The acquisition of young high-technology firms (NTBFs, new technology-based firms) is frequently used by large established companies as part of their external technology sourcing strategies, with the aim of obtaining new technological artifacts and capabilities (see e.g., Venhaverbeke et al. 2002, Higgins and Rodriguez 2006, Desyllas and Hughes 2008). However, in spite of their popularity and a few success stories (e.g., the well-advertised acquisitions made by Cisco, see Dyer et al. 2004), the available large-scale empirical evidence shows that these acquisitions often have dismal innovative results (see e.g., Kapoor and Lim 2007).

In line with the view originally proposed by Jemison and Sitkin (1986) that the results of an acquisition crucially depend on the post-acquisition reorganization process, several previous studies have analyzed the effects on post-acquisition innovation performance of the decision to integrate the acquired NTBF within the acquiring firm’s organization as opposed to keeping it as a separate subsidiary or business unit (Paruchuri et al. 2006, Puranam et al. 2006). While we agree that the dichotomy between structural integration and separation is generally a crucial aspect of the post-acquisition reorganization process, we claim that because of the peculiarity of NTBF acquisitions it plays a relatively less important role here than is contended by the extant empirical literature. When an NTBF is acquired, due to its small size, there is generally limited room for rationalization aimed at capturing economies of scale and scope in R&D (see e.g., Cassiman and Colombo 2006). Therefore, the structural integration of the target NTBF is unlikely to have the same input-saving effects that it may have in the acquisition of larger firms. Conversely, the key assets of an acquired NTBF are the technological competencies embedded in the knowledge and skills of its scientists and engineers and the technological artifacts generated by its prior innovation activity. The success of the acquisition crucially depends on the use that is made of these assets in the post-acquisition period. This use is only marginally influenced by the structural configuration of the acquired operations.

Exclusive focus on the dichotomy between structural integration and separation fails to recognize the importance of non-structural aspects of the post-acquisition reorganization process relating to the adoption of suitable managerial practices. A post-acquisition managerial practice that has not received sufficient coverage in the extant acquisition literature is the decision autonomy granted to the acquired personnel. As far as we know, the only notable exceptions are the empirical studies by Datta and Grant (1990) and Zaheer et al. (2008). This lack of consideration is surprising as the allocation of decision rights is a prominent issue in the debate about firm organization (for a review, see Colombo and Delmastro 2008, Ch. 3). The reason possibly lies in the view that decision autonomy is closely associated with structural separation. Accordingly,
previous studies have highlighted the existence of a fundamental paradox in the post-acquisition reorganization process. In order to realize the synergistic potential of an acquisition, the competencies and resources of the acquired and acquiring firms need to be combined, shared, or redeployed, a process that is favored by closer integration (Capron 1999, Zollo and Singh 2004). However, autonomy is needed to preserve the distinctive capabilities of the acquired firm as a high level of integration may destroy those same skills and capabilities that are the basis of the synergistic gains the acquirer is looking for (Chaudhuri and Tabrizi 1999, Larsson and Finkelstein 1999, Puranam et al. 2006). Then, the key managerial challenge faced by the acquiring firm allegedly is to choose the “right” level of integration, that optimizes the integration-autonomy trade-off.

In the present work we challenge this view. Leveraging the seminal work by Haspelagh and Jemison (1991), we contend that integration and decision autonomy are two separate dimensions of the post-acquisition reorganization process (see Section 2 for a detailed discussion on this issue), and we focus attention on the latter dimension. In particular, the aim of the paper is to analyze the influence that the allocation of decision authority over the post-acquisition innovation activity of the acquired NTBF exerts on innovation performance. This authority may be delegated to the acquired key inventors – i.e., the star scientists and engineers of the acquired NTBF that were largely responsible for its (supposedly brilliant) pre-acquisition innovation performance. In this situation, the acquired key inventors are granted great decision autonomy in their sphere of activity. They may select the R&D projects on which the acquired firm will concentrate effort, determine the budget of each project (within a total budget constraint), decide who will work on which project, hire and fire technical personnel, establish collaborations with other firms, and so on. Alternatively, responsibility for these decisions may be centralized and assigned to a manager of the acquiring firm. The acquired key inventors then are only responsible for implementation of decisions that are made elsewhere. We develop a theoretical model which predicts under what circumstances delegation of decision authority has more positive effects on post-acquisition innovation performance than centralization. For this purpose, we rely on recent developments in multi-task agency theory and integrate them with insights provided by the competence- and resource-based view (RBV). Integration of the RBV with organizational economics (OE) has rarely been undertaken in the literature (see Combs and Ketchen 1999 for a notable exception). We posit that this integration is especially appropriate as the two approaches complement each other. On the one hand, recent developments in RBV acknowledge that proper exploitation of critical competencies and resources is also a matter of selecting suitable organizational components as structures, incentives, and control systems (Barney and Mackey 2005, Newbert 2007). On the other hand, OE normatively identifies actions that minimize governance costs in a context of self-interested behavior, moral hazard (Foss 1996), diverging goals, and imperfect information (Hesterley et al. 1990). However, OE fails in investigating the sources of heterogeneity in firms’ competence and resource endowment which conversely represents the central concern of the RBV. In this paper, we propose a model in which the effects on post-acquisition innovation performance of delegation or centralization of decision rights depend on the collection of competencies and resources developed by the acquiring firm. In turn, the latter are
endogeneized, being their value contingent on the *technological relatedness* between the acquiring and acquired firms and the experience accumulated by the acquirer in external company-development activities - notably *prior acquisitions* and *prior alliances* with the target. Moreover, the moderating role of these factors on the relation between the allocation of decision rights and post-acquisition innovation performance diverges according to the motives of the acquisition – either *explorative* or *exploitative*.

**REFERENCES**


