ADVANCES IN MERGERS AND ACQUISITIONS
ADVANCES IN MERGERS AND ACQUISITIONS

Series Editors: Cary L. Cooper and Sydney Finkelstein

Recent Volumes:

Volumes 1–2: Edited by Cary L. Cooper and Alan Gregory
Volumes 3–17: Edited by Cary L. Cooper and Sydney Finkelstein
# CONTENTS

*About the Authors*  
*About the Editors*  
*Acknowledgments*  

**Introduction**  
Cary L. Cooper and Sydney Finkelstein  

**Chapter 1**  
A Research Agenda to Increase Merger and Acquisition Success  
*Mitchell Lee Marks*  

**Chapter 2**  
Board Interlocks and M&As  
*Mike W. Peng and Joyce C. Wang*  

**Chapter 3**  
M&A Advisors: Padding Their Pockets or Source of Expertise?  
*Janice M. Gordon, Gonzalo Molina-Sieiro, Kimberly M. Ellis and Bruce T. Lamont*  

**Chapter 4**  
Workplace Diversity and Gender in Merger and Acquisition Research  
*Annette Risberg and Sofie Skovbo Gottlieb*  

**Chapter 5**  
An Australian Case Study of Stakeholder Relationships in a Merger and Acquisition Process  
*Simon Segal, James Guthrie and John Dumay*  

**Chapter 6**  
Family Businesses: Building a Merger and Acquisition Research Agenda  
*Olimpia Meglio and David R. King*
Chapter 7  Making M&A Less Risky: The Influence of Due Diligence Processes on Strategic Investment Decision Making
*Fadi Alkaraan* 99

Chapter 8  Merging Cities
*Janne Tienari, Kari Jalonen and Virpi Sorsa* 111

Chapter 9  Varieties of Value in Mergers and Acquisitions: Time For a New Research Agenda
*Sally Riad and Urs Daellenbach* 125

Index 139
ABOUT THE AUTHORS

**Fadi Alkaraan** is a Senior Lecturer in Accountancy and Finance at Lincoln International Business School, the University of Lincoln (UK). He completed his postgraduate degrees (MA and Ph.D. Accounting & Finance) at the University of Manchester. He received his degrees of BA Econ (1990), BA Law (1993), PG Diploma Econ (1991) and M.Phil. Econ-Finance (1996) from the University of Aleppo. Fadi held various teaching and research positions at business schools including the University of Manchester (UK), Abu Dhabi University, United Arab Emirates University, Gulf Private University and Aleppo University and Grafton College of Management Sciences and Cork University Business School (Ireland). Fadi was promoted to Associate Professor of Accounting and Finance at Aleppo University in 2012. Fadi's research interests mainly focus on current issues in strategic investment decision making and investment appraisal techniques, the influence of corporate governance practices on organisational performance and the influence of strategic control mechanisms on strategic investment decision making.

**Urs Daellenbach** is currently Head of the School of Management at Victoria University of Wellington and co-leader of an innovation research team for the Science for Technological Innovation National Science Challenge in New Zealand. His research interests have focussed on value creation and capture, drawing on the resource-based view of the firm, with a specific emphasis on contexts associated with strategic decision making for R&D and innovation. His research has been published in *Industrial & Corporate Change, Journal of Management Studies, Long Range Planning, R&D Management, Strategic Management Journal and Strategic Organization.*

**John Dumay**, Ph.D., is an Associate Professor of Accounting at Macquarie University, Sydney, Australia. Originally a Consultant, he joined academia after completing his Ph.D. in 2008. His thesis won the European Fund for Management Development and Emerald’s Outstanding Doctoral Research Award for Knowledge Management. John researches intellectual capital, knowledge management, corporate reporting and disclosures, research methodologies and academic writing. John has written over 80 peer-reviewed articles, book chapters and edited books, and is highly cited in Scopus and Google Scholar. He is the Associate Editor of the *Journal of Intellectual Capital* and *Meditari Accountancy Research*, Editor of the *eJournal of Knowledge Management*, on the Editorial Board of Advice of the highly regarded *Accounting, Auditing and Accountability Journal, Journal of Knowledge Management* and several other leading accounting and management journals.
Kimberly M. Ellis, Ph.D. Florida State University, is an Associate Professor at Florida Atlantic University. Building mainly on theories pertaining to learning and justice as well as the process perspective of acquisitions, her primary research examines multiple facets of the acquisition decision-making process. A second area of research interest focuses on two critical elements of a firm’s corporate social responsibility – its environmental management strategies and diversity initiatives. Her research has been published in the *Academy of Management Journal*, *Strategic Management Journal* and other outlets. In addition, Kimberly is a Founding Member of the *Africa Journal of Management* editorial review board, a Member of the editorial board of *Strategic Organization*, a Member of the editorial board at *Journal of International Business Studies* and an ad hoc Reviewer for the *Strategic Management Journal*, *Journal of Management*, *Journal of Management Studies* and *British Journal of Management* among other leading journals.

Janice M. Gordon is a Ph.D. Student in Management Strategy at Florida State University. Her research interests focus on intellectual property, knowledge transfer and innovation, both within the United States and in a global context.

Sofie Skovbo Gottlieb is a Research Assistant at Copenhagen Business School. She has a master’s degree in Diversity and Change Management from Copenhagen Business School and has gained experience as a Diversity Specialist in Nordea before returning to academia. Her focus is on gender, diversity and inclusion as strategic agendas in for-profit organisations.

James Guthrie is Distinguished Professor of Accounting, Department of Accounting and Corporate Governance, Macquarie University. He is a Joint Founding Editor of *Accounting, Auditing and Accountability Journal*, which is consistently ranked in the top five in the world. James has published 180 articles, 20 books and 45 chapters in books. He has over 21,000 citations to his work as measured by Google Scholar. In the international arena on his research topic areas, Professor Guthrie has been actively involved with the OECD, European and wider academic communities, as well as advisory work for the OECD dating back to 1998.

Kari Jalonen is a SCANCOR Postdoctoral Scholar at Stanford University, USA, and he is affiliated with Hanken School of Economics, Finland. His research interests lies in the negotiation of institutional complexity in organisational practice, and strategy work in public-sector organisations. His current work studies the crafting of a collective strategy in a city organisation as a dialogue between different institutional perspectives, showing how these are continuously brought together to coordinate organisational action and craft shared understanding. Kari also studies and develops more inclusive, collaborative practices of academic work as a member of the Nordic Open Writing Hub. His work has been published in leading journals such as *Strategic Management Journal* and *Qualitative Inquiry*. 
About the Authors

David R. King earned his Ph.D. from Indiana University’s Kelley School of Business. He is currently the Department Chair and Higdon Professor of Management at Florida State University where he teaches undergraduate and graduate business strategy. Dave’s research appears in leading management journals, and it focuses on complementary resources, merger and acquisition integration and performance, technology innovation and defense procurement.


Mitchell Lee Marks is Emeritus Professor of Leadership at San Francisco State University and President of the consultancy JoiningForces.org, USA. His research has been recognised in ways including the Outstanding Contribution to Organizational Behavior award from the Academy of Management. He is the author of seven books – including Joining Forces: Making One Plus One Equal Three in Mergers, Acquisitions, and Alliances and has published scores of articles in practitioner and scholarly journals including Harvard Business Review, Academy of Management Executive, Journal of Applied Psychology and Human Resource Management. He consults with a wide variety of firms globally, advising on organisational change, team building, strategic direction, corporate culture and the planning and implementation of mergers and acquisitions. He has advised in over 100 cases of mergers and acquisitions. He is a Fellow of the Society for Industrial and Organizational Psychology and has been named one of the “World’s Top 30 Experts on Corporate Culture” for three years running.

Olimpia Meglio earned her Ph.D. in Management from University of Naples “Federico II”. She is currently an Associate Professor of Management at the University of Sannio. Her research interests lie at the intersection of strategic and organisational factors in mergers and acquisitions. Her works have appeared in leading journals such as Journal of Business Research or Human Resources Management. She has edited the Routledge Companion about Mergers and Acquisitions with Annette Risberg and David King.

Mike W. Peng, Ph.D. University of Washington, is the Jindal Chair of Global Strategy at the Jindal School of Management, University of Texas at Dallas.
ABOUT THE AUTHORS

He is also a National Science Foundation Career Award winner and a Fellow of the Academy of International Business. Every year during the last four years (2014–2017), he has been listed among the top 70–95 most cited scholars in business and economics by *The World’s Most Influential Scientific Minds* (compiled by Thomson Reuters/Clarivate Analytics). His research interests are global strategy, international business and emerging economies, with a theoretical focus on the institution-based view.

**Sally Riad** is a Senior Lecturer in the School of Management at Victoria University of Wellington. Her research focusses on the social and strategic facets of organisation. Its inquiry is based on critical approaches to organisational topics including culture, identity, leadership, value, mergers and acquisitions. Her work has been published in international journals, such as *Journal of Management Studies, Journal of Management History, Leadership Quarterly, Organization, Organization and Environment and Organization Studies*.

**Annette Risberg** is Professor of Management and Organization at the Norway Inland University of Applied Sciences and Professor at Copenhagen Business School. She divides her research interests between diversity in organisations and mergers and acquisitions. In addition to publishing numerous journal articles on merger, she has also contributed chapters to *Advances of Mergers and Acquisitions* (Meglio & Risberg, 2012) and edited both *The Routledge Companion to Mergers and Acquisitions* (Risberg, King, & Meglio, 2015) and *Mergers and Acquisitions: A Critical Reader* (Risberg, 2006).

**Simon Segal** is a Ph.D. Candidate at Macquarie University, Sydney, researching the relationship between mergers and acquisitions (M&A) and stakeholders. He is Editorial Consultant to Dealreporter, a news and data service provider. Simon helped establish the Australian bureau of financial media group Mergermarket in 2005 where he was Bureau Chief and Asian Editor of Dealreporter. He is a Director of Mergermarket Australia. Simon has researched, edited, written, and commented on M&A for numerous media publications and television.

**Gonzalo Molina-Sieiro** is a Ph.D. Candidate at Florida State University. His research focusses on the link between the environment and strategic actions by individuals and firms, usually in an international setting. More specifically, his research has examined the effects of national institutions on international new ventures and the family determinants of firm internationalisation and cross-border acquisitions. He holds an MA in International Economics and Finance from Brandeis University.

**Virpi Sorsa** is an Assistant Professor at Hanken School of Economics, Helsinki, Finland. She is also the Programme Chair for Strategic Activities and Practices Interest Group in the Academy of Management. Her primary research interest is strategy work in city organisations, especially its inclusive and discursive aspects. Virpi is currently working on a research and development project that focusses
on the assessment of changes in management and leadership in the Helsinki city organisation. Her work has been published in *Organization, Management Communication Quarterly, Discourse and Communication* and *Journal of Business Research* as well as in a number of edited books. She teaches courses related to organisation theory, strategic thinking and master’s theses work, and she emphasises a learner-centred philosophy in teaching.

**Janne Tienari** is a Professor of Management and Organisation at Hanken School of Economics, Helsinki, Finland. He is principal investigator in a research project on the strategification of cities, funded by the Academy of Finland. His research and teaching interests include strategy work, gender and diversity, managing multinational corporations, mergers and acquisitions, branding and media and changing academia from a critical perspective. His latest passion is to understand management, new generations and the future. Janne’s work has been published in leading organisation and management studies journals such as *Academy of Management Review, Organization Science, Organization Studies, Organization, Human Relations* and *Journal of Management Studies*.

**Joyce C. Wang** is a Doctoral Candidate at the Jindal School of Management, University of Texas at Dallas. She has published in the *Academy of Management Learning & Education, Asia Pacific Journal of Management, Journal of Business Ethics* and *Journal of Organizational Behavior*. Her research interests are corporate governance, international business and emerging economies.
This page intentionally left blank
ABOUT THE EDITORS

Cary L. Cooper is the author and editor of more than 175 books and is one of Britain’s most quoted business gurus. He is The 50th Anniversary Professor of Organizational Psychology and Health at Alliance Manchester Business School, University of Manchester, UK. He is the President of the Chartered Institute of Personnel and Development, President of the British Academy of Management, a Companion of the Chartered Management Institute, and one of only a few UK Fellows of the (American) Academy of Management, past President of the British Association of Counselling and Psychotherapy and Past President of RELATE. He was the Founding Editor of the Journal of Organizational Behavior, former Editor of the scholarly journal Stress and Health and is the Editor-in-Chief of the Wiley-Blackwell Encyclopaedia of Management; now in its 3rd edition. He has been an Advisor to the World Health Organisation, International Labour Organization and European Union in the field of occupational health research and wellbeing, was Chair of the Global Agenda Council on Chronic Disease of the World Economic Forum (2009–2010, and a Member of the Global Agenda Council on Mental Health of the World Economic Forum) and is Immediate Past Chair of the Academy of Social Sciences (comprising 47 learned societies in the social sciences and 90,000 members). He was awarded the CBE by the Queen in 2001 for his contributions to organisational health and safety; and in 2014 he was awarded a Knighthood for his contribution to the social sciences.

Sydney Finkelstein is the Steven Roth Professor of Management and Director of the Center for Leadership at the Tuck School of Business at Dartmouth College, where he teaches courses on Leadership and Strategy. He also has experience working with executives at Dartmouth and other prestigious universities around the world. He holds degrees from Concordia University and the London School of Economics, as well as a Ph.D. from Columbia University in Strategic Management. Professor Finkelstein has published 23 books and 85 articles, with several bestsellers, including the #1 bestseller in the US and Japan, Why Smart Executives Fail. On Fortune Magazine’s list of Best Business Books, the Wall Street Journal called it a marvel – a jargon-free business book based on serious research that offers genuine insights with clarity and sometimes even wit … It should be required reading not just for executives but for investors as well.

His latest bestselling book is SUPERBOSSES: How Exceptional Leaders Master the Flow of Talent, which was named one of Amazon’s “Best Books” on business and leadership for 2016. LinkedIn Chairman Reid Hoffman calls it “a leadership guide for the Networked Age.” Professor Finkelstein is a Fellow of the
Academy of Management. He has had three books nominated for the Academy of Management’s Terry Book Award, the most prestigious such honour in the field. Professor Finkelstein is a recognised thought leader on leadership, strategy and corporate governance, and is listed on the “Thinkers 50,” the most prestigious ranking of management thinkers in the world. He is well known for his keynote speeches and television appearances, and is a regular columnist for the BBC.
ACKNOWLEDGMENTS

We would very much like to thank Kate Freeman at Alliance Manchester Business School for coordinating this edition on behalf of the editors.
This page intentionally left blank
INTRODUCTION

Cary L. Cooper and Sydney Finkelstein

The Advances in Mergers and Acquisitions is a scholarly collection of reviews of research, theories and case studies of mergers and acquisitions (M&As) in a variety of contexts and countries. This volume is the 18th in this annual series exploring the following issues: why the success rate of M&As is still not very good, how Boards influence M&A activity, what the roles of M&A advisors are in the process, the role of diversity in the context of M&As, stakeholder relationships in the context of M&As, why research has not focussed on family businesses in the M&A field as much as it should, making M&As less risky as a strategic investment, merging cities, pre-merger and acquisition strategies and finally, how ‘value’ has been used or not used in M&As.

Mitchell Lee Marks explores why after 30 years of M&A research the success rate of M&As is still very low, and how human factors tend to contribute to their success or failure. Mike W. Peng and Joyce C. Wang explore how network ties formed by directors may shape M&A processes and outcomes. Janice M. Gordon, Gonzalo Molina-Sieiro, Kimberly M. Ellis and Bruce T. Lamont ask the question ‘are M&A advisors padding their pockets or a source of expertise’, basically what is the role of M&A advisors in this complex process. Annette Risberg and Sofie Skovbo Gottlieb explore the literature on women and minorities in the context of M&As, how and to what extent are diversity and gender issues studied in merger research. Simon Segal, James Guthrie and John Dumay assess the significance of stakeholder relationships in an Australian mega-merger case study. It highlights how M&A events relate to stakeholder behaviour. Olimpia Meglio and David R. King highlight the paucity of research on family businesses in the context of M&As, and how M&As ‘are primarily regarded as a tool to solve succession problems’. Fadi Alkaraan explores the influence of due diligence processes on strategic investment decision making in an effort to make M&As less risky. Janne Tienari, Kari Jalonen and Virpi Sorsa highlight now that little research has been done on city and municipality mergers, which are so important to the economy of individual countries, and how this research could shed light on organisational M&As. And finally, Sally Riad and Urs Daellenbach examine the concept of ‘value’ and its utility in M&A research, and in understanding the M&A process.

The research outlined in this volume, and all the past Advances books, is an important body of scholarship that should help minimise the negative consequences of M&As in the future, whether in personal, organisational or financial outcomes – and highlight good practice going forward, as businesses look for
growth and value creation. We hope you will find this a useful addition to the M&A literature in an effort to improve the success rate of these ventures.

Cary L. Cooper and Sydney Finkelstein, Editors
Mitchell Lee Marks San Francisco State University, USA
Mike W. Peng Jindal School of Management, University of Texas at Dallas, USA
Joyce C. Wang Jindal School of Management, University of Texas at Dallas, USA
Janice M. Gordon Florida State University, USA
Gonzalo Molina-Sieiro Florida State University, USA
Kimberly M. Ellis Florida Atlantic University, USA
Bruce T. Lamont College of Business, Florida State University, USA
Annette Risberg Norway Inland University of Applied Sciences, Norway and Copenhagen Business School, Denmark
Sofie Skovbo Gottlieb Copenhagen Business School, Denmark
Simon Segal Macquarie University, Australia
James Guthrie Macquarie University, Australia
John Dumay Macquarie University, Australia
Olimpia Meglio University of Sannio, Italy
David R. King Kelley School of Business, Indiana University, USA
Fadi Alkaraan Lincoln International Business School, University of Lincoln, UK
Janne Tienari Hanken School of Economics, Finland
Kari Jalonen Stanford University, USA
Virpi Sorsa Hanken School of Economics, Finland
Sally Riad Victoria University of Wellington, New Zealand
Urs Daellenbach Victoria University of Wellington, New Zealand
CHAPTER 1
A RESEARCH AGENDA TO INCREASE MERGER AND ACQUISITION SUCCESS

Mitchell Lee Marks

ABSTRACT
Scholars have been conducting serious research on the human, organizational, and cultural aspects of mergers and acquisitions (M&A) for 30 years. Yet, over this period, there have only been modest improvements in the M&A success rate. In this chapter, the author examines corporate combinations, describes how human factors contribute to their failure or success, and identifies key research questions whose answers can help to improve the M&A success rate in both financial and human terms. The author proposes research questions for the key phases of a deal, including buying a company and putting companies together. And, reflecting an emerging trend among some frequent acquirers to build an internal competence in M&A execution, the author also proposes research questions for how to accelerate the process of learning from past combinations to better manage future ones.

Keywords: Merger; acquisition; integration; culture clash; transition teams; cross-border

INTRODUCTION
Many motives prompt executives to acquire or merge with another organization. In some cases, a combination helps a firm move quickly into a new market or
product space or pursue a strategy that would otherwise be too costly, risky, or technologically advanced to achieve on its own. Other times, deals are opportunistic, such as when a troubled competitor seeks a savior or when a bidding war ensues after a firm is “put into play.” Still other times, acquisitions or mergers can be defensive moves to protect market share in a declining or consolidating industry. The overarching reason for combining with another organization is that the union will enable a firm to attain strategic goals more quickly and inexpensively than acting on its own (Haspeslagh & Jamison, 1991).

Despite their popularity, most mergers and acquisitions (M&A) are financial failures and produce undesirable consequences for the people and companies involved. While target-firm shareholders generally enjoy positive short-term returns, investors in bidding firms frequently experience share price underperformance in the months following acquisition, with negligible long-term gains (Agrawal & Jaffe, 2000). In addition, M&A can exact a heavy toll on employees (DeMeuse & Marks, 2003; Mische, 2001). A longitudinal study of 10,000 US employees representing 4,000 organizations found those from organizations that had been engaged in M&A reported significantly less favorable results than those who had not been involved. This held true for every industry group and every facet of working life measured (Wiley & Moechnig, 2005).

Many factors account for the dismal M&A track record, including paying the wrong price, buying the wrong company, or making the deal at the wrong time. My own 30-year research program with Philip H. Mirvis finds that the processes used to put companies together are integral to a deal’s success versus failure (Marks & Mirvis, 2010). This encompasses the formation and operations of the buying team (Mirvis & Marks, 1992), how the firms are integrated (Marks & Mirvis, 2000), and learning from current deals to better manage future ones (Marks & Mirvis, 2001). In the rest of this chapter, I suggest research opportunities to assess and understand processes in each of these three phases of a deal.

**BUYING A COMPANY**

Buying a company encompasses strategizing, scouting, assessing and selecting a partner, deal making, and preparing for the eventual combination. The typical approach involves a “tunnel vision” on the financial aspects of the deal. Buyers concentrate on what a target is worth, what price premium, if any, to pay, and how to structure the transaction. The successful approach, by comparison, also emphasizes finance but adds careful attention to how a combination advances the business strategy of a firm, due diligence on behavioral and culture factors that might complicate the combination, and a clear picture of how the firms will be integrated.

*Research Questions on Buying a Business*

A review of relevant literature as well as practical experience suggests some key areas for future M&A research on the workings of buy teams.
M&A Motives

To what extent are M&A “buy” decisions motivated by strategic intent (e.g., market power, efficiency, asset redeployment, and market discipline) versus manager’s self-interest (e.g., hubris, empire building, survival, and personal financial gains)? This question applies to the overall make-versus-buy decision, the selection of a partner, and the price paid. Obviously, corporate pronouncements and executive talking points express the business case behind any deal. Yet a blue-ribbon panel of financial experts concluded that chief executive officer (CEO) ego was the primary force driving M&A in the United States (Boucher, 1980). Another study found that the bigger the ego of the acquiring company’s CEO the higher the premium a company is likely to pay for a target (Sirower, 1997).

If the true motives behind a combination have more to do with “nonstrategic” forces – say, the desire to run the largest company in an industry or fear of being swallowed up by competitors – then value creation is unlikely because there are few benefits to be leveraged by joining forces. To get at these factors, researchers might look into the pattern of purchases by regular acquirers and to what extent it builds out a clear and coherent business strategy. Those with a clinical mindset might, as Harry Levinson (1976) has done, explore the mindsets of buying CEOs and how their ambitions and fears factor into their M&A proclivities. They might also investigate instructions given to buy teams, pressures on them to do a particular deal, and considerations given to alternative courses of action.

Research question 1a. To what extent do strategic versus non-strategic motives drive M&A buy teams and what is the relationship between those motives and the price paid, partner selected, and synergies achieved by a deal?

Behavioral and Cultural Due Diligence

When due diligence focuses exclusively on the financial makeup of potential M&A partners, analysts overestimate revenue gains and cost savings and underestimate the resource requirements and headaches involved in integrating businesses (Lodorfos & Boateng, 2006). Adding in behavioral due diligence – the process of investigating a potential partner’s talent, organizational makeup and culture – enables a buyer to understand if the values of the potential partners are compatible, if the bench strength exists to replace managers who might depart, if all parties are on the same wavelength regarding synergies and what it takes to combine, and if there is enough trust and chemistry to propel the combined operation into becoming more than the sum of its parts (Carlton & Linebury, 2004; Gebhardt, 2003). Behavioral due diligence pays off: one study found that successful acquirers were 40% more likely to conduct thorough human and cultural due diligence than unsuccessful buyers (Anslinger & Copeland, 1996).

Research question 1b. How do buy teams consider behavioral versus financial due diligence in their analysis and to what extent does behavioral due diligence yield better M&A decisions?
Buy Team Make Up

Most members of traditional due diligence teams come from financial positions or backgrounds. They bring a financial mind-set to the study of a partner, and their judgments about synergies are informed by financial models and ratios. They do not necessarily bring an experienced eye to assessing a partner’s “fit” in areas of engineering, manufacturing, or marketing. As a result, there is a tendency for “hard” criteria to drive out “soft” matters: if the numbers look good, any doubts about organizational or cultural differences tend to be scoffed at and dismissed.

Mirvis and I have argued that the traditional membership of due diligence teams (e.g., financial analysts and strategists) be augmented by people from technical, operational, and HR functions. More research is needed to understand how this diversity in interests and expertise influences M&A analysis and team dynamics.

Research question 1c. To what extent does functional and operational diversity in due diligence team membership contribute to better M&A decision making?

Buy Team Decision Making

M&A underperformance is sometimes attributed to the “rush to close” the deal at the expense of attending to factors that could help or hurt its eventual success (Ashkenas & Francis, 2000). Why would companies buy something when their buy team has not thoroughly “looked under the hood?” Several scholars have documented how decision making traps – anchoring in initial perceptions, escalating commitments, and cognitive overload – can lead buyers to follow faulty assumptions and multiple misjudgments (Duhaime & Schwenk, 1985). Thus Mirvis and I have also proposed that buy teams be schooled in decision-making biases and apply decision-making tools and interventions to their deliberations. What are needed are studies of how these practices, studied in the lab, can operate in the field.

Research question 1d. What decision tools and interventions improve an M&A buy team’s analyses and decisions?

Combination Forms

Organizations can link together in many forms of legal combinations, ranging from a relatively informal network to outright absorption of one entity by another. The forms of combination vary by the depth of commitment and level of investment between the organizations joining forces. A strategic alliance is a cooperative effort by two or more entities in pursuit of their own strategic objectives. A joint venture (JV) goes further, by establishing a complete and separate formal organization with its own structure, governance, workforce, procedures, policies, and culture – while the predecessor companies still exist. A merger usually involves the full combination of two previously separate organizations into a third (new) entity. An acquisition typically is the purchase of one organization for incorporation into the parent firm.
Important differences distinguish these forms. As financial investment and risk increase, so does the control held by the lead company. Along this same line, the impact on the target company or lesser partner grows, as do the requirements for integration. If, for whatever reason, a combination does not live up to expectations (or if the needs of either party change), then the formal bonds of a merger or acquisition are much more difficult to undo than are the relatively time-bound and looser ties of an alliance or JV.

Research question 1e. To what way does the form of a combination influence its eventual strategic, financial and human outcomes?

PUTTING COMPANIES TOGETHER

After the deal receives legal clearance, the real work of integrating companies commences. Three aspects of M&A practice at this point beg research attention. First is the tendency for companies to fail to fully take account of the “human side” of M&A. Senior executives, once named to top posts, can’t relate to the uncertainty and insecurity experienced by employees down the line. Middle managers get caught up in their own anxiety and fail to communicate with their people. Meanwhile, HR departments are busy fire-fighting rather than moving the combination forward.

Second is the increasingly common practice of forming integration planning teams with membership from both sides of a deal. Too often, however, these teams are ill-equipped to work together. They frequently are marred by conflict, engage in horse-trading, or simply settle for low-common-denominator decisions.

Third, the clash of cultures tends to be downplayed or ignored. A survey of European managers involved in acquisitions and alliances found that technical issues were less instrumental in producing conflicts in work relationships than differences between corporate and national cultures (Marks & Mirvis, 2010). A majority also reported that senior executives did not initially regard such differences as important.

Research Questions on Combining Businesses

Thirty years ago, we identified the symptoms of the “Merger Syndrome” as a prime cause of the individual, organizational, and culture problems in M&A (Marks & Mirvis, 1985). The Merger Syndrome is a fusion of uncertainty and the likelihood of change, both favorable and unfavorable, that produces stress and ultimately affects perceptions and judgments, interpersonal relationships, and the dynamics of the combination itself. At the organizational level, the Syndrome is manifested by increased centralization and lessened communication, leaving people in the dark about the combination and fueling rumors and insecurities. This often produces worst-case-scenario thinking that distracts employees from regular duties. All of these hamper integration, reduce productivity, and contribute to turnover of key people.
In response to these combination challenges, scholars have identified a range of interventions to counter adverse emotional reactions at the individual level (cf., Seo & Hill, 2005), improve integration planning effectiveness at the group level (e.g., Bradley, 2003), and ease the clash of cultures (Chatman & Cha, 2003).

**Psychological Preparation**

One way to mollify the effects of the Merger Syndrome is a “realistic merger preview” that provides detailed information regarding the timeline of a combination, how it will affect employees, and other pertinent information. In a quasi-experimental study, researchers found that employees given a realistic preview of their merge rebounded more quickly from the negative effect in areas including job attitudes, trust toward the company, and job performance (Schweiger & DeNisi, 1991).

Other interventions include educating people through readings, presentations, or discussions of human factors in a combination. A more dynamic way is through merger sensitization workshops, role plays, and other experiential activities that help people develop a true feeling of what it is like to acquire or be acquired (Marks, 2003).

**Research question 2a.** What kinds of interventions best prepare people to cope with the stresses of a combination?

**Combination Mindsets**

Combination partners typically enter a deal with distinct mind-sets. In an acquisition, the buyer and seller usually have very different psychological perspectives on the deal. The victor-versus-vanquished outlook is also found in many mergers where one of the parties is clearly seen as the lead company. Psychological mind-sets certainly influence early dealings and can dominate the critical months of transition planning and implementation. They often carry over into the combined organization.

To the victor go the spoils. Certainly, bidding wars and hostile takeovers are exhilarating for the winners. But even in a friendly deal, there are few moments in an executive’s career that equal the intensity and satisfaction of buying another company. Acquiring another organization, or assuming the role of lead party in a merger or alliance, translates into a strong air of superiority. In contrast, being acquired often is debilitating to an organization and its people. From the start, in the case of a hostile deal or one imposed by the Board, there is a sense of violation: I have interviewed executives who liken it to rape and describe their buyer as an attacker or barbarian. Even in friendly deals, acquired managers often describe themselves as being “seduced” by promises that changes will be minimal, or as being “taken advantage of” once they are forced to accommodate the new owner’s demands.

Alternatively, there are mergers which look, from the get-go, to be combinations of equals, acquisitions where a smaller business is delighted to be part of a larger company, and alliances and JVs in which both sides equally invest.
Preconditions for this partnering mindset include trustworthy dealings, common interests, complementary skills, and a spirit of cooperative competitiveness.

Research question 2b. How enduring is impact of the adoption and expression of winner/loser mindsets on eventual integration planning and implementation and what steps can be taken to build partnering mindsets?

Adapting to Change

Concurrent with the development of insight into the range of human reactions to M&A has been the study of behavioral interventions to address their consequences (Jian, 2007). Many aim to help people to “let go” of past affiliations and practices and move toward the new behaviors and identifications (Bridges, 1991). But some address the socio-emotional aspects of adaptation. Mirvis and I have, for example, studied “grieving meetings” where people can mourn their losses and “bury” past associations. Others favor more cognitive approaches that have people, for instance, calculate the “plusses-and-minuses” of change. Still others emphasize acculturative interventions that bring people together quickly with counterparts from the other side. Finally, there are work-based interventions that stress the behavioral role of leaders and work groups in providing psychological support.

Research question 2c. What kinds of interventions – emotional, cognitive, acculturative, behavioral – help people to adapt to changes wrought by M&A? Is there a critical period in which interventions are more versus less effective in helping people prepare for and cope with the Merger Syndrome?

Transition Teaming

Like any other start-up group, transition teams go through stages of development before they get down to performing effectively. What complicates this is that these teams are populated by representatives from each company that have their own accustomed ways of analyzing issues, sorting options, and arriving at decisions. Furthermore, they have their own and their organization’s interests to protect. This is a setup for conflict (Mirvis, 1985). Undoubtedly, criteria used in team member selection, decisions about team leadership (e.g., single or dual-leaders and the person likely to head the function or an impartial figure) and about team composition (e.g., equal representation from both sides and commensurate levels of skill and tenure) influence team dynamics.

Research question 2d. What factors in transition team member selection, team composition and leadership, and team operations promote more or less effective team decisions?

Here, too, there have been interventions proposed to facilitate transition teaming that include team building exercises, third party process facilitation, and training in conflict resolution.

Research question 2e. What kinds of interventions work best in building transition team effectiveness in M&A?
Combating Culture Clash

Just as an organization cannot effectively run with multiple incompatible information systems, it cannot succeed with multiple incompatible cultures. But successful combinations do not require the partners to be “cultural clones.” In fact, a moderate degree of distinction between the partners’ cultures results in the most successful integrations – the parties have sufficient enough similarities to take advantage of the differences, but they are not so disparate as to be like “oil and water.”

A key question, then, is what drives a culture clash toward conflict versus synergy? Social identity theory suggests that people show a positive bias toward members of their own group and tend to hold a negative view about the members of an “out-group” in order to enhance the relative standing of their own kind (Tajfel, 1981; Turner, 1982). The in-group bias and “us-versus-them” comparisons are likely to be greatest when there is a perceived external threat, such as that posed by a combination.

A contrasting point-of-view is that cultural differences can be a source of value creation and learning. This perspective is largely based on the assumption that differences rather than similarities between combining organizations create opportunities for synergies and learning (Vermeulen & Barkema, 2001). Cultural differences, it is argued, can break rigidities in acquiring firms, help them to develop richer knowledge, and foster innovation and learning.

Research Question 2f. When do cultural differences contribute to versus detract from combination success?

A survey of CEOs who had attempted combinations found that “the major factor in failure was the underestimation of the difficulties of merging two cultures” and another study found that, while 80% of senior executives felt under-prepared to deal with culture, those that did give early attention to it were more likely to realize synergies (Kelly, 2006). In a field study, Schweiger and Goulet (2005) examined three levels of cultural learning during an acquisition – none, shallow, and deep – and found an interesting relationship between them and the subsequent integration of plants in an acquired firm. In the case of no learning, they found, not surprisingly, no relationship to eventual integration success or failure. By contrast, deep culture learning interventions, involving cross-company dialog, culture clarification workshops, and the like, had a strong, positive effect on integration success. Measured results included greater cross-cultural understanding, smoother resolution of cultural differences, more communication and cooperation between combining parties, and greater commitment to the combined organization. What fascinates in this study is that shallow learning – for example, show-and-tell presentations, official communiqués, informal Q&A, and such – did little to clarify and eliminate inaccurate cultural stereotypes or to reconcile differences between the partners. On the contrary, these had the undesirable effects of strengthening perceptions of cultural differences and reinforcing stereotypes that contributed to conflict between the organizations.