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# The Impact of Post-Acquisition Autonomy upon Small to Medium Enterprise Integration Success

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**THE IMPACT OF POST-ACQUISITION AUTONOMY UPON SMALL TO  
MEDIUM ENTERPRISE INTEGRATION SUCCESS**

by  
Robert Weichel Reich

A Dissertation

Presented in Partial Fulfillment of the Requirements for the  
Degree of  
Doctor of Business Administration  
in the  
Coles College of Business  
Kennesaw State University

Kennesaw, GA  
2013



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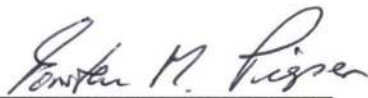
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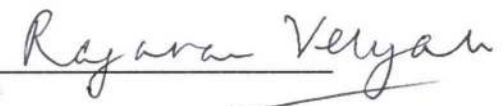
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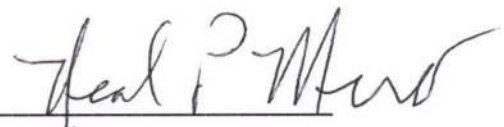
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## DEDICATION

This effort is dedicated to my wife Ruth Kleemann Reich without whose' enduring support, I could not have completed this work or succeeded in life. It is also dedicated to my mother, Professor Emerita Kathleen J. Reich whose' many sacrifices and persistent encouragement provided the motivation to finish this document.

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## ABSTRACT

### THE IMPACT OF POST-ACQUISITION AUTONOMY UPON SMALL TO MEDIUM ENTERPRISE INTEGRATION SUCCESS

by  
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Most theories in merger and acquisition (M&A) research use an individual or group level of analysis and address behavioral issues in M&A integration and adaptation. Relatively few studies apply a firm level analysis to investigate strategic issues pertaining to autonomy and decision-making authority. This study used neo-institutional theory to investigate the relationship between acquired firm autonomy and integration success at the firm level. It also sought to identify possible moderating impacts of an acquired firm's pre-acquisition organizational archetype, e.g. professionally managed private, or founder owned and operated, as well as the acquired firm's leadership experience with previous M&A integration. Furthermore, unlike the majority of extant M&A literature, which commonly takes the perspective of the acquirer firm, I explored the perspective of the acquired firm. The study focused on middle market firms acquired by public corporations to provide variation of acquired firm organizational archetypes. Our results underscore the complexities of measuring a relationship between autonomy allocation and integrations success. It additionally expands the exploration of causal antecedents that influence that relationship.

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## **CHAPTER 1**

### **INTRODUCTION**

The integration of acquired firms into existing organizations continues to be a challenging enterprise (Bergh, 1997; Brouthers & Dikova, 2010; Colombo & Delmastro, 2004; Haleblan, Devers, McNamara, Carpenter, & Davison, 2009; Jarrell, Brickley, & Netter, 1988; Jensen & Ruback, 1983; King, Dalton, Daily, & Covin, 2004; Puranam & Srikanth, 2007; Raghavendra Rau & Vermaelen, 1998; Schoenberg, 2006; Zollo & Singh, 2004). Seventy-five percent of acquisitions fail to achieve the targeted benefits for the acquiring firm (Marks, Mirvis, & Brajkovich, 2001). Over one third of acquisitions are divested or dissolved within seven years due to failure to meet expectations (Kaplan & Weisbach, 1992; Ravenscraft & Scherer, 1989). The integration process can be encumbered by control change, employee allegiances, strategic shifts and cultural modifications (Graebner, 2004).

To enhance ownership transitions, assimilation processes should recognize autonomy dynamics, which support the acquired company integration while incorporating new strategies, visions, processes and decision-making authority (Brockhaus, 1975; Graebner, 2004). Autonomy implies that the management of the acquired firm has the freedom of influencing events and making the day-to-day operating decisions without excessively close control or restraint by the parent company (Hayes, 1979). Influences of new ownership may be particularly disruptive when smaller

businesses are acquired by larger, publicly traded corporations (Raquib, Musif, & Mohamed, 2003b). In this scenario, a change in managerial authority has been identified as a complicating dynamic during integration (Bezrukova, Thatcher, Jehn, & Spell, 2012; Stahl & Voigt, 2005). Smaller firms often allocate greater decision-making authority to managers than larger, publicly traded firms (Ahlers, Hack, & Kellermanns, 2012; Mintzberg & Bourgault, 2000). Accordingly, it is important to recognize how employees of acquired firms react to changes in autonomy allocation in order to better plan integration into a new organizational model (Nelson, 2003). This dissertation suggests that founder owner-operator leaders have less success integrating into public corporations than professionally managed private firm leaders (Schein, 1983). The study also investigates possible moderating effects of prior experience with acquisition. “There is a real role for management academics here... It is strategies’ job to link corporate, structural, operational and behavioral conditions and choices” (Nelson, 2003, pp. 722,723).

Substantial research has been conducted concerning the social and cultural aspects of merging groups. Leadership influences, in-group/out-group dynamics, communication, trust factors and emotional quotients are common areas of merger and acquisition study (Bezrukova, et al., 2012; Stahl & Voigt, 2005). Merger and acquisition research is frequently focused on individual and group response to being acquired. Less research has addressed the implications of autonomy allocation such as the freedom to plan, pace, execute the integration plan without undo parental interference and its relationship to integration success (Meyer, 2001; Teerikangas, 2012). This study contributes to closing that gap. Additionally, no prior research addressed the unique institutionalized

heterogeneity of dissimilar organizational archetypes upon acquired firm integration success. Specifically, this dissertation extends research of post-merger integration by providing an acquired firm perspective and exploring the moderating effect of pre-acquisition organizational archetypes on an acquired firm perceived assimilation success. An ‘archetype’ refers to a configuration of structures and systems that are embedded in the political and organizational structure of the firm and are organically sustained to ensure conformity and sustainability (McNulty & Ferlie, 2004). Configurations are sets of practices that share common praxis along operational characteristics such as policy, structure, and decision processes (Ferguson & Ketchen, 1999). The study is framed in small and middle market acquisitions to provide a focused perspective on professionally managed private and founder owned and operated organizational archetypes (Daily & Dollinger, 1992; Fillion, 1990; Gelinas & Bigras, 2004). The dissertation fills the current literature gap in three ways: First, it explores the acquired firm leaders’ perspective of post-acquisition autonomy allocation upon integration success. Second, it assesses a possible moderating effect of previous organizational management type, i.e. private professionally managed firm or founder-owned and operated firm on integration success. Third, it investigates potential influence of the acquired firm’s top management team (TMT) recent acquisition experience on perceived integration performance of the acquired firm.

The foundation of this dissertation is built upon institutionalism of organizational type and new-institutional theory. Institutional theory of the firm suggests the sociology of organizations is necessary to understand the substance of interactions between governance mechanisms and responses to signals and actions in an attempt to maintain



relevance to those affected (Cohen, Krishnamoorthy, & Wright, 2008). Formal organizations operate as systems of coordinated and controlled processes existing within predetermined networks of practices and procedures defined by the culture and nature of the organizational type (Meyer & Rowan, 1977). The neo-institutional school further develops institutional research around how the agent is managed or controlled by the organization to further the institutional values (Commons, 1921; Simons & Ingram, 1997). Particular concern of neo-institutionalism is associated with economic transactions within rules and processes that affect individuals and contribute to the development of organizational culture, practices and success (Scott, 2008a, 2008b; Williamson, 1985; Zucker, 1977).

Within the tenets of neo-institutional theory are the isomorphic concepts of forced coercion, normative best practice adoption and mimetic replication. Institutional isomorphism refers to an organizational structure imposed by internal or external forces (DiMaggio & Powell, 1983). Coercive isomorphism regards forces from a dominant entity as drivers of culture and actions. Such forces may be derived from government or regulatory statutes, but may also be imposed by other forces of control such as an acquiring owner (Benders, Batenburg, & van der Blonk, 2006). Mimetic forces encourage imitation of preexisting conditions that are diffused through interaction with other professionals, organizations or institutions (Bala & Venkatesh, 2007; Oliver, 1991). Normative pressures are brought about by professional organizations' institutional norms and standard operating procedures (DiMaggio & Powell, 1983; Zucker, 1977). Such pressures are commonly transferred through organizational assimilation, cultural adaptation or institutional inducement (Ang et al., 2007; DiMaggio & Powell, 1983;

Oliver, 1988). These pressures are endemic to the organization from an institutional perspective and are implied and enforced through governance mechanisms such as decision-making authority (Knudsen, 1995; Miller, Le Breton-Miller, & Lester, 2012; Nelson & Winter, 1995).

This dissertation makes the case for the existence of embedded coercive institutional and bureaucratic influences that subsist within organizations to sustain and promote the institutionalism of the firm that consequently have significant effect on leaders from different organizational archetypes and is particularly evident when exposed to change (Adler & Borys, 1996; Mintzberg, 1979). Change is understood in organizational archetype theory as the blending, borrowing, instituting or leveraging artifacts and learnings between archetypes (Kirkpatrick & Ackroyd, 2003). The use of organizational archetypes for identifying autonomy change dynamics supports merger and acquisition research and is relevant to research of comparative governance mechanisms (Greenwood & Hinings, 1996). Compartmentalizing organizational decision-making control and authority through the use of archetypal organizations provides succinct differentiation of institutional differences for analysis (Miller & Friesen, 1980; Vosselman, 2002). Archetypal categorization is useful in merger and acquisition research to recognize differences in organizational response to integration strategies of an acquiring firm (Pinnington & Morris, 2002).

Small and medium enterprise (SME) organizational structures often are simpler than those of larger public firms (Gelinas & Bigras, 2004). The founder-operator in particular is more likely to be directly in control of operational functions and decision-making (Daily & Dollinger, 1992; Fahlenbrach, 2010). The owner-manager is also the

person who develops and carries out visions and controls activities, demanding a high need for independence and autonomy (Filion, 1990). Conversely, the need for independence and autonomy, combined with a low propensity to delegate or consult, may be obstacles to participatory management or decision sharing resulting in a perceived reduction autonomy and power (Mickelson & Worley, 2003). As a result, the SME managers may be likely to regard integration with new control management as a threat, a loss of freedom, an imposition of standards, and a risk to pre-acquisition authority (Gelinas & Bigras, 2004).

The theoretical hypotheses presented are explored through perceived change of autonomy and its relationship to integration success of acquired firms from the perspective of the acquired firm leadership within specific organizational archetypes. The dissertation addresses small and medium enterprises defined as businesses employing fewer than 500 employees at time of acquisition (United States International Trade Commission, 2010). Ownership change of small to medium enterprises often results in dynamics which produce turbulence within the acquired company (Puranam & Srikanth, 2007). The ensuing turbulence can interfere with the efficient and economic flow of production (Zollo & Singh, 2004).

Subject firms include professionally managed private firms and founder owned and operated businesses acquired by publicly traded companies. Professionally managed private firms and founder owned and operated firms typically represent distinct sources of power and cultural institutionalization within the firm (Daily & Dalton, 1992; Nelson, 2003; Schein, 1983; Thornton & Ocasio, 1999). The concentration on small to medium enterprises facilitates the study of the impacts of decision-making authority change on the

ability of smaller acquired firms to meet new owner objectives and adapt to decision-making control changes operationalized by the acquiring firm (Bains, 2007; Gelinas & Bigras, 2004; Van Teeffelen & Peek, 2008). The dissertation does not measure the effects of resource allocation provided to the acquiring firm, but instead, it focuses on the impact of institutional control changes upon the acquired organization and its influence on short-term integration performance. The results contribute to merger and acquisition literature of middle and small market firms in relation to the timing of integration and assimilation effects of heterogeneous organizational types from the perspective of leadership of the acquired firm. The study also provides insight for practitioners in the development of integration processes of smaller firms of differing organizational legacy.

The next section provides a review of current literature identifying various behavioral, social, cultural and institutional treatments of acquisition and integration research. The review of social and behavioral theory is important to understand how institutional mechanisms affect human reaction to environmental change and conscious or unconscious emic response related to perceptions, actions and performance (Van Teeffelen & Peek, 2008). The literature review continues with an examination of studies reflecting neo-institutional isomorphic treatment of acquired firm autonomy. The subsequent section presents the hypotheses regarding the effects of autonomy on the perceived success of the integration process with support from a neo-institutional view of organizations as institutions. The methodology section provides a description of intended empirical approach along with the data sources. The completed research concludes with discussion, limitations and implications for practitioners along with additional research suggestions.

## **CHAPTER 2**

### **LITERATURE REVIEW**

Literature supporting the development of this proposal was sourced from databases accessed through Google Scholar, EBSCO, Horace W. Sturgis Library at Kennesaw State University and the University of Georgia library system, ELSEVIER, Scopus and Science Direct, JSTOR, Sage Publications among others. Key word searches included, but were not limited to, mergers, acquisitions, autonomy, decision-making authority, post-acquisition integration, acquisition value, consolidation, power, change management, organizational change, acculturation, business integration, institutionalism and neo-institutionalism.

Several theoretical lenses regarding organizational change emerged from the review of the literature using above keywords. Much of the merger and acquisition literature examines the human impact of organizational change. Many articles addressed reactions of individual and groups to changes in authority resulting from integration or assimilation by a new organization. Although these studies relied on behavioral or economic choice theories, they serve best to create a foundation for understanding the antecedents of reaction to change subsequent of a merger or acquisition (Teerikangas, 2012).

## **Adaptation to Organizational Change**

The literature indicates that post-acquisition assimilation success is significantly dependent upon individual leadership reaction to changes in authority and decision-making privileges (Bezrukova, et al., 2012; Brock, 2003; Brockhaus, 1975; Graebner, 2004; Stahl & Voigt, 2005). Discontinuity with former roles, decision-making allocations and perceived standing among peers often leads to dysfunctional or unsuccessful outcomes (Evans & Reiser, 2004; King, 2002; Krug & Aguilera, 2005).

Decision-making authority within an organization is often regulated by the rules, practices and controls enforced by the firm (Kraatz & Block, 2008; Scott, 2008a; Veliyath & Hermanson, 1997; Zucker, 1983). Neo-institutional theory explains how rules, practices and hierarchies become entrenched within organizations (Reed, 2001; Suddaby, Elsbach, Greenwood, Meyer, & Zilber, 2010; Weber, 1947; Zucker, 1983). Neo-institutionalism refers to the analysis of organizational bureaucracy within the cultural institutionalism of organizations as a subset of institutional development (Hasselbladh & Kallinikos, 2000; Reed, 2001; Scott, 2008a, 2008b; Suddaby, et al., 2010; Weber & Glynn, 2006). Organizations may have common structure based upon ownership orientation and/or environmental guidelines (Dacin, Goodstein, & Scott, 2002; Zucker, 1983). The perpetuation of an ascribed organizational type is often ensured through the rules of operation, established control mechanisms and entrenched hierarchies (Knudsen, 1995; Suddaby, et al., 2010). These observations support the theoretical basis of the dissertation in that institutionalized organizations represent sub-institutions or archetypes that are persistent and identifiable. A deeper examination of organizational archetypes is presented in the following section.

## **Organizational Archetypes**

Organizational archetypes are specific groups of formal and informal collective actions, rules and structures, which are monitored and regulated (Ferguson & Ketchen, 1999; McNulty & Ferlie, 2004; Reed, 2001). This dissertation argues that the existence of embedded coercive institutional and bureaucratic influences that exist within organizations to sustain and promote the institutionalism of the firm have significant effects on leaders from different organizational archetypes (Adler & Borys, 1996; Kraatz & Block, 2008; Mintzberg, 1979).

Change is understood in archetype theory as involving processes of interpretive de-coupling and re-coupling of movements within and between archetypes (Kirkpatrick & Ackroyd, 2003). The use of archetypes that are subject to similar and dissimilar governance mechanisms is appropriate to measure the dynamics of organizational change (Greenwood & Hinings, 1996). Neo-institutional theory is the selected literature to determine if the acquired firms' organizationally embedded pre-acquisition, decision-making control mechanisms have an effect upon integration success of an acquired firm.

It is not uncommon for the terms mergers and acquisitions to be applied interchangeably when referring to the joining of two separate business entities (Mehta & Hirschheim, 2004). Technical differences however, maybe important in some cases. Acquisitions typically refer to the purchase of one firm by another firm, whereas a merger is considered an agreement between two or more companies to combine into one organization (Raquib, Musif, & Mohamed, 2003a). Despite such technical differences, management studies often do not make such distinctions when evaluating the effects of combining two organizations because the distinction between mergers and acquisitions in

organizational practice is principally only a legal definition (Van Knippenberg, Van Knippenberg, Monden, & de Lima, 2002). Mergers are often promoted as the combining of two equals to the employees and stakeholders impacted by the activity; however, from a psychological perspective, mergers generally take on the characteristics of a takeover by one entity or the other (Cartwright & Cooper, 1992; Schweiger & DeNisi, 1991; Van Knippenberg, et al., 2002). In the event of a merger of equals, fights for organizational and cultural control will likely ensue (Bower, 2001). Regardless of positioning, theories of organizational dominance suggests that there will always be a stronger or more authoritarian entity in every duopoly (Panchal & Cartwright, 2001; Van Knippenberg, et al., 2002). Even in the merger of equals, there is a cultural dominator, and it is common to expect social, cultural, institutional, and governmental differences to interfere with integration (Bower, 2001; Buono, Bowditch, & Lewis III, 2002; Sidanius, Pratto, van Laar, & Levin, 2004). Based on these observations, the terms merger and acquisition are used interchangeably throughout this document and will refer to the change of structural control based on an agreed-to exchange of value.

To provide a behavioral foundation for the neo-institutional framework of this proposal, a summary of non-institutionally based merger and acquisition literatures is presented next. The summary highlights key concepts that might be considered antecedents to leader behavior when encountering changes within the embedded organizational institutionally specific control mechanisms. The interpretations make important contributions toward understanding the multifaceted and inter-reliant impact of perceived autonomy on merged and assimilated organizations and help to establish a platform from which individual response to change will be viewed through a neo-



institutional perspective. It is important to introduce these literatures early in the literature review to demonstrate how exposure to organizational change can affect acquired leaders and link perceived levels of autonomy, or autonomy change when the rules of the organization are changed through acquisition or assimilation. Accordingly, part of the literature review already highlights the link to institutional and neo-institutional theory, which is discussed after this subsequent section. The review of this literature is summarized in Appendix I.

### **Relevant Behavioral and Economic Literatures**

Extant research has demonstrated how the impression of external control over personal situations can affect individuals' sense of commitment (Bacon & Hoque, 2005), self-efficacy (Ajzen, 2002; Chatterjee & Hambrick, 2007; Kowal & Fortier, 1999; Mael & Ashforth, 1995), and effective leadership (Fishbein & Ajzen, 1975; Waldman, Ramirez, House, & Puranam, 2001). A behavioral response is compelled when change is forced upon individuals (Greenberg, 1987; Hall & Mansfield, 1971).

Organizations are recognized as institutional mechanisms, which hold and retain power to promote survival of the structure (Scott, 2008b; Stinchcombe, 1968). Institutional perspectives are important to understand the effects of power and control change in organizations (Thornton & Ocasio, 1999). Institutions are legitimized and characterized by shared normative frameworks. Individuals are expected to adopt organizational value proposition and maintenance mechanisms as a condition of membership. Such a commitment is not just implied, but imposed on members of the organization, willingly or unwillingly (Scott, 2008b; Simon, 1997). Acquired members must make a conscious shift by adapting to organizational values, mechanisms and

traditions of the organization. Alteration of decision-making authority may have significant and unsettling effect on acquired management (Lewin, 1951). A change in organizational context redefines the normative structures familiar to the employee and may affect decision choice. Another impediment is the power of new organizational positions and the changing status of individual organizational members (Zucker, 1983). Changes of control within an organization can disrupt the individual automatic response to situational choice and may be intensified when organizations merge or must adapt to new controls and processes (Scott, 2008b). Such consequences are particularly germane to retained leaders of acquired organizations.

Transfer and integration of new practices requires the release of one set of values, processes and experiential learnings with the acceptance of new procedures, controls and institutions of the acquiring firm. Integration processes may disrupt the flow of economic decision-making and create disruption in the organization since it is no longer accomplished automatically or by way of established routines (Krasner, 1988; Nelson & Winter, 1995).

Employees identify with their organization to the extent that they see an overlap between the identity of the organization and their individual identity (Foreman & Whetten, 2002; Meyer, 2001). A core principle of social identity theory is that individuals generally view themselves as extensions of the groups in which they are a part of and particularly when an individual is a key member of that group (Dyer Jr & Whetten, 2006). When individuals or groups experience change, they may react proactively or defensively (Cameron, 2008). Change evokes emotional resistance that may result in a threat to self-image and significant discomfort (Antonacopoulou & Gabriel, 2001).

Individual and group feelings of defeat and unwilling assimilation may occur during transfer of ownership whether a merger occurs in related or unrelated organizations (Antonacopoulou & Gabriel, 2001; Swanson & Power, 2001; Zaheer, Schomaker, & Genc, 2003). The merging of groups typically requires significant adjustment and accommodation among the acquired individuals (Amiot, Terry, Jimmieson, & Callan, 2006). Meyer and Rowan (1977) criticized what they referred to as “prevailing” economic theories which assume that control of activity and authority are the critical dimensions on which formal organizations have succeeded. Meyer and Rowan (1977) later conceded that the essence of a bureaucratic organization lies in the impersonal character of structural controls.

The entrenchment of power and control mechanisms requires the acculturation and adaptation of new members to be successful (Datta, 1991; Datta & Grant, 1990). Individuals faced with adjusting to new organizations are subject to political pressures and underlying power distributions that protect the existing institutions of the dominant organizations (Scott, 2008b).

Re-socialization and acculturation are unavoidable when separate operating communities are aggregated as one (Carroll & Richard Harrison, 2002; Weber & Camerer, 2003). Groups rely on leaders to direct and guide the socio-political and operational practices (Bass, 1990; DiGeorgio, 2001; Piccolo & Colquitt, 2006; Schraeder & Self, 2003). A feeling of belonging to a specific organization can become displaced during assimilation into new organizations and therefore the individual must reorient to the new institutional organizational values, practices and methods of controlling

economic interests. Perceived problems in performance may arise from functional, political and social organizational changes (Oliver, 1992).

Coercive means of enforcing institutional change, be it regulatory coercion or organizational coercion, can create pushback from the embedded cognitive responses of the affected employee that may lead to disruption and uncertainty (Fligstein, 2001). “Indeed, it is the interaction of the cost of transacting with the distribution of coercive power that shapes the development of institutions” (North, 1986, p. 233).

Organizational controls within institutionalized firms are compelled to ritual conformity, from both internal and external sources (Meyer & Rowan, 1977). The consistent operation of an organization is managed through coercive application of institutionalized check and balance systems which exist within its structures (Hannan & Freeman, 1977). Organizations and institutions may constrain or empower behavior. Organizations by their nature, emerge to control and dispense power through rules, regulations, checks and balances; they are enforced by the bureaucratic structure of the body itself. The coercive function of organizational bureaucracy is accentuated in mergers and acquisitions because it exists primarily to limit and control individual autonomy (Adler & Borys, 1996). Changes of control within an organization have been demonstrated to disrupt the automatic response of actors affected (Krasner, 1988). This can easily be the case when organizations merge or must adapt to new organizational controls and processes. The next section discusses potential behavioral reactions to organizational change and individual response to changes in organizational behavior.

## **Behavioral and Economic Choice Inferences**

The behavioral and economic-choice synopsis of literatures associated with merger and acquisition illuminate potential effects of human behavior under organizational change. The brief overview demonstrates how organizations are humanly concocted systems containing constraints that structure the political, economic and social interactions of employees (North, 1990). Organizations are comprised of both formal and informal codes of conduct. The success of the organization is dependent upon human cooperation within a particular system (North, 1990; Olson, 1965). The formal decision-making constraints are specified and enforced by political institutions within the particular organization. Formations of human behavior are the product of rational choice theory (North, 1990). The motivation of personnel is more complicated and their preferences less constant than traditional economic theory of organizations might suggest (Hatch, 2010; Schein, 2010). Less understood are the assumptions that all employees have the cognitive and emotional presence to respond to organizational controls and systems, which produce the economic outcome anticipated by the organizational structure (North, 1990). The literature further demonstrates that human behavior is affected by the individual's perceived ability to interact within the matrix of stature and choice with personal confidence and satisfaction (Boen, Vanbeselaere, Brebels, Huybens, & Millet, 2007; Clark, Gioia, Ketchen Jr, & Thomas, 2010; Datta, 1991; Hambrick, 2007; Hambrick & Cannella Jr, 1993; Lubatkin, Schweiger, & Weber, 1999; Very, Lubatkin, Calori, & Veiga, 1997). It is not difficult to consider the potential for disparate human interaction (temporary or permanent) within incompatible or simply different organizational protocol based on the aforementioned literatures. To test this potential, the

study relies on a neo-institutional paradigm of organizational institutionalism, which seeks to isolate demonstrable characteristics unique to commonly structured organizational archetypes. Table 6 in Appendix I provides additional synthesized reviews of literatures associated with post-acquisition impact on acquired leaders. The remainder of this section examines the origins of neo-institutional thought and discusses how the neo-institutional perspective applies to organizational archetypes.

### **Core Theoretical Literatures: Institutional and Neo-Institutional Theory**

Institutional theory has become the dominant macro-perspective on organizational development (Suddaby, 2010; Tolbert & Zucker, 1999; Wooten, 2008). Institutional theory supports a platform to explain the outcomes of environmental pressures that shape trades, industries and conventions (Scott, 2008a; Zucker, 1983, 1988a). The concept of external pressures regulating or limiting choice is the seed for development and perpetuation of the institutions, which are a result of natural or created external forces (Oliver, 1991). The neo-institutional concept facilitates a more granular perspective from which theorists may study the influences of actors inside an organization on the development, evolution and personality of a particular firm within the rational choice boundaries of the macro environment (George, Chattopadhyay, Sitkin, & Barden, 2006). Neo-institutional perspectives help to explain individual organizational culture and cultural differences within institutional boundaries (Dobbin, 1994; Pedersen & Dobbin, 2006). The following review of institutional and neo-institutional literatures within a historical and interspersed context demonstrates the similarities, nuances and transformations of institutional and neo-institutional theory.

Early institutionalism recognized that behavior was governed by habit and convention (Dacin, et al., 2002; Scott, 1987, 2008a). “Not only is the individual’s conduct edged about and directed by his habitual relations to his fellows in the group, but these relations, being of an institutional character, vary as the institutional scene varies [sic]” (Veblen, 1909, p. 245). Neo-institutional perspectives emerged to help understand the patterns of power and control in organizations (Thornton & Ocasio, 1999). Neo-institutional theory plays an important role for the study of organizational change (Greenwood & Hinings, 1996; Scott, 2008b). The dependency upon human interaction provides support for the development of institutional boundaries and the recognition of distinct institutional and organizational behavior (Commons, 1921; Veblen, 1898). Commons (1924) suggested that the exertion of power in an organization is two or more ambitions competing, persuading, and coercing within an existing environment of rules of conduct and limited bounds of behavior that are governed by the institution. Subsequent reviews of Commons’ (1924) work further developed the concept of institutionalized organizations and concluded that institutions are simply organizational solutions that consist of a set of rights and duties and authority for enforcing them (Van de Ven, 1993).

Stemming from works of Philip Selznick in the 1940s, institutional theory began to take greater traction among organizational scholars (Selznick, 1948). Selznick recognized the tension between relational needs and commitment requirements of actors within an organization. The inherent strain of a formal organization to ensure consistent actions along common missions could conflict with the individual need for self-efficacy and self-determination. This individualistic tendency is based on Freudian concepts of

man as an individually motivated organism stimulated a view of organizations as cooperative institutions (Selznick, 1948).

Cooperative firms must measure the formal controls over individuals while providing managers sufficient authority to meet their innate needs and contribute in a willing, motivated and cooperative manner (Gioia, Schultz, & Corley, 2000; Selznick, 1948). Cooperative organizations are dependent upon stability (Clark, et al., 2010; Hamilton, 2010). The introduction of new elements, such as new organizations, can upset the stability or equilibrium of an existing institution and its power base (Bellinger & Hillman, 2000; Folke, Hahn, Olsson, & Norberg, 2005). The fear of that destabilization could lead to authoritative controls and formal measures over the potentially destabilizing entity (Selznick, 1948). From such foundational constructs and the contributions of organizational pioneers such as Merton (1938), Davis and Moore (1945) and Weber (1946, 1947), emerged the neo-institutionalism of DiMaggio and Powell (1983).

DiMaggio and Powell (1983) introduced the proposition of institutional isomorphism. Institutional theory of the firm suggests the sociology of organizations is necessary to understand the substance of the interactions between governance practices and hierarchies and to understand how the form is sustained in the organization (Cohen, et al., 2008). Institutional isomorphism is of particular relevance to firms developing new organizations whether internally developed, merged or acquired. DiMaggio and Powell (1983) described such use of isomorphism as a constraining process that controls behavioral actions under common environmental conditions. The concept of constraining forces however goes much further. DiMaggio and Powell (1983) assigned three typologies of isomorphism to their neo-institutional theory. The relationship of economic



transactions within rules or processes that affect individuals and contribute to the development of organizational culture, practices, and success is often found to be of particular interest of neo-institutional studies (Scott, 2010). The contemplation of isomorphic pressures on organizational development is germane to the dissertation to support how organizational archetypes develop and preserve their character and how individuals respond within a given archetype (Gelinas & Bigras, 2004).

Institutional isomorphism is anchored in the concept that organizations compete for not only resources and markets, but also political power and legitimacy. The isomorphic pressures encountered by an organization can lead to governance practices that provide legitimacy or reduce uncertainty over improving performance (Beckert, 2010).

The first of the isomorphic typology is coercive isomorphism, which stems from political, regulatory or control mechanisms that influence the universe of decision choice. Coercive isomorphism is generally understood to originate from outside sources such as governmental or regulatory edicts. Organizational institutions may be interpreted as structures controlled by those holding power with rules established to protect and retain their power (Stinchcombe, 1968). The organization also will have embedded mechanisms utilized by management of the organization to retain that power and assert power over others (Kraatz & Block, 2008). Early institutional researchers recognized the significance of organizational control on institutional levels even through coercive dictums of the organization (Dacin, et al., 2002; Edelman & Suchman, 1997; Luoma & Goodstein, 1999; Parsons, Bales, & Shils, 1953; Scott, 2008b; Stinchcombe, 1968).

The second is mimetic isomorphism. DiMaggio and Powell (1983) suggested that mimetic isomorphism emulates from responses to uncertainty. Mimetic isomorphism is often applied to organizations that enter new markets unfamiliar to the experience or resource base of the existing institution. By adopting the structure, processes and strategies of the market leaders, the uncertainties are mitigated.

Normative isomorphism is associated with professionalization of the organization. Professionalization refers to the adoption of best practices found in that industry or market. These practices stem from commonalities of professional standards, education or regulatory controls. Such normative environments might be expected to transcend organizational nuances, particularly in related industries and therefore should pose little concern for integration of related acquisitions (Datta & Grant, 1990; DiMaggio & Powell, 1983; Powell & DiMaggio, 1991).

Among the neo-institutional isomorphic pressures, the effects of coercive isomorphic practices in particular, can have significant effect on performance (Heugens & Lander, 2009). DiMaggio and Powell (1983) defined coercive pressure as conformist forces on an organization emanating from other organizations upon which it depends for critical resources or from institutions upholding the cultural expectations of the organization in which it operates. These coercive pressures exist both internally as well as externally (Zucker, 1983). Coercive isomorphism is driven by pressures from external institutions on which a focal organization is dependent and an organization's internal pressure to conform to the operational expectations of the owners (Brannen & Peterson, 2008; Sitkin & Pablo, 2005). Coercive isomorphism, therefore, is analogous to constructions of a resource dependence model view in that organizations are viewed as

constrained by those on whom they depend for resources (Pfeffer, 1981; Pfeffer & Salancik, 2003). Institutionalized organizations attempts to control and coordinate integration activities can lead to individual separation from the implementation process and result in excessive attention toward establishing personal power and autonomy (Meyer & Rowan, 1977). Such constraints in DiMaggio and Powell's (1983) theory include pressures to bring an organization's structure in line with the demands of those who already hold the power and can be particularly obstructive during post-acquisition integration (Mizruchi & Fein, 1999). Neo-institutional theory explains how embedded organizational controls maintain the character of a firm or firm type (Suddaby, 2010; Suddaby, et al., 2010; Zucker, 1977).

Neo-institutional studies often examine how an agent is managed or controlled by the institution to further the institutional and organizational values (Hasselbladh & Kallinikos, 2000; Scott, 2008b). The perpetuation of institutional boundaries are supported, adhered to and evolve through active learning (Knudsen, 1995). Neo-institutionalism suggests that economic transactions within rules and processes affect individuals and contribute to the development of organizational culture and practices (Dobbin, 1994; Langlois, 1989; North, 1986). Within a neo-institutional framework, organizations can be reasoned to capture gains arising from specialization and division of labor (Scott, 2008a, 2008b). Newly acquired individuals, such as those brought in through merger or acquisition, may accept rank and duty voluntarily or through coercive pressures (Kraatz & Block, 2008; North, 1986).

Central to the proposition that acquired firms are subject to influences of archetypical institutions, the potential for coercive isomorphism leveled by the acquiring

firm during assimilation could be reflected through autonomy allowed to the acquired or new entity (Miller & Friesen, 1980; Pinnington & Morris, 2002; Vosselman, 2002).

When organizational assimilation or integration occurs, subjection to the dominant standard practice is likely (Greenwood & Hinings, 1996; Nahavandi & Malekzadeh, 1988; Ranft, Butler, & Sexton, 2011). Enforcement of the acquirer's *modus operandi* and best practices may be forced upon the newly acquired firm (Cartwright & Cooper, 1990; Greenwood & Hinings, 1996; Nikandrou, Papalexandris, & Bourantas, 2000). Those exercises might differ from the historic practices of the acquired operation (Nikandrou, et al., 2000; Pinnington & Morris, 2002). Governance reconfigurations during acquisition integration center on the allocation of decision-making and autonomy authority (Fogarty & Dirsmith, 2001). Perception of coercive isomorphism may also manifest itself in the division of labor and allocation of decision-making power that can be manipulated by the assignment of roles or authority (Dannefer, 1984).

Deci and Ryan (1987) described the more positive effect allocation of autonomy has on motivation, trust and cognitive flexibility over external control. Much of the behavioral study regarding locus of control, relative standing and upper echelons discussed in earlier sections have dealt with the intrinsic motivation of individuals and their perceived degree of self-efficacy. Considering the assimilation of new groups, self-efficacy and motivation much more influence on individual choice and behavioral outcomes (Ajzen, 2002; Hambrick & Cannella Jr, 1993; Rotter, 1966; Very, et al., 1997). Deci and Ryan (1987). These concepts are supported by the behavioral literature regarding human effects of merger and acquisition integration processes. It has been

demonstrated that the impact of internal and external organizational forces influence behavior and affect performance.

Merger and acquisition could be considered a reflection of institutional change. The coordination and control of structure is the critical dimensions on which formal organizations succeed and continue. This point is reinforced by Meyer and Rowan (1977, p. 342) through the statement that, “The essence of a modern bureaucratic organization lies in the rationalized and impersonal character of structural elements and of the goals that link them”. Individuals faced with adjusting to new organization are often subject to deeply embedded political mechanisms, which promote the underlying distribution of power and reinforce the existing institution (Scott, 2008b). Re-socialization and acculturation are unavoidable when separate operating communities are aggregated into a single entity (Carroll & Richard Harrison, 2002; Weber & Camerer, 2003). A member’s sense of belonging can be obfuscated and require reorientation to the new institutional organizational values, practices and methods of controlling economic interests when organizations are merged or assimilated. Groups rely on leaders to direct and guide the socio-political and operational practices and hierarchies (Bass, 1990; DiGeorgio, 2001; Piccolo & Colquitt, 2006; Schraeder & Self, 2003). Perceived problems in performance may arise from functional, political and social organizational changes (Oliver, 1992).

Neo-institutional theory connects microelements of cognitive reinforcements that are both voluntary and involuntary but hold fast to residuals of automatic response (Scott, 2008b). To manipulate or change the foundations created and employed by institutional distinctions takes time, method, manipulation and even coercion (Hirsch, 1997; Scott, 2008b). Coercive means of enforcing institutional change, be it regulatory coercion or

organizational coercion may create a pushback from the embedded cognitive responses leading to disruption and uncertainty (Fligstein, 2001). The uniform operation of an institutional organization is managed through coercive application of institutionalized control systems (Hannan & Freeman, 1977; Kraatz & Block, 2008). It is the effectiveness of coercive power that shapes the development of institutions and organizations (North, 1986). Organizational structures and processes are dedicated to ritual conformity (Meyer & Rowan, 1977).

Accepting that organizations contain embedded infrastructures that are institutionalized within the organization, adapting to new organizations can become troublesome for groups and individuals, particularly in the occasion of large scale and abrupt change. The next section more specifically reflects the application of a neo-institutional perspective regarding embedded characteristics of organizations and the complications, which arise with institutional and organizational change resultant of mergers and acquisition.

### **Neo-institutional Adaptation and Integration**

Leveraging the literatures of Zucker (1983, 1987, 1988b) and Oliver (1992), the neo-institutional concept of de-institutionalization can be associated with the assimilation of an acquired organization into a new organization. Considering the mechanisms of institutional form on individual organizations, the de-commissioning of one organization and rebuilding of it within another organization has similar pressures (Oliver, 1992). Functional, political and social concerns arise from perceived problems in performance associated with organizational changes (Hannan & Freeman, 1984). A retained employee of an acquired firm, hereafter referred to as an acquired employee, must re-orient to the

new organization's institutionalized values, practices and methods of controlling economic interests. Individuals faced with adjusting to new organizations are subject to political pressures and underlying power reinforces the existing institutional arrangements (Cartwright & Cooper, 2005; Jemison & Sitkin, 1986; Nahavandi & Malekzadeh, 1988). Although institutions represent continuity and persistence within their individual organization, newcomers must learn to adapt to be a successful member of the new organization (Scott, 2008b).

Autonomy is both desirable and critical during the integration of acquired firms (Appelbaum, Gandell, Shapiro, Belisle, & Hoeven, 2000; Datta, Grant, & Rajagopalan, 1991; Hambrick & Cannella Jr, 1993). Essential for an investigation of post-acquisition autonomy is the recognition of intended degree of integration. Level of organizational integration is defined as the degree of post-acquisition change in an organization's administrative, operational and cultural structures (Pablo, 1994). Not all firms are acquired with full integration as a strategic objective (Ellis, 2011; Ranft & Lord, 2000). Firms that are acquired for diversification strategies may not be integrated as thoroughly as tactical acquisitions such as acquisitions made for supply, capacity or market control initiatives (Pablo, 1994; Singh & Zollo, 1998). The degree of integration is also dependent upon values assessed upon human capital and organizational relationships of the target firm during the due-diligence stage (Coff, 2002; Harding & Rouse, 2007). The degree of integration is important to successful acquisitions (Whitaker, 2012). High levels of integration may theoretically enhance synergistic potential, but it can also result in negative outcomes in the form of increased coordination costs and/or inter-organizational conflicts (Pablo, 1994).

Firms are acquired for many different reasons, including new market penetration, capacity expansion, diversification, access to technology and even opportunism (Napier, 2007; Veugelers & Cassiman, 1999). Research has shown that the buying firm rarely allows the acquired top management team full autonomy, especially when the motivation to acquire originated from the belief that new management can better utilize the acquired firm's physical and human capital (Lubatkin, et al., 1999). Datta and Grant (Datta & Grant, 1990) measured acquired firm autonomy and performance results in related and unrelated acquisitions. Their conclusions acknowledged the importance of post-merger autonomy under degree of firm relatedness. Findings indicated that unrelated acquired firms received greater decision-making authority than firms acquired in industries or processes familiar to the acquirer. Datta and Grant (1990) also concluded that firms wishing to integrate or expand a familiar process into existing operations are more likely to merge the acquired business and its processes into the existing institutional structure under preexisting control and decision mechanisms.

Firms acquiring unfamiliar processes or market positions will rely on the acquired institutional structure by allowing greater autonomy and decision-making authority of the management team (Haleblian & Finkelstein, 1999). The success of post-acquisition integration depends on managerial action exercised and communicated during the process (Meyer & Lieb-Dóczy, 2003). Even considering a methodical, integrative process, local activities are managed in an interdependent way. The integration approach and execution of integration activities require local management and decisions (Birkinshaw, Bresman, & Håkanson, 2000; Haspeslagh & Jemison, 1991). Contrary to this view, Faulkner, Child and Pitkethly (2003) suggested that even in traumatic integration events in which the



acquired firm feared losing its identity and autonomy, that fear was eventually overcome. This may not be the case when firms acquire to expand their organizational knowledge. The acquisition of human capital is frequently a strategic aim of the acquisition; however, in the face of loss of autonomy, talent often leaves (Krug & Aguilera, 2005; Lubatkin, et al., 1999; Siehl & Smith, 1990). Additional studies have indicated the rate of entrepreneurial innovation declines post-acquisition when autonomy is removed (Paruchuri, Nerkar, & Hambrick, 2006). The most important qualifier for level of integrations is how capable the existing resources are in the management of the acquired company (Wernerfelt, 1984). If the acquisition was undertaken for plant, property and equipment and not the softer side of a firm such as people, relationships and creativity, the firms are likely to experience a greater degree of integration and, therefore, less decision-making autonomy (Ellis, 2011; Ranft & Lord, 2000).

Acquisitions made to diversify risk are commonly decentralized and allowed greater autonomy to run and manage the operations (Nahavandi & Malekzadeh, 1988; Zaheer, Castañer, & Souder, 2011). Firms acquired outside the acquiring firm's knowledge base are typically allowed more autonomy (Datta, 1991; Datta, et al., 1991; Datta & Grant, 1990). Because this study is intended to assess the acquired firm perspective, the acquiring firms planned strategy is difficult to identify with certainty. Managements' perceived degree of post-acquisition decision-making authority does however; infer the acquirer's evaluation of human capital through identifying the retention of acquired talent. The perceptions of individual autonomy are the mechanisms influencing success in post-acquisition integration (Colman, 2008; Graebner, 2004; Hambrick & Cannella Jr, 1993). The possibility that perception of integration success

could be negatively associated with higher levels of autonomy may none-the-less, exist (Ranft, et al., 2011). Extant research however, overwhelmingly extols the inferences of a positive relationship between local decision-making authority and integration regardless of the level of prescribed integration or relatedness of the acquisition (Haspeslagh & Jemison, 1991; Zaheer, et al., 2011). The review and interpretation of literatures to this point has highlighted the effect integrations and the rigidity of organizational practice, particularly internal coercive enforcement of embedded rules, can have on individuals and groups. The next section consolidates and reduces the findings into an integrated set of hypotheses, which emerged from those literatures.

### **Hypotheses**

Successful post-acquisition integration is significantly dependent upon the acquiring and acquired firm leadership (Gadiesh, Buchanan, Daniell, & Ormiston, 2002). It is not uncommon for pre-acquisition leaders to be retained during a transition period to support the specific business and interpersonal relationships acquired by the new firm (Graebner, 2004). The perceived capabilities of the acquired management team have great bearing upon the level of autonomy and freedom of decision-making power allowed to the acquired leaders (Walsh, 1989). Situations where pre-acquisition diligence has identified leadership issues with the target company may base the acquisition opportunity in upgrading or changing management (Harding & Rouse, 2007; Hellmann, 1998; Hellmann & Puri, 2002). In situations where the opportunity to extract greater rents from an underperforming operation may be considered a result of weak management, those managers are not likely to be retained (Antila, 2006; Siehl & Smith, 1990). The pre-acquisition human capital evaluation is invariably an element of autonomy and decision-

making allocation for those preserved (Bertoncelj & Kovač, 2007; Harding & Rouse, 2007; Teerikangas, 2012).

Firms deemed underperforming despite adequate financial and material resources are typically acquired with the specific objective to enhance the management of the target operation (Bruton, Oviatt, & White, 1994; Manne, 1965). In the most severe situations, leadership is not retained; however, in moderate circumstances the leadership is retained during a transitional period to facilitate the change of management, accommodate relationship transfers, and provide unique and specific insights for a new operating team (Bergh, 2001; Manne, 1965).

Not all leaders of the acquired teams agree to remain under new management (Siehl & Smith, 1990; Walsh, 1988). A retained leaders' inability to adjust to new control mechanisms, strategies or organizational dictums can result in an involuntary change of leadership (Bordia, Hunt, Paulsen, Tourish, & DiFonzo, 2004). Some instances of choosing not to retain leadership teams at acquisition can be symbolic to signify a change of control in decision-making authority within the acquired firm (Pfeffer, 1981; Walsh & Ellwood, 1991). Alternatives to retaining embedded acquired firm leadership include parent company assignment of internal candidates (Cannella Jr & Hambrick, 1993), hiring outside leaders (Shimizu & Hitt, 2005), or replacing pre-acquisition leadership with other acquired firm candidates (Krishnan, Miller, & Judge, 1997; Shimizu & Hitt, 2005).

The appearance of forced assimilation may also have detrimental effect on integration and performance (Bacon & Hoque, 2005; Liang, Saraf, Hu, & Xue, 2007). The integration processes may be viewed by those assimilated as coercive due to the

conveyances of new institutional and organizational practices (Auster & Sirower, 2002; Judge, Douglas, & Kutan, 2008). To overcome the appearance of a coercive take-over, the acquired leader is often retained in some form to facilitate a transition. The argument in favor of keeping an acquired leader/manager is typically supported by a desire to maintain the market and organizational relationships the acquired firm has built upon (Krug, 2003). Preserving relationships depends upon the decision-making authority of local leaders. Despite the best intentions of acquiring leaders, a change in authoritative hierarchy may be imposed by the new organizations' embedded control mechanisms, which may appear coercive or demonstrative to the acquired leadership. Citing earlier studies along these lines, Puranam (2006, p. 7) remarked "Even if they [acquired management] are retained via highly powered incentive systems, lowered intrinsic motivation due to lowered task autonomy following structural integration can lead to similar [lower performance] results".

Effective leaders manage transitions with greater comfort when their self-efficacy, locus of control and relative standing continue to meet their individual needs (Joslin, Waters, & Dudgeon, 2010; Kim, Lee, & Carlson, 2010). When personal socio-psychological needs are not met, a leader may become resistant or uncooperative (Antonacopoulou & Gabriel, 2001; Risberg, 2001). The discomfort exhibited by the leader is sometimes reflected upon the group with negative ramifications upon the transition and group assimilation (Ellemers, De Gilder, & Haslam, 2004).

Successful mergers and acquisitions are highly dependent upon integration transitions (Bass & Avolio, 1994; Howell & Hall-Merenda, 1999). Established leaders who enjoy significant autonomy and decision-making power in their current positions

develop a comfort in their role (Hambrick & Cannella Jr, 1993). Strategic decisions are based on prior experiences and rational evaluation, which reinforces the security of those decisions and the confidence to make them (Westphal & Fredrickson, 2001). A change in an unfamiliar direction and inability to execute on those experiences can have detrimental effect on the leader's sense of control, and relative standing among peers and subordinates (Antonacopoulou & Gabriel, 2001; Kormanik & Rocco, 2009; Shivers-Blackwell, 2006; Wageman, 1995). The effects could result in negative impact for cooperation, influencing leadership and followers.

Bureaucracies inherent in institutionalized organizations are measured by the degree of formalization applied to authority allocation (Adler & Borys, 1996; Kraatz & Block, 2008). Authority is both arbitrary and legitimized (Suchman, 1995). The influence of organizational controls for the execution of power and decision-making authority are defined through the rules, regulations and processes maintained by the formal institutionalized organization and are enforced through behavioral compliance (Commons, 1931). Coercion is a driver of compliance albeit not the only motivation for compliance, it is a significant and ever present force (Benabou & Tirole, 2003; Hirsch, 1997; Sutinen & Kuperan, 1999). Exposure to forced transitions or coercive acculturation by the acquiring (dominant firm) may intensify perceived loss of power, deepen resistance to assimilation by the leaders and/or work groups (Auster & Sirower, 2002; Datta, 1991; Judge, et al., 2008). Integration success and output performance could therefore be negatively affected. Coercive isomorphism within institutional change theoretically explains the potential trickle-down effect of the leaders' perceived impact to self and group when autonomy and decision-making authority changes. The perception of

coercion in concert with loss of autonomy often accompanies integration. Dominant coercive institutional forces were described by DiMaggio and Powell (1983, p. 150) as resulting from both formal and informal pressures exerted on organizations. The impacts of apparent coercion can range from a perceived dominance to extreme and overt occurrences (Hambrick & Cannella Jr, 1993). Acknowledging the potential obstacle a loss of perceived autonomy in a post-merger organization among acquired firm leaders, stratified subunits or groups may have on the assimilation or reorientation toward new owners, the following hypothesis is proposed:

***H1: Higher perceived levels of post-acquisition autonomy by the acquired firm leaders will be positively associated with perceived post-acquisition integration success.***

Supporting a neo-institutional perspective, the ensuing discussion makes the case for publically traded, professionally managed privately held and founder owned and operated organizational archetypes as micro-institutions in and of themselves. The dissertation proposes that differentiation between organizational governance, formats, mechanisms, processes, and decision-making allocations are sufficiently distinctive to be considered institutionalized within the individual organization and exacerbate disruption when transfers from one archetype to another are forced (Bachmann, 2001; Hasselbladh & Kallinikos, 2000).

Mechanism logics provide a practical perspective to explore institutional conformity among archetypical business types such as public for-profit, professionally managed privately held and founder owned and operated firms. “While power and

politics are present in all organizations, the sources of power, its meaning, and its consequences are contingent on higher-order institutional logics” (Thornton & Ocasio, 1999, p. 802). Institutional logics are defined as the formal and informal rules by which executive power is managed or lost within organizations. Such logics, which appear in all organizations, may be more alike in some types of businesses than others are and hold a unique codification based on their organizational type (Hasselbladh & Kallinikos, 2000; Kraatz & Block, 2008; Suddaby, et al., 2010). This dissertation investigates effects of generalized business types to determine if the commonalities are discernible and produce like-effect in a merger and acquisition integration event.

It is important to use a moderately granular definition of these archetypes to demonstrate the macro-categorization of the institutions they represent through common structuration of such institutions (Giddens, 1984; Hasselbladh & Kallinikos, 2000). There are many and varied definitions of a public company. Public companies often refer to publicly traded for-profit firms or government entities (Fama & Jensen, 1983; Perry & Rainey, 1988). For purposes of this study, the concern is with for-profit non-governmental limited liability organizations therefore, the following definition is applied to the term “public company” as described in the Model Business Corporation Act of The American Bar Association (2011). A U.S. publicly traded company is a limited liability company that offers company securities including but not limited to; stocks, bonds and other equity backed instruments for sale to the public, typically through a security exchange and is subject to the rules, regulations and jurisdiction of the Security and Exchange Commission (Sale, 2011).

A professionally managed private firm in the U.S. is a non-public firm whose ownership is closely held and not available to the public through an open trading exchange, is owned by fewer than 500 stockholders and the firm is not required to meet the strict Securities and Exchange Commission filing requirements of public companies (Jensen & Meckling, 1976; Lubatkin, Schulze, Ling, & Dino, 2005). Professionally managed private companies may issue stock and have shareholders; however, shares are not traded on public exchanges and are not issued through an initial public offering (Jensen & Meckling, 1976; Lubatkin, et al., 2005). An example of a professionally managed private for-profit company could be typified by the corporate holding of assets by a private investor, private investment group or consortium operated by a team of professional managers e.g. privately held equity groups or venture capital firms with controlling equity of multiple firms (Hellmann, 1998; Hellmann & Puri, 2002). Professionally managed private equity and venture capital firms acquire and hold firms by means of executing convertible security loan covenants (Bascha & Walz, 2001). Bascha and Walz (2001) point out that private equity acquired firms are managed with increased parental involvement, and this may result in a significant change in acquired firm strategy and control and operate differently from owner-managed and publicly traded firms. Privately held, professionally managed equity and venture capital investment firms could have a significant degree of family ownership but individual assets may not necessarily be directly operated or managed by family owners (Schein, 1995). Professional managers from larger corporations are very different from founder owner-operators (Busenitz & Barney, 1997). Professional managers typically hold little direct ownership stake in the firm. The distinction is ultimately one of agency



responsibilities in distinguishing professional owner operators and professional managers (Daily & Dollinger, 1992; Leung, Zhang, Wong, & Foo, 2006). Companies led by professional non-owners are more likely to accept multi-authoritative decision-making structures than a previously autonomous founder owner-operators (Fligstein, 1985; Leung, et al., 2006; Useem & Gottlieb, 2006).

The founder owned and operated business will represent decision-making autonomy of the founder organizational archetype. “Founder – CEOs firms are likely to have more influence and decision-making power and thus the impact of differences in managerial characteristics on corporate behavior and performance should be particularly strong in founder-CEO firms” (Fahlenbrach, 2010, p. 440). There are over 17 million sole proprietorships in the U.S., referring to an unincorporated business owned and operated by a single person (Miller, Le Breton-Miller, Lester, & Cannella Jr, 2007). To support such focus, the recent definition depicting CEO owned and operated business of (Fahlenbrach, 2010) will be used for the founder owner-operator archetype. Founder owner-operator CEOs typically have more organization-specific skills because the founder has shaped and managed their organizations from inception; therefore, differences in managerial characteristics are particularly strong in founder-owned and operated firms (Schein, 1983). Founder-owner operators are also known to have more influence and decision-making power than other organizational forms therefore represent an ideal organizational archetype for comparison (Fahlenbrach, 2010).

Founder owner operated firms are typically classified among family business groups (Astrachan & Shanker, 2003; Fahlenbrach, 2010; Schein, 1995). It is recognized that family owned businesses also fall into the private and public arena. The management

characteristics and decision-making freedoms of institutionalized firms are significantly influenced by external isomorphic pressures such as security and exchange rules and shareholder controls that promote a distinction (Astrachan & Shanker, 2003; Peng & Jiang, 2010). Because such crossovers could portend blurring of archetype boundary interpretations, the founder-owner operated business represents a less-fettered way a leader-manager could be empowered or constrained by shared normative systems (Scott, 2008b). Clear distinctions have been identified between the founder owner-operator and the professional manager (Schein, 1995). Professional managers are usually identified as non-family and as non-owners and typically have less authoritative decision-making freedom than owner operators have (Jain & Tabak, 2008; Schein, 1995).

Within the particular archetypical business structures of public, professionally managed private and owner-operated firms, the modes and methods of controls are relatively common, making for institutions in and of themselves (Greenwood & Hinings, 1993, 1996; Kirkpatrick & Ackroyd, 2003). Individuals and organizations are relatively stable entities with supporting structures, systems and routines that can be upset in the midst of change (Ellis, 2011). This is particularly true of governance mechanisms controlling the decision-making authority of leaders and managers (Greenwood & Hinings, 1993). Moves within archetypes might provide familiar levels of autonomy control mechanisms. Moves across archetypes may be unfamiliar and require significant and possibly disruptive adaptation (Wissema, Van der Pol, & Messer, 1980).

The nature of publicly traded companies marks agency controls at every level of leadership (Schulze, Lubatkin, Dino, & Buchholtz, 2001). Publicly held corporations invoke formal levels of control and decision-making approvals. Much of the governance

structures of public firms are exogenously imposed by regulators and investors. Exogenous sets of governance requirements decreed by the Securities Exchange Commission dictate freedoms, install checks and balances and insert oversight that limit individual autonomy (Boot, Gopalan, & Thakor, 2006). Private firms, even those with greater than 500 owners, have far fewer intrusive controls dictated by outside agencies (Boot, et al., 2006; Daily & Dollinger, 1992). Founder owner-operators, by nature of their equity stake enjoy individual freedom to manage risk, make decisions and conduct business with relatively individual discretion (Daily & Dollinger, 1992; Fahlenbrach, 2010).

It has been demonstrated that leaders of professionally managed privately held or founder owned and operated companies typically have far greater autonomy and less oversight than those in larger public firms (Miller, et al., 2007; Pieper & Klein, 2007; Pieper, Klein, & Jaskiewicz, 2008; Zellweger, Eddleston, & Kellermanns, 2010; Zellweger & Astrachan, 2008). Founder owner-operators generally have significant autonomy and decision-making authority (Pieper, 2003; Zellweger, et al., 2010). Owner-managers exercise virtually autonomous discretion over the use of their firm's assets (Lubatkin, et al., 2005).

Leaders and professional managers of professionally managed privately owned companies may have other owners to answer to and justify actions to, but they also frequently enjoy relative freedom to choose and act on their own (Boot, Gopalan, & Thakor, 2008). Leaders who have enjoyed great pre-acquisition autonomy are often faced with the loss of post-acquisition autonomy when ownership changes (Puranam & Srikanth, 2007).

It is conceivable that individuals possessing experience with the more bureaucratic levels of decision and control could be less affected by a change in governance by another corporate institution. One may contend that the more aligned the decision-making authority, or decision-making controls are pre and post-acquisition, the less affected the acquired leader and acquired group may be to a change in ownership or organization. Conversely the less familiar the imposed control system is to the new allocation of decision-making controls, the potentially more disruptive the change may be on the individual leaders and hence, the group. The disruption may have negative effects on the integration success or rate of integration. To investigate these assumptions the related hypothesis states:

***H2: The relationship between perceived post-acquisition autonomy and post-acquisition integration success is moderated by the organizational archetype of a firm acquired by a public company; specifically, higher levels of perceived success will be experienced by leaders of professionally managed private firms than leaders of founder owned and operated firms.***

Previous experience with organizational integration may provide significant lessons learned to all parties involved. The recognition of integration challenges, are often learned through experience. Leaders who have recent memory of organizational change, merger initiatives and integration processes may be better equipped to manage the nuance of organizational change on both an individual and organizational level.

Organizational learning refers to the processes of institutionalizing rules, practices, routines and conventions of an organization (Levitt & March, 1988; March, 1991). Crossan, Lane and White (1999) described a framework of organizational learning as four processes: intuiting, interpreting, integrating and institutionalizing. Learning processes are viewed as inter-linked practices at individual, group and organizational levels. It involves tensions between the assimilation of new learnings and reinforcement of historic learnings (Crossan, et al., 1999). Established learnings are supported through the conventions and routines institutionalized within the organization. Routines are conveyed through socialization, formal education, imitation, professionalization, personnel exchange, and mergers and acquisitions (Levitt & March, 1988). Such experiences are acquired through experience within other organizations (Levitt & March, 1988).

First-order organizational learnings are routines and processes that serve to maintain organizational stability and sustain existing rules (Lant & Mezias, 1992; March, 1981). Second-order organizational learnings are characterized by the exploration of alternative routines, rules, technologies, goals, and improved efficiency. Second-order learning emerges from the realization that historical experiences and practices may not be applicable to the current situation or organizational structure (Lant & Mezias, 1992; Meyer & Lieb-Dóczy, 2003).

Organizational learning in merger and acquisition studies takes two distinct tracks. One is focused on how experience with assimilation of new groups has a higher propensity for success when the participants have greater experience with integration and the other is the benefit from incorporating knowledge and experience assets into the

acquiring company's repository (McDonald, Westphal, & Graebner, 2008). According to McDonald, Westphal and Graebner (2008), the value of experience is recognized and dependent upon successful integration in both streams. The importance of retaining that knowledge from both acquired management and other firm resources is broadly recognized. Human capital resources are an integral element of the resource-based view of the firm and contribute greatly to organizational learning (Barney, 1991a; Barney, 2001a, 2001b; Coff, 2002).

Acquired business autonomy is recognized by Meyer and Lieb-Dóczy (2003) to facilitate second-order learning in both directions. Their research further demonstrates the benefits of extracting the human capital of the acquired firm while the enterprise benefits from the additional resources provided by the new owners. Meyer and Lieb-Dóczy (2003) emphasize that organizational and behavioral learning is a two way process of give and take, but concluded that learning and knowledge-sharing required higher level of autonomy, particularly when associated with significant cross-cultural and specific localization experience is involved.

Organizational learning and experience with integration should also lead to recognition of the depth and degree of integration. Pablo (1994) pointed out that experienced acquirers would better understand the degree of integration needed and therefore will allocate autonomy level better according to need. This concept brings into view the perceived human capital of the acquired firm and equates that with the resource base already in possession. The greater equipped the purchasing company is with tacit knowledge of the firm acquired and the market, the less need for autonomy of the acquired firm exists (Chatterjee, Lubatkin, Schweiger, & Weber, 1992).

Another perspective associated with the degree of organizational learning perceived as necessary by the acquiring firm, is the opportunity to retain managers. Recognition of this parental choice may motivate retained leaders to cooperate regardless of how much autonomy is given to the acquired organization. If the acquisition is primarily motivated by access to undervalued or underexploited assets, the decision to allocate autonomy to acquired human capital may be nominalized and more complete integration may be expected (Zollo & Singh, 2004). To further the concept of effects acquired leadership on perceived integration performance, one should consider the organizational and experiential learning of the acquired firm leadership team. The purpose of structure with an organization is to specify rights and obligations and to delineate the steps of the decision process among its agents. Institutionalized structures distinguish organizations from one another (Fama & Jensen, 1983). Familiarity with such structural decision elements and their outcomes may better prepare acquired leaders for the structural organization changes that occur in the transfer from one organizational archetype to another.

Organizational learning is imparted to the organization through individual and group experience (Pfeffer, 1983). Firms also gain learnings from the acquisition of new employees and retain learnings from employees after their departure. Organizational learnings become embedded formally by incorporating learnings into archival data, practices, structures and informally through cultural practices promoted and supported by members of the firm, consciously or unconsciously (Cohen, 1991; Malone, 2002; Vince, 2001). Within the context of organizational learning, it is the individual who extracts, retains, executes and bases decision-making activities from experiential learnings (Kolb,

Boyatzis, & Mainemelis, 2001; Walsh & Ungson, 1991). Past experiences may have considerable effect on individual choice and individual response to stimuli (Lähteenmäki, Toivonen, & Mattila, 2002). It has been argued in organizational learning literatures that only individuals learn and impart knowledge and experience to organizational archives and collections (Argyris & Schön, 1999; Lähteenmäki, et al., 2002; Shrivastava, 2007). These learnings are collected and systemically integrated into the logic of action (Thomas, Sussman, & Henderson, 2001).

The ability to recall and apply learnings of an acquired firm's leadership past organizational experiences might facilitate an individual's recognition of situations and affect reactions to them. Therefore, it is rational to assume that previous experience with mergers and acquisitions could impart significant experiential learnings from both a personal level and an organizational level (López, Peón, & Ordás, 2005). Such learnings might be leveraged by an acquired firm's leadership to recognize potential pitfalls during the integration process, provide experientially based decision options and enhance the success of the integration. It is plausible then, to expect the relationship of perceived acquired firm autonomy and integration success to be influenced by former organizational learnings of previous M&A experiences (Datta, 1991; Datta & Grant, 1990; Golden, 1992; Schwenk, 1985). To avoid weakening of associations and minimize temporal interference of recall, a near-term M&A experience is preferred to measure the possibility of such influences (Shrivastava, 2007). Near-term M&A experience, thirty six months from the event (Capron & Shen, 2007), should be applied to allay recall concerns, and remain consistent with other temporal boundaries of perceptual measures as

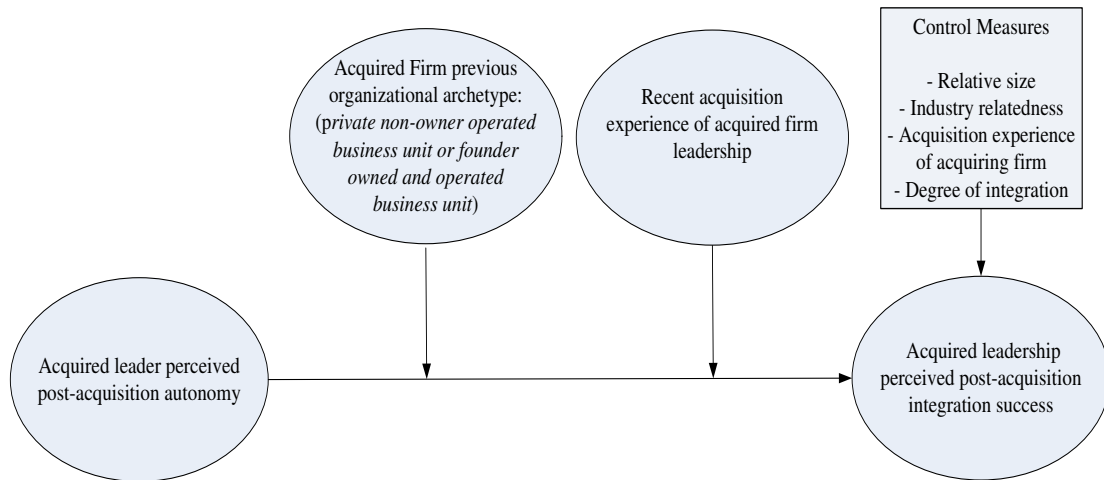


recommended by the literatures. Based on the literatures associated with organizational and individual learnings discussed, it is hypothesized that:

***H3: The relationship between perceived post-acquisition autonomy and post-acquisition integration success is moderated by the previous experience with a merger or acquisition of the acquired firm's leadership.***

## **Research Design**

Figure 1 presented below represents the hypothetical main effect relationship of post-acquisition autonomy (IV) and integration success (DV). Included are potential moderating variables associated with acquired firm ownership and acquired firm leadership teams' recent experience with a merger or acquisition. The acquired firm ownership moderation was measured by the type of firm acquired (professionally managed private or founder owned and operated) as defined in the methods section. The dependent variable was controlled for by previously identified effects relating to relative size of the acquired firm, industry relatedness, acquisition experience of acquiring firm, retained leader post-acquisition ownership of acquired firm and acquiring firm performance. The description and analysis methodology of the proposed model are presented in the following chapter.



**Figure 1: Theoretical model**

### Summary

In summary, neo-institutional research has identified institutionalized elements of bureaucracy in all organizations (Scott, 2008a, 2008b). Such elements can be the effect of internal and external isomorphic forces (Zucker, 1983). The bureaucracy of a particular firm will share similar governance mechanisms with comparable organizational models (Hasselbladh & Kallinikos, 2000; Reed, 2001; Zucker, 1983). Formal control mechanisms are implemented through embedded rules of management (Hasselbladh & Kallinikos, 2000). Mechanisms can be deemed coercive in the sense that they exist to reinforce predetermined decision-making authority (Dacin, et al., 2002). When individuals are confronted with a change in autonomy, imbedded automatic response structures may be disrupted, particularly if subjected to unfamiliar bureaucratic controls (Dacin, et al., 2002; Stinchcombe, 1965). Individuals may experience changes to their personal socio/psychological sentiments that result in detrimental impacts to the post-acquisition environment. Effects on acquired leaders may result in disruption, uncertainty and turmoil among extended workgroups and impede the integration success. These

consequences are representable through measuring leadership transfers within acquired organizations. This research evaluates perceived integration performance through measuring perceived post-acquisition autonomy of acquired firm leaders. Applying the distinct and unique organizational and bureaucratic institutions generally associated with public for-profit firms, professionally managed private firms and founder owned and operated firms, the perceived change of autonomy and perceived integration success are contrasted to determine if a moderating affect exists among institutionally dissimilar organizational archetypes. An additional evaluation of acquired firms leaders' recent experience with a merger or acquisition moderates the main effect.

## **CHAPTER 3**

### **METHODOLOGY**

#### **Sample**

Primary data was obtained from a survey sent to top management team (TMT) members of professionally managed privately held and founder owned and operated firms that have been acquired by publicly traded U.S. firms within the past 18 - 24 months from the survey period (Datta, 1991; Datta & Grant, 1990).

While leadership literature often focuses primarily on the individual leader, some recent research has begun to examine the role of leadership teams as a representation of firm leadership (Ensley, Pearson, & Pearce, 2003; Hambrick, 1997). TMT leadership represents the united influence, cohesiveness and collective power of leadership teams (Ensley, et al., 2003; Jansen, Tempelaar, van den Bosch, & Volberda, 2009). TMT characteristics are aggregated influences on firm strategy and decision-making choice between members of the TMT (Michalisin, Karau, & Tangpong, 2004; Pearce & Ensley, 2004). Cohesion is the binding of knowledge and unity of action demonstrated by the TMT in response to stimuli and decision choice (Hambrick, 1997; Michalisin, et al., 2004). Collective vision is the common mental model of organizational strategy and culture promoted by the TMT (Colbert, Kristof-Brown, Bradley, & Barrick, 2008; Dess, 2006). Such characteristics may be uniquely predominant in small to medium enterprises

due to the size of the firm and typical size of the top management team (Lubatkin, Simsek, Ling, & Veiga, 2006). To enhance input opportunity from target SME firms, TMT was used as a representation of the leadership team and acted as a proxy for leader/leadership effects discussed throughout the dissertation (Hambrick, 1981). The use of top management team members, including CEO if available, provides greater likelihood of responses to survey requests from target firms and adequately represent leadership characteristics in the analysis (Amason, 1996; Melnyk, Page, Wu, & Burns, 2012).

Responses from more than one TMT member of the acquired firm were paired and averaged whenever possible. Such practice is encouraged by Golden (1992) who recommends that firm-specific perceptions may be more reliable when obtained from multiple representatives due to temporal recall issues and therefore, sourcing data from one or more top management sources avoids “retrospective inaccuracies” (Bowman & Ambrosini, 2002; Golden, 1992, p. 850). In the event that only one survey is returned from the subject firm TMT, the response was included and deemed sufficiently valid for analysis; however, it is recognized as a potential limitation of the study (Hambrick, 1981; Snow & Hrebiniak, 1980). The near period measurement (18 to 24 months) is used to mitigate temporal recall issues that could distort responses and allow for a reasonable assimilation period (Datta, 1991; Datta & Grant, 1990; Golden, 1992; Schwenk, 1985; Vasilaki & O'Regan, 2008).

Perceptual measures were used to mitigate the difficulties of accessing pre and post-merger data from published corporate reports. Often pre-merger data, especially from private companies, are not publicly available (Siegel, Simons, & Lindstrom, 2009).

Post-merger financial data regarding acquired subunits are typically incorporated into aggregate financial statements of the parent firm (Siegel & Simons, 2010).

Measurement bias, elevated co-variation and response inflation associated with self-reported perceptual measures could be considered a limitation in quantitative evaluations (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003; Podsakoff & Organ, 1986). The method continues to be widely used in merger and acquisition research (Bowman & Ambrosini, 2002; Snow & Hrebiniak, 1980). Subjective performance measures are often used in studies of privately held firms where public information is lacking and have been shown to correlate with objective performance data in SME firms (Ling & Kellermanns, 2009; Love, Priem, & Lumpkin, 2002). The perceptual measures methods are equally valid in the absence of quantitative data (Brouthers, 2002; Brouthers & Nakos, 2004; Crampton & Wagner, 1994; Panchal & Cartwright, 2001). Both perceptions of acquired firm autonomy and perceptions of post-merger integration success have been previously used in merger and acquisition research conducted by Datta (1991), Burgman (1983), Kitching (1967), Zaheer et al. (2011), and Weber (1996). “Self-report measures are a useful tool to tap conscious experience and empirically measure cognitively relevant constructs” (Vinski & Watter, 2012, p. 451). Perceptual outcomes, such as the effectiveness of the integration process, are useful in that they provide direct access to the impressions and recollections of those actors most affected (Weber, 1996).

Very et al. (1997) also point out that data drawn from the acquiring firm provides little insight into explaining any change in the ability of the acquired business to perform as a result of being acquired. Their research highlights the importance of researching acquisition phenomena at the business level rather than the corporate level. Grounded in

these findings, the data for this study are perceptually based and sourced from the acquired firm TMT.

To maintain a small to medium enterprise focus, the dissertation limits target firms to acquired firms employing fewer than 500 workers at time of acquisition, aligned with other SME studies (Buckley, 1989; Dickson, Weaver, & Hoy, 2006; Hussinger, 2010; Moeller, Schlingemann, & Stulz, 2004). Small and medium sized enterprises are not consistently defined in research; they are typically bound by the number of employees, fewer than 500 in North America and fewer than 250 in the European Union (Ayyagari, Beck, & Demircuc-Kunt, 2007; Buckley, 1989; OECD, 2012; USITC, 2010). European Union definitions additionally cap SMEs with an annual turnover at 85 million Euros to qualify as an SME (OECD, 2012) but such a limit was not found to be applied to U.S. domestic studies within the literature reviewed. The standard methodology in most M&A research places a lower limit on deal value, typically in the range of \$10MM to \$50MM (Haleblian & Finkelstein, 1999; McCarthy & Weitzel, 2009; Schlingemann, 2004). This dissertation follows suit by placing a lowermost transaction limit of \$10MM dollar as a foundation. There was no ceiling limitation for the transaction price.

At the organizational level, hurdles to effectively manage disruptive change are higher in larger firms and lower in smaller firms (Moore & Manring, 2009). However, making a transition from a small firm to a larger enterprise control and management system may show a greater difference in the response to changes in autonomy (Child, 1973; Datta & Grant, 1990; Meyer & Lieb-Dóczy, 2003). SME organizational structures are often simpler than those of larger public firms (Gelinas & Bigras, 2004). The founder owner-operator in particular, is more likely to be directly in control of operational

functions and decision-making. The founder owner-operator is also the person who develops and carries out visions and controls activities demanding a high need for independence and autonomy (Filion, 1990). The need for independence and autonomy could be an obstacle to the introduction of integration success factors such as participatory management or decision sharing resulting in reduced autonomy and power (Pablo, 1994; Schraeder & Self, 2003). As a result, the SME and founder-managers may be likely to regard integration with new control management as a threat from loss of freedom, the imposition of standards, and risks to pre-acquisition authority (Gelinas & Bigras, 2004). The focus on small to medium enterprises provides opportunity to identify moderating effects of public, professionally managed private firms or founder owned and operated firms on autonomy allocation post-merger. The study therefore produces adequate generalizability to other large and small SME businesses within the country of study, which is the aim of the research (Brouthers & Nakos, 2004; Dickson, et al., 2006; Omerzel & Antoncic, 2008).

The survey questionnaire contained questions representing four constructs; (1) perceived autonomy, (2) perceived integration success, (3) organizational type of pre-acquisition target and, (4) recent acquisition experience of acquired firm TMT. The survey invitations were mailed by post to current leaders and top team managers of the *acquired* company as indicated by most recent information accessed through the Capital IQ™ database. Web addresses linking to the survey were included in the invitation letter. User codes were provided for firm identification and subject access to survey. Quick response codes (QR) were inserted for access to provide hand-held device access to the web based surveys (Ashford, 2010; Macer, 2011). The initial invitation mailing was



complemented by an identical e-mailed invitation to subjects whose email addresses could be identified. The invitation was based on social and professional association and opportunity to receive findings with no other tangible incentives offered (Crittenden, 2011) (additional detail follows this section).

Challenges to this method may result from leadership and TMT turnover at the acquired firm level, lack of interest, insufficient incentive to participate, fear of retribution, loss of confidentiality, or the necessity to input the web-address manually. Emailed invitations contained automatic links, which is intended to offset issues of web address transfer. It is also noted that mature targeted subjects, sixty years of age or older, may not be as comfortable using internet or web-based surveys, but this is becoming less of an issue in a modern business environment (Hair Jr, Celsi, Money, Samouel, & Page, 2011).

To mitigate trust concerns, participant confidentiality was assured in the invitation letter and within the survey instructions (Crittenden, 2011). Confidentiality appears to be more readily accepted in web-based surveys (Hair Jr, et al., 2011). However, confidentiality concerns may be increased due to distrust of electronic media and tracking ability fears but are not anticipated to affect response rates (Andrews, Nonnecke, & Preece, 2003; Couper, Traugott, & Lamias, 2001). In addition, time demand and ease of use of web surveys have been demonstrate to enhance response rates and turnaround time over postal mail (paper) surveys requiring physical return of the questionnaire (Andrews, et al., 2003; Couper, et al., 2001; Kiesler & Sproull, 1986; Sheehan & McMillan, 1999). It was anticipated that a complementary mailing, ten to fifteen days after the initial mailing enhanced participation (Kaplowitz, Hadlock, & Levine, 2004). Kaplowitz,

Hadlock and Levine (2004) demonstrated response rates of web-based surveys produced results comparable to mailed paper surveys.

According to established standards for quantitative survey research, the minimum ratio of observations to variables is five to one, however the preferred ratio is 15 to 20 observations per construct (Hair, Black, Babin, & Anderson, 2010, p. 176). Because the model tested has nominal constructs, the target sample size represented a minimum of 20 returns with a goal of 80 or more usable responses. The number of usable surveys exceeded this minimum. Simple regression can be effective with a sample size of 20 (Hair Jr, et al., 2011), but maintaining power at .80 in multiple regressions requires a minimum sample of 50 and preferably, 100 observations (Hair, et al., 2010). Anticipating a 10% response rate, the initial survey circulation was distributed to 1,000 potential respondents representing 396 unique firms in an attempt to enhance the generalizability of the findings by attempting to acquire 100 usable observations.

### **Data Source/Sample Identification**

The sample population was derived from Standard and Poor's Capital IQ™ (Capital IQ™) database. Capital IQ™ allows cursory search for acquiring firm and targets filtered by purchase size, geographic area and transaction close date, which fits sample criteria. The initial sample was supplemented with published announcements reported in *Mergers and Acquisition Magazine*, *Crain's List*, *Bloomberg News*, *Reuters Merger and Acquisitions* (Wright, Kroll, Lado, & Van Ness, 2002). Sample selection was limited to U.S. SME firms with fewer than 500 employees and acquired by registered U.S. publicly traded firms. A middle market firm (SME) context is supported by comments of Very and Schweiger (2001) who determined that decision-making is often

more concentrated at the top of smaller companies. The acquirers were publicly listed firms identified by Capital IQ™ during the event window. Initial screening included the following descriptions: geographic locations of the acquired firms are contained within the United States of America; acquired firms have fewer than 500 employees; total transaction values of greater than \$10M was the minimum limit to avoid non-operating exchanges (Haleblian & Finkelstein, 1999; McCarthy & Weitzel, 2009; Schlingemann, 2004); purchasing companies are registered U.S. public firms, and acquisition close-dates were between 18 and 24 months. Deal value was also gathered and verified through Thompson Reuter, Securities Data Company's U.S. Mergers and Acquisitions Database as the total value of consideration paid by the acquirer, excluding fees and expenses in accordance to the methodology of (Moeller, et al., 2004). This information was considered for possible contributions to analysis and discussion.

Initial investigation of target opportunity including all of the previously prescribed indicated a potential unqualified pool of 561 firms with 2,971 identified current members of the acquired firm top management team as reported by Capital IQ™ on July 15, 2012. One thousand addressees were randomly selected from the qualified population. The Capital IQ™ database was used to extract acquiring company information for control variable data outlined in the following pages. Acquired leader-management and contact information was attained through Capital IQ™ company records.

### **Data Collection**

Survey instruments were mailed to acquisition contacts 18 to 24 months following the acquisition close date grounded on studies conducted by Krug (2003) and Datta and

Grant (1990) to remain consistent with the existing literature that indicates the primary impact of acquisitions occur shortly after the acquisition (Krug, 2003). Further justification for the near term follow-up was an attempt to avoid TMT turnover (Krug & Hegarty, 2001) and capture recent memory recollection of events and avoid deterioration in the quality of the data (Datta & Grant, 1990; Golden, 1992; Schwenk, 1985).

### **Main Effect Measures**

**Autonomy (IV):** Autonomy refers to the level of decision-making authority allocated to the acquired firm and its leadership. To measure the construct, all ten autonomy related items were extracted from the autonomy removal scale of Very (1997). The scale is applicable to assess the extent to which the buying firm involved itself in the acquired firm's key decisions. The items address the acquired firm's goals, operational and business level strategies, personnel practices, and policies about major capital investment involvement, and were previously used in multicultural tolerance studies of Chatterjee et al. (1992), Hambrick and Cannella (1993) and Ranft (2006). "Hambrick and Cannella (1993) noted on p. 746 of their study that Chatterjee et al. tolerance construct and autonomy removal are conceptually equivalent" (Very, et al., 1997, p. 603). Per the reported results, the test on the responses for the Very et al. (1997) scale revealed the construct is reliable with a Cronbach's alpha of 0.89. A seven-point response scale was used, ranging from (1) [your firm decides] over (4) [consensus decides] representing the midpoint, to (7) [parent firm decides]. The ten specific measurements included; setting key performance goals, defining portfolio of business, setting key competitive strategies, defining key administrative policies, defining marketing budgets, setting research and

development budgets, setting production schedules, setting senior manager rewards, defining recruitment and promotion policies, and defining social policies.

The original five-point Likert anchors of the Very et al. (1997) scales were not retained. Scales were modified from five to seven points to enhance consistency, reliability, validity and discriminating power (Preston & Colman, 2000). Previous investigations demonstrated little difference between five and seven point scales in terms of variation about the mean, skewness or kurtosis and determined that recalling between the scales resulted in comparable and reliable results (Dawes, 2008). Further support for the change follows studies conducted by Preston and Coleman (2000), who determined that scales with six or more response categories yield scores with greater reliability. Based on the scale anchors, a low score on the autonomy scale questions represents a high degree of acquired firm autonomy.

**Perceived post-merger integration success (DV):** Perceived post-merger integration success refers to meeting or exceeding the anticipated stage performance expectations of the acquiring firm (Graebner, 2004). Such expectations include operational, financial and social integration. Perceived post-merger integration success was measured using the performance expectations scale of Pelham and Wilson (1996). There may be no reliable or practical alternative to perceptual inputs for certain types of SME research questions (Podsakoff & Organ, 1986). Dess and Robinson (1984b) found a strong correlation between subjective assessments of performance and their objective counterparts. Venkatraman and Ramanujam (1986, 1987) found that informant perception data exhibited less method variance than some archival data. Perceived integration success measures are also endorsed and used by Graebner (2004) when

historical data does not exist or is not available to the researcher. Perceptual performance measures with an anchor relative to expectations, allows for greater comparability across types of businesses with varying standards of acceptable performance (Pelham & Wilson, 1996). Due to the nature of the sampling of acquired SME firms, objective measures of performance are not readily available due to the proprietary nature of small firms and segregation of subunit financial performance detail. Alternative measurement scales of Datta (1991) and Zaheer (2011) were considered. The Pelham scale was selected for its parsimonious approach and mix of goal success factors including product, market and financial measurements. The desirable feature of the Pelham and Wilson (1996) scale is the incorporation of specific measures including financial elements. The measures included; 1, product success (2 items) - new product/service development and market development; 2, growth/share success (3 items) - sales growth rate, employment growth rate, and market share; 3, return on assets, (5 items) - profitability, operating profits, profit to sales (supply) ratio, cash flow from operations and return on investment. The results of reliability test in the Pelham et al. (1996) study produced an alpha of .74 for the category of perceived success. The original seven-point Likert scales of the Pelham & Wilson (1996) scale were retained as a seven-point scale for consistency, reliability, validity and discriminating power.

### **Moderators**

**Firm ownership** identifies whether the acquired firm was privately held (not publicly traded or made available through public offerings) or founder owned and operated (not publically traded, founder controlled and managed) at the time of acquisition (Jensen & Meckling, 1976; Lubatkin, et al., 2005; Sale, 2011). Ownership

were measured via dummy variables (0 = professionally managed private firm; 1 = founder owned and operated firm) based on dichotomous survey measures. The following definitions were provided to respondents of the survey instrument:

“For purposes of this questionnaire, professionally managed private firm ownerships refer to closely held business not available to the public through open exchanges and are not required to meet the strict Securities and Exchange Commission filing requirements of public companies. Private companies may issue stock and have shareholders; however, shares are not traded on public exchanges and are not issued through an initial public offering. An example of a professionally managed private company is the holding of assets by a private investor or private investment group or consortium operated by a team of professional managers such as found in privately held equity groups or venture capital firms with controlling equity of multiple firms. A founder owned and operated business is a firm that is actively operated by the founder-CEO whose stock is closely held, majority controlled by founder, and not available to public markets (copied from question twelve in the survey instrument found in this document).”

A follow-up question for founder owned and operated firms asked the percentage of pre-acquisition ownership was held by the founder, family members and non-family members. The information was accumulated and addressed in the discussion section of the final dissertation.

**Acquisition experience** refers to the number of acquisition events experienced by the acquired firm TMT in the previous three years to minimize weakening of associations and minimize temporal interference of recall (Capron & Shen, 2007; Shrivastava, 2007). Acquired firm acquisition experience was a question on the survey instrument seeking subjects' previous near term acquisition experience of being acquired or involved in acquiring others (Barrett, 1973; Capron & Shen, 2007). The question was posed as a simple yes-no selection and read, “Have you had direct executive-level experience with mergers or acquisitions?” If answered yes, a follow up question asked, “Please indicate

how many merger or acquisition integration events in which you have actively participated”.

### **Control Variables**

**Relative size** of the acquired firms has been previously found to have a negative impact on post-merger success. Kitching (1967) observed a strong relationship between unsuccessful mergers of relatively small firms by larger concerns. Likewise, Biggadike (1979) found that larger acquisitions out-performed smaller acquisitions (Beckmann, 1977; Bergh, 2001; Biggadike, 1979). Acquired firm size was measured using the number of employees of the acquired firm (Pelham & Wilson, 1996). Acquiring firm size (number of employees) was retrieved from secondary data sources (Capital IQ™). Relative size data was used to compare perceived success of the survey respondents and compared to the ratio of relative size of the acquired firm to the acquiring firm for correlation.

**Degree of relatedness:** Both the delegation of autonomy and acquisition success has been associated with industry relatedness of acquirers and the acquired (Capron & Shen, 2007; Chatterjee, 1986; Datta & Grant, 1990; Flanagan, 1996; Halebian & Finkelstein, 1999; Porter, 1987; Singh & Montgomery, 1987; Trautwein, 1990). Previous research involving the study of two-party publicly traded acquisitions relied on the matching of published SIC codes. Because this study focused on smaller public and private acquisitions, published SIC codes were not always available. To overcome this obstacle, a simple question added to the questionnaire provided continuous data regarding the perceived relatedness of the acquiring firm to the industry of the acquired. The question read, “Using your best judgment, please rank the industry relatedness (industry



segment, product offerings or process) of the pre-acquisition firm”. Ranking options were; 0% not at all related, 50% somewhat related, to 100% very related on a continuous choice scale for each category.

**Acquisition experience of the acquiring firm:** Recent acquisition experience of the acquiring firm was determined by measuring acquiring firm M&A activity within the last three years (Capron & Shen, 2007; Shrivastava, 2007). The experience term mirrored that of the acquired firm TMT M&A experience. Records were sourced through the Capital IQ database

**Integrated:** Several questions on the survey addressed the understood strategic purpose for the acquisition. High levels of integration may enhance synergistic potential, but it can also result in negative outcomes in the form of inter-organizational conflicts (Coff, 2002; Ellis, 2011; Harding & Rouse, 2007; Pablo, 1994; Ranft & Lord, 2000; Singh & Zollo, 1998). Questions regarding interpreted pre-and post-acquisition strategic objectives are posed through exploration of communicated objectives. The following question was presented to address the perceived degree of integration: “Do you feel the performance goals of the acquiring firm have been sufficiently communicated to the management team of the acquired firm?” Response options were provided in five categories: thoroughly communicated, reasonably communicated, somewhat communicated, vaguely communicated, not at all communicated. The information gathered was used to assess confidence in the perceived integration performance (DV) and to gauge how well performance objectives were communicated to the respondents.

## **Survey Preparation**

Minimal changes to the original scales were made for the perceptual constructs utilizing existing scales (autonomy and integration success). Single-item measures were crafted for the non-perceptual variables. Qualtrics™ designed web-based surveys were used. Internet-based survey and online survey are often used in research studies interchangeably (Shih & Fan, 2008). For purposes of this study, the terms web-based or internet-based surveys are used interchangeably, denoting postal mail or electronic mail (e-mail) notifications with links to a web survey. It has been noted that turnaround time of e-mail and web-based surveys is extremely high and the automation of several functions reduce collection errors often associated with hand coding (Cobanoglu, Warde, & Moreo, 2001). See Appendix II for a summary of the survey.

## **Survey Invitation**

The survey invitation was designed to induce the strong feeling of “social exchange” consistent with Dillman’s (1978) notion of social exchange, in which he demonstrated that respondents reciprocate by treating the project seriously and returning the survey (Dillman, 1978; Hager, Wilson, Pollak, & Rooney, 2003; Trouteaud, 2004). This approach is supported by Crittenden (2011) emphasizing the prior lack of focus on the acquired firm perspective and the invitee’s opportunity to help fill that gap.

Other studies suggest that potential survey respondents are more likely to participate when they feel a professional affinity with the sender or the subject matter (Guéguen & Jacob, 2002). High subject matter salience with potential respondents has been associated with stronger return rates (Kaplowitz, et al., 2004). Additionally, a nominal tangible reward may not provide incremental incentive for well-compensated

executives who associate social exchange meaning to the survey to be greater than a financial incentive (Barón, Breunig, Cobb-Clark, Gørgens, & Sartbayeva, 2009; Groves, Singer, & Corning, 2000). For these reasons the cover letter included an effort to connect the survey to a community associated research context (Marks, et al., 2001). Appendix III provides a copy of the survey invitation letter.

### **Survey Administration**

One thousand printed survey invitations were mailed through the U.S. Postal Service to the target population. Ninety-nine letters were returned as undeliverable or the addressee was no longer at that address. Two hundred eleven additional surveys were mailed electronically to an expanded target group of both U.S. and Canadian firms due to slow response from initial domestic audience. Eighty-two were returned as undeliverable. The inclusion of Canadian firms is not considered to be subject to significant cultural fit concerns (Breinlich, 2008; Tung & Verbeke, 2010; Weber, Shenkar, & Raveh, 1996). The additional survey targets were also not limited to transactions greater than ten million dollars as reflected in the original mailing. Smaller SMEs, particularly transactions involving founder owned enterprises often involve lower value transactions (McCarthy & Weitzel, 2009).

An electronic reminder was sent to four hundred ninety two invitees approximately two weeks following the ground mail invitations. One hundred sixteen were returned as undeliverable. The total number of invitations sent by all methods applied was one thousand two hundred eleven. One hundred eighty one were returned as undeliverable resulting in a best case assumed 85% delivery rate. The delivery rate does not include electronic messages delivered to junk mail or spam folders of the recipients.

Available literature on Web surveys and methods of response rate calculations widely vary and have yet to be agreed upon due to rapidly changing technology, access to technology, and corporate controls over use of technology (Johnson & Wislar, 2012; Sax, Gilmartin, & Bryant, 2003). According to Eysenbach and Eysenbach (2004), internet based survey responses should be measured as a view-completion ratio rather than an invitation-response ratio. Reporting response rates using such a method is felt to be a more accurate indication of receipt of the survey match to the ability to participate, not just willingness to participate. When calculating the number of surveys view/starts (131), to survey respondents (94) a 71% response rate was achieved. Data cleansing resulted in eighty-two usable surveys for a 64% response rate. For reporting purposes in this dissertation, calculations were based on invitations sent, less those returned as undeliverable divided by the number of surveys started as per the American Association for Public Opinion Research (AAPOR) (AAPOR, 2011; Johnson & Owens, 2003; Kaplowitz, et al., 2004).

## CHAPTER 4

### DATA ANALYSIS AND FINDINGS

#### Respondent Results

Ninety-four survey cases were received achieving a 9% response rate. Eight cases were incomplete, lacking responses beyond the instructions section and were removed. Four cases, two each, were self-identified as responding to the same acquisition event. The first response from each firm was chosen to represent the case. Two additional responses regarding foreign firm transactions were removed. The sample cleansing resulted in a net 8% response rate of eighty-two usable cases representing eighty-two distinct firms (AAPOR, 2011). Due to the small response rate, a common test for nonresponse bias was conducted. The following are the results and methods applied.

**Table 1 Nonresponse bias analysis using an independent sample t-test**

Variable	Mean First Mailing	SD First Mailing	Mean Second Mailing	SD Second Mailing	<i>t</i> (81)	<i>p</i>
Perceived Autonomy (avg. Q10)	4.87	1.700	4.69	1.586	.512	.610
Perceived Success (avg. Q11)	3.67	1.3207	3.93	1.632	-.820	.415
Strategic Objectives Known (Q3)	1.87	.7486	1.649	.6332	1.430	.157
Strategic Objective Change (Q4)	1.78	.6964	1.78	.8542	-.007	.995
† <i>p</i> < 0.1 * <i>p</i> < 0.05 ** <i>p</i> < 0.01 *** <i>P</i> < 0.001; <i>n</i> = 82						

A common way to test for non-response bias is to compare the responses of those who respond to the first mailing of a questionnaire to those who respond to subsequent mailings (Clendenning, Field, & Jensen, 2013; Groves, 2006). Those who return

subsequent mailings are, in effect, a sample of non-respondents (to the first mailing), and under the assumption that they are representative of that group (Couper, Kapteyn, Schonlau, & Winter, 2007). Typical uses of a T-test for two independent samples might include testing for differences two groups (Hair, et al., 2010). Nonresponse bias was tested by using this method. Four key perceptual measures were chosen which the researcher felt were fair representations of the targeted population. The measures selected were, average perceived autonomy (independent variable, Q10), the average perceived success (dependent variable, Q11), awareness of the strategic objectives (random variable Q3), and did the strategic objectives change (random variable Q4). Survey data received from the original mailing was segregated from follow-up reminders and second mailing targets. Means of the specific responses of the two groups were compared and analyzed for statistical significance using a simple T-test. The results of the analysis did not demonstrate a statistically significant difference between the responses of the two groups, therefore, there is no evidence that nonresponse bias exists through this method of analysis (Groves, 2006).

### **Missing Data**

Very little data was missing for key response items. Twenty-four respondents did not provide the name of the acquired firm. Eight of those respondents left contact information and were contacted directly, researched through LinkedIn or associated through Capital IQ with the acquired firm. Once the acquired firm was identified, accessing the acquiring firm information, size and age accomplished through Capitol IQ™. For cases in which neither the respondent information or the acquiring firm information was readily available within the survey, the respondents' internet protocol

address recorded by Qualtrics™ supplied either a company name or a user name and the information was traced back through Capital IQ or the company website in most cases. Other missing data included parent firm data. Missing data for acquiring firm key measurement items was acquired through secondary data from Standard and Poor's Capital IQ™, company websites and other web based data services including internet protocol service such as Whois, MYIP.MS, IP-adress.com among others. Google Maps was also used to track addresses and identify physical locations of the respondent in many cases. Although the method was productive, some firms could not be identified and were not used in the analysis. The remaining missing data was determined through mathematical means as allocating item category averages or trending scores. Only four instances were addressed in such manner among all cases. Excess missing data from uncompleted surveys were dropped. Eighty-two surveys provided sufficient power for analysis (Hair, et al., 2010).

### **Dummy and Composite Variables**

Several variables were transformed to accommodate regression analysis. The first variable, integration, delineated whether the acquired firm was integrated into the acquiring firms existing physical operations or remained a stand-alone operation. If the acquired firm was not integrated, it was transformed to zero; if it was integrated it transformed into a one. A second dummy transformed three individual categorical relatedness responses product, process and market, into a single dummy variable. The new variable represented the degree of relatedness.

Relative size was transformed into ratios by dividing the acquired firm size into the acquiring firm size represented by number of employees at both firms at time of the

event (Pelham & Wilson, 1996). Archetype was transformed by combining professionally managed responses from public and private firms into category one (1) to represent professional, non-owner managers and founder owned and operated firms into category zero (0). The composite average of perceived autonomy items represented the autonomy variable. A composite average was also used for perceived integration success.

### **Statistical Analysis**

An exploratory factor analysis (EFA) was executed on the two borrowed scales to provide confidence that the Very (1997) autonomy factors and the Pelham and Wilson (1996) perceived integration success factors indeed measure the intended variables of interest. The Exploratory Factor Analyses are provided in Table 2. The process was essential since the scale of the autonomy factor was modified from a five-point to a seven-point scale (Reise, Waller, & Comrey, 2000; Schreiber, Nora, Stage, Barlow, & King, 2006). Additionally, the two scales were used on a common survey instrument. The use of EFA techniques to partition data from multi-trait or multi-method matrices into a particular perception trait provided the reader with greater confidence in the reliability of the instrument and modified scales (Podsakoff & Organ, 1986).



**Table 2 Exploratory factor analysis**

Rotated Component Matrix			
	Component		Cronbach's Alpha
	1	2	
Perceived Autonomy			<b>.96</b>
Goals	.72		.88
Profit	.72		.88
Strategy	.85		.88
Policy	.86		.88
Inventory	.86		.88
Budgets	.70		.88
Markets	.86		.88
R&D	.80		.88
Products	.77		.88
Bonuses	.84		.88
Recruitment	.87		.88
Advancement	.87		.88
Culture	.77		.88
Perceived Integration Success			<b>.96</b>
New Product		.83	.89
Marketing		.80	.89
Growth		.88	.89
Employment		.75	.89
Market Share		.88	.89
Profit		.90	.89
Sales		.91	.89
ROI		.91	.89
ROA		.92	.89

A principal axis factor analysis with varimax rotation was conducted to assess the underlying structure for the 13 items of the perceived autonomy variable and the ten items associated with the perceived integration success variable. The assumptions of independent sampling were met. The assumptions of normality, linear relationships between variables and the variables being correlated were checked. The initial extraction yielded a 3-factor solution. The first component explained 44% of the variance. The second component explained 27% of the variance and the third component explained less than 5% of the variance. 71% of the variance was explained using component one and two. Two items, autonomy-culture and success-cash-flow produced third factor scores of .37 and .37 respectively. Both items however, also produced significantly stronger scores, .77 and .84, on their primary component factor. Removal of integration success cash flow item resulted a robust two-factor component structure with all items achieving a component score  $>.7$  (Hair, et al., 2010) on all autonomy related items and integration items separately. The two-factor solution with thirteen autonomy items and the nine remaining integration success items explained 71% of the variance (combined). Component one, autonomy explained 44% and component two, integration success accounted for 27% of the variance.

### **Common Method Bias**

Self-report bias could have been unavoidable due to the respondent providing the response to these variables is the same (Podsakoff, et al., 2003). To overcome these limitations, it was anticipated that sufficient returns from multiple respondents of each firm will allow for a separation of responses regarding autonomy constructs and performance constructs. The leaders' responses to autonomy questions would have been

useful for the autonomy construct response and the perceived integration performance construct could be gathered from top management team responses. Both sets of questions were posed to all survey participants and responses could then have been segregated during analysis. This opportunity did not avail itself as only two responses from two different firms replied regarding the same acquisition event. Previous research of Datta (1991), Burgman (1983) and Kitching (1967) encountered similar restrictions. Podsakoff, et al. (2003) recommended a solution to single source respondents in such cases was to obtain the cultural measures and seek performance measurements from archival sources. This solution was not feasible for two very important reasons; first, integration performance is not a typically measured or recorded data point; second, performance measurements of acquired and subunit entities are most typically rolled into larger, aggregated reports of the parent company and are therefore not available for public access. Podsakoff and Todor (1985) suggested the use of data partialling technique to address the common source bias concerns in a self-respondent analysis, however, Kemery and Dunlap (1986, p. 259) concluded that partialling does not minimize the possible effects of common method variance and goes to cite additional research that supports their conclusion that it should not be used. An attempt at partialling organizational archetype was conducted in post hoc testing but produced no significant change in results.

Although common method variance could not be completely ruled out, examination of other studies has determined the method to be acceptable without additional controls or calculations (Brush & Vanderwerf, 1992; Doty & Glick, 1998; Evans, 1985; Podsakoff & Organ, 1986; Spector & Brannick, 1995). While bias may be

present and even unavoidable in some cases, particularly with SME studies, it may not significantly affect results or conclusions (Eddleston, Kellermanns, & Sarathy, 2008). Further, self-report performance data has been strongly correlated with objective data (Dess & Robinson Jr, 1984a; Love, et al., 2002). Future studies could take additional steps to measure potential effects of single source self-respondent data on the analysis of the findings. Descriptive statistics and correlations are provided in Table 3.

**Table 3 Correlations, means, and standard deviations**

<i>Variable</i>	<i>Mean</i>	<i>S.D.</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>
1 Perceived autonomy	4.9	1.63	—							
2 Perceived success	3.8	1.46	-.22*	—						
3 Size ratio of firms	.15	.2	-.23*	.09	—					
4 Degree of relatedness	71.6	22.72	.06	.26*	.13	—				
5 Integrated	.61	.49	.22*	.12	.07	.26	—			
6 Acquiring firm M&A experience	4.95	1.61	-.12	.03	.15	.15	.02	—		
7 Acquired firm archetype	.66	.48	-.25*	.11	.12	.03	-.06	.08	—	
8 Acquired firm leader M&A experience	.71	.46	-.11	.11	.02	-.03	-.02	-.00	.16	—

†p < 0.1 \*p < 0.05 \*\*p < 0.01 \*\*\* p < 0.001 (two-tailed tests); n=82

## Regression Results

To test my hypothesized relationships, I performed a hierarchical moderated regression analysis and reported the variables in five steps (see Table 4 for results). The results were the same when each interaction effect was calculated separately.

Model 1 represents the inclusion of four control variables, relative size, degree of relatedness, acquired firm integration, and parent firm merger and acquisition experience. This model explains 4% of the variance of the dependent variable. The  $R^2$  of Model 1 was .08 with an adjusted  $R^2$  of .036,  $\Delta R^2$  of .08 and a significance of .15.

To test Hypotheses 1, Model 2 adds perceived autonomy and the direct effect of archetype. This model explains 8% of the variance. The  $R^2$  of Model 2 was .15 with an adjusted  $R^2$  of .08,  $\Delta R^2$  of .07 and a significance of .06.

Hypothesis 2 was tested with Model 3 including the interaction effects of Autonomy and Archetype, explaining 8% of the variance. The  $R^2$  of Model 3 was .16 with an adjusted  $R^2$  of .08,  $\Delta R^2$  of .01 and a significance of .41.

Model 4 introduced the direct effect of acquired firm leader prior merger and acquisition experience to the independent variable, perceived autonomy. This model represented 7.2% of the variance. The  $R^2$  of Model 4 was .16 with an adjusted  $R^2$  of .07,  $\Delta R^2$  of .00 and a significance of .59.

Model 5 tests the third hypothesis where the interaction effect of the firm leader's prior acquisition experience was added. Model 5 represented 7 % of the variance explained. The  $R^2$  of Model 5 was .17 with an adjusted  $R^2$  of .07,  $\Delta R^2$  of .01 and a significance of .47.

The results indicated statistical significance of only H1. The effect of perceived autonomy on perceived integration success (H1) indicated a negative relationship opposite to the hypothesized direction. H1, H2 and H3 were not supported.

The potential for multicollinearity between the independent variable, perceived autonomy and dependent variable, perceived integration success with this study was addressed. A multicollinearity analysis found all variance inflation factors were within acceptable range (Hair, et al., 2010).

The possibility of a common method bias due to common source sampling was addressed by a single-factor test using the procedure suggested by Podsakoff and Organ (Podsakoff, et al., 2003; Podsakoff & Organ, 1986). I performed an exploratory factor analysis with a varimax rotation using the eigenvalue greater than one criterion and found that no single factor was able to explain more than 20% of the variance. The first factor captured 20% of the variance in the data. The second factor captured 18%. The third factor represented 14% of the variance. Rotated sums of squared loading produced similar results. Factor one sum of square loading equaled 19%, factor two, 18% and factor three 15%. Common method concerns are further mitigated by the data relationships created by my predicted interactions because respondents were unlikely to recognize the moderation hypotheses or to respond in a manner that may lead to spurious findings (Kotabe, Martin, & Domoto, 2003; Krishnan, Martin, & Noorderhaven, 2006).

**Table 4 Hierarchical regression results**

<i>Variables</i>	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>	<i>Model 5</i>
Size ratio of firms	.06	.00	-.01	-.01	-.01
Degree of relatedness	.22†	.23**	.22†	.22†	.22†
Acquiring firm acquisition experience	-.12	-.14	-.14	-.14	-.12
Integrated (vs. standalone)	.06	.13	.13	.13	.11
Autonomy (H1)	-	-.27**	-.29**	-.28**	-.46†
Archetype (private)	-	.03	.06	-	-
Acquired TMT acquisition experience	-	-	-	.06	.06
Autonomy * Archetype (H2)	-	-	.08	-	-
Autonomy * Acquired experience (H3)	-	-	-	-	.20
Change in R <sup>2</sup>	-	.07	.01	.00	.00
F-value for change in R <sup>2</sup>	-	3.02	.69	.29	.53
F-value sig for change in R <sup>2</sup>	-	.06	.41	.59	.47
R-square	.08	.15	.16	.16	.17
Adjusted R-square	.04	.08	.08	.07	.07
F-value	1.76	2.24	2.01	1.78	1.63
F-value significance	.15	.05	.06	.10	.12

† $p < 0.1$  \* $p < 0.05$  \*\* $p < 0.01$  \*\*\* $p < 0.001$  (two-tailed tests)

$n = 82$  in all models

*Model 1* = Controls

*Model 2* = Model 1 + Autonomy + direct effect of Archetype

*Model 3* = Model 2 + interaction Autonomy\*Archetype

*Model 4* = Model 1 + Autonomy + direct effect of Acquired leader experience

*Model 5* = Model 4 + interaction Autonomy\*Experience

## Post-Hoc Analyses

Because the regression analysis included public company archetypes to achieve the power requirements for sample testing, a post hoc test was conducted on the archetype factor. Particular attention was paid to responses that indicated the organizational archetype of the acquired firm.

A Bonferroni one-way between groups analysis of variance was conducted to explore the impact of including public acquired firms within the analyzed archetype factor. A sample of eighty-two responses was tested. Twenty-four responses were associated with public firms, twenty-eight with professional managers of private firms, twenty-eight represented family founder owner-operators and two respondents indicated they were non-founder managers related to the founder. Post hoc comparisons using the Bonferroni tests indicated that public firms represented a *Mean* score of .29 with a *SD* equal to .458. Professional managers of private firms represented a *Mean* score of .33, with a *SD* equal to .48 and did not differ significantly from the founder owned and operated group represented a *Mean* of .34 with a *SD* of .48. Both public and private responses were determined to be significant at .000 and therefore the null hypothesis was not supported. These findings indicate that the inclusion of acquired public firm responses may be used for the regression analysis (Demšar, 2006; Hochberg & Benjamini, 2006).

Additional confirmation of the linear regression findings were achieved through analysis of data using Smart PLS™ Partial Least Square (PLS) analysis tools (Hair, Hult, Ringle, & Sarstedt, 2014; Ringle, Wende, & Will, 2005). The analysis of data using PLS produced 17% variance explained of the overall model compared to a 17% explanatory



power of the complete regression model. Very similar to the regression results, the relationship of perceived autonomy to perceived integration success was significant, but also in a negative correlational direction producing a  $-.29$  from the PLS compared to a  $-.27$  regression result. Concurrent with the regression analysis, moderation testing did not produce a significant result for archetype or acquired firm experience in the PLS findings. Inferential tests for curvilinear relationships as per Hair et al. (2010) were also conducted between perceived autonomy and perceived integration success producing no evidence of curvilinear relationships.

The interpretation of post-hoc testing was found to support the linear regression results. Additional analysis and configuration experimentation failed to produce materially different results. It can be concluded from the additional testing that the regression findings are valid and reliable.

## **CHAPTER 5**

### **DISCUSSION, IMPLICATIONS, LIMITATIONS, FUTURE RESEARCH SUGGESTIONS AND CONCLUSIONS**

#### **Discussion**

Hypothesis 1 predicted a positive relationship between perceived autonomy and perceived integration success. While the results of this study showed a negative and significant relationship contrary to the original conjecture, these findings are not contradictory to other studies. For instance, Datta and Grant (1990) demonstrated a negative relationship between allocation of autonomy to acquired firms and integration success of both related and unrelated large firms. The findings by Datta and Grant (1990) suggested that unrelated acquired firms were typically allowed greater autonomy than acquired firms that were closely related to the acquirer's knowledge of acquired firm product, processes and industry. The findings of this dissertation support the negative direction of perceived autonomy and perceived success with related small and medium enterprises. The Datta and Grant (1990) study also showed that the level of integration was significantly associated with autonomy allocation. Acquired firms that were significantly related to the acquiring firm's existing markets and operations were more likely to receive less autonomy (Datta & Grant, 1990). The relationship of integration, industry relatedness and autonomy allocation are typically closely associated (Barney, 1988; Datta & Grant, 1990). Forty-two percent of the dissertation survey respondents indicated their acquired firm remained as a stand-alone operation yet ranked their relatedness to the acquiring firm at 64%, relatedness being measured on a score of 0-100,

100 being completely related. Fifty-two percent reported that the acquired firm was integrated into the acquiring firm operations with a relatedness score of 76%. Conversely, the stand-alone operations indicated a slightly lower perceived average autonomy score of 4.40 on a Likert scale of 1-7, 7 representing complete autonomy, compared to integrated firms reporting an average autonomy score of 5.13. While the perceived autonomy scores appear to align with the findings relatedness relationships reported by Datta and Grant (1990), data received for this dissertation did not produce sufficiently granular responses from firms or the degree of integration of surveyed firms to empirically support or contradict the relatedness findings of Datta and Grant (1990).

Another recent study by Zaheer et al. (2013) also found a significant but negative relationship between acquired firm post-acquisition autonomy and structural integration. Structural integration refers to the consolidating the functional activities of the acquired firm into its reporting hierarchy of the acquiring firm (Vancil & Buddrus, 1979). As does Datta and Grant (1990, p. 13), Zaheer, et al. (2013) also define autonomy as “the amount of day-to-day freedom that the acquired firm management is given to manage its business without close control by the parent company”. Zaheer et al. (2013) measured autonomy by using an average of a four item, four-point scale assessing decision-making authority concerning strategy, marketing, R&D and operations. These items were also included both in this dissertation and in the Datta and Grant (1990) study. Unlike the Datta and Grant (1990) study, the results produced by Zaheer et al. (2013) did not demonstrate significant differences in autonomy allocation and the degree of integration. The Zaheer et al. (2013) focus rather was directed toward post acquisition autonomy allocations associated with the integration of similar and complementary acquisitions. While

similarity and complimentary are both dimensions of relatedness, they are a more finely grained distinction of Datta and Grant's (1990) relatedness. The use of the more granular categories by Zaheer et al. (2013) was designed to further investigate the relationship of post-acquisition autonomy and integration. The Zaheer et al. (2013) study suggested that previous acquisition relatedness studies might have produced the appearance of a negative relation between autonomy and level of integration in similar and complementary acquisitions but did not address a distinction between related or unrelated acquisitions. "Our results show, integration and autonomy are negatively correlated, and integration has a significantly negative effect on autonomy granted" (Zaheer, 2013, p. 625). This dissertation's results indicate that perceived autonomy has a negative relationship with integration success, which might be partially explained by the Zaheer et al. (2013) findings in that autonomy and similar or complimentary acquisitions might predispose the authority allocated to acquired firms and degree of integration planned for. The effects of industry relatedness were acknowledged in the dissertation and included as a measurable control within the dependent variable, but not to the degree of granularity measured in the Zaheer et al. (2013) study. Nonetheless, the dissertation findings do not conflict with Zaheer et al. (2013), but provide additional support regarding the direction of post-acquisition autonomy associated with integration and relatedness of the acquired firm.

There were several unique aims of this inquiry such as measuring the perceptions of the acquiring firm leaders and the focus on small to medium sized acquired firms that were not considered in the Datta and Grant (1990) or the recent Zaheer et al. (2013) studies. It is also noteworthy that the average score for acquired firm industry relatedness

in this dissertation was 81% on a 0-100 relatedness scale. Both Datta and Grant (1990) and Zaheer et.al. (2013) have similarly strong relatedness scores associated with target acquisitions. Although 40% of the dissertation's acquisitions sampled remained as standalone operations, the respondents indicated significant industry relatedness.

Therefore, one may conclude that the findings of this dissertation do not contradict those of Datta and Grant (1990) or Zaheer et al. (2013) but instead support those conclusions through alternative measures. The high degree, 81% of industry relatedness, for firms that were both integrated into acquiring firms operations and those not integrated could have resulted in an absence of diversity in the perceived autonomy scores possibly masking the hypothesized directional relationships of autonomy and success. The lack of unrelated acquisitions may partially explain the absence of findings in this dissertation.

Central to the investigation of post-acquisition autonomy is the intended degree of integration (Pablo, 1994; Singh & Zollo, 1998). Degree of integration can be defined as the degree of post-acquisition change in an organization's leadership and decision-making administrative controls (Pablo, 1994). The degree of integration is important to successful acquisitions (Whitaker, 2012). High levels of integration may theoretically enhance synergistic potential, but can also result in negative outcomes in the form of increased coordination costs and/or inter-organizational conflicts (Pablo, 1994). As discussed earlier, firms are acquired for many different reasons, such as new market penetration, capacity expansion, diversification, access to technology and even opportunism, to mention only a few examples (Napier, 1989; Veugelers & Cassiman, 1999). According to Lubatkin et al. (1999, p. 58), "the buying firm rarely allows the acquired top management team full autonomy, even in conglomerate acquisitions, the

motivation to acquire usually stems from the buyer's belief that it can utilize the acquired firm's physical and human capital more efficiently than was the case beforehand”.

However, Datta and Grant's (1990) conclusions acknowledged the importance of post-merger autonomy under degree of firm relatedness. The Datta and Grant (1990) findings indicated that firms acquired in unrelated industries received greater decision-making authority than firms acquired in related industries or those using processes similar to that of the acquirer. Datta and Grant (1990) further concluded that firms wishing to integrate or expand a familiar process into existing operations are more likely to structurally integrate or merge the acquired business and its processes into the existing institutional configuration under preexisting control and decision mechanisms. Firms acquiring unfamiliar processes or market positions will rely on the acquired institutional structure and leadership by allowing greater autonomy and decision-making authority to the acquired firm's management team (Haleblian & Finkelstein, 1999). As Meyer and Liebdóczy (2003, p. 26) put it, “The outcome of post-acquisition transformation and integration depends on managerial action taken during the process”. Even considering a methodical, integrative process, local activities are usually managed in an interdependent way since the integration approach and execution of integration activities require local management and decision-making (Birkinshaw, et al., 2000; Haspeslagh & Jemison, 1991). Contrary to this view, Falkner et al. (2003) determined that however traumatic an acquisition might be to a small new subsidiary, the result was in most cases a substantial improvement in the acquired firm's economic performance. This may not be the case when firms acquire to expand their organizational knowledge. The acquisition of human capital is often a strategic aim of the acquisition (Coff, 2002; Harding & Rouse, 2007).

However, in the face of loss of autonomy, talent often leaves the organization (Krug & Aguilera, 2005; Lubatkin, et al., 1999; Siehl & Smith, 1990). The likelihood of top team turnover immediately following the acquisition may have contributed to the lack of findings. Those respondents who remained may not have suffered a loss of autonomy or may have gained autonomy in the restructuring.

An important determinant for level of integration is how useful are the existing resources in the management of the acquired company (Paruchuri, et al., 2006; Wernerfelt, 1984). If the acquisition was made for plant, property and equipment and not the softer side of a firm – people, relationships and creativity – acquired firms are likely to experience greater degree of integration and, therefore, less decision-making autonomy (Ellis, 2011; Ranft & Lord, 2000). It is important to acknowledge that acquired firm respondents may not have been privileged to the full intention of the acquiring firm and therefore the true motivation for the purchases are undetermined. Since the dissertation expressly address the perceptions of acquired firm respondents, the individual interpretations of the acquiring firm cannot be measured and may also have contributed to the lack of findings by masking external factors that may have affected the perceived relationship of autonomy and integration.

The study of post-acquisition integration has long been restricted by ascertaining the acquirers' intended degree of integration (Ellis, 2011; Pablo, 1994; Ranft & Lord, 2000). Acquisitions made to diversify risk are commonly decentralized, allowing the acquired firms greater autonomy to run and manage operations. Firms acquired outside the acquiring firm's experience are also allowed greater autonomy (Datta & Grant, 1990). Because this dissertation assessed the acquired firm perspective in contrast to much of

previous research, the acquiring firm planned strategy or intended level of structural integration was difficult to identify with certainty. Again, the inability to ascertain with certainty the strategic objectives and motivations of the acquiring firm may have limited the opportunity to add additional variables or empirically account for effects unknown to the respondents.

There are several additional observations, which may have influenced the results consistent with the aforementioned considerations. Respondents in this dissertation were asked if they felt the goals and objectives were reasonably communicated to the acquired firm management and if the success measures were sufficiently understood through a series of questions within the survey. Thirty-seven percent of the respondents indicated the goals and objectives of the firm post-acquisition were comprehensively known to them. Forty-nine percent indicated the goals were generally known. Sixty-nine percent of the responses indicated that the goals and objects of the firm had changed little or not at all. Of those respondents, 24% felt the goals and objectives were thoroughly communicated to them, 38% reasonably communicated and 23% felt they had been somewhat communicated. Only 14% responded that the post-acquisition goals and objectives of the acquired firm were vaguely communicated or not at all communicated. Overwhelmingly, the respondents indicated that they were familiar with the post-acquisition goals and objectives. This increases confidence in the respondent's capacity to respond reasonably to the questions on integration success measures. The data are significant because they indicate that the perceived integration success measurements that include strategic and financial measurements similar to those in Datta and Grant (1990) and Zaheer et al. (2013), are founded on established and known achievement



measurements. Further, because the goals were generally believed to be reasonable and achievable, the value of success measurements can be deemed valid. If it had been determined that the goals were generally unknown, or considered unreasonable, it might be concluded that the negative relationship of perceived autonomy and integration success could be an effect of individual resistance to change causing a possible impediment to integration (Choi, Holmberg, Löwstedt, & Brommels, 2011; Thomas & Hardy, 2011). Because there was little indication of resistance to post-acquisition goals or the reasonableness of the goals, it is unlikely that resistance to change accounted for the negative direction of the relationship of autonomy to integration success (Colman & Lunnan, 2011). Summary conclusions for lack of findings of Hypothesis 1 are provided in Table 5.

Hypothesis 2 predicted founder owner-operated acquired firm leaders would have a greater resistance to changes in authority and hence produce greater resistance to post-acquisition integration (i.e. change) than non-founder leaders. The findings of the dissertation analysis did not provide support for the prediction despite equal and statistically meaningful representation for private, public and founder firm acquisitions as demonstrated by the Bonferroni test. Although 34% of the respondents indicated senior most positions, only two respondents indicated they were related to the founder and no responses were received from a founder owner-operator. The observed lack of distinctions across the organizational archetypes could be due to non-family respondents who are accustomed to limited authority and execute duties at the will of the autonomous founder (Stewart & Hitt, 2012). In the case of significant autonomy, other categories of professionally managed private corporations and public corporations, did not differ

greatly from non-owner founder owned and operated businesses. In small and medium founder owned and operated businesses, the organization and the leader are typically closely associated (Schein, 1995). Employees may remain separate and potentially transferable to a different organization without the threat of autonomy loss; in fact the opportunity to gain decision-making authority may exist (Bernhard & O'Driscoll, 2011). Under such circumstances, the moderating effect of pre-acquisition organizational archetype upon perceived autonomy and integration success of founder owned and operated employees might be obfuscated by an expectation of greater autonomy than that provided before the acquisition, by the founder owned and operated archetype. Family and founder firms often retain non-family professional managers who can be allowed significant decision-making authority (Chua, Chrisman, & Bergiel, 2009; Gedajlovic, Lubatkin, & Schulze, 2004). Employment contracts of family owned and founder owned firms with performance factors and authority rights are not uncommon and may be similar to the authority and rewards found in private and public firms (Verbeke & Kano, 2012) thereby negating the change effects pursued within the research model. The likelihood that professional managers represented the founder owned and operated firm in this study may well have obscured the founder-owner operated effects that I sought to explore in the archetype.

Another possible impediment to quantifying the full impact of pre-acquisition organizational archetype effects was a change of leadership during integration. Respondents indicated that 51% of the acquired firm chief executive was retained at time of acquisition; however, 48% of the chief executives were installed by the acquiring firm. Of those chief executives installed, 93% originated from the acquiring publically traded

firm. Considering that virtually half of the acquired firm chief executives actually represented professional managers from public firms, the attempt to identify archetype origination effects may have been handicapped. Consequently, the responses may not have been truly indicative of acquired firm perspectives, which could have contributed to a lack of findings. Installed chief executives of business units can heavily influence the resource allocations, risk choice, and operational effectiveness of the acquired organization (Davies, Finlay, McLenaghan, & Wilson, 2006; Schein, 1992). However, contrary to this position, Hambrick and Mason (1984) suggested that, based on an upper echelon's perspective, the organization becomes a reflection of its top executives, and the characteristics and functioning of the top management team have far greater potential for predicting organizational outcomes, than do the characteristics of the chief executive. Top management team characteristics consistently predict organizational outcomes better than chief executive influences (Hambrick, Cho, & Chen, 1996). This view suggests that the reflection of the acquired firm's chief executive might not influence the responses of the top team management. Nonetheless, the influence of the chief executive on the strategic and operational decision making cannot be disregarded, especially in light of an installed leader inserted in the midst of organizational change (DiGeorgio, 2001; Kim, et al., 2010; Lee & Alexander, 1998; Papadakis & Barwise, 2002; Piccolo & Colquitt, 2006). Unfortunately, there were insufficient same-firm responses from the survey to evaluate the influence of an installed chief executive from a different organizational structure with the acquired firm's pre-acquisition archetype or its impact on integration success. The inability to control for top team turnover and installed leaders may have

contributed to the absence of findings. Summary conclusions for lack of findings of Hypothesis 2 are provided in Table 5.

Hypothesis 3 predicted perceived autonomy of the acquired leaders and the relationship between integration successes was moderated by previous experience with merger and acquisition integration of the acquired firm leadership. The findings did not provide a significant moderating effect within the theoretical model. Literatures suggest that acquiring firms with M&A experience were more successful integrating acquisitions into their operations than firms that had no M&A experience (Very & Schweiger, 2001). This dissertation tested for a possible moderating effect of acquired firm leaders M&A learnings from previous experience on the relationship of perceived autonomy and perceived integration success. The lack of significant findings could have been affected by the use of organizational learning theories in place of residual effects of individual learnings.

Organizational learning refers to the processes of institutionalizing rules, practices, routines, and conventions of an organization (Levitt & March, 1988; March, 1991). Crossman, Lane and White (1999) described a framework of organizational learning as four processes: intuiting, interpreting, integrating, and institutionalizing. These processes are viewed to be inextricably inter-linked at individual, group and organizational levels and involve tensions between the assimilation of new learnings and reinforcement of historic learnings (Crossan, et al., 1999). Established learnings are supported through the conventions and routines institutionalized within the organization. “Routines are transmitted through socialization, education, imitation, professionalization, personnel movement, mergers and acquisitions. They [routines and conventions] change

as a result of experience within a community of other learning organizations” (Levitt & March, 1988, p. 320). First-order organizational learnings are routines and processes that serve to maintain organizational stability and sustain existing rules (Lant & Mezias, 1992; March, 1981). Second-order organizational learnings are characterized by the exploration of alternative routines, rules, technologies, goals, and improved efficiency. Second-order learning emerges from the realization that historical experiences and practices may not be applicable to the current situation or new organizational structure (Lant & Mezias, 1992; Meyer & Lieb-Dóczy, 2003).

Organizational learning in merger and acquisition studies takes two distinct tracks. One is focused on how experience with assimilation of new groups has a higher propensity for success when the acquirer has greater experience with integration and the other is the benefit from incorporating knowledge and experience assets into the acquiring company’s repository (McDonald, et al., 2008). According to McDonald, Westphal, and Graebner (2008), the value of experience is recognized and dependent upon successful integration in both directions. The importance of retaining that knowledge from both acquired management and other firm resources is generally understood (Marsh & Stock, 2006). Human capital resources are an integral element of the resource-based view and contribute greatly to organizational learning (Barney, 1991b, 2001b; Coff, 2002).

Acquired business autonomy is recognized by Meyer and Lieb-Dóczy (2003) to facilitate second-order learning. Their research further demonstrates the benefits of extracting the human capital of the acquired firm while the enterprise benefits from the additional resources provided by the new owners. Meyer and Lieb-Dóczy (2003)

emphasize that organizational and behavioral learning is a two way process of give and take, but concluded that learning and knowledge sharing required higher level of autonomy, particularly when associated with significant cross-cultural and specific localization experience is involved. If successful integration is dependent upon the coordination of M&A experience of both the acquired and acquirer, as McDonald, Westphal, and Graebner (2008) have asserted, one might expect to see an effect of leaders with M&A experience in the tests for moderation effect within this dissertation. The lack of significance detected for acquired firm leadership M&A experience could be the result of differences between organizational learning and individual learning.

Organizational learning and experience with integration may also lead to recognition of the depth and degree of integration. Pablo (1994) pointed out that experienced acquirers will better understand the degree of integration needed and therefore will allocate autonomy level better according to need. This concept brings into view the perceived human capital of the acquired firm and equates that with the resource base already in possession. The greater equipped the purchasing company is with tacit knowledge of the firm and market, the less need for autonomy of the acquired firm (Chatterjee, et al., 1992). The data analysis of this study revealed an acquired firm segment average relatedness score of 81% and an overall average relatedness score of 72% combining segment relatedness, product relatedness and process relatedness scores ranging from 0 being not at all related, to 100 completely related. Based on Chatterjee et al. (1992) assertions, the significant weight of degree of relatedness of the surveyed population, embedded knowledge of acquired firm leaders' previous M&A experience might not be recognizable through the methods applied in the dissertation model.

Another perspective associated with the degree of organizational learning often perceived as beneficial to the acquiring firm, is the opportunity to retain or install new managers. Recognition of this parental choice may motivate retained leaders to cooperate regardless of how much autonomy is given to the acquired organization. “Also, if the acquisition is primarily motivated by the access to undervalued or underexploited assets, such as brands or location, the decision on the retention of [autonomy] is only loosely connected to the one on the degree of integration of the productive assets” (Zollo & Singh, 2004, p. 1241). Zollo and Singh (2004) attempted to measure not only the degree of integration, but tie it to the concept of perceived organizational learning and the benefits of greater autonomy of the acquired firm (Westphal & Shaw, 2005). According to Zollo and Singh (2004) the accumulation of tacit knowledge through acquisition, experience turns out to be a non-significant predictor of performance. The Zollo and Singh (2004), findings validate the mixed results of the previous literatures on the performance implications of accumulating acquisition experience. Their conclusions suggest that organizations, not individuals codify knowledge derived from previous acquisition experiences. “Mere exposure to integration processes and events does not seem to suffice” (Zollo & Singh, 2004, p. 1248). The dissertation results also did not find significant evidence of a moderating effect produced by individual M&A experience on the relationship of perceived autonomy and perceived integration success, which support the Zollo and Singh (2004) findings.

Studies reflecting the benefits of organizational learning within the buy-side of an acquisition identify the ways in which organizational experiences become imbedded into the programs, processes and routines of an acquiring firm (Ranft, 2006). There is an

unclear distinction in theory today regarding the retention and application of individual learning and organizational learning (Popper & Lipshitz, 2000). Whereas organizational learning is a basis available to, and shared by the organization through embedded knowledge, it can be institutionalized into practice and process, however individual learnings, despite that they may be retained by the individual, are not easily accessed by others and may succumb to environmental circumstance and therefore mollified or not leveraged (Argyris & Schön, 1999; Popper & Lipshitz, 2000). Gathering and anchoring organizational learnings and their incorporation into practice differs greatly from individual extraction and application (Weick, 1991). The institutionalization of organizational experiences may be more robust and more easily accessed than individual learnings that might not share the common foundation of the circumstance or players involved (Zaheer, 2013). Information processing that is based upon the retrieval of information from memory can differ among individuals as well (Lähteenmäki, et al., 2002). Responses to situations also vary from individual to individual and the freshness of the experience has significance upon the recall of the experience (Walsh & Ungson, 1991). If individual experience, unlike organizational experience is not codified or entrenched into structural processes of individuals, variation can occur and benefits of personal M&A experience among individuals may not have statistically determinable effect on the relationship of perceived autonomy and perceived integration success. It may have been inappropriate to attempt to evaluate institutionalized organizational experience of the acquired firm, (a control variable) with individual experiences that may or may not have been instituted within the acquired firm and therefore contributed to the lack of findings.



Because this study attempted to measure individual experiences from the perspective of the acquired firm, survey respondents were asked about previous experience with mergers or acquisitions. The question used to measure a possible moderating effect was binary (i.e., did the respondent have prior experience or not). 70% of the respondents indicated they had executive level experience with a merger or acquisition before the measured event. Thirty percent indicated they did not. Of those who did have experience, 89% responded that they had experience with more than one event. Seventy-eight percent of all respondents indicated that the acquired firm had not been acquired within the last three years. These results have two important inferences. First, the acquired firm respondents who had no acquisition experience would not likely have experiential learnings to process and incorporate into organizational knowledge. Second, although many respondents indicated previous experience with M&A, their individual experiences may not have been shared with other members of the acquired or the acquiring firm. Summary conclusions for lack of findings are provided in Table 5.

**Table 5 Findings discussion summary**

<i>Context</i>	<i>Possible explanations for absence of findings</i>	<i>Recommendations for future research</i>
<b>Hypothesis 1</b> <i>Higher perceived levels of post-acquisition autonomy by the acquired firm leaders will be positively associated with perceived post-acquisition integration success.</i>	<ol style="list-style-type: none"> <li>1. Lack of range in autonomy allocation due to a strong relatedness factor among surveyed firms might have diminished differences in perceived autonomy among responders</li> <li>2. Insufficient granularity for degree of integration measurements</li> <li>3. Inability to survey departed acquired management</li> <li>4. Undetermined buy-side motivation for acquisition may have obfuscated meaningful antecedents</li> </ol>	<ol style="list-style-type: none"> <li>1. Determining a better mix of acquired firms from unrelated industries</li> <li>2. Incorporate measures for depth of integration into the acquiring firms existing structure</li> <li>3. Reach acquired firm managers nearer to the transaction event</li> <li>4. Conduct acquiring firm interviews to augment acquired firm perspectives</li> </ol>
<b>Hypothesis 2</b> <i>The relationship between perceived post-acquisition autonomy and post-acquisition integration success is moderated by the organizational archetype of a firm acquired by a public company; specifically, higher levels of perceived success will be experienced by leaders of professionally managed private firms than leaders of founder owned and operated firms.</i>	<ol style="list-style-type: none"> <li>1. Founder owner-operators did not respond to survey limiting fair representation of archetype</li> <li>2. Professional managers were uncovered in each archetype</li> <li>3. Acquired firm leadership turnover may have affected results</li> <li>4. Insufficient same-firm responses prevented from developing firm-wide consensus</li> </ol>	<ol style="list-style-type: none"> <li>1. Ensure founder participating through direct personal contact</li> <li>2. Seek responses from only senior most acquired firm leaders</li> <li>3. Seek measurement of prior to turnover or disqualify responses from respondents not originally with the acquired firm</li> <li>4. Target a larger sample ensuring same-firm responses- this may require cooperation of new parent firm but the fear of repercussion could bias responses</li> </ol>
<b>Hypothesis 3</b> <i>The relationship between perceived post-acquisition autonomy and post-acquisition integration success is moderated by the previous experience with a merger or acquisition of the acquired firm's leadership.</i>	<ol style="list-style-type: none"> <li>1. Individual experience may not be quantitatively identifiable</li> <li>2. Organizational and individual learning theories may have been misapplied to this study</li> </ol>	<ol style="list-style-type: none"> <li>1. Qualitative study may be better suited to determining the effects of previous experiences</li> <li>2. Apply greater emphasis on individual learning and the ability to manage organizational change on an individual level</li> </ol>
<b>Theoretical</b> <i>Neo-institutionalism</i>	<ol style="list-style-type: none"> <li>1. Identifiable organizational uniqueness may be lost during the process of institutional change</li> </ol>	<ol style="list-style-type: none"> <li>1. The theory may not be generalizable in this situation</li> </ol>
<b>Empirical</b> <i>Empirical method used</i>	<ol style="list-style-type: none"> <li>1. The use of empirically based self-report perceptual measures may have distorted results or limited data points</li> </ol>	<ol style="list-style-type: none"> <li>1. Qualitative and narrative responses might add additional robustness to response data</li> <li>2. This study may be better suited for a grounded theory approach</li> </ol>
<b>Methodological</b> <i>Web-based survey</i>	<ol style="list-style-type: none"> <li>1. Mail invitations to internet based survey did not reach all parties- there were significant invitations returned as undeliverable</li> </ol>	<ol style="list-style-type: none"> <li>1. Either increase the sample population or conduct qualitative interviews with a smaller sample of key leadership personnel</li> </ol>

In summary, the negative relationship of perceived autonomy and integration success is not contradictory to prior studies. Support for the negative direction could indicate that acquired firms with greater autonomy have less integration success than acquired firms that are more closely managed by the leadership of the acquiring entity. A prevalence of industry, product and process relatedness might also have limited variance in autonomy allocation. The lack of data from non-retained or departed acquired firm representatives might also have affected the perceived autonomy responses.

The absence of moderating effects of the acquired firm preceding organizational archetype may also be due to turnover or the absence of representative samples from founder owner-operators. A greater sampling of same-firm respondents might have provided a stronger representation of firm archetype affects. Very few same firm responses were received from the sample despite ample representation in the initial invitations.

The lack of moderation by acquired firm leaders with previous M&A experience could be reflective of a differential between embedded organizational and individual learnings, but is neither demonstrated nor repudiated by the results. Organizational and individual learning theories could be misapplied or might have been measured differently.

The case for using a neo-institutional theory to ground the hypotheses was comprehensive; however, the theory may not be generalizable in the presence of significant dynamic change. The absence of archetype artifacts may be the result acquiring firm dominance that obfuscates acquired firm organizational characteristics during the integration process.

Empirically, this study may have been limited by self-report perceptive measures of respondents who remained with the acquired entity and had become sufficiently acculturated that vestiges of their previous organizational characteristics were no longer relevant to their responses. Qualitative analysis might have provided greater granularity.

Finally, the use of web-based surveys has significant drawbacks including response rate, suspect confidentiality, historically poor delivery and response rate and lack of follow-up opportunity.

### **Implications**

This dissertation attempted to explore perspectives of the acquired firm top team management and the moderating effects of post-merger antecedents to integration efforts on the acquired firm management. The majority of literature on post-merger integration accesses information from post-event public data or relies on the perspective of the acquiring management (McCarthy & Weitzel, 2009). The present investigation endeavored to measure integration effects from the acquired firm's perspective. Although the anticipated relational direction of autonomy and integration success (H1) was not demonstrated, the negative directional findings should be noteworthy for future researchers and theorists. The results support the findings of two other studies by Datta and Grant (1990) and more recently by Zaheer et al.(2013) that also determined a negative relationship between autonomy allocation and integration success of recently acquired firms. The findings of this dissertation along with those of Datta and Grant (1990) and Zaheer et al. (2013) might infer that greater autonomy is allocated as a result of continuous or increasing success.

Although the moderating effects of pre-acquisition archetypes and individual merger and acquisition experience of acquired firm leaders did not prove to be significant in this study, the lack of support and the chosen approach may possibly stimulate other research along the same lines with different methodologies. The model did attempt to bridge two important gaps in literature. First, it sought to measure the acquired firm perspective of post integrations issues, and second, it was focused on small and medium acquisition events. The lack of literatures focusing on smaller firm acquisitions and target firm perspectives was evident by the review of extant literature. At the very least, the contribution to theory is the recognition of the need for future research in these areas.

For practitioners, the dissertation highlights the complexities involved with acquisition integration on an individual and an organizational level. It could provide integration managers new perspectives to small and medium enterprise transitions and integration planning in relation to the type of organization acquired. Strategic planners and human resource analysts should benefit from the outcomes of perceived integration success by considering the perspective of the acquired leaders. Acquired firm leaders might also be sensitized to the myriad of personal and organizational ramifications involved in change of control and benefit from such recognitions.

### **Limitations and Future Research**

There were several recognized obstacles and limitations to this study. The research could have been limited by the number of respondents. Although an eight percent response rate resulted in sufficient returns to meet power requirements, a larger sample may have produced different results. Difficulty reaching and enlisting survey participants involved in acquisitions is exacerbated by high rates of top team turnover,

which often accompany a merger of acquisition event. Further complications might have resulted from the attempt to solicit founder owner-operators who sold their business. Securing these participants might have been compounded by a possible unwillingness to share the details of a personal transaction and its aftermath.

Shortcomings regarding the prospect of common method/common source bias resulting from some single source firm response did not appear to be an issue (Bowman & Ambrosini, 2002; Hamilton & Nickerson, 2003). However, the concern cannot be completely dismissed when using same source, self-reported data.

Several other limitations with the study were recognized during data organization and analysis. This study does not measure respondents' previous archetype experience prior to the acquisition. Follow-up conversations with two respondents indicated that they had multiple archetype experiences. Although the study investigated the acquired target firm organizational orientation, previous organizational type learnings from other archetypes could have influenced responses. Another limitation may have been the number and degree of involvement in previous merger or acquisition experiences of the respondents was not measured. The level of involvement and opportunity to affect decisions or interact with acquiring firms might have had an unrecognized effect on responses of those who indicated previous M&A experience. It was also noted that some acquired firms had been traded several times. Although respondents were asked about the most recent acquired firm merger and acquisition experience, there was no measurement to account for generalized organizational learning of the acquired firm.

Substantial reliance on sourcing secondary data regarding acquiring firm size and age was required. Many of the acquired firms were purchased and reported through

subsidiaries of larger parent corporations. In some cases, the acquiring firm was two steps away from the publicly traded parent firm. A decision arose whether to use subsidiary or parent data. In most cases, the immediate operating company data was used, but when that information was not determinable, the ultimate parent company data was recorded. It is unknown if this methodology had significance on the findings.

Another important limiting factor was the original near-term transaction requirement of eighteen to twenty four months. More recent studies have used evaluation periods of up to six years (Zaheer, 2013). Information processing that is based upon the retrieval of information from memory can differ among individuals (Lähteenmäki, et al., 2002). Responses to situations may also vary from individual to individual and the freshness of the experience has significance upon the recall of the experience (Walsh & Ungson, 1991). Controlling recall distance of the acquisition event was important to ensure accurate responses, but the limitation may have had a restraining effect on returns. Some respondents reported on events outside of the prescribed eighteen to twenty four months. Those responses were accepted, but there was no measurement to determine possible recall effects.

It is not unlikely that some snowballing effect took place. Key personal contacts were encouraged to share the survey with additional qualified individuals. While this is not a violation of accepted participant prospecting practices, there was no methodology included in which to segregate direct invitees from indirect invitees (Chin & Chignell, 2007; Coomber, 1997; Kitchenham & Pfleeger, 2002). Substantial attempts to validate all cases were executed through the use of secondary sources. Although the target audience was well defined with invitations sent to prospects of firms that had been acquired within

18-24 months, surveys received from snowballing could have represented expanded windows from original close dates limiting control of sample.

Additional prospect for a deeper inspection of the degree of family influence and possible effects of degree of familiness on the relationship of perceived autonomy and integrations could have provided additional opportunities (Habbershon, Williams, & Daniel, 1998). Questions regarding the degree of family ownership were presented in the survey, but the response rate to these question provided insufficient data for meaningful analysis. Only one respondent indicated a direct relationship to the founder. It was assumed that either the information was unknown to respondents or an unwillingness to share this type of information persisted. Variations in the degree of family or founder owned and operated businesses are a recognized limitation within the dissertation. The use of Family Power Experience and Culture scale (F-PEC) or similar familiness scales is an opportunity for future researchers directed more specifically at acquired family owned businesses (Astrachan, Klein, & Smyrnios, 2002; Klein, Astrachan, & Smyrnios, 2005).

Acquisitions by and of international and non-domestic, nationally different firms could add an additional cross-cultural element to the perception of autonomy and the integration pace. Cultural differentiation among acquisitions in relation to the organizational type could also provide interesting and additional cross-cultural insight to perceived autonomy and acquisition integration and performance relationships.

There are several possible opportunities to revisit the study with modified indicators. The first might be to conduct in-person interviews of leaders of acquired firms and control the balance of previous archetype orientation. The effort might also allow for



more specific and direct interaction with founder owner-operators to ascertain a more reflective representation of the founder owner-operated archetype.

The second is a longitudinal study measuring various points along the integration timeline assessing changes in autonomy and the relationship with integration successes. Comparing both the acquiring firm perspective and the acquired firm perspectives of such a possible relationship could also add additional meaningful elements.

Next could be to revisit the degree of familiness in the three organizational archetypes; public, professionally managed private, or founder owned and operated by directly targeting acquired family owned and operated businesses. A deeper investigation might determine a familiness effect in publically and/or privately acquired firms and identify additional effects of familiness in founder owned and operated or family owned private segments. Such an investigation could prove interesting to family business researchers and provide insight for practitioners. Finally, adding greater emphasis on cross-cultural dimensions to the area of perceived autonomy and its relationship to perceived integration success might prove to be important to the scholarship of global merger and acquisition processes.

## **Conclusions**

This study investigated the relationship between perceived autonomy and integration success in recently acquired firm integration (H1). It further tested the existence of a moderating effect presented by the acquired firm organizational archetype within a neo-institutional context (H2). Hypothesis 3 (H3) tested for an association with individual organizational learning and its moderating effect upon the relationship

between perceived autonomy and perceived integration success during post-acquisition integration.

Results from testing hypothesis 1 demonstrated a statistically significant relationship between perceived acquired firm leader autonomy and perceived integration success, but the hypothesized direction was not supported. Contrary to the original hypothesis, the results indicated a negative direction in the proposed relationship between perceived autonomy and perceived integration success. Neither Hypothesis 2, the proposed moderating effect of the acquired firm's immediate organizational archetype prior to integration, nor Hypothesis 3, the acquired firm leaders' experience with previous mergers and acquisitions, was found to have a significant impact on the relationship between perceived autonomy and integration success.

The assumptions of the research hypotheses were grounded in organizational literatures including neo-institutional and organizational learning literatures. Previous research has established an association between individual successes within decision-making control systems and has been associated with familiarity of the unique organizational archetype of the firm (Anderson & Reeb, 2003; Villalonga & Amit, 2006). The neo-institutional school supports organizational learning as a mechanism to sustain the entrenched uniqueness of the firm (Reed, 2001; Suddaby, et al., 2010; Weber, 1947; Zucker, 1983). The results of this study, however, did not identify a significant mediating effect of previous work environment or organizational archetype through the perception of autonomy and its impact upon the perception of integration success. Additional deductions might infer that greater autonomy allocated to leaders of small and medium firms acquired by public corporations results in lower perceived integration success by

the acquired firm leaders. Based on the results of the data analysis, neither the acquired firm's pre-acquisition structure, nor acquired firm top management experience with mergers and acquisitions had significant impact on the relationship of autonomy allocation and integration success within the confines of the analyzed data or the model parameters.

The results of this dissertation support the findings of Datta and Grant (Datta & Grant, 1990) and Zaheer et al. (2013) that also produced a significant, but negative direction in a relationship between post-acquisition acquired firm autonomy and acquired firm integration under different but similar circumstances. This dissertation adds additional supports for those findings through the lens of acquired small and medium enterprises.

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**APPENDIX I**



### Literature Review Supplement

**Table 6: Related Behavioral and Economic Choice Literatures**

<b>Theoretical Basis</b>	<b>Application</b>	<b>Contextual Synthesis</b>	<b>Authors</b>
Attribution Theory; Theories of the Firm; Bounded Rationality; Force-field Theory of Change; Environmental Change Theory; Job Characteristics Theory; Equity Theory; Social Identity Theory;	Organizational change and socio-cultural adaptation	<ul style="list-style-type: none"> <li>• Individuals are affected by the ability to adjust loyalties, bond with new organizations, and adapt to different interpersonal relationships when change is forced upon them.</li> <li>• Individual leader behavior may significantly affect the behavior of groups, and hinder or help the integration process.</li> <li>• Post-acquisition autonomy levels and perceived management power during the integration period has meaningful and lasting impact on the acquired group and can be significantly related to acquisition performance.</li> </ul>	(Beer & Walton, 1987; Buono, et al., 2002; Buono, Bowditch, & Lewis, 1985; Cartwright & Schoenberg, 2006; Chatterjee, et al., 1992; Cording, Christmann, & King, 2008; Datta, 1991; DiGeorgio, 2001; Elsass & Veiga, 1994; Guzey & Yurtseven, 2011; Hayes, 1979; Lipponen, Olkkonen, & Moilanen, 2004; Nahavandi & Malekzadeh, 1988; Risberg, 2001; Schein, 1990, 2010; Schraeder & Self, 2003; Shrivastava, 1986; Teerikangas & Very, 2006; Williams, Podsakoff, & Huber, 1992; Zajac, 2009)

<b>Theoretical Basis</b>	<b>Application</b>	<b>Contextual Synthesis</b>	<b>Authors</b>
Transformational Leadership Theory	Leadership change-management;  Leader behavior	<ul style="list-style-type: none"> <li>• Leadership of both the acquired and acquiring firm is recognized as a key success factor in acquisition assimilation.</li> <li>• Transformational Leaders must be able to bridge the socio-political differences within combined groups and establish new hierarchal relationships.</li> <li>• Replaced or newly installed leaders may be viewed by the remaining employees as a significant symbolic gesture signaling that the acquiring firm is securely in-charge and operational idiosyncrasies of the acquired firm must conform to new rules and processes.</li> <li>• Retained executives were less likely to depart when granted greater autonomy and maintained or improved their relative standing among the acquired management team.</li> </ul>	(Beer & Walton, 1987; Evans & Reiser, 2004; Hambrick & Cannella Jr, 1993; King, 2002; Krishnan, et al., 1997; Krug & Aguilera, 2005; Krug, 2003; Krug & Shill, 2008; Lubatkin, et al., 1999; Pfeffer, 1981; Piccolo & Colquitt, 2006; Ranft & Lord, 2000; Walsh, 1988)

<b>Theoretical Basis</b>	<b>Application</b>	<b>Contextual Synthesis</b>	<b>Authors</b>
Self-determination	Top management turnover	<ul style="list-style-type: none"> <li>• The relative socio-political standing and decision-making authority of executives in acquired units had significant association with the inclination to leave.</li> <li>• The link between autonomy, executive turnover and firm performance, are key factors.</li> </ul> <p>Successful integration of post-merger leadership was positively associated with lower executive turnover and higher post-acquisition performance.</p>	<p>(Amiot, et al., 2006; Colombo &amp; Zrilic, 2010; Cusatis &amp; Blumberg, 2009; DiMaggio &amp; Powell, 1983; Graebner, 2004; Graebner, Eisenhardt, &amp; Roundy, 2010; Guetzkow &amp; Gyr, 1954; Jehn, 1997; Jemison &amp; Sitkin, 1986; Joslin, et al., 2010; Kavanagh &amp; Ashkanasy, 2006; Krug &amp; Aguilera, 2005; Krug &amp; Hegarty, 2001; Lubatkin, et al., 1999; Mizruchi &amp; Fein, 1999; Pinkley, 1992; Priem &amp; Price, 1991; Ranft &amp; Lord, 2000; Walsh, 1988)</p>

<b>Theoretical Basis</b>	<b>Application</b>	<b>Contextual Synthesis</b>	<b>Authors</b>
Theory of Relative Standing	Socio-behavioral adjustment to change	<ul style="list-style-type: none"> <li>• The behavior of acquired leaders has been found to have significant association with the success of integration following an acquisition.</li> <li>• A leader's perception of relative standing among peers is closely associated with the perceived membership among the upper echelons of the new organization.</li> <li>• Autonomy allocation has significant bearing on leadership attitude and commitment.</li> <li>• Inability to maintain a perceived relational position to peers and subordinates subsequent to an organizational change can have dour consequences for the individual and the workgroup.</li> <li>• The reaction to change of a leaders' relative standing can ripple through an organization.</li> </ul>	(Bass, Waldman, Avolio, & Bebb, 1987; Buono, et al., 2002; Buono & Bowditch, 1989; Cannella Jr & Hambrick, 1993; Chatterjee & Hambrick, 2007; Chatterjee, 1992; Colombo & Zrilic, 2010; Covin, Kolenko, Sightler, & Tudor, 1997; Datta, 1991; Datta, et al., 1991; Hall, 1976; Judge, Bono, Ilies, & Gerhardt, 2002; Kaiser, Hogan, & Craig, 2008; Kavanagh & Ashkanasy, 2006; Kiessling, Harvey, & Heames, 2008; Kowal & Fortier, 1999; Larsson & Lubatkin, 2000; Lubatkin, et al., 1999; Miller & Friesen, 1980; Piccolo & Colquitt, 2006; Schein, 2010; Very, et al., 1997)

<b>Theoretical Basis</b>	<b>Application</b>	<b>Contextual Synthesis</b>	<b>Authors</b>
Upper Echelons Theory	Group effects of leadership autonomy change	<ul style="list-style-type: none"> <li>• The Upper Echelons Theory argues that executives' background and authoritative power in relation to the management team has a significant impact on decision-making choice and homogeneity of the management team.</li> <li>• Top management team perception of status and authority upon the congealing and ultimate performance of a new organization.</li> <li>• The performance and fit of the upper echelon team can have impact on individuals as well as the group.</li> </ul>	(Eisenhardt & Schoonhoven, 1996; Fugate, Prussia, & Kinicki, 2012; Hambrick, 2007; Hambrick & Mason, 1984; Joslin, et al., 2010; Very, et al., 1997)

<b>Theoretical Basis</b>	<b>Application</b>	<b>Contextual Synthesis</b>	<b>Authors</b>
Locus of Control; Cognitive Evaluation Theory; Self-determination Theory	Individual adaptation to change	<ul style="list-style-type: none"> <li>• Locus of control is the expectancy that rewards reinforcements or outcomes in life that are controlled by either one's own actions and choices or limited by external forces.</li> <li>• The removal of autonomy and /or decision-making authority can have significant impact on the attitude and effectiveness of acquired leaders, which trickles down throughout the entire organization.</li> <li>• Changes in decision-making authority can have negative effects upon locus of control, individual self-efficacy (self-worth), self-determination.</li> <li>• When leaders are dissatisfied with the decision-making authority granted to them, perceived or institutionalized, it can have detrimental effect on the performance of the organization.</li> </ul>	(Ajzen, 2002; Boone & de Brabander, 1997; Datta, 1991; Deci & Ryan, 1985, 1987; Fama, 1980; Graebner, 2004; Hambrick & Cannella Jr, 1993; Jemison & Sitkin, 1986; Kiessling, et al., 2008; Kormanik & Rocco, 2009; Lubatkin, et al., 1999; Miller, De Vries, & Toulouse, 1982; Rotter, 1966, 1990; Rummel & Feinberg, 1988; Ryan, 1982; Shanley & Correa, 1992; Shivers-Blackwell, 2006; Spector, 1982, 1988; Trautwein, 1990; Vaara, 2002; Very, et al., 1997; Wageman, 1995)

<b>Theoretical Basis</b>	<b>Application</b>	<b>Contextual Synthesis</b>	<b>Authors</b>
The Resource Based View	Value determination of acquired human capital	<ul style="list-style-type: none"> <li>• The resource-based view suggests that a firm's internal resources, including intellectual capital, are valuable and rare and these resources cannot be transferred across firms without incurring costs.</li> <li>• The resource-based view of the firm also supports the contention that unrelated firm knowledge adds resources and expertise that cannot be provided by the acquiring firm.</li> <li>• Allowing subject matter experts of the new entity to continue to express autonomy over the activities of the unrelated firm should be in the best interest of the firm.</li> </ul>	(Astley & Zajac, 1991; Brouthers, Brouthers, & Werner, 2008; Chatterjee & Hambrick, 2007; Cohen & Levinthal, 1990; Datta & Grant, 1990; Graebner & Eisenhardt, 2004; Karim, 2006; Karim & Mitchell, 2000; Manne, 1965; Meyer & Lieb-Dóczy, 2003; Park, 2002; Priem & Butler, 2001; Teece, Pisano, & Shuen, 1997; Vermeulen & Barkema, 2001; Zollo & Singh, 2004)

<b>Theoretical Basis</b>	<b>Application</b>	<b>Contextual Synthesis</b>	<b>Authors</b>
Theory of Dynamic Capabilities	Interpretation of acquired assets and human capital	<ul style="list-style-type: none"> <li>• Dynamic capabilities are a firm's ability to integrate, build and reconfigure internal and external competencies to address changing environments.</li> <li>• Leveraging acquired assets in a resource-based view is recognized through the concept of dynamic capabilities.</li> <li>• When the entrenched knowledge of the acquired firm is perceived to be a significant resource for the acquiring company, the dynamic capabilities are deemed valuable, difficult to replace and therefore worthy of allowing to remain.</li> <li>• Allowing greater autonomy of acquired firms to develop their own capabilities is more successful than those allowed less decision-making authority.</li> <li>• If human assets are new and add to the resource-based dynamic capability and knowledge of an organization, they will more likely be granted greater autonomy.</li> </ul>	(Cohen, 1990; Meyer & Lieb-Dóczy, 2003; Teece, et al., 1997; Villalonga & McGahan, 2005; Zollo & Singh, 2004)



<b>Theoretical Basis</b>	<b>Application</b>	<b>Contextual Synthesis</b>	<b>Authors</b>
Transaction Cost Economic Theory	Integration costs/values of acquired human capital	<ul style="list-style-type: none"> <li>• Transaction cost economics are generally used to understand decisions of control and governance between two independent agents entering into cooperative endeavors.</li> <li>• The reconfiguring organizational hierarchy and decision authority when a firm is merged or acquired meets the intentions of transaction cost considerations by eliminating unnecessary transaction costs, redundancies and decision-making conflict that might occur.</li> <li>• Redeploying existing resources to augment new assets and choosing the deployment of those assets also often leads to the redistribution of power, decision-making authority and hence autonomy of the acquired group and its leaders.</li> </ul>	(Anderson, 1988; Colombo & Delmastro, 2004; Eisenhardt & Schoonhoven, 1996; Kellermanns, Walter, Lechner, & Floyd, 2005; Leiblein, 2003; Mahoney & Pandian, 1992; Manne, 1965; Oxley, 1997; Priem & Butler, 2001; Ranft, 2006; Ranft, et al., 2011; Robins, 1987; Villalonga & McGahan, 2005; Williamson O., 1975; Williamson, 1973, 1986, 2002)

<b>Theoretical Basis</b>	<b>Application</b>	<b>Contextual Synthesis</b>	<b>Authors</b>
Agency Theory	Autonomy allocation to retained acquired leaders; Trust and adaptation	<ul style="list-style-type: none"> <li>• Allocation of decision-making authority can have great impact on the agency relationship in a new organization.</li> <li>• The trust and faith the new owners have in an acquired leader can be demonstrated through the allocation of authority.</li> <li>• Management controls are leveraged to limit risks of free-rider issues and may be amplified in situations where the acquired firm was a private or closely held company.</li> <li>• This issue may even be greater in acquired leaders retained for a finite period to assist with transition.</li> </ul>	(Cannella Jr & Hambrick, 1993; Ellis, 2011; Graebner, 2004; Jensen & Meckling, 1976; Kanter, 2009; Lubatkin, et al., 2005; Moeller, Schlingemann, & Stulz, 2003; Osterloh & Frey, 2000; Puranam, et al., 2006; Puranam & Srikanth, 2007; Saxton & Dollinger, 2004; Wageman, 1995; Walsh & Ellwood, 1991)

<b>Theoretical Basis</b>	<b>Application</b>	<b>Contextual Synthesis</b>	<b>Authors</b>
Theory of Organizational Learning	Embedded organizational patterns of control and institutionalized processes	<ul style="list-style-type: none"> <li>• Organizational learning refers to the processes of institutionalizing rules, practices, routines, and conventions and rules of an organization.</li> <li>• Organizational routines are inextricably cross-linked through individual, group and organizational processes that involve tensions between the assimilation of new learnings and reinforcement of historic learnings.</li> <li>• Established learnings are supported through the conventions and routines institutionalized within the organization.</li> </ul>	(Barney, 1991a; Barney, 2001a; Chatterjee, 1992; Coff, 2002; Crossan, et al., 1999; Lant & Mezias, 1992; Levitt & March, 1988; March, 1981, 1991; McDonald, et al., 2008; Meyer & Liebdóczy, 2003; Pablo, 1994; Westphal & Shaw, 2005; Zollo & Singh, 2004)

**APPENDIX II**

## **Survey Materials**

### **Survey Instructions**

Thank you for taking the time to provide your feedback regarding the effects of perceived autonomy on integration success. This survey should take only five to seven minutes to complete. Please answer all questions in relation to your current perspectives when you take this survey. Only fully completed surveys can be used in the research. All responses are confidential and will not be shared. Neither you nor your company will be identifiable in the results. Please click your mouse on the desired location of each line to indicate your response to the question. Use the forward and back arrows at the bottom of each page to move forward and backward in the survey. The survey will automatically close when completed. At the end of the survey, you will be given an opportunity to provide an email address if you are interested in receiving the research results (optional). If you have any questions about this survey or the research results, please contact Robert W. Reich at [rreich@students.kennesaw.edu](mailto:rreich@students.kennesaw.edu) at any time. Thank you again in advance for your valuable participation. Note: Your participation is voluntary and may be withdrawn without penalty. The research has no risks or implied responsibility to the respondents. Research at Kennesaw State University that involves human participants is carried out under the oversight of an Institutional Review Board. Questions or problems regarding these activities should be addressed to Dr. Christine Ziegler, Chairperson of the Institutional Review Board, Kennesaw State University, 1000 Chastain Road, #2202, Kennesaw, GA 30144, (770) 423-6407.

### Post-Acquisition Survey Instrument

Q1-Is the recently acquired firm currently operating as a stand-alone business unit or do the strategic objectives of the acquirer call for operations and management to be integrated to other existing operations?

- ☐ Stand-alone operation
- ☐ Integrated into existing operations of acquirer

Q2-Using your best judgment, please rank the industry relatedness (industry segment, product or process) of the pre-acquisition firm.

- \_\_\_\_\_ Industry segment
- \_\_\_\_\_ Product offering
- \_\_\_\_\_ Mfg. processes

Q3-To what extent would you say the acquirers' strategic objectives for the acquired firm are known to the current top management team of the acquired firm?

- ☐ Comprehensively known
- ☐ Generally known
- ☐ Not well known
- ☐ Not at all known

Q4-To what extent have the strategic objectives of the acquired unit changed since the acquisition, e.g. profit center vs. resource center.

- ☐ Significantly changed
- ☐ Changed a little
- ☐ Not much changed
- ☐ Not at all changed

Answer If To what extent have the strategic objectives of the acqui... significantly changed Is Selected

Q4.2-You have indicated that the strategic objectives of the acquired firm have significantly changed since the business has been acquired; please indicated how. Select all that apply:

- ☐ Gain access to Intellectual property or patents
- ☐ Acquire new customers
- ☐ Augment product line of acquiring company
- ☐ Access plant or faculties
- ☐ Expand geographic distribution
- ☐ Eliminate competitive position of acquired firm
- ☐ Supplier to acquiring firm

Q5-Do you feel the performance goals of the acquiring firm have been sufficiently communicated to the management team of the acquired firm?

- ☐ Thoroughly communicated
- ☐ Reasonably communicated
- ☐ Somewhat communicated
- ☐ Vaguely communicated
- ☐ Not at all communicated

Q6-Do you feel the performance expectations are reasonable?

- ☐ Very reasonable
- ☐ Reasonable
- ☐ Somewhat reasonable
- ☐ Neutral
- ☐ Somewhat unreasonable
- ☐ Unreasonable
- ☐ Very unreasonable

Q7-Have you had direct executive-level experience with mergers or acquisitions?

- ☐ Yes
- ☐ No

Answer If Have you had direct executive-level experience with ... Yes Is Selected

Q48-Please indicate how many merger or acquisition integration events you in which you have actively participated.

- ☐ 1
- ☐ 2-3
- ☐ 4-5
- ☐ 5-7
- ☐ 8-9
- ☐ 10+

Q8-Has the recently acquired firm been previously acquired within the last three years?

- ☐ Yes
- ☐ No
- ☐ Do not know

Q9- Has the recently acquired firm acquired or merged with another firm in the last three years?

- ☐ Yes
- ☐ No
- ☐ Do not know



Q10 To what extent have the managers of the buying firm involved themselves in the decisions concerning your (acquired) firm since taking possession?

	Your firm decides			Consensus, both firms decide			Buying firm decides
Setting key performance goals							
Defining the portfolio of businesses							
Setting key competitive strategies							
Defining key administrative policies							
Deciding major capital investments							
Defining marketing budgets							
Developing marketing techniques							
Setting research and development (R&D) budgets							
Setting production schedules							
Setting senior manager rewards							
Defining recruitment policies							
Defining promotion policies							

Q11-Assess the following areas of post-acquisition performance compared to your interpretation of the parent company's expectations at this point in time since the company has been acquired:

	Much below current stage expectations			Meets current stage expectations			Much above current stage expectations
	1	2	3	4	5	6	7
New product/service development							
Market development							
Sales growth rate							
Employment growth rate (+/-)							
Market share							
Operating profits							
Profit to sales ratio							
Cash flow from operations							
Return on investment							
Return on assets							

Q12-Please indicate the organizational type of the recently acquired firm based on the following definitions: Select the one that BEST describes the acquired firm.

- Public Company- a publicly traded company is a limited liability company that offers company securities including but not limited to; stocks, bonds and other equity backed instruments for sale to the public, typically through a security exchange.
- Private Firm- ownership is closely held and not available to the public through open exchanges and is not required to meet the strict Securities and Exchange Commission filing requirements of public companies. Private companies may issue stock and have shareholders; however, shares are not traded on public exchanges and are not issued through an initial public offering.
- Founder owned and operated business - a firm that is actively operated by the founder-CEO whose stock is closely held, majority controlled by founder, and not available to public markets.
- Non-founder owned and operated business- a non-franchise firm that is actively managed by the owner, but not the founder of the firm.

Answer If Please indicate the organizational type of the recen... Non-founder owned and operated business- a non-franchise firm that is actively managed by the owner, but not the founder of the firm. Is Selected

Q12.1-Relationship to the founder

- No relation
- Sibling
- 1st generation
- 2nd generation
- Family member CEO representing multiple family member ownership
- Related by marriage
- adopted
- Other relation

Answer If Please indicate the organizational type of the ... Private Firm- ownership is closely held and not available to the public through open exchanges and are not required to meet the strict Securities and Exchange Commission filing requirements of public companies. Private companies may issue stock and have shareholders; however, shares are not traded on public exchanges and are not issued through an initial public offering. Is Selected Or Please indicate the organizational type of the ... Family founder owned and operated business - a firm that is actively operated by the founder-CEO whose stock is closely held, majority controlled by founder, and not available to public markets. Is Selected

Q12.2-Please indicate the percentage (%) of family ownership if known, otherwise leave blank and continue to next question.

- Ownership means ownership of stock or company capital.
- Founder owned and operated business - a firm that is actively operated by the founder-CEO whose stock is closely held, majority controlled by founder, and not available to public markets.
- Family is defined as a group of persons including siblings and those who are offspring of a couple (no matter what generation) and their in-laws as well as their legally adopted children.
- Non-family refers to unrelated institutional or private holders of capital stock.

	Founder	Other family members of founder	Non-family
%			

Q13-Please identify your current responsibility level in the acquired firm:

- Senior-most executive (e.g. President, CEO)
- Top management team member (other than senior-most executive)
- Other management
- Non-management

Q14-Please identify whether the current (acquired) firm's senior executive is a retained executive from the acquired firm or installed by the acquiring firm from outside the acquired organization during post acquisition activities.

- Retained
- Installed (pre-integration activities)
- Installed sometime during the integration process

Answer If Please identify whether the current (acquired) firm's se... Installed sometime during the integration process Is Selected

Q14.2-a Please indicate when the current installed leader assumed responsibility for the acquired entity.

- ☐ Assumed responsibilities immediately following change of ownership
- ☐ Replaced retained leader during post-acquisition activities
- ☐ Replaced installed leader during post acquisition activities

Answer If Please identify whether your current (acquired) firm's se... Installed (pre-integration activities) Is Selected

Q14.2-b-If leader was installed, please indicated the immediate source. This question does not pertain to leaders retained through target acquisition.

- ☐ Installed from within parent company (acquirer)
- ☐ Installed from outside public firm
- ☐ Installed from outside private firm

Q15-How many full time employees were in the (acquired) firm at the time of acquisition?

Q16-What year was the (acquired) firm founded? If unknown, please proceed to next question.

Q18-The following descriptive questions are demographic in nature and will simply identify unique characteristics of the respondents. Answering these questions is not required for data gathering of the key research questions. The following questions are voluntary and remain confidential. If you do not wish to provide this information, please proceed to question 19. This standard is in compliance with the definitions and procedures included in the 1997 revision of the OMB Statistical Policy Directive No. 15 and the U.S. Department of Education Final Guidance on Maintaining, Collecting, and Reporting Racial and Ethnic Data to the Department of Education (Federal Register, Vol. 72, No. 202, 10/19/2008).

Q18.1-Your gender

- ☐ Male
- ☐ Female

Q18.2-Age

\_\_\_\_\_ Click to select choice

Q18.3-What is the highest educational level you have achieved

- ☐ High School degree
- ☐ Some college
- ☐ College degree
- ☐ Graduate degree (MBA, MS, MA etc.)
- ☐ Post graduate work
- ☐ Post Graduate Degree (PhD, DBA, Ed.D., MD etc.)

Q18.4-What is your national origin?

- ☐ North American
- ☐ South American
- ☐ Western Europe
- ☐ Eastern Europe
- ☐ Asia Pacific
- ☐ Middle Eastern
- ☐ Arab
- ☐ Indian

Q18.5-What is your Ethnic origin?

- ☐ American Indian or Alaska Native
- ☐ Asian
- ☐ Black or African American
- ☐ Native Hawaiian or Other Pacific Islander
- ☐ White
- ☐ Two or more races \_\_\_\_\_

Q18.6-Please enter your current position/title

Q19-If you would like to receive a synopsis of the survey results, please provide your name and e-mail address below. Your identity and contact information will remain confidential. Thank you for participating. Please allow up to 90 days for results. Click to write the question text

Name \_\_\_\_\_

Firm \_\_\_\_\_

Email-address \_\_\_\_\_

- ☐ I am interested in participating in future merger and acquisition research.
- ☐ I am not interested in participating in future merger and acquisition research.

**APPENDIX III**

## Survey Cover Letter

Date XXXX

Dear \_\_\_\_\_,

I am a fellow business leader whose company has been acquired, and has in turn participated in the acquisition of other firms. The rising challenges that leaders like us face during the transition to new ownership can prove challenging for management, employees, and shareholders.

Few studies have focused on the link between changes in autonomy or decision-making authority and integration success. That is where I need your help. I have recently teamed up with Kennesaw State University in Kennesaw, Georgia to conduct focused research on the relationship between acquired firm autonomy and integration performance. Public records indicate that your firm has been recently acquired. I am seeking your professional expertise in an effort to understand the effects of management autonomy on acquired firm performance to assist other leaders and managers in similar circumstances.

All I am asking is that you complete a short survey. The electronic survey (click here or the links below) contains fewer than 50 questions and pre-tests indicate it may be completed in less than 10 minutes. Other members of your management team may also receive a survey invitation. The research is designed to incorporate multiple responses from the same firm. Rest assured that all surveys will remain completely confidential and neither you nor your organization will be identifiable in the results.

This research project is not affiliated with any firm or commercial enterprise and the results are intended for academic use only. Survey results will be available to those who participate. Should you have any questions about the study or its application, please contact me, Robert W. Reich at [reich@students.kennesaw.edu](mailto:reich@students.kennesaw.edu) or (865) 405-2584.

Your experience and expertise with this subject will have meaningful and important impact on the effort to enhance the success of mergers and acquisitions in the future. Fellow professionals and I thank you for your participation.

If you are receiving this letter via the internet, click here to start the survey: [Link to Survey](#). If you are receiving this invitation by mail post, you may type <https://coles.qualtrics.com/autonomy.edu> into your internet browser or use your mobile reader to begin the survey.

Note: Your participation is voluntary and may be withdrawn without penalty. The research has no risks or implied responsibility to the respondents. Research at Kennesaw State University that involves human participants is carried out under the oversight of an Institutional Review Board. Questions or problems regarding these activities should be addressed to Dr. Christine Ziegler, Chairperson of the Institutional Review Board, Kennesaw State University, 1000 Chastain Road, #2202, Kennesaw, GA 30144, (770) 423-6407.

Most Sincerely,



Robert W. Reich  
Kennesaw State University

