The CEO in Post-Merger Situations:

An Emerging Theory on the Management of Multiple Realities
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An Emerging Theory on the Management of Multiple Realities

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Abstract

While Mergers and Acquisitions (M&A) are widely studied by researchers from a variety of fields and are well understood to yield significantly lower results than originally promised, this volume reports on pioneering work on the Chief Executive (CEO), his role, his learning and human experience in the very intense stressful and high-stakes environment of post-merger integration. The CEO has to, in one way or another, involve himself in polychotomous management, running simultaneously four starkly different realities: the two original companies, the emerging new one and the transient project organisation in charge of integration.

After an introductory chapter with an overview of the study this volume provides a wide-ranging assessment of the state-of-the-art, drawing from eight major fields of management theory and a dozen subfields, with additional detail in annexes. The field of andragogy, the art and science of adult learning, is for the first time applied to M&A. The basic postulate of andragogy is that professionals learn best not in traditionally structured academic settings but rather in highly goal-oriented and time-constrained situations of which management in a post-merger is a prime example. The volume continues with discussion of the methodology used and the presentation of empirical results, contrasted with available theoretical frameworks. The study is based on a classical Grounded Theory approach in which an emerging theory is sought based on a ‘conversation’ between data and prior theory.

The study innovates in that the guide to interviewing twenty top executives is developed in part based on an ethnographic exploration of a diary that the author had kept as a top leader in private and public organisations, interacting in that capacity with leading corporate executives in Switzerland and Germany. This experience is synthesised in the form of seven case studies, reported in the ethnographic style of tales, each written in a lively and simple manner. Formal interviews involved ten prominent Swiss and German companies. In each company the top man and a second-in-command were interviewed twice at approximately six months interval, giving the study a longitudinal dimension and allowing the researcher to ‘break the ice’ and get very candid self-assessments from the subjects, including a glimpse into highly personal matters. The findings are complemented with documentary evidence, the author having gained good access to confidential corporate material. The results are reported with abundant use of salient quotes from the interviews, allowing thus the reader to directly appreciate the tone and the state-of-mind of respondents. This wide access to so many top executives in Switzerland and Germany is rare and is in itself of interest as most published literature focuses on North America.

The study proposes a new understanding of the post-merger organisation as being four juxtaposed organisations each needing dedicated management action. Furthermore, 14 key inhibitors to executive learning are identified and explained, namely the post-merger exception, CEO overstaying or understaying, success, isolation, homogenous environments, cultures of management, lack of trust, excess of trust, personal agenda,
distraction, dichotomies and paradox, time pressure, adulation and expectations of omniscience and media pressure.

In addition, eight clusters of factors influencing post-merger performance are purported and contextualised, namely managerial discretion, the success trap, the use of discourse and metaphor in acculturation, the CEO and his or her self, management vs. leadership, the global mindset, the management of ambiguity and polychotomy and trust vs. distrust.

Finally, abstraction of interview data suggests that CEOs in post-merger situations can be viewed as fitting a taxonomy involving three categories, dubbed the ‘cartel executive learner’, ‘the aesthetic executive learner’ and the ‘videogame executive learner’. The three sets of managerial behaviour are described along 28 dimensions or characteristics that are analysed in terms of their positive or negative contribution to achieving successful post-merger integration. Based on this, the author suggests a fourth ‘ideal’ category: ‘the polychotomous executive learner’ and makes suggestions for further research and practical lessons that can be implemented in corporations and management education.
Samenvatting

Fusies en acquisities worden veelvuldig bestudeerd door onderzoekers vanuit verschillende vakgebieden en het is daarbij evident dat fusies of acquisities over het algemeen minder resultaten opleveren dan oorspronkelijk verwacht. Deze studie rapporteert echter over baanbrekend onderzoek naar de CEO, zijn rol, zijn persoonlijke en leerervaringen in de intense, gespannen omgeving van de integratie na de fusie, waarin grote belangen op het spel staan. De bestuursvoorzitter moet op een of andere manier een polychotome vorm van management bedrijven. Hij moet vier uiterst verschillende realiteiten besturen: de twee oorspronkelijke bedrijven, de nieuwe entiteit die ontstaat en de kortstondige projectorganisatie die de integratie vormgeeft.

Na een inleidend hoofdstuk met een overzicht van het onderzoek presenteert dit werk een brede beoordeling van de huidige stand van zaken, bouwend op acht theoretische hoofdstromingen en een dozijn substromingen in de bedrijfskunde, met detaillering ervan in de bijlagen. Het vakgebied van de andragogie, de kunst en wetenschap van kennisverwerving bij volwassenen, wordt voor het eerst toegepast op fusies en acquisities. De basishypothese van de andragogie is dat professionals niet zozeer in een traditionele gestructureerde academische omgeving optimaal leren, maar juist in resultaatgerichte situaties onder tijdsdruk, waarvan de post-fusie situatie een uitstekend voorbeeld is. De studie vervolgt met de methodologie en de presentatie van de empirische resultaten, die worden afgezet tegen de beschikbare theoretische raamwerken. De studie is gebaseerd op een klassieke “Grounded Theory” benadering waarin een theorie zich ontvouwt op basis van een “gesprek” tussen de data en de eerdere theorie.

Het werk is innovatief in de zin dat de richtlijn voor het interviewen van twintig top-bestuurders deels ontwikkeld is op basis van een ethnografische verkenning van een dagboek dat de auteur bijhield in haar positie als top-bestuurder in private en publieke organisaties, een positie waarin zij veel interacties had met toonaangevende top-bestuurders van Duitse en Zwitserse bedrijven. Deze ervaringen zijn samengebracht in de vorm van zeven gevalsstudies, opgetekend als ethnografieën in de vorm van vertellingen, elk geschreven op een levendige en simpele manier.

Formele interviews werden gehouden binnen tien prominente Zwitserse en Duitse bedrijven. In elk bedrijf werden de top-man en de tweede in de lijn tweemaal geinterviewd met een tussenpoos van ongeveer 6 maanden. Deze benadering geeft de studie een longitudinale dimensie en maakte het mogelijk voor de onderzoeker om het ijs te breken en een eerlijke zelf-evaluatie van de betreffende topman te krijgen, inclusief een doorkijkje naar zeer persoonlijke zaken. De resultaten worden aangevuld met geschreven bronnen, aangezien de auteur toegang had tot vertrouwelijke zakelijke documenten.

De onderzoeksergebnissen zijn doorspekt met spraakmakende citaten uit het materiaal, waardoor de lezer de toon en gemoedstoestand van de geïnterviewde topmannen direct kan ervaren. De toegang tot zo’n uitgebreide groep top-bestuurders in Duitsland en Zwitserland is op zich al interessant, aangezien het grootste deel van de studies die worden gepubliceerd zich op de Verenigde Staten richt.
De studie werpt nieuw licht op de post-fusie organisatie en stelt deze voor als vier naast elkaar geplaatste entiteiten die elk aandacht en actie van het management vragen. Voorts worden 14 belemmeringen voor het leerproces van de top-man geïdentificeerd en verklaard, namelijk: de post-fusie uitzondering; te lang of te kort aanblijven van de CEO; succes; isolatie; homogene omgevingen; management culturen; gebrek aan vertrouwen; overmaat aan vertrouwen; persoonlijke agenda; afleiding; dichotomie en paradox; tijdssdruk; vleierij en overschatting van de bestuurder; en druk van de media.

Daarnaast worden acht clusters van factoren die de post-fusie prestatie beïnvloeden gedefinieerd en in hun context geplaatst, namelijk: speelruimte van de bestuurder; de succes-val; het gebruik van discours en metafoor in acculturatie; de CEO en hem/haarzelf; management versus leiderschap; de globale mindset; management van ambiguïteit en polychotomie; en vertrouwen versus wantrouwen.

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