Qualitative mergers&acquisitions research: a review

Michael Grant, Lars Frimanson & Fredrik Nilsson
Department of Business Studies, Uppsala University

ABSTRACT

This paper reviews extant qualitative M&A research published during the last ten years, 2001-2010, in top ranked international journals. This research is characterized as following the M&A process and research streams within M&A. We also outline some general contributions and suggest directions for future research.

1. Introduction

As empirical research in mergers and acquisitions (M&A) has grown in recent decades, it has employed an interesting variety of theoretical perspectives to address an increasing range of important and complex questions. Separate streams of empirical M&A research have developed, each with its own distinctive set of questions and research agendas (Cartwright and Schoenberg, 2006). It is not an exaggeration to state that papers adopting quantitative methodologies dominate M&A research published in top academic journals. Finance and strategic management are two common streams in which quantitative methodology is salient. Several important insights about the causes, consequences and structures of complex M&A phenomena have been published in top academic journals from these and other streams, including accounting and sociology (Haleblian et al, 2009; Barkema and Schjiven, 2008; Cartwright and Schoenberg, 2006; King et al , 2004). Quantitative M&A research, it appears, has found its place in top journals.

Qualitative M&A field research is far less often published in top academic journals. This is interesting given the high complexity of M&A processes. The advancement of knowledge in this area would benefit from qualitative research since it is better designed for examining M&A settings in which explanations are many, complex and contradictory in space and over time (Meglio and Risberg, 2010). A limitation of quantitative research is that it fails to account for the detailed cultural, organizational and social dimensions of M&A processes.

Such dimensions are the domains of qualitative field research, and therefore the reasons behind some critique of quantitative research. Meglio and Risberg (2010), for example, argue for a methodological rejuvenation. They suggest we need to complement the current bias toward cross-sectional research designs based on functionalistic, positivistic and quantitative models of explanations. Instead we need more of longitudinal designs based on primary qualitative field data if we want to expand our knowledge beyond recurrently researched phenomenon such as success and failure outcomes. Rather than examining causes and consequences of M&A, qualitative field research must seek to understand what is going on in M&A processes, and how people experience these processes (Meglio and Risberg, 2010; Risberg, 2006). So, the question is: What do we know from qualitative M&A field research published in top academic journals?

The first aim with this paper is to review the substantive contributions of the qualitative M&A field research published in 4* and 4 ranked journals in the Associations of Business Schools' list from 2001 to 2010.

The second aim of is to reflect on selected findings and outline future new and interesting avenues for the interrogation and study of the M&A phenomena.

The remainder of this paper is structured as follows. First we present our methodology thereafter we characterize the qualitative research following the M&A process and previous research streams in M&A, and finally we present some tentative conclusions.

2. Methodology

We have conducted a systematic review which followed four steps. First, we focused on M&A research published during the last ten years, 2001-2010, in top ranked international journals. We also wanted to cover all areas within business studies to capture the whole acquisition process. Therefore we selected journals by using the 2010 list published by ABS (Association of Business Schools). This guide is designed to primarily serve the needs of business and management research. The ranking is based on peer review, statistical information relating to citation and editorial judgments. 94 journals were selected, (marked with the two highest categories 4* and 4).

The last ten years was selected as a reasonable time frame, since we wanted to cover the current state of M&A research. Furthermore, other scholars have indicated that qualitative

studies are more likely to have been done during later years (e.g. Cartwright and Schoenberg, 2006; Haleblian et al., 2009; Meglio and Risberg, 2010).

As a second step, within these journals, we did an abstract *search* on the keywords *Merger, merge*, acquisition, divestment, divest*, takeover, buyout, spin-off, IPO and private equity*. This also included the plural form. For all of the articles, the title and abstract was read in order to identify if the article could be classified as a M&A study[1]. If the abstract did not give clear guidance the article would be read partly or in its entirety.

The third step consisted of going through the sections describing the method and data to determine whether the study was qualitative. As a final step the articles were read and analyzed. 593 articles were defined as being M&A articles of which 52 were classified as qualitative studies.

3. Characterizing qualitative M&A research and some tentative conclusions

In this section of the paper we present some tentative general contributions of the qualitative research to the M&A field, based on the review of the extant qualitative studies of the M&A field (which will be presented in "the full paper"). In this working document we have provided examples of papers included in our review in the Appendix. The papers are characterized along two dimensions, the M&A process and research streams within M&A. The pre-merger studies focus on events or activities that mainly takes place in the pre-merger phase. The pre- and post-merger studies cover activities in both the pre-and the post-merger phases. The post-merger studies are classified based on their main research perspective being strategic, human resource, or cultural (Angwin and Vaara 2005). An additional category is communication, which is an important part of the integration process (Risberg, 2006).[2]

<u>Some tentative conclusions</u>

At this stage of the paper, to illustrate, we provide examples of initial thoughts on the general contributions of the reviewed qualitative M&A research to the understanding of the M&A phenomenon.

[1] The concepts of mergers and acquisitions (M&A), the M&A process and qualitative studies are elaborated on and defined in the "full version" of the paper. In this paper the terms acquisition, merger or M&A are used interchangeably.

[2] The perspectives chosen may overlap and the different papers may be placed in several categories..

Why do firms acquire?

Several of the studies show the complexity and add insights to motives, processes and factors leading organizations to undertake M&As. Examples are the prevalence of multiple motives, sometimes contradictory, of which some might be short-term and others long-term. These studies also demonstrate the dynamics of the acquisition process, institutional pressure and the role of other stakeholders than the acquiring firm and its shareholders.

Length and pace of integration processes

Some studies show that the impact on the organizations involved can start long before the acquisition has taken place and that the integration process may proceed in different phases over many years. The dynamics and incremental change of the integration are examples of other findings.

Dynamics and complexity of change in integration processes

Several studies illustrate the complexity of changing culture and identities. For example these studies show how multiple organizational and professional identities can exist within the same organization and become impediments to integrating the two organizations. They also show how elements like national and cultural identities are actively used and constructed as symbolic resources by members in the organization to serve their purposes.

Researched phase	Author(s)	Theoretical perspective	Research question	Research design	Research context	Data and method	Perspective of analysis	Main findings
Pre-merger	Graebner and Eisenhardt (2004)	Inductive theory building	When and to whom do company leaders sell their firms?	Multiple-case study	12 technology-based entrepreneurial firms in US	Qualitative and quantitative seller and buyer data from interviews (>80), e-mails, phone calls and archives	Seller	Identify three sell factors: two push-factors, strategic hurdles (CEO, sales ramp-up, funding, product portfolio) and personal motivation (major life change, increased risk aversion), and one pull-factor, attraction of buyers (combination potential, organizational rapport, and price). Contrast takeover and agency perspectives by developing an alternative framework; acquisition as courtship and corporate governance as a syndicate.
	Thornton (2001)	Economic and structural contingency and resource dependence	How do the institutional and historical conditions affect the risk of being acquired?	Qualitative and quantitative analysis.	Higher education and publishing market during 1958-1990.	Qualitative and quantitative industry data from interviews (>33) and archives.	Industry	Identification of two institutional logics editorial (personal) and market logic with different determinants of acquisition.
Pre- and post-merger	Brauer (2009)	Eclectic: various manager involvement factors	What are the key factors influencing managers involvement in divestments?	Single case study	A European technology company divesting four business units.	Qualitative and quantitative seller data from interviews (17), e-mails, phone calls and archives	Seller	The study indicates that multiple, interrelated, external and internal contingency factors influence the involvement of corporate and divisional managers in the initiation and execution of divestments.

	Graebner (2009)	Interorganizational trust	To study trust and deception between buyers and sellers.	Multiple-case study	12 technology-based entrepreneurial firms in US	Qualitative and quantitative seller and buyer data from interviews (>80), e-mails, phone calls and archives	Buyer and seller	The study show how trust of their counterparts are different for sellers and buyers. The author describe how these asymmetries emerge and develop and impact the acquisition process including deceptions.
	Kim (2006)	Geographic scale and actor-networks	Understanding global strategies and activities of TNCs (Trans-National Corporations)	Comparative case study	Two TNCs present in South Korea.	Qualitative and quantitative buyer and competitor data from interviews (6 interviewees) and archives	Buyer and a competitor	The cases indicate that interactions among several different actors, and socio-economic and cultural practices and norms, are dynamic. This leads to complex and unpredictable economic outcomes and reconfigurations of in networks.
	Fulop et al (2005)	Eclectic: organisational change	Understanding the integration processes of mergers in the context of stated and unstated motives.	Four case studies	Four health care mergers in UK	Qualitative internal and external stakeholder data from interviews (131 interviewees) and archives	The merged organisations	
	Savage (2004)	Labor geography	How did a local union influence the shape of a merger between two hospitals?	Single Case study	The merger between a public and private hospital in Boston.	Four interviews with two key union leaders. Newspapers incl. their coverage of press conferences. City records and union documents.	The local union	The study shows how a local labor union were able to launch a highly public campaign and built coalitions with other unions and public healthcare advocates and thus were able to play an instrumental role in influencing the terms of the merger. The result was a merger agreement with significant protection for

								quality public healthcare and favourable employment conditions.
	Kitchener (2002)	New institutional, political science and social movement.	What are the antecedents, processes and implications of uncritical adoption of mergers in professional organizations?	Single Case study	Two academic healthcare centres in California.	Qualitative and quantitative merger parties data from interviews (11 key informants) and archives	The merger parties	The study shows how political choices caused the shift to an institutional market-managerial logic from the logic of professionalism in health care. It also describes how executive board members of the academic health care centres, the business press and management consultants uncritically adopted a standard ´merger is effective' myth. The result was a merger with dysfunctional outcomes and the merger was subsequently broken up. The author argue that managerial agency was important and could be viewed as managers selecting innovations from a menu of legitimized options varying over time.
	Morris (2001)	Atheoretical	How is a union merger achieved between three traditionally rival unions and what are the consequences of the merger for unions in the sector?	Single case study	The merger between three unions in the British retail finance sector.	Qualitative and quantitative data from interviews (with managers from unions and the financial sector) and archives.	The three merger parties	The study draw attention to new factors, in the union merger literature, explaining reasons for union mergers. The study also concludes that several unions still can exist in the sector.

	Wood (2001)	Eclectic: portfolio restructuring factors	The study explores how portfolio restructuring interacts with US antitrust regulation in local markets.	Single case study	A US department store acquisition.	Over 30 interviews with executives at the acquirer and target company, academics and equity analysts. Archival		The study shows how investment decisions are influenced by the regulation and also impact the regulatory environment. The case illustrates how an acquirer restructured its geography in the premerger stage to conform to the regulatory policy and improve the strategic fit of the transaction.

REFERENCES

Ailon-Souday, G., & Kunda, G. (2003). The Local Selves of Global Workers: The Social Construction of National Identity in the Face of Organizational Globalization. *Organization Studies, 24*(7), 1073-1096.

Angwin, D., & Vaara, E. (2005). Introduction to the Special Issue. 'Connectivity' in Merging Organizations: Beyond Traditional Cultural Perspectives. *Organization Studies, 26*(10), 1445-1453.

Barkema, H. G., & Schijven, M. (2008). How Do Firms Learn to Make Acquisitions? A Review of Past Research and an Agenda for the Future. *Journal of Management, 34*(3), 594-634.

Boselie, P., & Koene, B. (2010). Private equity and human resource management: 'Barbarians at the gate!' HR's wake-up call? *Human Relations, 63*(9), 1297-1319.

Brannen, M. Y., & Peterson, M. F. (2009). Merging without alienating: interventions promoting cross-cultural organizational integration and their limitations. *Journal of International Business Studies, 40*(3), 468-489.

Brauer, M. (2009). Corporate and Divisional Manager Involvement in Divestitures – a Contingent Analysis. *British Journal of Management, 20*(3), 341-362.

Bresman, H., Birkinshaw, J., & Nobel, R. (2010). Knowledge transfer in international acquisitions. *Journal of International Business Studies, 41*(1), 5-20.

Brown, A. D., & Humphreys, M. (2006). Organizational Identity and Place: A Discursive Exploration of Hegemony and Resistance. *Journal of Management Studies, 43*(2), 231-257.

Cartwright, S. & Schoenberg, R. 2006. Thirty Years of Mergers and Acquisitions Research: Recent Advances and Future Opportunities. *British Journal of Management,* 17**,** S1-S5.

Clark, S. M. (2010). Transitional Identity as a Facilitator of Organizational Identity Change during a Merger. *Administrative Science Quarterly, 55*, 397-438.

Corley, K. G. (2004). Defined by our strategy or our culture? Hierarchical differences in perceptions of organizational identity and change. *Human Relations, 57*(9), 1145-1177.

Corley, K. G., & Gioia, D. A. (2004). Identity Ambiguity and Change in the Wake of a Corporate Spin-off. *Administrative Science Quarterly, 49*(2), 173-208.

Dackert, I., Jackson, P. R., Brenner, S.-O., & Johansson, C. R. (2003). Eliciting and Analysing Employees' Expectations of a Merger. *Human Relations, 56*(6), 705-725.

Denis, J.-L., Lamothe, L., & Langley, A. (2001). The dynamics of collective leadership and strategic change in pluralistic organizations. *Academy of Management Journal, 44*(4), 809-837.

Empson, L. (2001). Fear of Exploitation and Fear of Contamination: Impediments to Knowledge Transfer in Mergers between Professional Service Firms. *Human Relations, 54*(7), 839-862.

Empson, L. (2004). Organizational identity change: managerial regulation and member identification in an accounting firm acquisition. [Article]. *Accounting, Organizations & Society, 29*(8), 759-781.

Ford, J., & Harding, N. (2003). Invoking Satan or the Ethics of the Employment Contract. *Journal of Management Studies, 40*(5), 1131-1150.

Fulop, N., Protopsaltis, G., King, A., Allen, P., Hutchings, A., & Normand, C. (2005). Changing organisations: a study of the context and processes of mergers of health care providers in England. *Social Science & Medicine, 60*(1), 119-130.

Graebner, M. E. (2004). Momentum and serendipity: How acquired leaders create value in the integration of technology. *Strategic Management Journal, 25*(8/9), 751-777.

Graebner, M. E. (2009). Caveat venditor: trust assymetries in acquisitions of entrepreneurial firms. *Academy of Management Journal, 52*(3), 435-472.

Graebner, M. E., & Eisenhardt, K. M. (2004). The Seller's Side of the Story: Acquisition as Courtship and Governance as Syndicate in Entrepreneurial Firms. *Administrative Science Quarterly, 49*(3), 366-403.

Haleblian, J., Devers, C., McNamara, G., Carpenter, M. & Davison, R. 2009. Taking stock of what we know about mergers and acquisitions: A review and research agenda. *Journal of Management,* 35**,** 469.

Harwood, I. (2006). Confidentiality Constraints Within Mergers and Acquisitions: Gaining Insights Through a 'Bubble' Metaphor. *British Journal of Management, 17*(4), 347-359.

Hellgren, B., Löwstedt, J., Puttonen, L., Tienari, J., Vaara, E., & Werr, A. (2002). How Issues Become (Re)constructed in the Media: Discursive Practices in the AstraZeneca Merger. *British Journal of Management, 13*(2), 123.

Kavanagh, M. H., & Ashkanasy, N. M. (2006). The Impact of Leadership and Change Management Strategy on Organizational Culture and Individual Acceptance of Change during a Merger. *British Journal of Management, 17*(S1), S81-S103.

Keller, B. (2005). Union Formation through Merger: The Case of Ver.di in Germany. *British Journal of Industrial Relations, 43*(2), 209-232.

Kim, S.-J. (2006). Networks, Scale, and Transnational Corporations: The Case of the South Korean Seed Industry. *Economic Geography, 82*(3), 317-338.

King, D. R., Dalton, D. R., Daily, C. M., & Covin, J. G. (2004). Meta-Analyses of Post-Acquisition Performance: Indications of Unidentified Moderators. *Strategic Management Journal, 25*(2), 187-200.

Kitchener, M. (2002). Mobilizing the Logic of Managerialism in Professional Fields: The Case of Academic Health Centre Mergers. *Organization Studies, 23*(3), 391-420.

Llewellyn, S. (2007). Introducing the Agents. *Organization Studies, 28*(2), 133-153.

Maguire, S., & Phillips, N. (2008). 'Citibankers' at Citigroup: A Study of the Loss of Institutional Trust after a Merger. *Journal of Management Studies, 45*(2), 372-401.

Marks, M. L., & Vansteenkiste, R. (2008). Preparing for organizational death: Proactive HR engagement in an organizational transition. *Human Resource Management, 47*(4), 809-827.

Meglio, O. & Risberg, A. 2010. Mergers and acquisitions--Time for a methodological rejuvenation of the field? *Scandinavian Journal of Management,* 26**,** 87-95.

Meyer, C. B. (2001). Allocation Processes in Mergers and Acquisitions: An Organizational Justice Perspective. *British Journal of Management, 12*(1), 47.

Meyer, C. B., & Altenborg, E. (2007). The Disintegrating Effects of Equality: A Study of a Failed International Merger. *British Journal of Management, 18*(3), 257-271.

Meyer, C. B., & Altenborg, E. (2008). Incompatible strategies in international mergers: the failed merger between Telia and Telenor. *Journal of International Business Studies, 39*(3), 508-525.

Meyer, K. E. (2006). Globalfocusing: From Domestic Conglomerates to Global Specialists. *Journal of Management Studies, 43*(5), 1109-1144.

Morris, T. (2001). Industry Change and Union Mergers in British Retail Finance. *British Journal of Industrial Relations, 39*(2), 237.

Mtar, M. (2010). Institutional, Industry and Power Effects on Integration in Cross-border Acquisitions. *Organization Studies, 31*(8), 1099-1127.

Ng, W., & De Cock, C. (2002). Battle in the boardroom: A discursive perspective. Jo*urnal of Management Studies, 39*(1), 23-49.

Ranft, A. L., & Lord, M. D. (2002). Acquiring New Technologies and Capabilities: A Grounded Model of Acquisition Implementation. *Organization Science, 13*(4), 420-441.

Riad, S. (2005). The Power of 'Organizational Culture' as a Discursive Formation in Merger Integration. *Organization Studies, 26*(10), 1529-1554.

Risberg, A. (2006). *Mergers and acquisitions: a critical reader*: Routledge.

Savage, L. (2004). Public sector unions shaping hospital privatization: the creation of Boston Medical Center. *Environment and Planning A, 36*(3), 547-568.

Schweizer, L. (2005). Organizational integration of acquired biotechnology companies into pharmaceutical companies: the need for a hybrid approach. *Academy of Management Journal, 48*(6), 1051-1074.

Spedale, S., Van Den Bosch, F. A. J., & Volberda, H. W. (2007). Preservation and Dissolution of the Target Firm's Embedded Ties in Acquisitions. *Organization Studies, 28*(8), 1169-1196.

Teerikangas, S. (2010). Dynamics of Acquired Firm Pre-Acquisition Employee Reactions. *Journal of Management*.

Thornton, P. H. (2001). Personal versus Market Logics of Control: A Historically Contingent Theory of the Risk of Acquisition. *Organization Science, 12*(3), 294-311.

Ullrich, J., Wieseke, J., & Van Dick, R. (2005). Continuity and Change in Mergers and Acquisitions: A Social Identity Case Study of a German Industrial Merger. *Journal of Management Studies, 42*(8), 1549-1569.

Vaara, E. (2002). On the Discursive Construction of Success/Failure in Narratives of Post-Merger Integration. *Organization Studies, 23*(2), 211-248.

Vaara, E. (2003). Post-acquisition Integration as Sensemaking: Glimpses of Ambiguity, Confusion, Hypocrisy, and Politicization. *Journal of Management Studies, 40*(4), 859-894.

Vaara, E., & Monin, P. (2010). A Recursive Perspective on Discursive Legitimation and Organizational Action in Mergers and Acquisitions. *Organization Science, 21*(1), 3-22.

Vaara, E., Tienari, J., & Laurila, J. (2006). Pulp and Paper Fiction: On the Discursive Legitimation of Global Industrial Restructuring. *Organization Studies, 27*(6), 789-813.

Vaara, E., Tienari, J., Piekkari, R., & Säntti, R. (2005). Language and the Circuits of Power in a Merging Multinational Corporation. *Journal of Management Studies, 42*(3), 595-623.

Vaara, E., Tienari, J., & Säntti, R. (2003). The International Match: Metaphors as Vehicles of Social Identity-Building in Cross-Border Mergers. *Human Relations, 56*(4), 419-451.

Wallis, E., & Winterton, J. (2001). Industrial Relations in Privatized UK Mining: A Contingency Strategy? *British Journal of Industrial Relations, 39*(4), 565.

van Vuuren, M., Beelen, P., & de Jong, M. D. T. (2010). Speaking of dominance, status differences, and identification: Making sense of a merger. *Journal of Occupational & Organizational Psychology, 83*(3), 627-643.

Wood, S. (2001). Regulatory constrained portfolio restructuring: the US department store industry in the 1990s. *Environment and Planning A, 33*(7), 1279-1304.

Yu, J., Engleman, R. M., & Van de Ven, A. H. (2005). The Integration Journey: An Attention-Based View of the Merger and Acquisition Integration Process. Organization Studies, 26(10), 1501-1528.