

Mergers and Acquisitions in Practice: A State-of-Art and Future Directions

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Abstract:

The frequency and scale of cross-border and domestic mergers and acquisitions have significantly increased during the past two decades in spite of continuous reports on their high failure rates (e.g., Cartwright and Cooper, 1996, 2000; Gomes, Weber, Brown, and Tarba, 2011; Junni, Sarala, Tarba, and Weber, 2015; Zhang, Ahammad, Tarba, Cooper, Glaister, and Wang, 2015). Surprisingly, research studies conducted in different research streams (business strategy, finance, accounting, organizational behavior, and human resource management) have generally failed to step into each other's turf, hence missing the opportunities for cross-fertilization (Weber and Tarba, 2010; Weber, Tarba, and Reichel, 2009).

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Several studies (Sarala, Junni, Cooper, and Tarba, Forthcoming; Weber and Tarba, 2014; Weber, Tarba, and Reichel, 2011; Gomes, Angwin, Weber, and Tarba, 2013) point out that most of the existing research on global mergers and acquisitions has not been systematic or linked to any comprehensive theory. Furthermore, rarely have models been proposed that were applicable across different organizations, as well as various national, cultural, and industry settings.

In our edited book we have compiled a diversity of chapters that deal with an M&A process highlighting the degree of organizational change and its resultant outcomes.

The chapter by Boateng, Lordofos, and Glaister considers the motives for cross-border M&As utilizing pre-merger press announcements and 44 post-merger interviews based on a sample of 22 companies from 8 European countries. Their findings suggest that there are no differences between the secondary data sources reporting the motives for M&As prior to the deal and the primary, first-hand data gathered from interviews with senior managers after the merger deal.

The next chapter by Ahammad, Tarba, Glaister, Kwan, Sarala, and Montanheiro, which explores the strategic motivation for cross-border mergers and acquisitions (CBM&As) for a sample of UK firms acquiring North American and European firms, lends support to the theories of strategic positioning and the resource-based view. The highest-ranked strategic motives for CBM&As are enabling presence in new markets, enabling faster entry to market, facilitating international expansion, gaining new capabilities and obtaining strategic assets.

The following chapter by Pinheiro, Aarrevaara, Nordstrand Berg, Geschwind, and Torjesen addresses the following question: ‘What can be learnt from public sector mergers that could assist in the planning and execution of successful strategic mergers more broadly?’ Undertaking a comprehensive literature review across two sectors of the economy – health and higher education – the authors investigate merger dynamics involving public hospitals and universities, and point to the existing gaps in the rationale for merging, the merger process, and the tangible effects.

Froese, Schmitz, and Wangenheim emphasize that despite the increasing importance of Chinese M&As, little research exists on the outward M&As of Chinese and other emerging market multinational enterprises (EM MNEs). To fill this void, their chapter is aimed at increasing our understanding of the cross-border M&As of Chinese MNEs into industrialized countries by investigating both the pre-M&A and post-M&A integration phase. The case of the Sany and Putzmeister acquisition, one of the most well-known Chinese M&A acquisitions in Germany, is used in order to illustrate their model.

The next chapter by Schweizer deals with the integration of an acquired, small biotechnology firm by a large pharmaceutical company. Based on the in-depth examination of organizational integration activities of German-based Merck’s acquisition of Boston-based Lexigen Pharmaceuticals, this chapter concludes by developing a practical post-acquisition integration framework.

The chapter by Cooke examines a number of specific human resource management (HRM) problems and challenges encountered in domestic and cross-border M&As. Drawing on empirical examples of extant studies on M&As in different organizational, industrial, national, and international contexts, it illustrates the complexity and difficulties M&A partners may experience, outlines some of the key HR activities throughout the M&A process, and, in doing so, reveals the dynamics of political, institutional, cultural, and psychological factors at play in post-M&A integration.

The following chapter by Humborstad, Solberg, Junni, and Giessner systematically reviews four relevant theoretical landscapes addressing human resource issues in M&As in an effort to provide a more comprehensive picture of the role that HRM plays in facilitating the M&A

process and explain how its implementation can contribute to M&A success. Conditions under which HRM should be most effective in facilitating positive M&A outcomes are also addressed.

In the next chapter Kroon presents a study of two recently merged dairy firms in the Netherlands in order to illustrate the importance of employee communication and perceived organizational cultural differences as determinants of employees' identification with the post-merger organization. Specifically, he shows that a perceived communication climate mediates the relation between merger communication and post-merger identification, and merger communication moderates the relation between cultural differences and post-merger identification.

Building on literature on multiple identities and identity complexity, the chapter by Lupina-Wegener and van Dick reveals that constructing a shared identity is crucial to the success of mergers and acquisitions, and has been typically conceptualized as both *content* – i.e. the perception of a common in-group identity – and *process* – i.e. the degree of identification with the new organization. Moreover, it extends current operationalization of a shared identity in M&As by introducing a more nuanced concept of multiple shared identities (MSI) that accounts for multiple group memberships that are shared by organizational members.

The following chapter by Witzmann and Dörrenbächer attempts to clarify whether cultural due diligence (CDD) is a necessary prerequisite for successful post-merger integration (PMI). It concludes that the CDD process creates considerable value for the subsequent PMI as it facilitates a fast and smooth cultural integration and as such accelerates the operative integration of M&As.

Alas, Elenurm, Allikmäe, and Varts examine the Estonian Hansabank's acquisition of the Lithuanian Lietuvos Taupomasis Bankas. They explore whether activities of the personnel department, such as staffing the new structure and top management team development, were key success factors that helped to improve the management of the Lithuanian bank and achieve the desired organizational culture. By doing so, they enhance our understanding of the role of human resource management in change management processes resulting from cross-border acquisitions in transition economies.

Bauer, Strobl, and Matzler review the studies that indicate positive, negative, U-shaped, inverted U-shaped, and non-significant relationships between acquisition experience and performance. Drawing a more fine-grained and nuanced perspective on acquisition experience, their chapter investigates why, when, and how acquisition experience can have beneficial or detrimental effects.

The final chapter by Kwan presents a comprehensive review of relevant theories and methods from the strategy literature on organizational learning (market-based view, resource-based view, knowledge-based view, and transaction-cost approach) and the finance literature on valuation (the discounted cash flow, real options, and event study methods), applying them to the strategic alliances and thus deepening our understanding of these important and complex business transactions.

We hope that the chapters in this book, taken together, will encourage further research on mergers and acquisitions, and provide important insights to both scholars and executives.

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