The CEO in post-merger situations : an emerging theory on the management of multiple realities

Fendt, Jacqueline

1 Introduction

In times of change, it is the learners who inherit the Earth, while the learned find themselves beautifully equipped to live in a world that no longer exists.
Eric Hoffer

A global economy characterised by liberalisation, consolidation and convergence, by shareholder pressure, by acceleration of time to market and by the war for talent, for knowledge and for customer bondage poses new requirements on corporations and their leaders regarding the capability to change, react and learn. Furthermore, the increased availability and potential of ever more sophisticated information and communication technologies heightens the expectations of all market players[1]. Organisations and society, and thereby their leaders, must learn to deal with high complexity and ephemeral structures, make proof of flexibility and strong competencies of adaptation[2] and anticipation. As a reaction to and in anticipation of this increased complexity and need for growth and acceleration, corporations tend to reinvent themselves[3] and develop new forms of organisation[4] such as mergers, acquisitions[5] and strategic alliances[6], outsourcing of secondary processes, network organisations, virtual teams[7], project management, etc. Many of these are transitional organisations and their purpose is to accelerate growth and change. For this they are required to be highly dynamic[8], adaptive[9] and to strengthen the organisations' innovation capacity.

It is a recognised fact that mergers and acquisitions (M&A) often do not achieve the expected objectives[10]. This results in considerable financial, strategic and emotional damage[11]. Academics and practitioners have found that the problems in merging companies have less to do with strategic fit and more to do with implementation during the post-acquisition phases[12]. The main reasons for failure have been found to lie in inadequate leadership focus, underestimation of cultural differences, poor communication and loss of key talent[13]. After three decades of abundant M&A experiences and despite the considerable theoretical and practical attention given to this problem, it does not seem to be solved nor on the way of being solved. Independently of the particular strategic or financial key figures tracked, recent research has found that still in recent years between

---

1. Rüegg-Stürm and Achtenhagen (2001), p. 4
2. Fulmer (2000)
3. Ruigrok et al (1999a), p. 39
4. Rüegg-Stürm and Achtenhagen (2001), p. 3; Achtenhagen (2001)
5. Schuler and Jackson (2001), p. 239
6. Jackson and Schuler (2002); Schuler and Jackson (2002)
7. Lipnack and Stamps (1998); Chesbrough and Teece (1996)
8. Schwager and Haar (1996)
9. Fulmer (2000)
10. e. g. Keite (2001); Charman (1998); Watson Wyatt (2000); Grubb and Lamb (2001); Hussey (2002)
11. Child et al (2001); Galpin and Herndon (2001)
12. Green (2004); Hubbard and Vivian (undated); Hubbard (1999); Goleman (1999)
13. Buono et al (1985), p. 477; Kay and Shelton (2000); Croyle and Kager (2002); Fortgang et al (2003); Krug (2003); Sitkin and Pablo (2005)

2

60% and 80% of M&A fail to create significant shareholder value or attain their strategic or financial objectives[14]. 83% of the 107 largest M&A performed between 1996 and 1998 did not achieve any increases in shareholder value[15]. Among the principal reasons for failure, the human dimension, i.e. the inability to reconcile conflicting values and beliefs in the post-merger phase, ranks highest, right alongside deal making[16]. Moreover there is evidence that even previous M&A experience does not imperatively improve M&A performance[17].

Motivated by this persistently disappointing track record of mergers and acquisitions (M&A) projects throughout the world, this research seeks to explore the nature of the post-merger organisation and task from a senior executive leadership perspective. It focuses on examining how such transitional systems function and how executives can best lead them to success. Are transitional organisations different to manage from stable organisations? If yes, in what respect are they different? Why do CEOs fail so often to achieve their post-merger objectives? Do top executives need particular leadership competencies to manage such organisations successfully? If yes, what are they? And, perhaps; how can these executives acquire and operationalise such competencies?

1.1   Genesis of this Research

> *All scientific discoveries are first recorded on napkins or tablecloths. Keep supplies of them handy at all times.*
> Iggy's Rule of Scientific Advances

The author has been an executive in international corporations for 15 years and, thereafter, for three years, Dean of a European business school focusing on senior executive management development. From both perspectives – that of an executive and that of a provider of management development for senior executives – the author has experienced the need for innovation in executive learning and observed certain deficiencies – including in herself – in the preparedness of executives for the ever-increasing complexity of leadership and management in changing environments. These deficits manifested themselves particularly conspicuously in post-merger situations. Neither the myriad of management development seminars and leadership programs offered[i], nor the exploding theoretical and practical offering of knowledge management systems and services seem to provide relief. Executives seem ill prepared for managing transition, uncertainty, adaptation and acceleration.

The above personal and peer experiences, documented over several years in form of a diary (CEO Diary, for some sample pages see ***Appendix A***), motivated the researcher to explore this phenomenon academically and thereby to seek to better understand the role that learning plays in post-merger situations. This was in the late 90s and there was a great deal of academic and professional debate about the management of change in gen-

---

14. UNCTAD (2003); Sirower (1998); Ashkenas and Francis (2000)
15. KPMG Report (1999)
16. Mosher and Pollack (1995); Farmer (1996)
17. Haleblian and Finkelstein (1999), p. 30; Zollo and Reuer (2001); Srikanth (2005)

eral and about the management of M&A, but little work involving the senior executives themselves. A substantial discursive body attended to the importance of the management of culture differences[18] in post-merger situations, but none of this work directly addresses top management coping[ii]. Discussions of learning in M&A have primarily involved the learning organisation[19], outcomes as they relate to organisational knowledge transfer[20] in the post-merger phase or to lessons learned from previous M&A. Essentially, the question of top management learning behaviour in transitional environments had largely been ignored[iii].

1.2   Research Scope

Where am I?
What is this thing called the world?
Who am I?
How did I come into the world?
What is the meaning of that word?
Who tricked me into this whole thing and leaves me standing here?
Why was I not informed of the rules (…)
How did I get involved in this big enterprise called actuality?
Why should I be involved?
Isn't it a matter of choice?
And If I am compelled to take part in it,
Where is the manager?
To whom shall I make my complaint?
Constantin Constantinus (Kierkegaard), in *Repetition,* 1843

The research scope is defined along four themes:

– *Organisation*: the post-merger organisation
– *Actor*: the senior executive
– *Action*: coping, knowledge and learning
– *Location*: Switzerland and Germany.

To set the research scene, these four themes are briefly explained and contextualised per se and in relation to each other.

---

18. e. g. Trompenaars and Hampden-Turner (1993); Harrison and Huntington (2000)
19. Senge (1990)
20. e. g. Tushman and Scanlan (1981); Kogut and Zander (1996); Leroy and Ramanantsoa (1997); Singh and Zollo (1998b); Vermeulen and Barkema (2001)

4

1.2.1   The Merger Phenomenon

"One plus one makes two plus": this equation is the beguiling pretended alchemy of a merger or acquisition. Two companies coming and working together are more valuable than two separate companies. This perspective is particularly alluring when times are tough. For the past three decades corporations increasingly use Mergers and Acquisitions (M&A) as a strategic tool to attempt to strengthen and maintain their position in the market place. In fact, whereas up until the early 90s M&A was merely one of many options of joining up forces between companies[21], M&A, and increasingly M&A between firms of different size, industry types and nationality[22] has become *the* most popular strategic entrepreneurial action of the past decade. Of the list of top 500 European enterprises[23], more than two thirds have undertaken substantial mergers or acquisitions in the past 15 years. M&A is today seen as a fast, efficient and spectacular way to grow and to innovate[24].

Whilst the potential benefits of M&A are widely recognised, M&A are prevalent, powerful and risky corporate actions. Indeed, there is abundant research to show that a clear majority of M&A fail to achieve their objectives[25] and/or destroy corporate value[26], be it in comparison with control groups of non-merging firms or in hypothetical comparison of what might have become of the two merging companies had they remained separate. Two assumptions underlie the merger mania:

– *Improved shareholder value*: shareholder value is expected to increase significantly because the performance of the merged companies is assumed to be higher than the combined performance of the two merging companies[27].
– *Management competencies*: executives' generalised competencies are perceived as adequate to successfully integrate two previously distinct organisations.

There is evidence that both assumptions are wrong as most studies, irrespective of their underlying criteria, show that around 70% of all M&A fail to meet their objectives[28]. Furthermore, there is evidence that there is little organisational and/or individual learning following M&A[29]. In view of the considerable financial and human value destroyed by some mergers, it would be legitimate to question M&A action as the principal remedy to the challenges of globalisation and there is an emerging body of knowledge doing just this. Whilst this interesting question goes beyond the scope of this research, a closer look at possible rationales for mergers is deemed necessary, given the influence these motives can have on post-merger success. This will be addressed in chapter two.

---

21. Gomez et al (1994)
22. Romig (1966); Tetenbaum (1999)
23. Financial Times Top 500 (2005)
24. Chappuis et al (2004)
25. Keite (2001); Grubb and Lamb (2001); Watson Wyatt (2000); Schuler and Jackson (2001); Charman (1998)
26. Gugler et al (2003), p. 625
27. Sikora (1997), p. 8; Lawlor (1998), p. 36
28. e. g. Reed Lajoux and Weston (1998), p. 34; Gaughan (1999), p. 636
29. Slowinski et al (2002), p. 24

1.2.1.1 Defining Mergers and Acquisitions (M&A)

Although the term *mergers and acquisitions* (M&A) is commonly used as one concept, its components, *mergers* and *acquisitions* have rather different meanings. An *acquisition* is the take-over of one company by another, whereby the acquirer becomes the clear owner of the acquiree, which legally ceases to exist. In a merger, two companies agree to move ahead as a new single company. If they are public companies, both their stocks are surrendered and a new company stock is issued in its place. Daimler-Benz and Chrysler merging to create DaimlerChrysler are a recent example. In practice, mergers are rare, but to announce an acquisition as a merger is frequent. To be acquired has a negative connotation. By using the terms *merger* or *M&A*, dealmakers and executives aim to render the acquisition more acceptable to stakeholders. When the take-over is hostile, it is always regarded as an *acquisition*.

For the sake of this research, the term M&A is used, except in cases where the difference between *merger* and *acquisition* is directly relevant to understanding phenomena related to the research subject.

Types of M&A

From the perspective of organisational structure and of the operational relationship between the combining companies, the literature distinguishes five generic types of M&A:

– *Horizontal M&A*: two direct competitors in similar markets and with a similar product offering
– *Vertical M&A*: a combination of a supplier with its customer
– *Market-extension M&A*: two companies with a similar product offering, acting in different markets
– *Product-extension M&A*: two companies in the same market with a different product offering
– *Conglomeration*: two companies having no common product or market activity.

In this research, all types are considered. A distinction is only made in cases where the merger type is directly relevant to the phenomena observed.

1.2.1.2 The Post-Merger Organisation: A Transition

The literature on permanent organisations is bountiful. Equally abundant is the literature on change[30] and on project management. However, little theoretical work can be found on the transitional organisation[31]. Whilst a post-merger organisation can be all of these: a (quasi-) permanent system, a change situation and a project, none of the three stated bodies of literature really applies. Explanation:

A transitional organisation is both permanent and temporary. It is often a juxtaposition of two or more simultaneous organisation structures, comprising the same people. A perfect example of the transitional organisation is the post-merger organisation, where two existing permanent organisations are combined, with the objective of forming a

---

30. Habermas (1979); Rüegg-Stürm (1999)
31. Czarniawska (2003)

6

new permanent organisation. This old/new organisation is required to function operationally from inception, which differentiates it from a project organisation. Simultaneously, the post-merger organisation undertakes substantial one-time transformations, i.e. it works to a large extent with provisional structures and processes, much like a project organisation. Transitional post-merger organisations therefore need to meet some specific challenges with uncertainty, double leadership and multidisciplinary and intercultural knowledge coming abruptly together, needing to be sorted out and recombined in order to achieve strategic focus and efficiency gains.

For the above reasons, the phenomenon of the post-merger organisation represents a good domain to study executive learning and coping. It makes little sense to study executive learning in isolation. It is best studied in a purposeful context, and the post-merger organisation, being an extreme situation, represents such a context. It requires by nature that organisational and cultural boundaries be crossed, bringing together, under time pressure and in an environment of considerable uncertainty, multiple actors with their respective multidisciplinary competencies, their cultural diversity, and their existential self-interests, which need to be managed in order to successfully fulfil the corporate objectives. Although mergers and acquisitions display technical differences, it is common to refer to these combinations of two or more firms for the purpose of pursuing mutual interests through sharing their resources and capabilities as M&A[32].

1.2.2 Introducing Executive Andragogy

This research sets its focus on top management learning, in the sense of learning to cope. The field of observation is restricted to Chief Executive Officers (CEOs) and other leaders in positions of total or major responsibility for an international organisation having recently performed and/or undergoing at present one or several merger and acquisition processes. For the purpose of this study, these top management leaders shall be called *CEOs* or, alternately, *executives*. From the vast field of existing literature on learning, this research focuses on self-directed, learner-centred adult learning, known by the term *andragogy*.

1.2.2.1 Contextualising the Executive

The executive is confronted with a world in dramatic motion; the executive reality is becoming more complex, ambiguous, pluralistic and egalitarian. There is evidence, that conventional management and leadership principles and practices no longer suffice to face today's challenges: almost half of all CEOs fail to reach company objectives or even destroy considerable company value[33]. In post-merger situations the statistics of failure are even more substantial: only three out of ten top executives reach company goals. It is said that the only school for CEOs is the school of experience[34]. But there is evidence that CEOs hardly perform better in their second or third post-merger experience than in their first[iv]. Reasons for failure lie mostly in the human dimension, the so-called "soft factors" of management[35]. The typical CEO is efficient, rational, formal, logical and bot-

---

32. Charman (1999); Deogun and Scannell (2001); Schuler et al (2004)
33. Farkas and Wetlaufer (1996)
34. Farkas and Wetlaufer (1996)

tom-line driven[36]. Are these the qualities needed to deal successfully with a pluralistic and paradoxal world? Maybe it is time for CEOs to fundamentally change behaviour? Perhaps there is a whole new set of skills to be learned?

Whilst theory on management development is abundant in the past four decades, it has a tendency, as Jackson noted, to treat CEOs the same as other managers[37] and/or it focuses mainly on the lower and middle manager. Little theory is available on learning at top management level[v]. Executives provide their subordinate managers with abundant management development opportunities, but they do not themselves attend much formal management or leadership training. Frequently stated rationales for this are time constraints and lack of conviction that suitable programs exist for the challenges these top executives are facing. For this reason of theoretical penury, and since the researcher has worked in the top management field herself and has therefore a privileged access to this population, the executive forms the main object of this research.

Since executive learning is not an isolated process, but takes place in the context of the executive's function as a leader of a management team and as the head of an organisation facing various stakeholders, the theory and practice of organisational learning is also considered, but always from the executive's perspective. The objective is to investigate executive andragogy in a spatial context, reaching from the top executive self into his or her outside world and back. This perspective has rarely been reflected in academic literature, which commonly focuses either on the personal and interpersonal level, or on the systemic (organisational) level.

1.2.2.2 Contextualising Andragogy

Pedagogy is the dominant form of instruction in the western world. Pedagogy, literally the art and science of educating children, is commonly used as a synonym for education. In the pedagogic theories and models, teachers direct learning. Teachers are responsible for content, form and timing of learning. It is surprising that teacher-focused learning came to dominate western education up until this day, when one considers that the grand tutors of ancient times, from Confucius to Plato, were not authoritarian. They saw learning as a process of curious, active inquiry and not passive reception. Some explanations for tenacious success of the teacher-focused approach can be found in middle-aged priesthood schools, which used indoctrination to instil obedience, beliefs and ritual. This form of education later also spread to secular schools in Europe and America. Also, early Calvinism considered wisdom to be evil and adults were to control and direct children's learning in order to keep them innocent.

This changed somewhat with American pragmatism. Pragmatism à priori situates learning processes evolutionarily within the process of living, in the shape of an intelligent performance of adaptation of the species to its environment. The theory of cognition of the Cartesian subject-object differentiation is undermined in pragmatism by a theory of action, in which the object and the subject reciprocally constitute themselves. John Dewey made inquiry, rather than truth or knowledge, the essence of logic. He believed

---

35. Bartlett and Ghoshal (1995); Mosher and Pollack (1995); Farmer (1996); Teal (1996); Okros (1999)
36. Eisenhardt and Martin (2000); Beech and Cairns (2001)
37. Jackson (1992a)

8

that formal education was not exploiting its potential. He proposed activity-based learning[38] rather than a traditional teacher-dominated approach, because learning was: "…an affair of the intercourse of a living being with its physical and social environment."[39]. Inspired by Dewey, Edward Lindeman[40] wrote in 1926:

> *"Our academic system has grown in reverse order. Subjects and teachers constitute the starting point, [learners] are secondary. In conventional education the [learner] is required to adjust himself to an established curriculum. (…) Too much of learning consists of vicarious substitutions of someone else's experience and knowledge. Psychology teaches us that we learn what we do (…) Experience is the adult learner's living textbook."*

Today, a hundred years after Dewey first expressed a fundamental tension in the "proper relationship" between theory and practice in education[41], most formal education still focuses on the teacher and many well-meaning teachers continue to suffocate naturally inquisitive minds by controlling the learning environment. As a result, by adulthood, many consider learning a chore and a burden. In the seventies, this malaise was addressed again, this time by Malcolm Knowles[42]. Influenced by Lindeman, Knowles proposed that adults require specific learning conditions. After a summer class, which was attended by Dusan Savicevic[43], a Yugoslav educator, who introduced Knowles to the term andragogy[vi], he adopted it henceforth to explain adult learning and its specific learning prerequisites.

In Europe, the term andragogy[vii] has been deployed since the early 19th century[viii]. This accounts for certain differences in meaning of the term in Europe and in the USA. In Europe, andragogy is typically used as a *generic term for adult learning* and embeds all adult learning schools and theories[44], whereas in the USA the term andragogy is sometimes used generically[45], but also alternately qualified as: *a set of assumptions*[46], *a set of guidelines*[47], a *relational construct* and *a philosophy*[48]. Mostly it is used to describe one specific *adult learning theory*[49] (that conceived by Malcolm Knowles) amongst many other adult theories, such as self-directed learning concept (SDL), critical reflective learning theory, social learning theory, social cognitive theory, transformational learning theory and constructivist learning theory. Van Gent stipulates that this confusion might cause a devaluation and disregard of the use of the term and that its future use would be a *synonym for adult education*[50]. This being a European study by a European author, the Euro-

---

38. Dewey (1926)
39. Bernstein (1971)
40. Lindeman (1926)
41. Dewey et al (1904)
42. Knowles et al (1973)
43. Savicevic (1999)
44. Pöggeler (1957); van Beugen (1972); Knoll (1973); Winkler (1988); Cooper and Henschke (2003); Reischmann (2004)
45. Marquardt and Waddill (2004)
46. Brookfield (1986)
47. Merriam (1988)
48. Pratt (1988)
49. Hiemstra and Sisco (1990); Knowles et al (1973); Merriam and Caffarella (1999); Yang (2004)
50. van Gent (1996)

pean significance applies. The terms andragogy and adult learning are therefore used as synonyms, except in cases where a particular aspect of andragogy as defined in existing research is commented, in which case the specific meaning of andragogy is signalled.

Andragogy, originally defined as the art and science of adult learning, has gathered momentum over the past five decades and taken a broader meaning. It has developed into an alternative learning form to teacher-centred learning, not only for the adult learner. Its key assumptions are concerned with the learner's ability, need and wish to take responsibility for his or her learning:

– *the need to know*: adults need to know why something is important to learn before endeavouring to learn it
– *the learner's self-concept* moves from dependency to self-directedness: the learner is aware of what there is to learn
– *the learner's experience* can be used as a reservoir from which learning can be built: the learner knows how to direct him/herself through information and he or she relates the topic at hand to his or her experience
– *the learner's readiness to learn* is associated with the developmental tasks of social roles: for people to be motivated to learn, which is a prerequisite for learning, they often need to overcome ancient beliefs, behaviours and inhibitions about learning
– *the learner's temporal and curricular perspectives* changes from solely postponed to including immediacy of application and from simple subject-centeredness to life-centeredness and performance-orientation
– *motivation*: adult motivators are mostly intrinsic (quality of life, self-esteem, increased job satisfaction).

In the information age, the implications of andragogy are prodigious and their adoption is likely to improve our ability to learn new technology and gain competitive advantage[51]. To succeed in analysing and synthesizing the increasing volumes of information and data we are asked to cope with, we cannot rely on others to determine what should be acquired, how it should be acquired and when. Whilst our progeny may in the future be free of pedagogic bias, most adults today are not, including many executives[52].

1.2.2.3 Contextualising Coping

This research aims to look at CEO learning and coping in transitional environments. The term 'coping' is sometimes used in a pejorative manner for failure to achieve or complete, as in 'coping strategies as employee defensive response to organisational control'[53], or as in 'perceived inability to exert personal influence and control'[54]. Contrary to this usage of coping the term is here used in the sense of 'grappling with success'[55]; as an improvised learning mode; as coming to terms with situations of high complexity and pressure, much like the French term 'se débrouiller'[56].

---

51. Huitt (1999)
52. Knowles et al (1973), p. 68
53. Hayes and Allinson (1998); Gabriel (1999)
54. Young and Cooper (1995)
55. Fowler and Fowler (1964); Beech and Cairns (2001)
56. 'se débrouiller': free Engl. transl: ' to find a way', 'to muddle through (successfully)'

10

1.2.3   Switzerland and Germany

For three reasons, this research is grounded in observation and study of executives and their executive post-merger environment in *Switzerland and Germany*:

– *Access to the field*: the researcher has worked as a top executive in German-speaking Europe for over 15 years and has thus established a substantial peer network in this geographic area.
– *Existing data*: long before having decided to do formal research, the researcher has kept daily notes for many years on business and leadership phenomena in this area, trying to make sense of this fast-changing business environment. This data being available, the researcher wished to exploit it[ix].
– *Hic sunt leones*: literature on top executive behaviour, especially top management learning processes, in German-speaking Europe is very scarce:

> *"Other than in the popular management literature (…) top executives have only rarely been the objects of serious research work. This holds for Germany in any case (…). Whilst there is something over a hundred empirical studies on hand, just five of them are concerned with Germany, of which two are by American authors. It can be speculated about the rationales – a specific German deficit is manifest."*[57]

All of the projects encountered were cross-border alliances[58]. They had a transnational component, but the dominant M&A partner was Swiss or German, the field observations were made primarily in their German-speaking headquarters and the executive respondents were preponderantly of German-speaking origin.
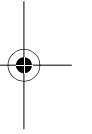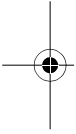
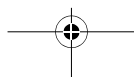## 1.3   Research Questions and Research Goals

> *Research serves to make building blocks out of stumbling stones.*
> Arthur D. Little

Best practice approaches and ideologies underpinning the nature of leadership in post-merger organisations are very present on the discursive agenda, both academic and professional. However, the majority are derived from a quantitative position, which pre-empts the range or scope of executive learning through the use of survey techniques. Furthermore, such measures of post-merger processes often consist of a series of structured responses that are fixed and inflexible and as such fail to penetrate surface answers for underlying influences. Therefore, rather than integrated models or theories, they are lists of possibilities.

---

57. Prof. Dr. J. Hauschildt in his preface to Salomo (2001). Own translation.
58. Liebeskind et al (1996)

1.3.1   Research Questions

Against this backdrop the following provisional research questions were developed in the beginning:

Q1   How does leadership in transitional organisations, such as post-merger situations, differ from classical management and leadership situations, in its requirements vis-à-vis executives?

Q2   Why do CEOs so often fail, and fail repeatedly, to be successful in post-merger leadership?

Q3   Why do some executives perform better than others in post-merger situations?

Q4   Do executives recognise that there might be a correlation between their performance and merger failure?

Q5   Why do many executives not seem to learn to cope with transitional situations, even after repeated experiences?

Q6   How can this experience be materialised, i.e. put into practice?

Q7   What, if anything, do executives do to improve their self?

Q8   What means, if any, do executives choose to improve their performance?

Q9   How do executives learn and learn to cope?

1.3.2   Research Goals

These questions needed to be investigated in the light of existing work and in the context of the research goals. Given the above stated lack of discursive attention to the field of interest, a decision had to be made regarding the main aims of the study. No research method allows the researcher access to indisputable truth. Any method adopted will lead to research results that can only be one perspective from a range of possibilities[59]. This meant that, so as to adopt a credible position, the research questions, the research goals and the methodology chosen had to be reciprocally logical and coherent. Upon reflection of the afore going, the research goals emerged as follows:

–   To build a theory that is grounded in behaviour, actions and experience of the population studied

–   To provide a new perspective on the andragogic motivations, performance, experiences and possibilities of executives in post-merger organisations

–   To develop and incorporate the findings into a theoretical framework which has explanatory as well as descriptive power.

---

59. Goulding (2002)

12
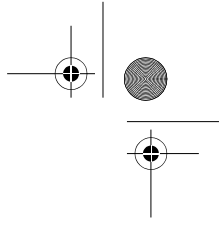
1.4   Empirical Approach

Wenn wir wüssten, was wir tun, würden wir das nicht Forschung nennen. (If we knew what it was we were doing, it would not be called research, would it?)
(attributed to) Albert Einstein

From an informal, unstructured notebook, a "CEO Diary", which the researcher had kept for several years during her top management career, emerged:

– the identification of a curious phenomenon, namely that many executives find it difficult to manage post-merger situations. Even highly experienced and otherwise successful executives seem to fail, often repeatedly, to manage such transitional organisations satisfactorily
– the desire to observe this phenomenon more closely and more systematically
– the determination to do this by means of a formal research project.

Soon upon the identification of the above phenomenon, work on the broader fields of post-merger management, of executive andragogy and of organisational learning was evaluated in order to assess existing theories and models that may have application.

With regard to choosing a methodology to research the area of executive andragogy in post-merger situations a two-loop research strategy was chosen after an evaluative process of the strengths and weaknesses of a range of possible approaches. A first loop of ethnographic work should permit the researcher to use the rich data collected over many years of active presence in the field on the language, concepts, rites, practices, rules, beliefs, networks, power relationships, kinship patterns and, simply, ways of life of the target group. Once specific research questions and first hypotheses emerged from this ethnographic phase, a second loop using grounded theory should permit to inquire more precisely into the social constructs of executive behaviour in transitional environments.

1.4.1   Loop One: Ethnography

Systematic field observation and evidence collection are continued and the data analysed and confronted with existing literature. The goals of loop one are to obtain structural depth of the data, so as to better understand the initially observed phenomena and thereby formulate the research question more coherently and, possibly, detect some beginnings of patterns and logic. The results of this first loop are reported in the form of seven ethnographic tales and a concluding theoretical discussion labelled 'the moral'. The moral is a confrontation of the data and the observed phenomena from the tales with extant literature, aiming to visualise the contingence of the constructions of reality, to be an 'interpretation enabler' and thus to help shape options of action.

1.4.2   Loop Two: Grounded Theory

With a more precise research question at hand, a second research loop was undertaken. Given the lack of an integrated theory in the literature regarding executive andragogy in
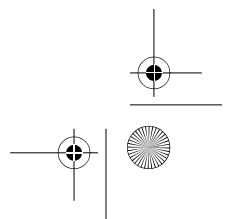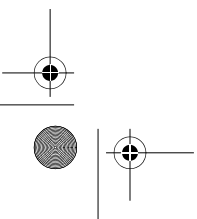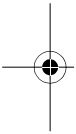
post-merger organisations, grounded theory was chosen as the methodological approach. An inductive approach, which allowed theory to emerge from the experiential accounts of the executives themselves, seemed the most appropriate. The goal of this second and principal research loop was to build theory that is grounded in the narrations, actions and experiences of those executives studied. Ten post-merger cases were chosen by theoretical sampling and described in terms of their nature, location, M&A motives, post-merger status and the fieldwork conducted[60]. The main research focus was on the leading executive of the companies, the highest operational person in charge of the post-merger process. Usually this was the Chief Executive Officer (CEO). In order to verify emerging concepts against possible changes in behaviour over time due to andragogy, context or mood, each executive was interviewed twice, with a time interval of no less than 6 months between the two semi-structured interviews. To reduce subjectivity, one further member of CEO's management team was also interviewed, also twice with a time interval of no less than six months.

This process resulted in a total of 40 semi-structured, in-depth interviews with 20 top executives from 10 different companies. This data was coded and then abstracted into concepts and higher order categories and their theoretical significance was explored. These findings were in turn related to other factors that were identified as being important, such as a number of socio-cultural conditions, personal background conditions and current contextual conditions. Finally, the categories and concepts were incorporated into a theoretical framework.

1.5   Contributions to Theory and Practice

Fools make researches and wise men exploit them.
H. G. Wells

Literature and practice offer at least four reasons, why a study on executive andragogy in a post-merger context is timely and pertinent.

1.5.1   Theoretical Contribution

Theory on the transitional post-merger organisation and the learning behaviour of leading executives within such organisations is scarce[61]. Yet business practitioners and scholars agree that mergers and acquisitions will remain a key strategic tool in the process of globalisation and the pressure to concentrate resources to improve competitiveness. The performance and adaptation capabilities of leading executives in post-merger phases are unsatisfactory and considerable social and economic value is destroyed in such situations. With this study it is hoped that some of the reasons for the unsatisfactory performance of leading executives can be identified and some hypotheses developed as to how executives can better manage these critical situations. Such hypotheses, models and theories which may emerge from and affect such diverse fields as organiza-

---

60. cf. section 3.2.2
61. Hogan et al (1994)

14
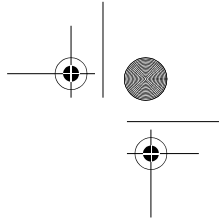
tional theory, sociology, psychology, organisational change, strategy, cybernetics, communication theory and individual and organisational learning, could make a valuable addition to the scientific discussion and lead to ideas for further research in this little-investigated strategic area.

1.5.2 *Executive Andragogy and Performance*

On a practical level, such emerging theory could serve as a guideline to executives regarding certain behavioural success factors to focus on and business schools for the development of organisational learning environments, concepts and tools for executive learning in transitional environments.

CEOs have "no school" to go to and must "learn on the job"[62]. There is evidence that CEOs do not perform optimally, especially in post-merger situations. Mergers are failing at disturbing rates. Parallels are drawn between leader incompetence and the failure rate of corporations[63]. Almost one out of two CEOs is replaced within five years[64]. There is a need to better understand what correlation, if any, exists between superior performance and executive andragogy.

1.5.3 *Organisational Relevance*

The impact and power that CEOs wield within their organisations is significant, whilst their accountability is marginal. According to Mintzberg, the key purpose of the CEO role is: "to effect an integration between individual needs and organisational goals (...)", and, to this end: "(...) formal authority vests the manager with great potential power; leadership activity determines how much of it will be realized"[65]. The decisions executives make every day have an eminent effect on their organisations, employees and profits. This manifests itself especially in post-merger organisations, where the integration between individual needs and organisational goals is more complex, due to there being two organisations. A greater understanding is required, therefore, regarding how decisions are made and how decision-making could be improved.

1.5.4 *Global Relevance*

CEOs carry extraordinary social and economic responsibility. Their decisions and actions impact on millions of employees and their families and on communities, regions and countries around the world. The capital in their hands is counted in billions of dollars. They have the potential to contribute positively or adversely toward innovation, humanism and the environment. It cannot but interest society to have the best possible performers in every respect at the top of such powerful organisations.
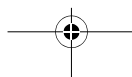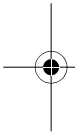
---

62. Farkas and Wetlaufer (1996), p. 112
63. Hogan et al (1994), p. 495
64. Farkas and Wetlaufer (1996), p. 115
65. Mintzberg (1973), p. 63

1.6   Organisation of the Study

To take photographs means to recognise (…) both the fact itself and the rigorous organisation of visually perceived forms that give it meaning. It is putting one's head, one's eyes and one's heart on the same axis.
Henri Cartier-Bresson

The dissertation is organised as follows:

Chapter one describes the field of research and outlines the importance of executive andragogy in transitional organisations. It also states the key research questions to be addressed and describes the dissertation structure.

Chapter two comprises a broad literature review on the transitional post-merger organisation, on executive andragogy and its influencing factors and on the mechanisms of management learning in the transitional organisation, with special focus on the post-merger organisation. The review draws theory from various disciplines such as organisational theory, sociology, social psychology, andragogy, organisational learning, change management, project management and strategy.

Chapter three describes the key methodological issues and the evidence collection and analysis procedure, tracing both the ethnography process used in research loop one and the grounded theory work process used in research loop two, from the first ethnographic sounding over sampling to evidence evaluation, analysis and theory building. Also discussed are the evaluation criteria and the limitations.

Chapters four and five present the research findings and the building of theory. *Chapter four* visualises the ethnographic data in form of seven impressionist tales. The tales are followed by a moral in the shape of a theoretical discussion. The chapter closes by a summary of the findings and a juxtaposition of these findings with the research questions.

Chapter five presents the findings of the second empirical study loop, in terms of the concepts and categories of executive learning and coping in transitional organisations. Seven concepts are proposed, their relationships discussed and their properties and dimensions presented. The continued process of abstraction toward theory building is illustrated. This is followed by comments on temporality, locality and context. The chapter concludes by a discussion on validity.

In the final *Chapter six* an emerging theory on CEO learning and coping in transitional organisations is developed by means of three core categories of executive learning behaviours. The theory is discussed taking into account the findings of both empirical research loops. From this emerges the proposition of a new hypothetical 'ideal' core category or theoretical model of CEO learning behaviour. Furthermore, the chapter summarises the key findings of this dissertation, ties up loose ends and points out implications for research and practice. It also outlines the research limitations and proposes pathways to explore in further research.

16

Endnotes to Chapter 1

i   There is a huge offering of programmes and seminars for every business specialty: accounting, finance, marketing, human resources, operations management, information technology, etc., and, of course, strategy, leadership and general management. But there is no school for CEOs except the school of experience. By and large, CEOs must learn how to run a company on the job.

ii   Conclusions are usually standardised "best practice" recommendations in checklist form, or stereotype descriptions of different cultures that could be encountered in the style of: "…the French are like this, the Americans like that… engineers behave this way, marketers that way…".

iii   An important exception is the ethnographic work on management behaviour by Tony Watson (1994) who spent a full year working and gathering data in a post-merger organisation in the UK. This book is full of rich data on management behaviour in transitional organisations, but it focuses on the lower and middle manager.

iv   Research on this claim is inconsistent: most findings state that executives fail to change failure-prone behaviour or that acquirers inappropriately generalise experience to subsequent dissimilar post-merger situations (Haleblian and Finkelstein, 1999; Seijts and Farrell, 2003; Lesowitz and Knauff, 2003; Finkelstein, 2004; Aw and Chatterjee, 2004), some recent research finds that more experienced acquirers begin to discriminate between the different post-merger projects, after several experiences (Hayward and Hambrick, 1997; Haleblian and Finkelstein, 1999). Serial acquirers, i.e. companies which acquire hundreds of smaller companies have a more satisfactory learning curve both because the resistance of the acquiree (which is mostly in some difficulty and hoping to be saved by the acquisition) is usually small, and because acquisition experience is regularly codified and updated (Early, 2004; Zollo and Singh, 2004)

v   There is a substantial body of professional literature available to top executives. Most of it is American. It is written in the style of management evangelism, stipulating „lessons learned" and/or offering checklists for specific situations. Examples are Peters and Waterman's, "In Search of Excellence" (1982), Kanter's "The Change Masters" (1985) and many more. Whilst top executives read such management books, or the executive summaries thereof, they often estimate that the transfer to their practical realities is limited.

vi   Knowles describes the anecdote in his book "Andragogy in Action" (1984) on how he was introduced to the term in 1967 by Savicevic who had attended his summer classes and told him at the end of a lecture that he was in fact preaching and practicing andragogy, to which Knowles replied: "Whatagogy?" having heard this term for the first time.

vii   Countries such as Germany, Holland (van Gent, 1996), Hungary, Poland, and Yugoslavia had used andragogy and similar terms, such as andragology (Knoll, 1981) in the 19th century, trying to place adult learning and teaching within an overall system and differentiate it from pedagogy, which defined the concept of learning for children and youths. Faculties and chairs exist in many European countries.

viii Brookfield (1984) suggests that Anderson and Lindeman (1927), drawing upon the work of Rosenstock, a German scholar of the early 19th century, used the term as early as 1920. However, most sources (e.g. Davenport and Davenport, 1985) assert that it was Alexander Kapp, a German teacher, who had first used the term in 1933 to describe Plato's educational theory.

ix   There is enormous variation in the literature in just how ethnography is carried out. Rie-
       mer (1977) speaks of "opportunistic research" and according to Van Maanen (1988, p. 9),
       ethnographic reports can also "…appear as retrospective accounts of a distinct period in a
       researcher's life not marked off at the time as fieldwork". This applies here with regard to
       the first three years of note taking in the field.