

Understanding the Unpredictable: Beyond Traditional Research on Mergers and Acquisitions

Abstract

Traditional M&A research has failed to find answers to improve the continuing high failure rates of mergers and acquisitions. The most frequently studied variables have offered no consistent explanations why some firms succeed at implementing M&A changes and others fail. The unpredictable behavior of mergers and acquisitions remains a mystery. This study suggests that the behavior of mergers and acquisitions parallel the nonlinear behavior of complex adaptive systems as conceptualized in complexity science – where outcomes seem unrelated to perceived causes. This qualitative study undertook an innovative approach of using complexity theory to explore individual level dynamics between M&A personnel. It was there, within the interactions between M&A actors, that multiple dimensions and priorities of communication were uncovered as the factors consistently present within successful mergers and acquisitions.

Keywords:

Mergers & Acquisitions; Complex Adaptive Systems; Commitment to Change

Introduction

The poor financial returns and high failure rates of mergers and acquisitions (M&A) have been thoroughly documented. Researchers have indicated that approximately 70 – 80% of mergers and acquisitions do not create significant value above the annual cost of capital (Bruner, 2002). Even conservative estimates place M&A failure rates at approximately 50% or higher for nearly four decades (Coffey, Garrow, & Holbeche, 2003; Kitching, 1974; Rostand, 1994). Despite this conspicuously disappointing history, global M&A activity continues to increase at a phenomenal rate climbing from \$1.9 trillion in 2004 (Susan Cartwright & Schoenberg, 2006) to a record-breaking \$4.35 trillion in 2007 (Reuters, 2008). Only the 2008 global financial crisis could slow M&A activity with 2008 activity topping out at \$2.89 trillion, ending 5 years of spectacular growth (Vranceanu, 2009). With trillions of dollars in transactions at risk each year, it is imperative for researchers and practitioners to find ways to curb M&A failures.

Unfortunately, fifty years of M&A research have had no measurable impact on failure rates (S. Cartwright, 2005). Researchers continue to be bewildered by the unpredictable nature of mergers and acquisitions, concluding their studies with statements such as “a huge portion of variance remains unexplained” (Stahl & Voigt, 2004), “the most disturbing outcome of any acquisition study survey is the bewildering spectrum of results, frequently even producing opposite results” (Tichy, 2001), and “changes to both M&A theory and research may be needed” (King, Dalton, Daily, & Covin, 2004). Evidently, innovative approaches to M&A research are warranted.

One such approach may be the application of complexity science. Complexity science has been used to explain and manage organizational change in environments of uncertainty (Brodbeck, 2002; Chaudhuri, 2005; Mitleton-Kelly, 2004). Complexity theorists expect the

seemingly unpredictable behavior that has confounded many M&A researchers from other disciplines. The overall purpose of the present study was to utilize the principles of complexity science to identify and explore the variables that drive nonlinear behavior¹ within mergers and acquisitions.

Research Question and Conceptual Model

The conceptual model shown in Figure 1 graphically depicts the specific focus of the research -- how openness, shared vision, and a positive emotional attractor between M&A actors² impact their ability to successfully adapt to M&A related changes. The dependent variable, Adaptability to Change describes an actor's adaptability level toward M&A related changes, such as new organizational norms, structures, and procedures. The independent variable, Openness, refers to the sincerity of message sending and receiving behaviors between M&A actors. The mediating variable, Positive Emotional Attractor, describes the focus of M&A actors on positive factors such as organizational strengths, achievements, and optimistic future possibilities. Another mediating variable, Shared Vision, describes the degree that M&A actors share a common vision of the newly constituted firm's future.

Insert Figure 1 about here

The model suggests that M&A personnel³ who openly communicate create a positive emotional environment which enables them to more readily adapt to change. M&A changes can place tremendous stress on personnel, especially if time constraints are present. Openness can build a positive emotional environment by providing accurate information, resolving conflicts, and building relationships. The increase in positivity helps to focus personnel on factors such as possibilities, strengths and optimism that enhance their willingness to adapt to M&A related

changes.

Openness between M&A actors also helps them to communicate and align their visions of the firm's future. As their visions become more congruent and they begin to act toward building that future, the positivity in the workplace increases. Getting newly acquired employees to "buy-in" to the new corporate vision is a common goal of parent company executives.

Literature Review

The literature review begins with an overview on complex adaptive systems. Next, research is presented that conceptualizes organizations as complex adaptive systems, including mergers and acquisitions. The Literature Review concludes by reviewing research on each of the variables in the conceptual model.

Overview of Complex Adaptive Systems

The concept of complex adaptive systems is fundamental to complexity science. Understanding these systems depends on an ability to discern how simple interactions between agents form highly adaptive and complex aggregates (Holland, 1995). Complex adaptive systems consist of agents who act and react based on some sort of stimulus, their own schema⁴, and the actions of other agents, either inside or outside the system (Dooley, 2004). As each agent acts and reacts, they create feedback loops, meaning the action of a single agent causes a series of chain reactions which eventually return to affect its own actions (R. D. Stacey, 1995). Agents' schema may consist of one rule, a set of rules, fuzzy rules⁵, or any agent may change its schema, normally in an effort to improve its fitness⁶ (Anderson, 1999). Because the individual behavior of each agent can change, the collective outcome of the system can also change. In other words, the system can adapt, or self-organize, as required to accommodate change stimuli in its immediate environment. As the responses from change stimuli reverberate through a CAS,

extremely complex behavior can result, producing outcomes seemingly unrelated to their perceived causes.

Complex adaptive systems can exhibit very different behaviors depending on the schema of its agents (Anderson, 1999; Burnes, 2005). Per Stacey (1995), when the agents of a system are not open to changing their rules of interaction, their behavior settles into predictability. No matter how many stimuli are applied to this system, it will eventually produce a predictable pattern of outcomes. This is called a negative feedback loop. Negative feedback loops produce system behavior that is stable, rigid and predictable.

When the agents of a system are open to changing their rules of interaction, each iteration of stimuli can result in totally different outcomes. In fact, small changes in stimuli can result in remarkably different outcomes. This is called a positive feedback loop. Positive feedback loops produce system behavior that is unstable, fragmented and unpredictable (R. D. Stacey, 1995).

Complexity theorists suggest that complex adaptive systems can exhibit a third type of behavior, one that “is neither stable nor unstable but both at the same time” (R. D. Stacey, 1995). Agents in this system are open to changing their schema, but only according to some sort of shared focus or qualitative structure (Blackwell, 1998). This phenomenon is known by several names such as bounded instability, far from equilibrium, between order and disorder, edge of chaos, strange or fractal attractors, or chaotic interaction (Anderson, 1999; Brodbeck, 2002; Burnes, 2005; Dooley, 2004; Reason, 1999; Remer, 2003; R. Stacey, 1996; R. D. Stacey, 1995). It has been suggested that human systems evolve to a state of bounded instability because it is there, and only there, that they are both fluid and stable enough to creatively adapt to dynamic changes in other living systems (Kauffman, 1993). In other words, bounded instability is the most adaptive and creative state that a complex adaptive system can achieve.

Mergers and Acquisitions as Complex Adaptive Systems

Complexity science offers appealing metaphors and concepts to analyze business organizations as complex adaptive systems (Lewin, Parker, & Regine, 1998). However, it has only been in the last decade that a sufficient body of academic work has been amassed to allow those studying organizations to recognize its potential (Burnes, 2005). Much of the credit for initiating the link between complexity theories and organizational research must go to Ralph Stacey and his colleagues at the Complexity and Management Centre at the University of Hertfordshire (Burnes, 2005). Through the efforts of Stacey and other researchers, the application of complexity science to organizational research has extended beyond academia to leading business consultants such as Coopers & Lybrand, McKinsey, and Ernst & Young, who have incorporated complexity science into their practices (Tetenbaum, 1998).

Complexity theory is increasingly being seen as a viable perspective for not only understanding organizations, but to explain and manage organizational change as well (Burnes, 2005). Because the M&A process traditionally involves accelerated organizational change, the complexity perspective has also been applied to mergers and acquisitions. For example, in a case study of an international engineering firm, complexity science concepts were used to overcome significant cultural differences between the parent company and its acquisition of several small firms (Mitleton-Kelly, 2004). In a related study of a firm in the service sector, complexity science was used to explain the failing of its merger, which according to traditional M&A theory and practice, was expected to succeed (Mitleton-Kelly, 2004). Even in nontraditional industries such as healthcare, research has suggested that a complexity science perspective could offer innovation-driven alternatives to the cost-driven M&A activity that has contributed heavily to the rising cost of healthcare (Zimmerman & Dooley, 1999). Indeed,

complexity science has been shown to be a useful tool in providing insights into increasing M&A success rates across a diverse range of industries and scenarios.

Figure 2 depicts a simple model of a merged or acquired firm as a Complex Adaptive System (CAS). As M&A related changes are introduced to the agents, the system reacts as a complex adaptive system, resulting in rigid (stable), fragmented (unstable), or adaptive (bounded unstable) behaviors.

Insert Figure 2 about here

In order to understand how adaptive outcomes result, we must transcend the model in Figure 2 and take a closer look at the interactions between agents. Per Anderson (1999), focusing on agents in their local environment makes it possible to grasp the complex behavior of the system. Figure 3 shows agents in their local environment.

Insert Figure 3 about here

Stacey posits that complex adaptive systems perform at their highest level when the agents interact freely (openness), but according to some common aspiration (shared vision), that is, when operating in a state of bounded instability (R. D. Stacey, 1995). This phenomenon was observed in a study of how agent interactions within business teams impacted their performance while focused on a common goal (Losada & Heaphy, 2004). The study indicated that teams whose members interacted more openly and with a more positive focus outperformed the teams whose members did not. Specifically, the study suggested that the positive to negative communication ratios created a chaotic attractor, also known as a positive emotional attractor, which helped sustain the high levels of interaction and focus necessary for high performance.

Figure 3 conceptualizes how agents interact with one another while operating in a state of bounded instability.

Adaptability to Change

Researchers have previously linked complexity science to the adaptability of organizations. In a study of ten business organizations in four countries, it was found that complexity based practices positively influenced adaptability (Lewin et al., 1998). Other research suggests that complex adaptive systems that operate within a state of bounded instability are at their optimum creativity, growth, and useful self-organization (Burnes, 2005; Frederick, 1998; Jenner, 1998; Kauffman, 1993; Lewis, 1994). Researchers also indicate that balancing between positive and negative feedback loops at the edge of chaos characterizes the ability of personnel to adapt to increasingly complex environments (Losada & Heaphy, 2004).

Openness

In his classic book, *The Fifth Discipline*, Peter Senge describes two aspects of openness an organization should strive to achieve. Participative openness is the freedom to speak one's mind. Reflective openness is the willingness to challenge one's own thinking based on listening to others. Participative and reflective openness must be integrated for a team to exhibit true openness (Senge, 1990). Blackwell (1998) makes a similar statement from a complexity perspective, referring to openness as the system of reflective and reflexive communication through which creative solutions emerge, particularly in states of bounded instability. For the purposes of this research, message sending and receiving behaviors have been incorporated into a single independent variable, Openness.

Shared Vision

Complexity science theorizes that open, informal communication that forms around a common aspiration drives innovation and adaptability within a firm (R. D. Stacey, 1995). This creates a binding threshold that limits information flow and connectivity from becoming excessive, preventing the team from entering a state of instability (Blackwell, 1998). It stands to reason that if this common aspiration is congruent with the vision of the firm, a positive outcome in favor of company goals will result. Senge (1990) writes “a shared vision changes people’s relationship with the company. It is no longer ‘their company;’ it becomes ‘our company’.”

Intentional change theory (ICT) also asserts that shared vision is an important driver of change (Akrivou, Boyatzis, & McLeod, 2006). Longitudinal research studies have shown that ICT produces sustainable individual, group and organizational change through a series of five discoveries (R. E. Boyatzis & McKee, 2005). The first discovery for group ICT is the emergence and commitment to a shared vision (Akrivou et al., 2006).

Positive Emotional Attractor

Intentional Change Theory defines the positive emotional attractor (PEA) as the hopes, strengths, and optimism that drives an individual or group toward what they aspire to become (R. E. Boyatzis, 2006; Howard, 2006). The PEA arouses an individual’s parasympathetic nervous system (PSNS), placing them in a calmer if not elated state which expands their ability to learn and change (R. E. Boyatzis, 2006; Howard, 2006).

In a study of 60 business teams, University of Michigan researchers characterized the highest performing teams as operating in “an atmosphere of buoyancy” (Losada & Heaphy, 2004). When exploring the behavior of the members of these teams, Losada et al (2004) stated “By showing appreciation and encouragement to other members of the team, they created

emotional spaces that were expansive and opened possibilities for action and creativity as shown in their strategic mission statements.” Other research has correlated positive emotions to a multitude of adaptive behaviors in the workplace such as adaptability toward organizational change (Devos, Vanderheyden, & Van den Broeck, 2001; Huy, 1999), thought-action repertoire to change stimuli (Tugade & Fredrickson, 2001), and improved cooperation (Barsade, 2002).

In summary, the literature suggests that mergers and acquisitions that operate in a state of bounded instability are highly adaptive to change. Bounded instability occurs as a result of personnel openly interacting while focused on a shared vision. This tends to facilitate positive communication among M&A actors which reinforces and sustains their positive emotions and focus on organizational strengths, achievements, and future possibilities.

Methods of Data Collection and Analysis

Qualitative research methods were selected as most appropriate for revealing the interactions between M&A personnel. A grounded theory approach to qualitative research (Glaser & Strauss, 1967) was pursued as it allowed theory to emerge from the collection and constant comparison of data (Strauss & Corbin, 1998). Data was gathered via semi-structured interviews with twenty-three M&A practitioners consisting of five CEOs, nine senior managers, five middle managers, two non-managers and two consultants.

Over four-hundred seventy-five pages of transcription were analyzed using a combination of coding techniques. Theory-driven coding (D. R. E. Boyatzis, 1998) provided a method to quickly align codable moments with prior researched theories and concepts. Open coding (Strauss & Corbin, 1998) generated new codes when theory-driven codes did not apply. Axial coding (Strauss & Corbin, 1998) was used to group theory-driven and open codes into categories according to their properties and dimensions. Three major and a number of minor iterations of

coding were conducted initially yielding seventy-one theory-driven codes and twenty-five open codes which were subsequently finalized into five themes and twelve codes as shown in Figure 4.

Insert Figure 4 about here

To test reliability of the analysis, double coding (Miles & Huberman, 1984) was conducted and the interrater reliability was calculated. The Percentage Agreement on Presence Measure was chosen as most appropriate for this study, being one of the most cited methods to assess interrater reliability. It is typically selected for studies with few themes or observed situations (D. R. E. Boyatzis, 1998). The interrater reliability for the narratives selected was 81.5%, with 70% or higher deemed as having acceptable reliability (D. R. E. Boyatzis, 1998).

Findings

Analysis of the field research revealed that the dynamics between M&A agents were far more complex and robust than the literature review suggested. In some instances, the findings narrowed the focus of literature-based concepts to more accurately represent specific actions or reactions of M&A agents. In other instances, the findings expanded the literature-based concepts as they were simply too limited to fully capture the intricacies of interactions between agents. The result was an exhaustive list of findings, of which, the most apparent are described in turn.

Successful M&A outcomes were associated with personnel's willingness to commit to change.

The literature review suggested that M&A personnel achieve successful outcomes according to their ability to *adapt* to change. The field study indicated M&A agents achieved successful outcomes according to their willingness to *commit* to change. In fact, participants

rarely mentioned adaptability to change unless prompted by the interviewer. Participants in nine of the ten successful firms studied characterized themselves or other personnel as having high levels of commitment to change. Only one of thirteen participants in unsuccessful firms characterized themselves or others as having high levels of commitment to change.

The findings reiterated the importance of commitment to change by further narrowing its definition to differentiate it from commitment. One participant described the pitfalls of confusing commitment to change with commitment. When discussing a key individual who was assumed to be committed to change, but remained committed to prior norms, an executive from the parent company remarked, “The guy most responsible for us buying the company turned out to be the one most responsible for it’s demise.” This was a highly committed individual who vigorously resisted almost every change presented by the new parent company. He was highly committed, but to prior norms and was highly resistant to changing them. Another study participant also spoke of his experiences with commitment to change versus commitment. As a parent company executive, he struggled with acquired firm managers for months before finally getting them to develop products according to the new corporate vision. He characterized his experiences as follows:

I think there was always commitment, but it was commitment to their ideas. Their view of what success was. The turning point came when 80% of them committed to the changes that we [the parent company] wanted.

Participative and reflective communication by M&A personnel independently influenced their commitment to change.

The literature review defined openness as a single construct consisting of message sending and message receiving behaviors that subsequently influenced how M&A personnel addressed change. However, the findings indicated that message sending (participative

communication) and message receiving (reflective communication) affected commitment to change independently. Participative communication consisted of actively sending honest, forthright messages to others. Reflective communication consisted of listening and reflecting on messages received from others.

M&A personnel that exhibited participative and reflective communications were highly committed to change. Nine of eleven participants that reported both assertive and reflective communications also reported high levels of commitment to change. However, when either participative or reflective communications were missing, M&A personnel exhibited low levels of commitment. Specifically, eight of nine participants that reported only participative or reflective communication, also reported low levels of commitment to change, characterized by compliance or resistance.

Positive communication by M&A personnel influenced their commitment to change.

The literature review expected that a positive emotional attractor would result from open communication and shared vision, pulling M&A personnel toward a positive focus. Instead, the positive focus of M&A personnel manifested as positive communication, influencing their individual's commitment to change in parallel with participative and reflective communication.

Of the 23 participants, 10 focused on communicating positive factors such as performance gains, organizational strengths, and ways to achieve success. All 10 of these participants reported high levels of commitment to change. The owner-operator of one of the most successful acquisitions in the study described a particular incident involving positive communication. A middle manager tried and failed to implement a new program designed to boost growth of the new acquisition. It cost the company over \$100,000. Executive managers

were holding a meeting with him to hear his side of the story before firing him. The owner-operator sat in on the meeting and described it as follows:

After he explained his logic, I said ‘George, that’s great. At least you tried.’ He was just startled because he really thought he was going to get fired. I told him that trying and failing is more important than not trying at all. He turned out to be one of the best employees I ever had.

This example illustrates the difference between a positive and negative communication focus. The owner-operator clearly communicated his focus on achieving success while his executive managers seemed more focused on avoiding failure. The example also shows how positive communication can affect an individual’s commitment to change. George became a driving force in the firm’s subsequent success.

Conversely, 13 of the 23 participants in the study did not focus on positive factors, dwelling instead on performance shortfalls, organizational weaknesses, and ways to avoid failure. All 13 of these participants reported low levels of commitment to change, characterized by compliance or resistance. One of the firms in the study was shut down within two years of their acquisition after over 40 years as a profitable and successful privately-owned company. A parent firm executive described what he believed was the turning point.

In the beginning, they [acquired firm employees] were committed to helping with the changes. We went through a period of about nine months of progress, that is, until we took the inventory hit. We were building up a solid foundation of trust and buy-in to what we were trying to do. But we beat them up big time [regarding the inventory problem] – almost a blame game of ‘it’s all your fault.’ It rekindled their initial mistrust, cynicism and some subversive behavior. Once the market dropped, we never recovered. That was the one point in the whole integration that was the turning point. If we ever do this again, we should disconnect the email, voice mail and phones for a day until management [from the parent firm] settles down and we communicate our message differently. We should’ve held our discussion internally and not broadcast them to [the acquired firm].

Participative, reflective and positive communications were most effective when aligning norms or visions between parent and acquired personnel.

Participants spent much of each interview raving about effective communication or complaining about ineffective communication. Every instance of effective communication was accompanied by at least one story describing how M&A personnel solved major conflicts by aligning the visions or norms between acquired and parent personnel.

One participant described a firm based in the Boston area that purchased a firm located in southern California. The east coast managers that regularly commuted to California began complaining that the acquired firm personnel were not committed to making the acquisition successful. They would just up and leave, prioritizing going home on time over finishing the job at hand. Meanwhile, the acquired personnel complained that the east coast managers were procrastinators, setting tasks and meetings up late in the day, hours after they could have been accomplished. Each party felt the other was not committed to change and began to behave likewise.

With the help of the study participant, the acquired and parent personnel initiated a communication procedure called the “fishbowl”. The fishbowl is a meeting between a small group of acquired and parent firm personnel. Some participate and others only observe. At the end of the meeting, the observers may make comments if they wish. There are three primary rules, (a) be honest, (b) listen until it’s your turn to talk and (c) no attacking. These rules correspond to participative, reflective and positive communication. The discussion can be about anything and titles do not matter. The participant described the fishbowl as follows:

I don’t know what they’re going to say. I don’t know. They don’t know. In fact, it’s a trust in the process, it’s really a trust in the process. They might all shutdown, they all may not ask anything. But almost always, there’s one person who will say what the sacred cow is, or what the dead elephant is, or whatever.

Almost always, one person that can't take the stress will name it just to lower the anxiety. Then someone else will pick it up and someone else and someone else... and because no one is allowed to interrupt, it becomes very secure, it's a pseudo intimacy. We begin to build a wall around us or a bubble. We begin to forget the people outside as we talk about what's meaningful to us.

By stimulating participative, reflective, and positive communication in the fishbowl, they discovered that the problem was caused by southern California traffic patterns and carpooling norms that were not practiced on the east coast. Each party came to realize that they did not understand the other's norms. Changes to accommodate both sets of norms were suggested in the fishbowl and implemented soon afterwards. Acquired and parent personnel committed to making the changes successful. The solution proved to be an easy task and helped initiate a closer relationship between parent and acquired personnel. Both firms went on to use the fishbowl on a number of occasions. Thirteen years later, the acquisition remains very successful and is still owned by the same parent company.

The preceding story and others indicated that norms and vision alignment mediated the relationship between the three dimensions of communication and commitment to change. Specifically, effective participative, reflective, and positive communications among M&A personnel helped resolve differences in norms and vision alignments. The resolution of these differences mostly determined the commitment to change of M&A personnel.

Discussion

The findings identified specific dimensions and priorities of communication among M&A personnel as the antecedents of successful change in the mergers and acquisitions studied. The findings also suggested that high levels of commitment to change were present among the personnel in those firms that successfully adapted to M&A related changes. These results were

not apparent by the literature review or field research alone, but emerged from the combination and analysis of both efforts.

The literature review asserted that firms operating in bounded instability have the best chance of successfully implementing M&A related changes. The personnel in bounded unstable firms interact with a high degree of openness, have a positive focus, and share a common vision of the firm's future. These firms are very innovative, adaptive, and high-performing – all factors that help navigate the myriad of accelerated changes typical in M&A environments.

These antecedents of bounded instability (openness, positive emotional attractor, and shared vision) were used as the basis to interview M&A practitioners. Three distinct patterns emerged from the interviews. The first pattern that emerged indicated that the antecedents of bounded instability were also present in successful mergers and acquisitions. This confirmed the possible relationship between bounded instability and successful M&A outcomes that was suggested by the literature review.

The second pattern that emerged from the field study expanded and clarified the literature's definition of the antecedents of bounded instability to include three dimensions and two priorities of communication. For example, what the literature review termed as openness, the study participants described as participative and reflective communication. What the literature review termed as a positive emotional attractor, the study participants described as positive communication. According to the study participants, these three dimensions of communication were most effective when prioritized on aligning norms and visions between acquired and parent firm personnel. Participants from successful firms described a number of first-hand experiences that demonstrated how participative, reflective, and positive

communications were used to resolve issues and build strong working relationships between M&A personnel.

It should be noted that while the literature review associated the antecedents of bounded instability with successful M&A outcomes, the study participants did not. The study participants further defined these antecedents and even reported their presence in successful firms, but did not directly associate them with successful M&A outcomes. Instead, the participants suggested that these antecedents, which they defined as dimensions and priorities of communication, directly influenced commitment to change of M&A personnel. They also reported high levels of commitment to change were present in almost all of the successful mergers and acquisitions in the study. This was the third pattern that emerged from the field study.

The three patterns that emerged are graphically depicted in Figure 5. The model illustrates that the successful mergers and acquisitions studied had high levels of commitment to change among M&A personnel. Commitment to change was heavily influenced by the alignment of organizational norms and visions of the firm's future, which in turn were influenced by participative, reflective, and positive communications. The dotted line suggests that participative, reflective, and positive communications among M&A personnel that was not focused on aligning norms or visions had very little effect on their commitment to change.

Insert Figure 5 about here

The revised conceptual model provides two perspectives on the findings of the study. The model depicts the dimensions and priorities of individual level communications present in the successful mergers and acquisitions studied. Conversely, the model represents the dimensions and priorities of individual level communications missing from the unsuccessful

mergers and acquisitions studied. Both perspectives contribute new insights into possible explanations of why some firms successfully adapt to M&A related changes and others do not.

Limitations

There are several limitations that must be considered when assessing the results of this study. First, the sample consisted of only twenty-three participants. Although the interview data achieved theoretical saturation (Glaser & Strauss, 1967; Strauss & Corbin, 1998) and indicated very specific and strong conclusions, caution is recommended regarding the generalizability of the findings. Second, the information consisted mostly of the recollections and interpretations of the participants, which could introduce bias where the effect of time and emotions may have affected results. Finally, interviewing participants with various experience levels and job functions may have created a “thin” sample. Although this provided a rich and diverse sample, it could have prevented the identification of important trends among a particular subset of participants.

Implications

The findings of this study imply improvements to both pre-acquisition and post-acquisition M&A practices. Pre-acquisition implications focus on the due diligence process. Due diligence provides valuable financial, legal and operational information toward predicting M&A outcomes and is used by parent firms to make informed decisions on their desire and negotiation position to complete M&A transactions. Many M&A practitioners consider inadequate due diligence as the leading cause of M&A failure because it misleads acquirers into setting unrealistic goals for acquired companies (Cullinan, Le Roux, & Weddigen, 2004; Sirower, 2000; Zweig, 1995). The findings of the present study suggest that the dimensions and priorities of communication between M&A personnel should be analyzed with the same rigor as

financial, legal and operational matters during due diligence. We assert that the lack of this scrutiny may cause a large portion of mergers and acquisitions to fail unexpectedly due to only part of their values and risks being analyzed.

Understanding the effect that communication has on commitment to change has post-acquisition implications as well. Periodically assessing and improving participative, reflective, and positive communication could provide the most effective measures toward maximizing commitment to change. Conversely,. monitoring commitment to change could indicate hidden deficiencies in participative, reflective, or positive communication that need to be addressed.

Conclusion

This study makes three contributions to the body of M&A literature. First, it provides a conceptual model depicting how personnel communicate within successful mergers and acquisitions. Second, it identifies the antecedents that potentially drive the commitment to change of M&A personnel. And third, it provides a possible explanation of why some mergers and acquisitions successfully adapt to change while others fail.

After decades of persistently high M&A failure rates and the associated global consequences, scholars and practitioners must go beyond traditional M&A research methodologies to find the answers to improve M&A theory and its application. This study presents an innovative perspective and new insights toward resolving the mystery of seemingly unpredictable M&A outcomes that have eluded us for such a long time.

Endnotes

¹ Nonlinear behavior describes systems that produce outcomes that seem unrelated to their perceived causes.

² M&A actors are defined as the managers, employees and consultants that directly influence the daily operations of a merged or acquired firm.

³ M&A personnel is used interchangeably with M&A actors.

⁴ Schema is a set of rules.

⁵ Fuzzy rules are based on approximate reasoning rather than precise reasoning. Precise reasoning example: John is in the kitchen. Fuzzy reasoning example: John is partially in the kitchen.

⁶ Fitness can be defined as the ability to survive, thrive or reach a goal.

References

- Akrivou, K., Boyatzis, R. E., & McLeod, P. L. (2006). The evolving group: towards a prescriptive theory of intentional group development. *The Journal of Management Development*, *ISSN 0262-1711*, 25(7), 689-706.
- Anderson, P. (1999). Complexity Theory and Organization Science. *Organization Science*, *ISSN 1047-7039*, 10(3), 216-232.
- Barsade, S. G. (2002). The Ripple Effect: Emotional Contagion and Its Influence on Group Behavior. *Administrative Science Quarterly*, *ISSN 0001-8392*, 47(4), 644-675.
- Blackwell, D. (1998). Bounded Instability, Group Analysis and the Matrix: Organizations under Stress. *Group Analysis*, *ISSN 0533-3164*, 31(4), 532.
- Boyatzis, D. R. E. (1998). *Transforming Qualitative Information: Transforming Qualitative (p) Information; Thematic Analysis and Code Development*, ISBN-13: 9780761909613: Sage Publications Inc.
- Boyatzis, R. E. (2006). An overview of intentional change from a complexity perspective. *Journal of Management Development*, *ISSN 0262-1711*, 25(7), 607-623.
- Boyatzis, R. E., & McKee, A. (2005). *Resonant Leadership*, ISBN-13 9781591395638: Blackwell Synergy.
- Brodbeck, P. W. (2002). Complexity theory and organization procedure design. *Business Process Management Journal*, *ISSN 1463-7154*, 8(4), 377-402.
- Bruner, R. F. (2002). *Does M&A pay? A survey of evidence for the decision-maker*.
- Burnes, B. (2005). Complexity theories and organizational change. *International Journal of Management Reviews*, *ISSN 1460-8545* 7(2), 73-90.
- Cartwright, S. (2005). Mergers and Acquisitions: An Update and Appraisal. *International Review of Industrial and Organizational Psychology*, *ISSN 0886-1528*, 20.
- Cartwright, S., & Schoenberg, R. (2006). Thirty Years of Mergers and Acquisitions Research: Recent Advances and Future Opportunities, *ISSN 1467-8551*. *British Journal of Management*, 17(s1), S1-S5.
- Chaudhuri, S. (2005). The Multilevel Impact of Complexity and Uncertainty on the Performance of Innovation-Motivated Acquisitions, *Harvard Business School Corporate Entrepreneurship Research Conference 2005*. Boston, MA.
- Coffey, J., Garrow, V., & Holbeche, L. (2003). *Reaping the benefits of mergers and acquisitions: In search of the golden fleece*, ISBN-10 075065399X: Butterwothr-Heinemann.

Cullinan, G., Le Roux, J.-M., & Weddigen, R.-M. (2004). WHEN TO WALK AWAY FROM A DEAL. *Harvard Business Review*, ISSN 0017-8012 82(4), 96-104.

Devos, G., Vanderheyden, K., & Van den Broeck, H. (2001). A framework for assessing commitment to change: Process and context variables of organizational change, *annual meeting of the Academy of Management* Washington DC.

Dooley, K. (2004). Complexity Science Models of Organizational Change. In *Handbook of Organizational Change and Development*, ISBN-13 9780761928126 (pp. 354-374). New York: Oxford University Press.

Frederick, W. C. (1998). Creatures, Corporations, Communities, Chaos, Complexity: A Naturological View of the Corporate Social Role. *Business & Society*, ISSN 0007-6503, 37(4), 358.

Holland, J. H. (1995). *Hidden Order: How Adaptation Builds Complexity*, ISBN-13: 9780201442304 Basic Books.

Howard, A. (2006). Positive and negative emotional attractors and intentional change. *Journal of Management Development*, ISSN 0262-1711, 25(7), 657-670.

Huy, Q. N. (1999). Emotional Capability, Emotional Intelligence, and Radical Change. *The Academy of Management Review*, ISSN 0363-7425, 24(2), 325-345.

Jenner, R. A. (1998). Dissipative enterprises, chaos, and the principles of lean organizations. *Omega*, ISSN 0305-0483, 26(3), 397-407.

Kauffman, S. A. (1993). *The Origins of Order: Self-organization and Selection in Evolution*, ISBN-13 9780195079517: Oxford University Press.

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*, ISSN 0143-2095, 25(2), 187-200.

Kitching, J. (1974). Winning and losing with European acquisitions. *Harvard Business Review*, ISSN 0017-8012, 52(2), 124-130.

Lewin, R., Parker, T., & Regine, B. (1998). Complexity theory and the organization: beyond the metaphor. *Complexity*, ISSN 1076-2787, 3(4), 36-40.

Lewis, R. (1994). From chaos to complexity: implications for organizations. *Executive Development*, ISSN 0953-3230, 7(4), 16-17.

Losada, M., & Heaphy, E. (2004). The Role of Positivity and Connectivity in the Performance of Business Teams. *American Behavioral Scientist*, ISSN 0002-7642 47(6), 740-765.

- Miles, M. B., & Huberman, A. M. (1984). *Qualitative Data Analysis: A Source Book of New Methods*, ISBN-13 9780803922747 Beverly Hills, CA: Sage Publications.
- Mitleton-Kelly, E. (2004). 'Co-Evolutionary Integration: A Complexity Perspective on Mergers & Acquisitions'. Paper presented at the 20th EGOS Colloquium, Ljubljana University, Slovenia.
- Reason, P. W. (1999). Integrating Action and Reflection Through Co-operative Inquiry. *Management Learning*, ISSN 1350-5076, 30(2), 207-226.
- Remer, R. (2003). Chaos Theory and Its Implications for Counseling Psychology: Department of Educational and Counseling Psychology University of Kentucky.
- Reuters. (2008). *Reuters.com*, from <http://www.reuters.com/article/pressRelease/idUS108430+17-Dec-2007+BW20071217>
- Rostand, A. (1994). *Optimising managerial decisions during the acquisition integration process*. Paper presented at the 14th Annual Strategic Management Society International Conference, Paris.
- Senge, P. M. (1990). *The fifth discipline*, ISBN-13 9780385260954: Doubleday.
- Sirower, M. L. (2000). *The Synergy Trap: How Companies Lose the Acquisition Game*, ISBN-13 9780743201308: Free Press.
- Stacey, R. (1996). Emerging Strategies for a Chaotic Environment. *Long Range Planning*, ISSN 0024-6301, 29(2), 182-189.
- Stacey, R. D. (1995). The Science of Complexity: An Alternative Perspective for Strategic Change Processes. *Strategic Management Journal*, ISSN 0143-2095, 16(6), 477-495.
- Stahl, G. K., & Voigt, A. (2004). *Meta-Analyses of the Performance Implications of Cultural Differences in Mergers and Acquisitions: Integrating Strategic, Financial, and Organizational Perspectives*. Paper presented at the Best Paper Proceedings - Annual Meeting of the Academy of Management, New Orleans.
- Strauss, A. L., & Corbin, J. M. (1998). *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*, ISBN-13 9781412906449 Sage Publications Inc.
- Tetenbaum, T. J. (1998). Shifting paradigms: from Newton to chaos. *Organizational Dynamics*, ISSN 0090-2616, 26(4), 21.
- Tichy, G. (2001). What Do We Know about Success and Failure of Mergers? *Journal of Industry, Competition and Trade*, ISSN 1566-1679 1(4), 347-394.
- Tugade, M. M., & Fredrickson, B. L. (2001). Positive Emotions and Emotional Intelligence. In *The Wisdom of Feelings: Processes Underlying Emotional Intelligence*, ISBN-13 9781572307858 New York: Guilford Publications.

Vranceanu, C. (2009). *Biggest mergers and acquisitions in 2008*, from <http://www.wall-street.ro/articol/English-Version/56433/Biggest-mergers-and-acquisitions-in-2008.html>

Zimmerman, B., & Dooley, K. (1999). Mergers versus Emergers. *EMERGENCE*, ISSN 1521-3250, 3(4), 65-82.

Zweig, P. L. (1995). *The Case Against Mergers*, October 30, 1995, from <http://www.businessweek.com/archives/1995/b3448107.arc.htm>

Figure 1
Conceptual Model of Individual Level Interactions Within Successful M&A

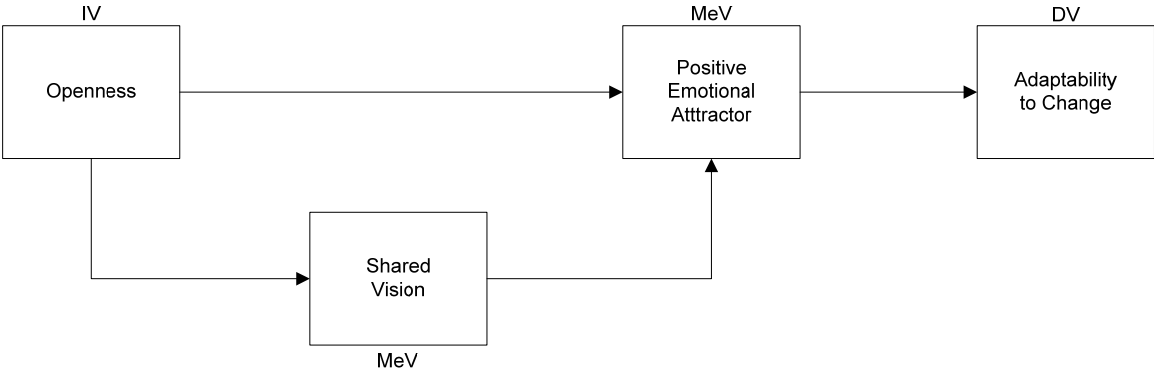


Figure2
Mergers and Acquisitions as a Complex Adaptive Systems

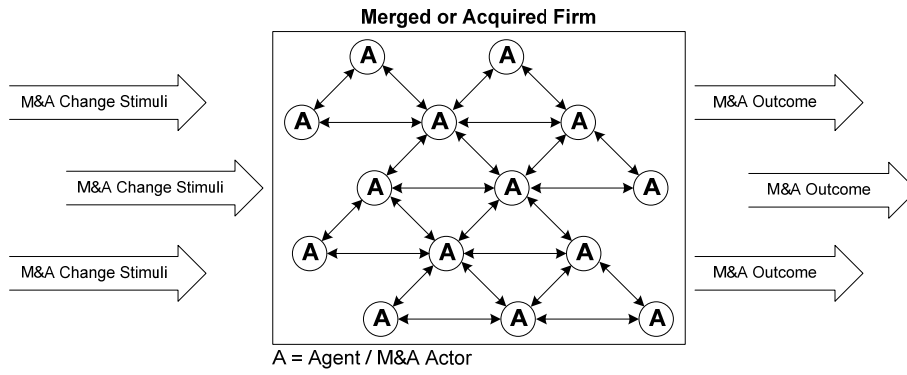


Figure 3
Interactions between Agents in their Local Environment

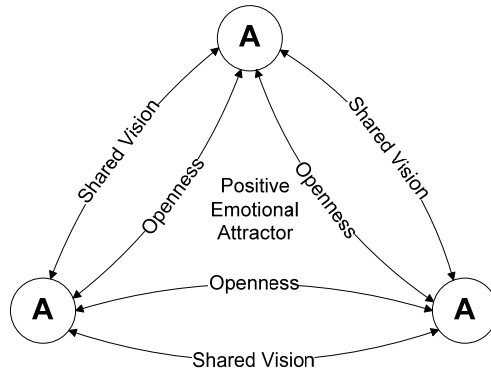


Figure 4
Final Themes and Codes

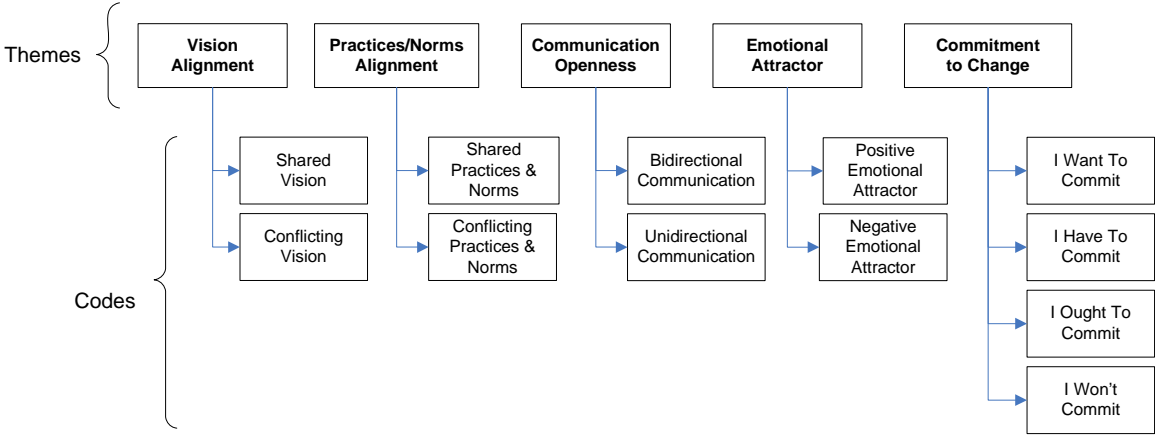


Figure 5
Revised Conceptual Model of Individual Level Interactions Within Successful M&A

