Building Organizational (Dis-)Abilities

The Impact of Learning on the Performance of Mergers and Acquisitions
Building Organizational (Dis-)Abilities

The impact of learning on the performance of mergers and acquisitions

Het ontstaan van organisationele (on)vaardigheid

De invloed van leren op het succes van fusies en overnames

Thesis
to obtain the degree of Doctor from the Erasmus University Rotterdam by command of the rector magnificus

Prof. dr. R.C.M.E. Engels
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by

Riccardo Valboni
born in Florence, Italy
To Paola
PREFACE

Stephen King, the American novelist, describing how difficult it is to write a long work of fiction once said that it “is like crossing the Atlantic Ocean in a bathtub”. I found this metaphor so funny the first time I read it. Yet, back then I had no idea that these words one day would have felt true, like they did while writing this dissertation. Writing a long work of science, as much as writing fiction, requires an intense mental and physical effort. And if this work is now complete, and I managed to cross my personal ocean, it is thanks to a fervent effort on my part, but also to the great help I received from some wonderful people I encountered along the way. Therefore, before delving into the rest of the manuscript, I feel obliged to acknowledge the help of those who supported me and without whom this work would probably not exist. The first of these people is certainly Prof. Taco Reus. Taco, since we first met, you have gone great lengths to teach me the craft of research. Without you I would probably still be looking for meaningful research questions. I am thankful for all the times you pushed me during these years and for the wisdom you bestowed on me. I know: we still disagree about the difference between a coherent theoretical framework and a mere ‘laundry list’ of variables. I hope that one day we will be able to resolve our little dispute. Second, I want to thank Prof. Arjen Slangen. Arjen, since we started to collaborate you have been a welcoming and reassuring presence in my life. I learned a lot from you. Thank you for the support in developing this work and for having taken my conception of meticulousness to a whole new level. Third, I feel particularly indebted to Dr. Mirko Benischke. Mirko, thank you for the help with the craft of this dissertation and for having invited me to work together. You are a fantastic researcher: the way you work never fails to inspire me. I hope our collaboration will last forever and ever. Fourth, an important figure in my academic path has been Dr. Hein Roelfsema. Since summer 2016, Hein has been my supervisor at the Utrecht School of Economics (U.S.E.) where I have been working as a lecturer in international management (and in a few other things). Hein, perhaps you didn’t realize it, but the trust you placed in me by giving me complete freedom to organize teaching activities has strengthened my self-confidence considerably, and this, in turn, has had important positive influences on the development of this work. Thanks for this and thanks
for showing me the importance of infringing, from time to time, academic conventions. You are a great person and probably the primary cause of my strong attachment to U.S.E.

The years of the PhD I spent at the Rotterdam School of Management have been some of the most intense of my life. During these years I have got to know a whole crowd of people that deeply changed the way I look at things and made me discover more of myself. Several of these people went from being colleagues to being friends, and perhaps they are those who most affected my thinking and being. While they may not have contributed materially to the development of this dissertation (some have), they influenced me and, by extension, my work in countless indescribable ways. I feel indebted to them for their influence, but most of all for their friendship, that I hope will continue for the ages to come. I want to thank you guys one by one to tell you a tiny bit of what you mean to me. Ona, thank you for being the person you are, reflective, deep, savvy, ironic, open-minded. You taught me more than you imagine about what it means to be an intellectual, because you are a true intellectual. Diana – Socia – thank you for sharing office, house, holidays in the wild and all the delights and pains of doctoral education. This long journey wouldn’t have been the same without you. Wendong, thank you for treating me like a friend from day one and allowing me to be part of the great Chinese family (大家庭). I am glad our cultures are so similar when it comes to friendship. I learned so much from you and your Chinese wisdom. Thomas, thank you for being the mix of tenderness and hyper-rationality that you are. I hope during these years to have absorbed a bit of your Germanism. It is thanks to you if I understand cycling not only as a sport but also as an evasion and a way of life. It may not be my way of life, but now I understand it. Rick, thank you for stopping by my office almost every day for a chat as long as I have been in Rotterdam. Your genuine interest in people and their vicissitudes tells a lot of the kind-hearted person you are. Ron, brother, thank you for crossing my path. Getting to know you has been a revelation: our striking similarities in terms of almost everything have taught me much of who I am, or could have been, without realizing it. Samer, unfortunately we met too late to fully enjoy each other’s friendship. Yet, your being unwilling to suppress your values to please others has taught me the importance, and the beauty, of self-respect. Even if one always pays a price for this, this is real freedom.

I would also like to thank all those who, in the years in The Netherlands, have left a mark on me and whose presence I have enjoyed. So, thank you Agnieszka, Alina, Balazs,
Emre, Hendra, Hesam, Ilaria, Ingrid, Kevin, Krishnan, Lameez, Leendert, Luca, Luigi, Maria Rita, Omar, Pengfei, Radina, Roxana, Saeed, Saeedeh, Shara, Silviu, Ying. Thank you for the great moments you have gifted me with.

Like most PhD students, I have been confronted by a number of challenges along the way. If I didn’t give up, and didn’t crack up, during these moments, I owe it to my family that provided me with solid emotional foundations that (surprisingly) always allow me to endure difficult situations and recover fast from temporary defeats. Thank you, Mom, Dad, and Gina: it is thanks to your love and support if I have been able to climb to these heights! No matter how cheesy it might sound, I think I owe a lot of my best qualities also to my grandparents who have (painstakingly) raised me in the years when it was most difficult to have me around. In particular, my grandmother Liliana has been a tremendous example for me. No matter where you are, nonna, a piece of you will always be with me. But family are not only people who are kin to you; family includes also people that as long as they are around nothing can scratch you. These people are certainly not less family than relatives; and you, Giacomo, Filippo, Giulio, Federico, Dario, Giuseppe, Alessio, Tommaso, Caterina, Carolina, Alessandra, Vincenzo, Mirko, Rosanna, Panos, Natalia, Roberta, Valentina are family, blood of my blood. You are the most amazing thing that has ever happened to me.

Finally, my greatest gratitude goes to Paola who has been in the bathtub with me all this time while crossing this ocean. Sbalus, together we have been through storms and sunny days and have been anxiously waiting to see land on the other side. I don’t know how I would have made it without you, really. Without your encouragements and your advice, that I have often ignored, but when I followed brought benefits that last to this day. So far I have been the helmsman of our little boat, the one who has decided where to go. You can take the lead now and know that I will follow you anywhere. The only thing that matters, really, is that we keep paddling together.

Riccardo Valboni

Den Haag, September 2019
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Chapter 1. Introduction

1.1 Learning and the Performance of Mergers and Acquisitions

Since the 1960s, mergers and acquisition (M&A) activity has been on the rise across the corporate world. In the period 2008–2017 companies across the world made an average of 40,774 M&A deals spending an average of $3.2 trillion per year in domestic and cross border acquisitions (KPMG, 2018).

Despite the increase in the value and number of M&A deals, successfully completing a merger and integrating an acquired firm is a remarkably complex process, which often ends in failure. In a recent survey of 1,000 senior managers of multinational corporations (MNCs), the consultancy firm Deloitte found that 40% of executives were not satisfied with the performance of their deals. While many blamed industry downturns for the poor performance of the deals, 32% admitted that M&A deals did not succeed due to “execution gaps” (Deloitte, 2019, p. 14). Barkema and Schijven assess the situation more bluntly: “[Even though] acquirers often know “what needs to be done, […] many firms do not quite seem to know how to do it” (2008: 595). It appears then that many executives need to learn how best to manage the different phases of the M&A process.

Research on M&As suggests that managers learn how to perform M&As in essentially three ways. First, they learn from their individual and firms’ experience. As firms make acquisitions, executives become aware of the requirements and challenges that characterize the different stages of an M&A deal. In the process, managers develop best practices to tackle such challenges (e.g. Ashkenas, DeMonaco, & Francis, 1998; Barkema & Schijven, 2008; Ellis, Reus, Lamont, & Ranft, 2011; Haleblian & Finkelstein, 1999). These best practices are then encoded into organizational routines which provide blueprints and formal procedures that are used to manage subsequent acquisitions—even by managers who were not involved in previous deals (Argote, Beckman, & Epple, 1990). Companies, such as General Electric and Bank One, that often make acquisitions, are known to have a wide set of such formalized routines that staff members follow when engaging in new M&A deals (Ashkenas et al., 1998; Winter & Szulanski, 2001). While codified organizational
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Experience enables managers of acquiring firms to successfully execute M&As, experience can be a double-edge sword: organizational capabilities developed based on past experience may prove harmful in the future. This is because M&A deals tend to be highly specific, i.e., their outcomes depend on the idiosyncratic characteristics of the target and the context in which the target is active (Haleblian & Finkelstein, 1999). Thus, best practices and organizational routines that an acquiring company develops in response to past acquisitions might be inappropriate for managing a focal acquisition if the focal deal differs significantly from previous deals (Finkelstein & Haleblian, 2002).

The second form of learning is contextual. Managers learn how to proceed in a given acquisition by deliberately analyzing the characteristics of the target organization and the relation between their firm and the target (Jemison & Sitkin, 1986). While contextual learning should happen throughout the entire merger process as managers monitor the unfolding of events and implement actions consistent with the scenarios that arise, information gathering is often concentrated at the beginning of a deal—during the due diligence phase. Using information available at that moment, managers articulate the objectives of the acquisition and formulate action plans aimed at attaining such objectives. Yet, the tendency to focalize learning in the earlier stages of the acquisition often gives rise to determinism: the habit to stick to original plans even when such plans do not deliver the expected results. Although qualitative evidence has documented the negative effects of such behavior (Haseslagh & Jemison, 1991), companies often still conceive contextual learning as a discrete, upstream activity rather than a continuous investment to be done throughout the entire course of the deal.

Third, managers learn vicariously, i.e., using information they receive from other parties active in their market environment. Vicarious learning may derive from having direct connections with actors who possess acquisition-related knowledge (Beckman & Haunschild, 2002) and by observing the behaviors of unconnected third parties, such as competitors (see Baum, Li, & Usher, 2000). The importance of vicarious learning has been emphasized in previous studies showing that, by observing others, firms gain valuable insights about when to acquire, what to acquire, and how much to offer for a certain target firm (Beckman & Haunschild, 2002; Baum et al., 2000). Vicarious learning however occurs
only if a firm directs its focus in the right direction, otherwise it may not materialize or, even worse, it might be a source of misleading information (Baum & Ingram, 1998).

Given the importance of learning in enabling the success of M&As, the aim of this dissertation is to extend the existing knowledge on the impact of these three ways of learning—experiential, contextual, and vicarious—on post-merger performance. In the first study (hereafter Study 1), I investigate how a firm’s experience with domestic acquisitions influences the performance of its international acquisitions. By using insights from transfer of learning theory (Gick & Holyoak, 1987; Thorndike & Woodworth, 1901), the attention-based view (Ocasio, 1997) and dynamic capability theory (Teece, Pisano, & Shuen, 1997), I demonstrate that a firm’s domestic M&A capabilities adversely affect its performance in cross-border M&As. Study 1 contributes to the growing literature on the negative transfers of learning in organizations (e.g. Ellis et al., 2011; Halebian & Finkelstein, 1999) which highlights how experience may harm rather than support firm performance.

In the second study (hereafter Study 2), I address the following question: What are the effects of pre-deal target performance on the relation between the top management teams (TMTs) of the target and the acquirer and on post-merger performance? Drawing on the behavioral theory of the firm (Cyert & March, 1963), I argue that poor pre-deal target performance invites acquiring managers to implement organizational changes in the target firm. These changes, in turn, generate task conflict between the TMTs of acquiring and acquired firms, and this conflict has a curvilinear effect on post-deal performance. Notably, while moderate task conflict leads to mutual learning and a positive effect on post-deal performance, too little or too much task conflict leads to either little learning or distracts managers from integration activities and leads to a negative impact on performance. The study underlines how the reaction of acquiring managers to information about the target firm available in the early stage of an acquisition may have unintended consequences at later stages.

In the third study (hereafter Study 3), I focus on the information that acquirers receive from investors and financial analysts at the moment they announce an acquisition. Drawing on information asymmetry theory (Akerlof, 1970), I show that the reactions of these external actors provide additional information to acquirers about the actual value of the target firm. As these signals reduce information asymmetries between the acquirer and the target, they
influence the acquirer’s decision to continue or abandon an initiated acquisition. The study draws attention to the importance of vicarious learning from investors and financial analysts – an issue that has received little attention from M&A researchers.

In sum, although the number and value of acquisitions has reached an all-time high, successful execution of an M&A remains a challenging task. Managers learn to cope with the challenges experientially, contextually, and vicariously. Learning, however, can be a double-edged sword: incorrect generalizations from past experience, and limited attention to information signals during the M&A process may hinder the performance of M&As.

In the rest of the introduction, I provide a more elaborate overview of the three studies that comprise the dissertation. Thereafter, in chapters 2, 3, and 4, I present each study in full.

1.2 Dissertation Overview

1.2.1 Study 1: The Effect of Domestic Acquisition Experience on Cross-Border Acquisition Performance

In the first study titled, “Why domestic acquisition experience often harms foreign acquisition performance” I investigate the effect of a firm’s prior domestic acquisition experience on the performance of its international acquisitions. Several studies pertaining to the international business (IB) domain have argued, and found, that having international experience with a certain foreign expansion mode such as licensing, joint venture, greenfield investments or acquisitions facilitates new internationalization endeavors through the same mode. According to this literature, international experience breeds capabilities that facilitate the process of cross-border expansion producing positive effect on the international performance (e.g. Barkema, Bell, & Pennings, 1996; Basuil & Datta, 2015). Yet, while the literature has made significant efforts to determine the impact of capabilities developed through international experience, scholars have almost overlooked the impact that capabilities developed through domestic experience with a certain expansion mode have on international ventures implemented through the same mode.

In this study I set out to answer this question. Given the dominance of acquisitions as a vehicle of foreign expansion over the last decade, I focus on foreign expansions in the form of acquisition deals. As such, the specific question I ask in this study is “What is the effect of acquisition-related capabilities bred during domestic acquisitions on the ability of a firm
to make *cross-border* acquisitions?” Building on transfer theory of learning (Gick & Holyoak, 1987; Thorndike & Woodworth, 1901), the attention-based view (Ocasio, 1997) and dynamic capability theory (Teece, Pisano & Shuen, 1997), I argue that the effect of domestic experience on international M&A performance is negative. Firms with domestic acquisition experience develop routines that are tailored to the integration of domestic targets (Ellis et al., 2011). Yet, such domestic acquisition capabilities are often ill-suited to the management and integration of foreign targets. By behaving abroad as they did domestically, managers in acquiring firms are likely to violate formal and informal institutional norms in the country of the target firm. This, in turn, leads to problems in the assimilation of the acquired organization, increased costs and reduced post-integration synergies. In line with research on transfers of learning, thus I argue that domestic acquisition experience produces *negative transfer effects* (Cormier, 1987) in the context of cross-border acquisitions.

In the study, I further hypothesize that (1) negative transfer effects are contingent on the involvement of acquiring firm headquarter (HQ) managers that function as a channel for the application of domestic acquisition routines which are often situated at the HQ level (2) the occurrence of negative transfers depends on the heterogeneity of previous domestic acquisition experience. Specifically, a more heterogeneous experience is associated to the development of abilities to adapt learned routines. Yet, while such adaptation sometimes attenuates negative transfer effects, in other circumstances it strengthens them resulting in an even more negative post-deal performance. I test these claims on a sample of 876 cross-border acquisitions undertaken by 520 US-listed firms in the period 2000-2011 and find substantial support for the proposed hypotheses.

The study contributes to scholarship on the learning pitfalls in the context of acquisitions (e.g., Halebian & Finkelstein, 1999) and to IB research by showing the detrimental consequences of transferring domestic experiences internationally.

**1.2.2 Study 2: The Effect of Pre-Deal Target Performance on the Relation Between the Top Management Teams (TMTs) of Merging Firms and on Post-Deal Performance**

In the second study titled, “How pre-deal target performance affects post-deal performance in international acquisitions: The mediating role of task conflict between top management
teams” I investigate the impact of the pre-deal performance of a target firm on M&A post-deal performance. While scholars have studied the impact of targets’ pre-deal performance on important integration decisions, such as the retention of acquired top managers (e.g. Bilgili, Calderon, Allen, & Kedia, 2017; Kini, Kracaw, & Mian, 2004; Martin & McConnell, 1991) and the degree of target post-merger restructuring (e.g. Denis & Kruse, 2000), the relation between the target’s pre-deal performance and post-deal performance has remained poorly understood.

Using insights from the behavioral theory of the firm (Cyert and March, 1963), I argue that this relationship is mediated by task conflict, i.e., disagreements about post-deal decisions, between the TMTs of merging firms. If the target’s pre-deal performance is low, acquiring managers are likely to undertake organizational changes in the target in order to improve its performance. These changes, however, disrupt ingrained processes and power structures of the target and stir task conflicts between the TMTs of the acquiring and target firms. Conversely, if pre-deal target performance is high, managers of the acquiring firm tend to preserve organizational and power structures of the target in order to protect its value generating mechanisms, leading to low levels of task conflict. As a whole, therefore, there is a negative relation between pre-deal target performance and task conflict.

Task conflict, in turn, has a nonlinear (inverted-U shape) relation with post-deal performance. Low levels of task conflict are associated with low post-deal performance as low task conflict implies little interaction across the TMTs. This prevents mutual learning, which is vital for realizing post-M&A synergies (Graebner, 2004). In the same vein, high levels of task conflict are associated with poor post-deal performance because such conflicts divert managers’ attention to interpersonal conflict instead of on the integration process (Loughry & Amason, 2014). A moderate level of task conflict, instead, leads to superior post-deal performance as it fosters the mutual exchange of information that allows executives to realize a more effective integration (De Dreu, 2006).

I find support for these hypotheses in a survey-based study of cross-border acquisitions—a setting in which interactions and collaboration between TMTs of merging companies are particularly important (Shimizu, Hitt, Vaidyanath, & Pisano, 2004). In addition, I hypothesize that the effect of pre-deal target performance on task conflict and on post-deal performance is moderated by the international M&A experience of
the acquirer. In particular, to prevent interpersonal clashes, more experienced acquirers tend to reduce the level of conflict in takeovers of poorly-performing targets. At the same time, being more confident in integrating highly-performing targets more experienced acquirers tend to generate moderate levels of task conflict in these acquisitions. The results show that due to their different way of dealing with the target and its management, experienced acquirers tend to have a better post-deal performance than less experienced acquirers.

This study contributes to M&A research by highlighting the link between a target’s pre-deal performance and post-deal performance. The study also responds to scholarly calls for more research on the “human side” of mergers and acquisitions (Sarala, Vaara, & Junni, 2017) to uncover how emotions and behaviors of actors involved in M&A processes contribute to the creation or destruction of corporate value.

1.2.3 Study 3: The Influence of Market and Financial Analysts’ Reactions on the Decision to Complete or Abandon an Announced Acquisition

In the third study entitled “Analyzing the influence of external information on acquisition completion decisions: The role of market reactions and financial analyst assessments”, I investigate the role played by information derived from investors and financial analysts in reducing the information asymmetry between the acquirer and the target firm. While scholars have been interested in how managers use external information to reduce information gaps when choosing the target firm, researchers have overlooked that information asymmetries continue to exist even when the target has been chosen and the deal announced (Chakrabarti & Mitchell, 2016). Companies however continue learning about the true value of the target by observing the reactions of external actors to the news of the acquisition. Reactions of investors, financial analysts, and credit rating agencies to the acquisition announcement provide important signals about the true value of the acquired firm. Indeed, these market actors often possess privileged information about the target that is unavailable to acquiring managers, and are more efficient at processing public information than the average acquirer is (e.g. Asquith, Mikhail, & Au, 2005; Chung, Frost, & Kim, 2012; Huang, Mian, & Sankaraguruswamy, 2009). As such, their positive reactions provide a signal that the target firm has been correctly valued and that the combination of the companies is expected to produce future benefits. Conversely, negative reactions indicate
that either the target has not been correctly valued or that investors or analysts do not believe the acquisition will bring benefits to the acquirer. By providing extra information to the buyer, these reactions reduce information asymmetries between merging firms thus influencing the buyer’s decision to proceed with or abandon the initiated acquisition. I measure investor reactions using cumulative abnormal returns on the acquirer’s shares (e.g., Halebian & Finkelstein, 1999), whereas to measure the reactions of financial analysts and credit rating agencies I use changes in analyst recommendations, target prices, and credit ratings over the days surrounding the acquisition announcement (Bannier & Hirsch, 2010; Chung et al., 2012; Gerritsen, 2014; Yook, 2003).

The results of the study show that acquiring firms use information derived from investors and financial analysts to decide whether to complete or abandon an acquisition. Yet, as I hypothesize, (1) they do so more when the target is public than when it is private (Capron & Shen, 2007); and (2) they are more responsive to external information when the signals they receive from investors and analysts are concordant rather than discordant.

Study 3 contributes to the M&A literature by showing that managers continue to reduce information asymmetries even after a deal has been announced and use the information they receive to inform their acquisition strategy. The study further suggests that information from investors and financial analysts in the wake of a merger announcement is a prominent source of vicarious learning (Schijven & Hitt, 2012).

Table 1.1 summarizes the three studies in the dissertation.
<table>
<thead>
<tr>
<th>Study</th>
<th>Title</th>
<th>Research question</th>
<th>Type of learning</th>
<th>Theoretical lens</th>
<th>Data source(s)</th>
<th>Design</th>
</tr>
</thead>
<tbody>
<tr>
<td>Study 1</td>
<td>Why domestic acquisition experience often harms foreign acquisition performance</td>
<td>What is the effect of domestic M&amp;A experience on the performance of cross-border acquisitions?</td>
<td>Experiential</td>
<td>Transfer of learning theory</td>
<td>Archival data</td>
<td>OLS moderated regressions on 876 cross-border acquisitions made by 520 US firms from 211 different industries between 2000 and 2011</td>
</tr>
<tr>
<td>Study 3</td>
<td>Analyzing the influence of external information on acquisition completion decisions: The role of market reactions and financial analyst assessments</td>
<td>Do reactions from the stock market and financial analysts influence the likelihood for a firm to complete or abandon an announced deal?</td>
<td>Vicarious</td>
<td>Information asymmetry theory</td>
<td>Archival data</td>
<td>Logit moderated regressions on 1143 acquisitions made by 688 US firms from 235 industries between 2010 and 2013</td>
</tr>
</tbody>
</table>
Declaration of Contributions

In compliance with the requirements of the Erasmus Research Institute of Management, I hereby declare the contributions to the chapters composing this doctoral dissertation.

Chapter 1. This chapter has been developed independently by me, the author of the dissertation. In revising the chapter, I incorporated comments from Prof. Dr. Taco Reus and Dr. Ona Akemu.

Chapter 2. The study presented in this chapter is the result of a joint collaboration between me, Prof. dr. Taco Reus, and Prof. dr. Arjen Slangen. The work on this study started from an initial idea of Prof. dr. Taco Reus which was subsequently extended by incorporating ideas of Prof. dr. Arjen Slangen and mine. As for the material development of the study, I conducted the literature review, the data collection and the statistical analyses, and wrote the first draft of the paper. The first draft was then improved through a series of iterations done by Prof. dr. Arjen Slangen, Prof. dr. Taco Reus and me.

Chapter 3. The study in this chapter is the result of a joint effort between Prof. dr. Taco Reus and me. The initial idea of this study originated from discussions between me and Prof. dr. Reus. Subsequently, I conducted the literature review in preparation for the study, coordinated the data collection, performed the statistical analyses included in the study and wrote the first draft. Then this first draft was improved by Prof. dr. Reus and me. Since the data on which the study is based were collected by means a survey instrument, we benefited from the collaboration of several master students (working under my supervision) in contacting sample firms and obtaining their responses. The survey questionnaire we used, all the work surrounding the implementation of the web-based survey, and a substantial part of the effort of getting in contact with sample companies were done by me and Prof. dr. Reus.

Chapter 4. The study presented in this chapter is the result of a joint collaboration between Dr. Mirko Benischke, Ruben Verdoorn, MSc and me. The initial idea of this project was of Dr. Benischke and was implemented as a trial study in the master thesis of Ruben Verdoorn, who at the time was Dr. Benischke’s student. The study in Chapter 4 is a conceptual and methodological extension of that initial study. In the development of Chapter 4, I conducted the data collection and the statistical analyses, and co-produced the first draft of the paper together with Dr. Benischke. The first draft was then improved by Dr. Benischke and me.
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When making mergers and acquisitions (M&As), managers of acquiring firms often do not know how to execute the different but interrelated phases of the M&A process. In order to become competent at performing M&As, therefore, they need to learn. The M&A literature identifies three modes of learning that are relevant to M&As: experiential, contextual and vicarious. Experiential learning occurs when companies develop M&A-related capabilities during acquisitions, codify these capabilities as organizational routines and deploy these capabilities to improve the performance of subsequent acquisitions. Contextual learning happens when acquiring managers purposively evaluate the characteristics of the target firm and the evolving relation with the target as they make decisions that affect the post-deal performance. Vicarious learning takes place when firms receive information from third party market participants and interpret this information to provide novel insights to make strategic deal-related decisions.

Given the importance of learning in the success of acquisitions, the goal of this dissertation is to expand existing scholarly knowledge on the relation between learning and post-merger performance. The first study in this dissertation investigates the impact of domestic acquisition experience on the performance of cross-border M&A deals. In this study, I show that experience gained while making domestic acquisitions is often harmful if it is applied to cross-border acquisitions. In the second study, I investigate the relation between pre-deal target performance and M&A post-deal performance. I begin with the observation that when the pre-deal target performance is unsatisfactory, the acquirer is more likely to execute organizational changes in the target to increase its performance. Yet, since reorganizations disrupt the target’s structures and power systems, they tend to stimulate task conflict between the top management teams (TMTs) of the firms that in turn affects post-deal performance. I find that while moderate task conflict promotes mutual learning and has a positive impact on post-deal performance, excessively high or excessively low task conflict triggered by extremes (very high or very low) in pre-deal target performance have negative post-deal performance effects. In this study, I argue that actions that appear desirable based on information available during the early stages of an acquisition may cause undesired effects at later stages. In the third study, I examine the role of information from third parties...
in reducing information asymmetry between the acquirer and the target. In particular, I find that upon announcing an acquisition, firms learn from the reaction of investors and financial analysts whether the target firm is mispriced and use this information to decide whether to continue or abandon the deal.
Samenvatting

Bij fusies en overnames weten managers van overnemende bedrijven vaak niet hoe ze de verschillende maar onderling samenhangende fasen van het fusie- en overnameproces moeten uitvoeren. Een leerprocess is daarom nodig voor managers om competent te worden in het uitvoeren van overnames. Volgens de literatuur zijn er drie leerwijzen die relevant zijn voor overnames en fusies: ervaringsgericht, contextueel, en plaatsvervangend. Ervaringsgericht leren vind plaats wanneer bedrijven overname-gerelateerde capaciteiten ontwikkelen tijdens overnames, deze capaciteiten codificeren als organisatorische routines, en deze routines vervolgens inzetten om de prestaties van latere overnames te vergroten. Contextueel leren gebeurt als overnemende managers doelbewust de eigenschappen van zowel het overgenomen bedrijf als de ontwikkelende relatie met het overgenomen bedrijf evalueren, gedurende het nemen van beslissingen die een effect hebben op de prestaties van het bedrijf na de overname. Plaatsvervangend leren vind plaats wanneer bedrijven informatie ontvangen van andere partijen in de markt, en deze informatie interpreteren om nieuwe inzichten te genereren voor het maken van strategische beslissingen gerelateerd aan overnames.

Gezien hoe belangrijk leren is voor het success van overnames heeft dit proefschrift als doelstelling de academische kennis op het gebied van de relatie tussen leerprocesses en overname prestaties te verruimen. De eerste studie in dit proefschrift doet onderzoek naar de impact van ervaring met binnenlandse overnames op het success van grensoverschrijdende overnames. In deze studie demonstreer ik dat het gebruik van ervaring met binnenlandse overnames voor grensoverschrijdende overnames schadelijk is voor de prestaties van het bedrijf na de overname. In de tweede studie onderzoek ik de relatie tussen de prestaties van het overgenomen bedrijf pre-overname en het success van de overname. Ik begin met de observatie dat wanneer het overgenomen bedrijf niet presteert als gewenst, de overnemende partij eerder organisatorische veranderingen doorvoert om betere prestaties te bereiken. Maar omdat reorganisaties de machtsstructuur van het overgenomen bedrijf verstoren, hebben ze de neiging om taakconflicten tussen het top management van beide bedrijven te veroorzaken, wat op zijn beurt weer gevolgen heeft voor het succes van de overname. In het bijzonder vind ik dat een gematigd niveau van conflict een stimuleerd effect heeft op
wederzijds leren, wat de prestaties na de overname verbeterd, terwijl extreem lage of hoge conflict niveaus (vanwege extreem lage of hoge prestaties van het overgenomen bedrijf voor de overname) een negatief effect hebben op bedrijfsprestaties na de overname. In deze studie beargumenteer ik dat akties die initieel wenselijk lijken gebaseerd op de informatie die beschikbaar is tijdens de eerste stages van de overname potentieel een ongewenst effect hebben in de latere stages van de overname. In de derde studie kijk ik naar de rol van informatie van derden in het verminderen van assymetrie in kennis tussen overnemende partij en overgenomen partij. In het bijzonder vind ik dat na de aankondiging van een overname, bedrijven leren van de reacties van investeerders en financieel analysten. Ze gebruiken deze reacties om te achterhalen of het betaalde bedrag voor het overgenomen bedrijf mogelijk te veel of te weinig is, en besluiten op basis hiervan of ze de overname door willen zetten of af willen breken.
About the author

Riccardo Valboni (Florence, 1983) received a MSc in Economics and Management of International Markets and New Technologies and a BA in Business Administration from Bocconi University, Milan. He joined the Rotterdam School of Management (RSM) in September 2011 where his research has been funded by the Erasmus Research Institute of Management (ERIM). Since 2014 he has been working under the supervision of Prof. Dr. Taco Reus to advance our understanding of the relation between learning and the performance of large mergers and acquisitions (M&A). Riccardo’s research has been published in the *Journal of Management Studies* and has been presented at various international conferences including the Academy of Management Conference and the Strategic Management Society Conference.

Prior to his doctoral education, Riccardo held a position as a patent licensing officer at a multinational pharmaceutical corporation in Luxembourg. Since September 2016, Riccardo has been working as a lecturer and research fellow at the Utrecht School of Economics (U.S.E.).
Portfolio

PUBLISHED PAPERS


WORKING PAPERS

Home-grown learning disabilities: The role of domestic acquisition experience on cross-border acquisition performance. With Taco Reus (RSM) and Arjen Slangen (KU Leuven). Stage: Final drafting. Target: *Strategic Management Journal*

Analyzing the influence of external information on acquisition completion decisions: The role of market reactions and financial analyst assessments. With Mirko Benischke (RSM). Stage: Data analysis. Target: *Strategic Management Journal*


CONFERENCE AND PDW PRESENTATIONS

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<td>Journal of Management Studies PDW</td>
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## TEACHING EXPERIENCE

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<td>Utrecht School of Economics</td>
<td>4.0/5 (2017-2018), 4.0/5 (2016-2017)</td>
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<td><strong>Lecturer</strong></td>
<td>Research Methods (Research Project in International Management)</td>
<td>Utrecht School of Economics</td>
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<td>Strategic Business Planning</td>
<td>Rotterdam School of Management</td>
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**Bachelor thesis supervisor**  
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Rotterdam School of Management  

**Teaching assistant**  
Human Resource Management (HRM) (2010-2011); Industry Analysis (2010-2011); Business Administration (2009-2010, 2010-2011)  
Bocconi University, Milan

### GRANTS AND AWARDS

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<td>2017</td>
<td><em>Research Prize (Best Paper Award)</em>, Utrecht School of Economics (€1k)</td>
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