28) in anonymous format.

7. Does your research raise any other ethical issues that have not been covered by the form? Please give details:

NO

(This form should only be submitted with the full agreement of the supervisor)

SUPERVISOR(S)
The Supervisor must ensure they have read both the application and the guidelines, before signing below.

Please, if you wish, add comments in no more than 200 words:

Date: 05/09/2018

Name: Dr. Teresa Hogan

Signature: Teresa Hogan

Appendix K-2: Ethics Clearance Confirmation

Anish Ethics Forms Global India/Forms/Documentation ×

[redacted]

Mon, 10 Sept 2018, 11:02

Hi,

The Ethics Committee has got back to me for your form. Here is the comment: 'This form looks very good to me!'

Well done!

Best wishes,

[redacted]

--

[redacted]

Research Support Officer Global India

Ireland India Institute

[redacted]

Dublin City University

Dublin 9 (Ireland)

[redacted]

Appendix L: Plain Language Statement

GLOBALINDIA

Appendix 1 Consent Form and Plan Language Statement

ELECTRONIC CONSENT:

The purpose of this research project is to gain a better understanding of the impacts of acquisitions of innovative firms. This is a research project being conducted by David Smith at Dublin City University. You are invited to participate in this research project because you are the owner of, or manager in, an innovative firm. It should take approximately 10 minutes to complete.

Your participation in this research project is completely voluntary. You have the right to withdraw from the research study at any time. Online survey participants can withdraw at any time prior to the completion of the online survey by simply abandoning the survey. Online survey participants may also skip any question(s) that they do not wish to answer. To have your responses included, please click the "submit" button at the end of the survey.

All data is stored in a password protected electronic format, and surveys will be deleted three months after collection. You may request to have your data deleted at any time prior to this by emailing the researcher at the contact details below. The results of this study will be used for scholarly purposes only.

If you have any queries about this research you may contact the researcher at anish.tiwari3@mail.dcu.ie, or alternatively if you have concerns about this study and wish to contact an independent person, please contact: The Secretary, Dublin City University Research Ethics Committee, c/o Research and Innovation Support, Dublin City University, Dublin 9. Tel 01-7008000

Please select your choice below. You may print a copy of this consent form for your records.

Clicking on the "Agree" button indicates that;

- You have read the above information
- You voluntarily agree to participate
- You are 18 years of age or older

- Agree
- Disagree

GLOBALINDIA

Indian High-Tech Firms Survey Plain Language Statement

Research Title: The Impact of Acquisitions

Researcher: Anish Tiwari

Academic Supervisor: Dr. Teresa Hogan, DCU Business School, Dublin City University

Introduction

I am a second year PhD research student in DCU Business School, researching the effects of acquisitions of innovative firms in India. As part of this research I would like to understand the impact of acquisition on such firms. I would like to learn whether the founders and key technological experts stay with the new firm past the transition period, or do they move on to other ventures. Furthermore, I would like to study the overall effects on employment in acquired firms, do they increase or decrease their numbers on average. Finally, I want to know what happens to the original firm's technology after it is acquired, does it get developed further, or is it likely to be abandoned.

Why is this research being carried out, and how is it funded?

Much of our policy decisions rely on research like this to decide what incentives to put in place for new firms, particularly in high R&D sectors such as software development. This research is being funded by the Global India ETN (European Commission) and aims to contribute to innovation policy in India in the long term. It is being supervised by Dr. Teresa Hogan, associate professor in enterprise development at DCU Business School, who has extensive experience in this area of research.

What happens if you decide to participate?

This is a simple, short survey that should take no longer than 15 minutes to complete. Participation is voluntary. There is no compensation offered for completing this survey, just my sincere gratitude to those that choose to participate. There are no known risks associated with this research. The survey does not seek to obtain any sensitive or personal information, and you are free to end your participation at any time with no explanation. The information gathered in this survey will be used as part of my PhD dissertation, and potentially as part of research papers submitted to academic journals. Surveys will be deleted 3-months after collection. You may indicate at the end of the survey if you would like a copy of any research arising out of this data. No individual firm names will be used; data will be aggregated and written about in terms of what happens 'on average'. Participants should be aware that confidentiality of information provided cannot always be guaranteed by researchers and can only be protected within the limitations of the law - i.e., in certain cases, it is possible for data to be subject to subpoena, freedom of information or mandated reporting by some professions.

If participants have concerns about this study and wish to contact an independent person, please contact:

The Secretary
Dublin City University Research Ethics Committee, c/o Research and Innovation Support
Dublin City University, Dublin 9.
Tel 01-7008000

Appendix 2 Draft Survey of Acquisitions of Indian High-Tech Firms

Rationale for the Study:

Innovative start-ups are key targets in the global market for acquisitions, which posted volumes of $3.9 trillion in 2016, technology being the most active by dollar volume (JP Morgan, 2017). According to Bloomberg (2014) tech giants like Google alone averaged 1 acquisition per week over the preceding 2 years, spending in excess of $17 billion.

In India, technology is also the driver of Indian M&A activity, with access to Indian companies' technological capabilities and the country's skilled workforce continuing to drive deals. This suggests that overseas acquirers see a clear benefit in purchasing innovative Indian firms. We are interested in how the acquisition impacts on your company. Given the focus of Indian policy on technology and supporting high tech industries through funding, venture capital and other incentives, it is important that the overall benefits to the Indian economy are examined.

Introduction:

- The questionnaire should be completed by a senior manager within the firm
- In most questions you are only required to tick the appropriate response.
- Information provided is strictly confidential and under no circumstances will respondents' details be provided to third parties.