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Mergers, Acquisitions, and Strategic Alliances as Collaborative Methods of Strategic Development and Change

Shorter Title: Mergers, Acquisitions and Strategic Alliances

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Abstract

This editorial article briefly discusses the importance and implications of collaborative methods of development. It provides an overview of the various alternative collaborative methods available and highlights the main critical success factors associated with the management of the major strategic change processes which these often are. While providing a brief overview of each paper, this editorial article highlights the importance of a multi-disciplinary approach and highlights the interconnectedness between a variety of factors and their performance implications. To conclude, avenues for further research are suggested in order to further strengthen the view of a more pluralistic, multi-disciplinary, multi-phasic, and interconnected approach to external collaborative methods of development.

In recent years, the number of collaborative arrangements such as mergers, acquisitions, strategic alliances, joint ventures, global value chains, and business model restructuring have increased significantly, in response to the increasing uncertainty of markets, fast technological changes, diversification of customer needs and preferences, and shorter product life cycles (Bustinza, Gomes, Vendrell-Herrero & Baines, 2019; Chung, Lu, & Beamish, 2008). As a result, external collaborative methods of development have become the preferred method of growth ahead of internal organic growth (Chiao, Lo,

& Yu, 2010). These have been used by companies as methods for enacting major strategic change, managing risk, speeding up product development, reaching higher levels of synergies and economies of scale, and achieving the necessary growth to survive and compete in ever increasingly global markets (Eaves, Kumar, White, & Loonam, 2018; Vendrell-Herrero, Gomes, Bustinza, & Mellahi, 2018; Vendrell-Herrero, Parry, Bustinza, & O'Regan, 2014). This has fuelled the growth of large-scale firms and the consolidation of various industries at national and global levels.

However, despite their increasing popularity amongst practitioners and scholars, their overall success rate of failure remains dismal (Checkley, Steglich, Angwin, & Endersby, 2014; Gomes, Weber, Brown, & Tarba, 2011; Papadakis & Thanos, 2010; Weber, Tarba, & Reichel, 2011). This raises the question as to whether collaborative growth methods are preferable to internal organic modes of development (Chiao, Lo, & Yu, 2010; Gada & Popli, 2018) and, if so, what are the main factors that contribute to their success or failure. It is undoubtedly acknowledged that these collaborative methods of development represent major forms of strategic change and are complex in nature. As such, M&A, strategic alliances, joint ventures, global value chains, and business model restructuring pose serious challenges to both managers and scholars as they require an understanding of complex multiphase processes, and multifaceted interorganizational relationships (Angwin & Vaara, 2005; Angwin, Mellahi, Gomes & Peter, 2016; Gomes, Angwin, Weber, & Tarba, 2013; Harwood & Ashleigh, 2005; Meglio & Risberg, 2010). Therefore, managers and academics alike are required to acquire and develop specific skills and knowledge about the management of such collaborative processes.

The existing body of knowledge on the topic pinpoints a variety of critical success factors involved in the management of M&A (see Gomes et., 2013) and strategic alliances (see Gomes, Barnes & Mahmood, 2016). However, the literature has tended to focus

separately on either pre-agreement factors or post-agreement factors, instead of examining the linkages throughout the entire process. The failure to study the interconnection between various factors associated with the pre- and post-agreement phases, inhibits our ability to understand the performance implications of M&A and alliances in general, and the influence of each of the associated critical success factors in particular. On the contrary, the ability to link the factors associated with the pre- and post-agreement phases may help to improve outcomes in general. Surprisingly, despite the existence of a vast body of knowledge on mergers, acquisitions, and strategic alliances, with plentiful advice for making them work, to date, only a few studies have attempted to investigate such relationships and their impact on performance.

This special issue contributes to this body of knowledge by adopting a multidisciplinary approach and bringing together research conducted by scholars from different disciplines (strategy, marketing, economics, innovation management, and international business). The various papers included in the special issue, arising from different disciplines concerned with mergers, acquisitions, and strategic alliances, investigate the various success factors involved at the different phases (pre- and post-agreement). With the intention of better balancing the role of context and process, the papers focus on various levels (firm, departmental, and industry level) and make use of a variety of research methods (quantitative, qualitative and review).

The various studies help us to better understand the individuals', group, and organizational reactions and practices involved in collaborative practices such as M&A and strategic alliances. Overall, they extend the existing body of knowledge by helping us better understand how underlying concepts and methodologies improve our understanding of the strategic change practices involved in the management of such collaborative methods of development.

In terms of phenomena, the studies focus on interorganizational collaboration in the different types of strategic change events ranging from M&A to alliances. By covering an array of collaborative arrangements, this special issue reveals the commonalities as well as the differences in terms of the various critical success factors involved in the management of the different alternative methods of development.

When comparing mergers with acquisitions, the distinction is difficult to make. However, there are some differences that are obvious. While acquisitions encompass situations in which one organization takes over another and clearly establishes itself as the new owner, a merger takes place when two firms agree to join and form a single new company. Hence, most scholars and managers do not differentiate mergers from acquisitions and use the term “mergers and acquisitions” (M&A) for both.

In the case of strategic alliances there is a huge variety ranging from equity to contract based alliances, e.g. joint-ventures, franchising, licensing, consortium, etc. However, in general a strategic alliance can be defined as a collaborative agreement between two or more organizations with the aim of achieving their strategic objectives, while remaining as independent entities. As such, while M&A involve the management of all assets of participating organizations under common ownership, in the case of alliances assets may be managed jointly but remain under separate ownership (Gomes et al., 2011). These and other characteristics imply that there are different levels of control, resource commitment, flexibility, investment requirements, and risk, and subsequently, certain differences in some of the critical success factors involved in the management of their pre- and post-agreement processes.

The articles by Thanos, Papadakis and Angwin and by Gomes and Tarba focus on the closest and most longstanding methods of external collaboration, i.e. M&As. Amongst the various forms of external collaboration, M&A are the ones that require the strongest

integration and commitment between collaborating firms, and demand the highest levels of strategic change. Thanos and colleagues investigate how macro wave and non-wave factors influence pre- and post-acquisition process management and performance. Through a quantitative survey study of two waves of M&A in Greece, they follow a multi-phasic approach to investigate the pre-acquisition motives and the management of both the pre- and post-agreement processes, and the subsequent performance implications of acquisitions undertaken in in-wave and non-wave periods. More specifically, in terms of the pre-merger process they include aspects related to the due diligence, the price paid for the acquisition, and the speed of deal closure. In terms of post-merger process they investigate the effect of communication, management and staff turnover, and speed of integration. This multi-phasic approach adds substantial value to the existing literature on the topic, which tends to be compartmentalized and focused on either pre- or post-acquisition success factors.

The article by Opazo and Galera addresses exclusively the process and key factors that have contributed to the success of strategic alliances. Instead of examining more traditional types of alliances (horizontal or vertical), this paper looks at concentric alliances between food retailers that are part of the Uvesco Group and Information Technology (IT) providers in Spain. Their article provides fresh insights on the role and importance of collaboration in fast changing technological contexts driven by unprecedented digital innovation and transformation. It helps us understand that in such contexts collaboration is a basic survival condition, as traditional incumbents are not capable of coping with the pace of change. In response to the fast digitalization of the sector, large retailers are having to partner with IT partners to be able to rapidly develop integrated data exchange systems and more efficient interfaces designed to support multi-business networking processes. The article discusses the importance of external vs.

external methods of development and helps us understand the advantage of concentric alliances in redefining business models. Like the first article, it follows a multi-phasic and interconnected approach, examining the relationships between critical aspects related to the pre-agreement phase by discussing how the motives for the alliance (access to valuable resources and specific knowledge on digitalization), influence partner selection. In terms of the post-agreement phase, the study analyses the linkages between the management of cultural (organizational and sector) differences and the levels of organizational integration and coordination.

Gomes and colleagues provide a comprehensive review of the M&A literature (over 500 articles) published in top management journals in three different waves over a period of 27 years. Following a multidisciplinary approach it reviews articles from different management areas including strategy, marketing, HRM, organizational behaviour, and international business. The review follows a multi-phasic approach by including several success factors associated with pre- (motives, courtship, partner selection and evaluation, and negotiation) as well as post-merger (integration approach, speed of integration, communication, cultural management, identity, trust and control, change management, and leadership) processes. The article provides an important contribution to the M&A literature as it suggests trends in this body of knowledge by identifying themes researched over time. The fact that it reviews the development of the M&A literature over a long period of time facilitates an understanding of the intellectual evolution of this body of knowledge around key factors influencing pre- and post-merger process management.

Lages, Ricard, Hemonnet-Goujot, and Guerin cover a diversity of intra and inter firm collaborative arrangements ranging from M&A to various forms of strategic alliances in a variety of sectors including, airlines, aerospace, energy, biotechnology, industrial manufacturing, tourism, insurance, finance, healthcare and pharmacy, and retailing. A

novelty of this article is that the authors make use of an informal collaborative problem-solving framework (the Value Creation Wheel – VCW), to analyse both the pre- and the post-agreement phases of the various types of collaborative arrangements included in their study. By following a multi-phasic approach, they analyse aspects related to pre-agreement phase (e.g. the choice of the right strategic partner) as well as the motives for collaboration (e.g. risk diversification and access to technology and know-how). In terms of post-agreement phase, they apply the VCW to analyse several features including communication, change management, corporate governance, human resources management (HRM), trust, customer retention, knowledge transfer, and innovation. Their findings demonstrate that to succeed in dynamic and fast changing environments, organizations need to be able to engage in both intra-organizational and inter-organizational multi-disciplinarily collaborative processes as a way of remaining competitive and agile.

Finally, Genzlinger, Zejnilovic and Bustinza, focus on a fast changing technological context – the automotive industry. Their work sheds light on how car manufacturers adapt their traditional product focused strategies and develop digital services business models. To this end, they analyse the different stages of the servitization journey followed by a leading automotive manufacturer (BMW) in developing servitization business models around personal mobility services like Teleservice diagnostics, DriveNow, ReachNow, and ParkNow and special use-oriented services for electric vehicles. Their findings show that to cope with the degree and rate of technological changes, BMW and other OEM players are forced to combine greenfield initiatives with external collaborative modes of development with KIBS providers.

Conclusions and future research

The articles published in this special issue add to calls for more multi-disciplinary and holistic approaches to the analysis of mergers, acquisitions, and strategic alliances. By following a multi-phasic approach, the various articles have examined the links between the various critical success factors associated with the pre- and post-agreement phases of different types of collaborative arrangements. The fact that the special issue does not focus on one single method of external development but instead includes articles covering a broad range of collaborative modes, from acquisitions to strategic alliances, is especially valuable as it encourages us to appreciate the commonality and the differences, as well as to compare and contrast the management of a variety of critical success factors involved in the management of such processes. Unlike most of the earlier studies that have focused on one or very few key factors, the articles in this special issue reveal greater explanatory power by examining the complex relationships between multiple critical success factors in order to understand the performance of the different types of methods of collaboration.

The lack of such a holistic and multi-phasic approach to the management of M&A and alliances may partly explain their dismal success rate. Although this special issue provides an important contribution in this direction, future studies should continue to draw from the various management disciplines and to integrate the various independent and compartmentalized research streams on the topic, which are only marginally informed by one another. In the same vein, future research should further explore the interrelationships between the various critical success factors, instead of continue to focus on discrete variables in either the pre-agreement or post-agreement phases. Most importantly, very few articles (and special issues) have sought to integrate the M&A with the strategic alliances literatures and as a result, these two bodies of knowledge are only marginally

informed by each other. The articles published in this special issue demonstrate that these two fields have so much in common that experiences and lessons could be drawn by scholars in both camps and benefit practitioners involved in the management of such related events.

Profile

Dr. Emanuel Gomes is an Associate Professor in International Business and Strategy at Nova School of Business and Economics, Universidade Nova de Lisboa (Portugal), where he is the Academic Director of the masters in management programmes. He was the Deputy Head of the International Business and Strategy department at the University of Birmingham, Birmingham Business School (UK). He is the Regional Editor (Africa) of the *Journal of Knowledge Management*, and a member of the editorial board and reviewer for different journals. He is the author of three books *Mergers, Acquisitions and Strategic Alliances: Understanding the Process*, *Acquisitions in the UK Car Industry: A Comprehensive Analysis of the Merger Processes*, and *Mergers and Acquisitions as Strategic Methods of Business Development in the Global Automobile Industry: An Analysis of Five Cases*. He is also the author of several papers published in journals including the *Journal of World Business*, *Journal of Organizational Behavior*, *Strategic Change*, *Regional Studies*, *International Business Review*, *Management International Review*, *International Journal of Human Resource Management*, *Human Resource Management Review*, *International Marketing Review*, *R&D Management*, and *Thunderbird International Business Review*. Before pursuing an academic career, worked in the automotive, HR, and the not-for-profit sectors. He has provided consultancy to companies operating in the automotive, construction, international trade, energy, music, and sports industries.

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Biographical note

Emanuel Gomes is an associate professor at the Nova School of Business and Economics, Portugal. His research interest is in the areas of M&A, strategic alliances, internationalisation of the firm, and strategic renewal. He is the author of three books and of several articles on M&A and strategic alliances.

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