INDEX

Absenteeism, 118 Acquirer(s) of firm, 3, 5, 103 alliance use for potential targets, 4 partnering activities, 8 post-acquisition performance, 12 Acquisition behavior, 5 Affective commitment, 118 Aggression, 169 active, 175 open, 175 Alienation, concept of definition of, 119-120 dimensions of, 120 feeling among employees, 119-120 Alliances, 2 acquisitions, impact on, 8 as alternative governance choices, 4 challenges in, 9-10 comparison between acquisitions and, 3-4 conversion to acquisitions, 5 motivations for, 3 networks, 14 partner, 13 exploration alliances and potential acquisition, 14 opportunistic behavior of, 5 prior deals, 4 prior experience, importance of, 5 See also Mergers and acquisitions (M&As) Arbitrage process, 40 Arbitrageurs, 56 transactions by, 40 Bad behavior, 77

Balanced scorecard, 70, 73-74

Bargaining, 169 Behavioral due diligence (BDD), 22, 32 - 33assessment guidelines for, 25-26 lists for. 27 definition of, 23, 26 importance of, 30-31 merits assessment, 30-31 pre-M&A, 31 thorough screening of management, 25 Behavioral theory of firm, 6–9 Behavioral training, 121 Benchmarking, 72-74 Biculture, 49 Blank-cheque company, 85 Book value (BV_{post-acquisition}), 87 Bounded rationality, 75 Business characteristics of, 103 classification of, 100 economics, 23 multi-faceted business deal, 121 - 122organizations, 185 professional advisers, role of, 187 Business model diversification, 100-102, 107-108 Business model, notion of, 100, 103, 108 managerial implications, 109 post-acquisition performance, 102-104, 106, 108 - 110

Business model relatedness, concept of, 102, 110 acquisition of related business models, 104 - 106unrelated business models. 106 - 107diversification into related and unrelated business models. 104 limitations and research directions for future, 110 organizational identity research, 108 post-acquisition performance, 108 Business model validation, 105 Calculative commitment, 118 Capital investment financial analysis techniques, 69 Capital investment project, 70-71 Cash balance of the SPAC (C_{SPAC}), 87 Change management, 121-123 Commitment definition of. 118 strength of individual's identification, 119 See also Organizational commitment Competency development training, 121 Competing Values Framework, 27 Completion risk, 40, 56-57 Computer simulation and beta (CAPM) analysis, 73 Conflict in mergers and acquisitions, 166-167, 176 evidence of, 167-169 intergroup conflicts, 169 study of, 169-170 between subgroups, 169 types of, 167

Conflict resolution training, 121 Contagion mechanisms, 173 Continuance commitment, 118–119 Conventional financial analyses, 69 Conventional investment appraisal techniques, 69 Copycat behavior, 77 Corporate cultures, 51, 53, 56–57 decisions, impact of, 46 definition of, 46 direction of human resources, 46 targeted entity, 47 See also Mergers and acquisitions (M&As) Corporate governance, 184 Corporate strategy, 100, 103, 109 - 110Cross-border M&As, 50–51, 122 between US Inc and UK PLC, 192 - 194Cross-business synergy, 109 Cross-business transferability of strategic resources, 108 Cross-cultural training, 121-122 work alienation. 120 Cultural assessment worksheet, 27 Cultural audit, 52–53 Cultural collisions, 52 Cultural conflict, 53, 167 Cultural differences, 167–168 Cultural dimensions, 48-49 Cultural due diligence (CDD), 27, 52 Cultural fit, 43, 45, 52–53, 57, 167 Cultural isolation, 120 Culture(s) clashes or collision. 167 cost of, 168 definition of, 27, 46 egalitarian, 50 levels of. 27 primary mechanisms, 26-27 Customers, 51, 54, 70, 105-107, 187, 192

Index

Decision trees. 75 Denison Survey, 27 Depression, 127, 169 Discounted cash flows (DCFs), 69, 75 capital investment decisions, 70 Dispute processing, 174 Dual processing in decision-making, 77 Due diligence (DD), 22, 24, 32 behavioral, 25-26 cultural, 25 Earnings per share (EPS), 92 EEOE complaints in United States, 62 Emotional training, 121, 124, 127 Employee redundancies, concept of, 119 Employees, 187 attitudes, 117 commitment to organization, 118-119 feelings of alienation among, 119 - 120and M&As departure and retention, reasons for, 46 dysfunctional effects, 166 economic incentives to retain. 42 exit. 43 files consolidation during early phase, 44 low commitment of acquired entity, 119 non-financial benefits, 42 personnel needs, impact of neglecting, 51 realignment of positions and functions, 46 retention. 42 targeted firms, 59

transfer from remote locations, 44 wage alignment, 45 openness to large-scale change, 117 turnover, 60, 117 Escrow account, 84, 86 Escrowed investment (EI_{SPAC}), 87 Expected value tables, 75 Fair market value of the target (FMV_{target}), 87 Financial analysis technique, 68 in UK companies, 73 Financial audit, 53 Financial incentives, 38, 42 Financial option-pricing model, 70 Foreign direct investment, 40 Goodwill, concept of, 39 Greenfield ventures/investment, 11 Group-level equality, 145 Hierarchy, 29 of risk classifications, 135 social power structure in organization, 50 Horizontal merger, 54 HR due diligence, 27 Human asset management, 27 Human Capital Association's (HCA), 32 Human capital audit, 53-54 Human capital of M&As, 43-55, 61 Human due diligence, 26–27 Human integration, goals and objectives of, 46 Human-relationship-base risks, 142 Human resources (HR), 38, 43–44, 49, 56-57, 116, 127-128 audit, 61 autonomy, 117 -based variables, 117

consolidation of, difficulties faced during, 44-45 future operations, 46 role in PMI. 142 Individualism/individualistic culture, 50 Individual perceptions risk, 146-150 Information asymmetry, 9–10 Information seeking process, 144 Initial public offering (IPO), 83-85, 88.90 Integration process, 4-5, 176 barriers in, 119 challenges during, 123 cross-border deal, 122 importance of, 116 managerial, 46 risk. 137-142 sociocultural, 46 Inter-firm collaborations, 4 competition, 2 governance mechanisms, 2 partnerships, 4 relationship, 5 Intergroup dynamics, 168 Internal rate of return (IRR), 69, 73 Internal stakeholder interview, 27 International alliance, 10, 14 Interorganizational structure, 173 Intuitution, 76-77 Investment appraisal technique, 68 Investment bank advisers control over client decisions, 189

powers of, 188 role, 188 in US Inc merger with UK PLC, 196 top management relationship with, 189–190 Japanese banks, 41 Japanese firms, 40-41 Job analysis, 53 insecurity, 175 -related training, 121-122 Joint brokerage, 14 ventures. 68 Knowledge -based firms, 42 as competitive resource, 42 depreciation of, 41 dilemmas to transfer, 42 shared among group, 145 through M&As, 41 Leader/leadership, 76 definition of, 28 exemplary, 28 and managers, differences between. 30 pro-social, 28 strategic, 29 tasks and actions of, 28-30 Lemon problem, 39 Leveraged buyout (LBO) transaction, 87.94 Lingering conflicts, 169 Low-power groups, 145 Management, 176 change, 122 emotions associated with, 123 definition of, 28 grouping of workers, 171 vs leadership, 29 Managerial energy absorption, 51–52 Managers definition of, 28 disempowerment feeling among, 120

Index

focus of. 38 intuition and knowledge use by, 78 need to identify integration stages, 125 need to investigate employees oversupply, 44 new job roles, identification of, 122 responsibility towards stakeholders, 186 shaping of events, 116 tasks and actions of, 28-30 See also Leader: Mergers and acquisitions (M&As) Manifest conflict, 175 Market value (MV), 92 Meaninglessness, 120 Membership, notion of, 149 Mergers and acquisitions (M&As), 2, 12-13, 21-22, 61, 68 acquiring of knowledge, 41 behavior, 7 cultural perspective, 166 deals between 1998 and 2000, 116 distractions from, 41 ethical/ethicality analysis, 203-204 approaches to, 190-192 assessment of activities of, 189 deal, assessment process, 193 evaluations of. 190 failure of. 38 focus of manager, 56 governance choice, 4 human impact of performance, 31 human resources, 38 decisions. 57 human side of. 166 integration of, 45 large organizations, previous research focus on, 43 leadership ethical aspects, 24 specific areas, 23 study of, 24

motivations for. 3 multidivisional structure (M-form) components of, 42-43 facets of. 42 negotiations between parties, 39 objectives of, 168-169 organizational dimensions, 45 outcome. 7 phases of combination, 22-23post-combination, 23 pre-combination, 22 post-M&A workforce, 53-55 process of, 25 procurement strategies, 39 productivity and ownership change, direct relationship between, 117 psychological perspective, 166, 168 uncertainty in, 168 reality and risks, 40 regulatory environment influence on. 50 research agenda, 25 shareholders and employees, withdrawal of, 39 social perspective, 166 as strategic tools for growth and prosperity, 116 strategy of choice for organizations over, 116 success, criteria for, 38 of U.S. firms by Japanese firms, 41 See also Alliances; Stakeholders Merging Cultures Evaluation Index, 27 Multibusiness firms, 102–103 Multi-cultural workforce, 122 Multinational organization, 49 Multiple culture, 49

National culture acquired in early childhood, dimensions, 48 auditing practices, 49 critical characteristics, 50 differences impact on M&As, 47 financial and managerial strategies, influence on. 49 impact of, 47-48 non-corporate language, prohibition of, 51 prediction of consumers, 49-50 religion, inclusion of, 47 Negotiated order theory, 170, 175 - 176Negotiation(s)/negotiating, 5, 8-9, 13, 169, 177 formal, 170 with post-merger order, 170-176 See also Conflict in mergers and acquisitions Net assets acquired from target (NA_{target}), 87 Net asset value (NAV), 92 Net present value (NPV), 69, 73 Networks impact of, 14 types of, 14 Network theory (NT), 7, 13–14 Non-realistic conflict, 169 Normative commitment, 119 Normlessness, 120 One-size-fits-all management style, 123 Organizational behavior (OB), 26, 117 Organizational climate, 144 Organizational commitment components of, 118 definition of, 118

Organizational culture, 27, 172

Organizational fit, 3, 5, 45, 116

Organizational learning perspective, 8 Organizational members, 168, 171-172, 176 Organizational size, 43-44, 58 Organization communicates, 144 Organization conditions, 142, 144 Partner(s)/partnering, 3, 8, 12 alliance. 5 exchange, 104 information asymmetry between targets and, 9 merge, culture of, 33 opportunistic behavior, 5 potential, 10, 25 pre-acquisition, 14 preferred interaction, 170 prior interactions, importance of, 9 Payback (PB) period, 69-70 PMI Risk Framework (PRF), 133, 135, 145, 151 Portfolio managers, large intermediary between shareholders and organization, 188 role of, 188 top management relationship with, 189-190 Post-acquisition integration of new business. 110 Post-M&A integration (PMI), 9, 124, 170 aim of. 136 attention-based view, 136 categorization of people on firm origin, 168 cultural unification, 150 employees training methods for, 121 transformational change, 148 factors in. 116 integration of technology, 136 management of, 134-137 managerial attention, 136

merger or acquisition during, criteria for success, 136 negotiation, 171 risks, 138-139 training variable, importance of, 117 Power-based conflict, 167 Powerlessness, 119-120 Pre-merger M&A, 23-24, 32 Prior alliances, 2, 6, 8-9 deals. 4 superior acquisition performance, 5 Private dispute processing, 174–175 Private equity (PE), 85 Probability, 12, 73, 75, 91-92, 137 Professional advisers, 187 Professional service, 187 Prospect theory, 75, 186 Psychological contract, 147-148 Public dispute processing, 174–175 Real options analysis, 70-71 Real options theory (ROT), 7, 10-12 Related acquisitions, 102 Relatedness, concept of dimensions in multibusiness firms. 102 - 103portfolio, 103 Relational network, 142 Relational risk individual perceptions risk, 146 - 150organizational conditions risk, 143-146 threat to performance, 142 See also Post-M&A integration (PMI) Relative centrality, 14 Relative standing, theory of, 51 Resource-based view (RBV) of firm, 7, 12-13, 102 strategic resources sharing, 108 Resource dependence theory, 186

Resource transferability, 102, 107, 110Retention, Reallocation and Release (Three R's) decision, 53-54, 57-59 Return on assets (ROA), 69 Return on investment (ROI), 69, 92, 94 Risk advance of deal, 138 as analysis, 76 completion, 57 fundamental ways, 76 leadership, 140-141 performance, 139-140 relational, 142 Risk analysis approach, 69 Risk analysis techniques in UK companies, 74 Self-estrangement, 120 Sensitivity analysis, 75 Shareholders, 39, 56, 85, 184-187, 189, 191 avoid completion risk, 57 need high return on own stock, 192 negotiating values and risk, 57 non-founder, 84 US Inc, 196-197 value, 55 value destruction, 88 Shell company or corporation, 83, 85, 89, 94-95 Side-bet theory, 118 Social conflict, 169 Social embeddedness theory, 13 Social equality and inequality, 145-146 Social identity, 148-150 Social influence theory, 173 Social interaction culture, 145 Social isolation, 120

Social order, 170 Social structure, 170, 172-173, 175 - 176SOLAR approach, 27 SPAC managers (E_{managers}), 87 Span of control, 173 Special purpose acquisition company (SPAC) acquisition process, 84 target, 84 acquisition deal. 89 alternative to traditional IPO, 89 benefits of being listed, 89 blank-cheque company, 85 capital configuration of, 86-87 cash reserve, 87 characteristics of, 86 creators and management team, 89 - 90emergence of, 83-84 failed. 91 investment vs PE investment, 87 - 88investors, attractiveness for, 85-86 leadership role in success of, 94-95 mutual trust between managers and investors, 88 positive and negative returns after deal announcement, 85 post-acquisition, survival strategy, 92 - 94post-merged, 91-92 post-merger, benefits and impact, 90 - 92protection of investors money, 89 raising money through IPO, 83 shell company or corporation, 85, 95 as a single-acquisition PE firm, 85 small group of high-profile persons, 85 surviving, 91 transaction, 84

Stakeholders/stakeholder theory, 47, 50, 52, 57, 90, 93, 95, 106, 122.142 -centric approach, 185 commitment act, 90-91 ethical responsibilities, 185 external, 107 groups, types of, 187 identification of, 186 interests in US Inc UK PLC takeover, 202-203 internal. 27 involvement in survival of post-merged SPACs, 92 M&A impact on, 189-190 managers moral obligation, 186 moral bases for determination of legitimacy, 186 multiple, 187 negative consequences, 191 and organizations, relationship between, 186 perceptions, 38 relationship with, 185-186 Standard deviation, 75 Standard Industrial Classification (SIC), 101 Stock price, personal decision impact on. 60 Strategic alliances (SAs), 2 Strategic fit, 95, 116 Strategic investment appraisal decision-making process, 67 - 68approaches balanced scorecard, 70 benchmarking, 72-74 real options analysis, 70-71 technology roadmapping, 71 - 72value chain analysis, 71 characteristics of, 68-69 cognitive perspective of, 75–77

Index

complementary evaluation strategy, need for, 69 financial performance factors, 70 research on, 78 types of, 69 Strategic management, 2, 12, 14, 117 accounting, 8 ROT use in, 10 Strategic pre-decision control mechanism, 78 Stress management training, 121 Sub-group discrimination, 146 Subjective decision-making approach, 69 - 70Substantive conflicts, 167 Symbolic conflicts, 167 Takeover style effect on post-M & A workforce and profits, 55 Technical skills training, 121

Technology roadmapping process, 71-72 Termination fee, 39 Third-party dispute resolution, 169 Time management, 174-175 Todd, Sweeney, 195 Tokyo Stock Exchange, 41 Training of employees during M&As, 120 - 123initiatives for alienation feeling among employee, 125 employee commitment, 123 - 125Transaction cost economics (TCE), 7, 9 - 10

Transactions during M&A, study of training methods research methodology, 126 results, 126-127 Trust, 50 Turnover, 31, 44, 51, 55, 118, 166 Uncertainty, 167-169, 173-176 U.S. firms, 40 U.S. Glass-Steagall Act of, 1933, 41 US Inc, 192-194 chairperson and CEO, 195 deal with UK PLC, assessment of ethicality, 199-201 institutional investors, 196 portfolio managers, 196 shareholders, 196-197 suppliers, 198-199 takeover of UK PLC, 194-195 US PLC, 192-195 board and senior managers, 195-196 customers, 198 employees reduction by, 197 U.S. Tax Reform Act of, 1986, 40 Utilitarianism, 190 Valuation of firms, 5, 9 Value chain analysis, 71, 73-74 Venture capital investment, 87-88 Vertical merger, 54

Wage alignment, 45 Ward, Sarah, 194–195, 198

Volatility, 40