

# **That's great on paper... but not in practice! – A routine ecology perspective to understand M&A integration barriers**

## ***Abstract***

*Building on the endogenous routine dynamic perspective, we aim to understand the micro-foundations of capability transfer in post-acquisition integration. Based on a single, longitudinal case study of an acquisition in the consultancy sector, we apply a practice-based lens to study the intended combination of two existing routines in an acquisition process and why its implementation turned out to be a failure. Our findings suggest that seemingly matching capabilities were not compatible in practice as the underlying sequences of action were incompatible and their embeddedness in its intra- and inter-organizational ecology of routines was not considered. Our article sheds light on the role of routines in acquisition integration and contributes to literature by discussing a) the prevailing role of the interconnectedness of routines in effective capability transfer and b) discrepancies between ostensive and performative aspects of routines as impediments to the implementation of the pre-acquisition plan in the post-acquisition phase.*

**Keywords.** Post-acquisition integration, synergy creation, capability transfer, routine dynamics, practice-based approach

## INTRODUCTION

Mergers and acquisitions are a crucial means to obtain resources and capabilities needed to sustain a firm's competitive advantage in the long run (Graebner 2004). Yet, creating value from acquisition operations is difficult and recent studies show that less than 50% of the acquirers achieve the expected goals and synergies (Schoenberg 2006; Zollo and Meier 2008).

One explanation for failure is the untapped synergy potential which is determined by similarities and complementarities between the two organizations. Spotting potential complementarities in the pre-acquisition phase is considered a decisive step for future success (Gomes, Angwin, Weber, & Yedidia Tarba, 2013). However, synergistic benefits are linked to the managerial capacity to successfully exploit such complementarities. Their effective implementation requires interactions conducive to building a supportive environment for transferring capabilities and creating knowledge to achieve the acquisition's purpose (Birkinshaw et al. 2000; Bresman et al. 1999; Haspeslagh and Jemison 1991). Different authors (Heimeriks et al. 2012; Mitchell and Shaver 2003; Zollo and Singh 2004) point towards the necessity to develop specific capabilities for acquisition integration, arguing that learning is not automatic but requires human effort. Other studies emphasize different types of difficulty such as structural, cultural and human that make the integration process harder and impede synergistic benefits (Birkinshaw et al. 2000; Haspeslagh and Jemison 1991; Jemison and Sitkin 1986; Larsson and Finkelstein 1999; Shrivastava 1986).

While we know that capabilities need to be transferred between acquirer and target, more insights need to be gained on how this transfer actually works in practice. Capabilities have mainly been approached from a macro perspective: they have been considered as entities that can be designed up-front and transferred from one organization to another (Parmigiani and Howard-Grenville 2011). In practice, however, capability transfers that have been pre-

defined on paper often do not materialize (Mintzberg and Waters 1985). Further, current literature views the pre-and the post-acquisition phases as independent occurrences leading to a lack of empirical insights on what happens during the integration process.

In this paper, we borrow from the endogenous routine dynamic perspective (Feldman, 2000; Feldman *et al.*, 2008) to study how different routines are integrated within acquisition processes. Doing so, we aim at unpacking capabilities and focus on the underlying bundles or ecologies of routines (Salvato, 2009; Sele and Grand, 2016) that are considered as the building blocks of capabilities (Dutta *et al.*, 2003). This approach allows us to better understand the everyday enactment of capability integration as it happens and unfolds. Based on a practice perspective (Parmigiani *et al.*, 2011), we define routines as “repetitive patterns of interdependent organizational actions carried out by multiple participants” (Feldman, 2003). We consider them as important for core organizational phenomena such as change, learning, and knowledge transfer (Pentland *et al.*, 2005 ; Pentland *et al.*, 2016) that are required in post-acquisition integration. Routines can be taken apart to examine the mutually constitutive interaction of ostensive and performative aspects (Feldman and Pentland, 2003). While the ostensive aspects can be described as the overall pattern or current structure of a routine, the performative aspects constitute the routine in practice and its particular patterns of action. Based on this perspective, Pentland and Feldman (2008) criticize the idea that routines might be designed up-front because it is unclear what “patterns of action” will eventually emerge. They therefore argue that routines are a product of human action.

We use this theoretical lens to study the planned combination of two existing routines in an acquisition process and thereby shed light on the role of routines for successful integration. Our paper draws on a single, longitudinal in-depth case study of an acquisition in the consultancy sector. Both are French SMEs located in Paris. Our data consists of 40 qualitative interviews with partners and consultants from both companies taking place from

the moment of the acquisition until one and half years afterwards. Our analysis showed that the combination of routines did not create the expected benefits because they appeared to be incompatible in practice – a matter of fact that was revealed when studying the routines from a performative lens (Latour 2005). Further, the connectedness of the routine with other adjacent routines, i.e. market and organization routines, within each organization appeared as another important barrier for the new routine to be implemented effectively. We argue that a routine approach allows to better understand the everyday enactment of capability integration and to shed light on an important source of liability for post-acquisition performance.

This paper makes three distinct contributions. First, contribute to research on capability transfer in M&A, proposing a micro-organizational, dynamic and practice-based analysis of M&A integration process. Second, we extent M&A literature on the interconnectedness of pre- and post-acquisition processes, showing how the lack of connection between both can be a liability for post-acquisition performance (Gomes et al, 2013). Third, we contribute to the literature on routine dynamics (Feldman and Pentland 2008). We shed light on the interconnectedness of routines at an intra- and inter-organizational level. So far, the focus has mainly been on the relationships of intra-organizational routines (Parmigiani and Howard-Grenville 2011). Finally, our findings focusing on the ecology of routines provide an embedded understanding of the integration process and consequently answer multiple calls for contextualized research in the realm of M&A and routines (Turner and Rindova 2012).

In what follows, we present our underlying theoretical background. We first present an overview of research from the field of M&A and more in particular post-acquisition integration to then explain the usefulness to approach the phenomenon that we intend to study – combining seemingly matching routines in an acquisition process – from a routine dynamic perspective. We continue with a description of the research setting, data collection and data

analysis before our findings. Finally, we discuss how these findings contribute to our understanding of capability transfer in acquisitions and address implications for future research.

## **THEORETICAL BACKGROUND**

### **Post-Acquisition Integration**

*Creating synergies through complementary capabilities.* Mergers and acquisitions are a crucial means to obtain resources and capabilities needed to sustain a firm's competitive advantage in the long run (Graebner 2004). In related acquisitions, superior performance can be achieved if organizational combination leads to synergies, i.e. if the combined organizations create more value than each can achieve alone (Chatterjee, 1986). Larsson and Finkelstein (1999) proposed that the synergy potential of an acquisition is determined by similarities and complementarities between the two partners involved in the acquisition. Later on, Harrison et al. (2001) argued that synergetic benefits are more likely to create abnormal results when based on complementarities rather than on similarities. Complementary capabilities are capabilities that reside in the merging organizations that are "not identical and yet simultaneously complementing each other" (Harrison et al, 2001: 680). Spotting the complementary capabilities in each of the two firms and evaluating the synergy potential is thus a decisive step in the pre-acquisition phase. However, extant literature shows that the acquirer exploits the actual synergy potential only over time and as companies start working together and engage in resource transfer and combination (Greenwood et al, 1994). In other words, in the pre-deal phase it's difficult to precisely anticipate what the integration phase will look like. Another important element to evaluate in the pre-deal phase is the degree of integration required to take full advantage of the deal (Haspeslgh and Jemison, 1991). Finding the balance between integration and autonomy of the acquired firm is an essential decision that determines the success of the post-acquisition phase (Zaheer et al, 2013).

*Transferring strategic capabilities.* The transfer of strategic capabilities is at the heart of the integration process (Haspeslagh and Jemison, 1991). The integration process consists of interactions that constitute the environment for transferring capabilities and creating knowledge to achieve the acquisition's purpose (Birkinshaw et al. 2000; Bresman et al. 1999; Haspeslagh and Jemison 1991). Capabilities transfer relates to operational resource sharing transfer of functional skills and transfer of general management skills. Overall, the aim of the integration phase is to create an "atmosphere supportive of capability transfer" (Haspeslagh and Jemison, 1991). Capability transfer and resource redeployment has been extensively analyzed in the M&A literature (Capron et al, 1998, Capron, 1999; Capron and Pistre 2002). "Resource redeployment" is the extent to which a target or acquiring firm uses the other firm's resources (R&D capabilities, manufacturing know-how, marketing resources, supplier relationships, and distribution expertise), which may involve physical transfer of resources to new locations or sharing resources without physical transfer (Capron, 1999: 988). This literature shows that firms involved in acquisition tend to transfer complementary capabilities to each other and that these transfers ultimately influence the outcomes of the acquisition. In this stream of research, capabilities are often approached as "Lego building blocks" that can/should be transferred from one firm to the other to implement expected synergies and foster the overall financial performance of the combined organization. In other words, the level of analysis remains rather macro. Existing literature focuses predominantly at the organisational level of analysis (Angwin and Urs, 2014) subsequently examining issues such as knowledge transfer (Zollo & Singh, 2004), structural fit (Angwin & Meadows, 2012; Haspeslagh & Jemison, 1991), leadership alignment (Waldman & Javidan, 2009), culture (Bauer & Matzler, 2013; Cartwright & Cooper, 1993; Stahl, Chua, & Pablo, 2012) and autonomy (Zaheer, Castañer, & Souder, 2013).

Overall, M&A scholars barely tried to open the black box of these “Lego building blocks” to understand what micro mechanisms favor capabilities transfer and ultimately the implementation of the planned synergies. More recently researchers have tried to capture variables that affect capability transfer to propose a more fine-grained analysis. For instance, Bjorkman, Stahl and Vaara (2007) proposed a model of the key factors that mediate the effect of cultural differences between the acquiring and the acquired firms on the extent to which capability transfer takes place from one to another. However, there is still a need to adopt a micro perspective to unpack capability transfer in post-acquisition integration. As Angwin and Urs (2014: 156) underlined, M&A scholars should look more inside organizations to obtain a more in-depth understanding of how sub-organizational units can affect acquisition integration performance .

*Connecting pre- and post-acquisition phases.* Another limit in the M&A literature is the lack of connection between pre and post acquisition phases (Gomes, Angwin, Weber, & Yedidia Tarba, 2013). While calls for processual approaches are enduring in the literature (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986; Meglio & Risberg, 2010; Risberg, 2001), true processual M&A studies remain relatively rare. In other words, studies tend to remain "within" phase (either pre-acquisition or post-acquisition) rather than analyzing linkages throughout the whole M&A process. Recent research has shown that connecting between pre- and post-merger stages may yield better M&A performance in general (Weber, Tarba, & Rozen Bachar, 2011). Consequently, analyzing pre and post-acquisition phases as interconnected steps and not as stand alone phases could favor findings that better reflect the reality of M&A practice.

Angwin and Vaara (2005) underlined the importance of connectivity in M&A processes. Connectivity can be understood as a “metaphor that highlights the complexities,

interconnected processes and synchronized activities in organizations and their contexts” (Angwin and Vaara, 2005: 1449). As the authors stress, M&A are highly contextual events where the organizations to be combined have to be thought of as independent entities which have a history of operating in a particular environment, with particular processes, norms, etc. In the course of acquisition integration, interdependencies have to emerge, as well as on the organizational level as the one of individual interactions. It is this emergent connectivity that has to be addressed on a multi-level and from an encompassing comprehensive point of view.

To sum up, the constantly growing literature on M&A has generated a vast fan of contribution geared toward a better understanding of the integration process. However the extant research has focused on certain perspectives and failed to interrogate others subsequently leaving some gaps in the literature. We found three major gaps that we will address in this article: (1) lack of micro-level perspective in the study of M&A, (2) lack of connection between pre and post-acquisition phase, (3) lack of contextualization in the analysis of the integration process. Drawing on the routine dynamic research, we intend to address these gaps from a practice perspective as we will outline below.

### **A ‘Routine Dynamic’ Perspective on Post-Acquisition Integration**

Based on a practice perspective (Parmigiani and Howard-Grenville 2011), we define routines as “repetitive patterns of interdependent organizational actions carried out by multiple participants” (Feldman 2003). We consider them as important for core organizational phenomena such as change, learning, and knowledge transfer (Pentland and Feldman 2005) that are required in post-acquisition integration. Routines can be taken apart to examine the mutually constitutive interaction of ostensive and performative aspects (Salvato and Rerup 2011). While the ostensive aspects can be described as the overall pattern or current structure of a routine, the performative aspects constitute the routine in practice and its particular

sequences of action. Based on this perspective, Pentland and Feldman (2008) criticize the idea that routines might be designed up-front because it is unclear what “patterns of action” will eventually emerge. They therefore argue that routines are a product of ongoing human action.

“While there is a significant body of research into the nature of routines, much of this research has focused upon a routine in isolation, rather than its amalgamation with another routine to form new routines or bundles of routines. The research has also tended to focus upon a routine of a single organisation rather than examining the fusion of routines across different organisations. The discussion of routines has also tended to downplay the role of other contexts, such as the macro context, in the evolution of routines” (Angwin and Urs, 2014: 155).

In order to understand what happens in practice when routines are intendedly brought together, we borrow from the endogenous routine dynamics perspective (Feldman & Pentland, 2002). By shifting the focus from considering routines as entities to routines as parts (Parmigiani & Howard-Grenville 2011) conceptualizing routines as the mutual constitution of ostensive and performative aspects has proven fruitful to understand in the actual enactment of routines. While the ostensive stands for the embodied patterns that we are able to discern, the performative stands for the situative enactment of the different steps as routine is made up of. Thereby, the practice perspective allows us to consider capabilities and their underlying routines not as largely stable entities that can be transferred from one context to another but as emerging and developing through their continuous performance. In that sense, it rejects the idea that routines can be designed up front (Pentland & Feldman 2008). An idea that is supported by Mintzberg’s notion of intended and emergent strategies. In our case this means to open up the black box and focus on individuals and their actions.

In the literature, several scholars have applied routine perspective to the analysis of the micro-foundations of integration performance. For instance, Paruchuri and Eisenman (2012) focus on investor networks to analyze how the activities underlying firm's R&D change in the aftermath of a merger. They propose that inventors might be affected by the disruption of their day-to-day routines in the integration process depending on their centrality in the intra-firm network. They thus try to analyze how change in terms of individual-level processes comes about in response to change at organizational level. They found that in the post-merger context characterized by anxiety and uncertainty, the knowledge generated by more central inventors becomes more important to the firm's R&D activities but that the knowledge generated by inventors spanning larger structural holes becomes less so (Paruchuri and Eisenman, 2012: 1527).

Heimeriks, Schijven and Gates (2012), study the underlying mechanisms of deliberate learning in the context of post-acquisition integration. They build on Zollo & Winter's work (2002) on learning codification and on dynamic capabilities literature (Teece, Pisano, & Shuen, 1997). Using mixed-methods, they show that successful active acquirers develop higher-order routines—as manifested in complementary sets of concrete organizational practices—that foster ad hoc problem solving whenever the specific acquisition at hand deviates sufficiently from the norm, thus counteracting the inertial forces brought forth by (zero-order) codified integration routines (Heimeriks, Schijven and Gates, 2012: 719). They consequently contribute to a finer grained analysis of learning in post-acquisition integration.

The two articles mentioned above focus on the post-acquisition phase. On the contrary, the following article aims at better understanding the links between synergy expectations and acquisition performance outcome. Indeed, Angwin and Urs (2014) examine ordinary routine amalgamation and their impact upon meta-routine outcome during the post-acquisition integration process. Using a qualitative approach, they study routine combination and routine

superimposition. They show how functions are brought together during the integration process, they show how routines become unstable and thus result in negative performance outcomes (Angwin and Urs, 2014: 175).

In our article, we intend to build on this theoretical perspective and analyze the following research question throughout an in-depth single case study: “How does interconnectedness of routines influence synergies implementation in post-acquisition integration?”

## **METHOD**

### **Research setting**

We chose a case suitable to the phenomenon under study (Eisenhardt 1989): a horizontal acquisition in the French recruitment consultancy sector. At the end of 2009, the acquirer bought the target following the latter’s entrance into insolvency proceedings. As the procedures foresee, employees of the target were consulted on their preferences for one of the three potential acquirers and voted unanimously for the Lincoln. For the latter, the takeover was an opportunity to expand its geographical reach and to extend its commercial offer. Whereas the acquirer is located in Paris, the target has offices in Paris and three other major French cities.

The two firms had been present in the market for about ten years prior to the acquisition. Both are SMEs, the acquirer having a workforce of 31 people, the target counting 22 members. After the acquisition, both entities remained separate, maintaining their brands and offices, but were supposed to develop strong operational interdependencies that allowed for synergies to be created and exploited in the months following the takeover. The acquisition can, therefore, be characterized as symbiotic (Haspeslagh & Jemison, 1991) – an integration approach that combines the preservation of both firms’ autonomy, while building high interdependencies between them.

While both the acquirer and the target are specialized in recruitment services, their work methods and practices vary as illustrated in Table 1. Differences include types of clients, methods and techniques used to identify and contact potential job candidates, the hierarchical level of jobs to promote, and the internal organization of work processes. The acquirer's main clients were large companies, seeking for filling managerial positions at high hierarchical levels. To achieve this goal, consultants used headhunting as their focal method to identify rare talents that would fit the job requirements. Practically speaking, headhunters would contact a set of preliminarily identified people who are currently employed and do not necessarily seek to change position. The goal would be to convince these people for an interview for a job that the candidate gets no information on at that time. The target's client base on the other hand was mainly composed of SMEs seeking to hire middle-managers or, more often, salespeople. The dominant technique used by consultants to identify job candidates was the publication of job ads that would allow attracting a large pool of applications.

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The marked differences between the acquirer and the target might have been thought of as an obstacle to a successful acquisition. However, the top management of the acquiring company considered the differences in terms of work processes, client portfolios and commercial offers as a valuable source for synergies. Especially the complementarities of a joint commercial offers – combining headhunting with the HR assessment tool and management training modules of the target – was considered promising and an important source for value creation.

This paper focuses on the integration of the commercial offers after the acquisition was concluded. More in particular, we zoom in on how a new offer was designed, implemented and executed while keeping the two companies as separate entities. Doing so, we are able to show how seemingly matching processes partially failed as the integration of the different routines created disruptions between routines within both companies as well as between them.

### **Data collection**

Longitudinal qualitative data were collected over a period of 12 months, tracing in real time the acquisition as such as well as the post-acquisition integration process. To avoid potential bias from a single data source or informant (Eisenhardt 1989, Yin 1994), we used a range of data sources.

*Interviews.* As summarized in Table 2, the first author conducted 40 interviews with twenty-six respondents from the target and the acquirer at two different times: at the time of the acquisition (period 1) and one year later (period 2). The interviews were held with individuals from different ranks and functions of the companies, including junior consultants, senior consultants, assistants and managers. Interviews were semi-structured and lasted between 60 and 120 minutes.

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At period 1, no interactions between consultants had yet taken place. Interviews concerned mainly current work processes and methods, work relations inside the pre-acquisition units and individual expectations and opinions regarding the acquisition project and the projected synergies. These topics were also central during the interviews in period 2. In addition, consultants were also asked about work relations, formal or informal, that

developed with consultants of the other firm during the past year or, on the contrary, why relations that may have been expected to develop did not do so. Interviewees were also asked to describe how work processes and relations with colleagues evolved in their focal company.

*Observation and Documents.* Although interviews with participants are a valuable and appropriate source from a practice perspective, we complemented the interview data with observational data as well as with documents that were shared with us or were publicly available. More in particular, the first author participated in internal workshops, seminars and events and was able to access internally elaborated documents from working groups involved in acquisition integration planning.

## **Data analysis**

Initially, our research was driven by the question: why do many post-acquisition integration processes fail despite the fact that the merging parties have extensively worked on how synergies and complementarities can be achieved? More in particular, we were interested in how people evaluate the integration potential and what happens during the real integration. Following an inductive and open-ended research design (Strauss and Corbin 1998), we oriented our search towards integration practices and processes. A topic that sparked our mind was the strong focus in the current literature on post-acquisition processes on how the integration needs to be executed without a particular emphasis on the practices or organizational routines that are being integrated. With the interest in the role of organizational routines in mind, we iterated between the empirical material, the emerging observations, and the existing literature (Locke 2001) and decided that bringing in insights from the routine dynamics research (Feldman and Pentland 2003, Feldman et al. 2016) could be very fruitful to focus on the actual performance of routines instead of on their design.

To make sense of the data, our analysis progressed in two stages. First, the author who collected the data wrote descriptions of the two routines that the acquirer intended to integrate

in a combined offer. Based on these descriptions, we identified the sequences of actions of the two routines and of the combined routines. Second, we coded all interviews in again two steps. First, we coded the interviews at the time of acquisition to be able to describe the recruitment routines in terms of its embodied patterns (ostensive aspects) in each of the two companies and to understand the ex-ante reasons for bringing the two routines together. In a second step, we coded the interviews that took place one year after the acquisition to understand how the two routines were combined and what were the ex-post reasons for the dysfunctionality.

## **WHEN ROUTINES DO NOT MATCH**

In what follows we will first describe the two existing recruitment routines at each firm (Routine 1 and 2) as well as the intended new routine as it was conceived pre-acquisition (Routine 3a). We then will explain the actual implementation of this new routine (Routine 3b) and why its implementation turned out to be a failure. In a last step we will interpret this failure to how the interconnectedness of routines plays a central role in synergy creation.

### **Pre-Acquisition Phase**

***Routine 1.*** At the acquirer, it is always a team of two consultants (supported by two assistants) who treat job search assignments. Working in pairs aims at mentoring less experienced consultants or to regroup consultants with different areas of expertise. The collaborative work process is seen by management as one main distinctive competitive trait and is fundamentally rooted in the firm's culture.

Consultants are specialized and organized in pools dealing with a particular market or job domain such as finance, IT, or supply chain. This specialization aims at being capable to better assess clients' needs and candidates' profiles, and to develop a large network of clients

and potential candidates in a given area. The recruitment routine at the acquirer is composed of several steps summarized in Table 3.

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**Routine 2.** At the target, consultants do not work in teams but are alone in charge of a given assignment. Similar to the acquirer's routine, consultants are supported by an assistant. Consultants are not specialized, but explicitly present themselves as generalists, capable of finding personnel for any position in any sector thanks to their experience and particular work process. The recruitment routine (Routine 2) at the target is again composed of several steps summarized in Table 4.

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**Routine 3a (intended).** The acquisition project foresaw a systematic integration of the target firm's assessment tool into the acquirer's recruitment process. This would strengthen the services offered to clients and would therefore allow to charge higher service fees. The joint offer would combine the recruitment process of the acquirer with the evaluation of final candidates using the assessment tool of the target as illustrated in Figure 1. A consultant from the acquirer would carry out the recruitment process as usual and present the final selected candidates to the client . The target firm would evaluate these finalists with their assessment tool and give an additional feedback to the client about the candidates' suitability for the defined job . The client would pay a supplementary fee for these evaluations (about € 1500 for

each evaluation). The acquirer's consultant would receive 20% of this fee, the target firm's consultant 80%.

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### **Post-Acquisition Phase**

*Routine 3b (implemented)*. While the combined offer and its underlying work process had been seen as promising by consultants of both firms at the moment of the acquisition, the picture changed after a few months. Discrepancies appeared between the routine's design and its actual implementation and had as consequence that consultants raised strong doubts about the efficiency of the combined routine. They perceived no real added value in using it compared to the each routine operated separately, and eventually finished by rejecting it. These doubts and apprehensions only appeared once the new routine had been implemented. Concrete experience revealed incompatibilities of routines in terms of actual sequences of action as well as with other organizational processes and routines in which both routines are embedded. In the following we provide with four narratives to illustrate the root causes of these incompatibilities, in terms of within-routine sequences of action, and in terms of routines' ecology. <sup>22</sup>

#### *Incompatible sequences of action within routine*

The first problem concerned the actual implementation of the newly designed routine during two concrete assignments. As foreseen, consultants at the acquirer selected in a first step three potential job candidates through the usual headhunting process and presented these to the client. Afterwards, the finalists were evaluated with the assessment tool by consultants at the target. In both cases, candidates' assessment showed incompatibilities with the psycho-

sociological profile defined for the given job position, so that all candidates selected by the acquirer's consultant were rejected by their counterparts at the target. These conflicting outcomes were perceived all the more distressing in light of the rarity of the headhunted profiles, for which consultants at the acquirer had a hard time to find any candidate. In addition, as candidates had already been presented to clients as suitable, their disqualification by the assessment tool jeopardized the acquirer's consultants' work quality and credibility. They looked at the acquired assessment tool as a highly time-consuming and complicated tool whose value was hard to sell to clients. As this senior consultant put it, they perceived their own approach as being overly 'more profitable: it is less time-consuming, more effective.'

*'The use of a combined recruitment process has raised conflicts. It turned out to be actually very complicated. Candidates were selected through our regular recruitment process and presented to the client. Then Y [acquired firm] evaluated the candidates and said 'no, they do not fit'. In that case, we had worked for nothing and we had to find new candidates all over again. As it became complicated, we chose to work without their assessment process. I will not make use of it, since I run the risk of having to redo the selection process or having to propose twice the number of candidates in the hope that it will work out.'* (Senior consultant, acquirer)

*'It is very irritating for the client relationship when candidates I recommended are afterwards rejected by the assessment process of the acquired firm. It strongly weakens my credibility towards my client.'* (Senior consultant, acquirer)

#### *Incompatibility with other routines*

In addition to incompatibilities of both routines, we will now address why the combination of both routines because of their interdependencies with adjacent routines was not considered in

design and inhibited on integrating them in practice. Table 5 presents interaction effects of the new recruitment routine with adjacent routines maintained in both organizations.

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We will illustrate this point highlighting more in detail the connectedness with two adjacent routines, and which had a disruptive effect on the implementation of the combined recruitment routine: market routines and organization routines.

*Market routine*

The acquirer’s main clients are large groups, seeking for hiring personnel for managerial positions at high hierarchical levels (management and top management levels). The positioning is high-end (headhunting). Job candidates are important resources and seen as future potential clients. They are also a rare resource. Acquirer consultants use headhunting as the focal method to identify rare talents that would fit the job requirements. Headhunting implies that the consultant contacts a person who is already employed and does not seek necessarily for changing position, trying to convince him to come to an interview for a job that the candidate gets no information on at that time. So the resource is hard to find, and is also not easily available.

By contrast, the acquired firm’s client base is mainly composed of SMEs seeking to fill job positions at employee or middle-management levels, and mainly sales persons. The dominant technique used by consultants to identify job candidates is the publication of job ads (online and print), attracting a large pool of applications.

These different market routines had disruptive effects for implementing the new integrated routine. The market positioning of the acquirer is based on high-end, customized headhunting

to find rather rare experts with particular competences. Their psychological profile and motivation, as being central features of the target's assessment tool, is thus largely secondary. The disqualifying of headhunted candidates by the assessment tool increases the rarity of the resource.

### *Organization routine*

At the acquired company, consultants are not specialized but explicitly present themselves as generalists, capable of finding personnel for any position in any sector thanks to their experience and particular work process. The latter includes a strong implication of the hiring firm in the recruitment process and an in-house visit where the consultant spends one day at the beginning of an assignment at the client's company in order to talk to the candidate's future management and colleagues and to get an insight view of the future work place. There is no shared information system or database. Work results (reports, assessments, candidate appreciation) are stored on paper and also transmitted to the client on paper.

At the acquirer, consultants are specialists and divided into expert domains (Finance, IT, Purchasing, Supply chain, Legal), i.e. they will deal with assignments concerning their sector of specialization. If a consultant specialized in finance receives an assignment for a job in another industry or job function not related to finance, he will have this assignment produced (so sub-contracted) by a colleague specialized in the given domain. They share their working space (open space) to promote communication between consultants, promote information exchange on clients and candidates. This organization routine directly supports the collaborative business model.

These different organization routines effected the implementation of the combined routine. As at the acquirer a consultant is an expert of a given industry / job function, but at the target consultants are generalists, so working on all type of jobs or industries, the likelihood that a

generalist would sub-contract an assignment to an expert is low. The benefit is thus overly unilateral, in favor of the acquired consultants. Further, the assessment tool generates paper based extensive reports which are not conveying the high-end positioning when communicated to clients.

## **DISCUSSION AND CONCLUSION**

Our study shows how the intended combination of two existing routines failed due to their incompatibility in practice. By adopting the endogenous routine dynamic perspective, we contribute to the understanding of the micro-foundation of capability transfer in acquisitions. By opening up the black box and focusing on the ostensive and the performative aspects of routines we are able to show that seemingly matching capabilities might not be compatible as the sequences of action cannot be easily combined (Feldman 2003). By definition, during the due diligence process, it is difficult for the acquirer to grasp the sequence of action of each routine or capability that is intended to be exploited in the future. In fact, the definition of a combined routine did not lead to the expected value creation.

These findings contribute to the extensive literature on post-acquisition integration by unpacking the role of routines (Birkinshaw et al. 2000; Haspeslagh and Jemison 1991; Larsson and Finkelstein 1999).

Further, by focusing on the compatibility of routines we can address the lack of connection between pre- and post-merger phases (Gomes et al. 2013). The routine dynamic view with its processual characterization of organizational phenomena helps to develop a truly longitudinal design in which the researcher observes the routines development over time and thus across pre- and post-phase.

By rejecting the idea that capability transfer is an unproblematic process, we shed light on the importance of anticipating the potential issues in combining routines early on in the

pre-acquisition phase. This contributes to the literature on compatibility / fit (strategic, organizational and cultural) as it adds a micro approach. The routine dynamics view allows us to see differences on the level of situated performances which cannot be identified if routines are considered as entities.

Our study also contributes to the literature on sensemaking and political issues in post-acquisition integration by underlining the importance of agency and human actors in acquisition processes (Monin et al. 2013; Vaara et al. 2005).

From a routine perspective, our findings can add to the understanding of how routines influence strategic organizational processes and outcomes.

From a managerial point of view, adopting a practice perspective on organizational routines, we argue that in addition to synergies definition in the pre-deal phase, firms engaging in an acquisition process should pay attention to the actual compatibility of organizational routines in their decision-making process. Indeed, an acquisition can be very attractive on the paper, but synergies can only be realized if organizational routines are compatible once put into action. One might even assume that in practice designing synergies in the pre-deal phase is a myth.

This research is not without limitations. It is based on a single case study of a symbiotic integration. Future studies should examine whether our findings about the routine match and routine ecology are replicable in other types of integration processes such as preservation or absorption where routines combination may be less important from a strategy standpoint.

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**Table 1: Overview of the Companies**

<i>Criteria</i>	<i>Acquirer</i>	<i>Target</i>
Number of employees	31	22
Average age	38	36
Average tenure	4.5	8
Type of offer	Recruiting consultancy	Recruiting, evaluation and training consultancy
Sector competences	Finance, IT, Purchasing, Supply chain, Legal	Health, Marketing, Retail
Modes of working	Teams	Individual
Search approach	Headhunting	Job ads

**Table 2: Overview of Interviews**

	<b>1<sup>st</sup> interview series</b>	<b>2<sup>nd</sup> interview series</b> <i>(in parenthesis number of respondents interviewed in the first wave)</i>	<b>Total respondents</b>	<b>Total interviews</b>
<b>Acquirer</b>	<b>10</b>	<b>12 (9)</b>	<b>13</b>	<b>22</b>
Partners	2	4 (4)[1]	4	6
Consultants	5	6 (3)	6	11
Assistants	2	1 (1)	2	3
Admin. Personnel	1	1 (1)	1	2
<b>Acquired firm</b>	<b>9</b>	<b>9 (5)</b>	<b>13</b>	<b>18</b>
Partners	1	1 (0)	2	2
Consultants	5	7 (4)	8	12
Assistants	2	1 (1)	2	3
Admin. personnel	1	0	1	1
			<b>26</b>	<b>40</b>

[1] At the acquirer, two consultants, who were interviewed during both interview waves, were promoted partners in the meanwhile. They are thus counted as consultants in the first wave and as partners in the second wave.

**Table 3: Pre-Acquisition Routines at the Acquirer**

<i>Steps</i>	<i>Empirical examples</i>
(1) A senior consultant A meets with a client who needs to recruit a person for a given job position (description of job position, needs and required profile and competencies)	“Initially, it’s about is defining the need with the client, set the missions assigned to the person sought, define the position, set the profile, define the content of the mission, and define how the person will interact with the other poles of the structure” (consultant).
(2) Consultant A sub-contracts the assignment to a second consultant B. Consultant A remains the client’s agent but is not involved in the assignment workload, e.g., the actual recruitment process, which is carried out entirely by consultant B. Assignment fees are split between both consultant with consultant A receiving 30% and consultant B receiving 70%. Depending on whether the job position concerns the specialty of consultant A’s sector / industry pool, the assignment is sub-contracted to a junior consultant within the same pool, or if it concerns a different sector, to a consultant of a different pool (for instance, if consultant A of the finance pool is hired by a bank to recruit an IT specialist, consultant A sub-contracts to a consultant of the IT pool).	<p>“For example, I work with someone from the finance department, I define the mission and that person will just manage their account and keep in touch with the client. (...) In this case, I do a 100 % of the job because he doesn’t know anything about computers, so I let him know where I am in my mission, he reads the reports and I ask him to restart the client when there are short lists of candidates. We share the work like this. Anyway I do 100 % of the production and he keeps the contact with the customer to find out where they are in the process etc In terms of remuneration, one third will be for [consultant X] as holder of the account and two thirds will be for me as a producer of the mission” (consultant).</p> <p>“There is always a consultant who keeps the connection with the client. It’s the person who won the mission who keeps the connection with the client”. (consultant)</p> <p>“I’ll take 33 % because I brought the mission, then he will manage everything : he will do the recruitment, look for candidates, meet them and prepare the short list. I keep the connection with the client in the recruitment process”. (consultant)</p>
(3) Consultant B, together with a research assistant (interns who stay for 6 months and work for two consultants at the same time), searches for potential job candidates (in the internal candidates database, social network websites, personal candidate portfolio, etc.)	<p>“We contact directly the targets. It’s a lot of phone calls and convocations to job talks when the persons contacted are interested by the offer”. (consultant)</p> <p>“When we have a new mission, we seek the support of research assistant in our staff to find come candidates. We split the tasks. Some will look for lawyers ‘profiles, other will look for legal expert. We divide the work but we always work in team”(consultant).</p> <p>Being a research assistant, I work with one or two consultant on each mission. The consultant provides me information about the needs and the job profile. Then the consultant provides me information about the target companies in which we could find potential candidates. The consultant also provides me a methodology” (research assistant).</p>
(4) Consultant B and the research assistant contact potential	“We then run an evaluation to determine whether the candidate is adapted to the job profile. We evaluate both the motivation and the

<p>candidates by phone and select those who correspond to the defined profile and who are available (i.e. those who consider changing jobs). At that time, no information about the client (i.e. the potential employer) is revealed.</p>	<p>technical skills of the candidate” (consultant).</p> <p>“I work with the research assistants. We split the targets and we look for candidates in a parallel way. So I do work a lot on candidate seeking on job boards and social networks such as Viadeo, Linkedin, etc. Then I select the candidates, I contact them and I meet them for a job talk” (consultant).</p> <p>“We do headhunting in team with the research assistants. We try to identify candidates from target companies” (consultant).</p> <p>“Both the research assistant and I do headhunting and try to find candidates”(consultant).</p> <p>The research assistant search for candidates, he organizes and attends the job talk to see the fruits of his work” (consultant).</p> <p>“Together with the consultant, we try to find the good profiles, to contact the potential candidates and to organize a meeting” (Research assistant).</p>
<p>(5) Consultant B, sometimes joined by consultant A, meets potential candidates for an individual interview. Now the identity of the potential employer is revealed.</p>	<p>“We meet the candidates and then we present a short list to the client” (Consultant).</p> <p>During a job talk, the first consultant meet the candidate for a while and then the second consultant comes to the meeting for the last 10-15 minutes to clarify whether the candidate has understood the job profile, to see how he reacts to the job offer. Being two consultants during the interview helps us to confront our ideas about the candidate. After the meeting, the consultant who won the mission keeps the connection with the client, not the other consultant” (Consultant).</p>
<p>(6) Consultant B may then ask the candidate to fill out a short questionnaire processed with an assessment tool that provides information on the candidate’s behavior in a professional setting (sociability, decision-making, leadership abilities, etc.). The tool is computer-based and demands approximately 20 minutes to be filled in and analyzed. The assessment tool is not used as a selection tool but provides an additional source of information on a candidate’s profile in case of uncertainty or doubt. Consultants generally believe that the assessment of candidates should be rather based on their competency as consultant, i.e. their expertise, experience, and intuition.</p>	<p>“To make sure that we are as objective as possible, we have decided to use a behavioral assessment, called “Performance”, well-known by companies and consulting firms. It’s rather simple, the candidate has to answer to 70 questions online. Both the candidate and us receive the results of this assessment with a personality profile. It’s a base for discussion with the candidate, it’s not a tool of selection but a base for discussion. It enriches our understanding of the candidate’s profile and personality” (Consultant).</p>

<p>(7) Consultant B selects up to three suitable candidates. As the respective job positions require mainly particular and rare profiles (high seniority / top management, strong expertise) and as candidates are headhunted (so not necessarily available), it is not rare that only one or two potential candidates are selected.</p>	<p>“We meet the candidates and then we present a short list to the client” (Consultant).</p> <p>“We use a direct approach on highly specific profiles” (Consultant).</p>
<p>(8) In a final step, consultant B presents the selected candidates to his client. The client meets the candidates and eventually decides whom to make an offer.</p>	<p>“Once we have shortlisted 2 to 3 candidates, we brief them and we follow them until the closure of the mission that is to say until a person is eventually selected” (Consultant).</p>
<p>(9) The consultant follows the candidate and the client for a period of six to twelve months, monitoring if the candidates’ integration goes well and if the job corresponds to the candidates’ expectations.</p>	<p>“We follow the candidate until his/her integration in the company and until the end of the probation period. We usually have phone call with the person and meet him/her for a lunch two months after his/her integration in the company”(Consultant).</p>

**Table 4: Pre-Acquisition Routines at the Target**

<i>Steps</i>	<i>Empirical examples</i>
(1) A consultant meets with a client who needs to recruit a person for a given job position (description of job position, needs and required profile and competencies).	“The client contacts us to schedule an appointment. We meet and he presents us the situation. That’s the interesting part for the consultant : the advice that we can provide about the logic of the client demand, whether it make sense with the market situation. Once we have decided together what is the most suitable profile, we start the search” (Consultant).
(2) The consultant spends a day at the client’s company to gain insights on the client’s needs, the job requirements and the working environment (visit of work place, discussion with future manager, colleagues).	“[When it’s a new client] we take time to understand who’s the company. We spend a day in the company to see how it works, what is the working atmosphere, what is the culture of the company, etc. We also meet the persons who will work with the future recruited candidate” (Consultant).
(3) The consultant composes an advertisement for the job position. An assistant publishes this ad using various channels (corporate website, online job search websites, press).	“Once the contract with the client is signed, we start writing the job add. We send the job add to the client to check whether he wants to propose some changes. Then the client confirms his agreement” (Consultant).  “The search can be organized in several ways. Either through job ads, through sourcing or headhunting. We do less headhunting, we use more ads and sourcing. We try to find candidates thanks to databases such as Monster or APEC” (Consultant)
(4) Job candidates send their application to the consultancy firm, which are first processed by the assistant (selection based on CV). The consultant validates this first selection and repeats, if necessary, the selection process.	“Once we have received some applications thanks to the job ad, the sourcing or the headhunting, we do a pre-selection thanks to objective criteria: is the candidate really looking for a job, is the candidate still in a company, does the candidate has the required skills? Once we have validated these criteria, we organize a job talk” (Consultant).
(5) The selected candidates are invited to the consultancy firm for an interview. The client is invited to assist to this first meeting with the job candidate, but often the consultant does this first selection alone. He selects a certain number of candidates, variable between one and five..	“For the job talk, we invite the client. To be honest, it’s less and less the case that the client comes. The clients want us to lead the job talk and the first selection” (Consultant).  “The client meets the candidates during 45 minutes. Then, we meet the candidate during 45 minutes. While the client meets the second candidate, we meet the first one and vice versa. At the end of the day, we get together to consult and decide with which candidate we want to continue the process and go to the next step, the assessment” (Consultant)  “Once we have met the candidate and the client also did, we decide together which candidate to select to continue the process. We can keep five persons, or three persons or one or two persons. The next step is the assessment” (Consultant)
(6) The selected candidates are invited to the consultancy firm for an assessment. During two to	“We invite the candidate to the assessment. It’s a tool that allows us to get an understanding of the candidate’s behavior at work for instance in

<p>three hours, they are asked to complete a questionnaire (on paper) addressing personality, psycho-social, and motivational elements. The consultant analyzes the questionnaire afterwards during about half an hour. He then meets again with the candidate for another hour to discuss the results of the assessment.</p>	<p>terms of relationships with the colleagues and also a tool to evaluate the candidate's motivation. The assessment lasts between 2.5 and 3 hours and it is followed by an interview of an hour with the consultant who did the first interview of the selection process. So we exchange with the candidate before communicating the results of the assessment to the company. This interview is a way to better understand the results, to get clarifications or examples to support the results of the assessment. From that moment, the consultant will have enough information to recommend one candidate or another to the company" (Consultant) .</p> <p>"The candidates do our assessment test that last half a day. After the test, we meet them to give them a feedback, which is not the case of all consulting firms. For us, it's the minimum to do so. We validate together the 34-34 traits of personality that emerged from the test. We ask for examples and illustrations to provide a detailed feedback to the company" (Consultant).</p>
<p>(7) The consultant transmits to the client his recommendations, orally and in a written report.</p>	<p>"From that step, we have a file with the results of the assessment and some recommendations that we communicate to the client. We organize a meeting with the client to detail our recommendations about the candidate(s)" (Consultant).</p> <p>"Once we have the results for the assessments, we provide a feedback to the client about all the candidates . We recommend which candidates are the more relevant and suited. Sometimes the client bypasses and takes a candidate that we did not recommend, but that's the way it is..." (Consultant)</p>
<p>(8) The client meets candidates selected based on the consultants' recommendation. The client makes the final decision, but the consultant supports in the decision process by giving advice and guidance.</p>	<p>"A that stage, if the client wants to continue, there is one last interview, or two interviews depending on the company, to meet again the candidate and finalise the recruitment process" (Consultant).</p> <p>"Then, the client meets the candidates with whom he wants to continue the process. This interview is decisive" (Consultant).</p>
<p>(9) The consultant follows the candidate and the client for a period of six to twelve months, monitoring if the candidates' integration goes well and if the job corresponds to the candidates' expectations.</p>	<p>Finally, there is the follow-up. To be frank , in our company it's formalized, we're supposed to follow the person during 6 months or a year. We call the person and/or his/her manager from time to time. Each consultant adapt this follow-up according to the relationship he has with the client. It's more or less formalized. But we try to closely follow-up the candidate. Nowadays, it's important for consulting firms to closely follow-up the candidates because we have to respect guarantee clauses. If something goes wrong with the candidate, we have to replace him/her. The close follow-up also allows us to keep the connection with the client and to advise him/her. So, overall, the follow up is important" (Consultant).</p>

**Table 5: Interactions of routines with the recruitment routine**

	Enhancing effect	Neutral effect	Disruptive effect
Financial routine	Fee sharing rule for integrated routine is 20% for the contracting consultant and 80% for the producing consultant. Not a problem as such.	But: Fee sharing is not interesting enough for target consultants because of the higher fixed pay and the fact that they receive their variable pay on a yearly basis.	
Market routine		Prices divergent, problem for positioning.	Assessment requires candidates to come do a three-hour assessment which they do not have time for because they are still employed. Also, and importantly, the disqualifying of headhunted candidates by the assessment tool increases the rarity of the resource then.
Organization routine		Local separation of teams.  Information system not mutualized leading to lack of information on “headhunting territory”.	As at the acquirer a consultant is an expert of a given industry / job function, but at the target consultants are generalists, so working on all type of jobs or industries, the likelihood that a generalist would sub-contract an assignment to an expert is low. (unilateral benefit).  Assessment tool generates paper based extensive reports which are not conveying the high-end positioning when communicated to clients.

**Figure 1: Combining Two Routines**

