Qualitative mergers & acquisitions research: a review

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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 study1. 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

Some tentative conclusions

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.
<table>
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<th>Researched phase</th>
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<td>Pre-merger</td>
<td>Graebner and Eisenhardt (2004)</td>
<td>Inductive theory building</td>
<td>When and to whom do company leaders sell their firms?</td>
<td>Multiple-case study</td>
<td>12 technology-based entrepreneurial firms in US</td>
<td>Qualitative and quantitative seller and buyer data from interviews (&gt;80), e-mails, phone calls and archives</td>
<td>Seller</td>
<td>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.</td>
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<td></td>
<td>Thornton (2001)</td>
<td>Economic and structural contingency and resource dependence</td>
<td>How do the institutional and historical conditions affect the risk of being acquired?</td>
<td>Qualitative and quantitative analysis</td>
<td>Higher education and publishing market during 1958-1990.</td>
<td>Qualitative and quantitative industry data from interviews (&gt;33) and archives.</td>
<td>Industry</td>
<td>Identification of two institutional logics editorial (personal) and market logic with different determinants of acquisition.</td>
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<td>Pre- and post-merger</td>
<td>Brauer (2009)</td>
<td>Eclectic: various manager involvement factors</td>
<td>What are the key factors influencing managers involvement in divestments?</td>
<td>Single case study</td>
<td>A European technology company divesting four business units.</td>
<td>Qualitative and quantitative seller data from interviews (17), e-mails, phone calls and archives</td>
<td>Seller</td>
<td>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.</td>
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<td>Overview</td>
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<td><strong>Graebner (2009)</strong></td>
<td>Interorganizational trust</td>
<td>To study trust and deception between buyers and sellers. Multiple-case study of 12 technology-based entrepreneurial firms in the US. Qualitative and quantitative seller and buyer data from interviews (&gt;80), e-mails, phone calls, and archives. Buyer and seller. The study shows how trust of their counterparts are different for sellers and buyers. The author describes how these asymmetries emerge and develop and impact the acquisition process, including deceptions.</td>
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<td><strong>Kim (2006)</strong></td>
<td>Geographic scale and actor-networks</td>
<td>Understanding global strategies and activities of TNCs (Trans-National Corporations). Comparative case study of 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 the networks.</td>
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<td><strong>Fulop et al. (2005)</strong></td>
<td>Eclectic: organisational change</td>
<td>Understanding the integration processes of mergers in the context of stated and unstated motives. Four case studies of four health care mergers in the UK. Qualitative internal and external stakeholder data from interviews (131 interviewees) and archives. The merged organisations. The study understanding the integration processes of mergers in the context of stated and unstated motives. Four case studies of four health care mergers in the UK. Qualitative internal and external stakeholder data from interviews (131 interviewees) and archives. The merged organisations.</td>
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<td><strong>Savage (2004)</strong></td>
<td>Labor geography</td>
<td>How did a local union influence the shape of a merger between two hospitals? Single Case study of 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 build 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...</td>
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<td>Kitchener (2002)</td>
<td>New institutional, political science and social movement.</td>
<td>What are the antecedents, processes and implications of uncritical adoption of mergers in professional organizations?</td>
<td>Single Case study</td>
<td>Two academic healthcare centres in California.</td>
<td>Qualitative and quantitative merger parties data from interviews (11 key informants) and archives</td>
<td>The merger parties</td>
<td>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.</td>
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<td>Morris (2001)</td>
<td>Atheoretical</td>
<td>How is a union merger achieved between three traditionally rival unions and what are the consequences of the merger for unions in the sector?</td>
<td>Single case study</td>
<td>The merger between three unions in the British retail finance sector.</td>
<td>Qualitative and quantitative data from interviews (with managers from unions and the financial sector) and archives.</td>
<td>The three merger parties</td>
<td>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.</td>
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<td>Wood (2001)</td>
<td>Eclectic: portfolio restructuring factors</td>
<td>The study explores how portfolio restructuring interacts with US antitrust regulation in local markets.</td>
<td>Single case study</td>
<td>A US department store acquisition.</td>
<td>Over 30 interviews with executives at the acquirer and target company, academics and equity analysts. Archival</td>
<td>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.</td>
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REFERENCES


