Post-acquisition knowledge management practices for exploration and exploitation: insights from a food service organization

Maria Carmela Annosi, Elena Casprini, Antonella Martini and Jessica Geovana Ramón Torres

Abstract

Purpose – *Drawing from the knowledge-based view of the firm, this paper aims to explore the knowledge management practices that the acquirer uses to exploit its knowledge creating conditions for the exploitation of the target's knowledge and to explore its knowledge by realizing routines for the integration of new knowledge within the target.*

Design/methodology/approach – *This paper presents an in-depth case study analysis based on the acquisition of a Dutch food service organization by an Italian company operating in the same sector.*

Findings – *The case study analysis reveals four mechanisms for knowledge integration, two aimed at exploiting the acquirer's knowledge, and two aimed at exploring the acquirer's knowledge.*

Originality/value – *This paper unveils that it is the interlinkage among organizational, human and technological factors, at multiple layers of the target, which allows the knowledge integration within the post-acquisition process.*

Keywords *Knowledge management practices, Exploration, Exploitation, Acquisition, Case study, Food service*

Paper type *Research paper*

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1. Introduction

One important way to gain new knowledge is through acquisition. In acquisitions, a firm can enlarge its knowledge assets by exercising a degree of ownership on another firm with a remotely related business (exploration) as well as use its established knowledge by acquiring a firm with a closely related business (exploitation) (Ahuja and Katila, 2001; Haleblian and Finkelstein, 1999; Vermeulen and Barkema, 2001). Both exploration and exploitation require the implementation of new knowledge management (KM) practices (Dosi *et al.*, 2000). KM practices related to exploitation create conditions for using the firm's existing knowledge, thus favouring consistency, stability and control. In contrast, exploration KM practices involve a search for new knowledge, thus enabling experimentation, flexibility and risk-taking.

Past studies on KM practices during and after acquisition have mostly focused on how knowledge flows between the acquirer and the target (Junni *et al.*, 2015) and on *how* the way acquirers exploit and explore knowledge via internal organization before the acquisition affects the innovation activities during post-acquisition (Choi and McNamara, 2018). Other studies have devoted attention on the impact of different knowledge transfer practices on the company's acquisition performance, especially looking at the acquisition performance after several years and recurring to quantitative data (Ahammad *et al.*, 2016; Bresman *et al.*, 1999; Si and Bruton, 2005). However, little is known about how the acquirer is able to

leverage on KM practices in the target to exploit and explore its knowledge and about post-acquisition knowledge integration activities aiming to reduce the knowledge differences between the acquirer and the target. Despite research on integration processes and their effectiveness is in a mature stage (Björkman *et al.*, 2007; Cording *et al.*, 2008; Schweiger and Goulet, 2005), with recent studies exploring the micro-foundation of post-acquisition success by conceptualizing, for instance, the micro tensions inherent to task and human integration processes that affect the unfolding of post-acquisition integration (Birkinshaw *et al.*, 2000; Rouzies *et al.*, 2019), or the impact of emotional practices on the success of post-acquisition integration (Vuori *et al.*, 2018), there is still a lack of attention on the various KM practices that make such integration attempts successful (Lakshman, 2011). Despite many scholars, by giving a process view of the post-acquisition integration, have analysed the actions embraced by management to realize the post-acquisition integration process (Greenwood *et al.*, 1994; Haspelagh and Jemison, 1989, 1991; Hunt, 1990; Jemison and Sitkin, 1986; Lindgren, 1982; Shrivastava, 1986) to generate value for the acquirer and consisting of transfers of capabilities and resources, aspects touching KM practices towards the target enhancing the exploitative and explorative capabilities of the acquirer have not been mentioned explicitly in empirical studies.

So, if previous research has underlined the possibility for the acquirer to use acquisitions to exploit and explore (Stettner and Lavie, 2014) and the conditions under which this may occur (Phene *et al.*, 2012), our paper identifies the specific KM practices that the acquirer establishes in the post-acquisition phase of the acquisition process to exploit and explore its knowledge and also realizing the knowledge integration in the target. Our focus on the acquiring firm is influenced by the observation that learning processes and the effect of post-acquisition decisions were housed mainly within the acquiring firms and its units.

Thus, adopting a knowledge-based view of the firm (Junni *et al.*, 2015), this paper explores the KM practices that the acquirer uses to exploit its knowledge creating conditions for the exploitation of the target's knowledge and to explore its knowledge by realizing routines for the integration of new knowledge within the target. To do that, we adopted an inductive approach and a qualitative analysis of 17 interviews from a food service company. The setting is particularly suitable for investigating this aim as food industry is slowly becoming more technology intensive and customer oriented (Traill and Meulenberg, 2002; van De Vrande *et al.*, 2009), and this tendency manifests in heightened demand for food safety and nutritional quality of food, convenience and new products development. To be able to cater to these expectations, firms within food industry tend to engage in acquisition and use of external knowledge (Sarkar and Costa, 2008; Huizingh, 2011). Our findings shed light on the KM practices constituting the micro-foundations of the acquisition process and also provide evidence on the relevant role of target's employees upon which the KM practices insist.

The paper is structured as follows. Section 2 presents an overview about the current literature on knowledge exploitation and exploration through acquisitions and KM practices in post-acquisitions; Section 3 illustrates the research design and methodology, while in Sections 4 and 5 the case is analysed and discussed by drawing a model to show how KM practices are used for both exploitation and exploration of target's knowledge by the acquirer.

2. Theoretical background

2.1 Knowledge exploitation and exploration through acquisitions

To survive, firms need to balance exploration effort justifying the search for new knowledge and the exploitation of existing knowledge resources (Levinthal and March, 1993; March, 1991). The firm's knowledge base can cumulate through knowledge-enhancing investments by the firm over time, but also through acquisitions thus acquiring or "grafting" external

knowledge bases (Cohen and Levinthal, 1989; Huber, 1991). Indeed, organizations choose to engage in mergers and acquisitions (M&As) to have access to essential knowledge and capabilities (Hagedoorn and Duysters, 2002; Schneckenberg *et al.*, 2015; Scuotto *et al.*, 2017). These capabilities can eventually be destroyed (Paruchuri and Eisenman, 2012) depending on how the acquirer organizes the support for exploitation and exploration activities in the target (Hughes *et al.*, 2020). However, very few empirical studies have analysed how acquisitions impact the acquirer's knowledge base (Hughes *et al.*, 2020; Granstrand and Sjolander, 1990; Huber, 1991; Gerpott, 1995) and which capabilities are involved in securing an increase on the acquirers' knowledge. This is quite surprising because acquisitions often happen for obtaining know how and develop capabilities (Granstrand *et al.*, 1992; Chakrabarti *et al.*, 1994).

Past studies state that the capability to exploit and explore is mainly resident in processes allowing for the integration of existing knowledge into new knowledge (Kogut and Zander, 1992). A relevant amount of research has tackled with the post-acquisition integration processes. One stream of research has devoted attention on organizational fit, by analysing the extent to which the target's and acquirer's cultures, management styles and organizational systems are compatible, thus discussing the possibility for the post-acquisition to be successful (Datta, 1991; Finkelstein and Haleblian, 2002; Sarala *et al.*, 2016). On the other side, studies embracing a process view emphasize the need to go beyond the fit between cultures, and to look at *what* management does and *how* the integration happens influences the outcomes of the acquisition (Birkinshaw *et al.*, 2000; Haspelagh and Jemison, 1991; Jemison and Sitkin, 1986).

Others have started looking at the dynamics of hybridization of relationships from inter- to intra-organizational (Colman and Rouzies, 2019), pointing to the importance of embedded relationships and boundary spanners, yet there is still a lack of knowledge of how they shape post-acquisition integration processes unfolds (Graebner *et al.*, 2017). Colman and Rouzies (2019) have proved that actors outside the formal hierarchies of the firm, with embedded relationships and boundary-spanning capacities, are relevant to understanding integration processes. Within modern organizational forms recognizing workers' more decisional autonomy, and with the concept of distributed leadership, and collaborative forms of organizing, identifying the role of a broader set of actors becomes even more important as the difference between workers' and management roles is dissolving. This calls for more research on the actors' roles and relationships in the integration process during the post-acquisition process (Colman and Rouzies, 2019).

This paper identifies the KM practices involving a broader set of actors upon which management relied on to clarify the ways in which acquirers exploit and explore their knowledge through the target.

2.2 Managing knowledge management practices in post-acquisitions

KM practices gain particular relevance in acquisition, but little has been investigated (Carillo and Anumba, 2002; Grotenhuis and Weggeman, 2002). Research that has focused on KM practices during and after acquisition have mostly focused on how knowledge flows between the acquirer and the target (Junni *et al.*, 2015). Acquisitions happen for several reasons, no latter the acquisition of target's knowledge. However, it is not rare that the acquirer fails in accessing the target's knowledge owing to a lack of synergies between the two companies' knowledge bases and proper incentives (Kapoor and Lim, 2007), the difficulty in retaining employees (Lakshman, 2011) or also cultural barriers (Ahammad *et al.*, 2016; Bresman *et al.*, 1999; Vaara *et al.*, 2012), among the others. Therefore, it is not surprising that scholars have looked at how the post-acquisition integration phase happens (Birkinshaw *et al.*, 2000; Graebner, 2004) and which are those factors that could explain its success (Ahammad *et al.*, 2016; Bresman *et al.*, 1999; Choi and McNamara, 2018).

About KM practices in acquisitions, most attention has been given to how knowledge is acquired by the acquirer and to what extent it influences performance, but it is mainly quantitatively addressed. Lyles and Salk (2007) highlight that capacity to learn, articulated goals (i.e. giving the same vision, providing common measures and mechanisms for evaluation) and an active involvement of the foreign parent influence knowledge acquisition in international joint ventures. Kapoor and Lim (2007) investigate to what extent the productivity of acquired inventors (so, the exploration activities) is lower than that of acquiring inventors, focusing on the impact of having overlapping routines or skills, but also on the importance of providing alignment between incentives. Additionally, other acquisition-related studies on the exploration and exploitation are related to aspects such as the impact of exploitative knowledge acquisition only (Chen *et al.*, 2020), on firm acquisition characteristics and knowledge exploration and/or exploitation knowledge (Muratova *et al.*, 2019), the impact of prior exploration and exploitation orientation on knowledge leverage behaviour (Choi and McNamara, 2018) and how corporate entrepreneurship and integration influence knowledge transfer in cross – border M&As (Hughes *et al.*, 2020).

However, little is known about how the acquirer can leverage on KM practices in the target to exploit its knowledge and how knowledge integration happens between the acquirer and the target. In fact, most of the studies are on knowledge transfer rather than knowledge integration. For example, Bresman *et al.* (1999), after having tested the impact of some facilitators on knowledge transfer via a quantitative approach, also provide the description of three cases whose acquirers' aims were related to gain access to the target's research and development (R&D) knowledge. They note that four factors, namely, visibility and continuity of leadership, communication processes during the integration, integrating mechanisms such as joint projects, and the retainment of personnel characterize the early stage of the integration process as a quite hierarchical period where knowledge is transferred from the acquirer to the target, but that reciprocal transfer characterizes later stages. Although Bresman *et al.* (1999)'s study clearly highlights that there are multiple phases after the acquisition and that along these phases, knowledge transfer between the acquirer and the target differs, they do not provide an in-depth analysis on how the acquirer introduces the KM practices and how these KM practices are used to explore and exploit the target's knowledge.

Moreover, research also shows that acquisitions differ in terms of post-acquisition integration styles based on both the need for strategic interdependence and the need for target level of autonomy. In other terms, a company may acquire and integrate the target or, on the contrary, grant to the target a lot of autonomy. A fairly recent contribution by Angwin and Meadows (2015) on this topic has shown how, among the several post-acquisition integration processes about knowledge transfer and level of target autonomy, there is one integration strategy that has not been previously identified by scholars: that of re-orientation acquisitions. Citing them, "reorientation acquisitions are a specific type of acquisition integration approach. It is about acquiring good, financially healthy companies where the essence of the acquired business is sound, but where alignment to the new parent and a coherent outward face to financial and commercial markets are necessary. [...] Reorientation acquisitions show that exploitation and exploration [...] can co-exist during acquisition integration" (Angwin and Meadows, 2015, p. 248).

In this line, we provide an in-depth case study analysis to unveil which are those KM practices that an acquirer has leveraged upon to explore and exploit the target's knowledge in a context of a re-orientation acquisition.

3. Methodology

We adopted a qualitative research methodology, recurring to a case study. The justification of a single case study can be found in the "how" question of this research: a case study is

recommended when "a how or why question is being asked about a contemporary set of events over which the investigator has little or no control" (Yin, 1994, p. 9). Furthermore, a case study is recommended when little is known about a specific phenomenon. To the best of our knowledge, there is no previous research exploring the KM practices that an acquirer develops to exploit its knowledge and explores the target's knowledge in the post-acquisition stage. Finally, we are focusing on a phenomenon within its real-life context (Yin, 1994). In fact, we analyse a food service organization (FSO) that has been very recently acquired by an Italian company (Italian catering organization [ICO]), exploring how KM practices have been used by the acquirer to exploit and explore its knowledge via the target (i.e. the phenomenon), following the acquisition of FSO by ICO (i.e. the real-life context). The food sector is changing fast as the result of an increasing heterogeneity of customers' tastes, the introduction of process innovations, the rise of new opportunities and trends and a fierce competition (Baregheh *et al.*, 2012). Thus, acquisitions are an important means for renewing an existing knowledge base, but also entering new markets.

FSO is a medium-large organization mainly dedicated to catering tailored to universities. Its services reach approximately 160 locations and count with more than 400 employees across The Netherlands. The organization started its operations as a traditional family business in early 1990s and has been the market leader for 25 years making health, sustainability and social involvement core part of their activities, and flexibility, customization and entrepreneurship as the drivers for its growth. Few years ago, FSO acquired a small Dutch catering organization (DCO) to expand its impact across the country. However, this acquisition remains not fully integrated as the FSO decided to maintain the two companies detached from one another. Very recently, FSO was acquired by an ICO. ICO is a cooperative that has grown a lot in Italy, focusing on the school catering since the 1990s. Being a leader in the Italian segment, ICO has entered other European markets, also The Netherlands. Its vision aims at a better development of the society and in so doing it relies on its associates who share the same common objectives. Even if very different from the organizational structure, the two companies' cultures were quite similar in terms of values. Both were already focusing on "innovation" and pushed by a willingness to provide food that could nurture the "future," and both companies were mainly focusing on the students' market segment.

The decision of the acquisition by ICO was led by the top management team to internationalize the Italian company, entering European markets. Our analysis followed the acquisition (so, we focused on post-acquisition only), and it does not reflect what has happened before the FSO's acquisition. In other terms, we have not investigated the reasons and the phases leading to FSO's acquisition.

Data collection. We relied on multiple data sources such as interviews and archival data. This also allowed theoretical triangulation verifying findings from multiple points of view (Gibbert *et al.*, 2008; Yin, 1994). Data were collected via 17 interviews at executive and employee level at diverse functional levels, selecting those departments involved in the daily service delivery. More precisely, four interviews were done at Operations Department, three at Facility Department, three at Formula Department, five at the Daily Catering Department and two at the Service Office. Interviews lasted from 60 to 90 minutes each and were recorded and transcribed. Interviews were conducted one year later the acquisition.

Data analysis. Data were analysed using the MAXQDA 2018 software. The data analysis started by open coding which allowed to surface as many observations as possible, facts, quotes, problems and opportunities according to the interviewees. Then, through axial coding, the codes were related to each other (categories and concepts) via a combination in between inductive and deductive thinking. In this sense, patterns were identified, and the first-order concepts were developed. As some evidence was unexpected and interesting, further reiteration in between those findings and new literature review, allowed to develop the second-order themes. A further analysis looking at the patterns among themes and literature led the authors to classify themes in aggregate dimensions. The data structure is presented in Figure 1 (Table 1 presents representative quotations). Afterwards, a graphical

representation is introduced to better explain the dynamics of the second-order themes and overarching dimensions (Figure 2). This model is informed by literature concerning KM practices and acquisitions.

4. Findings

In the following, we describe the KM practices that ICO has used to exploit and explore its knowledge and to realize the knowledge integration with FSO. These KM practices have enabled ICO to exploit its own knowledge within the target and to realize both exploitation and exploration of the target's knowledge, thus also enriching its own knowledge base.

4.1 Combination of knowledge at different levels of the target between the acquirer and the target to allow the exploitation of the acquirers knowledge

The acquirer's knowledge is exploited via combining knowledge at different levels within the target. During the months following the acquisition, ICO exploits its own knowledge through three main mechanisms that arise from KM practices.

Figure 1 Data structure

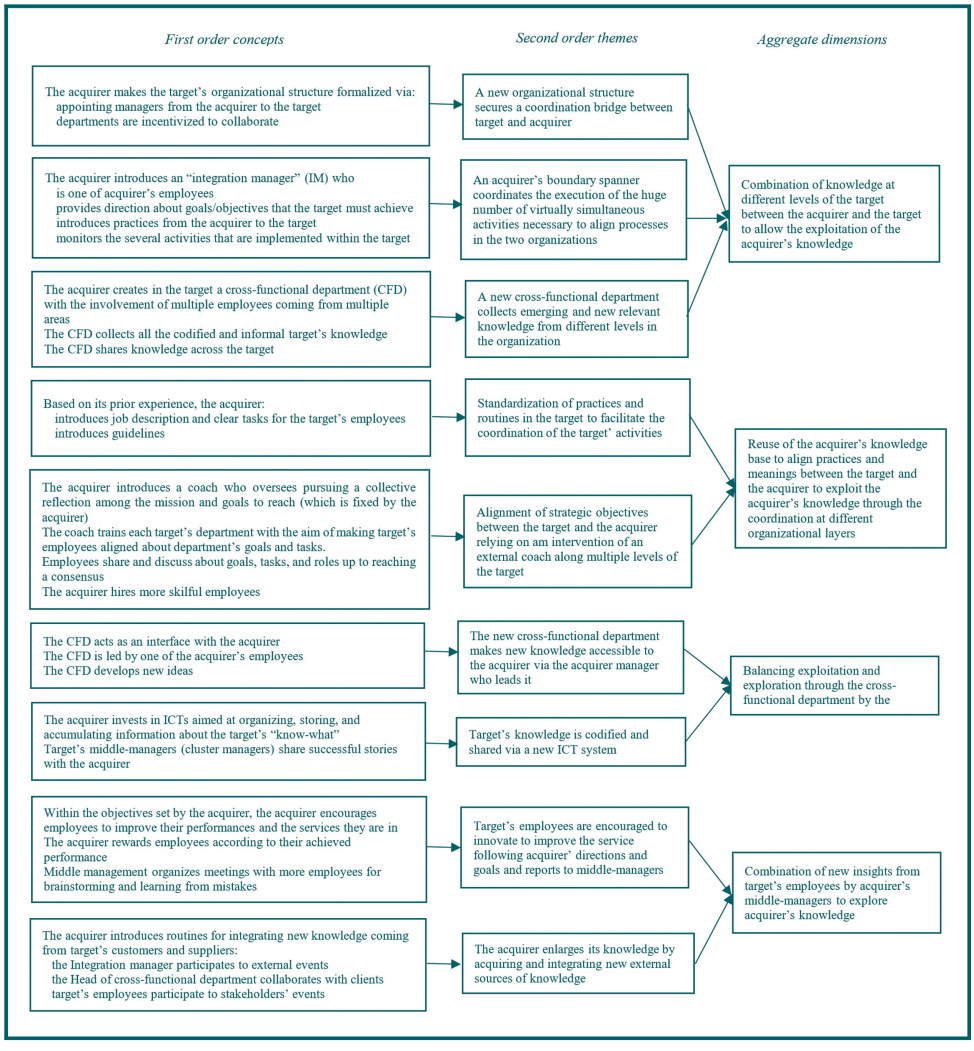


Table 1 Representative quotations

A new organizational structure secures a coordination bridge between target and acquirer	. . . that is one of the tasks we have at the moment, we just agreed that everything that sales does, operations has to check on it. For example, if you go to a potential new customer then we go together, the sales talks about money matters and then me if we can make things work in the location. . . if we are going to really do what we are offering (Operational Manager FSO)
An acquirer's boundary spanner coordinates the execution of the huge number of virtually simultaneous activities necessary to align processes in the two organizations	We are implementing the departments in FSO. . . for the innovation department we have specific departments in Italy for food service and then every day you have a team there who is following the procedures for innovation (products or services or systems) to upgrade the level of our services (Integration Manager)
	On Monday morning, I receive from every district manager and from the contracts they have, what is good and what is bad, and I will send before 12:00 my feedback to them. Every Wednesday, I send the total revenue of the week before to the company and they can see how we are and what can we do better about a certain situation (Undefined position)
	We will have the next big opening in Amsterdam for an Italian restaurant, this will be the first project pilot for our company abroad for this brand and I am arranging everything for them, and/ this is great for me. I think this is the way for the future, you must be careful about the details to avoid any mistakes in the pilot project but at the same time you have time to arrange a little and then have the road map of this brand and then you can either sell it or propose to a tender i n the future to improve the performance of the company (Integration Manager)
A new cross-functional department collects emerging and new relevant knowledge from different levels in the organization	Kind of what we did was to build the assortment with the recipes. . . because before there was a roll with cheese and there was no specification about how to make it or about the cost so I was in charge to build the specifications of the product: concerning allergens, nutritional value, etc. ICO developed this department because it is important to have things like these (Head of Formula)
	I had to prioritize to avoid chaos and I trained the assistant manager from scratch, in every single aspect there was improvements needed and of course it is important to question. . . where can I start? So first, I observe to understand why and what are they doing so then I can put my input on how they should do things (Formula Manager)
	It is nice to develop new and innovative things but, are people going to eat that? It is interesting to find new things for Christmas, summer, when I find new ideas then I tell it to my boss and then he tells me to check it out, check the costs and then I try and check if it's doable or not (Formula Manager)
	I go to a location and I train the colleagues over there, I teach them about the smoothies, the juices, the salad bar, how to put bread in nice forms and things like that. Sometimes you cannot explain things because things are too busy and then I help them. Working along with them. . . I show them how they should do things with the computer, which people she can contact to get certain things from, etc. (Formula Manager)
	So, when a location manager tries something, has a good profit and a good response from the students then I can make a report to the Formula manager, and then he can accept it or not. If it is accepted, then he shares it with all the locations and invite them to try it and then it is possible to order it in the system (Location Manager 2)
Standardization of practices and routines in the target to facilitate the coordination of the target activities	We are implementing the departments in FSO. . . for the innovation department we have specific departments in Italy for food service and then every day you have a team there who is following the procedures for innovation (products or services or systems) to upgrade the level of our services (Integration Manager)
	And no, but if we do it on the front, its better because you can see prior the things that are going to happen. . . (Head of Facility)
	. . . when ICO food says we must sell 100 products then I know it's a clear goal otherwise how am I supposed to know and that is the problem within the company (Cluster Manager 2)
Alignment of strategic objectives between the target and the acquirer relying on an intervention of an external coach along multiple levels of the target	I think that one thing is to make sure that everyone gets more aligned within the comp any because there are a lot of different departments and they have got their own goals and there is not a general goal (Operations Manager FSO)
	All the departments have to make a presentation for the organization stating what is their role of the team and each member of the team, the goals, how they are going to manage their activities. . . so and so forth (Sales Director)
	I will teach them how to make a pitch and then they can do it in the schools because sometimes they give information to the wrong department and this is not right. When you give and share the presentation to everybody then it is clear. From this point of view then they are really involved,

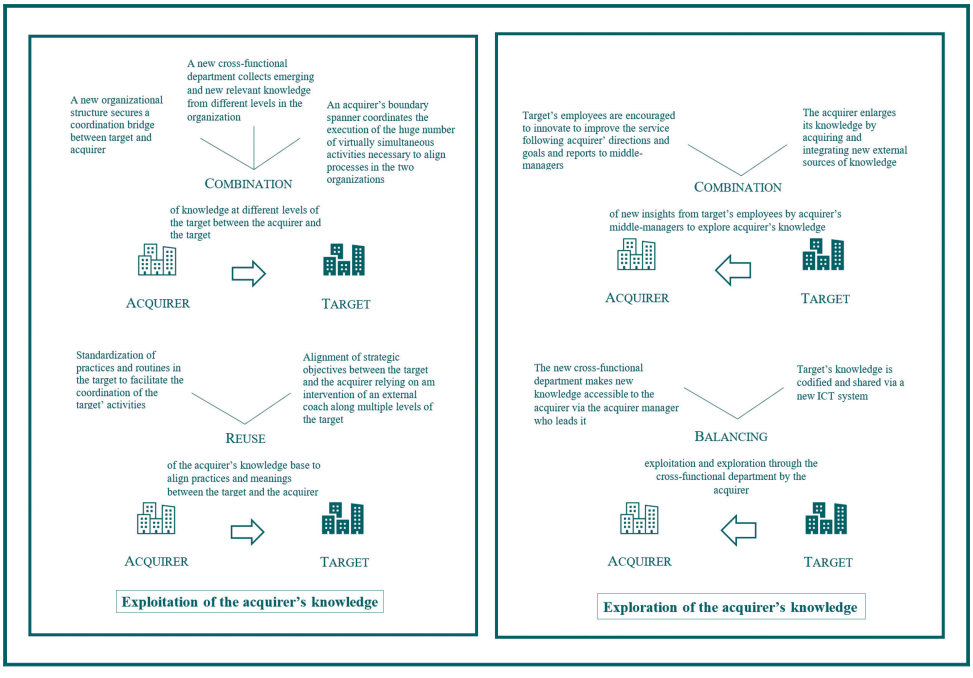
(*continued*)

Table 1

	they ask questions, and we create together the presentations, so everybody is involved. I give them the mirroring effect so they can do the things that I show in the workshop" (Sales Director)
The new CFD makes knowledge accessible to the acquirer via the acquirer manager who leads it	"From the agenda or from the meetings we fill in a form with all the action points and what we spoke about and we make an action plan to see how to make things possible and then we share that because there are deadlines on the action plan and we share it in this case with the Integration manager and with operations because a lot of action points we have to work out together, we are connected with the operations department so they can also know the deadlines and the activities to be done" (Head of Formula)
	"The formula department, which is relatively new in the company is trying to make the structure within the company and trying to make all the recipes and the working schedules for every location so we know what can be implemented depending on the size of the location but it's a guideline about how to work and what we should sell in every location and they are responsible for all the products and also implement new trendy things" (Cluster Manager 1)
	"Approximately 3 weeks later, I come back to check if things are running well, if the money is rising from that location or not and then I check the action points. I go and check it just once and then when it is okay it's okay. . . and when it is not, then I go back" (Formula Manager)
Target's knowledge is codified and shared via a new ICT system	"We are programming the system and we also have to make a guide about how to use it because there are a lot of things within the system, you can find quite everything in the system. If you would like to know what kind of salad you have to use for a specific bread, you can find it in the system, as well as the process, the price, the list of allergens and everything what is in each product. . . most of the things I can connect them and then everything is in the system" (Undefined position)
	"I had an event in October and the question was to have something healthy and for old people, so I bought sugar cream pastries based on figs and dates with no additives and they were spot on". Cluster Manager 3
Target's employees are encouraged to innovate to improve the service following acquirer's directions and goals and reports to middle-managers	"Many locations you have all day people, in here you have every day between 700 and 1000 guests, so when you try something, you see almost immediately if it works. If you have an idea, try it, observe and check how it goes. . . when is good then you keep it and otherwise, you choose something different" (Location Manager 2)
	"In Place A [anonymized], they have got a huge pizza oven where the pizzas go in and the students can get to choose which toppings, size, etc. they want and that is marvellous. The manager of the location is the one that innovates and from there we can give it a try in another location. . . depending on the contract, needs of the school, etc." (Formula Manager)
The acquirer enlarges its knowledge by acquiring and integrating new external sources of knowledge	"For that now, I am ready to meet new ideas and develop new ideas and always get involved in the innovation cites and it is important for me to reach you and see how we can innovate because now the Italian mentality for me it's old" (Integration Manager)
	"I do some development in Leeuwarden together with a school and we developed our own pesto, the recycling of plastic when we make our own packaging, our labels" (Head of Formula)

First, it introduces a new organizational structure able to secure a coordination bridge between the target and the acquired. The target's organizational structure becomes more formalized. ICO introduces its own employees at the head of the several departments of the target such as in the case of Integration Manager, the Sales Director, the Formula Manager, the Head of Formula and the Operational Manager FSO. Coordination of the target's activities is also facilitated by the fact that ICO incentives target's departments to collaborate. ICO notices that there was a lack of alignment among the several FSO's departments and also the several locations where FSO operates. For example, ICO re-structures the relationship between the Operations and Sales Department and Facility Department, suggesting the latter to interact and consider operations in their decisions. For instance, operations department has to check what sales department does. ICO also better defines DCO's role. As part of the structural renovation, the ICO intends to pursue a closer collaboration with DCO to have a better delegation of tasks, to avoid disorganization and make use of each other's resources in a complementary way. In this sense, the events are

Figure 2 Emerging model



expected to be covered by DCO, thus allowing the FSO to focus more on the catering for each location.

Second, ICO introduces an integration manager who acts as a boundary spanner. The *integration manager* helps in the coordination and execution of the several activities. This boundary spanner allows the alignment of ICO's and FSO's processes. Maintaining under control what is happening within the target, the integration manager is responsible for organizing, coordinating and managing the FSO. He is coming from ICO with the main goal of achieving the budget that ICO has fixed. The integration manager is also the one in charge of communication about objectives to the top hierarchical levels of the target and to provide direction:

> And that is the problem between me and my boss that there is not a good communication with them because I look for things for myself with no direction. When the Integration Manager communicates to the Director of Operations and he communicates with us then there are some troubles because I am looking for things by myself … when ICO food says we must sell 100 products then I know it's a clear goal otherwise how am I supposed to know and that is the problem within the company (Cluster Manager 2).

Furthermore, the integration manager introduces in the acquirer some practices that are also used in Italy. The integration manager is also the key figure that is informed about the implementation of the several activities across the organization.

Third, ICO creates a new cross-functional department with the aim of collecting the target's knowledge deriving from different organizational levels of the target. This new department is called the Formula Department. This is a cross-functional division in an attempt to surface and gather together FSO's recipes of all the products, their procedures, the way they should be presented and further important/useful details, and to make it accessible to ICO. Both surfacing and organizing the knowledge that has been embedded within each location, represent a challenging task that requires the involvement and collaboration of different employees from different departments. In the Formula Department, there are six

employees, which come from different positions, who interact together towards building an assortment with all the specifications needed for each product. Therefore, the Formula Department is a new organizational department created to exploit the emerging new knowledge resulting from target's experiences on the field. So far, if a new product has been successful in a specific location, the Head of Formula is the one making the decision to extrapolate it to other different locations and, in the case of events, the success of a new product becomes useful learning that is to be used again when another event requires it. Specifically, speaking about the locations, there are several important steps that must be followed whenever there is an addition to the assortment:

> If I want to sell a new bread, then I have to get the recipe that remarks the ingredients used and the amounts so then they bring it either to me or the Head of Formula and then I will make the calculation and we can say it is in the system, we make it available so it can be bought, we make the right margin so we can say the right amount to sell it and we know in which location we would like to sell it. If everything is brought together by us then we make it available for everyone, otherwise if we let each location to adapt that recipe everyone will say differently about how to do it and then you have like 500 recipes, it doesn't work. Employee working within the Formula Department.

4.2 Reuse of the acquirer's knowledge base to align practices and meanings between the target and the acquirer to exploit the acquirer's knowledge through the coordination at different organizational layers

To align practices and meanings between the target and the acquirer, the acquirer introduces several KM practices to allow a better coordination between the target and the acquirer.

First, ICO wants to facilitate the coordination of the target's activities and in doing so it recurs to standardization of practices and routines in the target. ICO refines the job description and provides clearer tasks for FSO's employees. As said, prior to ICO, FSO is led by a family and this type of governance is reflected in a "lack of lines of actions," that is FSO's employees have no specific work description and can fill in different positions, thus making difficult to understand who does what and under which circumstances. Following the acquisition, ICO introduces a more formal description of the jobs that employees do in different positions, thus making clearer the responsibilities and duties for their activities. Then, ICO also introduces more formal *tasks*:

> Before there was no organization and now, it has been 2 months since the facility department officially started with Thomas as head of the group, he is in charge of all the paperwork and the contracts, bills [. . .] Nathalie is in Hem, she does the vending machines, the ticket system where people can put in their questions and operational is my job to fix it. We also have Tessa but she is leaving (Facility Manager).

In several departments, there is the introduction of guidelines about the activities to be performed. For example, the Operations Director introduces a format with operational and non-operational points that each cluster manager has to fill when something wrong happens. This format allows ICO to monitor what is happening within each location:

> As the Operations Director, I introduced a format which has a couple of things that I can measure in the contracts, for example: what is my turnover from the budget, revenue, food costs, labour costs, that is absolutely operations; and when something change, the responsible of the contract (cluster manager) must fill it in and I can have an overview about what is the stand of my contracts [. . .] so when I see there are a lot of complaints with purchase, I am going to sit with them and talk about it to solve it (Director of Operations).

Second, to align the objectives and the meanings between itself and the target, ICO introduces a *coach*. This coach is one ICO's employees with a lot of experience. This employee provides formal training sessions in the way of workshops to pursue a collective

reflection on the goals and the direction of the organization. As previously said, FSO's mission and goals are fixed by ICO. The introduction of a coach allows to spread over each of FSO's departments which are individual department's goals and how each employee could contribute to reach them. In fact, according to the interviews, each department participates in the workshop so the employees can surface their knowledge, debate about it and reach a consensus concerning the goals of their department as well as their specific tasks to be fulfilled by each employee. For example, through this workshop, the Sales Director provides the employees with certain skills which will allow them to have more impact when approaching already existing clients or when reaching out new ones. This workshop represents a simple model that aims to give more focus to the staff, locations and the departments. Even though it is important for management and headquarters to make the ultimate decisions about the roles and direction of the organization, it is an advantage that such a model focuses more on involving bottom hierarchical levels as there is where the money is actually generated.

ICO has also started hiring more skilful employees at bottom hierarchical levels as it guarantees to some extent to deal better with the challenges that rise from the non-routinely nature of daily delivery of services.

4.3 Balancing exploitation and exploration through the new cross-functional department by the acquirer

The Formula Department represents a way to balance exploitation and exploration. Beyond collecting knowledge from different levels of the organizations (as previously described), it aims to carry out R&D activities, discussing new ideas that could become part of the assortment:

> But I made a new team and I called it the Formula Team which is a new department and they are in charge of checking new products, new things and they give advice to me so we can implement it in FSO and that is the way how we are going to check what is going on in the market but what we are doing is not enough, we can actually do better (Director of Operations).

This new knowledge is made accessible to the acquirer thanks to a specific individual: the Formula Department is led by one of ICO's employees (Head of Formula), and this assures a closer interface between the acquirer and the target. The Head of Formula connects what is developed within and by the Formula Department to ICO, thus extending its knowledge. Additionally, the Head of Formula participates in finding new ideas and introducing innovation, participating to external events and collaborating with clients. For example, he describes the recent introduction of some innovation following the interaction with a school:

> I do some development in Place A [anonymized] together with a school and we developed our own pesto, the recycling of plastic when we make our own packaging, our labels (Head of Formula).

Furthermore, ICO explores its knowledge through the exploitation of the target's knowledge. In doing so, ICO introduces a new ICT system deserved to codify and shared the target's knowledge. ICO codifies FSO's knowledge recurring to ICTs. One of the key problems in the FSO is to make products available in different locations. This requires the organization to monitor from costs and prices to suppliers' availability of raw materials. Therefore, there is a need to integrate multiple sources of information, from financial to operations, while also taking care of the changing condition of the external environment. ICO finds in ICTs a good ally and starts to introduce a software that could help with FSO's knowledge retention and sharing. "Easy disc" is a software with information about the costs, processes, prices, list of allergens and further important details of the products that are available in the locations. This new software will help to standardize services across all the locations. One employee

takes care about "Easy disc" development thus assuring that knowledge from the Formula Management, Finance and Quality becomes available:

> Since the system "Easy-disc" is quite a new software, there are improvements that need to be done together with Finance and Formula departments who, at the end, will also work with it [. . .] so everything must work fine together. If I make one thing different, the other people can't see it anymore, so every time you modify something you have to think about this. We are programming the system and we also have to make a guide about how to use it because there are a lot of things within the system, you can find quite everything in the system (Employee working within the Formula Department).

The newly created department – the Formula Department – focuses on the development of a tool called the Brand-book:

> We started to build up our Brand-book and in there we tell our story about the modules and the brand. In there, we have our categories (bakery, drinks[. . .]), the products we develop and we connect it with the recipe but also with the materials and ingredients (Head of Formula).

The Brand-book contains the specifications concerning the most ideal way to present and manage the location, how long does it take to produce something, how many items are needed to be sold so as to comply with the overall budget as well as how to coordinate the waste to comply with the sustainability values of the organization. Among others, these are some examples of what will be included in such tool, aiming to provide and share a standard within the organization concerning the basic assortment within each category of products while keeping it flexible to be updated by the location manager according to the specific needs each location.

Additionally, there is also a system (Ticket system) that is recently developed towards facilitating a smoother way of action within the organization, specifically within the Facility and Operation departments. Such system enhances a standardized and more controlled way to deal with emergent situations from each location since, prior to its development, the location managers and customers used to just call or email about certain issues happening in a location creating chaos:

> So, we have a ticket system and all the facility problems we have in the ticket system and we get a ticket [. . .] every location can make a ticket for a facility problem. For example, a location can say [. . .] we have a blender and the glass is broken, for example for the equipment then the location manager fills in and I answer the glass it's no problem we can arrange a new blender for you [. . .] its 200 euros for example and I will arrange for next Monday in the location so they can make smoothies again. Then I close ticket and it's done (Head of Facility).

Furthermore, the target's middle managers (such as the cluster managers) share successful stories with the acquirer. This is a way to understand what factors could be helpful and replicable also by other locations, as happened in the following case:

> There was a sandwich which was only sold in Place A [anonymized] and it was a big hit there so they decided after a few months to sell the sandwiches to the whole country [. . .] so this is an example of a successful idea (Cluster Manager 1).

4.4 Combination of new insights from target's employees by acquirer's middle managers to explore acquirer's knowledge

ICO explores its own knowledge thanks to the target's resources. ICO introduces two mechanisms based on some KM practices.

The first mechanism introduced to explore its own knowledge is to encourage target's employees to innovate. ICO understands that FSO's employees could be an important source for innovating its knowledge base. ICO sets clear objectives, but to reach these objectives ICO has also left target's employees to innovate and experiment new solutions.

The heterogeneity of locations and clients at each individual location can push employees to find and introduce different solutions. For example, there are some experiments such as the introduction of an oven for making customized pizza for students, that are done in isolated locations but that could be also implemented somewhere else. Therefore, ICO *empowers* the bottom-line of employees within the specific boundaries in terms of goals that ICO decides. This improves employees' performance (as they need to reach the settled goals), but also lets them innovate. It is the combination of empowerment *within* a "clear target" that seems to be successful. For example, one of the cluster managers introduces a new style in a bar and makes his colleagues believe more in themselves thus also meliorating their approach towards clients. The new style of the location and new approach pursued by employees helps the location to increase the daily revenues by four times. With this isolated case, Cluster Manager 2 is recently promoted to a cluster manager position without necessarily having the experience to fulfil such a role.

Furthermore, middle management also introduces *meetings and brainstorming activities* with more employees to *learn from mistakes*. For example, this happens in DCO:

> So, after the events a few days after we sit together, and everyone makes their points of announcement from the good things to the bad things and the bettering points and every kind of information that can make it easier for the next time[. . .] we cover everything that needs to be said. We evaluate and make on paper evaluations, we write down the critical points about what happened and why did that happen so we can learn from it for the same event later on or for a similar event (Operational Manager, DCO).

Again, when a manager takes a bad decision, there are brainstorming activities with employees to reach a consensus about what to do to improve and meliorate:

> When I make a wrong decision, I am always very clear that we have to stop because I didn't have a good overview of things or enough information so I bring people together and then I let them talk about it, about the results and I want to hear how they would improve what happened because of my decision. Then, we make another decision together and everybody accepts it and we go further (Director of Operations).

Second, ICO enlarges its knowledge base by acquiring and integrating new external sources of knowledge that access via the target. The food service industry is very fast changing. Therefore, innovating services is very important and the management of new knowledge is at its core.

Furthermore, ICO starts to monitor more the co-creation possibilities with FSO's stakeholders such as customers and suppliers. Service organizations have multiple stakeholders. In particular, FSO should consider that their clients are often not the same of their final customers. Along the years, FSO has been able to balance both the students' needs and the educational institution's requests thus delivering good quality services. Customers are an important source of knowledge. Once the organization starts delivering its services either for a specific contract or customer, feedback and input is expected from them. In this line, both the employees who are running an event or a location try their best to be receptive to this external source and take it into account to improve their services.

> There are students that come inside the restaurant and say we want to eat something fatty, go away with your healthy stuff, but we have it. When they want a salad, we have it; a smoothie, we have it; we even have the sustainable soup and sometimes we have up to 3 different types of soups daily (Location Manager 1).

Consequently, not only services become continuously improved but also the knowledge base within the organization increases owing to the interactive and peculiar environment in certain locations. In this sense, exploration of different options becomes smoother as this knowledge source complements existing knowledge. For example, an instance shows that the input of one student helped to improve the way waste was dealt within the location:

> What happened some time ago, it was from the lunches, there were a lot of sandwiches left[. . .] there was one Spanish student who took the plate with the sandwiches and was giving them away and then I approached him to ask what he was doing and he said: "I am sharing them because either way, you are going to throw these sandwiches away" (Location Manager 1).

Additionally, ICO puts a lot of attention on FSO's suppliers. One of the location managers, for example, used the results from the customers' questionnaire to select with his supplier the most suitable coffee bean.

As part of the external collaborations, we would like to mention that FSO today collaborates with external parties that espouse the "healthy food concept." In other words, the FSO identifies schools located in environments that are related to healthiness and well-being. The FSO and the schools develop new products, allowing to extend the assortment by co-creating and making use of each other's knowledge sources. This means that, together with the school, FSO exchanges new knowledge coming from being aware of trends and needs of the students.

> For that now, I am ready to meet new ideas and develop new ideas and always get involved in the innovation cities and it is important for me to reach you and see how we can innovate because now the Italian mentality for me it's old (Integration Manager).

As stated by the Integration Manager, the real future of the organization depends not only on the engaged collaboration within and in between departments but also on the co-creation and developments derived from the engaged collaboration with external parties (like innovation centres, suppliers and schools) as well. Within the scope of the new organizational structure, ICO is in the initial stage of fostering more collaborations of this sort.

4.5 Linking the dots: an overview of the model

Our results show that an acquirer can introduce specific mechanisms to exploit and explore its own knowledge through the target, each mechanism resulting from specific KM practices that the acquirer has introduced in the target. Figure 2 proposes a graphical representation.

To combine knowledge at different levels of the target to exploit the acquirer's knowledge base, the acquirer has to create a coordination bridge between itself and the target, and it does it via restructuring the target's organizational structure, introducing a boundary spanner and creating a new cross-functional department. Furthermore, an important role is played by a boundary spanner, represented by the Integration Manager, through which the acquirer is able to combine knowledge.

Furthermore, the creation of a new organizational department to combine exploitation and exploration is fundamental not only for FSO but also for ICO: via the creation of this new department, the acquirer can collect all the target's knowledge that has been exploited and explored via the KM practices previously described, thus nurturing also its own knowledge base. In other terms, in this new department the target's knowledge is recombined and absorbed by the acquirer via the managers that make it.

To exploit its knowledge, the acquirer aligns practices and meaning between itself and the target. In doing so, the acquirer introduces the standardization of practices to facilitate coordination and introduces a coach to align the objectives at different target's organizational levels. The figure of "coach" is particularly interesting as it represents a way for aligning what the acquirer wants with what the target has at disposal. In this sense, the coach helps to unfold the target's knowledge as well, as it allows each department to collectively reflect on how to reach what the acquirer's want. Therefore, the coach provides an integration of acquirer's knowledge in each level of the target, thus on the one hand, contributing to exploit acquirer's knowledge (in the sense of giving goals and directions), on the other hand, to also explore the acquirer's knowledge as the coach allows the target's employees (and the newly hired ones) to find ways to reach a consensus, thus enriching also the acquirer's knowledge base.

ICO also balances exploitation and exploration through the new cross-functional department. ICO proceeds in making the available firm's knowledge accessible to all the departments and therefore, by developing a centralized database with a codification of the relevant tacit target's knowledge through ICTs tool. Our case describes specific tools such as the Easy disk, the Ticket System and the Brand Book that are developed soon after the acquisition. This allows ICO to acquire this codified knowledge and to explore its own knowledge.

To explore its own knowledge, ICO encourages employees to innovate, and it enlarges its knowledge via integrating new external sources of knowledge. The former is linked to the empowerment of employees, an aspect clearly related to the human-side of KM practices. Our case well reveals how the acquirer has focused on employees' empowerment as a practice for favouring innovation. The acquirer encourages target's employees to innovate towards a specific direction provided by the acquirer: it is the acquirer that sets the objectives, but it leaves the employees free to experiment. The latter refers to the importance of involving customers, suppliers and search for new sources of information. Our case study shows that developing routines that involve customers, suppliers but also additional sources of information are important KM practices to explore knowledge.

5. Discussions, limitations and conclusions

Acquisitions are an important way for firms to enhance their knowledge base (Ahuja and Katila, 2001), but they are difficult to manage. In fact, it is not unusual that the acquirer eventually destroys a target's knowledge (Paruchuri and Eisenman, 2012), and literature agrees that the post-integration phase is particularly delicate in making an acquisition successful (Birkinshaw *et al.*, 2000). However, little is known about how acquirers exploit and explore their knowledge through the target and about the KM practices allowing knowledge integration process to occur. This is surprising, considering that exploration and exploitation through acquisitions may happen relying on processes and KM practices favouring the integration of acquirer's and target knowledge (Kogut and Zander, 1992, 1996).

Therefore, our paper focuses on KM practices that are put in place by the acquirer within the target. The paper describes those KM practices that the acquirer has used to integrate its knowledge with the target knowledge, to exploit and explore its own knowledge. We think that our case could represent an example of what previous studies have named "re-orientation acquisitions" (Angwin and Meadows, 2015) as exploitation and exploration co-exist during post-acquisition. In this line, we provide an in-depth case study analysis to unveil which are those KM practices that an acquirer has leveraged upon to explore and exploit the target's knowledge in a context of a re-orientation acquisition.

This study contributes to the literature on post-acquisition knowledge integration in several ways. We answer to a call for "implementation of acquisitions, especially about how firms integrate, transfer, and manage the resources of the combined firm" (Haleblian *et al.*, 2009, p. 490). Previous literature has pointed out the knowledge transfer (Bresman *et al.*, 1999; Ranft and Lord, 2002), while it has disregarded how the acquirer pursues knowledge integration. Our findings show that the acquirer can introduce KM practices that are able to integrate its own knowledge with the target's knowledge. More precisely, from the analysis, three main aspects emerged as extremely important for integrating knowledge: the involvement of middle management that acts as a boundary spanner, the restructuring of organizational structure (with the creation of a new cross-functional department) and the empowerment of target's employees. These elements are particularly important as knowledge resides in individuals and there is a need to develop coordination mechanisms that can assure coordination and cooperation among individuals, and the internal structure of the firm is at the core of them (Grant, 1996).

Therefore, our study extends previous research on the role of actor's in the integration process during the post-acquisition process (Colman and Rouzies, 2019; Liu and Meyer, 2020) and

contributes to the recent call for investigation of socio-cultural dynamics and the role of non-managers (Sarala *et al.*, 2019) in acquisitions. Our case shows that multiple actors contribute to knowledge integration at different levels. We identify boundary spanners for the post-integration processes, thus contributing to previous studies (Colman and Rouzies, 2019), stressing the fact that they operate at different levels of knowledge integration. We also add to previous research that has mainly focused on the role of the top management team (Larsson and Lubatkin, 2001), either of the target (Graebner, 2004) or of the acquirer (Bresman *et al.*, 1999), showing the importance of middle managers. These figures operate at the operational, rather than strategic level, and they are an example of how non-managers employees can contribute to post-acquisition dynamics (Sarala *et al.*, 2019).

Then, our paper extends literature on *ambidexterity*, providing a virtuous example of the introduction of a new department deserved to collect knowledge from the target and make it available to the acquirer. This represents a case of *structural ambidexterity* (Blindenbach-Driessen, and Van Den Ende, 2014; Turner *et al.*, 2013; Martini *et al.*, 2013; Martini *et al.*, 2017), an organizational structural dimension that has been often under searched in acquisition literature that has preferred the contextual ambidexterity as a way for avoiding tensions between task integration and human integration (Meglio *et al.*, 2015). Our case provides evidence of how the creation of a new cross-functional department allows to combine knowledge between the target and the acquirer. This is possible because the head of the new cross-functional department collects knowledge (that has been collected from different levels in the organization and that has been created by the R&D activity) and makes it accessible to the acquirer. Another important insight is linked to the use of ICTs to codify the target's knowledge and that this knowledge enables the acquirer to explore its own knowledge as well. Knowledge is not always easy to codify, but ICT tools could help in its management (Bhatt, 2001; Bollinger and Smith, 2001; Heisig, 2009; Santoro and Usai, 2018). Our case reveals that the codification of knowledge via ICTs allows the target to have a shared knowledge repository that is easily accessible to all the target's employees but also it allows the acquirer to access this knowledge (thanks to the creation of a common language) and to further extend its own knowledge.

The exploration of knowledge is also activated by KM practices that can facilitate the integration of target's external knowledge and the empowerment of employees. Previous studies in the food sector have, for example, emphasised how knowledge relies in multiple stakeholders (Chesbrough *et al.*, 2014) as shown in the work of Messeni Petruzzelli and Savino (2014) where it is described the ability of chefs to recombine, for example, old ingredients for new dishes. Our case reveals that empowering target's employees (a crucial stakeholder) to experiment and innovate is an important means through which the acquirer can explore its knowledge.

From a practitioner point of view, our results suggest that acquirer's managers are necessary to discover and leverage the target's knowledge and they are able to align – rather than destroy – the target's knowledge with the acquirer's knowledge. One of the main reasons for acquisitions' failure is related to the difficulty in exploiting the target's resources. A recent article by FORBES (Garrison, 2019) notices that among the reasons why acquisitions fail are the hubris that nurture false beliefs, a lack of understanding the target's success factors, the absence of a people inventory and an "unclear or absent social compact between leadership teams." Our case shows that it is not necessary to fully integrate the target in the acquirer, but to understand how to leverage on the acquirer's knowledge and how the acquirer can exploit and explore its knowledge base via the target. Our findings suggest that the acquirer should identify one of its employees in aligning the target's processes with the acquirer's ones, but also to add another key figure (the coach) who is able to diffuse across the several target's levels acquirer's goals and to provide tools. Furthermore, our findings suggest that the acquirer needs to combine its own employees with an empowerment of the target's employees. This triggers innovation and creativity from target's employees who feel as playing an important role for the acquirer. Furthermore, empowering employees can also facilitate the acquirer in avoiding ostracism from target's employees.

Our study is not without limitations. A first drawback could reside on the cultural dimension that cross-border M&As scholars have stressed as also recent reviews on the topic show (Sarala *et al.*, 2019). Our case, for example, has not considered how the Italian culture of the acquirer has been integrated into the Dutch culture of FSO and vice versa. Furthermore, the family dimension of the target could have been an interesting aspect to further explore. However, they were out of the scope of the paper that rather has focused on KM practices to explore and exploit the target's knowledge base. We encourage further research to investigate the role of culture and the family dimensions in KM practices. A second critique can be moved from those who consider case study research as not generalizable and difficult to operationalize. As case study investigates a contemporary phenomenon within its real-life context, we argue that our work reflects the intricate contextual conditions of KM practices within an acquisition, thus providing not a statistical generalizability, but rather a theoretical generalizability. In other terms, we think that our model integrates all those aspects that both academics and practitioners need to consider when looking at KM practices over acquisitions.

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