CHAPTER 4: RESULTS

Introduction

The purpose of this chapter is to present and discuss the results of the Delphi study that was undertaken to uncover the critical success factors that impact the value-adding potential of corporate acquisitions in the lodging industry.

The Delphi panelists consisted of hotel companies' senior officers, industry consultants, and M&A specialists in investment banks. First, their occupational distribution as well as background information on the lodging firms they represent will be described. This will be followed by the presentation of the data, and the analysis of the results on key issues considered from each of the three Delphi rounds. Finally, research propositions will be tested.

Profile of the Delphi Panel

Invitations to serve on the Delphi panel were distributed to a total of 71 senior officers of 14 lodging firms and having had one or more acquisition experiences since 1994, lodging industry consultants, and M&A specialists in investment banks. Of this number, 42, or 59.2 percent, were either executive or senior officers of 14 lodging firms, while 29, or 40.8 percent, were either lodging industry consultants in the big six accounting firms or M&A specialists in investment banks. The former were considered as the hotelier group, whereas the latter were considered as the non-hotelier group.

ROUND 1

Round 1 of the Delphi closed on June 19, 1998. From the initial pool of 71 potential respondents, a total of 26, or 36.6 percent, responded as participants in the Round 1 panel. Table 37 represents the response rates of each group.

Table 37. Summary of the 1st Round Response Rate

Group	Initial Sample Pool	1st Round Panel	Response Rate
Hoteliers	42	17	40.5%
Non-hoteliers	29	9	31.0%
Total	71	26	36.6%

In terms of the panelists' positions in their organizations, all hoteliers (17) who participated in the 1st Round study were directly subordinate to the CEO or were at least vice presidents of large and influential U.S. lodging firms, whereas participating non-hoteliers were either industry consultants in the hospitality divisions of three out of the big six world-wide accounting firms, or hotel industry specialists of six Wall Street investment banks (See Table 38).

Table 38. Positions/Occupations of the 1st Round Panel

Position	**Number**	**Percentage**
Vice Chairman	1	3.8 %
President & COO	2	7.6 %
Executive Vice President & CFO	1	3.8 %
Executive Vice President	2	7.6 %
Senior Vice President & CFO	2	7.6 %
Senior Vice President	4	15.4 %
Vice President	3	11.5 %
Chief Operating Officer	1	3.8 %
Chief Financial Officer	1	3.8 %
Investment Banker (Non-hotelier)	6	23.1 %
Hospitality Industry Consultant (Non-Hotelier)	3	11.5 %
Total	26	100 %

The total of 17 respondents represents ten U.S. lodging firms. Of these ten lodging organizations, seven were C-Corporations and three were lodging REITs. The total number of hotel properties accounted for by the participating ten lodging firms was 4,040 hotel/motels, while their total number of employees reached 217,959 people. Their total sales revenue in the fiscal year of 1997 was approximately $17.8 billion. The ten participating lodging firms in Round 1 had a total market capitalization of 31.3 billion as of June 5, 1998 (See Table 39).

The ten lodging acquirers participating in Round 1 have experienced at least one or more company-to-company acquisitions over the last five years. These 10 firms represent the most active acquirers over the past five years in the lodging industry. For example, based upon publically available information on lodging industry corporate acquisitions since 1996, 10 Round 1 acquirers experienced more than 22 corporate acquisition deals. The total amount of money invested in these 22 deals was approximately $20.3 billion.

Table 39. The Profiles of Participating Lodging Organizations in Round 1 (As of the End of 1997)

Company	No. of Properties	No. of Employees	Sales Revenue	Market Value*
A	1,475	117,000	$9,046.0 million	$8,950.0 million
B	1,200	11,000	$ 983.3	$3,680.0
C	100	1,000	$1,147.0	$3,710.0
D	460	19	$ 185.6	$2,650.0
E	230	61,000	$5,316.0	$7,840.0
F	70	29	$ 176.1	$1,220.0
G	200	2,900	$ 130.8	$1,030.0
H	155	12,000	$ 316.4	$ 712.8
I	30	11	$ 38.3	$ 359.1
J	120	13,000	$ 504.5	$1,140.0
Total	4,040	217,959	$17,844.0 million	$31,291.9 million

(Source: Hoover's Online, 1998; Hotel & Motel Management, 1998)
**Market value is as of June 5, 1998.*

ROUND 2

Round 2 of the Delphi closed on July 10, 1998. From Round 1's 26 respondents, a total of 21, or 80.8 percent, participated in the Round 2 panel. Table 37 represents the response rates of each group.

Table 40. Summary of the 2nd Round Response Rate

Group	1st Round Panel	2nd Round Panel	Response Rate
Hoteliers	17	14	82.3%
Non-hoteliers	9	7	77.8%
Total	26	21	80.8%

In terms of the panelists' positions in their organizations, all hoteliers (14) who participated in the 2nd Round study were also directly subordinate to the CEO or were at least vice presidents of large U.S. lodging firms. The non-hoteliers were either industry consultants in the hospitality divisions of two big accounting firms, or hotel industry experts in investment banks (See Table 41).

Table 41. Positions/Occupations of the 2nd Round Panel

Position	Number	Percentage
Vice Chairman	1	4.8%
President & COO	2	9.5%
Executive Vice President & CFO	1	4.8%
Executive Vice President	1	4.8%
Senior Vice President & CFO	2	9.5%
Senior Vice President	2	9.5%
Vice President	3	14.3%
Chief Operating Officer	1	4.8%
Chief Financial Officer	1	4.8%
Investment Banker (Non-hotelier)	5	23.8%
Hospitality Industry Consultant (Non-Hotelier)	2	9.5%
Total	21	100%

The total of 14 respondents represents nine U.S. lodging firms. Of these nine lodging organizations, six were C-Corporations and three were lodging REITs. The total number of hotel properties accounted for by the participating nine lodging firms was 3,940 hotel/motels, while their total number of employees reached 216,959 people. Their total sales revenue in the fiscal year of 1997 was approximately $16.7 billion. The nine participating lodging firms' in Round 2 had a total market capitalization of 27.6 billion as of June 5, 1998 (See Table 42).

The nine lodging acquirers participating in Round 2 have experienced at least one or more company-to-company acquisitions over the last five years. These nine firms represent the most active acquirers over the past five years in the lodging industry. For example, based upon publically available information on lodging industry corporate acquisitions since 1996, nine Round 2 acquirers experienced more than 20 corporate acquisition deals. The total amount of money invested in these 20 deals was approximately $19.5 billion.

Table 42. The Profiles of Participating Lodging Organizations in Round 2 (As of the End of 1997)

Company	No. of Properties	No. of Employees	Sales Revenue	Market Value *
A	1,475	117,000	$9,046.0 million	$8,950.0 million
B	1,200	11,000	$ 983.3	$3,680.0
D	460	19	$ 185.6	$2,650.0
E	230	61,000	$5,316.0	$7,840.0
F	70	29	$ 176.1	$1,220.0
G	200	2,900	$ 130.8	$1,030.0
H	155	12,000	$ 316.4	$ 712.8
I	30	11	$ 38.3	$ 359.1
J	120	13,000	$ 504.5	$1,140.0
Total	3,940	216,959	$16,697.0 million	$27,581.9 million

(Source: Hoover's Online, 1998; Hotel & Motel Management, 1998)
**Market value is as of June 5, 1998.*

ROUND 3

The Final Round of the Delphi study closed on July 23, 1998. Impressively, all 21 of the questionnaires in the Final Round were returned (See Table 43).

Table 43. Summary of the Final Round Response Rate

Group	2nd Round Panel	3rd Round Panel	Response Rate
Hoteliers	14	14	100.0%
Non-hoteliers	7	7	100.0%
Total	21	21	100.0%

Because all participants of Round 2 returned the questionnaires, the percentages representing each position/occupation were the same as Round 2, as shown in Table 41. Again, the total of 14 respondents represents nine U.S. lodging firms. Of these nine lodging organizations, six were C-Corporations and three were lodging REITs. The other statistical information about these nine lodging firms is also exactly the same as in Round 2, as shown in Table 42.

Statistical Analyses

Next, the validity and reliability of the survey instrument will be discussed and each Delphi round's results will be also discussed by using descriptive statistics.

Validity and Reliability Tests

Validity refers to the relationship between constructs and their measures. Reliability, on the other hand, refers to the degree to which one's observations are consistent or stable over time. The instrument used in this study has been drawn from the synthesis of the most important published sources in the M&A field. In the following section, the validity and reliability issues that pertain to the use of the instrument are discussed.

Unlike most previous M&A studies discussed in the literature review, the present study employed an integrated research approach that includes the most critical corporate acquisition issues simultaneously. That is, the present study synthesized M&A issues into a multi-dimensional framework. Based on the results, this integrated approach is well supported by respondents because they rarely mentioned the inappropriateness of the question items in the survey instrument. The instrument represented three phases in the overall acquisition process, as shown in Figure 2, including pre-acquisition management, post-acquisition integration, and post-acquisition performance evaluation. The framework includes fifteen dimensions, with each dimension comprised of corresponding operational indicators. The panelists ranked the variables according to the perceived degree of importance/relevance they assigned to each key factor in the acquisition process, according to a rating scale of: a score of one (1) represents not at all important (or not relevant); two (2) denotes slightly important (relevant); three (3) represents important (relevant); and four (4) denotes very important (relevant). The eight newly created variables proposed during the round became available for assessment by the full panel during Rounds 2 and 3. As the results show in tables 45 through 48, all variables rated more than 2.00. That is, in terms of the aggregated value, all variables were considered by the Delphi panel either as slightly important (or relevant) or above (scale 2 or above). No variable in the study was considered as unimportant or irrelevant. In other words, no variable was rated as 1 on the scale.

The present study employed multiple informants. As Neuman (1994) stated, if a study has identical measurements from diverse sources, it may achieve greater validity than another study employing a single source or similar sources. Therefore, by adopting multiple informants, this study improved measurement validity. Moreover, one of the important characteristics of the Delphi is its iterative nature that leads to ensuring the validity of the instrument. Through iterative rounds of the Delphi, the initial survey instrument was well supported and validated by the Delphi panel.

In order to examine the reliability of this study's survey instrument, Cronbach's coefficient alpha was computed for the sixty items within each of the four groups. Cronbach's coefficient alpha measures the internal consistency of items relating to a single trait within a questionnaire (Nunnally, 1978).

To test the reliability of the survey instrument in this study, an alpha measure for all the 68 variables, or items, was calculated. Second, a measure for each division (intent, pre-acquisition management, post-acquisition integration, and post-acquisition performance evaluation) was calculated to check for internal consistency. Table 44 presents the results of these tests. In general, the internal consistency of the survey instrument is sufficient if Cronbach's alpha values are 0.80 or higher. As can be seen from Table 44, the overall coefficient alpha was more than the suggested guideline, even though two sub-divisions' measurements were noticeably lower.

Table 44. Reliability Coefficient for the Integrated/Incremental Acquisition Process Instrument

Scale	Cronbach's Alpha Value
Acquisition Intents/Objectives	0.4696
The Pre-Acquisition Management Phase	0.8199
The Post-Acquisition Integration Phase	0.8522
The Post-Acquisition Performance Evaluation	0.5943
Overall Scale	**0.8888**

The Most Important/Relevant Factors in the Acquisition Process

Descriptive statistics were used to identify the most important/relevant factors in the corporate acquisition process in the lodging industry.

A. ROUND 1

As was noted in the preceding chapters, the task of the Delphi panel was to uncover the critical success factors that impact the value-adding potential of corporate acquisitions in the lodging industry. In order to expedite the process, participants in the Round 1 Delphi Questionnaire were furnished with a preliminary list of 60 such key factors in the corporate acquisition process. These factors were gathered from a comprehensive investigation of the previous literature on M&A issues. This inaugurating roster was presented to each panelist with the expressed mandate to appraise the level of the importance/relevance of each item.

The outcome of the panel's Round 1 consideration of the initial list of factors was an expanded slate comprising 68 crucial factors, including the 60 items from the initial list. The eight variables added to the list were suggested by six panel members. The extended list and the number of panel members specifically affirming each variable during the round is shown in Appendix II. Among the 60 inaugurating variables appraised, 53 were rated by 100 percent of the panelists. All the seven remaining variables received responses amounting to 96.2 percent. That is, these variables were missed by one panelist each. In fact, one panelist did not rate 6 out of 7 variables.

As mentioned in the preceding chapters, this study developed an integrated/incremental acquisition process as shown Figures 1 and 2. In this framework, the overall acquisition process is classified into three phases, including pre-acquisition management (including acquisition intents/objectives), post-acquisition integration, and post-acquisition performance evaluation. The three acquisition phases were comprised of a total of fifteen dimensions (or constructs), each consisting of one to nine items, with a total of 60 variables.

First, the pre-acquisition management phase was comprised of five dimensions, including intent, information, value, price, and approach. Second, the post-acquisition integration phase also consisted of five dimensions, including approach, people, culture, organization, and strategy. Finally, post-acquisition performance was comprised of five dimensions, including accounting profits, stock returns, market share, operating efficiency, and cash flow.

The following discussion of the most important/relevant factors for the lodging industry corporate acquisition process, based on the results of each round, is organized in four divisions or phases: (1) Acquisition Intents/Objectives; (2) The Pre-Acquisition Management Phase; (3) The Post-Acquisition Integration Phase; and (4) Post-Acquisition Performance Evaluation.

1. Acquisition Intents/Objectives

In order to uncover the most important acquisition intents/objectives of the hotel firms, who undertook acquisitions over the last five years, the panelists were asked to rate the importance of different motives and objectives to undertake acquisition initiatives on a 4-point Likert-type rating scale: (1) unimportant; (2) slightly important; (3) important; and (4) very important. This issue was considered in Round 1 of the Delphi and revisited in each of the succeeding two rounds.

Since only six objectives in the initial list were available for rating by every panelist in this round, these six variables will be discussed separately at this stage. In terms of the measure of central tendencies, mean panel ratings ranged from a high of 3.69 to a low of 2.38. One variable (Accelerate growth of the acquiring company: mean rating = 3.69) was perceived by the panel as the most important acquisition objective of hotel acquirers in recent M&A transactions. Two of the variables (Expand capacity at less cost than constructing new hotel properties: mean rating = 3.31; Capture scale economies to save costs through combining two firms within an industry: mean rating = 3.27) were judged by the panel as the next most important objectives of acquiring firms. Among the remaining three moderately important objectives, one variable (Achieve the personal goals, vision, and particular objectives of the acquiring company's chief executive: mean rating = 2.38) was perceived as the least important acquisition objective.

In terms of the measure of dispersion, one variable (Accelerate growth of the acquiring company: SD = 0.55), which was perceived as the most important acquisition objective, received the highest consensus among the Delphi panelists. Variable #3 (Achieve the personal goals,

Table 45. Round 1 Responses of Acquisition Intents/Objectives

VARIABLE	[1]*	[2]	[3]	[4]	Total	No.	Mean	Mode	SD
1. Accelerate growth of the acquiring company	0.0	3.8	23.1	73.1	100%	26	3.69	4	0.55
2. Utilize synergistic attributes of the acquired company with reference to the acquiring company	0.0	34.6	34.6	30.8	100%	26	2.96	2, 3	0.82
3. Achieve the personal goals, vision, and particular objectives of the acquiring company's chief executive	26.9	23.1	34.6	15.4	100%	26	2.38	3	1.06
4. Broaden the acquiring company's customer base by extending products and services (i.e., application of portfolio management, globalization)	11.5	19.2	50.0	19.2	100%	26	2.77	3	0.91
5. Capture scale economies to save costs through combining two firms within an industry	3.8	15.4	53.8	26.9	100%	26	3.27	3	0.77
6. Expand capacity at less cost than constructing new hotel properties	3.8	15.4	30.8	50.0	100%	26	3.31	4	0.87

* [1]: Unimportant; [2]: Slightly Important; [3]: Important; [4]: Very Important

vision, and particular objectives of the acquiring company's chief executive: SD = 1.06), which was recognized as the least important acquisition motive, received the most diversified votes by the Delphi panel. More detailed statistics of Round 1 are summarized in Table 45.

2. Pre-Acquisition Management

To uncover the most important factors during the pre-acquisition management phase for successful corporate acquisitions in the lodging industry, the panelists were asked to rate the importance of diverse items on a 4-point Likert-type rating scale.

As mentioned before, the pre-acquisition management phase is comprised of four dimensions: information, value, price, and approach. Furthermore, these four dimensions consisted of a total of 23 variables in Round 1. In terms of the measure of the central tendency, mean panel ratings ranged from a high of 3.65 to a low of 2.12. One variable (Identify the trend of target's cash flow from operations: mean rating = 3.65) was perceived by the panel as the most important factor to be considered in the pre-acquisition management phase for hotel acquirers. Four of the variables (Identify potential operating synergy (i.e., improved operating efficiency: mean rating = 3.48; Identify the trend of target's overall performance (i.e., occupancy, RevPAR, free cash flow, and ADR: mean rating = 3.46; Amount of acquisition premium: mean rating = 3.42; Method of payment (i.e., cash, stock, etc): mean rating = 3.42; Due diligence: mean rating = 3.42) were judged by the panel as the next most important factors in the pre-acquisition management stage. In contrast, one variable (Identify the target's connectivity and compatibility with the acquirer's information systems infrastructure: mean rating = 2.12) was perceived as the least important factor.

In terms of the measure of dispersion, one variable (Identify the trend of target's cash flow from operations: SD = 0.49), which was perceived as the most important factor in pre-acquisition management, received the highest consensus among the Delphi panelists. On the other hand, variable #20 (Broad involvement throughout of the acquirer's key staffs and employees in the planning of an acquisition: SD = 0.94) received the most diverse votes by the Delphi panel. More detailed statistics of Round 1 concerning the pre-acquisition management phase are summarized in Table 46.

Table 46. Round 1 Responses of the Pre-Acquisition Management Phase

Information: A decision on the information necessary to purchase a target firm	[1]*	[2]	[3]	[4]	Total	No.	Mean	Mode	SD
7. Identify strategic relatedness between the acquirer and the target	3.8	11.5	34.6	50.0	100%	26	3.31	4	0.84
8. Identify the target's distinctive cultural aspects compared to the acquiring company	7.7	42.3	34.6	15.4	100%	26	2.58	2	0.86
9. Identify the trend of target's cash flow from operations	0.0	0.0	34.6	65.4	100%	26	3.65	4	0.49
10. Identify the target's property locations of market served	4.0	4.0	48.0	44.0	100%	25	3.32	3	0.75
11. Identify the trend of target's overall performance (i.e., occupancy, RevPAR, free cash flow, and ADR)	0.0	3.8	46.2	50.0	100%	26	3.46	4	0.58
12. Identify the target's connectivity and compatibility with the acquirer's information systems infrastructure	26.9	42.3	23.1	7.7	100%	26	2.12	2	0.91
13. Identify the target's capital structure and cost of capital	3.8	42.3	34.6	19.2	100%	26	2.69	2	0.84
14. Identify the target's management fees and franchise fees	7.7	23.1	57.7	11.5	100%	26	2.73	3	0.78
15. Identify the target's capital expenditure requirements (i.e., properties' potential renovation costs)	0.0	11.5	42.3	46.2	100%	26	3.35	3	0.69
Value: A decision on what the actual worth of the acquisition transaction should be									
16. Identify potential financial synergy (i.e., lower cost of capital, lower tax rate)	4.0	12.0	44.0	40.0	100%	25	3.20	3	0.82
17. Identify potential operating synergy (i.e., improved operating efficiency)	0.0	12.0	28.0	60.0	100%	25	3.48	4	0.71
18. Identify potential managerial synergy (i.e., enhanced target's competitive position by transferring management expertise by the acquirer)	0.0	20.0	60.0	20.0	100%	25	3.00	3	0.65
19. Identify potential demand for products/services of combined firm over the next five years	4.0	24.0	44.0	28.0	100%	25	2.96	3	0.84
20. Identify potential improvements in brand & reputation	4.0	24.0	28.0	44.0	100%	25	3.12	4	0.93
Price: A decision on the extent of financial resources expected for the acquisition deal									
21. Amount of acquisition premium	0.0	3.8	50.0	46.2	100%	26	3.42	3	0.58
22. Identify the fact that the present value of anticipated synergies will be greater than the premium paid	0.0	15.4	46.2	38.5	100%	26	3.23	3	0.71
23. Bidding price is based upon the target's competitive position in the lodging industry	3.8	15.4	46.2	34.6	100%	26	3.12	3	0.82
Approach: A decision on the form and content of the acquisition deal regarding the relationship between the acquiring firm and the target firm									
24. Mode of acquisition (i.e., merger, hostile takeover, etc)	0.0	15.4	46.2	38.5	100%	26	3.23	3	0.71
25. Method of payment (i.e., cash, stock, etc)	0.0	11.5	34.6	53.8	100%	26	3.42	4	0.70
26. Multiple bidders (i.e., contested bid)	3.8	11.5	50.0	34.6	100%	26	3.15	3	0.78
27. Due diligence	0.0	7.7	42.3	50.0	100%	26	3.42	4	0.64
28. Getting advice from best investment bankers	3.8	30.8	42.3	23.1	100%	26	2.85	3	0.83
29. Broad involvement throughout of the acquirer's key staffs and employees in the planning of an acquisition	7.7	30.8	34.6	26.9	100%	26	2.81	3	0.94

3. Post-Acquisition Integration

In order to identify the most important factors in the post-acquisition integration phase for successful corporate acquisitions in the lodging industry, the panelists were asked to rate the importance of diverse items on the 4-point Likert-type rating scale discussed previously. The five dimensions of the post-acquisition phase are represented by a total of 24 variables in Round 1.

In terms of the measure of central tendency, mean panel ratings ranged from a high of 3.54 to a low of 2.08. One variable (Establish a post-acquisition strategy early in the process: mean rating = 3.54) was perceived by the panel as the most important factor to be considered in the post-acquisition integration stage. Three of the variables (Identify and retain key employees and managers of the target: mean rating = 3.50; Determine the degree of post-acquisition integration (i.e., extensive, moderate, no interruption of the target's autonomy: mean rating = 3.46; Establish an effective communication strategy to keep the target's employees well informed: mean rating = 3.42) were determined by the panel as the next most important factors in the post-acquisition integration stage. In contrast, one variable (Establish new procedures for competitor analyses: mean rating = 2.08) was perceived as the least important factor after the deal is closed. Two of the variables (Establish new training and development programs: mean rating = 2.15; Establish new performance appraisal programs: mean rating = 2.19) were decided by the panel as the next least important factors in the post-acquisition integration stage.

In terms of the measure of dispersion, one variable (Identify and retain key employees and managers of the target: SD = 0.51), which was perceived as the second most important factor in pre-acquisition management, received the highest consensus among the Delphi panelists. On the other hand, variable #43 (Degree of centralization and autonomy of the target's employees: SD = 0.94) received the most disparate votes by the Delphi panel. More detailed statistics about each of the post-acquisition integration factors identified in Round 1 are summarized in Table 47.

Table 47. Round 1 Responses of the Post-Acquisition Integration Phase

Approach	[1]*	[2]	[3]	[4]	Total	No.	Mean	Mode	SD
30. Establish a post-acquisition strategy early in the process	3.8	3.8	26.9	65.4	100%	26	3.54	4	0.76
31. Determine the degree of post-acquisition integration (i.e., extensive, moderate, no interruption of the target's autonomy)	0.0	7.7	38.5	53.8	100%	26	3.46	4	0.65
32. Develop a formal integration plan by top management teams of both companies	3.8	3.8	50.0	42.3	100%	26	3.31	3	0.74
33. Move rapidly as planned	0.0	28.0	24.0	48.0	100%	25	3.20	4	0.87
34. Inject new management people into the target firm immediately	11.5	42.3	38.5	7.7	100%	26	2.42	2	0.81
35. Establish an effective communication strategy to keep the target's employees well informed	0.0	11.5	34.6	53.8	100%	26	3.42	4	0.70
36. Provide sufficient resources for post-acquisition integration	0.0	7.7	57.7	34.6	100%	26	3.27	3	0.60
People: A decision on the effective management of the human component									
37. Link compensation to improvements in cash flows	0.0	11.5	69.2	19.2	100%	26	3.08	3	0.56
38. Immediate announcement of career influencing post-acquisition plans (i.e., key roles and responsibilities, layoff plans, etc)	3.8	15.4	50.0	30.8	100%	26	3.08	3	0.80
39. Identify and retain key employees and managers of the target	0.0	0.0	50.0	50.0	100%	26	3.50	3, 4	0.51
40. Establish new performance appraisal programs	15.4	57.7	19.2	7.7	100%	26	2.19	2	0.80
41. Establish new training and development programs	19.2	53.8	19.2	7.7	100%	26	2.15	2	0.83
Culture: A decision on the effective integration of two different cultural systems									
42. Differences in management style between merging firms	11.5	19.2	53.8	15.4	100%	26	2.73	3	0.87
43. Degree of centralization and autonomy of the target's employees	7.7	30.8	34.6	26.9	100%	26	2.81	3	0.94
44. Assimilate the acquirer's cultural systems (i.e., values, norms) into the target's culture	3.8	38.5	42.3	15.4	100%	26	2.69	3	0.79
45. Establish a sense of unity between the two firms	3.8	11.5	34.6	50.0	100%	26	3.31	4	0.84
Organization: A decision to build a new and stronger organization									
46. Establish an efficient resource allocation system	3.8	26.9	38.5	30.8	100%	26	2.96	3	0.87
47. Establish procedures for building common tools, practices, processes, and languages	3.8	34.6	38.5	23.1	100%	26	2.81	3	0.85
48. Establish appropriate internal mechanisms for transferring competencies and assets across the business units	3.8	26.9	50.0	19.2	100%	26	2.85	3	0.78
49. Integration of information systems infrastructure between merging firms	0.0	23.1	42.3	34.6	100%	26	3.12	3	0.77
Strategy: A decision to achieve the strategic intent of the acquisition deal									
50. Align acquisition intent and operating strategy	7.7	0.0	46.2	46.2	100%	26	3.31	3, 4	0.84
51. Identify a new set of opportunities for enhancement of competitive position of merged firm	3.8	23.1	46.2	26.9	100%	26	2.96	3	0.82
52. Establish a new set of competitive methods (i.e., portfolios of products/services)	7.7	38.5	46.2	7.7	100%	26	2.54	3	0.76
53. Establish new procedures for competitor analyses	19.2	53.8	26.9	0.0	100%	26	2.08	2	0.69

* [1]: Unimportant; [2]: Slightly Important; [3]: Important; [4]: Very Important

4. Post-Acquisition Performance Evaluation

In order to discover the most appropriate post-acquisition evaluation criteria for determining whether or not an acquisition deal in the lodging industry is successful, the panelists were asked to rate the relevance of different performance evaluation criteria on a 4-point Likert-type rating scale: (1) not relevant; (2) slightly relevant; (3) relevant; and (4) very relevant.

In terms of the measure of central tendency, mean panel ratings ranged from a high of 3.69 to a low of 2.85. One variable (Free Cash Flow Per Share: mean rating = 3.69) was perceived by the panel as the most appropriate post-acquisition performance evaluation criterion for hotel acquirers. Two of the variables (Operating Cash Flow (i.e., Sales, minus cost of goods/services sold and selling administrative expenses, plus depreciation and goodwill expenses: mean rating = 3.54; Accounting Profits (i.e., ROE, ROI, ROA, ROS): mean rating = 3.42) were judged by the panel as the next most relevant post-acquisition performance evaluation criterion in the lodging industry. Among the remaining four evaluation criteria, one variable (Stock price changes surrounding the deal announcement dates: mean rating = 2.85) was perceived as the least relevant evaluation criteria. Interestingly, cash flow group items (variables #58 and #57) were recognized as the most appropriate post-acquisition evaluation criteria by the panel, whereas stock returns group items (variables #55 and #56) were judged as the least appropriate post-acquisition performance evaluation measurement.

In terms of the measure of dispersion, one variable (Free Cash Flow Per Share: SD = 0.47), which was perceived as the most appropriate post-acquisition performance evaluation measurement, received the highest consensus among the Delphi panelists. Variables #55 and #56 (Stock price changes surrounding the deal announcement dates: SD = 0.97; Stock price changes at 1 or more years after the deal is announced: SD = 0.90), which were recognized as the least relevant performance evaluation criteria respectively, received the most diversified votes by the Delphi panel. More detailed statistics about post-acquisition performance evaluation criteria as rated in Round 1 are summarized in Table 48.

Table 48. Round 1 Responses Concerning Post-Acquisition Evaluation Criteria

Accounting Profits:	[1]*	[2]	[3]	[4]	Total	No.	Mean	Mode	SD
54. Accounting Profits (i.e., ROE, ROI, ROA, ROS)	0.0	11.5	34.6	53.8	100%	26	3.42	4	0.70
Stock Returns:									
55. Stock price changes surrounding the deal announcement dates	7.7	30.8	30.8	30.8	100%	26	2.85	2, 3, 4	0.97
56. Stock price changes at 1 or more years after the deal is announced	3.8	19.2	30.8	46.2	100%	26	3.19	4	0.90
Cash Flow:									
57. Operating Cash Flow (i.e., Sales, minus cost of goods/services sold and selling administrative expenses, plus depreciation and goodwill expenses)	3.8	3.8	26.9	65.4	100%	26	3.54	4	0.76
58. Free Cash Flow Per Share	0.0	0.0	30.8	69.2	100%	26	3.69	4	0.47
Operating Efficiency:									
59. Traditional lodging industry performance evaluation criteria (i.e., Changes in occupancy, RevPAR, and ADR)	0.0	7.7	53.8	38.5	100%	26	3.31	3	0.62
Market Share:									
60. Market share gains (or losses)	0.0	19.2	38.5	42.3	100%	26	3.23	4	0.76

*[1]: Not Relevant; [2]: Slightly Relevant; [3]: Relevant; [4]: Very Relevant

B. ROUND 2

The identification of key success factors in the acquisition process was revisited in Round 2 and Round 3, respectively. In these later rounds, all 68 factors were available to each panelist for consideration. The outcome of the panel's consideration of these variables in both Round 2 and Round 3 have also been summarized and are presented in Appendices II and III. In Round 2, a few panelists failed to respond to either some or all of the new variables. That is, panelists' responses on these additional variables vary from 14 to 17 votes out of 21. On the other hand, the original 60 items received votes amounting 100 percent.

<u>1. Acquisition Intents/Objective</u>

To discover the most important acquisition intents/objectives of hotel firms in acquisitions, the panelists were asked to rate the importance of different motives and objectives to undertake acquisition initiatives on a 4-point Likert-type rating scale. Since two additional objectives were developed by panelists after the First Round, a total of eight acquisition objectives were presented to the panelists for consideration in the Second Round.

In terms of the measure of central tendency, mean panel ratings ranged from a high of 3.76 to a low of 2.43. Similarly to Round 1, one variable (Accelerate growth of the acquiring company: mean rating = 3.76) was perceived by the panel as the most important acquisition objective for hotel acquirers, followed by variable A8 (Acquire accretively to enhance stockholders' value: mean rating = 3.69), which was added by one panel member. Two of the variables (Expand capacity at less cost than constructing new hotel properties: mean rating = 3.57; Capture scale economies to save costs through combining two firms within an industry: mean rating = 3.10) were judged by the panel as the next most important objectives of acquiring firms in the hotel industry. In contrast, one variable (Achieve the personal goals, vision, and particular objectives of the acquiring company's chief executive: mean rating = 2.43) was perceived as the least important acquisition objective among others, followed by variable A1 (Improve credit capacity of resultant company: mean rating = 2.65).

Similarly to Round 1, in terms of the measure of dispersion, one variable (Accelerate growth of the acquiring company: SD = 0.54), which was also perceived as the most important acquisition objective, received the highest agreement among the Delphi panelists, followed by variable A8 (Acquire accretively to enhance stockholders' value: SD = 0.60), which was considered to be the second most important acquisition objective. Again, variable #3 (Achieve the personal goals, vision, and particular objectives of the acquiring company's chief executive: SD = 0.93), which was recognized as the least important acquisition motive, received the most diversified votes by the Delphi panel, followed by variable #4 (Broaden the acquiring company's customer base by extending products and services (i.e., application of portfolio management, globalization): SD = 0.89). More detailed statistics about the identified objectives are summarized in Table 49.

2. Pre-Acquisition Management

The pre-acquisition management phase was comprised of four dimensions: information, value, price, and approach. These four dimensions consisted of a total of 23 variables in Round 1. However, during the Round 1 survey, two more variables were created by the panelists. Thus, 25 variables were presented to the Delphi panel in Round 2.

In terms of the measure of central tendency, mean panel ratings ranged from a high of 3.76 to a low of 2.24. Similarly to Round 1, one variable (Identify the trend of target's cash flow from operations: mean rating = 3.76) was perceived by the panel as the most important factor to be considered in the pre-acquisition management phase, followed by variable #A3 (Understanding how various constituents will react to the deal [i.e., shareholders]: mean rating = 3.65), which was added by a panel member. Compared to the Round 1 results, some changes were identified. Three of the variables (Identify the target's property locations of market served: mean rating = 3.62; Due diligence: mean rating = 3.62; Extent of accretion or dilution of stock/Cash Flow/FFO: mean rating = 3.60) were judged by the panel as the next most important factors in the pre-acquisition management stage. Three variables outperformed Round 1's four variables as the second most important factors (Identify potential operating synergy (i.e., improved operating efficiency: mean rating = 3.57); Identify the trend of target's overall performance (i.e., occupancy, RevPAR, free cash flow, and ADR: mean rating = 3.52; Method of payment (i.e., cash, stock, etc): mean rating = 3.48; and Amount of acquisition premium: mean rating = 3.33).

Table 49. Round 2 Responses of Acquisition Intents/Objectives

VARIABLE	[1]*	[2]	[3]	[4]	Total	No.	Mean	Mode	SD
1. Accelerate growth of the acquiring company	0.0	4.8	14.3	81.0	100%	21	3.76	4	0.54
2. Utilize synergistic attributes of the acquired company with reference to the acquiring company	0.0	38.1	28.6	33.3	100%	21	2.95	2	0.86
3. Achieve the personal goals, vision, and particular objectives of the acquiring company's chief executive	19.0	28.6	42.9	9.5	100%	21	2.43	3	0.93
4. Broaden the acquiring company's customer base by extending products and services (i.e., application of portfolio management, globalization)	9.5	14.3	52.4	23.8	100%	21	2.90	3	0.89
5. Capture scale economies to save costs through combining two firms within an industry	0.0	14.3	61.9	23.8	100%	21	3.10	3	0.62
6. Expand capacity at less cost than constructing new hotel properties	0.0	9.5	23.8	66.7	100%	21	3.57	4	0.68
A1. Improve credit capacity of resultant company	5.9	35.3	47.1	11.8	100%	17	2.65	3	0.79
A8. Acquire accretively to enhance stockholders' value	0.0	6.3	18.8	75.0	100%	16	3.69	4	0.60

* [1]: Unimportant; [2]: Slightly Important; [3]: Important; [4]: Very Important

Similarly to Round 1, one variable (Identify the target's connectivity and compatibility with the acquirer's information systems infrastructure: mean rating = 2.12) was perceived as the least important factor in the pre-acquisition management phase, followed by variable #8 (Identify the target's distinctive cultural aspects compared to the acquiring company: mean rating = 2.43). Variable #8 represents the cultural fit between the acquiring company and the target. Its low ranking was one of the unanticipated findings of the study.

In terms of the measure of dispersion, one variable (Identify the trend of target's cash flow from operations: SD = 0.44), which was also perceived as the most important factor in pre-acquisition management, received the highest consensus among the Delphi panelists, followed by variable #A3: Understanding how various constituents will react to the deal (i.e., shareholders): SD = 0.49, which was judged as the second most important factor. In contrast, also similarly to Round 1, variable #20 (Broad involvement throughout of the acquirer's key staff and employees in the planning of an acquisition: SD = 0.85) received the most diverse votes by the Delphi panel, followed by variable #12 (Identify the target's connectivity and compatibility with the acquirer's information systems infrastructure: SD = 0.83). More detailed statistics concerning Round 2 results are summarized in Table 50.

3. Post-Acquisition Integration

The post-acquisition integration phase was comprised of five dimensions (approach, people, culture, organization, and strategy). These five constructs consisted of a total of 24 variables in Round 1. However, during the Round 1 survey, three more variables were created by the panelists. Thus, 27 variables were presented to the Delphi panelists in Round 2.

In terms of the measure of central tendency, mean panel ratings ranged from a high of 3.81 to a low of 2.05. Similarly to Round 1, one variable (Establish a post-acquisition strategy early in the process: mean rating = 3.81) was perceived by the panel as the most important factor that should be considered in the post-acquisition integration stage. Also, similarly to Round 1, three of the variables (Identify and retain key employees and managers of the target: mean rating = 3.67; Determine the degree of post-acquisition integration [i.e., extensive, moderate, no interruption of the target's autonomy]: mean rating = 3.62; Establish an effective communication strategy to keep the target's employees well informed: mean rating = 3.48) were determined by the panel to be the next most important factors in the post-acquisition integration stage.

Table 50. Round 2 Responses of the Pre-Acquisition Management Phase

Information	[1]*	[2]	[3]	[4]	Total	No.	Mean	Mode	SD
7. Identify strategic relatedness between the acquirer and the target	4.8	4.8	38.1	52.4	100%	21	3.38	4	0.80
8. Identify the target's distinctive cultural aspects compared to the acquiring company	4.8	57.1	28.6	9.5	100%	21	2.43	2	0.75
9. Identify the trend of target's cash flow from operations	0.0	0.0	23.8	76.2	100%	21	3.76	4	0.44
10. Identify the target's property locations of market served	0.0	0.0	38.1	61.9	100%	21	3.62	4	0.50
11. Identify the trend of target's overall performance (i.e., occupancy, RevPAR, free cash flow, and ADR)	0.0	4.8	38.1	57.1	100%	21	3.52	4	0.60
12. Identify the target's connectivity and compatibility with the acquirer's information systems infrastructure	19.0	42.9	33.3	4.8	100%	21	2.24	2	0.83
13. Identify the target's capital structure and cost of capital	4.8	33.3	47.6	14.3	100%	21	2.71	3	0.78
14. Identify the target's management fees and franchise fees	4.8	19.0	52.4	23.8	100%	21	2.95	3	0.80
15. Identify the target's capital expenditure requirements (i.e., properties' potential renovation costs)	0.0	9.5	33.3	57.1	100%	21	3.48	4	0.68
Value: A decision on what the actual worth of the acquisition transaction should be									
16. Identify potential financial synergy (i.e., lower cost of capital, lower tax rate)	4.8	9.5	47.6	38.1	100%	21	3.19	3	0.81
17. Identify potential operating synergy (i.e., improved operating efficiency)	0.0	9.5	23.8	66.7	100%	21	3.57	4	0.68
18. Identify potential managerial synergy (i.e., enhanced target's competitive position by transferring management expertise by the acquirer)	0.0	23.8	57.1	19.0	100%	21	2.95	3	0.67
19. Identify potential demand for products/services of combined firm over the next five years	0.0	28.6	38.1	33.3	100%	21	3.05	3	0.80
20. Identify potential improvements in brand & reputation	0.0	9.5	33.3	57.1	100%	21	3.48	4	0.68
Price: A decision on the extent of financial resources expected for the acquisition deal									
21. Amount of acquisition premium	0.0	4.8	57.1	38.1	100%	21	3.33	3	0.58
22. Identify the fact that the present value of anticipated synergies will be greater than the premium paid	0.0	19.0	33.3	47.6	100%	21	3.29	4	0.78
23. Bidding price is based upon the target's competitive position in the lodging industry	0.0	19.0	47.6	33.3	100%	21	3.14	3	0.73
A2. Extent of accretion or dilution of stock/Cash Flow/FFO	0.0	6.7	26.7	66.7	100%	15	3.60	4	0.63
Approach: A decision on the form and content of the acquisition deal regarding the relationship between the acquiring firm and the target firm									
24. Mode of acquisition (i.e., merger, hostile takeover, etc)	0.0	4.8	61.9	33.3	100%	21	3.29	3	0.55
25. Method of payment (i.e., cash, stock, etc)	0.0	4.8	42.9	52.4	100%	21	3.48	4	0.61
26. Multiple bidders (i.e., contested bid)	4.8	9.5	57.1	28.6	100%	21	3.10	3	0.79
27. Due diligence	0.0	0.0	38.1	61.9	100%	21	3.62	4	0.50
28. Getting advice from best investment bankers	4.8	23.8	57.1	14.3	100%	21	2.81	3	0.77
29. Broad involvement throughout of the acquirer's key staffs and employees in the planning of an acquisition	4.8	23.8	42.9	28.6	100%	21	2.95	3	0.85
A3. Understanding how various constituents will react to the deal (i.e., shareholders)	0.0	0.0	35.3	64.7	100%	17	3.65	4	0.49

On the other hand, similarly to Round 1, one variable (Establish new procedures for competitor analyses: mean rating = 2.05) was perceived as the least important factor in the post-acquisition integration phase. Also, similarly to Round 1, two of the variables (Establish new training and development programs: mean rating = 2.14; Establish new performance appraisal programs: mean rating = 2.14) were perceived as the next most unimportant factors in the post-acquisition integration stage.

In terms of the measure of dispersion, one variable (Establish a post-acquisition strategy early in the process: SD = 0.40), which was ranked as the most important success factor in the post-acquisition phase, received the highest consensus among the Delphi panelists, followed by variable #39 (Identify and retain key employees and managers of the target: SD = 0.48), which was perceived as the second most important factor. On the other hand, variable #41 (Deal with the people you are not retaining firmly, fairly and quickly: SD = 0.81) received the most diverse votes among the panelists, followed by variable #33 (Move rapidly as planned: SD = 0.78). More detailed statistics about each of the post-acquisition integration factors identified in Round 2 are summarized in Table 51.

4. Post-Acquisition Performance Evaluation

To discover the most appropriate post-acquisition evaluation criteria for determining whether or not an acquisition deal in the lodging industry is successful, the panelists were asked to rate the relevance of different performance evaluation criteria on a 4-point Likert-type rating scale. In addition to the initial seven variables, given in the Round 1 survey, one variable was added by a respondent. Therefore, 8 variables were presented to the Delphi panelists in Round 2.

In terms of the measure of central tendency, mean panel ratings ranged from a high of 3.80 to a low of 2.71. One variable (Return on total invested capital relative to WACC: mean rating = 3.80), which was added by a panel member, was judged as the most relevant post-acquisition performance evaluation criterion for lodging industry acquisitions, followed by variable #58 (Free Cash Flow Per Share: mean rating = 3.71), which was the most appropriate criterion in Round 1. Two of the variables (Operating Cash Flow (i.e., Sales, minus cost of goods/services sold and selling administrative expenses, plus depreciation and goodwill expenses: mean rating = 3.52; Accounting Profits (i.e., ROE, ROI, ROA, ROS): mean rating = 3.43) were judged by the panel as the next most relevant post-acquisition performance evaluation criteria.

Table 51. Round 2 Responses of the Post-Acquisition Integration Phase

Approach	[1]*	[2]	[3]	[4]	Total	No.	Mean	Mode	SD
30. Establish a post-acquisition strategy early in the process	0.0	0.0	19.0	81.0	100%	21	3.81	4	0.40
31. Determine the degree of post-acquisition integration (i.e., extensive, moderate, no interruption of the target's autonomy)	0.0	4.8	28.6	66.7	100%	21	3.62	4	0.59
32. Develop a formal integration plan by top management teams of both companies	0.0	0.0	57.1	42.9	100%	21	3.43	3	0.51
33. Move rapidly as planned	0.0	19.0	33.3	47.6	100%	21	3.29	4	0.78
34. Inject new management people into the target firm immediately	4.8	57.1	33.3	4.8	100%	21	2.38	2	0.67
35. Establish an effective communication strategy to keep the target's employees well informed	0.0	9.5	33.3	57.1	100%	21	3.48	4	0.68
36. Provide sufficient resources for post-acquisition integration	0.0	0.0	66.7	33.3	100%	21	3.33	3	0.48
A4. Identify the value drivers of the acquisition and focus on these	0.0	0.0	58.8	41.2	100%	17	3.41	3	0.51
A5. Public Relations – Orchestrate effective communication with the public	0.0	5.6	61.1	33.3	100%	18	3.28	3	0.57
People: A decision on the effective management of the human component									
37. Link compensation to improvements in cash flows	0.0	14.3	71.4	14.3	100%	21	3.00	3	0.55
38. Immediate announcement of career influencing post-acquisition plans (i.e., key roles and responsibilities, layoff plans, etc)	0.0	4.8	71.4	23.8	100%	21	3.19	3	0.51
39. Identify and retain key employees and managers of the target	0.0	0.0	33.3	66.7	100%	21	3.67	4	0.48
40. Establish new performance appraisal programs	14.3	57.1	28.6	0.0	100%	21	2.14	2	0.65
41. Establish new training and development programs	14.3	61.9	19.0	4.8	100%	21	2.14	2	0.73
A6. Deal with the people you are not retaining firmly, fairly and quickly	5.9	5.9	52.9	35.3	100%	17	3.18	3	0.81
Culture: A decision on the effective integration of two different cultural systems									
42. Differences in management style between merging firms	4.8	14.3	61.9	19.0	100%	21	2.95	3	0.74
43. Degree of centralization and autonomy of the target's employees	0.0	28.6	42.9	28.6	100%	21	3.00	3	0.77
44. Assimilate the acquirer's cultural systems (i.e., values, norms) into the target's culture	0.0	42.9	42.9	14.3	100%	21	2.71	2, 3	0.72
45. Establish a sense of unity between the two firms	0.0	4.8	47.6	47.6	100%	21	3.43	3, 4	0.60
Organization: A decision to build a new and stronger organization									
46. Establish an efficient resource allocation system	0.0	23.8	47.6	28.6	100%	21	3.05	3	0.74
47. Establish procedures for building common tools, practices, processes, and languages	0.0	28.6	57.1	14.3	100%	21	2.86	3	0.65
48. Establish appropriate internal mechanisms for transferring competencies and assets across the business units	0.0	23.8	47.6	28.6	100%	21	3.05	3	0.74
49. Integration of information systems infrastructure between merging firms	0.0	14.3	47.6	38.1	100%	21	3.24	3	0.70
Strategy: A decision to achieve the strategic intent of the acquisition deal									
50. Align acquisition intent and operating strategy	4.8	0.0	42.9	52.4	100%	21	3.43	4	0.75
51. Identify a new set of opportunities for enhancement of competitive position of merged firm	0.0	23.8	57.1	19.0	100%	21	2.95	3	0.67
52. Establish a new set of competitive methods (i.e., portfolios of products/services)	4.8	42.9	47.6	4.8	100%	21	2.52	3	0.68
53. Establish new procedures for competitor analyses	19.0	57.1	23.8	0.0	100%	21	2.05	2	0.67

Two stock return variables (Stock price changes surrounding the deal announcement dates: mean rating = 2.71 and Stock price changes at 1 or more years after the deal is announced: mean rating = 3.24) were perceived as the least relevant evaluation criteria. This finding was one of the most significant surprises of the study.

In terms of the measure of dispersion, one variable (Return on total invested capital relative to WACC: SD = 0.41), which was perceived as the most relevant evaluation criterion, received the highest agreement among the Delphi panel, followed by variable #58 (Free Cash Flow Per Share: SD = 0.46), which was perceived as the second most appropriate post-acquisition performance evaluation measurement. Similarly to Round 1, variables #55 and #56 (Stock price changes surrounding the deal announcement dates: SD = 0.90; Stock price changes at 1 or more years after the deal is announced: SD = 0.89), which were recognized as the least relevant performance evaluation criteria respectively, received the most disparate votes by the Delphi panel, followed by variable #60 (Market share gains (or losses): SD = 0.78). More detailed statistics of the Round 2 results are summarized in Table 52.

C. ROUND 3

The numbers of panelists voting upon the eight new variables substantially improved in Round 3. In Round 3, 62 of the 68 variables received ratings by 100 percent of the panelists, including two additional variables, while the other six additional items received ratings within the range of between 85.7 percent and 95.2 percent. In general, it was identified that Round 3 results showed higher degrees of similarities compared to Round 2 results.

<u>1. Acquisition Intents/Objective</u>

In the Final Round, in terms of the measure of central tendency, mean panel ratings ranged from a high of 3.86 to a low of 2.43. This followed the same trend as in the first two rounds; one variable (Accelerate growth of the acquiring company: mean rating = 3.86) was selected as the most important acquisition objective for hotel acquirers, rated by 90.6 percent of the panel at “4,” or “very important motive,” followed by variable A8 (Acquire accretively to enhance stockholders’ value: mean rating = 3.81), which showed that 85.7 percent of the panel ranked it as a very important acquisition objective. Two of the variables (Expand capacity at less cost than constructing new hotel properties: mean rating = 3.57; Capture scale

Table 52. Round 2 Responses of the Post-Acquisition Performance Evaluation Criteria

Accounting Profits:	[1]*	[2]	[3]	[4]	Total	No.	Mean	Mode	SD
54. Accounting Profits (i.e., ROE, ROI, ROA, ROS)	0.0	9.5	38.1	52.4	100%	21	3.43	4	0.68
Stock Returns:									
55. Stock price changes surrounding the deal announcement dates	4.8	42.9	28.6	23.8	100%	21	2.71	2	0.90
56. Stock price changes at 1 or more years after the deal is announced	4.8	14.3	33.3	47.6	100%	21	3.24	4	0.89
Cash Flow:									
57. Operating Cash Flow (i.e., Sales, minus cost of goods/services sold and selling administrative expenses, plus depreciation and goodwill expenses)	4.8	0.0	33.3	61.9	100%	21	3.52	4	0.75
58. Free Cash Flow Per Share	0.0	0.0	28.6	71.4	100%	21	3.71	4	0.46
Operating Efficiency:									
59. Traditional lodging industry performance evaluation criteria (i.e., Changes in occupancy, RevPAR, and ADR)	0.0	4.8	52.4	42.9	100%	21	3.38	3	0.59
Market Share:									
60. Market share gains (or losses)	0.0	19.0	33.3	47.6	100%	21	3.29	4	0.78
A7. Return on Total Invested Capital (Relative to WACC)	0.0	0.0	20.0	80.0	100%	15	3.80	4	0.41

*[1]: Not Relevant; [2]: Slightly Relevant; [3]: Relevant; [4]: Very Relevant

economies to save costs through combining two firms within an industry: mean rating = 3.14) were judged by the panel as the next most important motives of acquirers in the hotel industry. Similarly to Round 2, one variable (Achieve the personal goals, vision, and particular objectives of the acquiring company's chief executive: mean rating = 2.43) was chosen as the least important acquisition objective, followed by variable A1 (Improve credit capacity of resultant company: mean rating = 2.76).

Also similarly to Round 2, in terms of the measure of dispersion, one variable (Accelerate growth of the acquiring company: SD = 0.48), which was also chosen as the most important acquisition objective, received the highest agreement among the Delphi panelists, followed by variable A8 (Acquire accretively to enhance stockholders' value: SD = 0.60), which was selected as the second most important acquisition objective. Again, variable #3 (Achieve the personal goals, vision, and particular objectives of the acquiring company's chief executive: SD = 0.93), which was recognized as the least important acquisition motive, received the most diverse votes by the participants, followed by variable #4 (Broaden the acquiring company's customer base by extending products and services (i.e., application of portfolio management, globalization): SD = 0.86). More detailed statistics of Round 3 are summarized in Table 53.

2. Pre-Acquisition Management

In terms of the measure of central tendency, mean panel ratings ranged from a high of 3.76 to a low of 2.24. Similarly to Round 2, one variable (Identify the trend of target's cash flow from operations: mean rating = 3.76) was perceived by the panel as the most important critical success factor in the pre-acquisition management phase for the lodging industry, followed by variable #17 (Identify potential operating synergy (i.e., improved operating efficiency), and variable #A2 (Extent of accretion or dilution of stock/cash flow/FFO), which received the same mean ratings: 3.67. Three of the other variables (Identify the target's property locations of market served: mean rating = 3.62; Due diligence: mean rating = 3.62; Understanding how various constituents will react to the deal (i.e., shareholders): mean rating = 3.58) received the next level of importance in the pre-acquisition management process.

Table 53. Round 3 Responses of Acquisition Intents/Objectives

VARIABLE	[1]*	[2]	[3]	[4]	Total	No.	Mean	Mode	SD
1. Accelerate growth of the acquiring company	0.0	4.8	4.8	90.0	100%	21	3.86	4	0.48
2. Utilize synergistic attributes of the acquired company with reference to the acquiring company	0.0	33.3	38.1	28.6	100%	21	2.95	3	0.80
3. Achieve the personal goals, vision, and particular objectives of the acquiring company's chief executive	19.0	28.6	42.9	9.5	100%	21	2.43	3	0.93
4. Broaden the acquiring company's customer base by extending products and services (i.e., application of portfolio management, globalization)	9.5	9.5	57.1	23.8	100%	21	2.95	3	0.86
5. Capture scale economies to save costs through combining two firms within an industry	0.0	14.3	57.1	28.6	100%	21	3.14	3	0.65
6. Expand capacity at less cost than constructing new hotel properties	0.0	9.5	23.8	66.7	100%	21	3.57	4	0.68
A1. Improve credit capacity of resultant company	5.0	30.0	55.0	10.0	100%	20	2.65	3	0.79
A8. Acquire accretively to enhance stockholders' value	0.0	4.8	9.5	85.7	100%	21	3.69	4	0.60

*[1]: Unimportant; [2]: Slightly Important; [3]: Important; [4]: Very Import

On the other hand, also the same as in Round 2, one variable, #12 (Identify the target's connectivity and compatibility with the acquirer's information systems infrastructure: mean rating = 2.24), was chosen as the least influential factor in the pre-acquisition management process, followed by variable #8 (Identify the target's distinctive cultural aspects compared to the acquiring company: mean rating = 2.43).

In terms of the measure of dispersion, one variable (Identify the trend of target's cash flow from operations: SD = 0.44), which also was perceived as the most important factor in pre-acquisition management, received the highest consensus among the Delphi panelists, followed by variable, #10 (Identify the target's property locations on market served: SD = 0.50; Due diligence: SD = 0.50). Also, similarly to Round 2, variable #20 (Broad involvement throughout of the acquirer's key staffs and employees in the planning of an acquisition: SD = 0.86) received the most diverse votes by the Delphi panel. Next, three variables received the same degree of disparate votes (Identify the target's connectivity and compatibility with the acquirer's information systems infrastructure: SD = 0.83; Identify potential financial synergy: SD = 0.83; Identify the target's capital structure and cost of capital: SD = 0.83).

3. Post-Acquisition Integration

Twenty-seven variables were presented to the Delphi panelists in Round 3. In terms of the measure of central tendency, mean panel ratings ranged from a high of 3.81 to a low of 2.05. As in Round 2, one variable (Establish a post-acquisition strategy early in the process: mean rating = 3.81) was perceived by the panel as the most important critical success factor in the post-acquisition integration process. Two of the variables (Identify and retain key employees and managers of the target: mean rating = 3.67; Determine the degree of post-acquisition integration (i.e., extensive, moderate, no interruption of the target's autonomy: mean rating = 3.62) were determined by the panel as the next most important factors to a successful merger between two previously separate firms. In contrast, similarly to Round 2, one variable (Establish new procedures for competitor analyses: mean rating = 2.05) was perceived as the least influential factor in the post-acquisition integration phase. Also, as in the Round 2, two of the variables (Establish new performance appraisal programs: mean rating = 2.14; Establish new training and development programs: mean rating = 2.19) were perceived as the next most unimportant factors in the integration process.

Table 54. Round 3 Responses of the Pre-Acquisition Management Phase

Information:	[1]*	[2]	[3]	[4]	Total	No.	Mean	Mode	SD
7. Identify strategic relatedness between the acquirer and the target	4.8	4.8	38.1	52.4	100%	21	3.38	4	0.80
8. Identify the target's distinctive cultural aspects compared to the acquiring company	4.8	57.1	28.6	9.5	100%	21	2.43	2	0.75
9. Identify the trend of target's cash flow from operations	0.0	0.0	23.8	76.2	100%	21	3.76	4	0.44
10. Identify the target's property locations of market served	0.0	0.0	38.1	61.9	100%	21	3.62	4	0.50
11. Identify the trend of target's overall performance (i.e., occupancy, RevPAR, free cash flow, and ADR)	0.0	4.8	38.1	57.1	100%	21	3.52	4	0.60
12. Identify the target's connectivity and compatibility with the acquirer's information systems infrastructure	19.0	42.9	33.3	4.8	100%	21	2.24	2	0.83
13. Identify the target's capital structure and cost of capital	4.8	33.3	42.9	19.0	100%	21	2.76	3	0.83
14. Identify the target's management fees and franchise fees	4.8	19.0	52.4	23.8	100%	21	2.95	3	0.80
15. Identify the target's capital expenditure requirements (i.e., properties' potential renovation costs)	0.0	9.5	28.6	61.9	100%	21	3.52	4	0.68
Value: A decision on what the actual worth of the acquisition transaction should be									
16. Identify potential financial synergy (i.e., lower cost of capital, lower tax rate)	4.8	9.5	42.9	42.9	100%	21	3.24	3, 4	0.83
17. Identify potential operating synergy (i.e., improved operating efficiency)	0.0	4.8	23.8	71.4	100%	21	3.67	4	0.58
18. Identify potential managerial synergy (i.e., enhanced target's competitive position by transferring management expertise by the acquirer)	0.0	19.0	57.1	23.8	100%	21	2.95	3	0.67
19. Identify potential demand for products/services of combined firm over the next five years	0.0	28.6	38.1	33.3	100%	21	3.05	3	0.80
20. Identify potential improvements in brand & reputation	0.0	9.5	28.6	61.9	100%	21	3.52	4	0.68
Price: A decision on the extent of financial resources expected for the acquisition deal									
21. Amount of acquisition premium	0.0	4.8	61.9	33.3	100%	21	3.29	3	0.56
22. Identify the fact that the present value of anticipated synergies will be greater than the premium paid	0.0	19.0	28.6	52.4	100%	21	3.33	4	0.80
23. Bidding price is based upon the target's competitive position in the lodging industry	0.0	19.0	47.6	33.3	100%	21	3.14	3	0.73
A2. Extent of accretion or dilution of stock/Cash Flow/FFO	0.0	5.6	22.2	72.2	100%	18	3.67	4	0.59
Approach: A decision on the form and content of the acquisition deal regarding the relationship between the acquiring firm and the target firm									
24. Mode of acquisition (i.e., merger, hostile takeover, etc)	0.0	4.8	61.9	33.3	100%	21	3.29	3	0.56
25. Method of payment (i.e., cash, stock, etc)	0.0	4.8	42.9	52.4	100%	21	3.48	4	0.60
26. Multiple bidders (i.e., contested bid)	4.8	9.5	57.1	28.6	100%	21	3.10	3	0.77
27. Due diligence	0.0	0.0	38.1	61.9	100%	21	3.62	4	0.50
28. Getting advice from best investment bankers	4.8	23.8	57.1	14.3	100%	21	2.81	3	0.75
29. Broad involvement throughout of the acquirer's key staffs and employees in the planning of an acquisition	4.8	23.8	42.9	28.6	100%	21	2.95	3	0.86
A3. Understanding how various constituents will react to the deal (i.e., shareholders)	0.0	0.0	42.1	57.9	100%	19	3.58	4	0.51

In terms of the measure of dispersion, one variable (Establish a post-acquisition strategy early in the process: SD = 0.40), which was voted as the most important critical success factor in the post-acquisition phase, received the highest consensus among the Delphi panelists, followed by variable #39 (Identify and retain key employees and managers of the target: SD = 0.48), which was perceived as the second most important factor. On the other hand, variable #41 (Deal with the people you are not retaining firmly, fairly and quickly: SD = 0.93) received the most diverse votes among the panelists, followed by variable #33 (Move rapidly as planned: SD = 0.78). More detailed statistics of Round 2 concerning post-acquisition integration factors are summarized in Table 55.

4. Post-Acquisition Performance Evaluation

Overall, the Round 3 results were almost identical to those of Round 2. In the Final Round, in terms of the measure of central tendency, mean panel ratings ranged from a high of 3.83 to a low of 2.71. One variable (Return on total invested capital relative to WACC: mean rating = 3.83), which was added by a panel member, was chosen as the most relevant post-acquisition performance evaluation criterion in the lodging industry, followed by variable #58 (Free Cash Flow Per Share: mean rating = 3.76), which was the most appropriate criterion in Round 1. Two of the variables (Operating Cash Flow (i.e., Sales, minus cost of goods/services sold and selling administrative expenses, plus depreciation and goodwill expenses: mean rating = 3.57; Accounting Profits (i.e., ROE, ROI, ROA, ROS): mean rating = 3.43) were judged by the panel as the next most relevant post-acquisition performance measurement. On the other hand, two stock return variables (Stock price changes surrounding the deal announcement dates: mean rating = 2.71; Stock price changes at 1 or more years after the deal is announced: mean rating = 3.24) were selected as the least appropriate evaluation criteria.

In terms of the measure of dispersion, one variable (Return on total invested capital relative to WACC: SD = 0.38), which was perceived as the most relevant evaluation criterion, received the highest agreement among the Delphi panel, followed by variable #58 (Free Cash Flow Per Share: SD = 0.44), which was perceived as the second most appropriate post-acquisition performance evaluation criterion.

Similarly to Round 2, variables #55 and #56 (Stock price changes surrounding the deal announcement dates: SD = 0.90; Stock price changes at 1 or more years after the deal is announced: SD = 0.89), which were recognized as the least relevant performance evaluation

Table 55. Round 3 Responses of the Post-Acquisition Integration Phase

Approach:	[1]*	[2]	[3]	[4]	Total	No.	Mean	Mode	SD
30. Establish a post-acquisition strategy early in the process	0.0	0.0	19.0	81.0	100%	21	3.81	4	0.40
31. Determine the degree of post-acquisition integration (i.e., extensive, moderate, no interruption of the target's autonomy)	0.0	4.8	28.6	66.7	100%	21	3.62	4	0.59
32. Develop a formal integration plan by top management teams of both companies	0.0	0.0	52.4	47.6	100%	21	3.48	3	0.51
33. Move rapidly as planned	0.0	19.0	33.3	47.6	100%	21	3.29	4	0.78
34. Inject new management people into the target firm immediately	4.8	57.1	33.3	4.8	100%	21	2.38	2	0.67
35. Establish an effective communication strategy to keep the target's employees well informed	0.0	9.5	33.3	57.1	100%	21	3.48	4	0.68
36. Provide sufficient resources for post-acquisition integration	0.0	0.0	66.7	33.3	100%	21	3.33	3	0.48
A4. Identify the value drivers of the acquisition and focus on these	0.0	0.0	60.0	40.0	100%	20	3.40	3	0.50
A5. Public Relations – Orchestrate effective communication with the public	0.0	5.0	60.0	35.0	100%	20	3.30	3	0.57
People: A decision on the effective management of the human component									
37. Link compensation to improvements in cash flows	0.0	14.3	71.4	14.3	100%	21	3.00	3	0.55
38. Immediate announcement of career influencing post-acquisition plans (i.e., key roles and responsibilities, layoff plans, etc)	0.0	4.8	71.4	23.8	100%	21	3.19	3	0.51
39. Identify and retain key employees and managers of the target	0.0	0.0	33.3	66.7	100%	21	3.67	4	0.48
40. Establish new performance appraisal programs	14.3	57.1	28.6	0.0	100%	21	2.14	2	0.65
41. Establish new training and development programs	14.3	57.1	23.8	4.8	100%	21	2.19	2	0.75
A6. Deal with the people you are not retaining firmly, fairly and quickly	10.0	5.0	45.0	40.0	100%	20	3.15	3	0.93
Culture: A decision on the effective integration of two different cultural systems									
42. Differences in management style between merging firms	4.8	9.5	66.7	19.0	100%	21	3.00	3	0.71
43. Degree of centralization and autonomy of the target's employees	0.0	28.6	42.9	28.6	100%	21	3.00	3	0.77
44. Assimilate the acquirer's cultural systems (i.e., values, norms) into the target's culture	0.0	42.9	42.9	14.3	100%	21	2.71	2, 3	0.72
45. Establish a sense of unity between the two firms	0.0	4.8	47.6	47.6	100%	21	3.43	3, 4	0.60
Organization: A decision to build a new and stronger organization									
46. Establish an efficient resource allocation system	0.0	19.0	52.4	28.6	100%	21	3.10	3	0.70
47. Establish procedures for building common tools, practices, processes, and languages	0.0	28.6	57.1	14.3	100%	21	2.86	3	0.65
48. Establish appropriate internal mechanisms for transferring competencies and assets across the business units	0.0	23.8	47.6	28.6	100%	21	3.05	3	0.74
49. Integration of information systems infrastructure between merging firms	0.0	14.3	47.6	38.1	100%	21	3.24	3	0.70
Strategy: A decision to achieve the strategic intent of the acquisition deal									
50. Align acquisition intent and operating strategy	4.8	0.0	42.9	52.4	100%	21	3.43	4	0.75
51. Identify a new set of opportunities for enhancement of competitive position of merged firm	0.0	23.8	57.1	19.0	100%	21	2.95	3	0.67
52. Establish a new set of competitive methods (i.e., portfolios of products/services)	4.8	42.9	47.6	4.8	100%	21	2.52	3	0.68
53. Establish new procedures for competitor analyses	14.3	61.9	23.8	0.0	100%	21	2.10	2	0.62

Table 56. Round 3 Responses of Post-Acquisition Performance Evaluation Criteria

Accounting Profits:	[1]*	[2]	[3]	[4]	Total	No.	Mean	Mode	SD
54. Accounting Profits (i.e., ROE, ROI, ROA, ROS)	0.0	9.5	38.1	52.4	100%	21	3.43	4	0.68
Stock Returns:									
55. Stock price changes surrounding the deal announcement dates	4.8	42.9	28.6	23.8	100%	21	2.71	2	0.90
56. Stock price changes at 1 or more years after the deal is announced	4.8	14.3	33.3	47.6	100%	21	3.24	4	0.89
Cash Flow:									
57. Operating Cash Flow (i.e., Sales, minus cost of goods/services sold and selling administrative expenses, plus depreciation and goodwill expenses)	4.8	0.0	28.6	66.7	100%	21	3.57	4	0.75
58. Free Cash Flow Per Share	0.0	0.0	23.8	76.2	100%	21	3.76	4	0.44
Operating Efficiency:									
59. Traditional lodging industry performance evaluation criteria (i.e., Changes in occupancy, RevPAR, and ADR)	0.0	4.8	52.4	42.9	100%	21	3.38	3	0.59
Market Share:									
60. Market share gains (or losses)	0.0	19.0	33.3	47.6	100%	21	3.29	4	0.78
A7. Return on Total Invested Capital (Relative to WACC)	0.0	0.0	16.7	83.3	100%	18	3.83	4	0.38

criteria respectively, received the most disparate votes by the Delphi panel, followed by variable #60 (Marker share gains (or losses): SD = 0.78). More detailed statistics of Round 2 results are summarized in Table 56.

Based upon the Round 3 results, the most important factors in each phase in the overall acquisition process for the lodging industry were identified. First, in terms of acquisition objectives, Table 57 shows that the first four variables achieved distinctively high mean scores and their standard deviations were small, and therefore consensus on these items was strong. These variables were considered to be the most explicit and important acquisition objectives in the lodging industry.

Table 57. Most Important Acquisition Objectives

Variable	**Rank**	**Mean**	**SD**
Accelerate growth of the acquiring company	**1**	3.86	0.48
Acquire accretively to enhance stockholders' value	**2**	3.69	0.60
Expand capacity at less cost than constructing new hotel properties	**3**	3.57	0.68
Capture scale economies to save costs through combining two firms within an industry	**4**	3.14	0.65
Utilize synergistic attributes of the acquired company with reference to the acquiring company	**5**	2.95	0.80
Broaden the acquiring company's customer base by extending products and services (i.e., application of portfolio management, globalization)	**6**	2.95	0.86
Improve credit capacity of resultant company	**7**	2.65	0.79
Achieve the personal goals, vision, and particular objectives of the acquiring company's chief executive	**8**	2.43	0.93

Second, in terms of critical success factors in the pre-acquisition management phase, Table 58 shows that the first ten variables received relatively high mean scores. These ten variables also reached a relatively high degree of consensus. That is, it is indicated that these ten variables are the most important critical success factors in the pre-acquisition management process for the lodging industry.

Third, in terms of key success factors in the post-acquisition integration phase, Table 59 also shows that the first ten variables have relatively high mean scores. These ten variables also reached a relatively high degree of consensus. That is, these ten variables indicates that they are the most important critical success factors in the post-acquisition integration phase for hotel acquirers.

Table 58. Critical Success Factors in the Pre-Acquisition Management Phase

Variable	**Rank**	**Mean**	**SD**
Identify the trend of target's cash flow from operations	1	3.76	0.44
Identify potential operating synergy (i.e., improved operating efficiency)	2	3.67	0.58
Extent of accretion or dilution of stock/Cash Flow/FFO	2	3.67	0.59
Identify the target's property locations of market served	4	3.62	0.50
Due diligence	4	3.62	0.50
Understanding how various constituents will react to the deal (i.e., shareholders)	6	3.58	0.51
Identify the trend of target's overall performance (i.e., occupancy, RevPAR, free cash flow, and ADR)	7	3.52	0.60
Identify the target's capital expenditure requirements (i.e., properties' potential renovation costs)	7	3.52	0.68
Identify potential improvements in brand & reputation	7	3.52	0.68
Method of payment (i.e., cash, stock, etc)	10	3.48	0.60
Identify strategic relatedness between the acquirer and the target	11	3.38	0.80
Identify the fact that the present value of anticipated synergies will be greater than the premium paid	12	3.33	0.80
Amount of acquisition premium	13	3.29	0.56
Mode of acquisition (i.e., merger, hostile takeover, etc)	13	3.29	0.56
Identify potential financial synergy (i.e., lower cost of capital, lower tax rate)	15	3.24	0.83
Bidding price is based upon the target's competitive position in the lodging industry	16	3.14	0.73
Multiple bidders (i.e., contested bid)	17	3.10	0.77
Identify potential demand for products/services of combined firm over the next five years	18	3.05	0.80
Identify potential managerial synergy (i.e., enhanced target's competitive position by transferring management expertise by the acquirer)	19	2.95	0.67
Identify the target's management fees and franchise fees	19	2.95	0.80
Broad involvement throughout of the acquirer's key staffs and employees in the planning of an acquisition	19	2.95	0.86
Getting advice from best investment bankers	22	2.81	0.75
Identify the target's capital structure and cost of capital	23	2.76	0.83
Identify the target's distinctive cultural aspects compared to the acquiring company	24	2.43	0.75
Identify the target's connectivity and compatibility with the acquirer's information systems infrastructure	25	2.24	0.83

Table 59. Critical Success Factors in the Post-Acquisition Integration Phase

Variable	**Rank**	**Mean**	**SD**
Establish a post-acquisition strategy early in the process	1	3.81	0.40
Identify and retain key employees and managers of the target	2	3.67	0.48
Determine the degree of post-acquisition integration (i.e., extensive, moderate, no interruption of the target's autonomy)	3	3.62	0.59
Develop a formal integration plan by top management teams of both companies	4	3.48	0.51
Establish an effective communication strategy to keep the target's employees well informed	4	3.48	0.68
Establish a sense of unity between the two firms	6	3.43	0.60
Align acquisition intent and operating strategy	6	3.43	0.75
Identify the value drivers of the acquisition and focus on these	8	3.40	0.50
Provide sufficient resources for post-acquisition integration	9	3.33	0.48
Public Relations – Orchestrate effective communication with the public	10	3.30	0.57
Move rapidly as planned	11	3.29	0.78
Integration of information systems infrastructure between merging firms	12	3.24	0.70
Immediate announcement of career influencing post-acquisition plans (i.e., key roles and responsibilities, layoff plans, etc)	13	3.19	0.51
Deal with the people you are not retaining firmly, fairly, and quickly	14	3.15	0.93
Establish an efficient resource allocation system	15	3.10	0.70
Establish appropriate internal mechanisms for transferring competencies and assets across the business units	16	3.05	0.74
Link compensation to improvements in cash flows	17	3.00	0.55
Differences in management style between merging firms	17	3.00	0.71
Degree of centralization and autonomy of the target's employees	17	3.00	0.77
Identify a new set of opportunities for enhancement of competitive position of merged firm	20	2.95	0.67
Establish procedures for building common tools, practices, processes, and languages	21	2.86	0.65
Assimilate the acquirer's cultural systems (i.e., values, norms) into the target's culture	22	2.71	0.72
Establish a new set of competitive methods (i.e., portfolios of products/services)	23	2.52	0.68
Inject new management people into the target firm immediately	24	2.38	0.67
Establish new training and development programs	25	2.19	0.75
Establish new performance appraisal programs	26	2.14	0.65
Establish new procedures for competitor analyses	27	2.10	0.62

Finally, in terms of the most relevant post-acquisition performance evaluation criteria, Table 60 shows that the first three variables received relatively high mean scores. These three variables also had a relatively high degree of agreement. That is, it is indicated that these three measurements are the most appropriate post-acquisition evaluation criteria for the lodging industry.

Table 60. Most Relevant Post-Acquisition Performance Evaluation Criteria

Variable	**Rank**	**Mean**	**SD**
Return on Total Invested Capital (Relative to WACC)	**1**	3.83	0.38
Free Cash Flow Per Share	**2**	3.76	0.44
Operating Cash Flow (i.e., Sales, minus cost of goods/services sold and selling administrative expenses, plus depreciation and goodwill expenses)	**3**	3.57	0.75
Accounting Profits (i.e., ROE, ROI, ROA, ROS)	**4**	3.43	0.68
Traditional lodging industry performance evaluation criteria (i.e., Changes in occupancy, RevPAR, and ADR)	**5**	3.38	0.59
Market share gains (or losses)	**6**	3.29	0.78
Stock price changes at 1 or more years after the deal is announced	**7**	3.24	0.89
Stock price changes surrounding the deal announcement dates	**8**	2.71	0.90

Levels of Consensus about Critical Success Factors in the Acquisition Process

As mentioned in the methodology chapter, this study was conducted using the Delphi technique, which is a tool for organizing group communication in order to refine group opinion and arrive at a consensus. To identify the consensus among the participants in this study, based upon the Round 3 results, two parameters for the panels' ratings were included in the summary (See Tables 61 and 62). These were the medians and interquartile ranges (IQR). The median is the value above and below which one-half of the observations fall. The IQR is the difference between the first and third quartiles. The first quartile is the value below which 25 percent of the sample values lies, while the third quartile is the number below which 75 percent of the sample lies. The IQR is the difference between these two, and mirrors the spread for the middle half of the data (Schulman, 1992).

A method widely used in interpreting results of Delphi studies (Scheibe, Skutsch & Schofer, 1975) and described by Kennedy (1988) was employed. Under this method, the group median and IQR were the two parameters of the distribution used in determining when a panel consensus had been achieved. Specifically, the median rating for each variable is taken to represent the panel consensus, which is assumed to have been achieved when the IQR is 20 percent or less. Thus, where the scores were based on a 4-point Likert-scale rating, this means that the IQR has to be no larger than 0.75.

Using this criterion, the data in Tables 61 and 62 show that at the end of Round 3, among the 68 influential factors rated, the panel achieved various degrees of consensus. Based upon their IQR, 68 variables were classified into three categories as: (1) Category A, which achieved the highest consensus by the panel, consists of 13 variables each with an IQR value 0.75, or less. Within the same IQR group, each variable's importance or relevance was measured by its median value; (2) Category B, which received the lowest consensus, comprises 6 variables each with IQR larger than 1; and (3) Category C, which received the moderate consensus from Delphi panelists, and comprised the 49 remaining variables with an IQR of exactly 1.

A. Variables Receiving the Highest Consensus in the Overall Acquisition Process

Table 61 represents the thirteen variables that received the highest agreement among the respondents. In detail, in terms of acquisition motive, the Delphi panel almost unanimously chose two objectives: (1) Accelerate growth of the acquirer (median = 4; mean rating = 3.86), and (2) Acquire accretively to enhance stockholders' value (median = 4; mean rating = 3.69) as the most important objectives for hotel acquirers. Panelists also agreed that one variable (Broaden the acquiring company's customer base by extending products and services (i.e., application of portfolio management, globalization: median = 3; mean rating = 2.95) was a relatively unimportant acquisition motive.

Further, Delphi panelists reached the conclusion that one variable (Identify the trend of target's cash flow from operations: median = 4; mean rating = 3.76) was the most important critical success factor in the pre-acquisition management phase. Study participants also agreed strongly that one variable (Identify potential managerial synergy (i.e., enhanced target's competitive position by transferring management expertise by the acquirer): median = 3; mean rating = 2.95) was important before the deal is closed, but was not the most crucial factor.

Table 61. Variables Receiving the Highest Consensus from the Delphi panel

Variable	**IQR**	**Median**	**Dimension**
Accelerate growth of the acquiring company	0	4	Objective
Acquire accretively to enhance stockholders' value	0	4	Objective
Return on Total Invested Capital (Relative to WACC)	0	4	Evaluation
Establish a post-acquisition strategy early in the process	0	4	Approach (Post)
Link compensation to improvements in cash flows	0	3	People
Differences in management style between merging firms	0	3	Culture
Identify the trend of target's cash flow from operations	0.50	4	Information
Free Cash Flow Per Share	0.50	4	Evaluation
Broaden the acquiring company's customer base by extending products and services (i.e., application of portfolio management, globalization)	0.50	3	Objective
Identify potential managerial synergy (i.e., enhanced target's competitive position by transferring management expertise by the acquirer)	0.50	3	Value
Immediate announcement of career influencing post-acquisition plans (i.e., key roles and responsibilities, layoff plans, etc)	0.50	3	People
Identify a new set of opportunities for enhancement of competitive position of merged firm	0.50	3	Strategy
Establish new procedures for competitor analyses	0.50	2	Strategy

Compared to the responses to the variables in the pre-acquisition management phase, the Delphi panel reached a relatively high degree of agreement on variables in the post-acquisition integration phase. Panelists almost unanimously agreed that one factor (Establish a post-acquisition strategy early in the process: median = 4; mean rating = 3.81) was the most influential factor after the deal is closed. They also reached a consensus that three variables (Differences in management style between merging firms: median = 3; mean rating = 3.00; Link compensation to improvements in cash flows: median = 3; mean rating = 3.00; Immediate announcement of career-influencing post-acquisition plans (i.e., key roles and responsibilities, layoff plans, etc): median =3; mean rating = 3.19; Identify a new set of opportunities for enhancement of competitive position of merged firm: median = 3; mean rating = 2.95) are important factors, but not the most crucial factors in the post-integration process. The Delphi panel agreed that one variable (Establish new procedures for competitor analyses: median = 2; mean rating = 2.04) was the least important factor not only in the post-acquisition integration phase, but also in the overall acquisition process.

Finally, panelists arrived at a consensus that one variable (Return on Total Invested Capital (Relative to WACC): median = 4; mean rating = 3.83) was the most relevant post-acquisition performance evaluation criterion in the lodging industry, followed by variable #58 (Free Cash Flow Per Share: median = 4; mean rating = 3.76).

B. Variables Receiving the Lowest Consensus in the Overall Acquisition Process

Table 62 represents the six variables that received the lowest agreement by the panel members. Among them, three variables in particular (Utilize synergistic attributes of the acquired company with reference to the acquiring company: median = 3; mean rating = 2.95; Identify potential demand for products/services of combined firm over the next five years: median = 3; mean rating = 3.05; Broad involvement throughout of the acquirer’s key staff and employees in the planning of an acquisition: median = 3; mean rating = 2.95), showed a wide variety of disparate opinions in the overall acquisition process.

Table 62. Variables Receiving the Lowest Consensus from the Delphi panel

Variable	IQR	Median	Dimension
Utilize synergistic attributes of the acquired company with reference to the acquiring company	2	3	Objective
Identify potential demand for products/services of combined firm over the next five years	2	3	Value
Broad involvement throughout of the acquirer's key staffs and employees in the planning of an acquisition	2	3	Approach (Pre)
Degree of centralization and autonomy of the target's employees	2	3	Culture
Establish appropriate internal mechanisms for transferring competencies and assets across the business units	1.50	3	Organization
Stock price changes surrounding the deal announcement dates	1.50	3	Evaluation

The remaining forty-nine factors, which had an IQR of exactly 1, could not be categorized as either high or low agreement factors in the overall acquisition process. That is, these variables showed relatively disparate classifications in identifying the degree of consensus from the panelists. Therefore, they remained as unresolved items in the current study.

<u>Differences between Panel Groups on Critical Success Factors</u>

As was previously mentioned, the Delphi panel can be divided into two groups: hoteliers and non-hoteliers. If there were different opinions between these two groups about items on the questionnaire, this current study's overall validity would be questionable. That is, if the groups have the same distribution, their sample distribution of means or ranks should be similar. If one of the groups has more than its share of small or large means or ranks, there is reason to suspect that the two underlying distributions are different. In order to identify possible differences between the two groups, this study employed both the t-test (parametric) and the Mann-Whitney test (non-parametric) based on the Round 3 results. Since this study's measurement scale can be categorized as either ordinal or interval measures, it was appropriate to execute both tests. Fortunately, the overall results of both techniques (in terms of the significance level) were almost identical.

Table 63 represents the results that show some statistically significant differences in the variables between the two groups in the study. Based upon the cut-off point p-value 0.05 or less than this value, nine variables had statistically significant differences between the two groups. The details of these issues will be discussed in the next chapter.

Table 63. Differences between Two Groups (Hoteliers vs Non-hoteliers)

Variable	**t-test**		**Mann-Whitney test**	
	T	**Sig. (1-tailed)**	**Z**	**Sig. (1-tailed)**
#4	-2.645	.008	-2.544	.006
#9	-1.876	.038	-1.768	.039
#17	-2.008	.029	-1.984	.024
#22	2.097	.025	-1.845	.033
#39	-2.517	.010	-2.236	.013
#41	2.260	.018	-2.045	.021
#48	-1.752	.048	-1.652	.050
#54	-2.254	.018	-2.124	.017
#59	2.309	.016	-2.028	.022

Although differences were identified in the above nine variables, the remaining 59 variables showed that the opinions between the two groups on these variables were not significantly different. Therefore, this study concludes that the groups have similar distributions of means and ranks. That is, this study can use all participants' aggregated input as one group.

Proposition Tests

This section of the chapter reports the results of the statistical tests performed in the preceding sections on the four propositions of the study (Refer to Figures 1 and 2). Each proposition will be discussed briefly. The discussion arising from these results are presented in the next chapter.

Proposition 1: There are explicit intents that have driven recent acquisition activities by hotel firms.

As mentioned by Steiner (1975) and Ravenscraft & Scherer (1987), most researchers agree that corporate acquisitions are complex phenomena generated by diverse patterns of acquisition motives, and that no single factor can fully provide a comprehensive account. There are many assertions that have been made about why firms acquire other firms. The first proposition attempted to uncover some of the dominant perspectives of corporate acquisitions in the lodging industry by looking back over the past five years.

In order to test research propositions, chi-square tests were conducted on the cross-tabulated variables where appropriate. The purpose of this analysis was to see whether the level of importance (or relevance) is similar for the diverse factors. When the proposition is untrue, each factor and the level of importance are unrelated in the population of all potential respondents, and relatively little relationship should occur in a random sample. Observed counts should be close to expected counts, and the chi-square value should be small. In contrast, if the proposition is true, observed counts should differ substantially from expected counts, and the chi-square value should be large.

The chi-square approximation is adequate if each expected count is greater than or equal to 1, and at least 75 percent of the expected counts are greater than or equal to 5 (Schulman, 1992). However, based upon Round 3 results, all four divisions, (objective, pre-acquisition management, post-acquisition integration, and post-acquisition evaluation), did not meet the above criteria. Thus, in order to minimize these problems, this study combined category l and category 2 into one category. After combing these two categories, this study totally satisfied the first assumption, (each expected count is greater than or equal to 1). For the second assumption, all four divisions revealed exactly same results, that is, only 66.7 percent of the expected counts were greater than or equal to 5. Therefore, the result of chi-square test should be interpreted with caution.

Table 64 represents a cross-tabulation of the respondents by acquisition objective and the level of importance with a chi-square test conducted for the table to identify a relationship between the two variables. As shown in Table 64, the chi-square value is large and the significance level is much less than .05. The results of the analysis indicate that there is a statistically significant difference in opinions regarding the various acquisition objectives. That is, the sample respondents preferred some explicit objectives more than others. Thus, the result the of analysis presented here verifies that the first proposition was validated.

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

There are many factors and problems before the deal is completed whose impacts on post-acquisition performance are crucial. If the acquiring firms do not identify and plan the details of the acquisition strategy, taking into account a wide variety of specific factors, the anticipated synergistic benefits will be in jeopardy. The strategic challenges of corporate acquisitions are key factors that bring into focus the sources of synergy (Marks & Mirvis, 1998). Proposition two examines the contention that the identification of important critical success factors in the pre-acquisition management phase is critical to successful acquisitions.

Table 64. Cross-tabulation of Objectives by Level of Importance

Objective **Level of Importance**

Count Row Pct Col Pct Tot Pct	Unimportant OR Slightly Important	Important	Very Important	Row Total
Q1	1 4.76 3.57 0.59	1 4.76 1.66 0.59	19 90.5 26.0 11.3	21 12.5
Q2	7 33.3 25.0 4.16	8 38.1 13.3 4.76	6 28.6 8.22 3.57	21 12.5
Q3	10 47.6 78.5 3.57	9 42.9 15.0 5.36	2 9.52 2.74 1.19	21 12.5
Q4	4 19.04 35.74 2.38	12 57.1 20.0 7.14	5 23.8 6.85 2.98	21 12.5
Q5	3 14.3 10.7 1.79	12 57.1 20.0 7.14	6 28.6 8.22 3.57	21 12.5
Q6	2 9.52 7.14 1.19	5 23.8 8.33 2.98	14 66.7 19.2 8.33	21 12.5
A1	7 33.36 35.9 4.16	11 52.4 18.3 6.55	3 14.3 4.10 1.78	21 12.5
A8	1 4.76 3.57 0.59	2 9.52 3.33 1.19	18 85.7 24.6 10.7	21 12.5
Column Total	35 20.97	60 35.7	73 43.4	168 100.0

Statistics for Table of Objectives by Level of Importance

Statistics	Value	DF	Significance
Chi-Square	70.81226	14	.000

Table 65 presents the results of the chi-square analysis. The result of the analysis presented here indicates that there are statistically significant differences in opinions regarding the various factors that influence the effectiveness of pre-acquisition management. That is, the

Delphi panel favored some key success factors more than others. Thus, the result of the analysis verifies that the second proposition was validated.

Table 65. Cross-tabulation of Critical Success Factors (Pre-Acquisition) by Level of Importance

CSF	**Level of Importance**			
Count Row Pct Col Pct Tot Pct	Unimportant OR Slightly Important	Important	Very Important	Row Total
Q7	2 9.52 9.66 0.38	8 38.10 3.77 1.54	11 52.38 4.98 2.12	21 4.04
Q8	13 61.9 24.33 2.50	6 28.57 2.83 1.15	2 9.52 0.90 0.38	21 4.04
Q9	0 0 0 0	5 23.81 2.36 0.96	16 76.19 7.24 3.08	21 4.04
Q10	0 0 0 0	8 38.10 3.77 1.54	13 61.90 5.88 2.50	21 4.04
Q11	1 4.76 1.33 0.19	8 38.10 3.77 1.54	12 57.14 5.43 2.31	21 4.04
Q12	13 61.91 45.33 2.50	7 33.33 3.30 1.35	1 4.76 0.45 0.19	21 4.04
Q13	8 38.09 17.66 1.54	9 42.86 4.25 1.73	4 19.05 1.81 0.77	21 4.04
Q14	5 23.81 13.66 0.96	11 52.38 5.19 2.12	5 23.81 2.26 0.96	21 4.04
Q15	2 9.52 2.67 0.38	6 28.57 2.83 1.15	13 61.90 5.88 2.50	21 4.04
Q16	3 14.28 11.0 0.57	9 42.86 4.25 1.73	9 42.86 4.07 1.73	21 4.04

Table 65. (Continued)

CSF **Level of Importance**

Count Row Pct Col Pct Tot Pct	Unimportant OR Slightly Important	Important	Very Important	Row Total
Q17	1 4.76 1.33 0.19	5 23.81 2.36 0.96	15 71.43 6.79 2.88	21 4.04
Q18	4 19.05 5.33 0.77	12 57.14 5.66 2.31	5 23.81 2.26 0.96	21 4.04
Q19	6 28.57 8.00 1.15	8 38.10 3.77 1.54	7 33.33 3.17 1.35	21 4.04
Q20	2 9.52 2.67 0.38	6 28.57 2.83 1.15	13 61.90 5.88 2.50	21 4.04
Q21	1 4.76 1.33 0.19	13 61.90 6.13 2.50	7 33.33 3.17 1.35	21 4.04
Q22	4 19.05 5.33 0.77	6 28.57 2.83 1.15	11 52.38 4.98 2.12	21 4.04
Q23	4 19.05 5.33 0.77	10 47.62 4.72 1.92	7 33.33 3.17 1.35	21 4.04
Q24	1 4.76 1.33 0.19	13 61.90 6.13 2.50	7 33.33 3.17 1.35	21 4.04
Q25	1 4.76 1.33 0.19	9 42.86 4.25 1.73	11 52.38 4.98 2.12	21 4.04
Q26	3 14.28 11.0 0.57	12 57.14 5.66 2.31	6 28.57 2.71 1.15	21 4.04

Table 65. (Continued)

CSF	**Level of Importance**			
Count Row Pct Col Pct Tot Pct	Unimportant OR Slightly Important	Important	Very Important	Row Total
Q27	0 0 0 0	8 38.10 3.77 1.54	13 61.90 5.88 2.50	21 4.04
Q28	6 28.57 15.0 1.15	12 57.14 5.66 2.31	3 14.29 1.36 0.58	21 4.04
Q29	6 28.57 15.0 1.15	9 42.86 4.25 1.73	6 28.57 2.71 1.15	21 4.04
A2	1 4.76 1.33 0.19	4 19.05 1.89 0.77	13 61.90 5.88 2.50	18 3.46
A3	0 0 0 0	8 38.10 3.77 1.54	11 52.38 4.98 2.12	19 3.65
Column Total	87 16.73	212 40.77	221 42.50	520 100.0%

Statistics for Table of CSF by Level of Importance

Statistics	Value	DF	Significance
Chi-Square	157.608351	48	.000

Proposition 3: There are key success factors in the post-acquisition integration phase that will determine a successful acquisition deal in the lodging industry.

Many acquiring firms experience deteriorated post-acquisition performance. If the anticipated synergistic benefits are accurately calculated, then acquisitions are a promising media for enhancing a combined firm's overall performance. The lack of systematic and comprehensive attention paid to potential problems of post-acquisition integration appears to reflect the difficulty of recognizing the process itself as part of the problem (Jemison & Sitkin, 19861). Post-acquisition integration may involve a complex and interactive mutual adjustment process between the merging firms (Datta, 1991; Hambrick & Cannella, 1992). Proposition two contends that the identification of important success factors in the post-acquisition integration phase is critical to successful acquisitions.

Table 66 presents the results of the chi-square analysis. The result of the analysis indicates that there are statistically significant differences in the distribution of twenty-seven operational indicators. Opinions regarding the various factors that influence the effectiveness of post-acquisition integration were varied. That is, the Delphi panel favored some critical success factors more than others. Thus, the result of the analysis presented here indicates that the third proposition was validated.

Proposition 4: There are appropriate performance evaluation criteria that can determine a successful acquisition transaction in the lodging industry.

After an acquisition deal is closed, the acquiring firm must be effective in determining the synergistic benefits that can contribute to improving the overall performance of the firm. In general, financial measures are the most popular method of evaluating post-acquisition performance. Cochran & Wood (1984) contend that there is no real consensus about the proper measure of post-acquisition financial performance. The third research proposition examines appropriate post-acquisition performance evaluation criteria in the context of the lodging industry.

As was the case in testing the other propositions, a chi-square test was employed. Table 67 presents the results of the chi-square analysis. The result of the analysis indicates that there are statistically significant differences in opinions regarding the various evaluation criteria that determine the appropriateness of post-acquisition performance evaluation. That is, the sample respondents favored some performance measures more than others. Thus, the result of analysis presented here indicates that the fourth proposition was also validated.

Table 66. Cross-tabulation of Critical Success Factors (Post-Acquisition) by Level of Importance

CSF **Level of Importance**

Count Row Pct Col Pct Tot Pct	Unimportant OR Slightly Important	Important	Very Important	Row Total
Q30	0 0 0 0	4 19.05 1.55 0.71	17 80.95 9.50 3.01	21 3.72
Q31	1 4.76 0.89 0.18	6 28.57 2.33 1.06	14 66.67 7.82 2.48	21 3.72
Q32	0 0 0 0	11 52.38 4.26 1.95	10 47.62 5.59 1.77	21 3.72
Q33	4 19.05 3.57 0.71	7 33.33 2.71 1.24	10 47.62 5.59 1.77	21 3.72
Q34	13 61.90 17.38 2.31	7 33.33 2.71 1.24	1 4.76 0.56 0.18	21 3.72
Q35	2 9.52 1.79 0.35	7 33.33 2.71 1.24	12 57.14 6.70 2.13	21 3.72
Q36	0 0 0 0	14 66.67 5.43 2.48	7 33.33 3.91 1.24	21 3.72
Q37	3 14.29 2.68 0.53	15 71.43 5.81 2.66	3 14.29 1.68 0.53	21 3.72
Q38	1 4.76 0.89 0.18	15 71.43 5.81 2.66	3 14.29 1.68 0.53	21 3.72
Q39	0 0 0 0	7 33.33 2.71 1.24	14 66.67 7.82 2.48	21 3.72

Table 66. (Continued)

CSF	Level of Importance			
Count Row Pct Col Pct Tot Pct	Unimportant OR Slightly Important	Important	Very Important	Row Total
Q40	15 71.43 30.71 2.66	6 28.57 2.33 1.06	0 0 0 0	21 3.72
Q41	15 71.43 30.71 2.66	0 0 0 0	1 4.76 0.56 0.18	21 3.72
Q42	3 14.28 8.46 0.53	14 66.67 5.43 2.48	4 19.05 2.23 0.71	21 3.72
Q43	6 28.57 5.36 1.06	9 42.86 3.49 1.60	6 28.57 3.35 1.06	21 3.72
Q44	9 42.86 8.04 1.60	9 42.86 3.49 1.60	3 14.29 1.68 0.53	21 3.72
Q45	1 4.76 0.89 0.18	10 47.62 3.88 1.77	10 47.62 5.59 1.77	21 3.72
Q46	4 19.05 3.57 0.71	11 52.38 4.26 1.95	6 28.57 3.35 1.06	21 3.72
Q47	6 28.57 5.36 1.06	12 57.14 4.65 2.13	3 14.29 1.68 0.53	21 3.72
Q48	5 23.81 4.46 0.89	10 47.62 3.88 1.77	6 28.57 3.35 1.06	21 3.72
Q49	3 14.29 2.68 0.53	10 47.62 3.88 1.77	8 38.10 4.47 1.42	21 3.72

Table 66. (Continued)

CSF **Level of Importance**

Count Row Pct Col Pct Tot Pct	Unimportant OR Slightly Important	Important	Very Important	Row Total
Q50	1 4.76 6.67 0.18	9 42.86 3.49 1.60	11 52.38 6.15 1.95	21 3.72
Q51	5 23.81 4.46 0.89	12 57.14 4.65 2.13	4 19.05 2.23 0.71	21 3.72
Q52	10 47.62 14.71 1.78	10 47.62 3.88 1.77	1 4.76 0.56 0.18	21 3.72
Q53	16 76.19 31.61 2.83	5 23.81 1.94 0.89	0 0 0 0	21 3.72
A4	0 0 0 0	12 57.14 4.65 2.13	8 38.10 4.47 1.42	20 3.55
A5	1 4.76 0.89 0.18	12 57.14 4.65 2.13	7 33.33 3.91 1.24	20 3.55
A6	3 14.28 14.22 0.53	9 42.86 3.49 1.60	8 38.10 4.47 1.42	20 3.55
Column Total	127 22.52	258 45.74	179 31.74	564 100.0%

Statistics for Table of CSFs by Level of Importance

Statistics	Value	DF	Significance
Chi-Square	247.409464	52	.000

Table 67. Cross-tabulation of Evaluation Criteria by Level of Relevance

Criteria	**Level of Relevance**			
Count Row Pct Col Pct Tot Pct	Not Relevant OR Slightly Relevant (2)	Relevant (3)	Very Relevant (4)	Row Total
Q54	2 9.52 10.53 1.21	8 38.10 15.09 4.85	11 52.38 12.22 6.67	21 12.73
Q55	10 47.62 49.12 6.06	6 28.57 11.32 3.64	5 23.81 5.56 3.03	21 12.73
Q56	4 19.05 49.12 2.43	7 33.33 13.21 4.24	10 47.62 11.11 6.06	21 12.73
Q57	1 4.76 33.33 0.61	6 28.57 11.32 3.64	14 66.67 15.56 8.48	21 12.73
Q58	0 0 0 0	5 23.81 9.43 3.03	16 76.19 17.78 9.70	21 12.73
Q59	1 4.76 5.26 0.61	11 52.38 20.75 6.67	9 42.86 10.00 5.45	21 12.73
Q60	4 19.05 21.05 2.42	7 33.33 13.21 4.24	10 47.62 11.11 6.06	21 12.73
A7	0 0 0 0	3 14.29 5.66 1.82	15 71.43 16.67 9.09	18 10.91
Column Total	22 13.34	53 32.12	90 54.55	165 100.0

Statistics for Table of Evaluation Criteria by Level of Relevance

Statistics	Value	DF	Significance
Chi-Square	41.8313118	14	.000

Chapter Summary

This chapter has presented a profile of the Delphi panel, and has described the characteristics of the panelists' companies, and also has provided a description of statistical tests used to evaluate the operational indicators used in the research instrument. The results of these tests were given and briefly discussed. It was found that the four propositions were validated:

Proposition 1 was validated in that the acquisition objectives of lodging firms participating in the study showed variations in the rankings of the levels of importance of the factors provided in the survey instrument. In other words, the panelists were able to differentiate levels of importance in the factors.

Proposition 2 was validated in that critical success factors that influence the pre-acquisition management phase were varied.

Proposition 3 was validated in that critical success factors that influence the post-acquisition integration phase were mixed.

Proposition 4 was validated in that measurements for evaluating post-acquisition performance were diverse.

Table 68 represents the findings of the study, as presented in this chapter. The concluding chapter comprises a more detailed discussion of the findings implied by the statistical results. Appendix IV summarizes the trend of the study results as the rounds progressed.

Table 68. Summary of the Findings

Proposition	Findings
1. There are explicit intents that have driven recent acquisition activities by hotel firms.	• Accelerate growth of the acquiring company • Acquire accretively to enhance stockholders' value • Expand capacity at less cost than constructing new hotel properties • Capture scale economies to save costs through combining two firms within an industry
2. There are key success factors in the pre-acquisition phase that will determine a successful acquisition deal in the lodging industry.	• Identify the trend of target's cash flow from operations • Identify potential operating synergy (i.e., improved operating efficiency) • Extent of accretion or dilution of stock/Cash Flow/FFO • Identify the target's property locations of market served • Due diligence • Understanding how various constituents will react to the deal (i.e., shareholders) • 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 & reputation • Method of payment (i.e., cash, stock, etc)
3. There are key success factors in the post-acquisition integration phase that will determine a successful acquisition deal in the lodging industry.	• Establish a post-acquisition strategy early in the process • Identify and retain key employees and managers of the target • Determine the degree of post-acquisition integration (i.e., extensive, moderate, no interruption of the target's autonomy) • 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 • Establish a sense of unity between the two firms • Align acquisition intent and operating strategy • Identify the value drivers of the acquisition and focus on these • Provide sufficient resources for post-acquisition integration • Public Relations – Orchestrate effective communication with the public
4. There are appropriate performance evaluation criteria that can determine a successful acquisition transaction in the lodging industry.	• Return on Total Invested Capital (Relative to WACC) • Free Cash Flow Per Share • Operating Cash Flow (i.e., Sales, minus cost of goods/services sold and selling administrative expenses, plus depreciation and goodwill expenses)