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ABSTRACT

The primary purpose of this paper is the discovery of evidence about the determinants of a successful pre-acquisition management process, and the determinants of successful post-acquisition integration, using as data previous general literature on acquisitions. It is hoped that this study will enhance the overall lodging industry's knowledge base about the acquisition process. This study will contribute to future efforts to systematically conceptualize and operationalize the acquisitions process utilized by U.S. lodging firms, by suggesting a strategic acquisition management framework for lodging firms.

Introduction

Corporate acquisitions have become one of the crucial strategic issues in the business world today. Although acquiring companies often have experienced a deteriorated post-acquisition performance that has reduced shareholders' wealth, the acquisition of companies or competitors is still one of the most common strategic instruments for expansion or restructuring. It is known that acquisitions have a tremendous impact on the industry, but there is a definite lack of comprehensive research about the underlying structure of the mergers and acquisitions (M&A) phenomenon in the hotel industry. Jemison & Sitkin (1986) stated that the acquisition process itself has the most important role in determining acquisition activities and outcomes. However, to date there have been no studies that have attempted to identify the key issues that impact the processes of acquisition strategy formulation (pre-acquisition management) and acquisition strategy implementation (post-acquisition integration) in the lodging industry. In order to clarify and define the nature of the M&A phenomenon, it is necessary to conduct a comprehensive investigation of the acquisition process. In previous research about corporate acquisitions, most studies have attempted to discover evidence about a part of the whole acquisitions process, such as the motives or objectives of acquisition, sources of shareholder wealth in corporate acquisitions, influences on post-acquisition integration, results of post-acquisition performance, and others. Previous studies have investigated the above corporate acquisition issues within a uni-dimensional framework, i.e., one issue at a time. In order to pursue more rigorous and practical studies in the future, it is necessary to take an integrated and holistic viewpoint that includes the most critical corporate acquisition issues simultaneously and in a multi-dimensional framework. The organizing principle of this paper is that it investigates the various issues that surround the corporate acquisition process individually, collectively, and simultaneously.

Although there has been substantial research in the area of corporate acquisitions, academic empirical investigations have not produced critical and tangible evidence for

what constitutes a successful acquisition (Sirower, 1997). The issue that is discussed in this paper is the identification of the underlying key success factors that occur during the overall process of acquisition that determine superior post-acquisition performance by acquiring companies within the context of the hotel industry. This is achieved through an investigation of two dimensions that co-exist within the management of acquisition process strategies: pre-acquisition management and post-acquisition integration. Concerning pre-acquisition management, this paper investigates factors affecting the anticipated benefits between the acquiring firm and the target through acquisition. In the area of post-acquisition integration, this paper attempts to identify the determinants of the successful integration of the combined firm that leads to realized, anticipated acquisition gains. The primary purpose of this paper is the discovery of evidence about the determinants of a successful pre-acquisition management process and the determinants of successful post-acquisition integration, using as data previous general literature on acquisitions. It is hoped that this study will enhance the overall lodging industry's knowledge base about the acquisition process.

Background of the Study

The continuing trend of consolidation in the hotel industry is an anticipated phenomenon by many industry experts. This trend will change not only the U.S. lodging industry's structure, but also the global hotel market. Lattin (1987) described the consolidation trend of the hotel industry, stating that, "Many players believe that 'big' is synonymous with 'best' and that the larger their chain, the greater the profitability of their success" (p. 10). More importantly, Lattin also predicted that, "In the future, look for a smaller number of large chains with multiple brands and extensive distribution systems, and expect more price competition among the aging, all-purpose hotels constructed during the '60s and '70s" (p. 11). An explanation of this consolidation trend can be found in the hotel industry itself, where good economics and technological and logistic developments are emphasizing the importance of size. Consolidating chains of hotels promises to take advantage of scale economies (*The Economist*, 1998). Many hotel acquirers have used acquisitions to obtain multiple lines of brands over the various segments.

The year of 1997 was a historic year in the area of corporate acquisitions in the United States, representing a total of 11,029 deals. In good economic conditions that allow steady growth, low inflation, and a bullish stock market, acquisition activities proliferate in all sectors of the industry (*The Economist*, 1998). According to Securities Data Co. (1998), the total value of U.S. domestic acquisition deal announcements reached $908 billion, representing a 47 percent increase over the total for 1996, which itself was a record year. The lodging industry was one of the most active industry sectors of acquisitions during 1997. The lodging industry occupied some 3.8 percent of the total volume of acquisition deals in 1997 (Securities Data Co., 1998). The lodging industry also has experienced an ever-increasing rate of acquisition activities. In 1997 alone, the lodging sector's total amount of

acquisition deals, both announced and pending deals, reached some $43.4 billion (Coopers & Lybrand Lodging Research Network, 1998).

This consolidation trend, fueled by industry giants and paired-share Real Estate Investment Trusts (REITs), will change not only the U.S. lodging industry structure, but also the global hotel market. For example, last year Starwood Lodging's $14.6 billion acquisition of ITT Corp. put the hotel industry on the front stage. This continuing trend of consolidation in the hotel industry is an anticipated phenomenon by many industry experts. Lattin (Cited in Malley, 1998) argues that, "If you are to believe the appraisers and valuation experts, they are predicting there will be some pretty good buys in the marketplace—maybe in 1999 and certainly by 2000" (p. 58). Hanson predicts that, "There actually will be more mergers in 1998 than 1997. ... The actual number of mergers is only 21 [in 1997]; after the big players have their mergers, lots of the small players, just to remain relevant, will have mergers" (p. 50, Cited in Cruz, 1998).

Based upon this expectation about future acquisition activities, it is necessary not only to investigate the determinants of successful acquisition management for potential lodging acquirers, but also to develop a theoretical framework to improve lodging industry practitioners' and academics' knowledge base about this important topic.

The Importance of the Acquisition Process

According to Mercer Management Consulting (Cited in Smith & Hershman, 1997), in the 1990s the success rate of corporate acquisitions is barely 50 percent, whereas in the 1980s, 57 percent of acquisition deals failed. Acquisition is one of the most frequently used instruments for consistent growth. According to Smith & Hershman (1997), "A dollar earned through growth is worth 30 percent to 50 percent more than the same dollar earned through cost-cutting" (p. 39). Moreover, Marks & Mirvis (1998) argued that, "Increasing revenue 1 percent has five times greater impact on the bottom line than decreasing operating expenses 1 percent" (p. 5). Based upon this information, if firms utilized acquisitions well as a growth medium, there would be a better possibility that firms could achieve value growth through acquisitions.

Building a Complementary Acquisition Process Framework

Many previous studies that have been based upon a perspective of rational choice have had two key points: strategic fit and organizational fit. Some researchers have acknowledged that the choice perspective may not provide a thorough view of acquisition processes and outcomes (Jensen & Ruback, 1983; Lubatkin, 1983). Correspondingly, Jemison & Sitkin (1986) argued that the acquisition process itself has had a crucial role in determining acquisition activities and outcomes, and the conventional choice perspective should be supplemented with a process perspective. The process perspective focuses on the idea that the acquisition process will affect the post-acquisition performance of the acquiring firm and has a complementary relationship with traditional strategic fit and organizational fit.

Jemison & Sitkin (1986) argued that strategic fit and organizational fit approaches were focused on "successful and unsuccessful practices, and that these perspective

approaches are a source of interesting research ideas. However, applied research can sometimes miss key issues that theoretical approaches reveal. Such is the case, the authors contend, in acquisition research where clues to understanding acquisition outcomes may be discovered more readily in a variety of theories that direct to the underlying process-driven impediments to effective acquisitions" (p. 146). Jemison & Sitkin (1986) stated that the process perspective is an alternative model that will replace the traditional and popular choice perspective. The authors pointed out that the process model is the one that emphasizes the role of the corporate acquisition process itself. The authors further argued that the lack of systematic and thorough attention to potential problems of post-acquisition integration appears to reflect the difficulty of recognizing the process itself as part of the problem.

Young (1981) identified that the causes of disappointing acquisition outcomes can only be reconciled by management. Young (1981) argued that management can better manage incremental variables through paying attention to all the steps of an acquisition, therefore manipulating all related events with reference to each application to business and the demands of the acquisition. Young (1981) identified a wide variety of control points which affect the overall acquisition management process. Young (1981) developed ten decision factors as an interdependent aspect of an acquisition transaction. Young's (1981) ten decision factors include motivation, contact, information, sources, analysis, value, price, financing, contract, and implementation. Due to the logically progressive nature of the events within the mechanism of the transaction, the author indicated that these ten decision factors were considered in the acquisition process. Most importantly, the author stated that "knowing what to do at the appointed time can make the difference between achieving success or failure" (p. 611).

Marks & Mirvis (1998) identified five key dimensions that focus top executives' attention and resources over the process of an acquisition. First, strategy can be described as managing the joining entity by consistently trying to align it to its strategic intents. Second, organization is described as establishing a new and healthier corporation. Third, people problems must be regarded as a crucial component and need considerable attention. Fourth, culture is described as building a desirable and healthy culture through the combination of the two firms. Finally, the transition management has an important role in developing a competent transition framework and plan. Marks & Mirvis (1998) further stated that the acquirer's core competence in a corporate acquisition, including planning, executing, and learning, will differentiate the future winners and the losers.

So far, this section has discussed the important theoretical developments in the direct corporate acquisition research area. In order to add value to this study's proposed framework, the next section will explore some important complementary conceptual issues from other research areas. In the strategic management arena, similarly to Young's (1981) argument for the management of incremental variables in the overall acquisition process, Quinn (1981) argued that "constantly integrating the simultaneous incremental processes of strategy formulation and implementation is the heart of effective strategic management" (p. 63). It is important to acknowledge that the effective acquisition process must be synthesized and must simultaneously consider every factor affecting its outcome.

Moreover, to maximize the acquiring firm's strategic gains, three general phases in the overall acquisition process, including the pre-acquisition management phase, the post-acquisition phase, and post-acquisition performance evaluation, must be planned in an integrated way, rather than as separate phases or as distinctive steps.

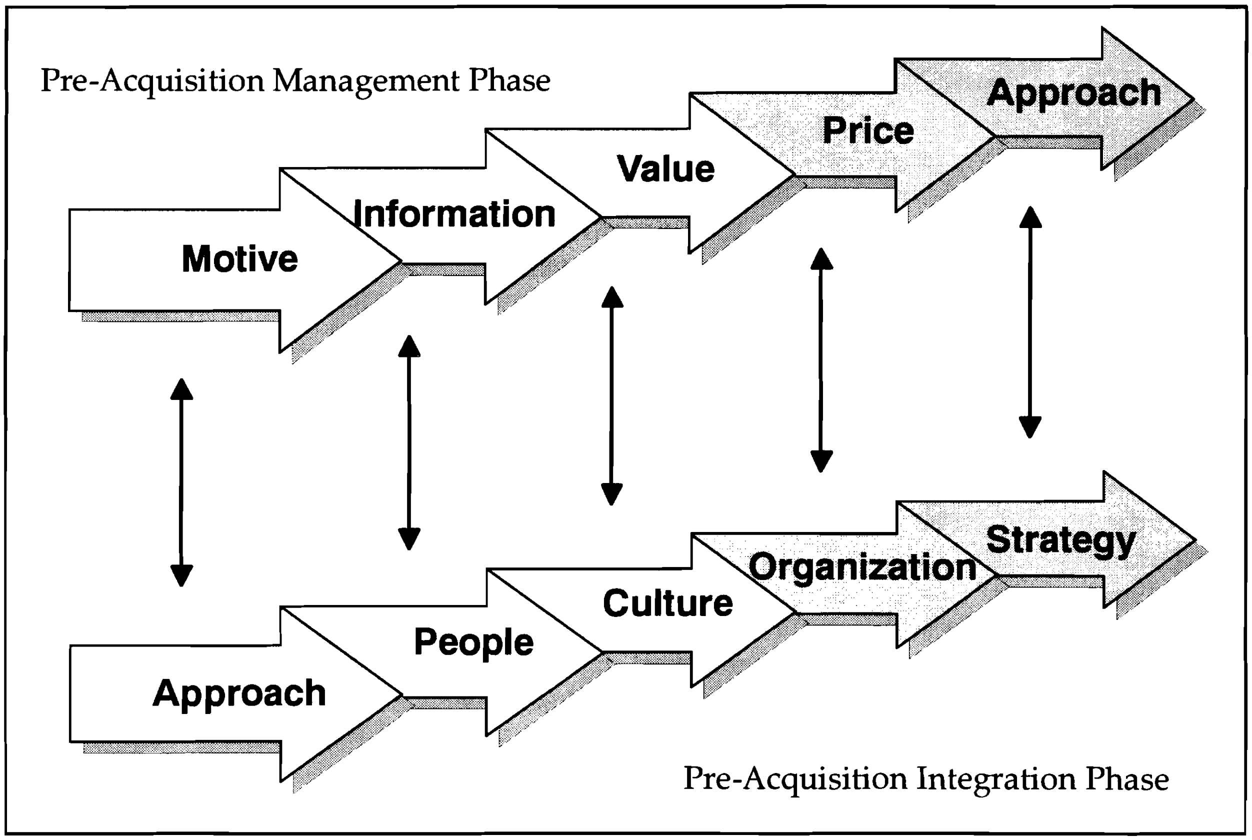
In addition to the above thoughts, the present study can be of value by adopting the holistic approach of systems theory, which assumes that the whole is greater than the sum of its parts, as a umbrella framework. Systems theory is closely related to the currently popular term "synergy," used with reference to corporate acquisitions. Sirower (1997) stated, "Synergy is the increase in performance of the combined firm over what the two firms are already expected or required to accomplish as independent firms" (p. 20). The post-acquisition outcome is the final product of an acquisition deal. In order to reach this outcome, there must be numerous specific processes involved. In a successful acquisition deal, each process has its own but crucial role. Therefore, successful acquisition management must view and execute each process seriously and in an integrated manner in order to achieve a desired final outcome, as well as enhance residual values. The acquisition process framework shown in Figure 1 represents the integrated and incremental approaches discussed so far. In sum, a systems approach can enhance the overall acquisition process.

In order to capture the intended acquisition benefits, acquiring firms must perform their acquisition process in a deliberate manner that converts the acquisition intent to a realized one. Mintzberg (1978) attacked the traditional planning approach because it inaccurately assumes that a firm's strategy is always the outcome of rational planning. Mintzberg argued that the core of strategy is that it relies on the role of process, rather than the plan. The key idea in Mintzberg's assertion is that strategies sometimes emerge from within a firm without any formal and predetermined plan. In other words, even if a firm did not possess any plan or intention, strategies can emerge from the lower levels of a firm. Indeed, sometimes a firm's appropriate strategies are a sudden response to unforeseen environments or circumstances. Mintzberg (1978) defined strategy as "a pattern in a stream of decisions and actions." The pattern represents a contingent product of either an intended or a planned strategy that is actually realized, or any unplanned or emergent strategies.

For this study, unlike Mintzberg's emergent strategies, after closing a deal, the acquirer's acquisition intent must be executed and controlled through an intended strategy that will be deliberated into a realized strategy. This realized strategy represents the potential benefits to the acquirer that are identified before a deal closed. If there exist emerging strategies or any deviations from the pre-determined plan in the post-acquisition integration process, they represent only emergent problems or unforeseen obstacles in achieving anticipated gains. One of the acquirer's core competencies in corporate acquisition is its capabilities to minimize emergent problems and maximize intended acquisition benefits, especially in the post-acquisition management process. In other words, the acquirer must be able to align its acquisition intent with post-acquisition integration, and must keep its strategic vision alive for a desired duration up to when necessary strategic changes are identified. The core assertion of this paper is that if hotel

acquirers utilize this paper's integrated and incremental process approach, they will have a greater probability for success. In other words, if they follow this study's approach, they can convert the acquisition's intent to a realized one, while minimizing emergent problems and obstacles to achieving acquisition gains. This study's acquisition process framework, as shown in Figure 1, can provide a useful conceptual framework for both practitioners and academics.

Figure 1. The Framework of Successful Acquisition Management



The acquisition process framework shown in Figure 1 represents the integrated and incremental model developed for this study. As shown in Figure 1, the conceptual framework comprises ten dimensions (or constructs) in two phases of corporate acquisition: pre-acquisition management and post-acquisition integration. The framework presented here suggests that the acquirer must manage its acquisition intent throughout the overall acquisition process in an integrated/incremental manner to achieve the intended acquisition benefits. The incremental management of a series of important issues during the whole acquisition process must be executed based upon a process perspective. It is believed that this is the most crucial factor in a successful acquisition bid.

Dimensions in the Integrated/Incremental Acquisition Process

After acquirers' motives are initiated, it is critical for successful deals to align those acquisition motives with various dimensions in the entire acquisition process. It is

necessary to identify here the acquisition process as a group of interacting dimensions or categories. As shown in Figure 1, the conceptual framework is comprised of ten dimensions in two phases of corporate acquisition: pre-acquisition management and post-acquisition integration. Acquisition motives are designed as a given condition but not discussed here, although this also has various issues for discussion. The following section will discuss aspects of each of the other dimensions in detail.

1. **Pre-Acquisition Management Phase.** If the acquirers can identify and prepare for a wide variety of factors in the pre-acquisition process, they can achieve smooth post-acquisition integration that creates exceptional post-acquisition performance.

Information. The success of acquisition deals depends upon how effectively the acquirer evaluates value and potential synergies from acquiring the target. Gathering comprehensive and accurate, necessary information is critical to a successful deal. Information can be defined here as a wide variety of facts and data necessary to maintain and reinforce a purchasing decision.

In order to be successful in acquisitions, precise evaluations of target firms are the foremost task for acquirers. Salter & Weinhold (1979) argued that the acquirers frequently overestimate the value of the target, while underestimating the costs of realizing synergies. Markides & Willamson (1996) argued that acquisition relatedness must be measured as the degree of strategic assets. The authors' assertion is based upon a resource-based view of the firm, that acquirers must acquire the target's valuable, unique, unexchangeable, and hard-to-imitate assets. This assertion is equivalent to the conventional "strategic fit' argument that the target's strategic vision must complement the acquirer's and create value (Jemison & Sitkin, 1986). It would be more effective for two firms to consider the "organizational fit" that the two firms must possess, including matched administrative and cultural practices, as well as complementary human resource policies.

Value. The key goal of acquisition is to create value for the acquiring firm, and then to maximize shareholders' wealth. The value of an acquisition usually depends upon a certain level of cash flow from the combined operating structures, which leads to an increase in shareholders' wealth. Value can be defined as the worth of an acquisition deal created mainly from the anticipated synergistic benefits of the combining company. In horizontal acquisitions, acquisition value usually is created from anticipated synergistic benefits. Sirower (1997) argued that the intended synergy will be realized when cash flows are increased, through either increased sales or reduced costs, or when the lowered discount rate on projected cash flows is reflected in the firms' pre-acquisition stock prices. Unlike Sirower, Chatterjee (1992) found that the value in acquisition is realized through restructuring the target by the acquiring firm, rather than through the synergy itself.

Acquisition gains to service firms are not different from those that have been sought by manufacturing industry acquirers (McCann, 1996). McCann (1996)

identified seven benefits of service firms' acquisitions as: (1) increased market share, (2) increased capacity to offer new products/services, (3) improvements in brand and reputation, (4) improved efficiency in resource allocations, (5) increased scale economies, (6) enlarged asset base, and (7) acquisition of management expertise.

Grundy (1992) warned about the "iceberg of acquisition investment." Grundy (1992) found that some aspects of acquisition investment are highly observable, some are less observable, and others are murky or almost unobservable. The author argued that experienced acquirers can foresee the more visible aspects of acquisition deals better than inexperienced acquirers.

Price. The negotiation and determination of acquisition price has a tremendous impact on acquiring firms' post-acquisition performance. In general, purchase price is decided upon by the target's current competitive position within its industry (Barnes, 1996). Unlike other investments, an acquisition investment usually should pay the premium over the target's current market value. Premiums have averaged between 40 and 50 percent in the first half of the 1990s (Rappaport, 1998). Sirower (1997) found that the higher the acquisition premium paid, the higher the value lost. However, Smith & Hershman (1997) found that there is no clear correlation between the purchasing price and the acquisition premium and whether or not the deal creates value. Rappaport (1998) cautioned that to create value from acquisitions, the acquirers should consider that the present value of anticipated synergies must be greater than the premium paid.

Approach. In this study, approach is defined as the variety of the surrounding procedures used to persuade the target firm to accept and finalize an intended acquisition deal. According to Datta, Pinches & Narayanan (1992), there are several key factors which may determine value creation or value loss, including: (1) the number of bidders; (2) the bidder's acquisition approach (i.e., merger vs. tender offer); (3) the method of payment (i.e., cash vs. stock); (4) the type of acquisition (i.e., related vs. unrelated acquisition); and (5) regulatory changes (i.e., the 1968 Williams Amendment and the 1969 tax reform). For example, in organizing an acquisition plan, the acquirer should determine which payment medium is appropriate to take over the target firm successfully. The acquiring company must choose the exchange medium among cash, debt, stock, or a combination of these.

In terms of mode of acquisition, Jensen & Ruback (1983) found that the announcement period returns are higher for acquiring firms in tender offers than in mergers. According to Ikenberry, Lakonishok & Vermaelen (1995), cash tender offers earn more than stock offers. Sirower (1997) and Loughran & Vijh (1997) found similar results, in that cash tender offers outperform stock mergers.

2. **Post-Acquisition Integration Phase.** The lack of systematic and thorough attention to potential problems of post-acquisition integration appears to reflect

the difficulty of recognizing the process itself as part of the problem (Jemison & Sitkin, 1986).

Approach. In this study, approach is defined as a variety of surrounding procedures to reconcile a pre-determined acquisition intent to the target firm, while minimizing problems and obstacles. Napier (1989) identified three types of mergers. The first is an extension merger, where the acquirer allows the target to maintain its independent position as usual, even after the deal is completed. The second is a collaborative merger, where both the acquirer and the target mix their operations, assets, and cultures to achieve anticipated synergistic benefits. The final is a redesign merger, where the acquiring firm makes significant changes in the target's overall operational and managerial practices.

In order to capture their intended acquisition benefits, acquiring firms should establish and execute an effective communication strategy to maintain a stable and comfortable work environment, especially for the target's employees. There are four primary dimensions of employee resistance when a firm announces change initiatives, including parochial self-interest, low tolerance for change, different assessments, and misunderstanding and lack of trust (Kotter & Schlesinger, 1979). To resolve these problems, Kotter & Schlesinger (1979) recommended extensive communications with employees. Raab & Clark (1992) also suggested that explicit communications with the target's employees must start immediately after the deal is announced.

People. Previous studies identified the stress and negative impacts on a target's employees. One of them is that the loss of autonomy produced a negative effect on post-acquisition efforts, as well as on post-acquisition performance. Further, the acquiring firms should manage layoffs of target employees carefully, and they should consider other possible alternatives to replace layoff plans (Leana & Feldman, 1989). Schweiger & DeNisi (1991) argued that a wide variety of communication problems and conflicts between merging firms would reduce the effectiveness of post-acquisition integration. The key source of a successful acquisition depends upon the effectiveness of the human side of the deal, such as employee-related issues (Begley & Yount, 1994).

There are two opinions about retaining the target's top executives. On the one hand, since the target's top executives are valuable assets, their retention is one of the determinants of post-acquisition performance (Cannella & Hambrick, 1993; Barney, 1988). On the other hand, the replacement of the target's top management team has facilitated the improvement of post-acquisition performance (Jensen & Meckling, 1976; Fama, 1980; Fama & Jensen, 1983; Walsh, 1989). People can be defined as a group of the merging company's organizational members, who have either positive or negative perceptions toward an acquisition deal.

Culture. Cultural clash / distance can have a critical role in the post-acquisition integration process. In corporate acquisitions, some areas of the culture will be

affected, including the maximization of employees' commitments to cooperate fully (Siehl & Martin, 1991), to enhance sound integration during the radical changes brought about by an acquisition deal (Louis, 1982), and to establish a sense of unity throughout all the organizational members (Deal & Kennedy, 1982). Lack of cultural fit frequently is mentioned as a value-destructive factor in acquisitions (Nahavandi & Malekzadeh, 1988; Weber & Schweiger, 1992). Cartwright & Cooper (1993) emphasized the importance of cultural fit by saying that "cultural fit and culture compatibility are well used but ill-defined expressions" (p. 60).

In this study, an organizational culture is defined as a set of important assumptions, such as norms, values, and politics, that members of an organization share in common. Weber (1996) found a negative relationship between cultural distances and the effectiveness of post-acquisition integration. Moreover, Pablo (1994) identified that service firms tend to weigh cultural fit far more than manufacturing firms. In the post-acquisition integration stage, the alignment between management's philosophy and merging firms' cultures has a critical impact on post-acquisition performance (Shrivastava, 1986).

Organization. In order to improve resource allocation practices for combined firms, an effective and sound organizational structure is an essential in achieving acquisition benefits. Organizational design, reporting procedures, and various relationships in the work place must be established very quickly after the deal is completed (Henderson, 1989). In order to create and sustain potential competitive advantages from acquisitions, an appropriate, new organizational design that leads to an effective resource allocation structure must be a necessary process. In this study, organization is defined as a wide variety of organizational configurations, including formal and informal structures, systems, and processes.

In the related diversification strategy, to achieve potential benefits from acquisitions, merging firms need to establish proper internal mechanisms to efficiently transfer competencies and strategic assets across business units (Markides & Williamson, 1996). When merging firms are well reorganized, they can achieve scale economies and can reduce redundancy in order to capture synergies. As more and more firms follow suit to utilize information technology, their dependence on information systems infrastructure has continually increased. One of the most important areas to which acquirers should pay particular attention is information systems and network infrastructure. The ignorance of information systems, both in pre- and post-acquisition processes, will have negative impacts on the immediate execution of a wide variety of operations for merging firms.

Strategy. Strategy can be defined as a set of consistent alignment efforts to achieve the long-term goals of the merging company based upon the acquisition intent. It is crucial to renew or reinvent the target firm and / or the combined firm's overall strategy to realize acquisition objectives. Further, it is essential to

match acquisition vision and management processes and systems (Smith & Hershman, 1997). Sirower (1997) also emphasized the importance of the alignment between the strategic vision of the acquisition deal and the operating strategy. The author further argued that the operating strategy must be executed immediately after the deal is closed, and it must be developed based upon a new set of competition analyses. After the deal is completed, the operating strategy must address clearly how the combined firm is to seize a competitive position that is incorporated within the entire value chain of the business (Sirower, 1997). The combined firm must be able to improve its competitive methods and / or to extend other competitive methods to compete effectively in order to achieve its intended synergistic benefits and sustain its competitive advantages.

Based upon the above discussion, the authors identified some important decision points for each dimension in the overall acquisition process to facilitate the appropriate identification of critical success factors for acquisitions, as shown in Table 1.

Table 1
Decision Points of the Nine Dimensions in the Acquisition Process

Dimension	**Decision Points**
	Pre-Acquisition Management Phase
Information	A decision on the information necessary to purchase a target firm
Value	A decision on what the actual worth of the acquisition transaction should be
Price	A decision on the extent of financial resources expected for the acquisition deal
Approach	A decision on the form and content of the acquisition deal regarding the relationship between the acquiring firm and the target firm
	Post-Acquisition Integration Phase
Approach	A decision on the development of effective post-acquisition transition management practices, particularly for immediately after the deal is completed
People	A decision on the effective management of the human component
Culture	A decision on the effective integration of two different cultural systems
Organization	A decision to build a new and stronger organization
Strategy	A decision to achieve the strategic intent of the acquisition deal

In sum, this paper has identified some crucial dimensions in the overall acquisition management process and various corresponding factors that can lead to successful acquisition deals. In order to uncover the exact causes of successful corporate acquisitions, we need more rigorous and systematic studies to help future acquirers within the context of the lodging industry. This reasoning suggests the following propositions:

Proposition 1: There are key success factors in the pre-acquisition phase that will determine a successful acquisition deal in the lodging industry.

Based on the studies discussed in the preceding sections, there are a wide variety of potential critical success factors that can be identified in the pre-acquisition phase, as shown in Table 2.

Table 2
Potential Critical Success Factors in the Pre-Acquisition Phase

Identify the trend of target's cash flow from operations
Identify potential operating synergy (i.e., improved operating efficiency)
Identify the target's property locations of market served
Due diligence
Identify the trend of target's overall performance (i.e., occupancy, RevPAR, free cash flow, and ADR)
Identify the target's capital expenditure requirements (i.e., properties' potential renovation costs)
Identify potential improvements in brand and reputation
Method of payment (i.e., cash, stock, etc.)
Identify strategic relatedness between the acquirer and the target
Identify the fact that the present value of anticipated synergies will be greater than the premium paid
Amount of acquisition premium
Mode of acquisition (i.e., merger, hostile takeover, etc.)
Identify potential financial synergy (i.e., lower cost of capital, lower tax rate)
Bidding price is based upon the target's competitive position in the lodging industry

Proposition 2: There are key success factors in the post-acquisition integration phase that will determine a successful acquisition deal in the lodging industry.

Also, based on the studies discussed in the preceding sections, in the post-acquisition phase there are a variety of potential key success factors that can be identified, as shown in Table 3.

Table 3
Potential Critical Success Factors in the Post-Acquisition Phase

Identify and retain key employees and managers of the target
Develop a formal integration plan by top management teams of both companies
Establish an effective communication strategy to keep the target's employees well informed
Align acquisition intent and operating strategy
Provide sufficient resources for post-acquisition integration
Move rapidly as planned

Table 3 *(continued)*
Potential Critical Success Factors in the Post-Acquisition Phase

Integration of information systems infrastructure between merging firms
Differences in management style between merging firms
Degree of centralization and autonomy of the target's employees
Identify a new set of opportunities for enhancement of competitive position of merged firm
Assimilate the acquirer's cultural systems (i.e., values, norms) into the target's culture
Inject new management people into the target firm immediately
Establish new procedures for competitor analyses

Conclusions and Future Research

Since there are substantially fewer theoretical works about the acquisition process for lodging firms, this paper focuses on "what" is the specific content of the acquisition process. This paper's framework can be considered as a catalyst for future theoretical and empirical investigations for the questions of "when, how, and why," which are the core components of a good theory. It is believed that without sufficient description about a particular ambiguous reality, it is very difficult to construct a good theory. Various factors identified in this paper may contribute important building blocks to future, rigorous acquisition studies in the lodging industry.

This paper has provided descriptions regarding the acquisition process in order to enhance our understanding about a part of the underlying structure of the current acquisition wave in the U.S. lodging market. This study will contribute to future efforts to systematically conceptualize and operationalize the acquisitions process utilized by U.S. lodging firms by suggesting a strategic acquisition management framework for lodging firms.

The authors have suggested a view of favorable relationships in what constitutes a lodging company's successful acquisition strategy. Much of the previous research has investigated corporate acquisition issues one issue at a time. However, these studies have ignored the specific factors that lead to successful corporate acquisition strategies, because they have not dealt with the critical relationship between the pre-acquisition management phase and the post-acquisition integration phase simultaneously. Future hypotheses-testing work on the determinants of successful acquisition strategies will be needed. In order to identify the genuine reasons for successful acquisition strategies, we need to understand not only the relationship between pre-acquisition management and post-acquisition integration simultaneously but also the incremental relationship between these two important phases.

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