

# ADVANCES IN MERGERS AND ACQUISITIONS

**Edited by** Sydney Finkelstein  
and Cary L. Cooper

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**VOLUME 23**

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AND ACQUISITIONS

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VOLUME 23

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INVESTOR IN PEOPLE

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# INTRODUCTION: RESEARCH ON MERGERS AND ACQUISITIONS

Sydney Finkelstein and Cary L. Cooper

We start this Volume of *Advances in Mergers and Acquisitions* with a review chapter of cross-border mergers and acquisitions (M&A), by Bilgili. What is unusual here is that this chapter surveys literature as far back as 1980, as early as empirical work on this topic might be. The data trends are intriguing, but probably of most interest are the clusters of research themes identified within the broader research record – geopolitics, people, strategy, and governance. These are fundamental themes in research that go beyond cross-border M&A, so it's not surprising to see this pattern. Nonetheless, thanks to Bilgili, we now have a picture of the research landscape that will be informative to scholars, and a reminder of the necessity of generating insights and observations that add to, or sometimes even challenge, the research record.

A good example of adding to what we know about cross-border M&A is the second chapter in this volume on multinational strategies and financing considerations, by Boodoo, Booth, Georgopoulos, and Hejazi. These authors bring home the important point that multinationals can only target acquisitions when they have the financial resources to do so, and that these financial resources depend very much on the supply of capital in the target market.

Continuing the theme of under-appreciated drivers and constraints on M&A activity, Zavosh and Betschinger remind us that the topic of divisional-level drivers of corporate acquisition decisions and the subsequent performance implications for the divisions remain insufficiently explored. We agree and were very pleased to see some remedy to this situation in this chapter. What did the authors find? That firms engage in acquisitions to allocate resources to their more promising divisions, particularly those with higher growth prospects and greater potential for resource-sharing among sister businesses. Stated somewhat differently, it's not a one-size-fits-all scenario for acquisition activity in multi-divisional firms; there are winners and losers in the corporate battle for resources. Perhaps, someone reading this will take us further down this line by studying how corporate political in-fighting affects M&A activity.

We've always been interested in research on serial acquirers, not the least because of what it might say about the role of experience and learning in M&A success. In an excellent review of work in this area, Colman and Lunnan highlight precisely this point, and much more, as summarized in their conceptual model of serial acquirers. They also recommend a closer look at the integration challenges



of multiple acquisitions. This is not only a theoretical concern, but a practical one. How many of us have noticed how difficult it is for serial acquirers to make everything work together once they slow down on their buying spree? Thanks to Colman and Lunnan for bringing this point home.

Continuing with the general theme of experience, Steinbach, Haleblan, and McNamara ask in their chapter whether relying on outside advisors (“outsourced experience”) helps or hinders, and why. It’s easy to imagine the “helping” part – these are experts (investment banks and consulting firms) with deep content knowledge about M&A, much more than any individual firm would likely have access to internally. So, we found the “hurting” part intriguing – even deep knowledge, when devoid of critical context, can provide inappropriate guidance. Results were consistent with this latter interpretation, with the important proviso that when advisor experience is context-specific (i.e., experience with M&A in the target firm’s industry), the market responds more positively.

Lee and Jung come in next with a somewhat related study, in that they focus on financial advisors in M&A deals. But they come at it in a different manner. Whereby high-status advisors have little incentive to endorse risky deals, middle-status advisors (“the also-rans”, our word, not the authors) have no such luxury. They need the work, and may well be selected because they are more client-pleasing, at least as Lee and Jung see it. Which means that acquisition premiums (an indicator of risk) will be higher for middle-market advised deals than others. Findings are consistent, though this is one of those articles where it would be so interesting to add qualitative data to get a feel for what was really going on.

The next two chapters bring strategy front and center. First, McGrath and Nerkar make a compelling case that a perceived symmetry between divestiture and acquisition (“two sides of the same coin”) is not only an over-simplification, but can also lead to poor strategic thinking. This chapter can’t easily be summarized in a sentence or two; rather, we found interesting insights and nuance for theory and practice up and down the chapter. All we can say is, read this one carefully.

If there’s a natural analogy to the acquisition–divestiture relationship, it may well be the one between acquisitions and alliances. They are similar, but they are different. Srivastava focuses on the governance implications that arise with these two types of growth strategies, drawing on a wide range of theories in strategy, economics, and organizations. Readers will appreciate the multi-disciplinary lens Srivastava takes.

The final chapter in Volume 23 brings us back to people. The role of emotions in the post-acquisition integration process is self-evident to anyone who has gone through it, and researchers have responded with their own work, but how valid are these analyses? This is the controversial, and timely, question Talas, Pekerti, and Ashkanasy ask in their important chapter. They document how a reliance on interviews, often conducted months or years after the events in question, create such inherent data bias that the findings of such studies are inherently unreliable. This is really a valuable chapter, and Talas et al. do an outstanding job dissecting

the past, and providing a solid foundation for future work on emotions in M&A integration.

We are happy to share these nine chapters with our community of M&A enthusiasts, each particular in their approach but together a wonderful example of a collective at work on one of the most central and fascinating topics any of us in business academia might choose to study.