

Case study research in mergers and acquisitions

We are honored to be the guest editors of the *Management Research: Journal of the Iberoamerican Academy of Management's* special issue on "Case Study Research in Mergers and Acquisitions".

Mergers and acquisitions (M&As) are a top-level managerial decision and have a significant impact on overall business value (Hitt and Pisano, 2003; Lebedev *et al.*, 2015). The term, merger/acquisition is defined, evaluated and used differently in different disciplines. For instance, economics researchers postulate that merger is a form of market for corporate control influenced by economic, regulatory and technology shocks. Finance scholars deem that acquisition is a choice of investment between the risk and return, and accounting professionals describe that merger is an amalgamation of two or more balance sheets. Management scholars define that merger/acquisition is an inorganic growth and aggressive strategic alternative that enables business enterprises in achieving accelerated growth. According to Reddy (2014), a merger occurs when two organizations have agreed to join for achieving one's goals at the expense of other's resources, besides the expense of the predecessor's resources. Whereas an acquisition happens when a bidding firm holds significant ownership interest in the target firm by buying the target's equity shares or assets. Broadly, there are three phases in M&A dialogue: pre-acquisition planning, negotiation and deal completion and post-acquisition integration. Because M&A is a process perspective in strategic management, the process generally involves several tasks such as developing merger plans, identifying, selecting and analyzing target firms; establishing negotiations with target firm; valuation, pricing and target premiums; due diligence; completing regulatory procedures; transferring payment; and integrating businesses.

In case of M&A outcome, extant literature indicates that M&A largely destroys shareholders' value, and this value is even more in cross-border deals. For instance, Marks and Mirvis (2011) cite that 83 per cent of deals failed to create shareholder value, and 53 per cent actually destroyed the value. Notwithstanding, we can find at least five to ten deals everyday across the world economy in any international news archive. This dichotomous outcome raises two questions.

- Q1. What motivates managers to opt for M&A over organic growth choices such as product and market diversification?
- Q2. What are the causes behind the value destruction to shareholders in merger announcement and post-merger phases?

Although there is a great amount of accessible literature on these research questions, the findings are contradictory within developed economies and between developed and

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developing economies, as well (Ferreira *et al.*, 2014; Haleblian *et al.*, 2009; Lebedev *et al.*, 2015; Reddy, 2014). On top of that, past literature has been greatly dominated by finance and accounting discipline, then economics, strategic management, and international business. Therefore, it is perceptible that empirical research techniques are *not apt* for every practical problem in a given M&A phase.

In this context, qualitative research methods, such as case study research, provide greater insights into qualitative issues and complicated mechanisms in M&A dialogue (Reddy, 2015a). Several bibliometric studies and leading journals' editorials contend that case method is almost negligible in M&A research. For example, Haleblian *et al.* (2009) report that only 3 per cent of articles used case method in M&A research out of 167 articles published during the period from 1992 to 2007. A bibliometric analysis of the state of case method in M&A research by Reddy (2015b) notices that 93 articles adopted case study research, in which 44 (46) articles analyzed single cases (multiple cases), 56 (25) articles collected data from interview method and archival sources (archival sources), 47 articles presented case/cross-case analysis and 33 articles discussed theory testing and development. Even more interesting, a large number of articles published in international business journals, especially by scholars from emerging markets like China, Brazil and India. This is because of the fact that emerging markets have reported a significant rate of growth in the market for inbound and outbound M&A deals during the past decade (Lebedev *et al.*, 2015). Hence, it is evident that *not much* qualitative research has been published on emerging market acquisitions in developed/developing economies. There are at least three reasons for this upshot: widespread access to numerical data such as stock price and accounting information; lack of high recognition and academic value to qualitative applications in management; and unlike empirical research, not easy to get a publication in a quality journal. On the other hand, [in our capacity as editors and reviewers] it is noticed that most authors do not follow any step-wise guidelines to conduct a good case study research.

Case study research is the modest qualitative method in social sciences and a powerful ideographic tool for conducting non-empirical research (Stake, 1995), yet largely under practiced in the M&A subject. Case research is:

[...] an empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the boundaries between phenomenon and context are not clear evident, and it relies on multiple sources of evidence (Yin, 1994).

For Woodside (2010), case method is “an inquiry that focuses on describing, understanding, predicting, and/or controlling the individual” (i.e. process, animal, person, household, organization, group, industry, culture or nationality). Researchers use case method to answer “why” and “how” and to build new theory and suggest testable propositions based on in-depth analysis of single case/multiple cases (Eisenhardt, 1989; Eisenhardt and Graebner, 2007; Hoon, 2013). In recent years, scholars have noticed that revisiting, testing, reinforcing and building new theoretical constructs are essential tasks in M&A research. For instance, Reddy (2015a) develops a new case study research design of *Test-Tube* and adopts this typology in his M&A research using archival sources (where interview data are not

Table I.
Key findings of papers
published in this
special issue

Author(s)	Title	Research objective	Theory	Institutional setting	Analytical approach/data	No. of cases	Key findings
<i>M&A process: negotiations to post-merger integration</i> Puhakka (this issue)	Acquisition negotiation: the influence of accounting on trust development	How do interfirm trust and accounting practices influence the development in the merger negotiation process?	M&A negotiation process, accounting and trust perspective	A merger negotiation process between two Finnish firms	Qualitative case analysis/ Interview data and archival sources	Single case in the engineering industry; Sample firms' real names were disguised	Accounting practices and interfirm trust mitigate the relationship between the negative beliefs of negotiators and the acquisition outcome Specially, accounting practices strengthen the focal merger negotiation process and reduce the information asymmetry between merging parties
Oberg (this issue)	Transferring acquisition knowledge – sources, directions and outcomes	How do external stakeholders provide knowledge on acquisition and integration stages to acquiring parties? How do stakeholders' knowledge transfer capabilities influence the success of acquisitions in the cross-border environment?	Stakeholders' perspective, knowledge transfer	Outbound and inbound acquisitions by Swedish multinationals	Multiple case study: unit of analysis, individually and comparatively/ Interview data and archival sources	Three cases in the automobile industry; BT Industries (Sweden)/ Raymond (USA), BT Industries/ Cesab (Italy), Toyota (Japan)	Acquiring firms leverage knowledge on acquisitions from the focal sectors, whereas customers, industry peers and target firm are key sources of knowledge on post-merger integration mechanisms

(continued)

Author(s)	Title	Research objective	Theory	Institutional setting	Analytical approach/data	No. of cases	Key findings
Romero-Martínez and García-Gómez (this issue)	The successful takeover of La Sexta by Antena 3: Pre- and post-merger factors	How does the timing, coupled with firm-specific factors, affect the success of acquisitions? What are the motives and outcomes of a successful acquisition?	M&A process perspective: pre-merger and post-merger integration	Domestic mergers: Spain	Qualitative case analysis/Interview data and archival sources	Single case in the audiovisual sector: Antena 3 acquisition of La Sexta	Knowledge on acquisitions is imitative, while knowledge on integration mechanisms comes from the external stakeholders' experiences, especially failure ones Because the industry structure and the level of competition among industry peers affect focal firm's strategic choices, acquiring firms are motivated to increase market share, reduce overhead costs in operational activities and improve overall business value A serious effort to integrate mechanisms before the acquisition and the human integration aspects are important determinants of the likelihood of acquisition success <i>(continued)</i>

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Pisano <i>et al.</i> (this issue)	Internationalization of firms: revitalizing the board of directors after a cross-border acquisition	How does the role of integration manager having board membership affects the success of post-acquisition integration process?	Corporate governance framework with emphasis on board of directors, integration manager in the M&A process	A Spanish firm acquired by an Italian MNE	Qualitative case analysis/ Interview data and archival sources	Single case in the telecom industry; Sample firms' real names were disguised	The study emphasizes the need and the roles of integration manager having acquirer's board membership in cross-border M&A processes The study indicates the positive effects of the role of integration manager with acquirer's board membership on the success of cross-border acquisition stages, especially due-diligence process and post-merger integration mechanism
Carvalho and Ogasavara (this issue)	A link between post-acquisition acculturation and project management maturity: a case study research in the automotive industry	What is the relationship between the level of acculturation in the post-acquisition stage and the maturity levels of project management team, and how does this relationship	Acculturation in the M&A process, project management framework	Acquisition of a Brazilian firm by an American MNE	Qualitative case analysis/ Interview data and archival sources	Single case in the automotive industry; Sample firms' real names were disguised	Although there are differences between the acquirer and target firms' acculturation practices, the study finds the relationship between the level of post-acquisition acculturation and the maturity levels of project management teams

(continued)

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		affect the success of post-merger integration process?					The proposed framework highlights the roles of project management teams in the success of post-merger integration processes between two institutionally distant countries
Mazon <i>et al.</i> (this issue)	<i>Acquisitions by multinationals from emerging economies</i> Knowledge motives in the cross-border acquisitions: a case research of three Brazilian multinationals	What motivates Brazilian multinational firms expand into global markets? Why do Brazilian firms choose acquisition method in the global expansion of their business?	Resource-based view (RBV)	Acquisitions by firms from emerging economies: Brazil	Multiple case study: unit of analysis, individually/archival sources	Three Brazilian firms: <i>Gerdau</i> (steel industry), <i>Petrobras</i> (oil and gas industry) and <i>Vale</i> (mining industry)	Brazilian firms are likely to exploit the resources and capabilities developed in the home market than to explore new resources and strategic assets available in target countries Because the level of equity control in target firm affects global strategic decisions, Brazilian firms prefer to opt for higher equity stakes over smaller equity stakes, but the percentage of equity stake differs from one target country to another target country (continued)

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Author(s)	Title	Research objective	Theory	Institutional setting	Analytical approach/data	No. of cases	Key findings
Aureli <i>et al.</i> (this issue)	Emerging multinationals investing in developed countries – key factors for a successful cross-border acquisition	What are the factors influencing the success of emerging economy acquisitions and post-acquisition strategies in developed economies?	M&A process, institutional framework	Emerging economy acquisitions in developed economies: India (acquirer country), Italy (target country)	Qualitative case analysis/ Interview data and archival sources	Single case in the automobile industry: Endurance Group acquisition of Fondalmec	The study finds the positive effects of emerging economy acquisition on target firm's post-acquisition issues such as job creation, client portfolio, sales revenue, transferring technology to acquirer country and new R&D initiatives. It is highlighted that strategic partner evaluation, accumulated experience in the target country, partner leadership and integration mechanisms are key factors influencing the success of emerging economy acquisitions in developed economies

Source: Prepared by the Guest Editors based on Chief Editor's suggestions

easily accessible in litigated cases). The typology consists of 11 steps: case development, case selection, relatedness and pattern matching, case analysis, cross-case analysis, theoretical constructs, pre-testing and development, adjusting theoretical constructs, theory testing, building theory and testable propositions and suggesting strategic swap model.

Specifically, we suggest researchers that a good case study research should explain: research question (why or how), sample cases, selection criteria, triangulation methods, data analytical approach (e.g. pattern matching, content analysis using a software program), theory testing, theory development, case analysis (cross-case analysis in multiple cases) and limitations and generalizability. At the same time, researchers should prepare a “case study protocol” to strengthen both the research design and the research findings. It is worth highlighting that “thick description, exploratory research, and comparative case analysis that focus on inductive theory building and hypotheses generation” not only contribute to rich literature (Birkinshaw *et al.*, 2011) but also strengthen the generalization of research findings to a larger population (Tsang, 2014). Therefore, an attempt to investigate the causes and consequences of failure deals in local and international settings is most sought. How does the formal institutional framework in host country affects the success of cross-border acquisitions reporting in emerging markets? How do we overcome the country- and firm-level difficulties in the post-merger integration stage?

With this theoretical background, the special issue welcomed scholars to submit their case study research in M&A themes. Following a double-blind review system, we have accepted seven articles for the *first issue* in 2017. In this issue, five articles examined how interfirm trust and accounting practices, *external stakeholders*, firm-specific factors, *the role of integration manager having board membership* and the relationship between the level of acculturation in post-acquisition and the maturity levels of project management team affect the success of M&A process, i.e. negotiations to post-merger integration? The remaining two articles explored what drives emerging economy acquisitions in developed economies (Table I). We believe that the selected papers published in this special issue constitute a representative sample of what is welcome and we hope readers will enjoy reading them.

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Further reading

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