Connecting the micro- and macro-level: Proposition of a research design to study post-acquisition synergies through a social network approach

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Summary The paper discusses the contribution of social network analysis to study synergy creation following an acquisition. As the approach allows for a multi-level analysis, addressing the macro- and the micro-level of analysis as interactive settings, it offers an exciting alternative to prevailing research on mergers and acquisitions. We present a research design building on the combination of structural and qualitative interview data to study the evolution of synergy creation throughout the acquisition process. We build on a case study to highlight the concrete process of data collection, processing, and analysis.
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Introduction

The study of organization and human resource related issues has received a great amount of attention among scholars seeking to shed light on processes and forces shaping the implementation and outcome of mergers and acquisitions (M&A). Prominent topics under study have been the confrontation of distinct corporate cultures, effects of the chosen integration level and design on innovation capabilities, the evolution of employees' identification with the merged entity, or the driving forces of top management turnover. However, findings only provide with a limited comprehension of the complex dynamics at work when merging two previously independent organizations. One inherent reason to this difficulty to build a more substantial theoretical framework of M&A integration relies, as we argue, on the unilateral focus of existing studies on either the micro or the macro

level of analysis. Studies on M&A tend to focus either on the individuals inside the merging firms, thus analyzing their attitudes, behavior and perceptions on the micro level of analysis, or on the organization as a whole, discussing integration issues and processes on the macro-level. The way both levels interact and influence each other, i.e. how individuals' reactions to the merger impact on the organizational structure and vice versa, how the organizational structure shapes the behavior and relations of employees is less addressed.

The purpose of the paper is to present a research design based on a social network approach that aims at studying the creation of post-acquisition synergies at both, the micro and the macro level. Synergy creation is one of the most important drivers of post-acquisition performance and relies fundamentally on organizational and individual cooperation (Larsson & Finkelstein, 1999). The underlying assumption of social network analysis is that actors (individuals, groups, organizations, etc.) are interdependent and shape by their interactions the structure of the network they are part of. The action and behavior of one actor therefore is influenced

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by those of his alters, i.e. actors s/he is related to. The social network perspective focuses on relationships, unlike "standard" social science analysis where the focal point is rather on attributes of autonomous individual units. In this perspective, as we will argue, the creation of synergies relies on the emergence of relationships, such as operational cooperation, the transfer of resources, between members of both firms whose behavior is further strongly influenced by the social structures they are embedded in.

In a first section, we review M&A research as regards the adopted level of analysis. In a second section, we introduce the social network approach, its scientific roots, main concepts and principles. In a third section, we present the research design that was developed in relation to a concrete case study. We will start by presenting the case study and describe then in detail the way data was collected and processed. In a fourth section we will highlight the process of data analysis and illustrate with some concrete findings how the combination of structural and qualitative interview allowed for addressing synergy creation as a multi-level process. The last fifth section concludes and discusses contributions and limits of the proposed approach.

Review of M&A literature: contrasting with micro- and macro-levels

Organizational and human resource related issues that influence acquisition outcomes have received an important amount of attention in the field of M&A research. Whereas the range of topics appears to be quite rich and numerous, criticism has been widely expressed regarding the scholarly capacity to theoretically embrace the topic in a more comprehensive way (Cartwright & Schoenberg, 2006). Studies tend to focus on isolated variables or phenomena such as psychological effects of M&A on employees or the relationship between cultural differences and post-acquisition performance which, in practice, might be strongly interrelated. One possible way to overcome these difficulties in substantial theory building might be inherent to the use of a multilevel approach.

Indeed, most M&A research focuses either on the micro or the macro-level of analysis, that is either on the individuals inside the merging firms or the organization as a whole, without articulating more explicitly the way both levels might influence each other in the course of post-acquisition integration.

On the micro level, studies have investigated the way employees react to and cope with the acquisition integration process. Scholars studied how M&A affect employees psychologically, create an environment of stress, anxieties and uncertainties regarding career developments which in turn bring about employee turnover and lower work commitment (Cartwright & Cooper, 1990, 1993). Other studies have highlighted individual perceptions and expectations regarding the merger and the merging partner[1] (Bartles, Douwes, De Jong, & Pruyn, 2006; Dackert, Jackson, Brenner, & Johansson, 2003; Wickramasinghe & Chandana, 2009), notably in relation to organizational identification processes during the post-merger stage (Bartles et al., 2006; Van Dick, Ullrich, & Tissington, 2006). In some cases, scholars address those issues in relationship with variables regarding the macro level, such as the influence of the merged company structure on post-acquisition identification (Ullrich, Wieseke, & Van Dick, 2005). However, the interaction between both levels remains here only unilateral, lacking investigations about how individual behavior and identification processes might actually structure organizational settings and dynamics.

The issue of cultural differences between merger partners has been addressed on both levels of analysis, but without really discussing interactions between them. Whereas a first set of studies focused on individual perceptions of and reactions to cultural differences between the acquirer and the acquired company (Brannen & Peterson, 2009; Kavanagh & Ashkanasy, 2006; Schweiger & Goulet, 2005; Styhre, Börjesson, & Wickenberg, 2006), a second group of scholars has investigated the impact of cultural distance on the organizational level on integration processes and M&A performance (Calori, Lubatkin, & Very, 1994; Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009; Morosini, Shane, & Singh, 1998; Reus & Lamont, 2009; Stahl & Voigt, 2008).

However, we found several studies, where the level of analysis appears less clear cut and, at least at first sight, dualistic. For instance, in their study of the impact of national cultures on integration mechanisms, Lubatkin, Calori, Very, and Veiga (1998) question top managers about their perceptions of these mechanisms (such as key personnel transfer following the merger or the extent of organizational, strategic and financial autonomy granted to the acquired firm). However, whereas the study gathers data on the micro-level of analysis by focusing on individuals' perceptions, the conclusions only refer to phenomena relative to the organizational level, finding that different national administrative heritages lead to distinctive integration approaches as regards the studied variables. Similarly, Pablo (1994) studies how managerial decision making at the micro-level of analysis is influenced by task, cultural and political characteristics of an acquisition — characteristics relating to organizational features and thus addressing the macro level. As the author finds, these organizational features indeed structure the individual decision-making process (macro level's impact on micro level), the latter leading to different integration design choices, thus structuring organizational settings in the post-acquisition entity (micro level's impact on macro level). However, as the micro level analysis only focuses on the way managers' judgments about integration are influenced by organizational characteristics, individual processes are fairly approached as independent unilateral settings. Factors such as the influence of managerial interactions or the impact of power imbalances that can be supposed playing an important role in executives' integration decision-making are not addressed.

As we argue in this paper, social network analysis might be a fruitful means to link both levels of analysis. By focusing on the way individual interactions influence and are influenced by social structure, network analysis directly addresses individual and organizational behavior as interdependent settings.

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[1] We refer to the merger or acquisition 'partner' in order to designate the second firm involved in the acquisition. It relates to the acquired firm from the perspective of members of the acquirer, and to the acquirer from the standpoint of those at the acquired firm.