

Experience and Learning in Corporate Acquisitions

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Experience and Learning in Corporate Acquisitions

Theoretical Approaches, Research
Themes and Implications

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Introduction

Context and Aims of the Book

In virtue of its longevity and its crucial relevance in shaping the competitive arenas, the phenomenon of mergers and acquisitions has unceasingly continued to pique the interest of academics, practitioners, and policy-makers.

The intense acquisition activity throughout the decades has resulted in a steady scholarly effort to develop fertile conversations upon different aspects of this corporate strategic move with the aim of identifying a set of unambiguous factors that trigger value creation. Specifically, acquisition scholars have long tried to understand the circumstances that may be held responsible for value creation or value destruction following acquisition moves. At the core of most published articles lies the argument that firms substantially differ in terms of their ability to perform acquisitions. Because acquisitions, although mostly considered as infrequent events (e.g., Zollo 2009), may repeatedly occur during a firm's life, scholars have started to wonder whether, if compared to first-time acquisitions, performance improvements may be obtained over time thanks to experiential learning effects (Barkema and Schijven 2008). Acquisition scholars have thus approached the role played by experience and learning with the intuitive expectation that they should have a positive effect on acquisition performance.

More and more, it has been acknowledged that acquisitions require an impressively high set of dynamic capabilities (Winter 2003), among which learning from experience is presented as a key determinant both in a choice and in a process perspective, as capabilities are embedded in activities and routines and accumulate incrementally through experience (Anand and Khanna 2000).

Within this corpus of literature, which started to emerge during the 1980s borrowing notions from the long tradition of psychology, attention has been devoted to experience as both a potential driver of acquisition choices and activity and as an intervening force that may contingently play a role in affecting post-acquisition performance.

The extensive effects potentially associated with experience and learning have set in motion manifold queries in various domains, making the topic inherently interdisciplinary. At the same time, its intrinsically multifaceted and contingent quintessence has engendered evanescent findings, from which numerous intricate and unsolved puzzles seem to emanate. The profoundly inconsistent empirical results obtained have increasingly challenged the idea that experience automatically translates into learning and has provided a fertile territory of inquiry, upon which an entire branch of studies has proliferated.

The field of strategic management has a long history of contributions, whereby the words “finally, knowledge of the source of takeover gains still eludes us” (Jensen and Ruback 1983, 47) seem to be true more than ever. Indeed, after more than three decades of literature on what still represents a hot topic in acquisition research, we are still quite far from reaching consonant conclusions. Indeed, not only are empirical results profoundly discordant, but also the varied theoretical perspectives used have collectively resulted in an increasing need to clarify the theoretical foundations upon which the investigation of experience and learning in acquisitions rests.

The aim of this book is therefore to systematize the body of knowledge that has been built by the different scientific communities working on this topic and to identify regions of controversy and potential areas of cross-fertilizing conversations.

Structure of the Book

A schematic representation of the structure of the book is offered in Fig. 1.

Understanding the role of learning in mergers and acquisitions implies, at first, the need to contextualize such moves within the broader framework of strategic decisions. Chapter 1 therefore provides an introductory overview of strategic decision-making and directs attention to the examination of those perspectives that over the decades have laid the foundations for the development of our understanding of both organizational decision-making processes and contents and the role of the human agent. The theoretical perspectives proposed in this chapter not only represent an excursus along the evolutionary path of thinking on the topic of organizational decision-making but also provide an overview of the most salient theories upon which studies on experience and learning in acquisitions have built. The chapter then proceeds with an examination of the conceptual evolution of the decision-making actor and of its rationality and concludes with a section dedicated to unveiling the procedural dimension of strategic decisions. Particularly, the strategic decision-making process is

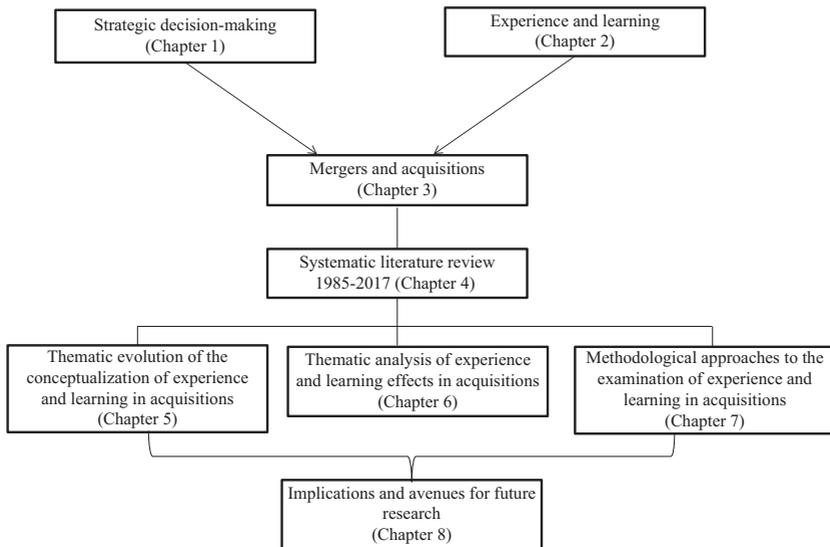


Fig. 1 Structure of the book

disentangled into its constituent phases, and for each of them the relevant supporting routines are identified and described. As a concluding focus, this chapter recalls the symbolic function of the information system and introduces the role of experience and learning processes as an intervening force that has challenged the view of a clear and direct link between information and decisions.

Chapter 2 contextualizes the long-established tradition of organizational learning within the broader framework of psychological theories of learning. The chapter starts by navigating the waters of three epistemological trajectories, that is, the behavioral, the cognitive, and the constructivist schools, that have provided different heritages to organizational learning. Secondly, critical issues underlying learning are uncovered: starting from the examination of some of the most influential definitions of learning, the chapter covers the long-lasting debate upon the anthropomorphization of organizations.

The second part of the chapter delves into the diverse roles that experience plays in strategic decision-making: after describing the dynamics through which organizational learning is institutionalized, implications of experience in strategic decisions are discussed in terms of adaptation, path dependence, experiential learning, analogical reasoning, and attribution inferences, with a concluding focus on cognitive heuristics and learning disorders.

Chapter 3 provides an overview of mergers and acquisitions as strategic moves that allow corporate renewal. After identifying the distinctive features of mergers and acquisitions as compared to other strategic resource allocation decisions, the sources of value creation are analyzed and the concept of value creation is distinguished across four main schools of thought: the capital markets school, the strategic school, the organization behavior school, and the process perspective. The chapter further examines the notion of value in mergers and acquisitions by including two additional phenomena: value appropriation and value destruction. The analysis then moves to establishing a linkage between acquisitions and the firm's broader corporate strategy. Finally, the chapter concludes with the inclusion of the role of experience and learning in mergers and acquisitions as a pervasive force driving both decision-making and integration aspects.

Chapters 4, 5, 6, and 7 offer the thematic and methodological analysis of experience and learning in acquisitions, based on a systematic literature review, whose protocol is explained in details in Chap. 4. In particular, the systematic review includes more than 140 papers published in the period 1985–2017 on 54 journals covering 11 disciplines.

Chapter 5 represents the first of two closely interrelated chapters dedicated to a thematic analysis of research on the topic of experience and learning in acquisitions. This chapter directs attention to the diverse conceptualizations of experience and learning within the systematized literature and, starting from the learning curve perspective as point of departure, it disentangles four different evolutionary trends that have characterized the conceptual progression of these notions. Specifically, this chapter provides an analysis of existing contributions on and implications of four conceptual evolutionary trends: (1) the evolution from a notion of experience as an undifferentiated, monolithic stock of acquisition experience toward the appreciation of the role played by specific types of experience; (2) the progression from a more focused approach that directs attention only to experiences deriving from prior acquisitions to experiences that, although not gathered from acquisitions, may still be fungible in an acquisition context; (3) the enlargement of perspective brought about by an increasing interest toward experiences of an interorganizational nature if compared to the more established route of focusing solely on the focal firm's experience; and (4) the evolution toward the exploration of qualitative traits of experience and learning, that is, depreciation, heterogeneity, codification of experience, and the interaction mechanisms between experience and performance feedback.

Chapter 6 offers a thematic analysis of the effects of experience and learning in acquisitions. Throughout the chapter, three macro-thematic areas are identified: acquisition-related strategy, acquisition process choices, and post-acquisition outcomes. For each macro-thematic area, themes and subthemes are examined and schematic maps will help the reader to clearly identify both the backbone of existing research and the interconnections among the different thematic areas. The chapter also includes a separate examination of the specific research context of serial acquirers and acquisition programs and a transversal analysis of the effects

played by interorganizational experience across the different thematic areas.

Chapter 7 is focused on the analysis of the empirical and the methodological approaches used over the decades to examine the constructs of experience and learning in the context of acquisitions. After highlighting the diverse research methodologies used, the chapter scrutinizes the different methodological approaches to the operationalization of experience variables and of experiential qualitative traits. In addition, the time window for the operationalization of experience variables is discussed and a positioning of studies on the basis of the locus of experience, that is, individual, group, organizational, interorganizational, is proposed. The chapter also provides an examination of operationalization approaches adopted in research on serial acquirers and their implications on both sample selection and construct validity. Throughout the chapter, the different sections are enriched with tables that summarize and position the diverse studies along the multiple methodological issues covered.

Chapter 8 dedicates attention to research implications derived from the overall systematic analysis conducted in the previous chapters. Specifically, starting from some unresolved controversial areas, the chapter proposes an integrative perspective on the phenomenon of organizational learning, with the intent not only to bridge together the diverse theorizations proposed throughout the decades but also to highlight areas of potential development. The chapter then proceeds with the identification of several research avenues in terms of research gaps and potential evolutions at both the theoretical and the methodological levels.

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