ACQUI-HIRES: REDEPLOYMENT AND RETENTION

OF HUMAN CAPITAL POST-ACQUISITION

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ABSTRACT

Most research on acquisition integration has focused on how an acquirer integrates (or not) a target firm or its technology; acqui-hires are different because they focus on the talented human capital of acquired start-ups. We argue that post-acqui-hire redeployment of human capital is influenced by the disruptiveness of the acqui-hire's know-how to the incumbent's current technology. Applying a dynamic capabilities framework, we find that when the acquired start-up has disruptive know-how, the acqui-hire team is preserved and integrated as a whole into the acquirer's disrupted business unit, and the founder of the acquired start-up is assigned to a high status position. Furthermore, we show that a lack of fit between acquired know-how type and integration mode has a positive relationship with the premature exit of acqui-hired founders.

Keywords: Acqui-hires, Disruptive Know-how, Human Capital Redeployment, Postacquisition Integration, Reconfiguration and Renewal, Team Preservation

INTRODUCTION

Strategy scholars have extensively studied the antecedents and outcomes of post-acquisition integration to better understand how value is created by acquiring firms (Capron, Dussauge, & Mitchell, 1998; Haspeslagh & Jemison, 1991; Pablo, 1994; Zollo & Singh, 2004). Recently, however, acqui-hires have emerged as a novel acquisition practice among established technology firms in which the main goal of the acquisition is to obtain a start-up firm's human capital (Coff, 1999; Coyle & Polsky, 2013). To date, though we know that these acqui-hires are becoming more prevalent (Chatterji & Patro, 2014), we do not yet know how acquiring firms create value from these acqui-hires through their post-acquisition integration and redeployment of human capital. Our goal, in this study, is to shed insights into the acquirer's integration decision -by studying redeployment both at the level of the individual acqui-hire founder(s) and at the level of the entire acqui-hired team- from a dynamic capabilities perspective that views acquisitions as key mechanisms for reconfiguration and strategic renewal (Agarwal & Helfat 2009; Karim & Capron, 2016; Teece, 2007). We present arguments for why the acqui-hire's type of knowledge as disruptive or complementary (Moeen, 2017; Moeen & Agarwal, 2017) is relevant in the acquirer's integration decision of either preserving or dispersing the acqui-hired team, and further examine post-integration outcomes of founder retention (Campbell, Coff & Kryscynski, 2012).

Past studies of traditional post-acquisition integration build on multiple theoretical perspectives (Paruchuri, Nerkar, & Hambrick, 2006; Puranam, Singh, & Chaudhuri, 2009; Ranft & Lord, 2002). The knowledge-based view of the firm (KBV) argues that postacquisition integration decisions of acquirers are designed to maximize the amount of knowledge transferred from the acquired firms to the acquirers (Capron, Dussauge, & Mitchell, 1998; Graebner, 2004; Ranft & Lord, 2002). Another research stream highlights the coordination-autonomy dilemma as the fundamental challenge in technology acquisitions and

argues that the key objective of post-acquisition integration decisions is to minimize coordination costs (Puranam, Singh, & Zollo, 2006; Puranam, Singh, & Chaudhuri, 2009). While these studies provide valuable insights into post-acquisition integration in technology acquisitions, they rely on the common assumption that acquirers pursue acquisitions either to directly obtain the product/technology developed by the acquired firm (Ahuja & Katila, 2001; Puranam et. al, 2009) or to transfer the acquired firm's knowledge (Choi & McNamara, 2018; Puranam & Srikanth, 2007).

Unlike traditional technology acquisitions that target the tangible and intangible assets of the acquired firm, acqui-hires target the talented human capital of the acquired start-up (Coff, 1999; Coyle & Polsky, 2013). In acqui-hires, acquirers utilize the talented employees of the acquired start-up in developing new solutions rather than directly incorporating the product they have developed or transferring their knowledge (Chatterji & Patro, 2014). In this regard, acqui-hires make it possible for firms to invest in the technological capabilities of the acquired personnel to create new technology solutions (Moeen, 2017; Moeen & Agarwal, 2017). Thus, the acquired start-up is almost always integrated into the acquirer's organization and does not remain as an autonomous business unit post-acquisition; the primary concern of the acquirer is *how* to integrate and redeploy the acquired talent – either by keeping the talent together as a preserved team that is moved into a business unit or else by dispersing or distributing the talent into multiple parts of the acquiring firm.

We examine the underlying motivations of acquirers in making post-acqui-hire integration decisions by drawing upon the dynamic capabilities literature. This perspective offers a framework to explain how the post-acqui-hire integration decisions of acquirers can be used to reconfigure firms for innovation and new strategic opportunities (Agarwal & Helfat 2009; Karim & Williams, 2012). Established firms tend to develop routines and path dependencies leading to inertia and structural rigidities that inhibit breakthrough innovation

(Teece, 2007). A dynamic capabilities view (Eisenhardt & Martin, 2000) argues that organizations need to continuously and purposefully reconfigure their resources to overcome these rigidities (Karim, 2006; Schilke, Hu, & Helfat, 2018; Teece, Pisano, & Shuen, 1997). In particular, a dynamic capabilities perspective provides a framework that explains how new and existing resources can be redeployed and recombined in novel ways to drive innovation and maintain competitive advantage (Folta, Helfat & Karim, 2016; Helfat, 1997; Karim & Kaul, 2015; Karim & Mitchell, 2000; Teece, 2007). Acqui-hires provide acquiring firms with the external human capital resources they need to reconfigure their existing business units (Chatterji & Patro, 2014; Karim & Capron, 2016). However, acquirers need to make decisions about *how* to integrate their acqui-hires effectively to respond to competition and maintain their competitive positions in the high-velocity environments they operate.

In this paper, we argue that the post-acqui-hire integration decisions of acquirers are influenced by the type of acquired firm's know-how. Specifically, we hypothesize that when the acquired start-up's know-how is disruptive to the acquirer's current technology in one of its main lines of business, the acqui-hired team is likely to be integrated as a whole (i.e. remain preserved, not be dispersed or distributed) into the disrupted business unit. Moreover, we predict that the acqui-hired founder is likely to be assigned to a high status position in the new parent firm. Furthermore, to examine outcomes of integration decisions, we develop several hypotheses about how the lack of fit between the type of acquired firm's know-how and the post-acqui-hire integration decisions of acquirers may have a relationship with the exit of the acqui-hired founders from the acquiring firms.

Our study offers several noteworthy contributions to the literature. First, by examining post-acqui-hire integration, we demonstrate that one of the primary motives of acquirers is to effectively redeploy or recombine human resources in high-technology industries. This is important because it complements prior studies that have mainly viewed post-acquisition

integration as a means of achieving coordination between the acquiring and acquired firms (Puranam et. al, 2009) and knowledge transfer from the acquired firm to the acquirer (Ranft & Lord, 2002). Second, we contribute to the research stream that examines the relationship between post-acquisition integration and performance outcomes of technology acquisitions. Previous studies have examined the effects of integration on the retention of key acquired employees and have found that integration is negatively associated with retention (Ranft & Lord, 2000). Our findings suggest that, rather than integration itself, it is the lack of fit between the integration mode (as the team being preserved or not) and the type of acquired firm's know-how that is related to the premature exit of acqui-hired founders. Third, this study offers one of the first large-scale empirical examination of acqui-hires. Previous studies have explored the increasing practice of acqui-hiring and examined several cases (Chatterji & Patro, 2014; Coyle & Polsky, 2013), however, they do not address the rationale behind acquihire integration decisions. We extend the research on acqui-hires by conducting an empirical analysis and providing insights into both the antecedents and outcomes of post-acqui-hire integration decisions. Finally, we extend the dynamic capabilities perspective by demonstrating that established technology firms can reconfigure their business units and drive organizational change through effective integration of acqui-hires and redeployment of human capital.

THEORETICAL BACKGROUND

Traditional technology acquisition integration vs. acqui-hire integration

Post-acquisition integration has been identified as a critical process that influences acquisition outcomes (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986; Larsson & Finkelstein, 1999; Pablo, 1994). Extant research has shown that effective post-acquisition integration may lead to improved economic outcomes (Zollo & Reuer, 2010; Zollo & Singh, 2004), retention of key employees (Ranft & Lord, 2000), and organizational reconfiguration necessary to gain and sustain competitive advantage (Capron & Mitchell, 1998; Karim, 2006). Thus, the ability to effectively integrate the acquired firm is a central challenge for acquirers.

The knowledge-based view of the firm has been one of the key theoretical perspectives informing our understanding of post-acquisition integration. Highlighting knowledge as a significant strategic resource of an organization, the KBV logic has considered the maximization of knowledge transfer from the acquired firm to the acquirer crucial to a successful acquisition (Grant, 1996; Kogut & Zander, 1992; Paruchuri et al., 2006; Ranft & Lord, 2002). Studies in this stream highlight that integration of the acquired firm into the acquirer's organization facilitates knowledge transfer and favors synergy realization (Graebner, 2004; Ranft & Lord, 2002). Yet, integration may also have adverse consequences such as departure of key employees (Ranft & Lord, 2000), decrease in the productivity of inventors (Barden, 2012; Paruchuri et al., 2006) and disruptions of the routines that underlie the tacit and socially complex knowledge of the acquired firm (Ranft & Lord, 2002). Examining how acquirers can mitigate these adverse consequences to maximize knowledge transfer, these studies offer remedies such as enabling rich communications between the two firms, applying a gradual integration process (Ranft & Lord, 2002) and giving acquired leaders cross-organizational responsibilities (Graebner, 2004).

Another stream of post-acquisition integration research has viewed the choice between structural integration versus autonomy of the target as a separate entity (e.g., business unit) as central to the success of technology acquisitions (Karim, 2006; Puranam, Singh & Chaudhuri, 2009). Puranam and his colleagues define structural integration as the complete absorption of the acquired firm by the acquirer as opposed to structural separation, which refers to having the acquired firm remain as a distinct organizational entity. Basing the integration decision on a cost-benefit calculus of coordination versus autonomy, they examine when the coordination benefits of integration outweigh the disruptive consequences resulting from the loss of

autonomy. Puranam, Singh and Chaudhuri (2009) highlight that when the objective of the acquirer is to obtain a standalone product as opposed to a complementary technology, structural separation is likely to be preferred over structural integration. Moreover, Puranam and Srikanth (2007) argue that when the objective of the acquisition is to leverage the existing knowledge of the acquired firm, structural integration is likely to be the preferred design choice.

Overall, extant research on post-acquisition integration in technology acquisitions mostly focuses on the initial decision of whether or not to structurally integrate the acquired firm (Puranam et al., 2006, 2009; Puranam & Srikanth, 2007; Ranft & Lord, 2002). The insights from this domain can be partially extended to the context of acqui-hires, where the acquirer mainly targets the talented human capital of the acquired start-up, often shutting down the product or service in development swiftly after the acquisition (Chatterji & Patro, 2014; Coyle & Polsky, 2013). Moreover, in acqui-hires, acquirers are often large, multibusiness, technology firms, further complicating the integration process. There is still much room to extend our understanding of post-acquisiton integration and redeployment of the human capital beyond that of traditional acquisitions, and to explain the heterogeneity in postacquisition integration decisions in these novel types of technology acqui-hires.

Dimensions of post-acqui-hire integration

We argue that the two critical dimensions of post-acquisition integration in the context of acqui-hires are (a) the post-acquisition position of the acqui-hired founder and (b) the way in which the team is integrated (as preserved or not). Integration along these dimensions may result in organizational renewal by triggering reconfiguration of business units through the redeployment of personnel (Agarwal & Helfat 2009; Karim & Capron, 2016; Karim & Williams 2012). In other words, the acqui-hired founder and team may act as mechanisms of organizational change when integrated effectively. To understand how the acqui-hired team can be integrated into the acquirer's organization, we identify two integration modes: preserved integration versus fragmented integration. Preserved integration refers to integrating the acqui-hired team as a whole by moving it into a particular business unit following the acquisition, while fragmented integration refers to dismantling the team and moving the team members to multiple business units (i.e., dispersing or distributing the team to multiple units). In addition, the acquirer may either assign the acqui-hired founder to a high status position such as vice president or senior research director, or a lower status position such as software engineer or lab scientist.

Dynamic capabilities, defined as "the capacity of an organization to purposefully create, extend, or modify its resource base" (Helfat et al., 2007:4), provides a theoretical perspective to analyze how firms integrate acqui-hires, namely the acquired knowledge-based human capital resources, to stay competitive in high-velocity environments. The dynamic capabilities perspective highlights that competitive advantage can flow from the ownership of scarce and difficult-to-imitate assets, especially know-how (Teece, 2007). Teece (2007) argues that proprietary know-how is necessary to sense opportunities and reconfigure resources so as to seize those opportunities (Karim & Capron, 2016). In acqui-hires, the aim of the acquirer is to modify its existing resource base utilizing the acqui-hired employees' know-how. Accordingly, we argue that type of acquired start-up's know-how shapes the acquirers post-acqui-hire integration decisions. Thus, we examine how post-acqui-hire integration decisions may be influenced by the type of acquired start-up's know-how, where this know-how is either disruptive or complementary.

HYPOTHESES

Disruptive vs. complementary know-how and post-acqui-hire integration

In acqui-hires, the targeted asset is the know-how of the acquired employees. Yet, the acquired employees' know-how may have different characteristics, and we argue that this may influence post-acqui-hire integration decisions both with respect to the redeployment of the team members and the status of the position offered to the founder. We distinguish between two types of know-how that acquired employees may possess: *disruptive* know-how versus *complementary* know-how. We define acquired disruptive know-how as the proprietary know-how of the acquired firm that has the potential to generate novel solutions that may threaten the acquirer's competitive position in one of its main lines of business. On the other hand, we define acquired complementary know-how as the fungible know-how of an acquired firm that is likely to generate incremental improvements in an acquirer's existing businesses.

We expect that when the acquired start-up possesses disruptive know-how, the acquirer is likely to follow a preserved integration approach, i.e. the acqui-hired team members will be redeployed together. We suggest that the reasons for the acquirer to pursue preserved integration are (a) to benefit from a cohesive team in initiating change and (b) to create internal competition within the business unit that may potentially be disrupted.

Integrating a proven team with a coherent way of thinking and specialized knowledge in a certain domain may help incumbent firms to overcome inertia and initiate change (Lechner & Floyd, 2011). When an acqui-hired team having disruptive know-how is integrated as a whole into a business unit, the team can potentially disrupt the status-quo and may initiate change by having a critical mass or coalition with sufficient power to persuade/evoke support from decision makers for their solutions (Coff, 1999). A critical mass of valuable human capital must be present to influence unit performance (Dierickx & Cool, 1989). If there is no critical mass of valuable human capital, the acquired human capital resources are less likely to influence unit performance and initiate change, no matter how

proprietary their knowledge is (Nyberg & Ployhart, 2013). When the acquired start-up has disruptive know-how, keeping the team together is also critical to preserve the socially complex knowledge embedded in team interactions and relationships among individuals (Karim, 2012; Ranft & Lord, 2002). Thus, when the acqui-hired team has disruptive know-how, keeping and redeploying the team together may facilitate developing new solutions that utilize their proprietary know-how. Moreover, entry into new technological niches is unlikely to receive support from key decision makers in incumbent firms if there is fragmented support for these new directions (Kotha, Zheng & George, 2011). However, if there is a critical mass of employees to initiate change and accumulate support for the new solution/technology, gaining approval is more likely (Jansen, 2004). Thus, in the case of acqui-hiring a start-up with disruptive know-how, opting for preserved integration may enable the acquirer to develop innovative responses in the face of technological change.

The second reason to pursue preserved integration when the acqui-hired start-up has disruptive know-how is to create internal competition. Internal competition, when purposefully created, may serve as a tool for incumbent firms to overcome organizational inertia (Barden, 2012; Birkinshaw, 2001; Birkinshaw & Lingbald, 2005; Taylor, 2010). When an acquired start-up has disruptive know-how, integrating the acqui-hired team with the business unit that may potentially be disrupted can remove the sources of inertia by introducing new perspectives and routines that may challenge the status quo (Karim 2006). Integration of the acqui-hired team into the existing business unit will create awareness of new innovation opportunities within the existing business unit and provide them with access to new technology (Taylor, 2010). Moreover, the employees of the existing business unit may be motivated to work harder when faced with a direct competitive threat (Birkinshaw, 2001). The dynamic interactions between the two teams may catalyze creative action and facilitate recombination and the development of new solutions (Karim & Kaul, 2015); this competitive

process can initiate search for new technologies and may result in a continuous renewal of the firm's technologies (Taylor, 2010).

Still, preserved integration may also have adverse consequences. First, the acqui-hired team may face resistance from the existing employees, resulting in inter-organizational conflicts. Although conflict in organizations is generally considered as negative, in this case it may act as an impetus to explore potential innovative opportunities. Second, integrating a team that has the potential to develop novel solutions in an existing business unit of the acquirer may lead to cannibalization of the acquirer's own products. However, the fear of cannibalizing their own products is one of the main factors that inhibit innovation in established firms (Teece, 2007). Failure to explore potential innovative opportunities. Thus, established firms must also consider the opportunity cost of not cannibalizing their own products.

So far we have argued for preserved integration of acqui-hires with disruptive knowhow. Alternatively, the acquired start-up may have complementary know-how. Complementary know-how is not threatening in nature, but rather has the potential to incrementally improve acquirer's existing solutions and enable the acquirer to maintain its current technology and product portfolio. Another salient characteristic of complementary know-how is that it is fungible, i.e. applicable to many businesses (Anand & Singh, 1997). Thus, an acqui-hired team which has complementary know-how is likely to have the ability to contribute to several of the acquirer's projects, and potentially across multiple business units. For instance, an established technology firm may acqui-hire a design start-up consisting of talented product designers and may utilize the know-how of these product designers in multiple products of its various business units. As another example, the acqui-hired team may be composed of software engineers specializing in digital security technologies that may be applied to various projects carried out in different business units of the acquirer. Accordingly,

we argue that when the acquired start-up has complementary know-how, the acquirer is likely to follow a fragmented integration approach, i.e. the acquirer will dismantle the team and integrate the team members by moving them to various business units. We suggest that the reason for the acquirer to pursue fragmented integration is to spread the acquired start-up's know-how throughout the acquirer's organization and improve its existing solutions via the aqui-hire's complementary know-how.

In line with the above discussion, we hypothesize:

Hypothesis 1 (H1). When the acquired start-up has disruptive (vs. complementary) know-how, it is more likely that the acqui-hired team will undergo preserved integration (i.e., the team members will be redeployed together as a whole into the business unit that may potentially be disrupted) than fragmented integration.

Next, we turn our attention to the integration of the acqui-hired founder as (s)he is an important human capital asset to be redeployed post-acquisition. Founders of the acquired start-ups are most often the key drivers of acqui-hire deals (Chatterji & Patro, 2014). Thus, post-acqui-hire positions of the founders are particularly critical for acquirers to benefit from acqui-hires. We argue that when the acquired start-up has disruptive know-how, the acquirer is likely to assign the acqui-hired founder to a high status position. The reason is threefold as we elaborate next.

First, by assigning an acqui-hired founder to a high status position the acquirer can alter the existing leadership structure at the business unit with the disrupted technology, and remove the obstacles to change. Managers of an existing business unit often do not have the time or energy to explore new opportunities because they are heavily focused on existing projects (March, 1991). Thus, they may fail to recognize potential innovative opportunities. Acquirers can overcome the myopia of existing business unit's managers by assigning an

acqui-hired founder, who has a new perspective of the technological environment, to a high status position within the business unit. Moreover, innovations often have new requirements that may threaten existing routines. Managers of existing business units of an established firm are likely to avoid changing the current operations and routines (Barden, 2012; Teece, 2007). By introducing new executives with different perspectives into an existing business unit, the acquirer may enable the revamping of dysfunctional routines that inhibit innovation. The acqui-hired founders, who have proprietary knowledge in the technological domain that the business unit is working on, are likely to become key influence leaders when assigned to a high status position. Thus, they will be able to accumulate the support needed to implement change (Jansen, 2004). Furthermore, by virtue of their prominent position, they will be capable of seeing technological trends that may affect the acquirer's competitive position in the future and have an effective communication with the rest of the organization, which will lead to higher levels of organizational innovation (Elenkov, Judge & Wright, 2005).

Second, assigning the acqui-hired founder to a high status position is likely to enable the acquirer to harness the founder's proprietary know-how inside the firm and to not lose it to a rival if the founder moves there (Campbell, Coff & Kryscynski, 2012). The ability of acqui-hired founders to generate innovative opportunities for the acquirer depends to a large extent on whether they have the necessary power to be influential in decision-making. Prior literature suggests that a higher-ranking position is an indication of authority and power (Boeker & Karichalil, 2002). By assigning an acqui-hired founder who has disruptive knowhow to a high status position, the acquirer provides him/her with the necessary authority and power to create and materialize new solutions using his/her proprietary know-how. Moreover, appointment of the founder to a high status position after the acquisition reduces the risk of his/her departure (Cannella & Hambrick, 1993; Ranft & Lord, 2000). Retention of acqui-hired founders is particularly important when they have disruptive know-how because if they leave,

they may join a competitor or launch another start-up and develop solutions that may pose a competitive threat to the acquirer.

Third, the acqui-hired founders are likely to discover and exploit unexpected synergies between their team and the business unit they are integrated into if they are assigned to high status positions following the acquisition (Graebner, 2004). The acqui-hired founders are uniquely qualified to identify opportunities for unexpected resource reconfigurations because of their deep understanding of their own businesses and established relationships with their own employees (Graebner, 2004; Karim & Williams, 2012). The high status position granted to the acqui-hired founder will also expose him/her to the resources and activities of the business unit that his/her team is integrated into and enable him/her to interact with existing employees and managers of the business unit from a position of equal or higher status (Graebner, 2004).

We also consider the adverse consequences that may come from giving the acquihired founder a high status position. The acquirer's decision of appointing an acqui-hired founder to a high status position rather than promoting someone from within the organization can create frustration among existing employees and lead to resistance toward the solutions offered by the acqui-hired founder. Yet, when the acqui-hired founder has disruptive knowhow, the benefits that are expected to result from his/her appointment to a high status position may outweigh the downsides associated with the decision. Alternatively, when the acqui-hired founder has complementary know-how, the acquirer is likely to assign him/her to a low status position as his/her know-how is not proprietary but rather accessible in the external talent market.

In line with the above discussion, we hypothesize:

Hypothesis 2 (H2). When the acquired start-up has disruptive (vs. complementary) know-how, it is more likely that the acqui-hired founder will be assigned to a high status position than a lower status position.

Post-acqui-hire integration and the premature exit of acqui-hired founders

We argue that business unit reconfiguration needs of acquirers shape their post-acqui-hire integration decisions. Business unit reconfiguration needs in turn are driven by the need to undergo organizational renewal to be able to respond to the changes in the business environment (Agarwal & Helfat, 2009; Karim & Capron, 2016; Teece, 2007). Thus, acqui-hires, when integrated effectively, have the potential to enable the business unit reconfiguration that will drive organizational change, catalyze creative action and foster innovation. On the other hand, ineffective integration is likely to lead to a failure in meeting the need for organizational change, thus leading to negative performance outcomes. Accordingly, we argue that post-acqui-hire integration decisions of acquirers influence performance outcomes of acqui-hires.

Because founders of the acquired start-ups are most often the driving forces behind acqui-hire deals (Chatterji & Patro, 2014; Coyle & Polsky, 2013), our unit of analysis is the acqui-hired founder in investigating the outcomes of post-acqui-hire integration. Following prior research studying the outcomes of acquisitions (Cannella & Hambrick, 1993; Ernst & Vitt, 2000; Ranft & Lord, 2000), we examine the *premature* exit of the acqui-hired founders as one of the key outcomes that signals the ineffectiveness of post-acqui-hire integration. We define premature exit as the exit of the acqui-hired founder from the acquiring firm *within a year* after the acquisition. This is a conservative measure of premature exit because the acquihired founders have agreed to time vested contracts that require them to stay with the acquiring firm for a predetermined period of time which is most commonly three to four years (Coyle & Polsky, 2013). The acqui-hired founder's right to the vested options is contingent

upon his/her continued employment by the acquirer until the vesting date. If the acqui-hired founder leaves the acquiring firm before the vesting period ends, he/she forfeits all rights to unvested options. Thus, the exit of the acqui-hired founder from the acquiring firm without waiting for the vesting period to end can be considered as a signal of ineffective integration since the acquirer was unable to retain the founder with the incentives contractually agreed upon.

We argue that the premature exit of acqui-hired founders depends on the extent of fit between the type of acquired firm's know-how and the post-acqui-hire integration decisions of the acquirer. Specifically, we argue that a lack of fit when there is disruptive know-how and fragmented integration is positively related to the premature exit of acqui-hired founders. Start-up founders are talented entrepreneurs who are often unlikely to join an established firm, if not through an acqui-hire (Zenger, 1994). Thus, acquirers need to keep the acqui-hired founders motivated to ensure their retention and continued productivity (Paruchuri et al., 2006; Ranft & Lord, 2000). Retaining these talented individuals is especially critical when they have disruptive know-how (i.e. proprietary knowledge of a market or a technology), both to prevent competitors' from accessing their know-how as well as to utilize their proprietary know-how in developing new solutions at the acquiring firm. When the acqui-hired founder has disruptive know-how, (s)he has a higher likelihood of finding alternative job opportunities or building a new start-up. We argue that when integrating an acqui-hire which has disruptive know-how, the aim of the acquirer is to challenge its existing business unit that is being disrupted and that the acqui-hired team is integrated into to undergo organizational change. The acqui-hired founder had developed a proven team with a coherent way of thinking and (s)he may need the team to stay together to be able to challenge the existing business unit in realizing potential new innovative opportunities. Moreover, (s)he will need to have a critical mass to initiate change in the existing business unit (Jansen, 2004; Nyberg & Ployhart, 2013).

If the acquirer follows a fragmented integration approach and dismantles a team having disruptive know-how following the acqui-hire, gathering this critical mass will be less likely. Dismantling the team would also mean the elimination of a familiar support system for the acqui-hired founder and cause him/her to face power struggles (Paruchuri et al., 2006). This may create a sense of loss and failure in the acqui-hired founder which may in turn lead to his/her departure. Accordingly, we predict:

Hypothesis 3 (H3). A lack of acqui-hire team integration fit (i.e., the case of disruptive know-how and fragmented integration) is positively related to the premature exit of acqui-hired founders.

Similarly, we argue that the lack of acqui-hire founder integration fit, meaning when there is disruptive know-how and lower status position of the founder, is positively related to the premature exit of acqui-hired founders. Acqui-hired founders are most often psychologically attracted by the thrill of start-up (Gimeno, Folta, Cooper, & Woo, 1997) and, hence, are likely to leave and launch another start-up unless they are offered high status positions that enable them to pursue entrepreneurial activities within the acquiring firm.

Premature exit of the acqui-hired founder if not assigned to a high status position is more likely when he/she has disruptive know-how because his/her know-how will also be extremely valuable for the competitors. Moreover, to overcome the organizational inertia that is persistent in existing business units of the acquirer and alter the existing routines that inhibit innovation, the acqui-hired founder needs to be assigned to a high status position where he/she has the necessary authority and power to enforce such change (Barden, 2012; Graebner, 2004). Otherwise, resistance from existing employees is likely to impede the acquihired founder from materializing the new solutions he/she develops using his/her proprietary know-how and, thus, is likely to lead to his/her departure. Accordingly, we predict:

Hypothesis 4 (H4). A lack of acqui-hire founder integration fit (i.e., the case of disruptive know-how and lower status founder position) is positively related to the premature exit of acqui-hired founders.

EMPIRICAL ANALYSIS

Sample and data

Acqui-hires are the acquisition of technology start-ups by established technology firms primarily to gain access to their human capital (i.e. founders and employees) (Chatterji & Patro, 2014; Coyle & Polsky, 2013). We chose our sample of acquirers from 2005–2015 in the Nasdaq stock exchange listed as belonging to a technology industry. To have a comprehensive dataset we included all subcategories which resulted in a total of 663 unique firms in our initial sample. We then searched each of these 663 firms along with the following keywords: "acqui-hire", "acqhire", "talent", "talent acquisition", "key employees acquired" in Internet search engines. This exercise produced 49 unique acquiring firms pursuing acquihires. Next, we noted all acquisitions of these 49 acquiring firms between 2005 and 2015 using Crunchbase. Crunchbase is a platform for finding business information about public and private companies. It includes information about the founders and team members of companies, investments and funding information, acquisitions, news and industry trends. We used Crunchbase Pro, which includes features like advanced search, to access company, investor and funding data of acquiring firms and acquired start-ups in our sample. The time window starts from 2005 because the term acqui-hire was first used in 2005 to describe Google's acquisition of the two-person social location start-up Dodgeball (Geron, 2016) and ends at 2015 to be able to examine the outcomes of acqui-hires. The 49 acquiring firms had 1636 acquisitions listed in Crunchbase; our next task was to identify the acqui-hires among these 1636 acquisitions.

Two independent reviewers coded the entire sample of 1636 acquisitions to label them as acqui-hires or not. The decision tree used in the coding process is provided in Appendix 1. First, for our sample, the target firm must be a technology start-up in the case of acqui-hires (Chatterji & Patro, 2014), meaning that established companies were not included in the sample. Second, the reviewers looked at whether the primary motivation of the transaction was to acquire the human capital. For each acquisition, the reviewers searched a wide variety of business press articles, technology blogs and company press releases at the time of the acquisition to isolate acquisitions in which talent/human capital was reported as the primary motivation for the transaction (See Appendix 2). The set of articles and press releases on a particular acquisition was made available to each reviewer so that each could independently assess whether the target was acquired primarily for talent. Third, to complement these sources the reviewers checked whether at least one co-founder and key team members of the acquired start-up were actually hired by the acquirer by using LinkedIn and Crunchbase. Finally, another key characteristic of acqui-hires is that the acquirer has no interest in the acquired firm's product/service. Thus, in most cases the acqui-hired start-up's product/service is discontinued after the acquisition (Chatterji & Patro, 2014). In the rare case that the product of the acquired start-up is not shut down immediately after the acquisition, the acquirer lets the product live on for a while for existing users without accepting new customers or making additional investment. Alternatively, the product of the acquired start-up may be offered free or open-source by the acquirer, again showing that the acquirer has no interest in the product itself. Thus, as a final step, the reviewers examined what happened to the product/service of the acquired start-up following the acquisition by relying on business press articles, technology blogs and company press releases.

There was 93% agreement between the reviewers (p<0.01). The acquisitions that were coded as acqui-hires by both reviewers were included in our final sample. The resulting acqui-

hire dataset had 30 unique acquirers and 264 acqui-hires. Data availability reduced our final sample size to 29 unique acquirers and 250 acqui-hires.

Variable definitions and measures

Dependent variables

In our first set of hypotheses, we examine two binary dependent variables - *Preserved Integration* of the acqui-hired team as well as *High Status Position* of the acqui-hired founder. We used Crunchbase and LinkedIn to track the acqui-hired talent.

First, we identified the team members of the target firm from Crunchbase. Crunchbase sources their data in four ways: the venture program, machine learning, an in-house data research team, and the Crunchbase Community. Crunchbase's data analysts provide manual data validation, and further, machine learning algorithms validate data accuracy. Although all members of the acqui-hire team may not be listed, key team members are listed on Crunchbase. Next, we checked the LinkedIn accounts of those employees to identify, post-acqui-hire, their new positions and the business units in which they work in the acquiring firm. Of the 574 founding team members of acquired firms, 95% (545) were found on LinkedIn.

Next, we examined press releases, business press articles and technology blogs to obtain information on the integration of the target firm's team after the acquisition. Such announcements often contain a statement about whether the target firm would be moved into a specific business unit of the acquiring firm such as "the team will be joining [acquirer]'s division" or "[acquirer] acqui-hired the team from [target] to work on / boost its division" (See Appendix 3). If an explicit mention was made of moving the target firm's team as a whole into a specific business unit of the acquirer suit of the acquirer immediately after the acquisition and the LinkedIn accounts of the target firm's employees confirmed this transition, we

recorded this as instance of preserved integration (i.e., *Preserved Integration* coded as 1), or else it was considered a fragmented integration (i.e., *Preserved Integration* coded as 0).

For acqui-hired founder's position post-acqui-hire, we looked at the positions of the co-founders of the target firm at the acquiring firm. In 80% (200) of the acqui-hires in the sample, the acquired start-up had more than one founder. The number of co-founders the target firm had ranged between 1 to 6, with the average number of co-founders being 2.3. Following an acqui-hire, the acquirer may assign the acquired founders to a high status position or not. High status positions can include both managerial/executive positions (e.g., vice president) as well as non-managerial senior level positions (e.g., senior research scientist). Acqui-hired founder's position was measured as a binary variable; *High Status Position* was coded as 1 when all co-founders of the target firm were assigned to a high status position following the acquisition and 0 otherwise.¹ We obtained the information on founders' positions after the acquisition from the LinkedIn accounts of the acqui-hired firms' founders.

To test the robustness of our findings, we also used a continuous variable, i.e. *Degree* of *Fragmentation*, as the dependent variable to examine the relationship between disruptive know-how and expected preserved integration. In cases of preserved integration, *Degree of Fragmentation* took the value of 1, indicating that the acquired team is integrated into a single business unit. In cases of fragmented integration, on the other hand, we identified the number of business units that the acqui-hire team members were integrated into from the LinkedIn accounts that we were able to find. Thus, *Degree of Fragmentation* was measured as the number of business units that the acquired firm's team members were integrated into; note that we have

¹ As a robustness check we also used two other variables for the high status position of acqui-hired founders. First one was a binary variable which was coded as 1 when at least one co-founder of the target firm was assigned to a high status position and 0 otherwise. The second was a continuous variable, from 0 to 1, measured as the ratio of co-founders who were assigned to high status positions.

a conservative measure here since there were a few LinkedIn accounts that did not exist for team members.

In our second set of hypotheses the dependent variable examined is an outcome of post-acqui-hire integration, namely *Premature Exit of Acqui-hired Founders*. We define premature exit as the exit of the acqui-hired founders from the acquiring firm within a year after the acquisition. We relied on the LinkedIn accounts of the acqui-hired firms' founders to record premature exit. Premature exit was measured as a binary variable and coded as 1 when one or more co-founders (recall the average is two cofounders) of the target firm exit the acquiring firm within a year after the acquisition and 0 otherwise.

Explanatory variables

Our explanatory variable in examining the antecedents of post-acqui-hire integration is *Disruptive Know-how*. Because there exists no common measure of the disruptiveness of an acqui-hire's know-how, we took the following approach to determine whether the acqui-hired firm's know-how was disruptive or not to an acquirer's technology in one of its main lines of business. Prior literature has highlighted the key characteristics of disruptive technologies as (1) serving a niche segment rather than the mainstream market in their early development and (2) introducing a different set of features and performance attributes relative to existing solutions (Adner, 2002; Christensen, 1997; Govindarajan & Kopalle, 2006). In the case of acqui-hires, the acquired firm is most often a start-up (i.e. a young firm with few employees as compared to an established larger firm) that does not serve a large customer base but rather a niche customer segment, thus satisfying the first condition stated in prior literature. However, the acqui-hire target's technology solution may be either novel with the potential to lead to breakthrough developments and challenge acquirer's existing solutions, or a solution that leads to incremental development and improvements on those existing solutions.

To assess whether the acqui-hired know-how was disruptive or not, two independent reviewers coded our full sample of 250 acqui-hires. The decision tree used in the coding process is provided in Appendix 4. For each acqui-hire, the reviewers first identified the acquirer's main lines of business through its annual report at the year of the acquisition. The reviewers then relied on business press articles from sources such as The Wall Street Journal, The New York Times, The Guardian, Forbes and news on technology blogs such as TechCrunch, VentureBeat, GigaOM, ZDNet, Mashable, Business Insider to determine whether or not the target firm's know-how has the potential to disrupt the acquirer in one of its main lines of business The set of articles on a particular acquisition was made available to each reviewer so that each could independently assess whether the target firm's know-how was disruptive to the acquirer's current technology in one of its main lines of business. There was 92% agreement between reviewers (p<0.01). Target firm's know-how was coded as disruptive only when both reviewers coded a target firm's know-how as disruptive. We measured Disruptive Know-how as a binary variable, coded as 1 when an acqui-hired firm was identified by the business and technology press as offering a novel solution that addresses the needs of a niche customer segment in one of acquirer's main lines of business and 0 otherwise.

Our two explanatory variables in examining the outcomes of post-acqui-hire integration (i.e., premature founder exit) are (a) *Disruptive Know-how & Preserved Integration Misfit* (meaning a lack of fit in which there is disruptive know-how and fragmented integration) and (b) *Disruptive Know-how & High Status Position Misfit* (meaning a lack of fit in which there is disruptive know-how and lower status position of the founder). We adopt Venkatraman's (1989) "fit-as-matching" approach to operationalize the lack of fit between the type of acquired start-ups' know-how and post-acqui-hire integration decisions of acquirers. Under the fit-as-matching approach, fit is a theoretically defined match between

two related variables, without reference to a criterion variable (Venkatraman, 1989). We follow Dewar and Werbel's (1979) approach in operationalizing the notion of fit. In this method, the residuals from the regression of one variable on the other are used to reflect fit, which can then be used to examine the criterion variable. We regress disruptive know-how on preserved integration, and also on high status position of the founder. We then calculate the residuals of each of these regressions. We use the absolute values of the residuals to indicate the lack of fit (i.e., misfit) between disruptive know-how and preserved integration, and similarly the lack of fit (i.e., misfit) between disruptive know-how and high status position of the founder.

Control variables

When examining our first set of hypotheses about acqui-hire team integration and acqui-hire founder integration, we controlled for several acquiring and target firm characteristics that could possibly influence the decisions regarding a target team integration and the status of a founder's position post-acquisition. First, we controlled for the *size of acquirers*, measured as the log of the number of acquiring firm employees at the time of the acquisition. Age and size of target firms, as well as the size of acquirers, may influence acquirers' decisions regarding post-acquisition integration (Pablo, 1994; Puranam et al., 2009). Thus, we controlled for the target firm age and size. *Target firm age* was measured as the number of months from the launch of the target firm to acquisition. For the size of the target firm, we were not able to obtain the exact number of employees at the target firm had 1-10, 11-50 or 51-200 employees from Crunchbase and LinkedIn. Thus, we created three dummy variables as small, medium and large for target firm size. *Small target* was coded as 1 if the target firm had 11-50 employees and 0 otherwise. *Large target* was coded as 1 if the target firm had 51-200

employees and 0 otherwise. None of the target firms in our sample had more than 200 employees. We also controlled for the target firm *founding team size*, measured as the number of co-founders in a target firm. We controlled for the *target firm funding round*, i.e. the number of rounds in which the target firm had raised capital, as this might indicate the performance of the target firm. Investment in start-ups is made in a series of rounds. Typically, the start-up first raises capital to launch the enterprise in what is called a seed round; then, if the company shows promise, it may raise additional funds in subsequent rounds of financing (Coyle & Polsky, 2013). Thus, the number of rounds the target firm raised capital is an indicator of its prior performance and may influence the acquirer's postacquisition integration decisions.

Recent research highlights that acqui-hiring is most frequently employed by hightechnology firms mainly based in Silicon Valley (Chatterji & Patro, 2014; Coyle & Polsky, 2013). However, there are a few non-US acquirers in our sample and these firms may have different post-acquisition integration approaches than their US counterparts. Moreover, USbased acquirers occasionally acquire start-ups located in countries other than US, which may affect the acquirer's post-acquisition integration decisions. Thus, the acqui-hires in our sample was classified as a *US transaction* and coded as 1 if both the acquirer and the target firm were based in the United States and 0 otherwise. We also controlled for the *prior acqui-hire experience of the acquirer*. Prior experience may enhance the competence of the acquirers to manage acqui-hires and thus affect their post-acquisition integration decisions (Puranam et al., 2009). Prior acqui-hire experience was measured as a count of acqui-hires conducted by the acquirer three years prior to the focal acqui-hire. Moreover, we controlled for the *team skill heterogeneity of the target* firm. In acqui-hires, target firm employees may have heterogeneous skills that may necessitate that they remain as a team to complement one another, or the team's skills may be rather homogeneous (e.g. a design start-up composed of

all product designers) and members may be interchangeable. We identified target firm employees' roles in the target firm through their LinkedIn accounts and Crunchbase. We operationalized team skill heterogeneity as a Herfindahl concentration of roles (Weinstock, 1982); team skill heterogeneity was coded as 1 if team members had heterogeneous skills that complemented one another (i.e., roles are less concentrated) and 0 otherwise.

We also controlled for the target firm's *founders' established firm experience*. The acqui-hired founders may be entrepreneurs who have never worked in an established firm or they may have prior experience in the acquirer or another established firm. Whether the founders have experience in an established firm or not may influence acquirers' post-acquisition integration decisions. We coded founders' established firm experience as 1 when one or more co-founders of the target firm had prior experience in an established firm and 0 otherwise.

Finally, we controlled for the target firm's *founders' start-up founding experience*. Experienced entrepreneurs may be psychologically attracted by the thrill of start-up (Gimeno et al., 1997) and, hence, may have a tendency to leave the acquirer and launch another start-up. This could potentially confound the effect of know-how type on the acquirers' post-acquisition integration decisions, unless controlled for. We obtained information regarding the number of start-ups founded by target firm's founders from the founders' LinkedIn accounts. Prior start-up experience was measured as a count of start-ups founded by the target firm's founders prior to the focal start-up.

For our second set of hypotheses about an outcome of post-acqui-hire integration, namely the premature exit of the acqui-hired founder, we controlled for several factors that may influence our dependent variable. First, we controlled for personal factors that could affect the premature exit of acqui-hired founders: target firm's *founders' established firm experience* and target firm's *founders' start-up founding experience*. We also controlled for target firm *founding team size* and *target firm funding round*. We additionally controlled for the *size of the acquirer* as it may affect the exit decisions of the acqui-hired founders (Bergh, 2001; Hambrick & Cannella, 1993).

Methods

Acqui-hire integration

For our first set of hypotheses examining post-acqui-hire integration, our dependent variables (i.e., preserved integration, high status position of acqui-hired founder) are dichotomous. Thus, our primary estimation approach was to use logistic regression models for panel data. Following prior research (Puranam et al., 2009) we report three alternate logit estimations: fixed effects logit, random effects logit and simple logit with standard errors clustered by acquirer. The fixed effects or conditional logit model potentially imposes the most powerful control on unobserved heterogeneity and is ideally suited for studying heterogeneous decision making (Greene, 2000). However, the fixed effects model calculates the likelihood of an event occurring for the acquirer given the actual number of events occured for the acquirer. This means that acquirers that show no variance in their integration decisions across targets will not contribute anything to the model and will therefore be omitted. Thus, the fixed effects model reduces the sample size. The random effects model, on the other hand, is more efficient in the usage of data; however, it assumes the unobserved variables to be uncorrelated with all the observed variables (Allison, 2009). We also estimated a simple logit model with standard errors clustered by acquirer. We report the results of all three logit models.

In case the dependent variables (i.e., *Preserved Integration* of the acqui-hired team and *High Status Position* of the acqui-hired founder) have an influence on one another, we also estimated a bivariate probit model, which is a joint model for two binary outcomes. We report the results of the bivariate probit models in our analyses. However, the likelihood ratio test at the end of the bivariate probit regressions indicated that it is appropriate to estimate two separate models. This is not surprising, given the insignificant correlation (0.044) between the dependent variables.

Finally, we estimated a Heckman sample selection model to account for sample selection bias. Because the firms in our sample have strategically chosen to acqui-hire startups, there can be a sample selection bias or sample-induced endogeneity issue (Bascle, 2008). Acquirers that choose to conduct acqui-hires might differ systematically from acquirers that do not conduct acqui-hires. If these systematic differences also affect acquirers' postacquisition integration decisions, then our results may suffer from sample selection bias. Thus, we estimated the two-stage Heckman sample selection model as a robustness check. Heckman proposes a two-stage approach: in the first stage, the probability of selection is estimated; in the second stage the selection parameter (LAMBDA or inverse Mills Ratio) is entered into the regression to account for potential sample selection bias (Certo, Busenbark, Woo & Semadeni, 2016). Heckman models include at least one variable in the first stage that does not appear in the second stage. These variables, known as exclusion restrictions (Bascle, 2008; Certo et al., 2016), influence the probability of an observation appearing in the sample, i.e. they predict the likelihood to acqui-hire, but do not influence the ultimate variable of interest in the second stage, i.e. they do not predict the integration decision.

We used the 'heckprob' command in Stata 15 as the dependent variables are dichotomous. In the first stage, the probability of acqui-hiring is estimated; followed by the second-stage estimation of the post-acquisition integration decisions, i.e. preserved integration and high status position of the founder. The selection model included all 663 firms listed in Nasdaq under technology industry. Data availability reduced this number to 611 firms. Acqui-hire is a novel acquisition type that emerged from and primarily seen in Silicon Valley (Chatterji & Patro, 2014; Coyle & Polsky, 2013). Thus, we included whether the *acquiring*

firm is US-based in the selection model. Extant research highlights that prior acquisition experience increases the likelihood of conducting additional acquisitions (Arikan & McGahan, 2010; Haleblian, Kim, & Rajagopalan, 2006). We thus included *acquisition experience*, i.e. the total number of acquiring firms' acquisitions during the study period, in the selection model. We also expect that if a firm is backed by a venture capital (VC) firm, the probability of engaging in acqui-hire activity also increases (Arikan & Capron, 2010; Hsu, 2006). Thus, we added a dummy variable for *VC backing*, which takes the value of 1 if the firm is backed by a venture capital firm and 0 otherwise. Finally, we included the *acquiring firms' age* measured as the number of years from founding to the end of the study period, in the selection model. We report the results of the Heckman first-stage sample selection model in Table 7. The Wald tests of independent equations (i.e., rho=0) show that the null hypothesis that rho=0 was rejected at p=0.041 and p=0.002 when the dependent variable is preserved integration and high status position, respectively, suggesting that the use of the Heckman selection model was justified.

Recall, that as a robustness check, we also examined the effect of *Disruptive Know-how* on the continuous variable, *Degree of Fragmentation*. Since *Degree of Fragmentation* is a continuous variable, we used regression models for panel data. We report three alternate estimations: random effects regression, fixed effects regression and simple regression with standard errors clustered by acquirer. We also estimated a Heckman sample selection model to account for sample selection bias. We report the results of the Heckman two-stage sample selection model. However, we fail to reject independence when the dependent variable is *Degree of Fragmentation*. Overall, we determine that there is no statistically significant source of bias due to sample selection of firms that have conducted acqui-hire deals. The results of Models 2, 3 and 4 presented in Table 4, are robust to sample selection bias.

Acqui-hire integration outcome: Premature exit of acqui-hired founders

For our second set of hypotheses which examine the outcomes of post-acqui-hire integration (i.e., the premature exit of acqui-hired founders), we adopt Venkatraman's (1989) "fit-asmatching" approach to test misfit that may influence the early departure of founders. Initially established when testing contingency theories (Govindarajan, 1988; Jennings & Seaman, 1994), this methodologly analyzes how the fit between two variables may predict a third variable (Dewar & Werbel, 1979). Venkatraman (1989) identifies six different fit perspectives: moderation, mediation, matching, gestalts, profile deviation and covariation. The fit-as-matching perspective is suitable for strategy concepts in which fit is a theoretically defined match between two related variables. The measure of fit between two variables is developed independent of any external performance criterion, and the influence of fit on a set of criterion variables can be subsequently examined (Venkatraman, 1989). More recently, this methodology has been used to assess the effect of exploratory and exploitative activities on firm performance (Cao, Gedajlovic, & Zhang, 2009; He & Wong, 2004), the impact of human resource management practices on turnover, productivity and financial performance (Huselid, 1995), and the effect of resource ambidexterity achieved through alliance portfolios on firm performance (Wassmer, Li, & Madhok, 2017) in the strategy literature.

In our second set of analyses, the explanatory variables are the lack of fit between disruptive know-how and preserved integration for H3, and the lack of fit between disruptive know-how and high status position of the founder for H4. We examine the relationship of these fit variables with the premature exit of acqui-hired founders, which is a binary variable, by using logistic regression with standard errors clustered by acquirer.

RESULTS & DISCUSSION

Acqui-hire integration

Table 1 reports summary statistics and correlation coefficients of the variables used in examining the antecedents of post-acqui-hire integration. The highest correlation between two variables is -0.279 (p=0.000); also, the highest Variance Inflation Factor for our variables is 1.31, well below the suggested max threshold of 10 (Cohen, Cohen, West & Aiken, 2002; Kutner, Nachtsheim, & Neter, 2004). Thus, multicollinearity is not a major concern in our models. The correlations between preserved integration and disruptive know-how, and high status position and disruptive know-how are significant and in the predicted positive direction. However, it should be noted that these variables are dichotomous. The correlation between degree of fragmentation and disruptive know-how is also significant and in the predicted negative direction.

INSERT TABLE 1 HERE

We first examine the relationship between the type of acqui-hire knowledge (as disruptive or complementary) and post-acqui-hire integration (of preserved integration). Recall that H1 predicts a positive relationship between disruptive know-how and preserved integration. We present our results in Table 2. Model 1 is the random effects model with only our control variables. When we add disruptive know-how in Model 2, its coefficient is positive and significant (β =2.447, p=0.002), in support of H1. Models 3 and 4 replicate the specifications but with a conditional fixed effects model and simple logit model with clustered standard errors, respectively. Model 5 presents the results obtained from the 2nd stage Heckman model; the coefficient estimate for disruptive know-how is positive and significant (β =1.212, p=0.001) (Results of the first stage selection equation of the Heckman model are reported separately in Table 3, Model 1.²). Finally, Model 6 of Table 2 presents the results

 $^{^{2}}$ From the first stage Heckman selection models in Table 3 we see that firms are more likely to pursue acquihires when they are VC backed, younger in age but have more acquisition experience.

obtained from the bivariate probit model. Using Model 5 as our main findings, the coefficient magnitude implies that when an acqui-hire's know-how is disruptive, the acquirer is 2.36 times more likely to pursue preserved integration. Across all of our models, even with different sample sizes and model assumptions, our results provide strong and consistent support for H1.

INSERT TABLE 2 HERE

INSERT TABLE 3 HERE

We do further robustness tests for H1. In Table 2 the dependent variable is the binary construct 'preserved integration,' implying that the alternative is any form of dividing the acqui-hired employees, what we refer to as 'fragmented integration'. As a robustness check, we explored whether our results change when the dependent variable is the 'degree of fragmentation.' Table 4 shows our results for this robustness analysis in which the dependent variable is the construct 'degree of fragmentation', a continuous variable, using random effects regression, fixed effects regression, simple regression with clustered standard errors and Heckman selection models. Our results in Table 4 ³ remain consistent with those of Table 2; across all models acqui-hire disruptive know-how is negatively related (since this time we have reverse coded for fragmentation) to the degree of fragmentation.

INSERT TABLE 4 HERE

³ The first stage of the Heckman selection model can be found in Table 3, Model 3.

Our findings in Table 2 and Table 4 provide strong support for our expectations that acquirers pursue preserved integration of acqui-hires when the knowledge being acquired is disruptive. These findings are aligned with a dynamic capabilities perspective that views acquisitions and acqui-hires as mechansims for reconfiguration to create new opportunities at the parent firm. It is by keeping the acqui-hired team together that the acquirer can harness the acqui-hired team's knowledge and pursue the acqui-hired technological developments and solutions. By keeping the team together, the employees' embedded routines, ways of working, and complementarities are all preserved, and can be used by the acquirer to pursue the disruptive technology. Preserving the group in a business unit also gives the employees some critical mass for initiating change and pursuing disruptive ideas that may not have the support of the majority within the business unit.

Next, we examine H2 which predicts a positive relationship between disruptive knowhow and high status position of the acqui-hired founder. Similar to the analysis above, Model 1 is the random effects model with only control variables. When we add disruptive know-how in Model 2, the estimated coefficient is positive and significant (β =1.084, p=0.013), in support of H2. Models 3 and 4 replicate the specifications but with a conditional fixed effects model and simple logit model with clustered standard errors, respectively. Model 5 presents the results obtained from the 2nd stage Heckman model; the coefficient estimate for disruptive know-how is positive and significant (β =0.586, p=0.007). (Results of the first stage Heckman selection probit model results are reported in Table 3, Model 2.) Finally, Model 6 presents the results obtained from the bivariate probit model. Using Model 5 as our main findings, the coefficient magnitude implies that when an acqui-hire's know-how is disruptive, the acquirer is 0.79 times more likely to appoint the acqui-hired founder to a high status position. Across

all of our models, even with different sample sizes and model assumptions, our results provide strong and consistent support for H2.⁴

INSERT TABLE 5 HERE

Our findings in Table 5 corroborate our expectations that acquirer's may be using acqui-hires with disruptive knowledge to initiate change in the acquirer's business unit. When the acqui-hired founder is given a high status role in the parent firm, (s)he has more power and influence to see that the disruptive technology is actually pursued effectively at the parent firm (Barden, 2012). Further, a high status position contractually binds the founder (initially) as an employee of the parent firm whereas the alternative would be losing the founder to either another entrepreneurial venture or working for another firm, both of which could be rivals to the acquirer.

Thus, this study highlights that acquirers are trying to create value from acqui-hires with disruptive knowledge by keeping the team preserved in a business unit and giving the founder status with which to exert some power or influence within the business unit. Next, we examine how the fit or misfit between these expectations may influence the retention of the acquire-hired founder.

Acqui-hire integration outcome

In the second part of our analysis, we examine the outcomes of post-acqui-hire integration in the form of premature exit of acqui-hired founders. Table 4 reports summary statistics and correlation coefficients of the variables used in the second set of equations. The

⁴ A a robustness check, we repeat all logit and probit models for the dependent variable "at least one co-founder is given a high status position", which is a binary variable. We also estimate random effects regression, fixed effects regression, simple regression with clustered standard errors and heckman sample selection models for the dependent variable "ratio of co-founders given high status position", which is a continuous variable. The coefficient estimate for disruptive know-how is positive and significant across all models.

highest correlation between two variables is 0.270 (p=0.000) and the highest Variance Inflation Factor for our variables is 1.13, again, well below the suggested max threshold of 10 (Cohen, Cohen, West & Aiken, 2002; Kutner, Nachtsheim, & Neter, 2004). Again, high collinearity between our variables is not a major concern for our analysis. The correlation between our explanatory variable for H3, disruptive know-how and preserved integration misfit, and the dependent variable of premature exit of acqui-hired founders is in the predicted positive direction. However, the correlation between our explanatory variable for H4, disruptive know-how and high status position misfit, and the dependent variable of premature exit of acqui-hired founders is *not* in the predicted direction as it is negative in the correlation table. These correlations provide some initial support for H3 and not for H4. Next we pursue more stringent regression analysis with controls.

INSERT TABLE 6 HERE

Table 7 presents results from the logistic regression analysis examining the relationships between the lack of fit between know-how type and post-acquisition integration decisions on the premature exit of acqui-hired founders. To test H3, we study misfit between disruptive know-how and preserved integration. In Model 1 we find support for H3 asserting that the lack of fit between disruptive know-how and preserved integration is positively related to the premature exit of acqui-hired founders (β =0.569, p=0.025). The coefficient magnitude implies that when there is a misfit (i.e., the acqui-hire know-how is disruptive but the acquirer pursued fragmented integration instead of preserved integration), there is 0.77 times more likelihood that an acqui-hired founder will prematurely exit the parent firm.

Our findings in Table 7 indicate that acquirers are more successful in retaining the acqui-hired founders (past a year) in cases where, for disruptive know-how, the founder's

team is also kept intact as a whole. From a dynamic capabilities perspective this makes sense as the means to a more effective end for an acquirer – of pursuing the disruptive technology post-aqui-hire. The founder may be integral in motivating his/her former employees or coordinating their work and innovative process. Further, by knowing that his/her team is intact in a business unit, the founder is given the means by which to continue doing what he/she initiated in his/her firm to begin with – a continuation of the disruptive technology or product offering.

To test H4, we study misfit between disruptive know-how and founder's high status position. However, in Model 2, we do not find support for H4 (β =-0.229, p=0.705), suggesting that the lack of fit between disruptive know-how and high status position for the acqui-hired founder may not influence the premature exit of acqui-hired founders.

INSERT TABLE 7 HERE

CONCLUSION

Our goal in this paper was to study the antecedents and outcomes of post-acqui-hire integration. In the first part of our analysis, we examined the relationship between acqui-hired employees' know-how and two different post-acqui-hire integration decisions of the acquirers – namely whether acquiers keep the acqui-hired team together and whether they give the acqui-hired founders high status positions. Overall, we find that when the acquired start-up has disruptive know-how, it is likely that the acqui-hired team will undergo preserved integration and the acqui-hired founder will be assigned to a high status position. In the second part of our analysis, we study a performance outcome of post-acqui-hire integration decisions, namely, whether the acqui-hired founder prematurely leaves the parent firm. We examined the relationship between the misfit of acquired employees' know-how and the acquirers' post-acqui-hire integration decisions on the premature exit of acqui-hired founders. We find that while the lack of fit between disruptive know-how and preserved integration is positively related to the premature exit of acqui-hired founders, the lack of fit between disruptive know-how and high status position is not significantly related to the premature exit of acqui-hired founders.

This study makes several contributions to theory, empirics and practice. First, we contribute to the post-acquisition integration literature by focusing on integration of acqui-hires, specifically. As novel acquisitions that are sought for their human capital, we still know little about how acquirers try to create value from these types of purchases. Second, whereas traditional post-acquisition integration studies have highlighted objectives such as the minimization of coordination costs and transfer of knowledge and resources between firms (Capron, Dussauge, & Mitchell, 1998; Puranam & Srikanth, 2007; Paruchuri et al., 2006; Ranft & Lord, 2002), our findings suggest that post-acquisition integration decisions in acquihires are also designed to effectively recombine new and existing human resources to embrace their disruptive know-how and respond to the changes in the business environment.

Third, the findings that show support for acquirers' harnessing acqui-hires' disruptive know-how build on the dynamic capabilities perspective – exemplifying how firms cope with change in high-velocity environments (Galunic & Eisenhardt, 2001; Rothaermel & Hess, 2007), ways in which firms modify their resource base to generate new value-creating strategies (Eisenhardt & Martin, 2000; Helfat et al., 2007), and pursue proactive reconfiguration and strategic renewal (Agarwal & Helfat, 2009; Karim & Capron, 2016). By keeping acqui-hired teams intact and giving the founder high status, acquirers employ acquihires as a mechanism to overcome organizational inertia, drive future innovation, and create market change (Anand, Oriani, & Vassolo, 2010; Henderson & Cockburn, 1994; Iansiti & Clark, 1994). On the other hand, when the acquired firm's know-how is complementary to the

acquirer, the acqui-hired team is likely to be dismantled and distributed to the various business units of the acquirer so that the complementary knowledge can permeate throughout the parent firm.

Fourth, this study also contributes to the research stream that examines the relationship between post-acquisition integration and performance outcomes of technology acquisitions. Previous studies have examined the effects of integration on the retention of key acquired employees in technology acquisitions and have found that integration is negatively associated with retention (Ranft & Lord, 2000). However, the findings of this study on acqui-hires suggest that it is not simply integration that influences acquisition outcomes but rather the lack of fit between the integration mode and the type of acquired firm's know-how. Our findings indicate that the lack of fit between disruptive know-how and preserved integration is associated with the premature exit of acqui-hired founders from the acquiring firms. The main incentive for start-up founders to join an established firm through an acqui-hire is the ability to work on similar problems at a larger scale (Chatterji & Patro, 2014). However, the acquihired founders need their teams to stay together to develop new solutions and challenge the existing business units of the acquirer. Thus, when their teams are dismantled, acqui-hired founders are likely to be demotivated and tend to leave the acquiring firm even without waiting for their vesting period to end. On the other hand, there appears to be no relationship between the lack of fit between disruptive know-how and high status position and the premature exit of acqui-hired founders from the acquiring firms. This is interesting since prior literature provides strong support for the positive relationship between status and retention of key acquired employees in technology acquisitions (Ranft & Lord, 2000). The results suggest that something different is going on in acqui-hires; it is more likely that in these novel cases, the acqui-hired founders who are serial entrepreneurs tend to prematurely leave the acquiring firm regardless of whether or not they are assigned to high status positions.

Our findings provide some key managerial implications, especially for technology companies pursuing acqui-hires. Traditionally, post-acquisition integration has been associated with the initial decision between complete absorption and preservation of autonomy. This study suggests that in acqui-hires, rather than deciding upon whether or not to integrate the acquired start-up, the acquirer should consider how to integrate the acquired talent. First, an acquirer needs to be aware that the characteristics of the acquired talent's know-how should determine the post-acqui-hire integration decisions. This paper identifies two integration modes and associates each with a particular type of acquired know-how. Second, the acquirer should also keep in mind that retention of the acqui-hired talent depends on the extent of fit between the type of acquired firm's know-how and post-acqui-hire integration decisions. Understanding the different acqui-hire integration modes and the outcomes they may generate will enable acquirers to plan the integration of their acqui-hires accordingly so as to realize their potential.

Finally, to the best of our knowledge, our study is the first large-scale empirical study to analyze acqui-hires and provide insights into how acquirers integrate the acqui-hired talent to create value from acqui-hires. Our analysis complements the few works that have begun to explain this emerging phenomenon through legal distinctions (Coyle & Polsky, 2013) and indepth case analysis (Chatterji & Patro, 2014).

This study has several limitations, and thus, may provide scholars with future research ideas. First, we examined only the acqui-hires conducted by firms in technology industries, however, the acqui-hiring phenomenon is spreading to other talent-specific industries such as professional services. It would be interesting to see if our findings are consistent with other non-technology markets. Second, we were limited to examining acqui-hired employees that we could track their placement in the parent firm using online sources. Though we have collected what we assume are the most important individuals at the acqui-hires through available data sources, a limitation is not having the full sample. Thus, if future studies could obtain from acquirers their full list of acqui-hired talent and placements, it would provide more power to the analyses. Lastly, our outcome variable that we were able to observe was the retention (or lack of) of the acqui-hired founder. This was reasonable for our purposes since the main aim of acqui-hires is to utilize the skills and know-how of the acquired human capital. Prior literature also highlights that retention of key acquired employees is of central importance in determining the success of technology acquisitions. In future studies, it would be useful to analyze the effects of acqui-hires on financial performance or innovation performance, however, this will require more granular data from acquirers at the business unit or product market level, for example, new product launches (e.g., Puranam et al., 2006).

Extant research provides valuable insights into the antecedents and outcomes of postacquisition integration in technology acquisitions. Yet, the insights from this domain can be partially extended to acqui-hires, which is a novel type of technology acquisition motivated by the future innovative opportunities that the acquired talent may generate. We have attempted to explain how acquirers need to integrate the acquired talent to be able to benefit from their acquihires building on the dynamic capabilities literature. The key implication for organizational renewal through acqui-hires is the importance of the type of acquired employees' know-how as a factor that determines the post-acqui-hire integration choices of acquirers. Our findings indicate that when an acqui-hired team which has disruptive know-how is not integrated through preserved integration but rather dismantled following the acquisition, acqui-hired founders are likely to leave the acquirer within a year after the acquisition. Moreover, acquihired founders who have disruptive know-how need to be assigned to a high status position following the acquisition to be able to benefit from their proprietary know-how.

We hope that this study has added to our understanding of acqui-hires more generally, and specifically to the antecedents and outcomes of post-acqui-hire integration. We also hope that the findings encourage future research to further contribute to the understanding of how firms can create value from talent-oriented acquisitions as they reconfigure themselves.

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	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1.Preserved integration	1														
2.High status position	0.044	1													
3.Degreee of fragmentation	-0.822	0.044	1												
4.Disruptive know-how	0.213	0.142	-0.148	1											
5.Log (acquirer employees)	-0.045	0.001	-0.001	0.007	1										
6.Acquirer acqui-hire experience	0.129	-0.160	-0.061	0.079	0.255	1									
7.Target age	-0.148	0.168	0.242	-0.075	0.188	0.017	1								
8.Target funding round	-0.102	0.036	0.044	0.060	0.118	0.074	0.046	1							
9.Target founding team size	-0.122	-0.148	0.076	0.066	0.030	0.045	-0.102	0.181	1						
10.Target size small	0.169	-0.183	-0.192	-0.012	-0.165	0.003	-0.267	-0.260	-0.026	1					
11.Target size large	-0.116	0.139	0.243	-0.003	0.113	-0.068	0.252	0.205	0.077	-0.267	1				
12. Target team skill heterogeneity	-0.146	0.060	0.140	0.004	-0.006	0.066	0.069	0.204	0.144	-0.302	0.113	1			
13.Founder large firm experience	0.009	0.029	-0.035	0.020	-0.039	0.088	-0.279	0.118	0.270	0.012	-0.002	0.194	1		
14.Founder start-up experience	-0.134	-0.004	0.065	-0.007	0.038	-0.002	-0.057	0.190	0.100	-0.104	-0.059	0.172	-0.049	1	
15.US transaction	-0.009	0.060	0.011	0.047	-0.152	0.047	-0.163	0.170	-0.078	0.087	0.042	0.030	0.208	0.106	1
Mean	0.772	0.408	1.412	0.188	9.201	9.980	40.244	1.104	2.296	0.608	0.044	0.784	0.640	0.868	0.836
S.D	0.420	0.493	0.924	0.391	1.681	9.081	35.294	1.224	0.949	0.490	0.206	0.412	0.481	1.180	0.371

Table 1. Descriptive statistics and correlations for the analysis of antecedents of post-acqui-hire integration (for testing H1 and H2)

N=250 Coefficients greater than 0.128 are significant at p<0.05 level or lower.

Table 2. Logit and	probit models on DV	of Preserved Integr	ration (for testing H1)
The Logic and		or report of mong	(iei testing iii)

		LOGIT N	PROBIT			
	(1)	(2)	(3)	(4)	(5)	(6)
	Random effects	Random effects	Fixed effects	Simple logit	Heckman	Bivariate probit
VARIABLES						
Disruptive know-how		2.447	2.404	2.440	1.212	1.207
		(0.792)	(0.840)	(0.892)	(0.357)	(0.362)
		[0.002]	[0.004]	[0.006]	[0.001]	[0.001]
Log (acquirer employees)	-0.029	0.009	-0.485	-0.003	-0.046	-0.015
	(0.117)	(0.116)	(0.410)	(0.117)	(0.063)	(0.060)
	[0.802]	[0.935]	[0.236]	[0.978]	[0.462]	[0.809]
Acquirer acqui-hire experience	0.037	0.037	0.027	0.040	0.014	0.025
	(0.023)	(0.022)	(0.032)	(0.017)	(0.012)	(0.012)
	[0.107]	[0.094]	[0.405]	[0.022]	[0.271]	[0.032]
Target age	-0.009	-0.009	-0.011	-0.009	-0.005	-0.005
	(0.005)	(0.005)	(0.005)	(0.006)	(0.003)	(0.003)
	[0.055]	[0.059]	[0.039]	[0.113]	[0.079]	[0.060]
Target funding round	-0.049	-0.101	-0.182	-0.098	-0.059	-0.058
	(0.136)	(0.142)	(0.167)	(0.093)	(0.081)	(0.082)
	[0.721]	[0.474]	[0.276]	[0.291]	[0.472]	[0.477]
Target founding team size	-0.300	-0.360	-0.343	-0.361	-0.166	-0.196
	(0.183)	(0.191)	(0.215)	(0.229)	(0.105)	(0.105)
	[0.101]	[0.059]	[0.111]	[0.115]	[0.114]	[0.063]
Target size small	0.450	0.588	0.655	0.567	0.248	0.295
	(0.367)	(0.380)	(0.439)	(0.456)	(0.210)	(0.214)
	[0.220]	[0.122]	[0.136]	[0.214]	[0.238]	[0.167]
Target size large	-0.056	-0.109	0.536	-0.172	-0.096	-0.093
	(0.759)	(0.785)	(0.954)	(0.707)	(0.448)	(0.458)
	[0.941]	[0.890]	[0.575]	[0.808]	[0.830]	[0.840]
Target team skill heterogeneity	-0.703	-0.692	-0.634	-0.670	-0.439	-0.395
	(0.514)	(0.522)	(0.566)	(0.373)	(0.280)	(0.283)
	[0.171]	[0.185]	[0.263]	[0.072]	[0.117]	[0.163]
Founder large firm experience	0.103	0.082	0.130	0.033	0.078	0.006
	(0.393)	(0.406)	(0.435)	(0.540)	(0.228)	(0.227)
	[0.793]	[0.840]	[0.765]	[0.951]	[0.731]	[0.980]
Founder start-up experience	-0.176	-0.205	-0.088	-0.217	-0.105	-0.111
	(0.136)	(0.141)	(0.158)	(0.136)	(0.079)	(0.080)
	[0.193]	[0.146]	[0.578]	[0.110]	[0.182)	[0.166]
US transaction	-0.333	-0.509	-0.764	-0.508	-0.439	-0.305
	(0.483)	(0.493)	(0.648)	(0.400)	(0.293)	(0.287)
	[0.491]	[0.303]	[0.238]	[0.205]	[0.134]	[0.287]
Constant	3.021	2.738	n.a.	2.852	2.334	1.776

	-1.332	-1.318	n.a.	-1.384	(0.765)	(0.724)
	[0.023]	[0.038]	n.a.	[0.039]	[0.002]	[0.014]
n	250	250	225	250	250	250
Wald Chi ²	19.59	26.14	32.19	47.31	29.45	66.30
p>Chi ²	0.051	0.010	0.001	0.000	0.003	0.000
Log likelihood	-121.34	-113.18	-73.16	-113.36	-230.62	-262.81

Table 3. First stage of Heckman selection models

	DV = Likelihood of Acqui-hiring							
VARIABLES	(1) Preserved Integration	(2) High Status Position	(3) Degree of Fragmentation					
Acquirer is US based	-0.084 (0.256)	-0.098 (0.254)	-0.105 (0.256)					
	[0.743]	[0.701]	[0.682]					
Acquirer is VC backed	1.303	1.315	1.316					
	(0.236)	(0.236)	(0.239)					
	[0.000]	[0.000]	[0.000]					
Acquirer Age	-0.008	-0.009	-0.008					
	(0.004)	(0.004)	(0.004)					
	[0.069]	[0.044]	[0.059]					
Acquirer acquisition experience	0.078	0.078	0.078					
	(0.006)	(0.006)	(0.006)					
_	[0.000]	[0.000]	[0.000]					
Constant	-2.619	-2.611	-2.605					
	(0.348)	(0.348)	(0.349)					
	[0.000]	[0.000]	[0.000]					
athrho	-0.493	0.615	0.169					
	(0.266)	(0.213)	(0.169)					
	[0.064]	[0.004]	[0.318]					
rho	-0.457	0.547	0.167					
	(0.210)	(0.149)	(0.164)					

Table 4. Regression models on DV of Degree of Fragmentation

		REGRESSIC	N MODELS	5	
	(1)	(2)	(3)	(4)	(5)
	Random	Random	Fixed	Simple	Heckman
	effects	effects	effects	regression	
VARIABLES					
Disruptive know-how		-0.323	-0.310	-0.323	-0.325
		(0.143)	(0.153)	(0.159)	(0.139)
- /		[0.024]	[0.043]	[0.052]	[0.019]
Log (acquirer employees)	-0.028	-0.028	0.021	-0.028	-0.020
	(0.036)	(0.036)	(0.103)	(0.039)	(0.036)
	[0.434]	[0.427]	[0.837]	[0.470]	[0.577]
Acquirer acqui-hire experience	-0.005	-0.003	-0.001	-0.003	-0.000
	(0.006)	(0.006)	(0.009)	(0.006)	(0.007)
T	[0.484]	[0.591]	[0.946]	[0.555]	[0.962]
Target age	0.005	0.005	0.005	0.005	0.005
	(0.002)	(0.002)	(0.002)	(0.002)	(0.002)
	[0.004]	[0.006]	[0.008]	[0.033]	[0.0059
larget funding round	-0.049	-0.044	-0.029	-0.044	-0.043
	(0.051)	(0.050)	(0.055)	(0.049)	(0.049)
	[0.338]	[0.383]	[0.605]	[0.374]	[0.382]
Target founding team size	0.084	0.093	0.070	0.093	0.083
	(0.064)	(0.063)	(0.068)	(0.067)	(0.062)
TT (11	[0.186]	[0.143]	[0.301]	[0.176]	[0.181]
l arget size small	-0.173	-0.182	-0.196	-0.182	-0.163
	(0.131)	(0.130)	(0.142)	(0.145)	(0.127)
	[0.184]	[0.160]	[0.167]	[0.221]	[0.1999
l arget size large	0.767	0.766	0.657	0.766	0.768
	(0.297)	(0.295)	(0.334)	(0.611)	(0.286)
TT	[0.010]	[0.009]	[0.051]	[0.220]	[0.007]
Target team skill heterogeneity	0.162	0.159	0.136	0.159	0.170
	(0.149)	(0.148)	(0.158)	(0.102)	(0.144)
F 1 1 6 .	[0.277]	[0.283]	[0.390]	[0.232]	[0.240]
Founder large firm experience	-0.026	-0.03/	-0.085	-0.03/	-0.052
	(0.132)	(0.131)	(0.139)	(0.163)	(0.128)
E	[0.845]	[0.7/9]	[0.543]	[0.823]	[0.686]
Founder start-up experience	0.050	0.046	(0.014)	0.046	0.043
	(0.050)	(0.050)	(0.053)	(0.049)	(0.048)
	[0.320]	[0.354]	[0.795]	[0.356]	[0.380]
US transaction	0.123	0.138	0.214	0.138	0.16/
	(0.164)	(0.103)	(0.191)	(0.152)	(0.101)
Constant	[0.453]	[398]	[0.265]	[0.3/2]	[0.299]
Constant	1.181	1.227	(0.787)	1.227	1.0/5
	(0.431)	(0.428)	(0.983)	(0.464)	(0.443)
	[0.006]	[0.004]	[0.424]	[0.013]	[0.015]
n	250	250	250	250	250
Wald Chi ²	35.25	40.93			41.10
p>Chi ²	0.000	0.000			0.000
F			2.53	7.84	
p>F			0.004	0.000	
Log likelihood					-432.96

		LOGIT N	PROBIT			
	(1)	(2)	(3)	(4)	(5)	(6)
	Random	Random	Fixed	Simple	Heckman	Bivariate
	effects	effects	effects	logit	TICCKIIIaii	probit
VARIABLES						
Disruptive know-how		1.084	1.087	1.030	0.586	0.602
		(0.436)	(0.447)	(0.259)	(0.217)	(0.218)
		[0.013]	[0.015]	[0.000]	[0.007]	[0.006]
Log (acquirer employees)	0.027	0.047	0.109	0.016	0.041	0.011
	(0.153)	(0.156)	(0.315)	(0.178)	(0.055)	(0.054)
	[0.858]	[0.766]	[0.729]	[0.928]	[0.452]	[0.843]
Acquirer acqui-hire experience	-0.049	-0.049	-0.030	-0.050	-0.015	-0.028
	(0.023)	(0.023)	(0.027)	(0.045)	(0.010)	(0.009)
	[0.032]	[0.035]	[0.264]	[0.269]	[0.148]	[0.005]
Target age	0.012	0.013	0.013	0.011	0.006	0.007
	(0.006)	(0.006)	(0.006)	(0.005)	(0.003)	(0.003)
	[0.032]	[0.021]	[0.031]	[0.034]	[0.021]	[0.019]
Target funding round	-0.110	-0.130	-0.154	-0.045	-0.010	-0.016
	(0.149)	(0.155)	(0.160)	(0.170)	(0.076)	(0.077)
	[0.460]	[0.402]	[0.335]	[0.791]	[0.891]	[0.839]
Target founding team size	-0.550	-0.586	-0.596	-0.455	-0.288	-0.256
	(0.188)	(0.191)	(0.195)	(0.174)	(0.094)	(0.096)
	[0.003]	[0.002]	[0.002]	[0.009]	[0.002]	[0.008]
Target size small	-0.673	-0.686	-0.460	-0.634	-0.295	-0.362
	(0.372)	(0.379)	(0.396)	(0.350)	(0.189)	(0.193)
	[0.070]	[0.070]	[0.245]	[0.070]	[0.119]	[0.061]
Target size large	0.986	1.034	1.174	0.794	0.478	0.467
	(0.916)	(0.923)	(0.926)	(0.778)	(0.451)	(0.470)
	[0.282]	[0.262]	[0.205]	[0.307]	[0.289]	[0.321]
Target team skill heterogeneity	0.166	0.108	0.053	0.074	0.084	0.071
	(0.434)	(0.435)	(0.436)	(0.323)	(0.226)	(0.229)
	[0.702]	[0.805]	[0.904]	[0.819]	[0.712]	[0.758]
Founder large firm experience	0.422	0.477	0.270	0.628	0.308	0.369
	(0.386)	(0.394)	(0.399)	(0.358)	(0.197)	(0.201)
	[0.274]	[0.226]	[0.499]	[0.080]	[0.118]	[0.066]
Founder start-up experience	0.003	0.023	0.023	0.019	-0.009	0.009
	(0.149)	(0.154)	(0.157)	(0.096)	(0.076)	(0.078)
	[0.982]	[0.880]	[0.885]	[0.844]	[0.908]	[0.908]
US transaction	0.572	0.494	0.775	0.413	0.369	0.249
	(0.525)	(0.522)	(0.607)	(0.546)	(0.253)	(0.255)
	[0.276]	[0.344]	[0.202]	[0.449]	[0.145]	[0.330]
Constant	0.540	0.338	n.a.	-0.109	-0.725	-0.159
	-1.614	-1.648	n.a.	-1.541	(0.671)	(0.657)

Table 5. Logit and probit models on DV of High Status Position of the Acqui-hired Founder (for testing H2)

	[0.738]	[0.838]	n.a.	[0.943]	[0.280]	[0.809]
n	250	250	204	250	250	250
Wald Chi ²	24.36	28.50	30.71	99.41	31.05	66.30
p>Chi ²	0.011	0.005	0.002	0.000	0.002	0.000
Log likelihood	-134.98	-131.80	-87.64	-149.15	-263.97	-262.81

Table 6. Descriptive statistics and correlations for the analysis of outcomes of post-acqui-hire integration (for testing H3 and H4)

	1	2	3	4	5	6	7	8
1.Premature exit of Acqui-hired Founders	1							
2.Disruptive know-how-preserved integration misfit	0.126	1						
3. Disruptive know-how-high status position misfit	-0.009	0.001	1					
4.Founder large firm experience	0.116	0.014	0.112	1				
5.Founder start-up experience	0.126	0.148	-0.047	-0.049	1			
6.Log (acquirer employees)	0.062	0.035	0.008	-0.039	0.038	1		
7.Target funding round	0.020	0.155	0.084	0.118	0.190	0.118	1	
8. Target founding team size	0.217	0.161	0.032	0.270	0.099	0.029	0.181	1
Mean	0.116	0.814	1.032	0.640	0.868	9.201	1.104	2.296
S.D.	0.321	0.496	0.359	0.481	1.180	1.682	1.224	0.949

N=250 Coefficients greater than 0.125 are significant at p<0.05 level or lower.

VARIABLES	(1)	(2)	
Disruptive know-how–preserved integration misfit	0.569		
	(0.254)		
	[0.025]	0.000	
Disruptive know-how-high status position mistit		-0.229	
		(0.605)	
		[0.705]	
Founder large firm experience	0.679	0.678	
	(0.587)	(0.575)	
	[0.247]	[0.138]	
Founder start-up experience	0.252	0.275	
	(0.140)	(0.138)	
T / ' 1)	[0.072]	[0.047]	
Log (acquirer employees)	0.129	0.128	
	(0.183)	(0.182)	
	[0.480]	[0.483]	
Target funding round	-0.136	-0.114	
	(0.169)	(0.162)	
	[0.420]	[0.484]	
Target founding team size	0.541	0.585	
	(0.191)	(0.178)	
	[0.005]	[0.001]	
Constant	-5.689	-5.106	
	-1.779	-1.665	
	[0.001]	[0.002]	
n	250	250	
Wald Chi ²	35.43	41.07	
p>Chi ²	0.000	0.000	
Log likelihood	-80.62	-81.46	

DV = Premature Exit of Acqui-hired Founders

APPENDIX 1: DECISION TREE TO DETERMINE WHETHER AN ACQUISITION IS AN ACQUI-HIRE OR NOT



APPENDIX 4: DECISION TREE TO DETERMINE WHETHER THE TARGET FIRM'S KNOW-HOW IS DISRUPTIVE OR NOT

