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**The Multilevel Impact of Complexity and Uncertainty on the Performance of Innovation-Motivated Acquisitions**

Abstract

Incumbent firms have been observed to face challenges in maintaining impactful innovative streams over time. One strategy for established players to obtain new products, technologies, and capabilities is through acquisitions. This paper investigates the multilevel operational drivers of performance in innovation-targeted acquisitions, examining the interrelated influence of product, organization, and environment level factors. By applying product development concepts to M&A insights, we characterize the challenges in such acquisitions as core innovation problems of complexity and uncertainty. Acquisitions research indicates that complexity around the assimilation of products and organizations is one inherent challenge, while studies on new product development suggest that uncertainty surrounding technologies and markets is another factor to consider. To provide further insights, we conducted an empirical investigation of the past acquisitions of leading high-technology companies in the communications equipment and software industries. Qualitative case studies were used to inductively generate theory, while quantitative analyses subsequently tested the resulting hypotheses. Results of both analyses indicate that companies have been able to recognize and manage technical and organizational integrative complexity, but that they have been unable to cope with product and environmental uncertainty in these acquisitions. Technical incompatibility is found to slow down time to market of post-acquisition products, but has no negative impact on financial performance; target maturity meanwhile has a positive influence on both outcomes. In contrast, technical and market uncertainty both have adverse effects on time to market and financial performance. The findings inform our understanding of externally-sourced innovation processes, acquisition strategies, and adaptation in changing environments.