Olimpia Meglio
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Foreword by David R. King

Strategic Decisions and Sustainability Choices

Mergers, Acquisitions and Corporate Social Responsibility from a Global Perspective

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With Contribution by Svante Schriber

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Foreword

Mergers and acquisitions (M&As) are a pervasive organizational phenomenon. For example, the length of time that firms are listed in the S&P 500 continues to shrink due to technology change and acquisitions with 27 firms replaced in the list just during 2017. Additionally, the annual dollar value of M&A activity rivals the gross domestic product of major nations. Meanwhile, compared to the frequency and dollar value of M&As, research provides limited and largely fragmented insights into M&As and their impact on organizations and society.

The majority of M&A research focuses on the market's reaction to an acquisition announcement, or the interests of the acquiring and the target firm shareholders. Generally, target firm shareholders gain and acquiring firm shareholders experience slight losses, but reactions and subsequent outcomes can vary widely. This reflects that the market reaction at acquisition announcement is only an expectation of M&A value creation or destruction. Actual value creation or destruction occurs during integration, and the process of combining two previously separate organizations can take several years and it is inherently uncertain.

One reason for uncertainty is that multiple stakeholders beyond shareholders are impacted by and can influence acquisitions. For example, employees can resist organizational change or simply leave a combining organization for competing firms. Additionally, competitors can take actions, including lowering prices, to limit the benefits initially planned from an acquisition. Disruptions to customers can also provide an opening for competitors to steal customers following an acquisition, contributing to most firms losing market share following an acquisition. While M&A research has begun to consider additional stakeholders, research continues to largely examine stakeholders in isolation. For example, employee and customer turnovers have been examined separately, but the topics likely relate. Particularly in service industries, the loss of employees may drive a loss of customers.

Beyond the industry environment where M&As occur, another impact of globalization is that the majority of M&A activity is now cross-border. This increases the complexity of stakeholders involved and the potential for miscommunication or government intervention. For example, over 100 countries now have antitrust laws and, in 2018, China denied an acquisition by Qualcomm (US) of NXP Semiconductors (Netherlands). This reflects that global competitiveness drives M&As, as well as associated complexity in managing the process of completing and integrating an acquisition.

The current book takes an important step in understanding the complexity M&As present by undertaking a more explicit consideration of stakeholders that also enables integrating associated research. For example, the failed acquisition of NXP Semiconductors by Qualcomm reflected increased challenges of geographic distance and national languages before considering the interests of different governments. This reflects that M&As need to consider the multinational institutional environments where they occur. For example, after gaining government approval for an acquisition, combining firms confront different legal structures and expectations on employee protections, accounting, and corporate responsibilities. In addition to fiduciary duties to shareholders, there is growing recognition that managers at firms need to ensure their firms are socially responsible.

The need to consider profits, people, and the planet, firms increasingly consider more than economic impacts of their actions to also consider social and environmental implications. Generally, this is referred to under the umbrella of corporate social responsibility (CSR). CSR provides more explicit consideration of a wider variety of stakeholders than shareholders, and it represents a distinct research stream from M&As. However, M&A research could benefit from an integration of different perspectives. This book represents an important step in developing previously unexplored connections between M&As, stakeholders, and CSR.

In outlining a three-stage framework associated with mapping, managing, and measuring stakeholder impacts, the book provides an integrating framework to discuss aspects where related ideas that impact M&As can be considered. While only considering shareholder concerns limits the potential value that can be achieved by an acquisition, the diversity of potential stakeholders to consider threatens to be overwhelming. As a result, mapping stakeholders allows managers to identify and focus attention on the most relevant stakeholder groups. Next, appropriate strategies and communication need to occur with identified stakeholder groups to manage their reactions to an acquisition and its implementation. The resulting goal is to garner an increase in the realized gains from potential gains available at the start of an acquisition by identifying and continuing to track stakeholder concerns across the lengthy process of initiating, completing, and integrating an acquisition.

A motivation behind the ideas developed within the pages of the book relates to understanding that gains extend beyond combining firms. For example, managers often justify acquisitions as providing greater value to consumers. By explicitly considering wider stakeholder groups, a better understanding of the performance impacts of M&As is possible. For example, economists have argued that the overall impact of M&As is positive as gains to target shareholders and more efficient use of resources offset losses by acquiring firm shareholders. However, one reason this has not been consistently examined by research relates to methodological challenges of how to measure stakeholder impacts. Again, the book provides a useful reference for addressing this challenge and broadening what is considered by M&A research. Relevant application of developed ideas and research methodologies is then demonstrated with information relating to an acquisition program of a logistic company that grew from a regional to a global reach.

Overall, the combined result of the book is outlining a new focus of M&A research that offers the opportunity to better understand this phenomenon and for firms and society to increase the benefits from high levels of global M&A activity. This is reinforced in the concluding chapter of the book that outlines areas of future research. New perspectives are needed in M&A research, and this book develops novel ideas in how our understanding of M&A and acquisition implementation can advance.

Tallahassee, FL, USA
20 October 2018

David R. King

Preface

Companies typically aim to expand. In order to achieve this aim, they rely on a repertoire of organic and non-organic solutions, the latter including mergers and acquisitions (also M&As or acquisitions). M&As continue to grow in number and frequency and are frequently preferred to organic options for being faster and more effective means to acquire resources and capabilities that would be too costly to develop internally. The latest figures point to M&As having returned to levels previously seen only before the 2007 global financial crisis, although now the majority of transactions involve companies from different countries. As a consequence, acquisitions are reshaping industries, affecting our lives as consumers, employees, stockholders, or any of a range of stakeholders. It is not too bold to state that we live with and by acquisitions.

All these characteristics reflect the complexity of these deals and justify the tremendous attention acquisitions have received from scholars from financial economics, organization behavior, and strategic management, just to mention a few of the many fields participating in acquisition research. This array is not surprising as the combination of two different firms leads into numerous issues to investigate and multiple variables or models to test in various empirical settings. Despite such complexity, only a few major players—shareholders and the top management—have dominated the conventional discourse. The remaining stakeholders have received scant attention in existing research. As a result, acquisitions are depicted as serving primarily the interests of shareholders and top management. Employees, suppliers, or customers represent means to this end, and other stakeholders, such as middle management, local communities, or even the environment (if we venture beyond the anthropomorphic research), have remained mainly voiceless.

There are exceptions to these portrayals. Among academics, there are some who advocate for enlarging the domain of analysis of acquisitions to include stakeholders other than shareholders. Specifically, Nordic scholars have suggested analyzing acquisitions as multi-stakeholder deals. This perspective builds upon the investigation by scholars of business and society of the impact of acquisitions upon corporate stakeholders' practices. However, the dialog between these fields and perspectives has not flourished, and stakeholders other than shareholders typically receive little attention in the existing acquisition research. We therefore contend that there is a surprising shortage of analyses of the multitude of stakeholders affecting or who are affected by acquisitions, and we believe it is time to remedy this state of affairs.

In parallel, globalization has triggered multiple changes that impact on the conduct of companies. There has been a change in the division of labor between the political and economic spheres and a corresponding increase in the political roles and responsibilities of corporations in a global society. The decreasing power of nation-states and the corresponding transformation of the power, roles, and responsibilities of multinational companies (MNCs) have favored the emergence of a world with many centers of authority and control. Today, corporations playing on a worldwide scale interconnect with many actors and places and must cope with often contradictory legal and societal demands from a wide range of institutional and cultural environments. This new scenario evokes reflections on notions of power and responsibility across different actors and arenas, such as in both public and private spheres and in for-profit as well as not-for-profit domains.

Seen in this light, the narrative of the existing research portraying acquisitions as the realm of shareholders appears inadequate to cope with such complexity and to provide a convincing explanation of why acquisitions succeed or fail. In this light, even the traditional measurement focus on financial market reactions to acquisition announcements, within a very short event window, becomes meaningless. If companies need to redefine their roles and responsibilities in society, then acquisition research should reflect on how to incorporate these issues—in the questions to ask, the theoretical lenses to apply, or the methods to employ. Most importantly, it is time to investigate the social impact of M&As, on whom and over what time horizon. In other words, we believe the time has come to enlarge the domain of analysis of acquisitions beyond the traditional stakeholders' perspective.

That we are on the right track is also emphasized by the practice of M&As depicting stakeholders and corporate social responsibility (CSR) issues as gaining increasing importance in acquisition processes. Acquisition motives encompass seeking for targets with an established social conscience as the Unilever-Ben & Jerry's case demonstrates. This is only one among many examples, which we also present and discuss throughout this book, that testifies to the increasing importance of enlarging the domain of analysis of M&As to include a broader array of stakeholders. The recognition of the impact of acquisitions on a multitude of interests, which in turn affect how acquisition processes unfold, represents an untapped potential in the literature. This is what this book is about and also our rationale for embarking into such a research endeavor. In addition, CSR programs and initiatives are a means of gaining legitimacy through internationalization strategies. As companies expand and internationalize, they encounter diverse institutional contexts with competing demands and expectations. CSR provides a means of addressing and encompassing these interests within an overarching context of stakeholder outreach on a global scale, customized into different national institutional environments. These unique national customizations provide the local legitimacy within the global perspective.

With our analysis we go beyond the traditional view that sees the balance between shareholders and stakeholders' interests as a corporate governance matter. Having recognized the political role companies, and MNCs in particular, play in the global arena, we deem it important to position our analysis of CSR issues within different institutional settings. Institutional influences have been already investigated in international

M&A transactions. We take the perspective that CSR enactment cannot be fully explained by organizational-level choices, but rather CSR program development involves institutional influences conjoined with social responsibility goals and practices This logic stems from the awareness that acquisitions more and more represent a vehicle for spreading CSR issues across the globe—and there is 'no one size fits all' formula. CSR needs to be customized to the institutional setting because acquisitions do not take place in a *vacuum*, but rather are embedded in institutional settings. While our emphasis is on multinational companies, our considerations apply also to smaller or less internationalized companies, as they can be targets of acquisitions and can also sometimes expand and become ongoing acquirers themselves.

In this book we therefore acknowledge the interrelationships among acquisitions, CSR, stakeholders, and institutional settings. We provide examples from across the globe to render the variety and richness of solutions that companies acquiring other companies experience worldwide. We additionally offer first-hand empirical evidence about a fascinating institutional setting—in the Arabian Gulf region—which provides an exemplar of interconnection between programmatic acquisitions and CSR.

This book is also in itself a dialog between the two of us, a dialog that, over time, brought the intersection of strategic expansion and CSR to the fore. The book originates from this ongoing dialog and represents only part of a broader research endeavor we are conducting together in conjunction with other colleagues. As such, the book intends to raise questions and provide only provisional answers, as is typical of a journey with stops along the way. Each chapter can be conceived as a set of questions that the chapter attempts to answer by bridging different research streams and contributing to the ongoing conversation among scholars from different fields.

The book is organized into three different parts: each stands on its own, but together they more fully convey the nuanced interrelationships among expansion strategies and acquisitions in particular, CSR and institutional settings. We, as authors, come from and have experienced different institutional contexts that inform the way we address issues and our respective writing styles. Olimpia Meglio wrote the five chapters in

Part I, Kathleen Park wrote the three chapters in Part II, and we jointly provide prefatory and concluding remarks. Eminent M&A scholar David King has written the Foreword. In Part III of the book, we host a Nordic perspective, with Svante Schriber offering insights on how to move the M&A and CSR research agenda onward and upward. Our aim is to provide a polyphonic account of the M&A-CSR topics.

To help the readers navigate the book, we conceive chapters as primarily answering **why**, **how**, **where**, and **what** questions. Specifically, Chap. 1 focuses on **why** it is important to include stakeholders and CSR issues in the analysis of M&As. The ensuing four chapters are all devoted to analyzing **how** questions. Chapter 2 aims at identifying **how** stakeholders' social issues influence and are influenced by acquisitions. Chapter 3 focuses on **how** to handle the relationship with stakeholders and related social issues along the acquisition process. Chapters 4 and 5 are concerned with methodological issues: **how** to measure the multiplicity of outcomes arising from acquisitions and **how** to investigate these issues. These are two distinct, intertwined, research problems that have shaped the debate about how to advance the M&A field from the 1980s to the present date.

Part II is primarily devoted to answer **where** and **what** questions. The **where** refers to the comparison of different institutional settings, and the **what** refers to CSR policies adopted in these settings. Specifically, Chap. 6 provides an analysis of CSR, acquisitions, and institutional contexts around the world. Chapter 7 analyzes CSR in practice based on an exemplar firm, Agility, that has pursued a global acquisition strategy and contemporaneously developed a global CSR program. Chapter 8 assesses M&As and CSR in both developed and developing economies toward surfacing a strategic convergence spanning levels of economic development.

In Part III, Svante Schriber lays out a research agenda for the future. His analysis extends from M&As to other strategic growth options. It also involves a rethinking on how strategic decisions are taken, how they are executed, and how performance is measured. In Chap. 10 we elaborate upon our own reflections on a research agenda by outlining the responsibilities of scholars who actively shape the acquisition research agenda and will continue to do so in the future. We encourage scholars, along with editors and reviewers, to pursue novelty over conformity and favor methodological pluralism over unitary research approaches.

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Last, but not least, a heartfelt thank you goes to our families for being patient all the times we were absent or elsewhere, even when we were at home. This book is for you, with all our love.

Benevento, Italy — Olimpia Meglio
Boston, MA, USA — Kathleen Marshall Park
October 2018

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Part I

Expansion Strategies and Responsibility Issues

1

Mergers and Acquisitions: Advancing an Institutionally Embedded Stakeholder View

Olimpia Meglio

Abstract Mergers and acquisitions represent a popular strategic choice companies rely upon to respond to external complexities and reconfigure business models. So far, scholars have been primarily concerned with their effects on shareholders. Their centrality represents a common thread in existing research that relies on shareholder value as a metric for gauging acquisition performance. However, acquisition practice provides a different paint with stakeholders other than shareholders playing a role. In this chapter we suggest to enlarge the domain of analysis by applying the stakeholder view and incorporating institutional settings. We therefore propose an institutionally embedded stakeholder view of acquisitions. We also discuss implications upon corporate social responsibility.

Keywords Mergers and acquisitions • Shareholders • Stakeholders • Shareholder value • Acquisition performance measurement • Stakeholder theory

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1.1 Introduction: How Acquisitions Are Changing Our Lives

Mergers and acquisitions (M&As or acquisitions) represent a popular strategic choice companies rely upon to adapt to changing environments, reconfigure resources and capabilities, or renew business models (Capron & Mitchell, 2012). Despite frequently reported high failure rate (Risberg & Meglio, 2012), figures indicate that they continue to grow in frequency and volume involving mature and nascent industries as well as emerging and developed countries across the globe. In 2017, global M&As fell just short of previous years: Cross-border activity has once again been a key component and the technology sector has reached its highest annual deal count on Mergermarket (2018) record (since 2001). The year 2018, Bloomberg reports, has been the best start for overall global M&A activity, since 2000 (Forbes, 2018).

Mapping completed acquisitions has attracted scholarly interest over time. Scholars identify 'M&A waves' according to peculiar financial, economic, or sociocultural bases (Alexandridis, Mavrovitis, & Travlos, 2011). Different peaks in the history of M&As have different foci. While in the 1960s and 1970s, diversification and the creation of conglomerates were common reasons for acquisitions (Schleifer & Vishny, 1990), in the late 1990s and early 2000s acquisitions were more horizontal and international in scope (Öberg & Holtström, 2006). In a reconstruction of the seven merger waves in the time span 1895–2017, Park and Gould (2017) outline how US acquirers dominated the first three waves, while European and Japanese firms increasingly entered the international M&A arena from the fourth wave onward. Since the fifth wave, the diffusion of economic power across a broader range of countries has heightened opportunities for emerging multinational companies (EMNCs) to compete globally, and firms from emerging economies—such as China, India, or the Arabian Gulf states—have become prominent players in the worldwide market for corporate control (Luo & Tung, 2007; Madhok & Keyhani, 2012; Nair, Demirbag, Mellahi, & Pillai, 2017). We can conclude that acquisitions have been and continue to be an important means for globalization.

The new scenario has several implications. The first is that the shape of global economy and the boundaries of entire industries on a worldwide scale have been significantly affected by acquisitions. However, acquisitions' consequences extend from economic to societal concerns. Not only do acquisitions influence the intensity of competition among companies and modify how they compete through innovative business models, they also affect individual lives of consumers, employees, or community members. Each of us is exposed to news about acquisitions on a daily basis. Any of us, at least once in a life, has been involved in an acquisition, as a customer, as an employee, as a relative or friend of, or as a member of a local community. Acquisitions are disruptive events in peoples' lives and the analyses about their impact on the salary level, the employment rate, and the living conditions of communities document these effects (cf. Daniels, 1993). Today, we can easily claim that we live with and by acquisitions.

The second implication is that new institutional settings have come to play a role in the global arena. An institutional setting can be understood as the intersection of social, legal, and economic factors (Beck & Levine, 2008). We contend that the institutional setting influences the dynamics of acquisition processes as well as the multiplicity of outcomes acquisitions produce. Despite the importance of institutional settings, 'institutional theory has been remarkably absent from M&A research' (Ferreira, Santos, de Almeida, & Reus, 2014, p. 2556). This is an unfortunate circumstance as institutional theory (Tolbert & Zucker, 1999) could fruitfully illuminate how institutions influence the ways value is created and distributed through acquisitions (Maas, Heugens, & Reus, 2018), whether institutions allow executives and other stakeholders to engage in M&A activity for self-serving reasons (e.g., Deutsch, Keil, & Laamanen, 2007) or whether M&As are an efficient vehicle for diffusing proactive corporate social responsibility (CSR) practices throughout the network of subsidiaries of multinational companies (MNCs) (Roth & Morrison, 1992).

1.2 The Impact of Globalization on M&As

Acquisitions have largely contributed to making the world global. Companies crossing national boundaries to pursue acquisitions have played a central role in accelerating the globalization process. Yet, acquisition scholars have largely neglected to analyze the effects of globalization on acquisitions. The debate about globalization is lively among academics from different disciplinary domains. Scholars from international law (Kinley & Tadaki, 2004), politics (i.e., Cutler, 2001), anthropology (i.e., Appadurai, 2000), sociology (i.e. Giddens, 1990), economics (i.e., Dunning, 2005), or management (i.e., Scherer & Palazzo, 2011) have over time contributed to identify issues arising from such a process. Different conversations have been underway within different communities of scholars. Making a review of all those is beyond the aim and scope of this monograph. Still, we deem it important to identify and briefly analyze the opportunities and threats arising from this new state and discuss what the implications might be for the companies pursuing acquisitions.

According to Scherer and Palazzo (2011, p. 901), 'Globalization can be defined as a process of intensification of cross-border social interactions due to declining costs of connecting distant locations through communication and the transfer of capital, goods, and people.' They further contend that this process creates new opportunities and threats for companies as a consequence of increasing transnational interdependence among economic and social actors. Consequences extend beyond an intensified competition: That the world is globalized means that companies no longer operate within the comfort zone of national closed borders (Scherer & Palazzo, 2011): Neither are they affected by the constraints of national closed borders. As a result, where there used to be state monopolies, there are now liberalized and deregulated global markets. Obviously, these conditions have produced a multitude of effects in different spheres.

In the business domain, globalization has exacerbated competitive pressure companies face and pushed companies to cut costs and increase profitability to meet their investors' demand for higher returns. In parallel, globalization has also opened up new money-making opportunities by entering new markets or cutting cost opportunities by splitting their value chain and shifting activities to low-cost locations. Acquisitions represent an effective means to reap these benefits. Thus, acquisitions have favored globalization and vice versa.

In the political and social spheres, the portrait becomes more complex. On the global level, neither nation-states nor international institutions alone are able to sufficiently regulate the global economy and provide public goods on a global scale (Kaul, Conceição, Le Goulven, & Mendoza, 2003). The decline in governance capability of nation-states is partly compensated by the emergence of new forms of global governance above and beyond the single states. Global governance, seen as the process of defining and implementing global rules and providing global public goods, should be now conceived as a polycentric and multilateral process to which governments, international institutions, civil society groups, and companies contribute by identifying priorities, finding solutions, and allocating resources (Braithwaite & Drahos, 2000). Unlike national governance, global governance rests on voluntary contributions and weak or even absent enforcement mechanisms. Under these circumstances, public issues that once were covered by nation-state governance now fall under the discretion and responsibility of corporate managers. International organizations, civil society groups, and private businesses in cooperation with state agencies, or even without their support, have started to voluntarily contribute expertise and resources to fill gaps in global regulation and resolve global public goods problems (Braithwaite & Drahos, 2000). Matten and Crane (2005) observe that in the course of this development, some companies have even begun to assume a state-like role, often in response to non-governmental organizations' (NGOs) pressures, to close gaps in regulation.

Faced with such a complex and multi-stakeholder scenario, many companies have started to take on the responsibility to protect, enable, or implement citizenship rights, which have originally been considered the sole responsibility of the state and/or national agencies (Marshall, 1965). An important role in pushing companies toward non-economic responsibilities is also played by international bodies, such as the United Nations (UN), whose Global Compact has been subscribed by thousands of companies on a voluntary basis. Companies—some scholars contend—are now important political actors in the global society (Matten & Crane, 2005; Scherer & Palazzo, 2007). Not only do they influence politics via lobbying, they are themselves political actors and contribute to create their own institutional environment (Barley, 2007). In other words, companies are assuming social responsibilities.

The globalization has also made crises global. With the advent of the new century, two major blows to the public trust in business as an institution took place. Corporate scandals—Enron or WorldCom being just a few prominent examples—reinforced the idea that companies and corporate executives care little for ethics, in their pursuit of profit. At the end of the first decade of 2000, during the global financial crisis, there has been a confluence of factors—in the housing market and secondary financial markets—that again reinforced the breach of trust into companies and financial institutions. Both crises signal that managerial actions may affect and actually do affect a broad range of people all over the world (Clement, 2005). Additionally, they underscore that the pursuit of corporate objectives can be easily disrupted by the actions of groups and individuals (Parmar et al., 2010). These challenges reveal a need for managers and academics to rethink the traditional ways of conceptualizing the responsibilities of the firm and its implications on decision-making processes. The stakeholder view with its implications on CSR issues provides an integrated perspective.

The implication is that companies performing acquisitions to globally expand should be cognizant that the global arena cannot be understood by using traditional theoretical lenses, such as the shareholder view, but alternative lenses are necessary to navigate this complexity. In the next section we propose to enlarge the domain of analysis of acquisitions, including stakeholders other than shareholders, and institutional settings.

1.3 From a Shareholder- to a Stakeholder-Centric Perspective to M&As

The Shareholder Imperative in Acquisitions

Paralleling its practical importance, in both monetary and strategic terms, acquisition activity has increasingly attracted scholars from different academic fields—spanning from financial economics to strategic management. The portrait emerging from the received literature depicts acquisitions as complex processes (Cartwright & Schoenberg, 2006;

Jemison & Sitkin, 1986): That two formerly independent companies merge provides a seemingly inexhaustible ground for investigation. Pre- and post-acquisition issues have been under scrutiny, from target selection (Capron & Shen, 2007) to cultural integration (Nahavandi & Malekzadeh, 1988), spanning the individual, the group, or organizational level of analysis. Existing studies have employed different theoretical lenses and methodological approaches (Cartwright, Teerikangas, Rouzies, & Evered-Wilson, 2012), focusing on a vast array of issues and researching different settings such as MNCs (Wilson, 1980) or EMNCs (Park, Meglio, Bauer, & Tarba, 2018), manufacturing industries such as the defense (Anand & Singh, 1997), or service industries such as the banking (Zollo & Singh, 2004).

Although acquisition literature appears fragmented into a myriad of issues, empirical settings, or research methods, a common thread unifies the majority of the studies: the interest in measuring acquisition performance (Meglio & Risberg, 2011). So far scholars have been primarily concerned with the question of how acquisitions perform (cf. Bruner, 2002). In this monograph, we would like to zoom out from the substantive preoccupation of how acquisitions perform and analyze what is measured as acquisition performance. In line with Meglio and Risberg (2011), we observe that cumulative abnormal returns (CAR) represents a standard metric. That performance is conceived as financial performance and is measured as the reaction of financial markets to the announcement of the deal (often within a very short event window—from three to nine days) points to a primacy of shareholders' interests. It also reveals that acquisitions are painted as the realm of shareholders, a metaphorical battleground where shareholders from the acquiring and the target companies fight to appropriate the value created by the deal or both fight against managers when their choices are driven by self-serving interests (Meglio, 2015). Empirical results often point to that target shareholders gain from an acquisition at the expense of acquiring company shareholders. This circumstance signals that premium prices paid by acquiring companies often is not compensated by synergies or other benefits arising during the integration process, making the acquisition often not worthwhile (Bruner, 2002; Sirower, 1997). From this, we can conclude that M&A research is primarily informed by shareholder theory (Friedman, 1970).

The shareholder theory stipulates that shareholders are the most vulnerable of the corporate stakeholders. Being residual claimants—satisfying shareholders is only possible if all of the other constituencies have been satisfied, at least to the extent of their contractual claims—they are entitled to payment. Maximizing shareholder value is also an effective means to maximize societal wealth. This is position expressed by Milton Friedman, in a widely cited 1970 article, who sees one and only one social responsibility of business—to use its resources and engage in activities with the only aim to increase its profits. Each means is permitted in conditions of open and free competition, but deception or fraud.

When applied to the acquisition context, the shareholder theory proposes that acquisitions should not deviate from shareholders' returns. As a consequence, shareholders' returns is THE metric to gauge how acquisitions perform. Acquisitions, especially in a capitalism dominated by public companies, are sensitive to the issues investigated under the banner of 'principal-agent' conflicts. Jensen and Meckling (1976) examine situations where executives fail to maximize profits unless the shareholders invest their time and money in creating appropriate incentives to do so and monitor the resulting behavior. The recognition that in contexts where ownership and management are separated, in presence of incomplete contracts and monitoring costs (Hart, 1988; Jensen, 1986), managers might not be maximizing profits but rather pursue self-serving interests has paved the way to the idea that takeovers might serve as a disciplinary mechanism.

The market for corporate control (Hogarty, 1970; Jarrell, Brickley, & Netter, 1988) has been seen as an effective tool to deal with managerial hubris and bring back to the right track poorly managed companies (Roll, 1986). This view reflects and reaffirms the primacy of shareholders over stakeholders. This also explains why many corporate raiders during the 1980s bought stock of companies they considered undervalued, jettisoned the existing management, and often dismantled the companies (Smith, 2003). Unfortunately, results are at best the ambiguous and the often reported high failure rates (Risberg & Meglio, 2012) contradict the idea that hostile takeovers should lead to long-term gains. However, the prospect of such takeovers seemed to have made more problematic for executives to acknowledge publicly anything other than the shareholders' primacy or to behave in any manner that could lead to nonoptimal returns to shareholders.

In the M&A field, the primacy of shareholders is reproduced through published research. Scholars actively contribute to the research agenda in the M&A field (a position that we develop later in this book) by pointing to market-based measures as THE measure for M&A performance (Meglio & Risberg, 2011). Outside the academic domain, if we dig into the gray literature (Adams, Smart, & Huff, 2017) or in the business press, the picture changes and the range of stakeholders affected by acquisitions include local communities, employees, or customers. Benefits accruing to these individuals or collectives are generally given broad coverage and comparable to that reserved to shareholders' ones, signaling that a change of perspective is underway. This indicates an increasing recognition that stakeholders matter in acquisition processes.

Enlarging the Domain of Analysis: Stakeholders and CSR

From Freeman (1984) onward, the notion of stakeholder has become central in the strategic management literature. Some scholars debate whether or not it has gained the status of a theory, with opponents and proponents providing ground against and for such a status, respectively. We second Parmar and colleagues (2010) who conceive this theory as a framework, that is, a set of ideas from which theories can be generated. Stakeholder theory describes companies as constellations of cooperative and competitive interests possessing intrinsic value (Donaldson & Preston, 1995) and asserts that managers have a duty to both the corporation's shareholders and stakeholders. Stakeholders, individuals, or constituencies hold stakes in a company but also bear potential benefits and/or risk (Freeman, 1984).

The idea of different actors or coalitions influencing the conduct of a company dates back to the idea of dominant coalitions advanced by Cyert and March (1963) and further developed by Hambrick and Mason (1984) who focused on top management teams. In parallel, Mintzberg (1983) elaborated upon the idea of internal and external coalitions and identified configurations of power.

The stakeholder theory reverses the means-ends relationship of shareholder theory and asserts that stakeholder interests should be considered as an end in themselves (Parmar et al., 2010). While both shareholder and stakeholder theories recognize the existence of different stakes, the latter demands that interests of all stakeholders should be considered even when they sacrifice company's profitability. Stakeholders and social responsibility are strictly intertwined.

Despite general consideration for stakeholders in the business press and practice, they have been mainly kept at the margins of the M&A discourse (Hitt, Harrison, & Ireland, 2001). Stakeholders have been frequently investigated in isolation; others have been overlooked such as the environment. Furthermore, even when they have received attention, stakeholders have not been treated as such. For instance, employees have been considered as tools or victims in the acquisition process (Schriber, 2012). In the business and society domain, Waddock and Graves (2006) address the impact of acquisitions on stakeholders' practices. In line with the resource-based view, they posit that such relationships become crucial when they are rare and inimitable. However, their findings suggest that stakeholder practices do not play a key role into M&A decisions (Waddock & Graves, 2006). More recently, scholars have proposed to investigate acquisitions as a multi-stakeholder deal, thereby offering an integrative and comprehensive framework to assess the impact of acquisitions on different stakes and stakeholders (Anderson, Havila, & Nilsson, 2013; Bettinazzi & Zollo, 2017). Building on these contributions, we propose to adopt a stakeholder perspective to investigate deals as being influenced by and influencing different stakes. We add depth and granularity to this perspective by recognizing that stakes are neither constant nor monolithic (Meglio, 2015). Additionally, we explore the consequences upon CSR choices (see Part II in this monograph).

Stakeholders and Social Responsibility in Acquisitions

Acknowledging that companies should be responsible toward a range of stakeholders, beyond the shareholders, calls into questions issues of CSR. Scholars have studied firms' social concerns for many decades (cf., Bowen, 1953; Cochran & Woods, 1984; Davis, 1973) but only recently the interest in CSR has become common (cf. Carroll, 1999; Crane & Matten, 2004; Wagner, Lutz, & Weitz, 2009). CSR refers to discretionary corporate actions designed to improve social welfare while enhancing corporations' relationships with their stakeholders (Barnett, 2007). CSR often encompasses environmental sustainability issues. Although Bansal and Song (2017) provide a thorough analysis of the differences between the two constructs, in this monograph we include sustainability issues under the rubric of responsibility choices. Today CSR also represents a growing market segment for mainstream strategy consulting and auditing firms such as Deloitte, KPMG, and McKinsey.

Despite its prominence in the management discourse and the reviews published so far (e.g., Lindgreen & Swaen, 2009; Margolis & Walsh, 2003; Orlitsky, Schmidt, & Rynes, 2003), CSR literature remains highly fragmented and 'parallel and sometimes confusing universes exist' (Waddock, 2004, p. 5). CSR can be conceived either as a contested (Okoye, 2009) or as an umbrella concept (Hirsch & Levin, 1999), under which different conceptualizations coexist (e.g., Carroll, 1999; Waddock, 2004). Anguinis and Glavas (2012) highlight that scholars study CSR through different disciplinary and conceptual lenses (Carroll, 1999; Garriga & Melé, 2004; Waddock, 2004) often at the macro level (i.e., institutional or organizational level) rather than at the micro level (i.e., individual level) of analysis. Traditionally, CSR has been investigated as shaped by exogenous influences, such as legal or other institutional arrangements (Kacperczyk, 2009) or the capacity of stakeholders to control resources (Pfeffer & Salancik, 1978). In other words, the explanations go from the outside-in. Firms operating in similar contexts confront similar stakeholders and institutional arrangements. In this work, we embrace the position that CSR is an umbrella term, whose meaning is dependent upon the strategic choices of the focal company and we therefore link the outside-in and the inside-out perspectives to CSR strategies (see Chap. 2).

We therefore propose to investigate CSR issues as coevolving with a peculiar strategic decision in a company's life: the decision to acquire or merge with another company. While almost absent from mainstream research, two examples—among many that we will discuss in the following chapters—concretize the idea that CSR and M&As are intertwined, from the decision to acquire to the implementation phase. CSR was actually a key motive driving Unilever-Ben & Jerry's deal in 2000. Ben & Jerry's was an important brand, yet it was also renowned for a pronounced social conscience benefiting Unilever's reputation (Mirvis, 2011). The acquisition of Ben & Jerry's can be seen as part of a broader set of responsibility initiatives, such as the Unilever Sustainable Living Lab through which the company generates CSR value (see Jurietti, Mandelli, & Fudurić, 2017 for a detailed description of this initiative). Moreover, CSR pervasively influenced the integration dynamics in the 2011 US multinational apparel and footwear firm VF Corp's acquisition of Timberland (Cody & MacFadyen, 2011)—again a smaller company with a renowned vision of CSR. Under the leadership of Schwartz, Timberland was very active in pursuing a sustainability agenda and commentators were skeptical about the prospect of the acquisition. Schwartz himself tried to reassure customers by tweeting that selling did not mean selling out, outlining the genuine concern for sustainability from VF Corp. During the integration process, facts followed promises and the signal was the creation of a new position entirely dedicated to CSR (Cody & MacFadyen, 2011). The two examples suggest that it is timely to analyze M&As from a stakeholder perspective (Anderson et al., 2013).

1.4 Placing Acquisitions Within Institutional Settings

Acquisitions do not happen in a *vacuum* but rather in different institutional settings, when the deal actually involves partners from different countries. Focusing on the individual level of analysis and placing the attention to stakes and stakeholders within the realm of a company's strategic choices do not entirely account for the variation of CSR practices in different settings (Campbell, 2007). The literature on CSR recognizes that implementing CSR depends not only on organizational actors participating in CSR initiatives but also on the social context within which CSR occurs (Lindgreen, Swaen, & Maon, 2009; Morsing & Schultz, 2006).

'[O]rganizations evolve in distinct contexts and face different constraints for which reason they need to develop CSR policies and implement CSR activities that fit their organizational culture, business rationale, and strategic goals' (Lindgreen, Swaen, & Maon, 2009, p. 252).

Overall, there is an increasing recognition that the S of the acronym is important to enter the CSR black box. So far the literature on CSR published in management journals has neglected the societal aspects of CSR by and large and treated the 'social' element as a set of external requirements, which are translated into an instrumental motive for social engagement by companies (Branner, Jackson, & Matten, 2012). Branner and colleagues (2012) suggest to use institutional theory as a conceptual lens to better understand the 'social' responsibilities of business and specifically why forms of CSR differ so vastly among regions and countries globally.

Institutional theory helps understand what responsibilities society places on the corporation itself in exchange for the legal privilege of limited liability. Seen in this light, CSR is not simply a voluntary action but, as institutional theory suggests, is embedded into a wider field of economic governance characterized by different modes, including the market, state regulation, and beyond. While CSR measures are often aimed at or utilize markets as a tool (e.g., fair trade, eco-branding), institutional theories of the economy also see markets themselves as being socially embedded within a wider field of social networks, business associations, and political rules. In particular, many of the most interesting developments in CSR today play themselves out in a social space of private, but collective, forms of self-regulation. This development has broadened the debate on CSR. As such, nationality and institutional environment matter for understanding the intersection between acquisitions and CSR. Therefore, institutional analysis—both at the micro level and at the macro level—provides important insights into the complexities of the contemporary global economy and the relational role of the CSR strategies of the world's major MNCs (Dunning & Lundan, 2008). We therefore add institutional settings to the stakeholder perspective to provide an institutionally embedded stakeholder view of acquisitions, which offers an integrative and comprehensive framework to analyze global expansion strategies carried out through M&As (see Fig. 1.1).

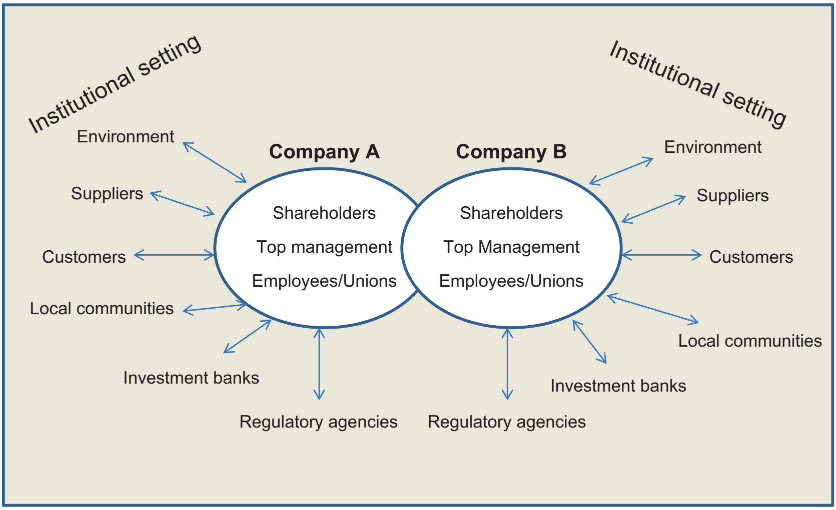

Fig. 1.1 An institutionally embedded stakeholder view of acquisitions

Institutional aspects (see Chaps. 6, 7, and 8 in this monograph) enable us to understand how a company or an MNC that has relied on acquisitions to become a widely geographically diversified company rely on CSR policies and how these influence the integration approach and vice versa, managing the duality of global integration and local adaptation (Birkinshaw, Crilly, Bouquet, & Lee, 2016). On the one hand, pursuing a global strategy is generally based on a mix of standardization and centralization to achieve cost advantages derived from economies of scale. Seen in this light, acquisitions could also involve an efficient transmission of proactive CSR practices (Roth & Morrison, 1992). On the other hand, a multi-domestic strategy could also be adapted to local environments (i.e., country or market) by giving autonomy to the target companies to develop their own CSR programs. And mixed solutions could also be developed by companies across the globe, with concurrent global and local CSR practices. Thus, multiple local strategies may lead to multiple, possibly divergent, approaches within the same company or MNC with tensions possibly arising during the integration process.

1.5 Conclusion

Today, we live with and by acquisitions. Wherever one lives, she has already experienced or will likely soon experience consequences of being involved in an acquisition. Employees, customers, local communities, the environment, and many more stakeholders affect or are affected by these processes, yet existing literature seems to be only concerned with shareholders. The majority of the studies is in fact inspired by a shareholder theory. While important, we believe that this perspective is too narrow in the wake of important changes underway. Globalization has been a disruptive phenomenon, and the transition to a polycentric world has let new actors emerge or existing actors taking up a role they had never had in the past. Companies are significantly affected by these changes and are assuming responsibilities beyond the economic results.

Building on these considerations, in this chapter we have advanced the idea that M&As can be better understood by enlarging the domain of analysis with stakeholders other than shareholders. We have discussed how identifying the range of stakes and stakeholders affected by and potentially affecting acquisitions is crucial to further the understanding of how these processes unfold. Stakeholder theory provides a reasoned perspective for the way firms should manage their relationships with stakeholders to facilitate the development of competitive resources, and attain sustainable success, a goal broader than financial performance. The stakeholder perspective also helps explain how a firm's stakeholders' network can itself be a source of sustainable competitive advantage (Harrison, Bosse, & Phillips, 2010). An important corollary of adopting a stakeholder view is the recognition that acquisitions confront with issues of social responsibility. Stakeholder-based reasoning provides a practical motivation for firms to act responsibly with regard to stakeholder interests and addressing societal concerns.

In addition, we have recognized the importance of including acquisitions within the wider domain of institutional contexts. M&As are managerial choices shaped, sometime even constrained, by institutional arrangements. This enriches the analysis with the complexities companies and MNCs face when they pursue acquisitions to broaden the global outreach. The role companies are expected to serve in institutional settings hugely shape M&As. In this light, CSR issues play an important role in making them successful.

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2

M&As, CSR, and Stakeholders: An Integrative Framework

Olimpia Meglio

Abstract In this chapter we propose a three-stage framework to analyze mergers and acquisitions in light of corporate social responsibility issues: mapping stakeholders, managing stakeholders, and measuring social impact. The framework also reflects the process nature of acquisitions. In this chapter, we specifically focus on the task of mapping stakeholders. We provide an overview of existing techniques to map stakeholders and integrate them with a multidimensional classificatory framework designed to help top management in understanding who are the stakeholders the acquiring company confronts with and how their stakes are likely to affect and be affected by the acquisition process.

Keywords Stakeholders • Shareholders • Mapping stakeholders • Stakeholder identification techniques • Acquisition process • Multi-stakeholder view

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2.1 Introduction

In this chapter, we present a framework for stakeholder engagement and CSR issues in acquisitions. We build our framework around a set of assumptions. The first assumption is that acquisitions are complex processes (Jemison & Sitkin, 1986) meaning that acquisitions unfold over time typically through phases. During the acquisition process, the number of stakeholders magnifies for the circumstance that two companies merge, with stakes changing as the process unfolds. Our framework acknowledges the dynamic nature of acquisitions.

The second assumption is that the top management is responsible for handling the complex net of relationships with stakeholders (Post, Preston, & Sachs, 2002). For their position, top managers influence stakeholders' value creation through CSR choices (see Bridoux & Stoelhorst, 2014). CSR represents the 'context-specific organizational actions and policies that take into account stakeholders' expectations and the triple bottom line of economic, social, and environmental performance' (Aguinis, 2011, p. 855). In our view, CSR coevolves with strategic choices.

Additionally, the position embraced here combines the outside-in with the inside-out perspective. Traditionally, CSR has been investigated as shaped by exogenous influences, such as legal or other institutional arrangements (Kacperczyk, 2009) or the capacity of stakeholders to control resources (Pfeffer & Salancik, 1978). The underlying assumption is that firms operating in similar contexts confront similar stakeholders and institutional arrangements, which, however fails to account for heterogeneity in companies' choices—an important oversight in the strategy literature. In this book, following Crilly and Sloan (2012), we embrace the position that the firm's dominant logic plays a critical role in directing attention to stakeholders. This position integrates Prahalad and Bettis' (1986) dominant logic and the attention-based view (Ocasio, 1997). We therefore build upon the idea that attention to stakeholders reflects pressures from objective external influences and how managers conceive the relationship of the firm with the society. As such we integrate the outside-in with the inside-out logics so far remained separated.

Building on these considerations, we offer a framework for stakeholder management and CSR issues in acquisitions. Our framework revolves around three distinct, although intertwined, tasks: mapping stakeholders, managing stakeholders, and measuring acquisition outcomes (see Fig. 2.1).

Beyond offering a more nuanced picture of the dynamics of these strategies, with actors holding and fighting for partly conflicting and partly symbiotic stakes, our framework enables us to acknowledge that acquisitions and CSR go hand in hand, thus bridging strategic management and business and society fields. Consistent with the process view of acquisitions (Jemison & Sitkin, 1986), we link each task to acquisition phases. While in acquisition research, scholars have identified up to seven distinct phases (Meglio & Risberg, 2010); we believe that the three phases allow enough granularity in our analysis. We therefore propose to split the acquisition process into the pre-acquisition phase, the closing the deal phase, and the post-acquisition phase. Clearly, boundaries among phases are blurred and influences exerted on single phases likely extend to ensuing ones. With these considerations at hand, in the next section we focus on the first stage—mapping the stakeholders.

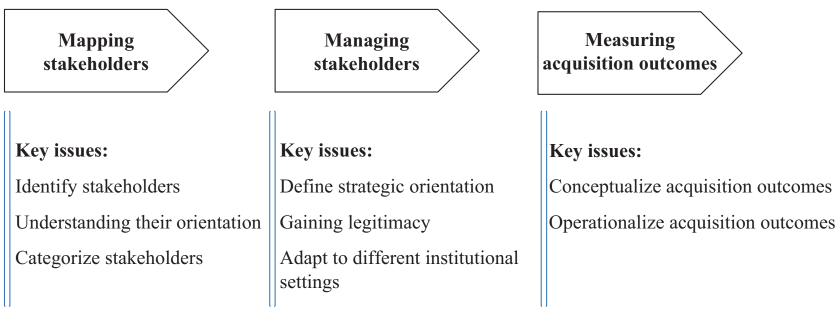

Fig. 2.1 A process model of stakeholder management in acquisitions

2.2 Mapping Stakeholders in Acquisitions

Mapping stakeholders is a key responsibility of top management. As illustrated earlier, this task is a prerogative of top management as it reflects the attention top management dedicates to the environmental scanning and also the dominant logic influencing what is perceived as a strategic issue in the focal company. Mapping stakeholders, in our framework, requires tools to identify and categorize stakeholders. Below we define stakeholders, discuss the methods to identify stakeholders, and suggest relevant dimensions for categorizing stakeholders.

Definition of Stakeholders

Stakeholder theory describes companies as constellations of cooperative and competitive interests that possess intrinsic value (Donaldson & Preston, 1995). A central problem in the field is the definition of stakeholders, which range from narrow to broad (see Mitchell, Agle, & Wood, 1997 for a typology). Freeman (1984, p. 46) offers a broad definition and claims that 'a stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives.' In contrast, Clarkson (1995) presupposes that resources—time and attention, in particular—are scarce and that managers are required to focus their efforts on managing the relationships with those who bring resources to the company. In his view, a stakeholder is one who bears some risk resulting from an investment of capital into a company. Based on these considerations, it is possible to distinguish claimants from influencers. According to Mitchell et al. (1997, p. 859), claimants are 'groups that have a legal, moral or presumed claim on the firm,' whereas influencers are 'groups that have an ability to influence the firm's behavior, direction, process, or outcomes.'

The variety of definitions explains why it is not possible to compile a universal list of stakeholders, valid for each and every company, regardless of the industry or the institutional context it operates. Accordingly, the literature has been mainly concerned with offering techniques to identify who the stakeholders are, what kind of interests they have, how stakeholders try to realize their benefits, and how management should respond to the various stakeholders (Donaldson & Preston, 1995).

Techniques for Identifying Stakeholders

In our framework, the top management is responsible for scanning the environment in order to understand who the stakeholders are. To achieve this end, there exists an array of tools that can assist the top management in performing this task (see Ackermann & Eden, 2011; Bryson, 2004; Cummings & Doh, 2000). We provide a brief overview of the major techniques to understand how and when they can be fruitfully used in the context of an acquisition.

The first technique is labeled as 'basic stakeholder analysis technique' and consists of a brainstorming session designed to identify: (a) who stakeholders are and (b) how they are organized into either supporting or opposing coalitions. This technique generally enables to gather initial information through the use of interviews, questionnaires, focus groups, or other targeted information. A second and more sophisticated technique is 'power versus interest grid.' Power and interest are both common variables to understand the impact a stakeholder may have upon an organization or an issue, such as an acquisition (Ackermann & Eden, 2011). This grid arrays stakeholders on a two-by-two matrix where the dimensions are the stakeholder's interest in the organization or issue at hand, and the stakeholder's power to affect the organization's or issue's future. A development of this grid is the 'stakeholder influence diagram,' a technique that indicates how the stakeholders on a power versus interest grid influence one another. This diagram adds dynamism to the previous grid by anticipating influences among stakeholders, paving the way to the idea of convergence or divergence among different stakes, an issue we will elaborate upon later in this book. An additional technique is the 'participation planning matrix,' described by Bryson (2004), which is particularly valuable for public domains.

In scanning stakeholders in an acquisition context, it is important to acknowledge that the deal magnifies the number of the stakeholders as there are two distinct networks of stakeholders. In this light, it is extremely important to assess how stakeholders from the acquiring and the target companies may interact with each other from the very early phase of the acquisition process till its completion. Stakes also vary along the acquisition process, with corresponding interest and power varying accordingly. This suggests that it is important to anticipate how stakeholders shape the different phases of the acquisition process. For instance, while competitors may affect the price at which the deal is closed, customers will likely exert their influence during the post-acquisition phase.

Stakeholders are not monolithic groups: Within managerial ranking, for instance, top management and middle management neither enjoy same power nor have same stakes to protect. Some stakeholders are individuals, such as customers, others are collective, such as unions or local communities. Stakes are potentially either conflicting or symbiotic. In this regard, the stakeholder influence diagram could be a useful tool.

Stakes also display varying temporal traits. Some stakeholders show a long-term orientation, such as the employees or shareholders, while others show a short-term orientation. This is the case with the investment banks. Often long-term stakes are also continuous stakes, while short-term stakes are mainly instantaneous. In some cases, stakes are transactional, while others are relational and span across the acquisition process (Meglio, 2015).

All these considerations drive us to elaborate a classificatory framework that could augment the abovementioned techniques (see Table 2.1). Our framework is designed to understand who are the stakeholders the merging companies confront with, how their stakes are likely to affect or be affected by the acquisition process, and how they can possibly conflict or be in symbiosis with each other. Our table is built around major stakeholders. As specified above, the number of stakeholders is dependent upon internal and external conditions, which make impossible to develop ex ante a universal list. Our table hosts an empty row, labeled as 'others,' to emphasize that the list is only illustrative and not exhaustive.

In the table, rows host stakeholders, which are ordered alphabetically to outline that shareholders (which, as will shall see below, we call owners) have lost their primacy and they are just primi inter pares. In the first column we distinguish between claimants and influencers. This distinction reflects the existence, or lack, of a contract linking the stakeholder to the focal company. In the second column we indicate the phase of the acquisition where the focal stakeholder primarily exercises her power. In

Table 2.1 A classificatory scheme for stakeholders in acquisitions

Stakeholder	Claimant/ influencer	Phase of the M&A process	Relationship with other stakes	Nature of the stake	Temporal orientation
Advisors: consulting firms	Claimants	Closing/ post-acquisition	Conflict/symbiosis	Instantaneous/ transactional	Short term
Advisors: investment banks	Claimants	Pre-acquisition/ closing	Conflict/symbiosis	Instantaneous/ transactional	Short term
Banks	Claimants	Primarily closing	Symbiosis	Continuous/ relational	Long term
Competitors	Influencers	The entire process	Conflict	Not applicable	Long term
Customers	Claimants	Post-acquisition	Conflict	Continuous/ relational	Long term
Employees	Claimants	Post-acquisition	Conflict/symbiosis	Continuous/ relational	Long term
Environment	Influencer	Primarily closing/ post-acquisition	Conflict/symbiosis	Not applicable	Long term
Local communities	Influencers	Post-acquisition	Primarily conflict	Not applicable	Long term
Media	Influencers	Closing the deal	Amplify other stakes	Instantaneous/ transactional	Short term
Middle management	Claimants	Post-acquisition	Conflict/symbiosis	Continuous/ relational	Long term
Owners	Claimants	The entire process	Conflict/symbiosis	Continuous/ relational	Long term
Others	–	–	–	–	–
Regulatory agencies	Claimants	Closing the deal	Conflict	Not applicable	Long term
Suppliers	Claimants	Post-acquisition	Conflict	Continuous/ relational	Long term
Top management	Claimants	The entire process	Conflict/symbiosis	Continuous/ relational	Long term
Unions	Influencers	Closing/ post-acquisition	Conflict	Continuous/ relational	Short term

the third column we describe the relationship with other stakes: We label the convergence or divergence between stakes as symbiosis or conflict, respectively. In the fourth column, we categorize the nature of the stake either as relational or as transactional, based on the existence of a continuous or instantaneous interaction between the stakeholder and the focal company. In the fifth column, we define temporal orientation as being long term or short term.

2.3 Categorizing Stakeholders in Acquisitions

In this section, we analyze the major stakeholders in acquisitions. We include consultancy and investment banks within the category of advisors and treat suppliers and customers together as they share common issues, although from an opposite position. Moreover, 'management' encompasses both top and middle management. In addition, we talk of owners rather than shareholders to acknowledge the different types of ownership. In discussing stakeholders, we follow the order of appearance in the table.

Advisors—Acquisitions are complex deals and acquiring companies often hire advisors, such as consulting firms or investment banks (Chatterjee, 2009). We therefore categorize them as claimants. Their stakes are typically instantaneous and transactional. Investment banks typically influence the pre-acquisition phase, while consulting firms the post-acquisition one. They are both focused on their own profitability and this could conflict with the acquiring company's interests. Specifically, investment banks get a fee that is generally proportional to the price paid to conclude the deal. This offers an incentive to push the price up or bias information or lax integration planning (Parvinen & Tikkanen, 2007). Similarly, Hayward (2003) finds that investment banks influence deal structures to favor their own profitability. Haspeslagh and Jemison (1991) highlight that investment bankers are generally number-oriented and fail to grasp relevant issues surrounding acquisitions. Additional risks of conflict of interests are outlined by Kesner, Shapiro, and Sharma (1994) who note that investment banks act as agents for both the bidding and the target firms, driving research taking a critical stance and openly questioning consultants' loyalty to shareholders.

Similar considerations apply to consulting firms, except for the conflict of interest. Consulting firms are typically hired to help with the integration process: At this stage, the deal is signed. Still, there is a power dynamic between the top management teams of the merging companies, and consulting firms are in the best position to favor one solution over another, thus playing a political rather than neutral role.

The transactional nature of the stake does not necessarily prevent from displaying a genuine concern for the company, even though there is no evidence in existing research. As has been established in the financial research, however, once finished, an advisor still must consider the effects on their reputation (e.g., Servaes & Zenner, 1996). Consulting is a service and as such it is fed by relationships. Previous customers lead to new customers through positive referral (Buttle, 1998). Additionally, to the extent that an acquisition can trigger further deals, both advisors likely benefit from fairness.

Banks—Banks lend money to companies. They are therefore claimants with a long-term orientation and a relational stake. Their stake is potentially symbiotic with that of the acquiring company. Their influence can potentially involve all acquisitions phases; although if acquisition is paid in cash, their role could be essential in closing the deal phase. In the German system, banks have also been the dominant representatives of shareholder interests. German banks control significant shareholdings in most of the largest German firms (Fiss & Zajac, 2004). Traditionally, banks have been more interested in keeping large corporations as profitable debtors rather than taking the risk of losing them due to higher profit expectations.

Competitors—Traditionally, competitors are not portrayed as stakeholders. In a narrow definition of stakeholders, they would be certainly excluded. Competitors do not provide resources to the company and they have nothing to claim. Therefore, several of the dimensions in our framework do not apply to competitors. However, in the German system it is not unusual that companies own shares of their competitors, thus making competitors as stakeholders (Fiss & Zajac, 2004). Even outside the German system, we contend that they are important influencers. Today, competition more often than in the past contains elements of cooperation: In many circumstances, competitors fight in the marketplace but cooperate in developing innovative products, as it frequently happens in the automotive industry. In the acquisition literature, competitors have received considerable attention but have not been investigated from the stakeholder perspective.

Competitors have an important stake into acquisitions that involve different phases of the process. Before the deal is signed, the bid may raise interest from other players who could take part into the bidding process. The higher the number of bidder, the higher the price at which the deal will be signed. Under these circumstances it becomes even more challenging for the acquiring company to realize synergistic benefits able to offset the price paid (Sirower, 1997). After the deal is signed, competitors will continue to influence the acquiring company (Uhlenbruck, Hughes-Morgan, Hitt, Ferrier, & Brymer, 2017) through different forms of retaliation: Through their own acquisitions (Keil, Laamanen, & McGrath, 2013), through price cuts, advertising campaigns, or the poaching of target employees (King & Schriber, 2016). Yet, additional evidence signals that nearly 50% of acquirers enjoy benefit from reduced competitive pressure after a deal (Clougherty & Duso, 2011). This likely happens in horizontal acquisitions, which create conditions for collusion effects due to increased market power from fewer firms in an industry (Seth, 1990). Obviously, competitors may also benefit from an acquisition at least in the short run (Kato & Schoenberg, 2014) when the acquiring company diverts attention toward integration priorities at the expense of customers (Cording, Christman, & King, 2008).

Customers and suppliers—Existing research is giving increasing attention to how acquisitions affect external interfirm business relations, with customers and suppliers. They are both claimants and their influence is likely exerted during the post-acquisition phase when the deal can cause the dissolution of business relationships (Anderson, Havila, & Salmi, 2001). Their stake is typically relational, and the more the relationship is based on trust, the higher the likelihood that the deal will bring business relationship termination. More specifically, staff turnover in the target firm, failure to meet customer requirements, a bad reputation, or product replacement can lead to customer loss (Öberg, 2013). Additionally, increasing formalization that replaces a previous trust-based relationship can lead to customer loss of up to 80% (Bocconcelli, Snehota, & Tunisini, 2006) if not properly managed through communication or other symbolic efforts by the acquiring company (Öberg, Henneberg, & Mouzas, 2007). Similarly, Fee and Thomas (2004) contend that purchasing gains for the merging companies depend on the type of suppliers (retained vs. terminated) and the industry context (concentrated vs. fragmented).

Existing research has not yet placed much attention on the benefits of acquisitions accruing to their network partners. One exception is offered by Clougherty and Duso (2009), who find that external organizations may actually gain from an acquisition and benefits may also accrue along vertical relations.

Employees and unions—Employees are well researched in acquisition literature. Topics cover a variety of issues such as their reactions, either passive or active, stress or anxiety (Cartwright & Cooper, 1993; Schweiger Ivancevich, & Power, 1987), fears of job loss (Vaara & Tienari, 2002), identity challenges and conflicts (Seo & Hill, 2005), power struggles (Vaara, Tienari, Piekkari, & Säntti, 2005), or cultural tensions (Marrewijk, 2016; Stahl & Voigt, 2008).

When seen from a stakeholder perspective, employees are claimants and their stake is relational with a long-term orientation. Their stake can be described as job security and career prospects, as well as the personal relationships with colleagues. This latter issue has only received scant attention with Tienari's (2000) study of how a merger may influence friendships, workplace romances, and fears of failure or relocation being an exception.

Existing studies tend to depict employees' stake as conflicting with that of the acquiring company pursuit of shareholder value. Yet, research also shows that employees may actually benefit from a deal. In this regard, Teerikangas (2010) finds that target employees enjoyed an increased certainty and stability (e.g., when the target was in financial distress), new career opportunities, and the like.

Employees are considered an important stakeholder in German governance model. One of its pillars is the system of co-determination, as expressed in the role of works councils. This inevitably influences strategic priorities—elected worker representatives have rights of information, consultation, and veto on a number of issues (Fiss & Zajac, 2004)—and performance.

Unions, even more than single workers, are important stakeholders during the negotiation phase. However, they do not have veto power on strategic decision-making process in systems other than the German one. Their ability to influence the deal is contingent upon their bargaining power, which is in turn influenced by general economic conditions. Paradoxically, the worse the economic conditions, the lower the bargaining power. Today, more often than in the past, cross-border, horizontal, deals increase the possibilities of closing plants in one nation and improve the prospect of plants in foreign countries; therefore, unions from different countries may have conflicting goals. For instance, the merger between FIAT and Chrysler was seen with suspicion by Italian unions who feared the closing of several historical production plants in Italy as a consequence of the prospective US-centric growth strategies.

Unions are generally worried about the immediate implications on current workers and rarely consider stakes of future workers. Often acquisitions destroy current positions but create new job opportunities for workers with different competences and skills. Moreover, the general working conditions could improve as a consequence of the acquisition, especially when the deal involves a target from a developing country, and this is an aspect hardly captured by numbers.

Environment—Environment is a peculiar stakeholder, which we place within the peripheral stakeholders or 'fringe' stakeholders as those parties not visible or readily identifiable to the firm (Hart & Sharma, 2004). Specifically, environmental issues become central in public discourses if voiced by one or more stakeholder groups, typically environmental groups, local communities, or governmental agencies. Only the latter are in the position to exercise a veto on an acquisition that raises environmental concerns. For environmental groups and local communities, their ability to catalyze the attention of public opinion and turn it into a political issue becomes crucial. To achieve this aim, press may also play an important role, giving voice to environmental concerns and raising interest from broader audiences, thus leveraging the power of supporting stakeholders.

An international case elucidates the symbiosis among different stakeholders. The case refers to the acquisition of Nexen (a Canadian oil exploration company) by the China National Offshore Oil Corporation (CNOOC). The deal took place in 2013 and with US $15.1 billion was the largest-ever acquisition abroad by a Chinese company. Canadian citizens were particularly concerned with the impact of such a deal, and the scrutiny proved incredibly challenging for the Chinese company. Local media played an active role actively issuing news about accidents, such as a pipeline leakage into a remote area in 2015. Then, after that media storm had settled, in January 2016, a worker died and another was hospitalized after an explosion in an oil cracker facility. Nexen management team had to respond to media enquiries but also faced broader questions regarding its internal processes and its corporate strategy (Meyer & Han, 2017).

Local communities—Local communities are important influencers in acquisition decisions. Acquisitions can bring both opportunities and threats to local communities: New work opportunities but also jobs at risk or an increased pollution. Often, local communities face the dilemma between growth and health, which sometimes can be in conflict. This is the situation currently faced by the inhabitants of Taranto, a city in the Southern Italy, historically dependent upon the presence of Ilva, one of European steel manufacturer. Ilva brought prosperity to the city by creating new jobs, yet, over time, also significant health issues linked to the pollution. Ilva has been facing financial and economic difficulties in the recent years as a consequence of global decline in steel production, with ArcelorMittal playing the role of a potential white knight. However, the intricacies of interests on the table, with several stakeholders playing a role, are making the conclusion of the deal very time consuming. At the moment, there is still a great uncertainty about the prospect of Ilva in Taranto, with public health and job prospects being the most relevant, conflicting, stakes influencing the deal (Repubblica, 2018).

Management—Managers are claimants with a relational, long-term orientation. While they are expected to pursue shareholders' goal, thus assuming a symbiotic stake, there are possibilities of conflicts. Research recognizes that managerial overcommitment may lead to prematurely closing a deal (Haunschild, Davis-Blake, & Fichman, 1994). Additionally, managers may lack relevant information about the target after the acquisition occurs (Graebner, 2004), or before (Chakrabarti & Mitchell, 2013; Coff, 1999; Graebner, 2009). Relatedly, Heyden and colleagues (2013) find top management teams seek little advice to reduce acquisition decision-making uncertainty in perceived stable environments, while they tend to get advice from primarily firm-internal sources when the firm is underperforming. Moreover, research highlights how managers considering employee reactions also struggle to implement integration in time to benefit from synergies before outpaced by competition (Bauer, King, & Matzler, 2016; King & Schriber, 2016). All these conditions put at risk shareholders' interests and top management's stakes conflict with those of shareholders.

Additionally, there is scattered evidence documenting that managers may pursue acquisitions for private aims, enriching themselves at the expense of the owners (Kosnik & Shapiro, 1997; Mueller, 1969). Additionally, Trautwein (1990) outlines how empire-building aims have more research support than efficiency gains.

In acquisition research, there is also abundant research about the role of top management during the post-acquisition phase: A classic topic is the measurement of turnover (Walsh, 1989), its effects upon acquisition performance (Krishnan, Hitt, & Park, 2007), and motives driving such turnover, such as the relative standing (Hambrick & Cannella, 1993). Such research document negative effects upon financial performance.

Management should not be considered as a monolithic group with homogenous interests. Managerial rankings also host middle management that has been almost completely neglected in acquisition research. Their stake is also relational with a long-term orientation. However, possibilities of conflicts are higher as they are responsible for the integration implementation and influence whether the process creates or destroys value. In this regards, Meyer (2006) describes the precarious squeeze of middle managers, and Schriber (2012) highlights the risk of becoming redundant as their competences overlap with those of their counterparts in the target company.

Media—Although rarely recognized as a stakeholder, media are active actors in acquisitions and influence the way the deal is received by the public, actively contributing to stress the benefits accruing to employees or customers, or emphasizing its drawbacks, giving voice to concerns raised by local communities or activists. This was the case with the Monsanto acquisition from Pharmacia, which eventually resulted into a divestiture. What Pharmacia underestimated was the network of relationships with several stakeholders across the globe. Among these stakeholders, activist groups waged a high-profile campaign against genetically modified organisms (GMOs), accusing Monsanto of producing 'Frankenstein foods.' The campaign, initially focused in Europe, extended to the rest of the globe, with Japan refusing to accept grain shipments from Canada because it included genetically modified seed. As a result of these public reactions, it proved difficult for Monsanto to secure regulatory and public approval for its GMOs, including seeds for wheat corn, soy, and other crops. Business press actively contributed to spread the concerns activists raised across the globe, reach an international audience, and draw the attention on the problem of genetically modified organisms (Post, Preston, & Sachs, 2002).

Obviously, acquiring companies may benefit from involving media in selling a deal. Investors react positively to deals that contain explicitly stated deal characteristics as well as deal endorsements from the boards and/or top management of acquirer and target companies. Meanwhile, investors react negatively to deals with low or absent media coverage as well as deals surrounded by signals of ambiguous synergy potential (Yang & Lander, 2018). This is important to influence the financial markets' reaction to the announcement in the short term (Louis & Sun, 2010), yet it does not ensure long-term success. A case in point was the way the merger between Daimler and Chrysler was presented: At the time of the announcement, media labeled the deal as a merger made in heaven! Later on, differences between the merging companies proved impossible to reap the benefits envisioned during the talks and the de-merger signaled the failure (Morosini & Radler, 1999).

Media can take different stances: Reporting facts, constructing stereotypes, such as winning and losers, or even raising nationalistic sentiments when the deal is cross-border (Kuronen, Tienari, & Vaara, 2005; Tienari, Vaara, & Björkman, 2003). This was the case in the AstraZeneca merger (Hellgren et al., 2002). Thus, business press does not simply convey facts and figures in a neutral manner but also ideological differences and emotions (Halsall, 2008; Riad & Vaara, 2011).

These considerations highlight that the influence of media is generally focused around the announcement date or in the post-acquisition phase. Media stakes, rather than being symbiotic or conflicting with other ones, may amplify their actual ability to influence the process. They contribute to setting the agenda (cf., Dearing & Rogers, 1996), turning issues of public interests into issues of policy interest. In a similar vein, although rarely recognized, scholars contribute to reproduce media discourses in academic research by prioritizing topics in their research agenda, a point we elaborate later in this book (cfr. Risberg, 2013).

Regulatory agencies—Regulatory agencies, at the both international (e.g., the EU Commission) and the national levels in the form of independent governmental authorities, such as the Federal Trade Commission (FTC) in the US and the Office for Fair Trading in the UK, protect collective stakes. Their role is to prevent deals negatively affecting competitors, consumers, or employees or raising environmental concerns. However, it has been recognized that antitrust regulations do not always operate optimally (Arnold & Parker, 2007). Internal organizational stakes within authorities likely are at play, as recognized from a power perspective (e.g., Clegg, Courpasson, & Phillips, 2006): For instance, limited resources can force prioritizing between potential antitrust cases, and lack of clarity can create leeway for individual decision-making. Also career considerations and an attempt to achieve, for example, visibility among organizational decision-makers (Pfeffer, 1981) can result in antitrust authorities pursing high-profile acquisition cases, for example, receiving more media attention, than less visible cases, even if the latter imply clearer breaches of rules.

The stakes of authorities are also influenced by the political-level power (Wigger & Nölke, 2007) and by contextual conditions. In economic downturns, acquisitions threatening thousands of jobs may receive financial help to preserve the employment rate, as shown by the merger between FIAT and Chrysler, which was at the time of the deal in financial distress with thousands of jobs at risk. This example shows how agencies are frequently faced with multiple, conflicting, equally compelling stakes to preserve.

Owners—Acquisition research does not talk about owners; rather, it is permeated by shareholders. They are seen as residual claimants and therefore their stake is given primacy above the others. The underlying assumption is that shareholder wealth maximization ensures societal wealth maximization as well. In the acquisition literature this is generally measured as share price changes (see Meglio & Risberg, 2011).

In an acquisition context, it is essential to distinguish acquiring company's shareholders from those of the target one. Several studies highlight that target owners gain at the expense of acquiring shareholders (Bruner, 2002; Datta, Pinches, & Narayan, 1992; Jensen & Ruback, 1983; Loderer & Martin, 1992), calling for clarifying what shareholders are in focus. Beyond distinguishing between acquiring and target companies' shareholders, it is important to recognize that shareholders do not constitute a monolithic universe. Focusing on public companies leaves out shareholders in privately held companies. In these contexts, owners could pursue goals other than maximizing value and in turn being more open to diversification and unrelated acquisitions (Miller, Breton-Miller, & Lester, 2010). When private companies are also family companies, owners could be motivated by a complex set of goals, generally displaying long-term time horizons, and priority assigned to survival beyond the first generation (Lee, Lim, & Lim, 2003). In this light, Fiss and Zajac (2004) outline how first and second generations are less prone toward maximizing shareholder value than the third one.

Considerable shareholdings could also be controlled by banks or government entities, as it frequently happens in German governance system. Traditionally, banks are more interested in keeping large corporations as profitable debtors rather than taking the risk of losing them due to higher profit expectations. In case of government owners, political rather than value-maximizing goals influence the decision-making process, sometimes at the expense of the public paying for the losses (see Shleifer & Vishny, 1994).

These considerations suggest that research in financial economics that has generally treated owners as a homogeneous group, assuming they all share the same goal of maximizing shareholder value (cf. Bagwell, 1991, 1992), has provided a coarse-grained depiction of stakes at hand and the dynamics among these differing stakes. The more the ownership of the firm is distributed across different types of actors, the more heterogeneous will be their priorities. This implies that other goals beyond shareholder value management may likely be pursued (Vitols, 2002).

2.4 Conclusion

In this chapter we have proposed a multi-stakeholder view of acquisitions. This view breaks down the unitary portrait of much of existing research in the M&A field that revolves around shareholders. Acquisitions touch and are touched upon by several stakeholders. In principle, all stakeholders of a company have an interest in a good and sustainable performance of that company because only successful companies can provide benefits to its constituencies. In detail, however, as laid out in this chapter, the different stakeholders (and sometimes even different subgroups within a stakeholder group) pursue specific goals that are sometimes conflicting rather than symbiotic with other stakes. Resolving the conflicts of interest or leveraging upon symbiotic interest is a main responsibility of top management that needs a general maxim for weighting the different claims. The shareholder approach suggests that management should behave as strictly as possible in favor of one stakeholder group (the shareholders), whereas the stakeholder approach suggests another maxim. Companies cannot exist and prosper in the long run without the contributions of all of the different stakeholders such as the delivery of parts (suppliers) or capital (shareholders and creditors), human working power (employees), public infrastructure (community), and, last but not least, revenues (customers). Therefore, management has to balance the inducements for and the contributions of all necessary stakeholders adequately to ensure the value creation capability of the company.

In the acquisition context, it is crucial to include CSR issues within both the decision to acquire and the ensuing implementation process (Borglund, 2013). Managers should plan whether and how to execute an acquisition, bearing in mind that both the acquiring and the target companies have their own stakeholders' network and CSR policies and these could add complexity and uncertainty to an already complex and uncertain scenario, especially during the post-acquisition process.

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3

Managing Stakeholders and CSR in Acquisitions

Olimpia Meglio

Abstract In this chapter we focus on the second stage of our framework—managing stakeholder and CSR in acquisitions. We build on a multidimensional classificatory framework that serves as a starting point for the identification of a repertoire of CSR strategies an acquiring company may actually choose while conducting an acquisition. These strategies are contingent upon the heterogeneity of stakeholders and their motives and the acquiring company stakeholder orientation. We offer a typology of CSR strategies in an acquisitive context.

Keywords CSR orientation • Stakeholder orientation • Stakeholders' motives • Stakeholders' heterogeneity • Legitimacy strategies • Rhetorical strategies

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3.1 Introduction

In this chapter we focus on the second stage of our framework: managing stakeholders (see Fig. 2.1 in Chap. 2). Managing stakeholders represents a complex task for the acquiring company as it entails accommodating the simultaneous, possibly conflicting, demands from multiple stakeholders. In essence, this means developing CSR strategies to secure legitimacy from stakeholders, which is essential to carry out a successful deal.

The strategy literature has long recognized a relationship between judgments of legitimacy and the provision of physical, human, financial, or reputation capital to an organization (Ashforth & Gibbs, 1990; Dowling & Pfeffer, 1975; Oliver, 1991) as well as the connection between legitimacy assessment and organizational survival (Hamilton, 2006) including the case of mergers (Vaara & Monin, 2010). In an acquisition context, such a relationship becomes even more complex due to the possibility that stakeholders have direct relationships with each other and build coalitions, as evidenced in network models of stakeholder influence (cf. Rowley, 1997). Although important, CSR and legitimation strategies have been relatively absent from acquisition literature. Exceptions include studies on announcements of merger decisions (Demers, Giroux, & Chriem, 2003), communication plans (Bastien, 1987; Schweiger & DeNisi, 1991), and analyses of media coverage (Tienari, Vaara, & Björkman, 2003; Comtois, Denis, & Langley, 2004).

In this work, we build upon and extend the ideas that acquiring companies need to handle a complex set of relationships with stakeholders from both the acquiring and the target companies and CSR policies represent the means to gain legitimacy, ensure their collaboration, or neutralize their threats. Although research on stakeholder theory has made significant progress in recent decades, CSR researchers have paid limited attention to how firms engender joint interests among competing stakeholders (Ni, Qian, & Crilly, 2014). Moreover, while scholars have primarily focused on the discursive strategies to secure legitimacy, here we would like to investigate the actual content of legitimation choices. Specifically, we contend that CSR choices attain such an aim. In our view CSR choices reflect 'the process by which managers within an organization think about and discuss relationships with stakeholders as well as their roles in relation to the common good, along with their behavioral disposition with respect to the fulfillment and achievement of these roles and relationships' (Basu & Palazzo, 2008, p. 124).

In this chapter we present a framework where CSR choices are interwoven with acquisition choices. Additionally, our framework acknowledges that stakes vary a great deal and each stake varies along the integration process. We contend that the strategic and organizational responses to handle these stakes and the ways the acquiring company builds legitimacy among stakeholders and creates consensus toward an acquisition are central to understanding the social dynamics informing the acquisition process. By doing so, we enrich the conventional discourse, permeated by rationalistic elements (Trautwein, 1990), with the social dynamics that involve all stakeholders.

In this chapter we propose a typology of alternative CSR strategies. The elaboration of alternative strategies to handle individual as well as stakeholders' networks has received less attention than stakeholders' classificatory schemes. An exception is Rowley's (1997) typology inspired by the social network theory and built around the density of the stakeholder network and the centrality of the focal organization within the network. In contrast, the typology we propose here places stakeholder management within the realm of strategic choices.

In our typology CSR strategies are contingent upon (a) the heterogeneity of stakeholders and their motives and (b) the acquiring company's stakeholder orientation. Acquiring company stakeholder orientation is, in turn, dependent upon the organizational identity orientation and the company's posture toward stakeholders. Our aim is twofold: First, our typology is designed as a managerial tool to help practitioners to identify the most suitable CSR strategies to implement; second, our typology intends to offer an alternative view to established typologies based on stakeholders' power, relevance, and salience.

3.2 Acquiring Company's Stakeholder Orientation

In this section we discuss acquiring companies' stakeholder orientation. A stakeholder orientation can be defined as the way or the degree to which a company includes stakeholder issues in its strategic decisions.

A stakeholder orientation cannot be conceived as uniform across acquiring companies (Bettinazzi & Zollo, 2017). Understanding heterogeneity in stakeholder orientations is therefore central to understand how CSR choices are developed.

In our framework we draw upon and integrate Bettinazzi and Zollo's (2017) work on stakeholder orientation in acquisitions and Basu and Palazzo's (2008) process model of CSR. Our framework consists of three pillars: the organizational identity orientation, the stakeholder posture, and the stakeholder orientation. Our framework posits that the stakeholder orientation is shaped by the organizational identity orientation and the stakeholder posture (Fig. 3.1).

The first pillar—organizational identity orientation—consists of the set of shared beliefs among organizational members about how the company handles its relationships with stakeholders (Basu & Palazzo, 2008). These beliefs inform the way the company interacts with others, the stakeholders indeed. We draw on Brickson (2007) who identifies three different orientations:

- An individualistic orientation praises individuals and the pursuit of self-interests. This view conceives an individualistic organization as the

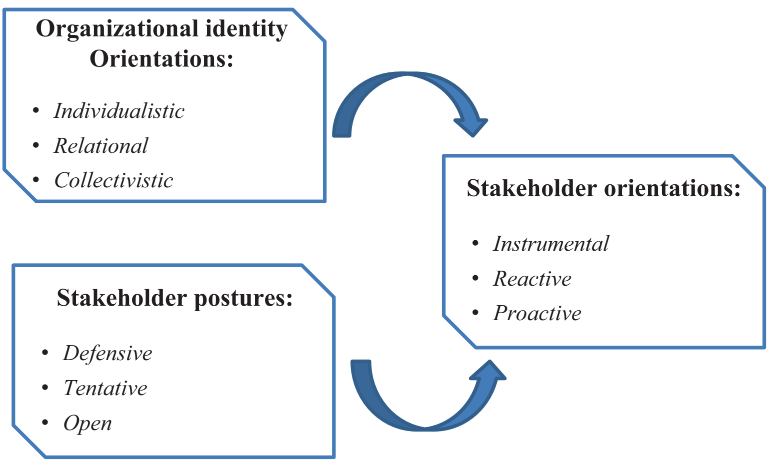

Fig. 3.1 Acquiring company's stakeholder orientation

sum of individual entities, each pursuing her own agenda. There is no real concern for stakeholders.

- A relational orientation refers to an organization that praises partnerships and conceives itself as part of a network of a multitude of stakeholders. Ties with stakeholders matter to companies displaying such orientation.
- A collectivist orientation refers to an organization caring for universal issues, such as people's poverty or deceases or the planet (Brickson, 2007).

The second pillar of our framework is the acquiring company's stakeholder posture that reveals whether or not and to what extent a company includes stakeholders' issues into its choices. Stakeholder posture, as Basu and Palazzo (2008) outline, is not about how a company responds to stakeholders, rather it is about the way the response is made. This is an important antecedent of CSR strategies that we examine later.

Scholars have provided different labels to different postures. For instance, Spar and La Mure (2003) find that postures vary across different industry groups and identify three different options to address stakeholders' concerns: capitulation, resistance, and preemption. They further contend that the choice of the specific posture depends on the estimation of economic and non-economic costs and benefits associated with actions that might be necessary to address the concerns.

Basu and Palazzo (2008) transcend industry boundaries and offer their own alternatives: defensive, tentative, and open. A defensive posture manifests itself in the tendency to replicate past actions even if they proved ineffective. This posture describes a company not concerned with getting inputs from external parties and essentially drawing on the same repertoires of behaviors and actions even in the face of poor results. We link this posture to an individualistic orientation, with no or minimal stakeholder orientation.

The second posture, the tentative, refers to an organization that lacks experience and appropriate tools to devise solutions, causing it to be uncertain regarding the consequences of its actions. Multiple, possibly contradictory, actions may be taken when the posture is tentative. We link this posture to a relational orientation. The company is concerned with developing a relationship with the stakeholder but has not yet found 'its way.'

Lastly, an open posture is oriented toward learning and is based on the organization's willingness to listen and respond to alternative perspectives offered by others. An open posture enables the organization to be ready to listen to alternative perspectives, share solutions, and discuss the nature of the transformation, both internal and external, that might be necessary to bring about real change. We link an open posture to both the relational and collectivistic orientations. While Basu and Palazzo (2008) have presented as mutually exclusive, these postures can also be conceived as three different steps toward strategizing stakeholders' issues (Gond, Cabantous, & Krikorian, 2017) and CSR choices.

In our framework, we contend that both the organizational identity orientation and stakeholder posture influence a company's stakeholder orientation. While in Chap. 2 we have seen how this heterogeneity can be explained by a number of external factors, such as the institutional context, in this chapter we provide the 'inside-out view' and discuss how this orientation reflects the identity of the company and the way it responds to stakeholders' issues.

Stakeholder orientation reflects the degree to which the top management of a firm includes stakeholders' interests in their strategic decision-making. It involves scanning the environment, prioritizing issues and stakes to attend to, generating and selecting alternative responses to these issues, and determining how such responses are executed. During the acquisition process, a stakeholder orientation implies costs and benefits: Costs arise due to time and resources dedicated to environmental scanning, to understand who stakeholder are, and how their stakes are affected and in turn affect the deal. During the closing the deal phase, costs increase as the due diligence is more comprehensive and provides details about risks and rewards from stakeholders' engagement. During the post-acquisition phase, these costs may be offset by less resistance to change and higher synergies that could in turn positively affect the value creation. Yet, engaging stakeholders means shifting from the idea that value is created to the benefit of shareholders to the idea that value is shared among stakeholders (Porter & Kramer, 2011).

From an organizational standpoint, these activities translate into a set of CSR routines, tools, and policies regarding stakeholders. Routines may refer to stakeholder scanning or monitoring. Tools or policies may, for instance, regard the quality-workforce relationships (Rousseau & Wade-Benzoni, 1994), attention to client preferences (Narver & Slater, 1990), the use of customer-sourced knowledge (Day, 1994), or the involvement of key suppliers in decision and execution processes related to product development (Dyer, 1996). Local community orientation has been associated with managers devoting greater attention to the institutional environment in which their firm is embedded as well as the use of communication and philanthropic initiatives (Marquis, Glynn, & Davis, 2007).

To favor the development of a stakeholder orientation, we believe that it is important to create a CSR team and to appoint a head of a CSR function, which also serve to signal, internally and externally, that CSR is a strategic issue. This is in line with insights offered by Gond, Cabantous, and Krikorian (2017), who investigate CSR from a strategy-as-practice perspective and show how CSR became strategic in a UK utility company, outlining the importance of an organizational coupling of CSR and strategy.

There are different sources used to assess stakeholder orientations in the literature such as the Kinder, Lydenberg and Domini (KLD) database or the Thomson Reuters Asset4 database. Bettinazzi and Zollo (2017) argue that the latter provides a finer-grained assessment of a company stakeholder orientation because it encompasses environmental and social dimensions including more than 900 raw items per firm, obtained from a range of different sources, such as annual reports and sustainability reports, websites of NGOs, and firm surveys. While Bettinazzi and Zollo (2017) measure stakeholder orientation on a *continuum* scale, from low to high, we propose three different orientations that represent different ways to handle stakeholders' issues and that eventually result into different organizational solutions:

- *An instrumental orientation*—It refers to a company that shows an individualistic identity orientation and is primarily focused on getting financial results without considering stakeholders other than shareholders. This means exclusively focusing on claimants with a high bargaining power. Company's choices are therefore guided by the business case principle. From an organizational standpoint, the company has not developed routines for scanning stakeholders or policies to handling relationships with them. Issues are handled on an ad hoc basis, according to a business case logic. Shareholder value comes first and every decision and action is taken to ensure the maximum return to shareholders.

- *A reactive orientation*—It involves attending to relevant stakeholders' issues. This orientation reflects a relational identity: The company recognizes the importance of anticipating stakeholders' issues and its implications on strategic decisions, thus showing a relational orientation. This means broadening the stakes to attend. Both claimants and influencers are taken into consideration. From an organizational standpoint, the company is still learning how to scan, monitor, and engage stakeholders and aims to develop routines and policies.
- *A proactive orientation*—It refers to a company with a pronounced social conscience and a collectivistic orientation, which involves assuming a political role and filling the gaps between institutions and societal issues. To achieve this end, such companies have developed routines and policies and created a CSR function.

With these considerations at hand we move onto the discussion of heterogeneity of stakeholders' motives. Our aim is to translate the characteristics of stakeholders discussed in Chap. 2 into different motives.

3.3 Stakeholder Motives

Just like companies display different orientations toward stakeholders, stakeholders are driven by different motives. In Chap. 2 we have provided a multidimensional classification to get a nuanced picture of different stakeholders. We have shown how stakes may differ in terms of temporal orientation or relational or transactional nature. Relational stakeholders generally display a long-term orientation, while transactional a short-term one. In Chap. 2 we have also highlighted the possibility of either symbiosis or conflict among stakes, which become particularly relevant while facing a multitude of stakes and stakeholders, as in the acquisition process. A peculiar position is the one of media that may play an important role in either helping the acquiring company to sell the deal or getting a favorable response from financial markets, which in turn means increasing shareholder value. Alternatively, media may give voice to otherwise voiceless stakeholders, such as activist groups fighting a deal for its externalities to the environment or the local community.

In this section, we aim to dig deeper into motives driving stakeholders' choices. We specifically draw on the contributions offered by both social psychologists and behavioral economists (cfr. Bridoux & Stoelhorst, 2014). Research in these two fields has demonstrated that motives to cooperate are heterogeneous across individuals and that these motives affect behaviors in collective endeavors such as value creation. Specifically, individuals can be categorized as self-regarding or reciprocators. Self-regarding individuals only care about their personal payoff and do not value fairness as such (Fehr & Falk, 2002). In contrast, reciprocators are inclined to reward a fair, and punish an unfair, treatment of themselves or others, even if rewarding or punishing is personally costly (Bridoux, Coeurderoy, & Durand, 2011).

Building on these considerations, Bridoux and Stoelhorst (2014) argue that not all stakeholders care about fairness (Bridoux, Coeurderoy, & Durand, 2011): Individual stakeholders can be either self-regarding or reciprocators (Bridoux & Stoelhorst, 2014) with the former not praising fairness while the latter doing. This distinction intuitively echoes the one between claimants and influencers. One could reasonably expect that influencers tend to be reciprocators and praise fairness, while claimants are self-regarding and tend to get the best deal in the relationship. However, we believe that claimants can also be reciprocators and inclined to develop trustworthy relationships where fairness is rewarded.

Bridoux and Stoelhorst (2014) develop a set of propositions that describe how fairness and arms-length approaches influence motivations and choices of self-regarding and reciprocator stakeholders. Specifically, they suggest that while a fairness approach is more effective in attracting, retaining, and motivating reciprocator stakeholders to create value, an arms-length approach is more effective in motivating self-regarding stakeholders and in attracting and retaining self-regarding stakeholders with high bargaining power.

While Bridoux and Stoelhorst (2014) focus on individual stakeholders and elaborate their contribution within the assumption of an instrumental stakeholder view, we aim to offer a more comprehensive paint of CSR strategies that takes into account that not all stakeholders are individuals and that not all stakeholders attend to personal stakes. Unions, activists, or regulatory agencies that care for stakes of public interest can hardly fall within the categories of self-regarding or reciprocators. To remedy this flaw, we integrate this classification by including an additional category that refers to stakeholders attending to stakes of public interests. We label these stakeholders as 'collective issues' supporters.' An additional important consideration is that the instrumental stakeholder orientation is only one among three different alternative orientations. Consistent with the classification sketched out earlier in this chapter, we suggest to acknowledge the existence of reactive and proactive orientations. With these considerations at hand we now move onto the development of a typology of different CSR strategies. The repertoire of alternatives available to acquiring company is dependent upon acquiring company's stakeholder orientation and stakeholder motives.

3.4 CSR Strategies

In this section we discuss different CSR strategies dependent upon the acquiring company's stakeholder orientation and the stakeholders' motives. While extant typologies are built around stakeholders' power, relevance, or salience, we assume that a stakeholder orientation pervasively influence the way the company deals with stakeholders' issues, yet the strategy adapts to the counterpart, that is, stakeholders' motives. We depict the different options in a matrix with nine quadrants (see Fig. 3.2).

Along the vertical axis, we position stakeholder orientations. Moving from the top to the bottom, we find an instrumental, reactive, and proactive orientation. Along the horizontal axis, we place stakeholders' motives. Moving from left to right, we find self-regarding and reciprocating individual stakeholders and collective issues' supporters. In each quadrant we identify a CSR strategy. The different options should be also seen as

	Self-regarding Stakeholders	Reciprocator Stakeholders	Collective issues' Supporters
Instrumental Orientation	**Bargain** (Performance-driven) I	**Compromise** (Mutual benefits) II	**Compliance** (Legal requirements) III
Reactive Orientation	**Arms-length Collaboration** IV	**Fair Collaboration** V	**Fair Collaboration** VI
Proactive Orientation	**Arms-length Partnership** VII	**Fair Partnership** VIII	**Missionary** IX

Fig. 3.2 CSR strategies: a typology

potentially evolving over time. We describe each strategy/quadrant starting from quadrant 1.

In the first row, we have options available to an acquiring company displaying an instrumental orientation. In quadrant 1, we suggest a bargain strategy. The company only focuses on relevant stakeholders, essentially claimants with a high bargaining power. The guiding principle is the business case, that is, stakes are attended as long as they produce a positive impact on financial performance. Benefits are essentially economic in nature. In such circumstances, the acquiring company's top management is solely concerned to assess whether stakes conflict or are in symbiosis with the company's strategic goals to identify the best economic incentive to motivate different stakeholders to provide their contribution. In this category we place investment banks that present the risk of being opportunistic and are solely focused on the transaction fee. This quadrant may also include customers and suppliers, when the relationship is not long term.

In quadrant 2, the acquiring company displaying an instrumental orientation faces reciprocator stakeholders. In this case we suggest to adopting a compromise strategy, which means balancing different stakes and pursuing mutual benefits. Here we assume that stakeholders try to engage the acquiring company toward collaboration. As stakeholders praise fairness, benefits should not be exclusively economic but also of social or environmental nature. In this quadrant we place customers and suppliers with a long-term relationship with the acquiring company.

In quadrant 3, we suggest a compliance strategy. If the acquiring company is guided by an instrumental orientation, the company is likely focused on complying with regulatory or legal requirements in order to get the deal approved. In this quadrant, we place the regulatory agencies who supervise the deal and assess their impact. Local communities are only guaranteed the respect of laws.

In the second row, we have options available to an acquiring company displaying a reactive orientation. In quadrant 4, we suggest an arms-length collaboration to handle the relationship with self-regarding stakeholders. An arms-length collaboration is developed on an ad hoc basis, depending on the bargaining power of the stakeholders and the importance of their contribution to the acquiring company's ability to create value. The acquiring company is willing to attend to stakeholders' issues, even though it has not yet developed routines and tools to achieve this aim. When the stakeholders are reciprocators, the recommended strategy is a fair collaboration. This means that the mutual economic benefits need to be augmented by a genuine concern for social and environmental issues from the acquiring company. This strategy is also suitable to handle the relationship with collective issues' supporters. While the company is not prone to assume a political role, it is inclined to account for collective stakes beyond a legal prescription. In this quadrant we place local communities and initiatives aimed to improve living conditions and decrease the environmental impact of the company's activities.

The third row in our matrix refers to a proactive acquiring company, a company that has developed a repertoire of tools and routines to manage the relationship with stakeholders and is willing to assume a political role. In quadrant 7, we recommend to adopt an arms-length partnership with self-regarding stakeholders. We are aware that it is seemingly a contradiction, as trust is an essential ingredient of partnership. Still, our view is that a company with a pronounced social conscience is willing to invest time and resources to 'educate' stakeholders, even the self-regarding ones, about the importance of social and environmental concerns. To achieve this aim, rhetorical strategies we discuss later might play an important role. In such circumstances, appropriate incentives, primarily of economic nature, are essential to achieve this aim. In quadrant 8, we identify a fair partnership as the suitable strategy to handle the relationship with reciprocator stakeholders. As reciprocator stakeholders praise fairness, they are inclined to build a trustworthy partnership with the acquiring company securing their contribution toward developing and implementing a CSR program. In this quadrant we place middle management, whose contribution is essential to implement a deal. Middle management is often neglected in acquisition research, yet it is through their involvement that the deal gets implemented. Within this quadrant we also include owners and top management when they find a balance between economic, social, and environmental concerns. In quadrant 9, we assume that a proactive acquiring company is willing to fill institutional voids and is committed to assume a missionary role. Acquiring company's involvement goes beyond a legal compliance or a constructive dialog with NGOs, and extends to alleviating global problems such as poverty or global warming.

The strategies discussed earlier should not be seen as mutually exclusive but could coexist at the same time or over time. If the acquiring company is a MNC, it is important to select different strategies depending on the specific stakeholder, how the stakes change, or the institutional context where it operates. The alternative options could also be seen as different stages in the elaboration of a CSR strategy over time, where acquisitions and CSR are interwoven (Chaps. 6, 7, and 8 this monograph).

The development of such strategies to secure favorable and productive stakeholder relations constitutes a core competence for management and requires organizational processes, competences, and individual skills. The existence of ad hoc organizational processes testify that the company considers stakeholder management a strategic issue; establishes routines to scan, monitor, and store information about stakeholders; and includes these issues in the strategic decision processes (Gond, Cabantous, & Krikorian, 2017). Developing routines and tools to manage stakeholders, if seen in light of the considerations above, signals that a company has moved from a reactive to a proactive orientation and considers developing and nurturing a relationship with stakeholders a strategic asset and a source of competitive advantage.

From an organizational standpoint, the existence of a CSR function signals the company's attention to these issues and assigns a clear responsibility for such processes. When moving from the organizational to the individual level of analysis, we find that CSR requires both relational and analytical skills. Relational skills include listening and responding and negotiating with stakeholders, while analytical skills concern environmental scanning, issue forecasting, and measuring and reporting on both issues and impacts (Bettinazzi & Zollo, 2017).

Successful stakeholder management also involves *learning* because stakeholder characteristics and interests change over time. Again, the recognition of and the interaction with stakeholders are an integral and ongoing part of the management process. Stable and supportive stakeholder relationships are built up over time on the basis of experience. Trust grows from trustworthy behaviors, not from rhetoric. However, rhetorical strategies play a role, and it is therefore important how the acquiring company is able to involve media in stakeholder management.

3.5 Rhetorical Strategies

In this section we focus on the role of rhetorical strategies to gain legitimacy from stakeholders in an acquisition. Legitimacy is a classic topic in organizational studies as it has been conceived as key element in the creation and survival of new organizational forms (Hannan & Freeman, 1989). Legitimacy has been extensively investigated in corporations in general (i.e., Suddaby & Greenwood, 2005) and in MNCs in particular (Kostova & Zaheer, 1999). Primarily organizational scholars have focused on the cognitive and normative bases of legitimacy (Suchman, 1995). More recently studies have also taken up the discursive aspects of legitimation (i.e., Creed, Scully, & Austin, 2002; Suddaby & Greenwood, 2005; Vaara, Tienari, & Laurila, 2006) and have emphasized the use of language to persuade constituencies of the desirability and appropriateness of institutional deviance.

Rhetoric has a long history in the humanities and dates back to ancient Romans and Greeks and is referred to as the art of persuasion. Before the advent of scientific rationality, rhetoric superseded logic and was conceived as a tool of assessing truth (Zald, 1993). Later, rhetoric was seen as the study of superficial elements of style or appearance of communication rather than its content and therefore disregarded (Burton, 2004). More recently, scholars from a broad range of disciplines have renewed interest in rhetoric, now conceived as part of a scientific understanding. Specifically, rhetoric is concerned with how shifts or displacements of meaning occur in the context of social change (Suddaby & Greenwood, 2005). The 'linguistic turn' in the social sciences (Alvesson & Karreman, 2000) has brought to the fore different forms of rhetorical analyses in organization theory such as semiotics (Barley, 1983), hermeneutics (Phillips & Brown, 1993), and discursive (Kilduff, 1993) and narrative analyses (Boje, 1995), just to name a few examples of methods used to understand organizational phenomena.

Rhetorical analysis, Suddaby and Greenwood (2005) argue, shares an interest in the role of language in structuring social action, but is specifically focused on suasion and influence. In their reconstruction of the evolution of rhetoric as a genre, they trace back to Burke's (1969) notion of language as symbolic action and the socio-cognitive perspective on discourse. In this light, opposing actors in a context of social change are expected to adopt genres of speech and writing that reflect the values and ideology of a particular discourse community and attempt to manipulate them (Berkenkotter & Huckin, 1995). As a 'symbolic means of inducing cooperation' (Burke, 1969, p. 43), rhetoric is an essential element of the deliberate manipulation of cognitive legitimacy.

In this monograph, while we embrace the position that discursive strategies are crucial to build a favorable attitude toward a deal, this in turn assigns an important role to media as discussed earlier. Media set the public agenda (Dearing & Rogers, 1996), orient the public opinion, and voice interests while silencing others. Media are not the neutral actors that one could imagine them to be at a first glance. Acquisition scholars, especially Nordic scholars, have offered a bunch of studies that document to this role and attempted to detect different layers of discourses by analyzing media text through discourse analyses and critical discourse analysis (CDA) in particular, to which we will revert later in this monograph (see Chap. 5). Among those, we would like to mention the study of Vaara and colleagues (2006) that focuses on the choice of corporate language as a tool to exercise power and politics in an international merger. Drawing on Clegg's (1989) framework of circuits of power, they unravel the multifaceted implications of corporate language policies in international M&As. Specifically, they find that language skills became empowering or disempowering resources in organizational communication; such skills were associated with professional competence and led to the creation of new social networks. Language was essential in the construction of international confrontation, the sense of superiority and inferiority between the counterparts in the merger. In a similar vein, Hellgren and colleagues (2002) assembled an international research team to study how media presented the AstraZeneca merger. They analyzed media texts from Swedish and British newspapers and found that sensemaking and sensegiving in relation to the merger was, at least to some extent, taking place in and through the media. Media coverage has an impact on organizational change as acquisitions are performed in a wider social and societal context than just the organizations involved.

3.6 Conclusion

In this chapter we have focused on the second stage of our framework, that is, how acquiring companies manage the relationship with stakeholders. We have accounted for a variety of CSR strategies that link back to two different elements: the acquiring company's stakeholder orientation and the stakeholder motives. Stakeholder orientation has already gained recognition in acquisition literature (see Bettinazzi & Zollo, 2017) although confined within the boundaries of an instrumental view of CSR and limited to traditional, primary stakeholders, such as shareholders, clients, suppliers, and local communities. In this chapter, we innovate by considering three different orientations that could also be conceived as developmental stages in an acquiring company's CSR trajectory. Stakeholders' motives enable us to distinguish between self-regarding and reciprocator stakeholders and this classification in our view is more suitable to capture how stakeholders may behave in a dynamic perspective, which is consistent with the process view embraced in this monograph. Again, we innovate this classification, which essentially refers to individual stakeholders, by adding a third motive—supporting collective issues. Based on these variables, we offer a typology of CSR strategies. To pursue the suggested strategies, it is essential to develop organizational processes and individual skills that refer to scanning the environment and stakeholders and developing a rapport with them. Additionally, we recognize the role of rhetoric in gaining legitimacy from different constituencies involved in a deal.

We are aware that our typology lacks empirical evidence corroborating it. Further theoretical reasoning and empirical evidence are recommended to revise or enrich it. Nonetheless, we believe it represents an important step toward a dynamic and relational understanding of the variety of CSR strategies in an acquisition context. We also believe that our typology should not be confined to the realm of acquisitions but could be fruitfully employed to identify CSR strategies most suitable to handle the relationship with different stakeholders.

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4

Measuring Performance of Acquisitions: From Shareholder Value to Shared Value to Acquisition Outcomes

Olimpia Meglio

Abstract In this chapter we critically analyze a central construct in M&A research: acquisition performance. Acquisition performance has received considerable attention from scholars who have repeatedly attempted to gauge the effectiveness of acquisition strategies. The majority of empirical articles measure acquisition performance as the market reaction to the deal announcement, emphasizing the primacy of shareholders over all stakeholders. We provide a critical analysis of current research and suggest how a stakeholder perspective may help us to better understand drivers of financial performance. We additionally reflect on how to measure the multitude of outcomes acquisitions bring about that reflect the variety of stakes.

Keywords Acquisition performance • Multiplicity of acquisition outcomes • Drivers for acquisition performance • Shared value in acquisitions • Acquisition outcomes

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4.1 Introduction: Acquisition Performance as an Umbrella Construct

How acquisitions perform is an enduring question in M&A research (Meglio & Risberg, 2011) that has led scholars to produce a vast amount of studies with acquisition performance as the dependent variable (e.g., Capron, 1999; Cording, Christman, & King, 2008; Fowler & Schmidt, 1988). Findings, however, are inconsistent and inconclusive and no single variable seems to explain or predict acquisition performance (Datta, Narayan, & Pinches, 1992; King, Dalton, Daily, & Covin, 2004). Moreover, it is difficult to assess whether acquisitions succeed or fail (cf. Risberg & Meglio, 2012).

Seeing acquisition performance research through the stakeholder perspective reveals that the majority of the articles measure acquisition performance as financial performance, that is, as a market reaction to the announcement of the deal with CAR being the most frequently used indicator (Meglio & Risberg, 2011). In this light, the extensive use of CAR signals that shareholders have a primacy over all stakeholders (e.g., Capron, 1999). One reason for this focus can be found in the classical claim that acquiring firm's shareholders lose value from acquisitions and an acquired firm's shareholders gain (Jensen & Ruback, 1983). Less-frequently used accounting-based measures mirror the interest of top management, whose pay is generally linked to this indicator. In a similar vein, non-financial measures of acquisition performance, such as success and survival, do reflect the interests of top management and converge with employees' interests when they imply that employees retain their jobs.

Taken together these findings point to a primacy of shareholders and top managers, primacy reaffirmed through published research. Scholars significantly influence the acquisition discourse by shaping acquisition performance measurement and contributing to how acquisitions are perceived (Risberg, 2013): If many scholars use market and accounting data, top management and shareholders receive a disproportionate amount of attention.

In practice, as discussed in previous chapters, acquisitions do typically have goals other than increasing shareholder value because they influence the network of stakeholders of the merging companies. Exclusively focusing on what is measurable can result in overlooking other stakes in acquisition processes that are likely to affect acquisition outcomes. Moreover, such a focus prevents us from recognizing, and therefore measures outcomes other than financial.

Building on these considerations, in this chapter we aim to offer two distinct contributions: First, we investigate the impact of different stakes on acquisition performance. This helps us to recognize the multiplicity of generative mechanisms that, at different stages of the acquisition process, lead to acquisition performance. Second, digging deeper into the idea that acquisition performance is an umbrella construct, we recognize that different performance measures measure very different 'performances' and reflect different perspectives (Meglio & Risberg, 2011). We therefore propose to switch the attention from the acquisition performance as a single, unitary construct to the multiplicity of measures for acquisition performance, which we suggest to call as acquisition outcomes.

4.2 Stakeholders' Influence Upon Acquisition Performance

In this section we analyze the impact of stakeholders upon acquisition performance and discuss costs and benefits of attending or not attending to different stakeholders (see Table 4.1). The considerations developed in this section reflect an instrumental view of CSR and help to address the impact of stakeholders upon what is commonly measured as acquisition performance—shareholder value—an issue only recently investigated by acquisition scholars (see Bettinazzi & Zollo, 2017). We also acknowledge that stakes change over time, as the acquisition process unfolds, with new stakeholders emerging while others disappearing. That the actors vary in number and stakes in nature makes difficult to anticipate their effects upon performance, nonetheless we can discuss possible scenarios arising during the entire process. As discussed in Chap. 2, stakes can be symbiotic

Table 4.1 Stakeholders' influence upon acquisition performance

Stakeholder	Stake(s)	Costs upon acquisition performance	Benefits upon acquisition performance
Advisors: consulting firms	Transaction fee	The fee increases the integration costs and thus negatively affects post-acquisition performance	A faster and more effective integration improves performance and offsets the higher costs the acquiring company faces
Advisors: investment banks	Transaction fee	The fee increases the integration costs and thus negatively affects post-acquisition performance	A faster and more effective integration improves performance and offsets the higher costs the acquiring company faces
Banks	Business relationship	Relationship termination Higher costs for loans	More favorable terms for loan provision
Competitors	Competitive position	Forms of retaliation	
Customers/ suppliers	Business relationship	Business relationship termination/ renegotiation	Satisfied customers improve cross-selling opportunities and enable revenue synergies Collaborative relationship with suppliers enables cost synergies
Employees	Job security Career advancement Personal relationships	Forms of active and passive resistance may harm performance	Employees engagement has several positive effects upon performance
Environment	Pollution Natural resources reduction/ decay	Costs to reduce pollution	Positive impact on brand awareness Measures to reduce the consumption of resources also reduce costs

(*continued*)

Table 4.1 (continued)

Stakeholder	Stake(s)	Costs upon acquisition performance	Benefits upon acquisition performance
Local communities	Health/living conditions Occupational levels	Costs to attend to local communities' needs Higher costs due to protests	Positive impact on brand awareness
Media	Selling news	Support an opponent coalition of stakeholders	Support the deal, emphasizing benefits
Middle management	Job security Career prospects	Resistance to change	Favoring change implementation
Owners	Shareholder value Ensuring continuity	Excessive focus on short-term goals at the expense of attending to different stakes Continuity/SEW	Favoring a balance among competing stakes
Others	–	–	–
Regulatory agencies	Public interests	Longer time to get the deal approved Restriction to get the approval	Emphasis on benefits arising from the deal
Top management	Job security Career prospects	Hubris Managerialism Personal motives	The replacement of ineffective managers positively influences performance
Unions	Employment rate	Strikes	Signing a collective deal

or in conflict and therefore two possible scenarios may manifest: a convergence and a divergence of stakes. Possibilities of convergence or divergence among stakes are also dependent upon whether stakeholders are claimants or influencers. In the former case, a contract protects mutual stakes. An acquisition may involve renegotiating terms or terminating the contract. When stakeholders are influencers, they cannot rely on a contractual protection for their stakes. In such circumstances they may increase their power by building a coalition with other stakeholders, involving, for instance, media to raise public opinion's attention toward issues of public interest, such as environmental damages or health concerns.

With these considerations in mind, we examine the impact of different stakeholders upon acquisition performance. Impact is described in terms of costs or benefits. Stakeholders, stakes, costs, and benefits are arranged in Table 4.1.

Advisors—Advisors can be either investment banks or consulting firms. They typically influence different phases of the acquisition process. Specifically, investment banks influence the pre-acquisition phase and how a deal is completed. They are supposed to aid the market for corporate control in several ways: by lessening search costs through matching bids and targets, reducing information asymmetries between the parties, and providing technical expertise that could be costly and time consuming to produce internally. In performing this task, they experience the so-called negotiator's dilemma (cf. Frey & Adams, 1972), that is, choosing between collaborative and opportunistic tactics. The former create value for all the parties involved in the deal, while the latter yield greater value for the investment bank or the target company at the expense of the acquiring one. This conflict of interest may lead companies to bid beyond their financial capacity or pay a price where the target company is not worth buying (Kesner, Shapiro, & Sharma, 1994). The importance of reputation when trying to gain further business likely mitigates self-interest by investment banks.

Consulting firms often perform the due diligence, which takes place between the declaration of the initial intent to acquire and the closing of the transaction. Deal closure is contingent on a satisfactory due diligence report that involves verifying financial records, analyzing legal matters, and investigating other potential problems. The information obtained during due diligence is generally not publicly available and makes possible a more careful assessment of the value that the transaction might provide. Since the target has an incentive to make public only positive information, any relevant information uncovered during due diligence is usually unfavorable and should lower the value of the target for the acquirer. Due diligence failures occur either when acquirers fail to discover new information that devalues the target firm or, having uncovered it, fail to react in an appropriate manner by revising the price or abandoning a deal (Puranam, Powell, & Singh, 2006).

Banks—Banks lend money to companies and their stake is regulated by a contract. However, an acquisition is not a financially neutral event, especially when the target is in distressed conditions (Bruton, Oviatt, & White, 1994). This could require renegotiating loans. When renegotiation results into higher interest rates, there are rising costs for the acquiring company. In case banks own acquiring company's shares, their stakes overlap with that of the shareholders.

Competitors—While generally not regarded as stakeholders in acquisition, in this monograph we treat competitors as stakeholders as they influence acquisition performance. An acquisition is often a traumatic event for competitors as it puts their competitive position at risk and negatively influences their growth and profitability prospects. This is especially true when the deal involves mature industries, which do not enjoy high growth rates, or even declining ones (Anand & Singh, 1997). In such circumstances, competitors' different forms of retaliation may likely take place with rising costs during the acquisition. For instance, competitors can take advantage of uncertainty in a deal to poach employees and customers (King & Schriber, 2016). Or they may approach the government with anti-competitive concerns, with the aim of disrupting a deal, as in the successful attempt by Sprint to disrupt AT&T's merger with T-Mobile USA (King, 2013). Their reactions may also take place during the bidding process (the pre-acquisition/closing the deal phases). During the negotiation phase, competitors are generally alerted from rumors about a possible deal and may want to take part in the bidding process: When several potential buyers compete for the same target, the price will generally rise. In the short term, the offered price can play a key role in deciding who, among the potential buyers, will win the bid game, but in the long run it will heavily affect the value creation process and, therefore, acquisition success in a situation called the 'winner's curse' (Varaiya & Ferris, 1987).

Customers and suppliers—After a deal completes, the relationships with suppliers and customers are impacted and may be terminated, renegotiated, or maintained (Kato & Schoenberg, 2014). Relationships with both suppliers and customers are essential to improve acquisition performance.

Retaining customers is crucial for acquisition performance, as often one of the reasons driving the deal is acquiring the target company's customers. Yet, acquisitions often encompass a broad spectrum of change, such as key personnel leaving a company or bad reputation and financial difficulties of the acquiring company that actually cause the dissolution of business relationships with customers (Öberg, 2013). This in turn requires careful scrutiny of customers with the goal of reassuring them using customer relationship management strategies to nurture the business relationship with them.

Relationships with suppliers are also crucial to acquisition performance. Suppliers may enjoy a bargaining power depending on the type of material/service supplied, the existence of alternative suppliers, and ability to switch costs (Holström, 2013). Savings in this function have a direct impact upon corporate profitability and, in an attempt to achieve cost synergies, suppliers to integrating companies will be very likely asked to renegotiate contracts. This may imply revised volumes, generally lower prices, and compressed lead times. Fee and Thomas (2004) further contend that purchasing gains for the merging companies depend on the type of suppliers (retained vs. terminated) and the industry context (concentrated vs. fragmented). Moreover, buying power effects are more pronounced when the merging companies operate in relatively concentrated industries. Again financial economics scholars show how horizontal deals may offer gains arising from improved efficiency and anti-competitive collusions, which are not mutually exclusive (Fee & Thomas, 2004).

Employees—Employees are given considerable attention in acquisition research, yet, they tend to be portrayed as tools toward the achievement of acquisition goals (Meglio, 2015). Seeing them as stakeholders means recognizing that their stake includes protecting their job and preserving their career opportunities as well as the social connections within teams. The fear of losing jobs and the disruption of social connection are responsible for a reduction in productivity (Gutknecht & Keys, 1993). The magnitude of these effects is further magnified when employees are scientists, inventors, or knowledge workers whose contribution is crucial in high-tech deals, where it is common a declining productivity from inventors (Ernst & Vitt, 2000; Kapoor & Lim, 2007).

The considerations above rests on the assumption that an acquisition is a traumatic event with no employee engagement (Teerikangas & Vaalikangas, 2015). If this scenario materializes, the above-described consequences will likely result in a lower performance. An alternative scenario materializes if the acquisition is welcomed as an opportunity from employees at different hierarchical levels. This may happen in the case of a white knight or when the target is a family business with no second generation within the company willing to replace the founder. In such circumstances, when the survival of the company is at risk, the acquirer is seen positively, and employees are more willing to cooperate. Another possible instance is an unrelated acquisition: In this case, the need for change within the target company is expected to be low. The assurance about future career prospects should preserve morale and allow cooperative efforts from employees.

Media—Media have their own stake in acquisitions, as acquisitions generally received broad coverage by media as they are appealing news (Hellgren et al., 2002). In this monograph we have outlined how media play a peculiar role in acquisitions: By giving voice to different stakeholders, they may place emphasis on either financial impact or societal concerns surrounding a deal. This explains the importance for managers to involve media in announcing acquisitions (Louis & Sun, 2010). Likewise, traditionally voiceless stakeholders may be voiced by media. Media can therefore exert an influence on how the acquisition is perceived and play a role in setting expectations about the deal that eventually result into costs or benefits.

Owners—We include owners in this discussion as they represent a heterogeneous stakeholder group. Traditionally, owners are conceived as shareholders pursuing the maximization of their wealth. In an acquisition context, shareholders are both from the acquiring and the target and empirical research find that on average shareholders from the target company benefit from an acquisition (Franks, Harris, & Titman, 1991). Moreover, owners could deviate from the aim of maximizing shareholders' wealth. When an acquisition involves a family business, it is likely that preserving the socio-emotional wealth or assuring the continuity of the company (Meglio & King, 2019) preserves the employment level or the business social conscience and these conditions may interfere with the maximization goal by increasing costs.

Top and middle management—Top management is the key actor and influences the acquisition performance by setting the acquisition performance goal and balancing different stakes during the integration process (Meglio, 2015). Top managers have also their own stake in acquisitions: retaining their position. In the interaction with each other, we observe that during the pre-acquisition stage top management teams from the acquiring firm and the target typically have convergent interests (i.e., closing the deal), whereas during the post-acquisition phase they generally have divergent interests. Divergences may arise when the attainment of acquisition goals requires the replacement of the target company's top management team (Walsh, 1988, 1989). Such a replacement is a frequently advocated rationale for acquisitions with a disciplinary aim (Walsh & Ellwood, 1991; Walsh & Kosnik, 1993) and may take place in different ways with different implications on time and cost. A smooth replacement can be already set during the negotiation phase, such as in the case of friendly transactions, when golden parachutes are provided to ease managerial exit (Hirsch, 1987). When the deal is hostile, the exit is imposed top-down, and the turmoil is almost unavoidable. In such a case, the magnitude of negative effects on performance is more difficult to predict. Typically, such situations produce both low morale and a decrease in productivity that can lower, or even offset, the cost synergies anticipated during the pre-acquisition phase (Pritchett, 1985). In either case, costs should be carefully estimated as they ultimately influence the overall performance.

Middle managers—those two levels below the CEO and one level above line workers and professionals—are generally overlooked by existing literature. In acquisitions, there are distinctive middle-management groups that cut across the merging parties. Meyer (2006) outlines how they play an active role during the implementation process as they are responsible for operationalizing the strategic intent. They are seen as adding costs and obstructing information, and their influence is perceived as destructive. Yet, they may also play a constructive role and favor the implementation of required changes, reducing resistance, which in turns depends on their career opportunities as a consequence of the deal. Their stake, that is, their career path, can be put at risk by some contextual factors, such as the nature of the deal (friendly vs. hostile) and the degree of relatedness between the merging companies. If the deal is hostile or the acquisition is horizontal, it is very likely that cutting costs to achieve cost synergies will result in many middle managers being let go (Schriber, 2012). In such circumstances, again the internal climate will deteriorate and performance will likely decrease. That many people leave after a deal could be desirable from the acquiring firm's point of view, yet it may also imply losing talented people and their contribution to the performance of the merging companies.

Regulatory agencies—Regulatory agencies, at both the international and national levels, protect collective stakes, such as fair competition in the marketplace or employment rates. Through their action, they may either prevent the deal from taking place or drive concrete implementation actions that effect stakeholders. This means that no competitor can gain, as a consequence of a deal, a dominant position over other competitors, thus protecting consumers from possible abuse of dominant position.

King (2013) outlines how regulatory requirements vary across the globe depending on the countries involved. In the US, for instance, the FTC and the Department of Justice review a transaction file within 30 days. Regulatory reviews by other government bodies or the European Community may also be required before an acquisition can be completed if the deal spans continents. In complying with these requirements, acquiring companies should assess the trade-off between the time needed to have the deal approved (and the impact that a delay produces on the deal) and the incentives paid to consulting firms to accelerate completion.

Central government can also play an active, positive role in promoting a merger or creating more favorable conditions for a merger to take place. This may actually take place if the merger involves a strategic industry, such as the defense industry, or a declining industry and a troubled company. When thousands of employees are at risk, a consolidation merger could be a way to preserve the employment rate in economic downturn conditions (see, e.g., the merger between FIAT and Chrysler).

4.3 From Shareholder Value to Shared Value

Embracing a stakeholder perspective enables a better understanding of the generative mechanisms, in terms of both costs and benefits, that lead to acquisition performance. Our considerations have been developed upon the idea that acquisition performance looks at the financial implications of a deal, from the acquiring company shareholders' perspective. This is in line with the widespread tendency, within the academic community, to measure acquisition performance along a single dimension—often the financial dimension—and typically employing a single metric (Meglio & Risberg, 2011). While seemingly in contrast with the claimed complexity and multidimensionality of the acquisition performance construct, this practice is explained by the assumption that markets are efficient and transparent (Fama, 1970) and therefore 'know' what is the value a deal will create and they know at the time of the announcement.

Over time scholars have raised criticism on the way acquisition performance is measured, questioning the convergence among different measures and time horizons. Subjective versus objective assessments of performance have been analyzed by Schoenberg (2006) who compares managers' and expert informants' subjective assessments and finds that they largely overlap but differ from capital market reactions to acquisition announcements. In a similar vein, Papadakis and Thanos (2010) highlight that subjective measures correlate with accounting but not stock market measures. Relatedly, Zollo and Meier (2008), in their comparison of different measures, demonstrate that the common short-term financial measures (typically CAR) remain unrelated to other metrics.

The reliance on a short event window has also been repeatedly scrutinized (Cording, Chistmann, & Weigelt, 2010; Lubatkin & Shrieves, 1986; Oler, Harrison, & Allen, 2008), questioning the ability of financial markets to predict the value a deal actually creates over time. The underlying assumption is that we need to improve the measurement method. Nobody seems to question the unitary of this construct: Under the label of acquisition performance we find different performances, measuring different outcomes, for different units of analyses, and over different time horizons (Meglio & Risberg, 2011).

In light of the earlier considerations, does it still make sense to talk about acquisition performance in singular? Or, put it differently, is a single dimension able to capture the multitude of possible outcomes an acquisition brings about? Our answer, based on the considerations developed and the examples we provide in this monograph, is a clear NO even though the practice of measuring performance as financial performance in empirical research is still common.

Still, if we accept the idea that multiple stakes confront one another during an acquisition process, then it is timely to reflect on how to measure acquisition performance so to do justice to such a multitude of stakes. In the remaining sections of this chapter we offer our own suggestions on this important issue.

A first linguistic and conceptual turn is to talk, and therefore measure, not the value created, rather the value shared. This position, advanced by Porter and Kramer (2011), involves creating economic value in a way that also creates value for society by addressing its needs and challenges. Porter and Kramer (2011) advocate for a notion of company success that includes also social progress. Their position should not be confused with adding philanthropic donation or even supporting sustainability choices as a means to achieve the financial success. Shared value does not reflect an additive view of performance that is confined at the margin of what companies do, rather what lies at the heart. Underlying the notion of shared value, there is an attempt to go beyond the dichotomy between corporate financial and corporate social performance, which has attracted a considerable effort from scholars attempting to detect the impact of socially responsible and sustainable choices upon performance (i.e., Carroll & Shabana, 2010; Orlitsky, Schmidt, & Rynes, 2003).

The idea of shared value in our view reflects the contradictions and interrelations between instrumentally and morally driven responsible behaviors (Han, Pinske, Preuss, & Figge, 2016). Following an instrumental rationale, socially responsible behaviors could be driven by organizational self-interest. Social problems are addressed only if, and as long as doing so, enables to capture value for the firm based on economic incentives (McWilliams & Siegel, 2011). An important condition for a firm is aligning social initiatives with business outcomes (Carroll & Shabana, 2010), and conferring pragmatic legitimacy to social initiatives inside the firm (Suchman, 1995; Yuan, Bao, & Verbeke, 2011). On the opposite end, there is a moral rationale that pushes companies to address social problems because it is the right thing to do (Davis, Schoorman, & Donaldson, 1997). A moral rationale can be inspired by values of organizational members (Hemingway & Maclagan, 2004) or normative stakeholder demands for pro-social behavior (Campbell, 2007; Hahn, 2015). Following such a moral rationale, firms devote resources to instigate social betterment as an end in itself and emphasize moral duties over economic benefits (Donaldson & Davis, 1991; Quinn & Jones, 1995). In our view, the notion of shared value represents itself as a balance among contradictions and interrelations. Porter and Kramer (2011) in their reflections on the idea of shared value recognize that societal needs, not just conventional economic needs, define markets. Their view also recognizes that social harms or weaknesses frequently create internal costs for firms, such as wasted energy or raw materials, costly accidents, and the need for remedial training to compensate for inadequacies in education. And addressing societal harms and constraints does not necessarily raise costs for firms because they can innovate through using new technologies, operating methods, or management approaches that may eventually increase productivity and expand markets. Shared value, then, is influenced by personal values but extends beyond them. Nor is it a sort of redistribution of the value created. Instead, it is about expanding the total pool of economic and social values.

While interesting, the idea of shared value represents, in our view, more a guiding principle than a measure for performance. The issue of measuring acquisition performance in a way that reflects the perspective of different stakeholders remains open and later we suggest a second linguistic and conceptual turn, that is, shifting from acquisition performance in singular to acquisition outcomes in plural. We also provide some reflections for measuring it.

4.4 Measuring Acquisition Outcomes

Although a seemingly unitary construct, acquisition performance is an umbrella construct (Hirsch & Levin, 1999) that actually assumes a multitude of meanings, and therefore measures, depending on the boundary conditions scholars define in empirical research (Meglio & Risberg, 2011). We agree with Corvellec (1997, p. 26) when he argues that 'performance appears to coincide with what authors' measure as being the organization's performance.' Therefore, the multiplicity of measures for acquisition performance should not be understood as a method problem. Like most organizational constructs, acquisition performance is not a general construct that would work in all situations. Still, the considerations developed in this monograph suggest that it is timely to shift from acquisition performance in singular to acquisition outcomes in plural.

Like acquisition performance, acquisition outcomes are unobservable, thus requiring a careful measurement process and definitional clarity (Suddaby, 2010). In this section, we do not want to provide a universal set of measures for acquisition outcomes, which are dependent upon the research question(s) scholars attempt to answer. Rather, we want to contribute to the scholarly debate by drawing attention on the issues along the measurement process (Zeller & Carmines, 1980). According to Van de Ven (2007, p. 185), [f]undamentally, measurement represents a problem of conceptualization. Typically, it begins by descending the ladder of abstraction to recast theoretical constructs into observable variables, and select procedures and indicators to measure these variables in ways that are reliable (i.e., replicable) and valid (i.e., capture their intended meaning).' In a reflection on construct measurement, Suddaby (2010) observes that theoretical constructs in management and organization studies typically lack a universal application and tend to be sensitive to and contingent upon contextual conditions. He therefore draws scholarly attention on the importance of construct clarity, which means spelling out the scope conditions where it does or does not apply. This implies defining the setting and the geographical area where it applies, the time scale, and the unit of analysis. Following Suddaby's (2010) definition of construct clarity, we therefore reflect on what should be measured (how acquisition outcomes could be conceptualized and operationalized), where they should be measured (the research setting), how they should be measured (the method), when they should be measured (the time scale), and the unit of analysis.

The first issue scholars should reflect upon is the meaning we assign to the acquisition outcomes construct. Acquisition outcomes include but are not limited to those found in existing studies under the banner of acquisition performance that Meglio and Risberg (2011) categorize into two different domains: financial and non-financial measures of acquisition performance. Acquisition outcomes extend beyond these domains by taking into account the different actors—stakeholders indeed—involved into an acquisition process. These considerations imply acknowledging that acquisition outcomes are a broad ambiguous construct: It is thus relevant that scholars define what they mean by acquisition outcomes in their research.

Based on the considerations developed in this monograph, we suggest that scholars define acquisition outcomes not in a generic way, but specifying what stakes they take into account. The conceptualization is therefore contingent upon the definition of the unit of analysis. In other words, it is not possible to talk of acquisition outcomes in general, without specifying for which stakeholders we measure acquisition outcomes.

In Chap. 2, we have identified different stakes stakeholders hold in an acquisition. By way of example, we have outlined how employees' stakes may be described in terms of both job security and job prospects. They can be both at risk during an acquisition when cost savings are achieved through job losses. A way to conceptualize these outcomes is to measure the number of positions (jobs) lost after an acquisition, which in turn requires defining an additional important scope condition, that is, the time horizon of the measurement (Zaheer, Albert, & Zaheer, 1999). The number of positions lost over what time horizons? After months, or years? And how many? Conceptualizing the impact on employees in terms of positions lost or created enables also to focus on prospective employees rather than exclusively measuring impact on current employees. Again the definition of the time horizon is relevant.

Similar considerations apply to local communities. Local communities' stakes can be conceptualized as well-being and health preservation or as improved living conditions (a multidimensional construct itself). In empirical research scholars could focus on single or multiple dimensions and identify variables and indicators suitable to measure the chosen dimensions accordingly.

Scope conditions involve also acknowledging that stakes vary across institutional settings and industries. Chinese employees are clearly different from European counterparts, so are their stakes. Acknowledging that stakes vary across settings represents an important warning from the tendency to reproduce the same stock of measures without questioning their suitability to the research setting under investigation. Again, similar considerations apply when we aim to measure acquisition outcomes from the perspective of a Chinese local community. Well-being or living conditions could not capture acquisition outcomes from the local community perspective as its stakes may be either different or mean very different things.

While reproducing a measure successfully employed in published research is common among scholars (Macdonald & Kam, 2007, 2009) and responds to a logic of comparability of findings, it can also be risky and potentially misleading as the measure could not be valid for the context under investigation. Reliability and validity should be both addressed during the measurement process (Van de Ven, 2007).

These considerations are simply illustrative of the multiplicity of metrics one could develop depending on whether one focuses on a single or a multitude of stakes, and can be fruitfully employed for measuring the multiplicity of outcomes scholars are interested into detecting in their empirical research. Our main message is that scholars should reflect on the multiplicity of outcomes, other than purely economic or financial, that an acquisition can bring. These outcomes could be understood in terms of stakes touched upon by the acquisitions. Outcomes therefore should reflect whether the acquiring company has attended to these stakes, how, and over what time horizon. Answering these questions is essential to pursue construct clarity (Suddaby, 2010).

4.5 Conclusion

Adopting a stakeholder perspective allows to see stakes behind different dimensions and detect patterns of virtuous and vicious interrelationships that contribute to generate acquisition performance over time (Meglio, 2015). Seen in this light, acquisition performance is the outcome of different stakes confronting one another along the acquisition process—some of them are powerful and voiced, while others have less power; still they can increase their power by building coalitions or benefitting from convergence of interests.

We also reverse the view that places shareholders' wealth at the center of the stage and reflect on the implication of a stakeholders' view. Seeing acquisitions are a multitude of stakes implies recognizing that acquisition performance in singular should be replaced by acquisition outcomes in plural. Just like acquisition performance should not be conceived as a unitary or universal construct, acquisition outcomes represent a broad and ambiguous construct and its measurement is contingent upon what stakes are taken into consideration, in what institutional or industry setting, and over what time horizon.

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5

Researching Stakeholders and CSR in M&As: Reflecting on Methodological Issues

Olimpia Meglio

Abstract In this chapter we reflect on methodological implications of studying acquisitions from a stakeholder perspective. Our aim is to discuss how established and novel methods could be fruitfully employed in acquisition research informed by a stakeholder lens. We specifically focus on different forms of ethnography, social network analysis, and discourse analyses as fitting the purpose of offering a multi-authored and longitudinal account of these deals. We provide an overview of these methods and discuss opportunities and constraints in the acquisition field. We encourage the community of scholars, including editors and reviewers, to pursue methodological pluralism instead of conformity.

Keywords Research methods • Methodological pluralism • Mixed method research • Ethnography • Discourse analysis

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5.1 Introduction

In this chapter, we reflect on methodological implications of studying acquisitions from a stakeholder perspective. We do not intend to provide a comprehensive treatment of different methodological choices, for which readers are referred to relevant sources and textbooks. Neither do we review the entire repertoire of research methods in acquisition literature. Rather, our aim is to discuss how established and novel methods could be fruitfully employed in acquisition research informed by a stakeholder lens.

Acquisitions are complex, multifaceted, and multistage phenomenon that has received a great deal of attention from scholars from different domains. Today, there is a significant body of theoretical and empirical research (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009). From a theoretical standpoint, scholars attempt to develop comprehensive and integrative frameworks (Bauer, 2018) or borrow from other fields, such as the organizational change literature (King, Bauer, & Schriber, 2018). From an empirical standpoint, the majority of the articles employ cross-sectional research designs to lay out the systemic patterns of relationships surrounding this organizational phenomenon (Meglio & Risberg, 2010). The underlying goal seems to be the development of a grand theory about acquisitions.

Cross-sectional research, although successfully employed in much of management research, appears however unable to provide a temporally embedded account of how a certain phenomenon evolves over time (Langley, 2007; Van de Ven, 1992) and seems unfit to grasp acquisitions. Scholars only rarely challenge the suitability of these methods.

Risberg, King, and Meglio (2015) suggest to interpret this state of affairs in light of what Alvesson and Sandberg (2013) refer to as *gap-spotting* research. They claim that existing acquisition research focuses on gaps to fill (see, for instance, Haleblian et al., 2009), tends to reproduce current knowledge, and often falls short of bringing forth novel and interesting ideas (Davis, 1971). 'Understanding current M&A research as *gap-spotting* may explain the dissatisfaction that many M&A scholars express regarding the ability to grasp the complexity of this phenomenon. Given the complexity of M&As, there is a need for greater acceptance of multiple perspectives and interplay of paradigms to appreciate underlying nuances' (Risberg et al., 2015, p. 26).

Over time, acquisition scholars have expanded the set of research tools to employ and the field has enjoyed an increasing methodological pluralism (Cartwright, Teerikangas, Rouzies, & Wilson-Evered, 2012). For instance, scholars have dealt with the longitudinal nature of acquisitions by adopting longitudinal research designs (e.g., Ahuja & Katila, 2001; Barkema & Schijven, 2008). In parallel, other scholars have attempted to go beyond number and provide a stickier paint of acquisitions by employing alternative approaches such as mixed method research, qualitative approaches, or text analyses.

Scholars mix qualitative and quantitative data (i.e., Birkinshaw, Bresman, & Håkanson, 2000; Kavanagh & Ashkanasy, 2006; or Kroon & Rouzies, 2015) as a means to build stronger inferences and combine the generalizability of findings from surveys with the depth of the qualitative research (Tashakkori & Teddlie, 2003). 'The combination of methods can offer a potential for exploring new dimensions and for raising new research questions. One of the benefits of mixed method research is that we can address both exploratory and confirmatory research questions simultaneously' as the investigation of the merger between Air France and KLM has proved (Kroon & Rouzies, 2015, p. 198). Mixed method research is however still scant as it requires a research team with multiple competences and does not always fit the standard format for journal articles.

Another body of M&A empirical research adopts a qualitative approach. Risberg (2015) observes that qualitative method is an umbrella term that binds together a number of research methods that share a common interest in gaining a deeper and more nuanced understanding of what is studied. The term covers an array of interpretive techniques focused on the meaning, not the frequency, of phenomena under investigation, as Van Maanen (1979) aptly states. Often qualitative studies are also inductive a (i.e., Graebner, 2004, 2009; Graebner & Eisenhardt, 2004; Ranft & Lord, 2002; Schweizer, 2005). An inductive approach is generally recommended for exploratory research and is chosen when the issue to query has been overlooked by existing research.

Alternative methodological perspectives have been advanced by Nordic scholars. Some of these studies are based on interpretive and social constructionist research to understand the integration process from different actors' points of view (Kleppestø, 1998; Piekkari, Vaara, Tienari, & Säntti, 2005; Risberg, 1999; Vaara, Tienari, & Säntti, 2003). Some of them apply innovative methods, such as CDA (Kuronen, Tienari, & Vaara, 2005; Risberg, Tienari, & Vaara, 2003; Tienari, Vaara, & Björkman, 2003), or narrative interviews (Søderberg, 2006), to unravel irrational features that would have not been discovered by conventional methodological approaches.

Building on this overview, we argue that more pluralism is needed to advance the M&A field and some of these research approaches can be suitable to the investigation of acquisitions as multi-stakeholders deals. We also propose additional methods that can potentially offer insightful perspectives, such as institutional ethnography, netnography, or social network analysis. Later, we offer an overview of these methods, and discuss constraints and limitations.

5.2 Ethnographic Approaches to Account for Different Perspectives

Researching acquisitions as multi-stakeholder deals add further complexity to these events. We suggest that a way to offer a multi-authored account (linked to different stakeholders) may benefit from an ethnographic approach. A definition of ethnography is an elusive and complicated issue and anthropologists do not themselves have a unified conception of ethnography. Here we build on Weick (1985, p. 68) who defines ethnography as 'a sustained, explicit, methodical observation and paraphrasing of social situation in relation to their naturally occurring events.' Ethnography has been successfully used for the investigation of organizations (Morrill & Fine, 1997) and there is an established tradition regarding data gathering and analyses protocols (see, for instance, Lofland, Snow, Anderson, & Lofland, 2006). Ethnography has been recently recommended by business and society scholars to uncover cultural dimensions of CSR (i.e., how individuals within and outside organizations make sense of and enact CSR), cultural dimensions of CSR (i.e., how individuals within and outside organizations make sense of and enact CSR), and deeper ways in which organizations internalize the diverse claims of multiple stakeholders and how and why they formulate given practices in response (Bass & Milosevic, 2018).

Ethnography generally evokes the idea of participant or nonparticipant observations as data-gathering techniques to achieve an intimacy with the research setting, the actors, and interactions under investigations. However, intensive interviewing also contributes to a deep understanding of how an actor makes sense of the acquisition (Weiss, 1994). Besides the skills needed, ethnography is particularly demanding in terms of time and energy required to collect and analyze data (see Barley, 1990, for a personal account of his study about the introduction of computed tomography—CT scanning), although there exists an array of CAQDAS (*computer-assisted qualitative data analysis software*) to help researchers in performing this task.

Here we would like to outline that collecting primary data requires an open collaboration from the company under investigation and negotiating access can prove a difficult task to handle throughout the course of the study (Feldman, Bell, & Berger, 2003). These difficulties are magnified by an acquisitive event, by a need for secrecy during the pre-acquisition phase, and the organizational turmoil during the post-acquisition phase. However, studies that followed a merger in real time, for a prolonged time, provide us with important insights to advance our understanding of how the process unfolds (Yu, Engleman, & Van de Ven, 2005; Clark, Gioia, Ketchen, & Thomas, 2010). Yu et al.'s (2005) study provides evidence of how integration priorities changed during an eight-year long field research that involved the research team's participation into biweekly steering committee meetings. Participant observation, along with ethnographic field notes (Wolfinger, 2002), can be an insightful data-gathering technique that illuminates the political arrangements behind integration priorities and stakeholders' perspectives, given primacy over others. It is important to outline that this research project arose as a collaboration between the research team and the companies involved (there were several mergers under way during the study) through the engaged scholarship approach (Van de Ven, 2007).

Clark et al. (2010) follow the merger of two hospitals from the early phases of the integration process and track the process of the new identity formation through a transitional identity, and how each party contributed to this process. Observation, participant and nonparticipant, along with intensive interviews provides sticky data and allows scholars to account for how the parties involved into an acquisition give sense and made sense of the deal as it evolved over time.

Logistical issues arise when the deal is cross-border and research sites are distant (this circumstance is particularly compelling when the acquirer is a programmatic one with several targets dispersed across the globe). This issue is particularly relevant as intertwined with globalization, as discussed in Chap. 1. In this regard, Appadurai (1997, p. 116) outlines how 'The trouble is that these practices of intimacy are no longer contained in those envelopes of space and time—call them localities, or communities, or cultures, or even societies—on which ethnographic practice has traditionally relied' and questions the role of ethnographers in presence of globalization.

One solution could be to perform a multi-sited ethnography study that aims to elicit the local-global duality and looks at cultural formations across multiple sites (Marcus, 1995). This requires an international research team and negotiating access across multiple sites.

A different option is offered by Lund and Tienari (2015) who propose institutional ethnography to investigate cross-border acquisitions. They challenge the dominant forms of organizational ethnography where the inquiry aims to get a thick description of *local* practices *within* a particular work organization. They outline how 'traditional ethnography overlooks meso- and macro- levels of analysis. Institutions exist in specific *local contexts*. … However, local activities are also embedded in *translocal* generalizing activities and ways-of-knowing. In institutional ethnography texts are embedded in local as well as translocal contexts and therefore represent the object of scientific inquiry' (Lund & Tienari, 2015, p. 245). Following Smith (2006), they suggest to study texts as two different levels: A first level of analysis elicits how the text's intention organizes and coordinates the activities and work of actual people in particular contexts as they take up the text, read, interpret, and use it. The second level of analysis is concerned with how the text itself is part of a larger intertextual complex where higher-order texts—formulated elsewhere, at another time—regulate those more specialized texts that enter into our everyday lives and are activated by us (Lund & Tienari, 2015). We suggest that institutional ethnography can be particularly useful for the interconnection between stakeholders and institutional settings that we have discussed in Chap. 1 that is further analyzed in Chaps. 6–8.

Still another variant of ethnography to employ in acquisition research is netnography (Kozinets, 2010) that could be suitable to investigate how end consumers' reactions develop as the acquisition unfolds. This is a relatively neglected topic in acquisition research and we believe that, where consumers are organized into an online community, such a method could be an effective tool to study how their consumption culture affects the way the acquisition is perceived.

Netnography has been advanced by Kozinets (2010) as a form of *ethnography*, to designate a variant of online ethnographic research methods that study communities and cultures created through computer-mediated social interaction. Specifically, netnography extends the traditional notions of field in ethnographic tradition from the observation of co-located, face-to-face interactions to technologically mediated interactions in online networks and communities, and the culture (or cyberculture) shared between and among them (Kozinets, 2010). In doing so, these techniques transcend the traditional notions of a field site as a localized space. As in ethnography, the researcher can be more or less participative, depending on how deep is her involvement as a member of the online community. This latter approach is closer to traditional ethnographic standards of participant observation, prolonged engagement, and deep immersion. In many of its renderings, netnography maintains the values of traditional ethnography through providing what Geertz (1973) refers to as *thick description* achieved through the immersion of the researcher in the life of the online culture or community. This focus on participation and immersion makes these approaches quite distinct from social network analysis, which we discuss later.

5.3 Research Methods for the Investigation of Relationships

Acquisitions as multi-stakeholder deals emphasize the importance of relationships among actors. This view emphasizes that companies do not respond to single stakeholders, rather to the interaction of multiple influences from the entire stakeholder network (Rowley, 1997). If the research focus (the unit of analysis) is on such relationships, social network analysis represents a suitable research tool study of acquisitions from a relational, network-based perspective (Borgatti, Everett, & Johnson, 2013).

The primary goal of social network analysis is to study the properties of these relationships and of the social structure they build (Mirc, 2015). Specifically, Rowley (1997) suggests that density of the network and the centrality of the focal company are relevant to understand the variety of responses to different stakeholders' pressures. Network data can be collected from either primary or secondary sources through different data-gathering techniques, such as questionnaires, interviews, observation, or archival records.

Mirc (2015) provides an overview of acquisition research adopting social network analysis, which she categorizes as research about interpersonal networks, inter-unit networks, and inter-organizational networks. For instance, scholars have investigated how the relationship with one or more investment banks influence the quality of information gathered and eventually acquisition performance (Sleptsov, Anand, & Vasudeva, 2013). Or queried how commonalities between executives' social networks from the acquiring and the target firm influence the reaction to a tender offer (D'Aveni & Kesner, 1993). These studies display how interpersonal relationships within or outside the acquiring company's boundaries may actually influence whether the deal takes place and how.

Social network approach has also been applied to inquire the effects of M&As on the business environment, either the industry structure or the direct and indirect relationships that the acquiring and acquired firms, or merged firms, hold with their environment. Spedale, Van den Bosch, and Volberda (2007) study factors that affect the target firm's network after an acquisition and find that acquirers' attempts to build close relationships with the target result in the dissolution or deterioration of strong ties that the target has maintained with external market actors before the acquisition. These findings question the ability of acquiring companies to exploit the business relationships of the target company and the benefits that the acquiring company is able to reap from the deal.

Relationships with customers have been the main focus of Lusch, Brown, and O'Brien (2011), while Anderson, Havila, and Salmi (2001) are concerned with both customers and suppliers and how relationships with them change as a consequence of an acquisition. Öberg (2012) discusses shifts of network pictures, that is, the way in which actors in the firm perceive changes in the firm's relationships after the deal. They show how pre-acquisition networks might radically change due to the acquisition, thus challenging managers to drastically change their perceived network picture in time.

Social network analysis has also been employed to investigate the dynamics of internal relationships between employees from both the acquiring and target companies (see Mirc, 2015), offering complementary perspectives to studies about employees' reactions. In our view, social network analysis complements ethnographic approaches offering an alternative portrait of the relations the acquiring company develops within and outside its boundaries.

5.4 Discourse Analyses

In previous sections, our focus has been placed on research approaches that draw extensively on primary data (although social network analysis relies also upon secondary data). However, an alternative reading of acquisitions can also be achieved through discourse analyses of texts, such as media texts (Vaara, 2002). Discourse analysis considers how language, both spoken and written, enacts social and cultural perspectives and identities (Gee, 2004).

In acquisition research, scholars have primarily relied on CDA and drawn on Fairclough (2010). Fairclough (2010) stipulates that CDA, as a form of research, has three basic properties: It is relational, dialectical, and transdisciplinary. CDA is relational, in that its primary focus is placed on social relations rather than entities or individuals. Social relations are complex, meaning that they are often made up of different layers—relations between relations. In this light, 'discourse' is itself a complex set of relations, such as relations of communication between people who talk, write, and in other ways communicate with each other, or relations between actual conversations, or newspaper articles and more abstract discursive 'objects' (with their own complex relations) like languages, discourses, and genres. Discourse is therefore not an entity we can define independently of its internal and external relations. As a consequence, relations are also dialectical, meaning that defining 'discourse' as a separate 'object' is not possible. The first two characteristics explain the third one—the transdisciplinarity. The analysis of such relations cuts across conventional boundaries between disciplines (linguistics, politics, sociology, and so forth). CDA is a transdisciplinary form that entails, and benefits from, dialog between disciplines. Discourse is often a means to gain the 'legitimacy' of certain actions. In the realm of acquisitions, scholars use CDA to analyze how newspapers present domestic or, more often, international acquisitions and build legitimacy. By studying media discourses, the researchers place the acquisition in a broader social context, acknowledging that the deal outcomes are affected by internal as well as external activities and discourses. Through these studies, they unravel the discursive aspects of legitimacy and the discursive strategies used to establish or resist legitimacy (Suddaby & Greenwood, 2005; Riad, 2005; Riad & Vaara, 2011). Beyond newspaper articles or media coverage, we believe that an additional source of material for discourse analysis, which is relevant to understanding different stakes and stakeholders involved into an acquisition, is offered by public hearings at Security Exchange Commission (SEC) or other national counterparts. Suddaby and Greenwood (2005) scrutinize the transcripts of testimony provided by witnesses to two commissions that heard from 173 witnesses, including representatives of law firms, the Big Five consultancy firms, and other accounting firms, consumer groups, corporations, regulators, and other individuals. This material, beyond serving to build a case study, could be also analyzed as a text, employing CDA techniques. CDA and other forms of discourse analyses are particularly recommended to investigate legitimacy and legitimation strategies surrounding an acquisition.

5.5 Conclusion

The complexity of acquisitions is mirrored into the variety of research methods that scholars have relied upon to investigate different facets of the phenomenon. The field has been frequently referred to as fragmented, a state of affairs seen as detrimental to the development of a general theory about acquisitions. This paint reflects a positivistic view of science, which develops linearly. From a constructivist standpoint, this fragmentation conveys a different meaning, and renders the complexity of these deals (Meglio & Risberg, 2010).

In this chapter we advocate for more, rather than less, methodological pluralism, and suggest research methods, which have been already employed in the field, that could offer additional insights in querying acquisitions as multi-stakeholders deals.

In this chapter we have proposed different methods that ideally fit different research questions or issues to investigate (Edmondson & Mcmanus, 2007). Actual research endeavors are fraught with difficulties and constraints that influence the research design. Scholars need to live by with the dilemmas each and every research endeavor presents (McGrath, 1981). Skills and competences, as well as access and logistic constraints and resource endowment all influence the actual research approach.

The alternative methods discussed earlier are all demanding, in terms of either skills needed to analyze data or difficulties to access data. Moreover, they are financially demanding and time consuming, if the project spans different phases of the acquisition process. An additional issue arises when the deal is cross-border and sites are geographically dispersed. For these reasons, we encourage scholars to pursue international projects with research teams located in different countries and with different expertise. Investigating acquisitions using a bunch of different methods can offer complementary perspectives and enable a better grasp of this multifaceted phenomenon.

As research is a collective endeavor, to favor alternative perspectives to acquisitions we call to action the entire community of scholars. A great responsibility is in the hands of editors and reviewers of top-tier journals, who are the gatekeepers of what is considered as scientific or not. In top journals, several prominent scholars observe, conformity with the US hegemonic methodological apparatus is often promoted over novelty and innovation (Meglio & Risberg, 2011). While we recognize value in current research, we are worried about what is not yet published in top journals. We share concerns raised by both European and American scholars who are worried about the consequence of this conformity. In this regard, Schultz (2010) is concerned with the possibility that scholars adapt organizational phenomena to an 'accepted' scientific form, a practice that eventually results in many studies of rather minor topics, which can be statistically tested and reported in a 40-page manuscript (Schultz, 2010). Moreover, Starbuck (2009) observes that these studies become the standard for novice scholars who tend to reproduce the same kind of studies that are then affected by the same flaws. While top management journals claim they welcome a wide range of submissions, they tend to publish papers that fit, in structure, content, and methodological apparatus, the sort of papers they generally publish (Macdonald & Kam, 2009, 2010). While Weick (1989) warns that this tendency is inevitable as social scientists tend to think homogeneously within their own paradigm, where heterogeneous thought trials are not encouraged, we believe that as the scholarly community is getting more and more internationalized, diversity is praised, encouraged, and promoted.

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Part II

CSR and M&As: A Global Perspective

6

CSR, Acquisitions, and Institutional Context: Spanning the Globe

Kathleen Park

Abstract This chapter discusses how state and regional institutional considerations can affect the enactment of both mergers and acquisitions (M&As) and corporate social responsibility (CSR). Institutional factors have been explored in previous scholarships separately for M&As and CSR. This chapter joins the two domains in an institutionally embedded global perspective. We additionally draw on complementary global strategy, strategic intent, and transnationalism perspectives to understand M&A-CSR conduct and stakeholder engagement. As firms internationalize via acquisitions, varying national and regional practices intermix and influence CSR initiatives differentially. As state and regional institutions transform [through] participation in global markets, institutionalized practices within firms adapt to new market pressures and in response to stakeholder interests and environmental concerns.

Keywords Institutional theory • Acquisition program • CSR program • Global strategy • Strategic intent perspective • Transnationalism • Economic development level • International expansion

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6.1 Introduction

In this chapter, we address how state and regional institutional considerations can affect both mergers and acquisitions (M&As) and corporate social responsibility (CSR). A multiplicity of institutional factors such as those related to currency stability, profit repatriation, and financial regulations impact whether and how M&As, and particularly international M&As, can occur. For example, many Chinese firms have listed on US, UK, and Hong Kong stock exchanges to boost visibility to investors and access to capital markets, which can in turn facilitate cross-border acquisitions. Similarly, firms in the Arabian Gulf region have listed on increasingly robust regional exchanges, as well as sometimes on the major established exchanges, to augment international acquisition opportunities involving target firms from developed markets. The scrutiny of and requirements for financial disclosures for firms internationalizing from developing into developed markets can occur concomitant with a deeper scrutiny and encouragement of humanitarian business and environmental practices (Matten & Crane, 2005).

The aforementioned examples of institutionalized financial factors have involved outreach by emerging market multinational companies (EMNCs) onto external stock exchanges. Institutional isomorphism also predicts evolution toward developed-country institutional standards within developing markets. State and regional institutions can transform—at least somewhat—to promote participation by emerging-market firms in global markets. Likewise, institutionalized practices within firms can also adapt to new market pressures and expectations concerning responsiveness to stakeholder interests and environmental concerns. We posit that various aspects of a CSR program related to health, education, employment assurances, and disaster assistance could evolve in tandem with an international acquisition program. The CSR program would then reflect institutional considerations in various countries where an MNC/EMNC does business. These considerations could influence both philanthropic outreach and product and services delivery to the spectrum of stakeholders.

Institutional factors have been explored separately in M&As and CSR. This chapter joins the two domains of institutional theory deployment within a global perspective. This perspective encompasses national and regional practices carrying over into new domains as firms internationalize via acquisitions and become more international in outlook through social responsibility and sustainability initiatives. We use complementary theoretical lenses to examine the wellsprings of M&A and CSR interconnections and explore the implications for organizational transformation attendant on the dual pursuit of M&As and CSR. This theory-implications-transformation approach enables us to obtain deeper insights into CSR, acquisitions, and the institutional context.

We first examine institutional theory and discuss M&A and CSR factors separately and then together, tracing the trajectory of extant scholarship and providing perspectives on and new insights into the joint domain of analysis. We then explore the implications of national and regional institutional forces as experienced by firms engaged in the preliminary phases of internationalizing and then globalizing. We study the implications for internationalization via acquisitions as well as the implications for CSR and sustainability initiatives from both global and local perspectives. Finally, we note emergent pressures in the transformation of national and regional institutions as firms enter global markets, and also the parallel transformation of practices within firms in response to a spectrum of stakeholder interests.

6.2 Institutional Theory in CSR and M&As

A variety of theoretical approaches within institutionalism has heightened our understanding of key factors such as state and organizational rules, regulations, and procedures. Some of these institutional factors are in the financial arena, while others relate to areas of statutory and regulatory concern as well as norms, traditions, and behaviors. For instance, globalizing firms must contend with institutional incompatibilities arising from varieties of capitalism, transitions from various forms of socialism to more market-driven economies, and the challenges of dealing with differing business environments encountered during international expansion. Such factors can affect M&As and CSR, both separately and jointly, in organizations in general and in internationalization situations in particular. We examine the M&A and CSR institutional scenarios separately and then together within a variety of national contexts.

Institutional Theory and Factors in M&As

Multiple institutional stances have furthered our comprehension of M&As from a global perspective and as a mechanism of international expansion. Institutional theory highlights cross-border M&A as strategies helpful for (a) surfacing competing institutional logics between varieties of capitalism and a more state-influenced organization of markets, (b) navigating institutional transition to more market-driven economies, and (c) gaining legitimacy and an economic foothold in new institutional environments.

A segment of the literature has long argued that multinational firms expanding through acquisitions have taken advantage of institutional elements of their home markets, enabling them to build strategic strengths that they then leverage in their competition against MNCs from diverse markets. Typically, this dynamic has been seen as advantaging firms originating from environments with stronger and more stable institutional infrastructure. Nevertheless, this dynamic has also been argued to advantage EMNCs emanating from home bases with greater institutional voids. These voids can include not only the lack of regulatory, health, and educational infrastructure but also, for instance, the absence of financial intermediaries facilitating transactions between buyers and sellers. Dealing with institutional voids has, almost counterintuitively, assisted EMNCs by providing them with an advantageous bootstrapping mentality in the competition against developed market multinationals (Khanna & Palepu, 2006). EMNCs acquiring firms in developed economies markets and then doing business in those markets have been seen to not only survive but thrive (Stucchi, 2012).

Cross-border acquisitions bring MNCs from a wide range of countries into closer competition in popular markets. National and regional institutional factors then intermingle at global crossroads. For instance, international acquisitions by EMNCs from Africa provide a compelling example of the challenges and benefits of confronting institutional voids and reconciling differential institutional contexts in the drive for international expansion (Ellis, Lamont, Reus, & Faifman, 2015). For the emerging markets of China, institutional theory deepens the understanding of target selection in international M&As when the dominant coalition derives more from an older socialist-grounded versus a newer market-driven orientation (Greve & Zhang, 2017). The competing institutional logics from varying influences on strategic activity illuminate the national origin and market power of the targets selected, as noted by Greve and Zhang (2017). Emerging-market firms from formerly socialist countries can be more likely to internationalize to the West and to acquire larger firms when influenced by a more market-oriented dominant coalition in the acquiring firm. Not only market capabilities but also an awareness of the importance of institutional shifts in nations transitioning from more state-controlled to more market-driven economies have influenced the success of developed-country MNCs making acquisitions in emerging markets such as Russia, India, and China (Li, Peng, & Macaulay, 2013). Not surprisingly, the organizational ambidexterity facilitating these economic shifts has also facilitated innovative capabilities development in M&As (Park & Meglio, 2019). Acquiring firms from both developed and developing markets benefit from understanding the nature of the economic and institutional transitions into the target firms' home markets.

Overall, acquisitions can assist firms from both developed and developing economies in not only gaining a market foothold but also in acquiring legitimacy in the new institutional environment of any recently entered country (Held & Berg, 2015). Legitimacy in this context pertains to both internal and external perceptions of the authority and appropriateness of the organization and its right to exist, function, and flourish in the focal business environment (DeJordy & Jones, 2008).

Institutional Theory and Factors in CSR

A variety of institutional and neo-institutional theoretical factors come into play in the design and implementation of national, international, and global CSRs. These factors pertain to seeking legitimacy, interrelating state and other institutional actors, and reconciling the boundaries between business and society. Specifically, institutional theory has been applied in efforts to understand CSR as a mode of economic governance taking over from the failure of state institutions to promote social welfare in liberal-market economies (Brammer, Jackson, & Matten, 2012). As a mode of economic governance, CSR could manifest, for instance, in the launching of community initiatives (Beddewela & Fairbrass, 2016) to counteract institutional voids at the state level by offering health, educational, and housing infrastructure-related services to local residents, ensuring fair labor practices, and taking initiatives toward protecting the natural environment. Institutional approaches to CSR can also mean syncretizing institutional theory, stakeholder perspectives, and legitimacy practices toward understanding corporate motivations for CSR as well as how and why CSR, even from the same organization, varies from country to country (Fernando & Lawrence, 2014).

Institutional theory and neo-institutional theory, pertaining particularly to organizations and their incumbents, can help illuminate CSR evolution and practices in global and national domains. Organizations can adopt CSR programs to simultaneously relate to state and local actors and establish legitimacy on a global stage. Firms can use corporate community initiatives as part of an outreach to governmental actors, to supplement institutionalized state-level programs, and mediate at the boundary between business and society. This type of integrated approach facilitates an understanding of CSR as a mode of economic governance stepping in to help preserve societal health, educational, and welfare standards, even amidst any shortcomings of state institutions in liberal-market or coordinated-market economies. Multiple stakeholders, including employees, customers, and community residents, are advantaged while the firm reifies its social commitments and gains legitimacy. Institutional theory then interrelates with stakeholder perspectives and legitimacy considerations to heighten our understanding of the corporate motivations for and variations among CSR practices across national contexts.

Firms needing to be seen as legitimate—that is, valid and appropriate—can enact CSR programs adapted to the needs and interests of local communities. In India and Brazil, where colonial influences were keenly felt until independence movements arose, separation from the colonizer did not immediately mean separation from the colonizer's institutional structures and influences. CSR initiatives have helped in righting these influences and privileging local talent over expatriate management (Millar & Choi, 2011). In the emerging markets of the African continent, the strategic use of relationship-building language (Selmier, Newenham-Kahindi, & Oh, 2015) and a burgeoning adherence to the UN Global Compact (Williams, 2013) have counteracted the former norm of low social responsibility engagement and have assisted in CSR initiatives toward environmentally sustainable economic development. The UN Global Compact has become a new form of institutionalized structure and practice militating in favor of the symbolic and substantive adoption of CSR programs by firms around the world (Rasche, Waddock, & McIntosh, 2013). Local stakeholders benefit, and global stakeholders—including, customers, investors and suppliers, as well as interested analysts and observers—applaud. We also note that alternative explanations for firm motivation for CSR—such as leadership integrity and standard bearing and the social, cultural, and religious norms influencing a focal firm and its top management—can apply as well (Fehre & Weber, 2016). We concentrate on institutional theory as our conceptual domain due to our attention to the corporate strategic underpinnings of acquisitions and CSR.

Institutional Theory and Factors: Analysis of M&As and CSR

M&As and CSR are interrelated under the *aegis* of institutional theory in ways that have only recently begun to be explored. Global strategy, strategic intent, transnationalism, multicultural management, and stakeholder engagement are examples of key issues entering into the dual domain of analysis. Our explorations of these interconnections are based on current precepts and practical applications and point to future theoretical and empirical directions.

Institutional theory has long been known to predict tendencies for isomorphism (DiMaggio & Powell, 1983), as organizations struggle to respond to environmental contingencies and can take cues from other (successful) organizations (Hannan & Freeman, 1977, 1984). These tendencies toward isomorphism apply even more strongly to global initiatives in an increasingly economically interdependent and digitally interconnected world (Marquis, Glynn, & Davis, 2007; Raynard, Johnson, & Greenwood, 2015), as organizations position themselves toward a transnational stance of simultaneous global integration, worldwide learning, and local responsiveness (Bartlett & Ghoshal, 1989). These classic and traditionally distinct perspectives on institutional theory and transnational strategy have been brought together in the context of acquisitions and CSR. Miska, Witt, and Stahl (2016) strikingly found that institutional theory tenets—explaining either tendencies toward global isomorphism or the persistence of unique national institutional characteristics—could predict global or local CSR tendencies when taken together with acquisitions and global expansion from developing into developed markets. Specifically, Miska and colleagues determined that Chinese multinationals that had already expanded to the West through M&As were more likely to have locally responsive CSR patterns. They further found that the multicultural educational and work backgrounds of top management corresponded to CSR program development in both globally integrated and nationally responsive ways. Their research intriguingly suggests a transnational (global and local) direction for future theoretical and empirical research into the institutional interconnections between M&As and CSR, as global CSR programs can be deemed reflections of isomorphic tendencies predicted by institutional theory, and locally responsive CSR programs reflect national institutional forces influencing CSR at the local level.

Institutional theory can be approached from other vantage points as well—such as from a stakeholder engagement (Selmier et al., 2015) perspective, interlinking M&As and CSR with additional enrichment to understanding. Responsiveness to multiple constituencies falls within the overall CEO leadership mandate in guiding a firm and directing expansionist maneuvers such as acquisitions (Park, 2016). Nevertheless, when CSR guidelines and ethical principles conflict with CEO ambition and perceived opportunities for a dramatic enhancement of market power, the CSR mandate may succumb to the strategic imperative for expansion (Hubbard, Christensen, & Graffin, 2017; Maak, Pless, & Voegtlin, 2016). The broader interest for stakeholder engagement is then forgotten. Only later, in the aftermath of a crisis, can the (in a sense) internal failure of CSR when confronting an aggressive expansionist and acquisition-driven agenda from within the organization be lucidly analyzed. In the case of the failed attempt by Belgian bank Fortis to acquire Dutch giant ABN AMRO as part of an acquisition consortium involving the Royal Bank of Scotland (RBS) and Santander (Hassan & Ghauri, 2014), an overly aggressive acquisition program felled two of the three acquirers (Fortis and RBS), and their CSR programs fell with them (Fassin & Gosselin, 2011). Stakeholders fell (in order of precedence) to strategy, ethics to opportunism, and CSR to M&As, with the financial services industry perhaps having a peculiar vulnerability to ethical breaches due to the compelling need for transparency to ensure integrity in monetary transactions (Park & Hollinshead, 2011). Institutional supports for CSR could not withstand the more controlling preferences for expansion, even when it meant overriding ethical dilemmas and contravening the organization's own CSR guidelines (Fassin & Gosselin, 2011).

Part of the value can come from the lessons learned by merely observing. Longstanding cultural-ethical-religious traditions made for stronger support for corporate citizenship and responsibility, even in a crisis situation, in M&A and CSR practices in Japan's banking industry (Tsuji & Tsuji, 2010). Organizational guidelines are not always as strong as deeply rooted national institutions that can hearken back to millennia-old norms of individual and collective conduct. Crises can take us back to our roots and then force us to look beyond them. The research has not indicated instances of CSR failure per se but has pointed to instances of leadership and strategic failure that have harmed CSR initiatives as a consequence.

6.3 Implications of Institutional and Related Theories for CSR and M&As

Implications of National and Regional Institutional Forces for the Internationalization of Firms

Internationalizing can be a way for MNCs to mitigate institutional voids in their home countries, by entering and doing business in nations and regions with better institutional infrastructure. In addition to contributing to internationalization, CSR program development and communication to stakeholders about this development can assist an MNC/EMNC in the quest for legitimacy. Part of the challenge of internationalization resides in the reconciliation of institutional differences between home and host countries. Differing institutional forces and pressures can be construed as complementary rather than as an antithetical juxtaposition. For instance, if a home country lacks a stable currency, robust financial regulations, or intellectual property protections, institutional improvements can be found abroad. As internationalizing enlarges not only the global footprint but also the global identity of the firm, legitimacy can be found, for instance, in alternative headquarters locations, listings on international stock exchanges, and even a change of firm name, or a change in the composition of the top management team or the set of languages used for everyday business communications. CSR can become part of the total solution for achieving legitimacy (Marano, Tashman, & Kostova, 2017), as CSR programs, reporting, guidelines, awards, and general recognition promote the image of a firm in the forefront of global social responsibility awareness and action.

Implications for Internationalization by Acquisition

When firms internationalize, the distance in political, economic, and knowledge systems and in developmental levels between the home and host countries has been found to impel rather than impede the momentum toward diversification into new geographic areas. These various forms of distance do not need to deter firms expanding from either an emerging or an emerged market. Cultural, financial, demographic, and geographic differences between home and host countries have been determined to have no effect on the selection of which countries to enter in internationalization decisions (Wei & Wu, 2015).

Nevertheless, the internationalization momentum benefits not just from a political, economic, and knowledge-based inspiration but also from global outreach and community initiatives around CSR (Banerjee, 2014). CSR can be part of both the motivation and integration in an acquisition. Acquisitions have become a common internationalization method, and CSR has become increasingly common alongside and even within acquisitions. It can provide a moral benchmark and vantage point for establishing legitimacy as well as a practical means of demonstrating global citizenship in an era of ongoing corporate scandals, privacy incursions, and occasional outright disregard for health and safety. CSR becomes a formidable instrument in the social responsibility repertoire of the firm. In essence, internationalization—especially for larger firms—occurs commonly through acquisitions, and acquisition programs—again, especially among larger firms—are frequently motivated and accompanied by CSR programs. The internationalization-acquisition-CSR linkage harkens back to institutional and neo-institutional theory and the institutional forces, pressures, and voids impelling firm expansion across borders while recognizing and reconciling institutional differences and benefiting from the complementarity gained by balancing those differences.

Institutional theory also relates to how deeper social, political, and organizational structures influence corporate behavior, including around internationalization, acquisitions, and CSR. As mentioned, internationalization, acquisitions—particularly cross-border acquisitions as instruments of internationalization—and CSR are interconnected through a counterbalancing of institutional differences.

Neo-institutionalism, or new institutional theory, seeks to understand how cultural precepts, social forces, and other organizations influence organizational behavior. CSR fits well within this domain as an instance of the organizational activity arising from current levels of CSR adoption. The more organizations there are that adopt CSR, the more organizations that will practice it. This isomorphism, according to institutional theory, legitimizes organizations and their pursuits. CSR can come not only from isomorphism but also, more directly, from legitimation flowing from the establishment of structures in response to institutional voids.

Implications for CSR and Sustainability Initiatives

We now turn to the question of how CSR and sustainability initiatives have been and can be influenced by the institutional substrate and by the CSR-acquisitions-institutions interconnection within an international context. We have discussed how CSR relates to both the motivation for and the integration of acquisitions. Motivation has been dealt with in terms of the mapping, managing, and measuring model addressed in earlier chapters of the book. For instance, it has been found that firms from the emerging markets of China acquire internationally with a specific strategic intent (Rui & Yip, 2008), including obtaining CSR capabilities, program development, and reputational status (Cody & MacFadyen, 2011). These aspects of CSR acquisition can be crucial for both developed- and developing-economy firms. Jormanainen and Koveshnikov (2012) advocate researching EMNCs with a focus on both macro- and micro-level factors, diverse (e.g., longitudinal and qualitative) methodologies, and emerging markets in addition to China. We heed their suggestions by taking a global perspective that embraces two of the largest emerging markets (China and India) and two large developed single markets (Europe and North America), as well as by drawing upon experiences and insights from Southeast Asia, Latin America, Africa, and the Arabian Gulf regions. We follow Morgan, Kristensen and Whitley (2001) in emphasizing the importance of understanding the diverse contextual and institutional realities in a global overview of business issues and of not falling into a highly simplified view of MNCs as convergent and stateless enterprises.

Moving from motivation to integration, we can see various manifestations of CSR that exemplify the dimensions of global integration and national responsiveness to differences in institutional voids and forces via internationalization through cross-border acquisitions. For instance, a study using data on firms from 33 countries covering 2002–2008 found that the firms were more internally than externally oriented in their CSR and sustainability initiatives (Hawn & Ioannou, 2016). Thus, firms, at least in the previous decade, tended to 'do more and communicate less' (Hawn & Ioannou, 2016, p. 2569). This discrepancy between the extent of CSR activities and communication about them with the outside world is oddly dissonant with the predictions of the isomorphism tenet of institutional theory and with stakeholder engagement theories, both of which would anticipate wider communication about CSR program achievements. As the study covered 33 countries spanning the US, the UK, Continental Europe, Singapore, Hong Kong, and Japan, its findings pertain largely to the developed world. Investigating countries in Western Europe, Rathert (2016) found that firms adopted rights-based (vs. standards-based) CSR in labor relations to the extent that the firms sought legitimation through, and were influenced by, the existence of labor regulations. Also in the Western European context, Jackson and Apostolakou (2010) found differences in CSR implementation as predicted by institutional theory according to whether the country had a liberal-market or coordinated-market economy, with CSR programs being stronger in the former, where state-run social welfare programs were less common. Similarly, the Nordic CSR model has had its own particular trajectory, reflecting specific state, business, and cultural norms and institutions, including educational advancement and environmental protection (Gjølberg, 2010). From an emerging markets' perspective and building on our discussion of the initiatives mentioned in China, we look at Southeast Asia and the Middle East. Beddewela and Fairbrass (2016) found that MNCs and EMNCs entering Sri Lanka launched CSR community-level initiatives to engage local institutional actors in instrumental relationship-building and advance the MNCs'/EMNCs' business interests. Conversely, CSR in the Arabian Peninsula was seen emerging with home-country firms selectively engaging where institutional gaps/voids/absences have been found (Katsioloudes & Brodtkorb, 2007; Khan, Al-Maimani, & Al-Yafi, 2013).

6.4 Transformation of National and Regional Institutions as Firms Enter Global Markets

Institutional Context, Isomorphism, and Convergence

In discussing CSR, acquisitions and institutional contexts across regions such as the US, Europe, Africa, Middle East, Asia, and Southeast Asia, we have noted that institutional forces as well as stakeholder engagement, global strategy, strategic intent, and political gamesmanship have all played a role in our understanding of the M&A-M&A phenomenon. As CSR impacts both the motivation and integration phases of acquisitions and as cross-border acquisitions and international acquisition programs drive MNC/EMNC expansion into global markets, we must ask how national and regional institutions will change due to the M&A-CSR interconnection.

Institutional isomorphism theory would tend to predict a convergence between state and organizational institutional structures, but the political and social interests of sovereign nations can counteract this tendency. Even if MNCs tend toward isomorphism, they must contend with the interests of individual nations. Here, transnationalism as an approach to global strategy (Aulakh, 2007; Clark & Geppert, 2006) suggests that in counter-balancing organizational institutional convergence with national interests and divergence, CSR programs can be both globally integrated and nationally responsive. The underpinnings of the transnational duality—simultaneously global and local—have been studied in China (Miska et al., 2016). As formerly socialist economies transform into market ecosystems, in various ways, as liberal-market and coordinated-market economies exhibit their own distinctiveness, and as international acquisition programs exert transformative impacts on firms (Park, Meglio, Bauer, & Tarba, 2018), the CSR programs of global firms can reflect these institutional juxtapositions in their countries of operation and can serve stakeholders from both global and local perspectives. We explore these juxtapositions and themes further in the upcoming chapter on CSR in practice in a multinational emerging-market firm in the Arabian Gulf region.

Pillars and Foundations of Civic Society and CSR

As we have interwoven institutional theory throughout our discussion of M&As and CSR in this chapter, we also note that institutional theory has cognitive, normative, and regulative pillars that serve to support organizational striving toward social legitimacy. These pillars have applications according to what needs doing in a statutory sense (regulative), what needs to be done based on prevailing expectations (normative), and what can be determined as essential to do through strategic decision-making (cognitive) (Scott, 2014). CSR as a strategically volitional, socially expected, and in some respects—for instance, for certain labor practices and environmental care—legally required practice rests on the pillars of institutional legitimacy and also on the civil society, government, and business pillars of democratic society, as determined by scholars of political science, strategy, and organizations (Kurland, 2017). Firms and governments are each both economic and political actors subject to complementary forces and actions as expressed within the realm of CSR (Scherer & Palazzo, 2011).

While the pillars of democracy have arguably graduated to the status of received wisdom (Scherer & Palazzo, 2007), the quantity and conceptualization of the pillars of CSR have varied. Topics have ranged from the popular—economy, environment, and society (e.g., Shell, 2018)—to the more personally accountable ethics, leadership, personal responsibility, and trust (e.g., Mostovicz, Kakabadse, & Kakabadse, 2011). The fundamental economic, environmental, and social pillars of CSR have led to shorthand expressions for the '3-Ps' (people, planet, and profits) based on the '3-Es' (environment, economy, and social equity; Shell, 2018). Firms have their own announced pillars, varying according to the particular CSR program, but again reflecting the underlying institutional and civic pillars. Corporate governance and additional factors (Fehre & Weber, 2016) have entered into the mix, resulting in a comprehensive set of seven pillars, variously enumerated as diversity and inclusion, environmental sustainability, governance, global enrichment, organizational health, philanthropy, and supply chain integrity (US Corporate Responsibility, 2018).

A challenging factor is that CSR has intrinsically normative properties, in the sense of ethical and social responsibilities, which become even more salient when interrelated with what were previously viewed as the strictly strategic transactions of the firm, such as acquisitions. As the M&A-CSR interrelationship becomes more prominent in corporate strategic decision-making, it increasingly represents a journey unique to each firm—yet with a uniqueness reflecting an embeddedness in the global economic, environmental, and social context—as is exemplified in the upcoming chapter.

6.5 Conclusion

As firms internationalize via acquisitions, varying national and regional practices intermix and influence CSR initiatives differentially. As state and regional institutions transform in relation to participation in global markets, institutionalized practices within firms adapt to new market pressures and in response to stakeholder interests and environmental concerns. We also consider throughout the two remaining chapters the issues of parallel transformation in CSR practices globally in response to strategic imperatives and stakeholder interests. Such a perspective becomes consistent with the isomorphic tendencies from similar institutional pressures and with the global integration, national responsiveness, and worldwide learning dimensions of transnationalism.

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7

CSR in Practice: Agility Logistics and the Development of Global CSR and M&A Programs

Kathleen Park

Abstract This chapter provides evidence from an empirical case analysis of how an Arabian Gulf emerging-market logistics firm, Agility, became a bellwether in global expansion through both mergers and acquisitions (M&As) and corporate social responsibility (CSR). Specifically, the chapter addresses how the CSR program supports multiple pillars in social responsibility and sustainability, as facilitated and strengthened through M&As. An intensive acquisition program helped the firm to obtain technology, personnel, and innovation resources and establish a CSR program that has become internationally renowned. The focal firm has consistently shown robust stock price performance—clearly fulfilling its responsibility to enhance shareholder value—while connecting into communities worldwide at a social responsibility and sustainability level, demonstrating awareness of globally far-reaching and consequential stakeholder obligations.

Keywords M&A-CSR program interconnections • Acquisition performance • CSR performance • CSR pillars • Arabian Gulf • Global citizenship • Community involvement

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7.1 Introduction

Tarek Sultan, CEO of Agility, a top global logistics firm and a leader in emerging markets, reflected on his more than 20-year run of over 150 internationalizing M&As and strategic alliances. 'We have seen the good, the bad, and the ugly.' At the same time, 'Agility has invested in over 1700 community projects in over 80 countries, reaching more than 1 million people in need in the last decade.' Agility, a multinational firm, developed a world-class, globally outreaching CSR program, with attention to communities around the world in which the firm does business and with rapid responsiveness anywhere in the world in the event of large-scale natural disasters. This chapter analyzes how Agility became a notable firm in simultaneously global expansion and global CSR.

Specifically, the chapter examines how technology, personnel, and innovation resources obtained through an intensive acquisition program helped the firm establish a platform from which to build a CSR program that has become noteworthy internationally. The chapter hence takes a programmatic perspective on acquisitions as an iterative instrument for layering and leveraging the resources that enable a multinational firm both to do good and to do well. Agility has very low levels of debt and has consistently proven to have robust stock performance—clearly fulfilling its responsibility to enhance shareholder value—while connecting into communities across many continents with social responsibility and sustainability actions demonstrating awareness of newer, more implicit global stakeholder obligations. That the firm originates in the Arabian Gulf region means, from a national institutional perspective, that governmental involvement has been different from that seen in other regions of the world, reinforcing the importance of the institutional context in M&As and CSR. Leadership and cultural factors are also addressed through the empirical evidence of this case analysis, informing an interrelated perspective on the intersection of M&As and CSR and the power of that intersection to encompass both shareholder and stakeholder interests.

7.2 From the Arabian Gulf to the World

This section addresses how Agility grew to become a global firm. An emerging-markets logistics firm, Agility has internationalized from the Arabian Gulf region to over 100 countries in every non-Arctic region of the world. Agility established this global strategic footprint through an international acquisition program, while also developing a global CSR program. We highlight the evolution of the acquisition program followed by the launch of the CSR program (Agility, 2011, 2013, 2016). The CSR program started during the second phase of the M&A expansion, and both programs evidence strategic choices and sustainability success.

The case assists us in generating further insights into the interconnections among CSR, institutional theory, and international acquisitions, focusing on the economic development levels in the markets of origin and those entered through expansion. In examining this case of an emerging-markets logistics firm experiencing remarkable growth through an intensive international acquisition program, we look at the starting point, the past two decades of rapid expansion, and future directions. Our data derive from management interviews, observations, and associated corporate documentation obtained from field research conducted over the five years from 2012 to 2017. In examining this region of the world, we heed the call from Matten and Crane (2005) and Jormanainen and Koveshnikov (2012) to expand the boundaries of M&A and CSR scholarship. Specifically, we venture into geographic and economic regions that have been less examined and that can supplement and enhance our current understanding of M&A and CSR joint development from a global perspective.

CSR and Acquisition Program Interconnections: Doing Good and Doing Well

At Agility, we take our responsibility to act with integrity, and give back, seriously. It's the right thing to do, and it's good for our business. A culture of acting responsibly benefits the communities where we work, contributes toward a cleaner planet, adds to the sense of pride and collective spirit among our *employees, and strengthens our relationship with customers and shareholders.*—CEO Tarek Sultan

Agility developed a global CSR program midway into a two-decade global acquisition program (see Table 7.1). The conjunction of the two programs reinforces our interconnection between M&As and CSR.

In previous research, the relatively new programmatic perspective on acquisitions (Degbey, 2015; Laamanen & Keil, 2008; Park, Meglio, Bauer, & Tarba 2018; Smit & Moraitis, 2010) parallels longer-standing programmatic perspectives on CSR (e.g., Porter & Kramer, 2006; Tonello, 2011). The two programmatic perspectives have not been frequently analyzed together. Before examining Agility's M&A and CSR programs in detail, we first take a brief tour through the Arabian Gulf as an economic, cultural, and historic region.

Economic Development, Innovation, and Expansion in the Arabian Gulf

The rapid economic development of the Arabian Gulf within the past century, starting with the discovery and preliminary extraction of oil from the Saudi-Kuwaiti Burgan oil field in the 1930s, means that the region transitioned quickly from millennia of pearl-catching and overland trade into the Industrial Age and then into the Digital Economy and Information Age. Its abundant natural resources and the escalating pace of technological change throughout the twentieth and into the early twenty-first centuries meant that amenities such as global travel, private education, English-language education, automotive transport, the most advanced consumer electronics, and access to international world-class healthcare quickly became norms of daily life for many Gulf citizens, particularly within the more oil-endowed countries of Kuwait, Qatar, and Saudi Arabia and the emirate of Abu Dhabi (UAE). Gradations from democracy to autocracy, depending on the particular nation, along with variations in coordinated-market economies (Musacchio, Lazzarini, & Aguilera, 2015) and the Lockean move away from the relatively harsh desert 'state of nature' to economic modernity (Locke, 1690/1824)—all propelled the

Table 7.1 Year, phase, key acquisitions, number of countries and programs within CSR program, number of people served

Year	Evolution of M&A international expansion	Evolution of CSR for global impact	CSR scope of countries and stakeholders served	CSR notable features and awards
1997–2002	Launch of newly privatized firm and targeted regional and international M&As	Establishing global footprint		
2003–2005	Intensive international expansion and rapid growth worldwide through multiple M&As	Strengthening interconnections into developing and developed markets		
2006–2010	Global rebranding, continued international expansion through M&As and launch of CSR program	CSR program launched and measurement of initiatives begun	Over 400 volunteer community projects in 57 countries reaching 500,000 people 2006–2010	Becoming a top global logistics firm with over 20,000 employees and doing business in over 100 countries
2011–2012	Completion of over 150 joint venture and acquisitions, including over 40 key M&As	CSR report 2011: Our journey—Steps taken and the road ahead 2006–2010	Over 300 volunteer community projects in over 60 countries in 2011–2012	Partner in WEF: World Economic Forum partnership against corruption
2013–2015	Targeted expansion into key emerging markets and strategic ‘white space’ around the world	CSR report 2013: Driving change 2011–2012	Over 1400 community projects reaching over 1 M stakeholders in over 80 countries 2006–2015 + helped fund over 22 schools + participated in over 40 major disaster-relief initiatives worldwide	GRI EcoVadis Approximately 10% of employees volunteer in CSR Multiple awards received Global education drive Fair labor practices global training reaches new levels

(*continued*)

Table 7.1 (continued)

Year	Evolution of M&A international expansion	Evolution of CSR for global impact	CSR scope of countries and stakeholders served	CSR notable features and awards
2016–2018	Deepening innovation and acquisitions into some of the most economically and geographically challenging emerging-market environments for logistical and supply chain operations	CSR report 2016: Deepening Impact 2013–2015	Over 1700 community projects and also continuing the Logistics Emergency Teams (LETs) and Humanitarian and Emergency Logistics Program (HELP)	Emphasizing initiatives for education, training, and health, particularly for girls and women in Africa
2019–onward	Focused international M&As and CSR as part of providing efficient supply chains in some of the most challenging environments globally	CSR report 2019 forthcoming on 2016–2018 social responsibility initiatives and outreach worldwide	Key performance measures—Number of stakeholders served worldwide	Continuing global partnerships and outreach into both developing and developed communities around the world

rapid development of phenomena such as the Burj Khalifa, now the world's tallest building, in the emirate of Dubai (UAE); the Ferrari World racing playground in Abu Dhabi (UAE); and the indoor Champs Élysées of the miles-long palatial in The Avenues shopping mall (Kuwait). In addition, regional universities began to attain globally recognized accreditations and publication rankings (O'Neil, 2016). In transportation, a new, visually spectacular, technologically advanced international airport opened in Qatar just in time for intra-regional disagreements to constrain Qatari airspace (AlJazeera, 2017). Still, three of the world's top customer service-ranked airlines—Emirates, Etihad, and Qatar Airways—all come from the Arabian Gulf region. The Jebel Ali Port, one of the 10 largest ports in the world, is in Dubai, providing a substantive and symbolic economic crossroads in international trade and logistics (DP World UAE, 2018).

This snapshot tour is meant, not as an exhaustive examination, but as a way to illustrate how natural resource munificence has combined with governmental beneficence to create a very high quality of life for citizens within the region, as well as to generate tremendous business opportunities at home and abroad. Resource abundance is critical in the realms of both M&As and CSR. For the region's firms, M&A is a powerful tool due to access to deep capital resources and international financial markets. For both firms and stakeholders, CSR in the home regions does not need to address the health, education, and overall social welfare and quality of life concerns that generous government policies are already satisfying.

Gulf regimes have, for at least the past 30 years, widely encouraged the learning of English in government and private schools alike, to the extent that road and many other kinds of signs appear in both Arabic and English, restaurant and sales transactions can be widely conducted in English, and younger citizens frequently possess exceptionally high levels of English conversational fluency, comparable to Nordic populations, who have accumulated this linguistic prowess over decades rather than within a generation. The governments of the wealthier Gulf countries offer generous scholarships for undergraduate and graduate study in English-speaking countries for many talented students; the lucrative career prospects and national entitlements draw many graduates back home to reap their rewards and apply their human capital for the benefit of the home country (Woolcock, 1997).

Institutional Structures

The impact of the external business environment on firm strategy has been an enduring issue in the strategic and international management literature. Institutions are among the crucial factors assessed in evaluations of the array of strategic inputs, both external and internal (Porter, 1990; Wilkins, 1986; Zucker, 1987). Institutional factors include state laws, organizational policies, and normative cultural prescriptions (Ingram & Silverman, 2002). Institutional factors also encompass labor market flexibility, trade liberalization, regulatory controls, capital market development, and corruption disincentives (Geleilate, Magnusson, Parente, & Alvarado-Vargas, 2016). Both sets of institutional factors—the general and specific (Hoskisson, Wright, Filatotchev, & Peng, 2013)—can influence strategic actions such as acquisitions and CSR.

As MNCs originate in varying social, political, legal, and economic settings, diverse institutional structures influence strategy and performance. Institutional structures encompass many market-supporting factors, including national social, political, legal, and economic systems (Hoskisson et al., 2013); governmental regulations regarding, for instance, capital market transparency, labor market flexibility, quality control, anti-corruption activities, and trade openness (Geleilate et al., 2016); and attitudes, values, behaviors, beliefs, and expectations that have become internalized, codified, and widely recognized to the extent of attaining a status and permanency and affecting managerial decisions and consequences (Raynard, Johnson, & Greenwood, 2015). Home- and host-country contexts involve an array of cognitive, normative, and regulatory institutional elements impacting the strategy, decisions, heuristics, and routines of the firm (Bingham, Eisenhardt, & Furr, 2007; Bingham, Heimeriks, Schijven, & Gates, 2015; Meyer & Rowan, 1977; Powell, 1991; Scott, 1995).

Governments around the world are pursuing economic development and fostering the international expansion of domestic firms (Aulakh, 2007). Blanchard and Shleifer (2001) assert that governmental power, authority, and decision-making are crucial for promoting growth in emerging markets. In many Gulf countries, there have been abundant opportunities for revenue generation and surplus cash within state-owned and state-influenced companies in the extractive energy sector. The research on what firms do with surplus cash (i.e., free cash flow theory (Jensen, 1987) or cash windfalls) demonstrates that acquisition is the preferred choice for the allocation of extra cash (Blanchard, Lopez-de-Silanes, & Shleifer, 1994). A more recent trend is the elective allocation of cash surpluses toward CSR and sustainability initiatives (Cheung, 2016).

Development of M&A and CSR Programs

Agility has been succeeding for over 20 years as an integrated global logistics firm and a leader in emerging-market logistics while pursuing an award-winning international CSR program for over 10 years. Their CSR program was launched in 2006, when Agility began achieving global prominence through its international acquisition program and very soon after its global rebranding to its current, strategically evocative, and versatile name. The CSR program has both regional initiatives and a worldwide reach. From earthquakes, floods, and typhoons to schools, books, and toys, Agility has been involved in outreach ranging from global disaster relief to community-level support. The program runs on employee volunteerism (Cycyota, Ferrante, & Schroeder, 2016) under the corporate aegis. At the community level, employees identify needs and donate their time beyond typical working hours, and Agility donates resources and financial support to help realize the employees' social responsibility visions. Larger-scale initiatives for global disaster assistance are coordinated across divisions and also draw on employee volunteers. The Agility CEO, with an international educational background and leading the multicultural management team and workforce of a global firm, says the CSR program is driven by both internal priorities—'It is the right thing to do'—and extensive customer feedback. Agility manifests the extensive involvement many global stakeholders—for instance, employees, customers, and the residents of communities where the company does business—intrinsically in its CSR design. In addition, suppliers and investors are also engaged as participants within the Agility universe.

Below, we discuss Agility as a newly privatized firm launching programs in international acquisitions and then CSR, and following this dualistic trajectory with multiple benefits.

Privatization and Launch of M&A Program

Following privatization from the state of Kuwait in 1997, Agility became an independent, investor-owned, and ultimately publicly traded company doing business worldwide in the fields of land, air, and sea transportation and the warehousing of corporate goods. The company enacted over 150 joint ventures and acquisitions from 1997 to 2016 while expanding from local to regional and global levels.

Agility's programmatic acquisitions and joint ventures have had two primary goals as strategic transactions: (1) acquiring transportation capabilities by land, sea, and air or warehousing capacity in tactical locations serving as storage and retrieval nodes within the transport system; and (2) pursuing internationalization from the Arabian Gulf to other regions of the world, particularly emerging-market regions where the firm perceives an affinity of interests due to its own economic development trajectory and identification as an emerging-market company (see Fig. 7.1).

The regions entered through acquisitions range from emerging markets in Southeast Asia, Northern and Sub-Saharan Africa, and Latin America to more established markets in Europe, North America, and East Asia. Agility also experienced continued growth within its expanded home region of the Arabian Gulf/Middle East and North Africa. In addition to enhancing its core competencies in transportation and storage and internationalizing into many regions of the world, the firm also made acquisitions in electronics, telecommunications, construction, recycling, and real estate. Only two of the latter industries—telecommunications and electronics—are overtly technological in nature, yet the ambition of the Agility M&A program—aside from logistical and global expansion—has been to acquire technological competencies for leading-edge communication and service fulfillment for both clients and CSR beneficiaries wherever the firm does business. Due to its intensive M&A program, Agility now operates in 100-plus countries and has been the only top logistics firm originating from and specializing in emerging markets, with a global footprint in a

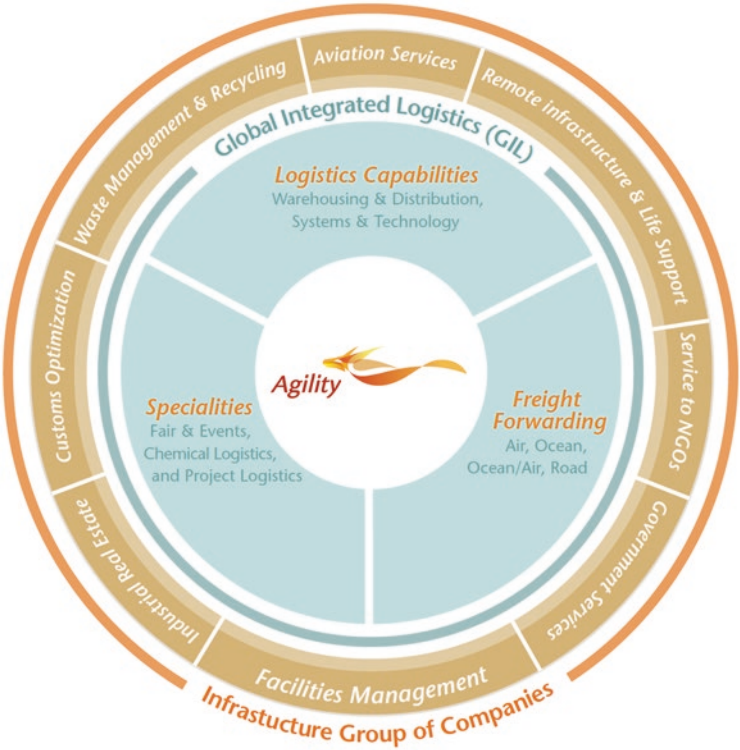

Fig. 7.1 Organizational structure of core and periphery, facilitating programmatic M&As and partnerships and outreach for CSR. From: Agility 2016 CSR Report: Deepening Impact

portfolio of both core and related businesses and a concomitant worldwide commitment to social responsibility objectives and actions.

7.3 Institutional Context and Management Interactions

The sections below address our research questions as we examine the institutional context, management team structure and interaction, and CSR pillars in relation to our case.

How Are the CSR Program and the Home and Host Countries' Institutional Contexts Interrelated?

Tarek Sultan notes the following:

> We are leaders in emerging market logistics, and we take this leadership seriously: in the form of helping our customers grow regionally and globally, creating employment opportunities and developing our people, conducting our business with integrity and taking ethics and compliance seriously, giving back to our communities, and being mindful of the planet and our environmental impact on it.

Agility has established a competitive advantage as a leader in emerging markets, but the above quotation also reflects essential aspects of their global CSR (Agility, 2016). Mariam AlFoudery, Chief Marketing Officer (CMO) and formerly Senior Vice President (SVP) of Agility, described their 'culture of collaboration.' The Agility CSR program worldwide focuses on collaborative key components. As noted by Frank Clary, Vice President (VP) of Agility CSR, 'Based on initial and subsequent materiality surveys, our priority CSR issues are youth and education, community health, environment, fair labor and humanitarian logistics.'

Each of these components interrelates with local institutional logics, infrastructure, and stakeholder needs. As mentioned, examples of institutional arrangements at the state level include the regulation of financial markets, monetary policy, and currency circulation and the implementation of health, education, and safety social welfare entitlements (Keister, 2004; Musacchio et al., 2015). Institutional structures at the state level can impact national security and any type of acute disaster or distress alleviation, as in the event of terrorist activity, natural catastrophes, or even periodic personal relief (Gould, Barry, & Wilkinson, 2015). Institutional logics also concern longstanding and even cherished state policies, such as those regarding family and employment continuity (Weber, 1922/1947). These institutional forces have all factored into the overall development of the Agility CSR program and the decisions by top management on where to focus initiatives—and which stakeholders should benefit—depending on the home country of the recipients of the largesse. We now discuss how institutional logics affect CSR's manifestation in home markets, which are emerging markets, and in local markets around the world, reflecting the pillars of Agility's CSR program.

How Has the CSR Program Been Customized According to the Institutional Context in the Home and Host Countries?

Agility's CSR has two institutional contexts: the home and local markets. The CSR program varies to reflect the institutional infrastructure of its home market and the needs of countries and communities abroad. In the home markets, Arabian Gulf nations have benefited from direct governmental largesse given for many health, educational, and social welfare services since the advent of oil exploration and extraction (Khan, Al-Maimani, & Al-Yafi, 2013). Specific institutional considerations in other regions affect local CSR stakeholders differentially; beneficiaries of the CSR program living outside the Arabian Gulf receive different services. In other words, the specific manifestation of the CSR program selected by Agility mirrors the local institutional context (see Fig. 7.2).

In Kuwait, where Agility's headquarters are located, in the relatively tightly culturally and economically interconnected home region of the Arabian Gulf, the CSR program emphasizes issues such as environmental protection, the technological advancement of the workforce, and employment and career development opportunities for local talent. These types of CSR efforts have arisen as the most meaningful and consequential in an economically and educationally privileged social environment, with already high state-level institutional involvement in citizens' education, health, and welfare.

How Has the Firm Acquired, as the International Acquisition Program Expanded, Specific Attributes to Help the Launch of the CSR Program?

As Agility embarked on its international acquisition program and expanded into various regions, the leadership realized that being a global firm also carried global citizenship responsibilities. Just as the firm had experienced

Fig. 7.2 Pillars and performance of the CSR program—focus on education. From: Agility 2016 CSR Report: Deepening Impact

almost a record-setting pace in growth through M&As, the challenge then became to grow to and maintain pace with international standards of excellence in CSR.

No one specific acquisition or even series of acquisitions brought CSR capabilities to the fore. It was more that the acquisition program and the global expansion—as well as increasing interactions with employee/ supplier/ and resident communities around the world—catalyzed the realization that doing business also inspired a sense of responsibility for giving back and doing good. This realization at the top-leadership level at the inflection point of the expansion—the global rebranding midway through the intensive international acquisition program—quickly led to specific measures put into place for social responsibility and sustainability. As the leadership vision and firm were already global, and the awareness of the communities of service was already worldwide, the CSR program was in essence 'born global.' The firm had experienced record-setting growth and acquisition speeds; the new challenge was to meet and exceed international standards of CSR excellence.

How Has the CSR Program Helped Guide Future M&A Directions?

While the CSR and M&A programs each have their own program manager (as is discussed below), the CSR program has taken its general inspiration from the M&A program. For instance, both programs are top strategic priorities, have global footprints, and are led by senior managers reporting directly to the CEO. Both programs have grown in scope and importance and have refined their missions over the years. The mission refinement within the last decade has been an evolution toward an emphasis on providing social responsibility services and assistance in emerging markets, in recognition of the shared emerging-market heritage of Agility and many of the countries where the firm does business, particularly in Southeast Asia, Africa, Latin America, and the Middle East.

Several targeted resources have been gained through acquisitions that have been helpful in growing the CSR program. Specifically, personnel, technological, and innovation resources have been mentioned as being of value. First, the Agility CSR program runs largely on volunteerism (Cycyota, Ferrante, & Schroeder, 2016), making active, informed, and motivated personnel essential as on-the-ground participants in community initiatives' design and implementation. Such employees, with the deep local knowledge required for community outreach CSR, can be accessed through acquisitions of firms in the locales later served by the acquiring firm CSR. Second, Agility is a highly developed firm and prizes its technological competencies. Such competencies and its information and communication technology systems have helped to ensure the rapid collection, storage, and retrieval of information and goods, as well as the international movement of those goods as requested by customers or in response to disaster-relief needs. Third, Agility has increasingly used its innovative capabilities and alertness to acquire partial interest in leading-edge and disruptive innovations. This targeted involvement in smaller, leading-edge, innovative firms has helped Agility maintain an entrepreneurial energy and innovation advantage. These innovative inclinations have become central in Agility's M&A program and have doubtless also helped its award-winning CSR program maintain its world-class momentum. For instance, Agility has demonstrated innovative thinking and nimbleness in its reconfigurations of and updates to its CSR pillars. As discussed later in this chapter, the 'pillars of CSR' concept is evolving and flexible—and may be rooted in the normative, coercive, and regulatory pillars of institutional theory—and can be adapted as needed. For instance, the decision by Agility to use humanitarian logistics as a pillar reflects the innovative and customized applications of CSR for their industry and the global and local missions, stakeholders, and communities served.

What Management Team Structures and Interactions Do CSR and M&A Involve?

Agility has distinguished itself as a global logistics firm originating from and specializing in emerging markets. Its distinction resides not only in its rapid expansion; multiculturalism; and global identity, reputation, and footprint; but also in the deliberate cultivation of a global CSR program in tandem with an international acquisition program. Evidence of this can be found in its management team structure, which comprises VP-level and senior VP-level top executives in charge of the distinct CSR and acquisition programs. The programs interconnect not only theoretically (as discussed in the previous chapter) and empirically (as shown in the tandem development) but also structurally through the reporting relationships. The executives in charge of CSR and acquisitions are senior managers reporting directly to the CEO (managing director) and chair, respectively. The two executives also communicate frequently with each other. As CSR has always been a top priority for the firm and part of its strategic vision, the CEO ensures the alignment of the objectives of each program (Waldman, Siegel, & Javidan, 2006). It is not left to chance. Although each program has different performance metrics, the CSR and acquisition programs are both held to strict accountability and excellence standards. For instance, Agility measures the performance of its CSR program most proximately through 'the number of individuals served by our CSR program each year.' The acquisition program, as part of the corporate bottom line, reflects the fact that, in the words of the CEO, 'we have consistently made money for our shareholders.'

While the CSR program can and should reach as many stakeholders as possible on an as-needed basis, the acquisition program concentrates more selectively on serving shareholders—and ultimately all stakeholders—by refining its acquisitions to the geographic 'white space' of opportunities. That is, Agility pursues M&As where it does not already have a global presence and where the acquired geographies are clearly complementary to the extant portfolio and represent a good strategic fit. It is no longer just a question of the appropriateness of the target as simply a potentially value-producing firm; the target is also considered as networked within a global infrastructure and strategic context. In line with the global strategic vision, the top managers of both the CSR and M&A programs are multicultural, multilingual, and internationally educated and have established decade-plus tenures with cross-functional expertise within the organization. Moreover, as the CSR and M&A programs grew, both managerial positions became part of the top management ranks.

7.4 Pillars and Foundations of CSR

Pillars of Institutional Theory, Democratic Society, and CSR

Despite general agreement on the interrelated pillars of institutional theory (Scott, 2014), pillars of democratic society (Kurland, 2017), and the 3-Ps/3-Es of social responsibility (as explained in the previous chapter), there is no agreed-upon definition of 'pillars of CSR.' It has been up to each organization to experience the people-planet-profits and economic-environmental-social linkages and find its own definition of CSR. Agility's CSR prioritizes the environment, community, employees, business ethics, fair labor and human rights, health and safety, stakeholder engagement, and humanitarian and emergency logistics (Agility, 2016). The company has launched numerous volunteer logistics emergency teams

(LETs) among employees and has nurtured longstanding partnerships with international aid organizations.

CSR Reporting

Agility's growth through international acquisitions has been particularly extensive in emerging markets. As a firm with an emerging-markets heritage and as a leader in emerging-market logistics, Agility has been strong in its CSR outreach in emerging markets, while also ensuring substantial impact and local customization in broad-based initiatives in its CSR program worldwide.

The 2016 CSR report provides a country-by-country overview of 17 projects undertaken within the past several years, and a new report will appear in 2019. As remarked by the CSR SVP 'Local nuance plays a critical role in how Agility manages its business and its CSR strategy.' Agility has also been a leader in CSR reporting and assurance, attaining sustained global recognition and multiple awards within the past decade (Piecyk & Björklund, 2015). Agility early on adopted the third- and then four-generation (G3 and G4) sustainability reporting standards, which later became internationally-known as the 'Global Reporting Initiative' (GRI) guidelines (Global Reporting Initiative, 2018). According to these guidelines, CSR reports should address, as the 2016 Agility CSR report addresses, such issues as strategy and analysis, governance, stakeholder engagement, ethics and integrity, environment, labor practices and decent work, human and workplace rights, society, and product responsibility.

Emerging, Frontier, and Emerged Markets

As noted, Agility has established a competitive advantage in the global marketplace, particularly by serving emerging markets. Their leadership in emerging markets is echoed in their customer outreach to communities around the world in which they do business. From typhoon relief in the Philippines to schools built and educational programs launched worldwide, from liaising with international entities such as the UN and the World Food Program to partnering with local healthcare providers, and from Agility's top-level leadership to the over 7000 employees who have volunteered in the past 10 years, Agility's CSR outreach has extended beyond borders and has benefitted the over 100 host countries where the firm does business. In Brazil, for example, Agility has collected books, school supplies, and toys for children; in India, Agility has supported night-school education for workforce entrants learning a trade; and, in Kuwait, Agility has spearheaded student mentorship in a global youth empowerment program.

Of the CSR initiatives highlighted in the largest areas of operation in the most recent Agility report, seven involve developed nations (Australia, Canada, Germany, Singapore, Spain, the UK, and the US), and seven involve emerging markets (China, India, Indonesia, Kuwait, the Philippines, Thailand, and UAE), representing a remarkable balance for a global firm given that the vast majority of the world's earning power resides in developed nations. However, as is explored in the next chapter, emerging markets represent most of the growth in global GDP, and the largest emerging markets are on a trajectory to be the world's strongest economies by 2050. Agility has been in the forefront of not only M&As and CSR but also the emerging-market trend. Most of the over 100 countries in which the firm operates are emerging markets.

CEO Tarek Sultan reflected on the emerging-market connection as follows:

> As an emerging markets leader, Agility contributes to the creation of shared value through its business activities. First, we facilitate trade in emerging and frontier markets in which trade and sustainable development are distinctly linked. Second, we have made significant social and economic investments in these new markets, through our hiring and development practices and community outreach. And third, we bring greater productivity to the value chain in these markets—helping improve quality, security, reliability, and the cost of doing business. We are helping tap the true potential of emerging markets on the global stage.

Management Communications, Interaction, and Inspiration

These messages are reinforced by the Agility board of directors and top management, including the CMO/SVP for Marketing, Communication and Social Responsibility, Mariam AlFoudery; SVP for Corporate Development (M&A), Shadi Abdullah; VP of CSR, Frank Clary; and numerous other individuals in these and assorted functional areas within the firm. Part of the value of the breadth of access was the opportunity to hear directly from the CEO and chairperson, the CSR SVP and M&A SVP, and their program directors and managers to learn of the range of experiences addressing both M&As and CSR in fulfillment of the overarching strategic vision and mission, as voiced by CEO Tarek Sultan. The social responsibility commitment runs deep, as the very first interview with Tarek Sultan on international expansion through acquisitions led to a discussion of the concomitant emergence of the global CSR program, an unanticipated finding for the researchers. This led us to investigate the issues in greater detail, find additional examples, and eventually write on the M&A-CSR interconnection with a focus on the firm that provided this insight and that continues to function intensively and programmatically based on both sets of initiatives.

7.5 Conclusion

Transformation in the CSR and Acquisition Programs

We now reflect on how Agility's M&A and CSR programs have changed over time. Given that the CSR program began midway through two decades of intensive international expansion, when Agility had achieved a global footprint and been recognized as one of the top logistics firms in the world, the two programs have had recurrent interconnections. First, the acquisition program provided the global foundation and financial wherewithal—corporate performance excellence in the enhancement of shareholder value—required to launch a CSR program. Second, the global expansion in the first phase of the acquisition program nurtured the recognition, as expressed by the top management, that a global presence brings global responsibilities. Third, the CSR program has continued to evolve concomitant with the acquisition program. As the firm has expanded globally while intensifying its specialization in emerging markets, the CSR program has done likewise. Just as the firm emphasizes specific strategic objectives, the CSR program likewise focuses on the pillars of community investment, humanitarian logistics, mindfulness of the planet, and commitment to ethics and integrity and to a safe and healthy work environment. Just as the firm uses financial performance measurements, the CSR program uses commensurate performance assessments, specifically concerning the number of individuals served. Each CSR report highlights examples in the key goal areas, particularly the emergent and reconfigured area of humanitarian logistics, the primary performance and outcome measure of the number of people served, the educational emphasis, and emerging-markets emphasis.

As the firm has increased in scope, its emphasis on humanitarian logistics has remained strong. The CSR programs have now served over 1 million people in 80 countries according to the 2016 report, which represents more than a doubling since the 2011 report. Disaster relief through humanitarian-logistics partners has now reached over 20 countries in urgent need, both in emerging nations with inadequate institutional infrastructure such as Indonesia and the Philippines and in more-developed countries, such as Italy and Japan, where the scale of the disasters required a coordinated international response. There has been a sustained and growing involvement and investment at the community level, particularly in education and (again) concentrating on emerging markets such as Indonesia, India, Afghanistan, Cambodia, and Ghana. In Agility's own, more affluent emerging-market region, mentorship programs have been offered, and fair workforce standards and enhanced training options for all employees have been adopted.

Fourth, both programs have been driven by a fundamental top-leadership strategic vision, and the heads of the acquisition (Corporate Development) and CSR (Corporate Communication, Marketing, and Social Responsibility) programs have been allocated to senior management positions. Fifth, both the firm (grown through acquisitions) and its CSR program have pursued and substantially achieved the transnational standards of global efficiency and local responsiveness, as embodied by the global presence and local nuance noted by the CEO.

Evolution in the CSR and Acquisition Interconnections

As Agility's CSR program moves forward, the impression is that it will continue to grow, will be even further documented and highlighted, and will be an integral, highly focused, and selective part of the firm, as the

M&A program has been. Both programs are now in more mature phases and can even further develop through careful consideration of resources required, through innovations in new processes and technologies (Park & Meglio, 2019), and through continued top-leadership inspiration (Park, Meglio & Schriber, 2019). The CSR and M&A programs are still relatively new. Although we have witnessed the demise of specific acquisitions and CSR initiatives, as discussed in preceding chapters, such cessations or interruptions have often occurred after various forms of economic or strategic shocks or unanticipated paradigm change. M&A and CSR are of course dependent on the survival and longevity of the firm but also help to ensure that survival and longevity. The evolution and life cycle of interconnected M&A and CSR programs, and how the two sets of programs can mutually shape each other, remain topics for future study.

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8

CSR and M&As in Developed and Developing Economies

Kathleen Park

Abstract This chapter provides a reflection on inflection points and transitions in intertwined M&A and CSR strategies, as more and more of the growth in the global economy comes from developing markets. Just as the phenomenon of reverse innovation has been occurring, in which innovation increasingly flows from developing into developed regions of the world (rather than the traditional developed to developing direction), this chapter reflects on and suggests that there could prospectively be an occurrence of reverse social responsibility and sustainability, wherein the developed regions could take notice of the practices and performance from the developing world—as suggested even from the preceding chapter case analysis of the conjoined M&A and CSR development of the now global emerging markets Arabian Gulf firm, Agility.

Keywords Arab Gulf Countries • CSR • Sustainability • Developing countries • M&As

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8.1 Introduction

Drawing on the conceptual and empirical foundations of institutional theory, internationalization by acquisitions, stakeholder engagement, CSR programs, and M&A-CSR interconnections, we continue to examine these interrelationships in an even broader global context, by comparing developed and developing economies in North and South America, Europe, Asia, Africa, and Oceania. As we head toward the conclusion of the book, we begin to formulate more questions and think back on our prior analyses. Hence, the structure of this chapter arises from our reflections and contributions on extant and emerging questions.

8.2 What Are Institutional Implications of Variations in National Economic Development Levels?

Developed and Developing Nations and the Global Economy

We consider whether MNCs from developed and developing regions are more similar or different in their approaches to M&As and CSR by keeping in mind that, while differences in strategic behavior have been noted between MNCs from developed and developing regions (Lessard, Teece, & Leih, 2016), teasing out those differences requires considering variations in economic development levels across nations. Of the 195 nations of the world—193 UN members and two observer nations, give or take evolving geopolitical reconfigurations—approximately 36 are termed 'developed' (IMF, 2018). The vast majority of nations are classified as 'moderately developed,' 'less developed,' or, if in even earlier phases of economic development, 'frontier economies' (MSCI, 2018). The latter three categories have been merged into one, termed 'developing' or 'emerging.' It is worth noting that 'developing' and 'emerging' are not monolithic classifications but reflect differentiated trends toward increasing industrialization, individual disposable income, and overall economic enhancement across nations.

While developed nations account for about 2% of the annual increase in global GDP, emerging-market regions represent about 4.5% of the growth in global GDP (World Bank, 2018), a rate that is increasing. Developed nations therefore comprise a declining portion of the growth in global GDP, although these figures could change as the more advanced developing nations move into 'developed' status (OECD, 2018). As emerging markets increase in economic strength, MNCs from emerging markets have come to represent a growing proportion of multinational firms and international business activity worldwide (PWC, 2017).

It is worth reiterating that the emerging-emerged market juxtaposition is a dynamic construct. By the time emerging nations become economically ascendant, they are to a significant degree 'emerged,' and the leading edge of economic growth may then come to reside in another set of nations. Contrariwise, developed nations in sufficient economic turmoil can become 'developing,' as in the temporarily downgraded economic development status of Greece following the global financial crisis and restructuring of 2007–2011. In many ways, we are transitioning from a global economy dominated by developed markets to a global economy dominated by emerging markets (Thomas, 2018). The institutional implications of these transitions are profound for national and corporate governance, as the world economy increasingly reflects more inchoate national infrastructure and thus perhaps an increasing need for CSR to remedy institutional voids. A counterbalancing view is that emerging markets will continue to advance in governance and infrastructure along with economic development. We provide our reflections as a starting point for further discussion.

Whereas the notion of an 'emerging market multinational' was first novel then remarkable, EMNCs have proliferated worldwide and have dominated in selected markets and market niches to the extent that we do not consider EMNCs monolithically but rather according to their specific strategic dimensions (Park, Meglio, Bauer, & Tarba, 2018). We take this disaggregated approach to the examination of MNC/EMNC activity in M&As and CSR according to institutional forces and voids. Social welfare systems and safety nets are among the most salient national institutional strengths or voids requiring compensatory or complementary action through customized outreach within a global CSR program (Park, Meglio, & Schriber, 2019). Regime stability, additional political factors, and financial infrastructure and regulations can also represent key national institutional influences or absences (DiGiuseppe & Shea, 2016). Equally salient are institutional pressures reinforcing the need for both local and multinational firms to engage in CSR innovations and increase social welfare and well-being (Varadarajan & Kaul, 2018). Innovation in CSR can be just one of multiple forms of innovation nurtured by an international M&A program (Park & Meglio, 2019), even as M&As also prompt firms to morph their CSR initiatives in response to institutional forces. We consider countries of origin, operations, and headquarters locations in examining the state-level institutional resources influencing both the expansion (M&A) and social responsibility (CSR) activities of firms.

Countries of Origin and Headquarters

The formal definition of an EMNC occurs in relation to the headquarters country, the current home base, and linchpin of operations. Sometimes EMNCs have changed headquarters from the original location. For instance, the rising emerging-markets steel firm Mittal, sometime before the historic 2006 acquisition of competitor Arcelor, moved its headquarters from India to the Netherlands, perhaps to pursue operational efficiencies or tax-based financial and reputational advantages. Steel giant ArcelorMittal is now based in Luxembourg, headquarters of Arcelor before the firms combined. It could be argued that the country of origin leaves a cultural and economic imprint on the firm, lingering even after an official legal transfer of headquarters to another nation. Regardless of national origin or current headquarters location, multinational firms need to consider multiple state-level institutional forces when crossing borders. We are not advocating from the position of the 'stateless' multinational enterprise but rather from the position of the boundary-spanning international entity with home-country imprints affecting home- and host-country M&A and CSR strategic implementation. We essentially argue that MNCs/EMNCs differ in their M&As and CSR according to the state-level institutional resources available. These institutional resources influence how local CSR by a multinational firm needs to be complementary and responsive to the national institutional infrastructure and stakeholder needs. At the same time, MNCs are often not just international but global entities with an impetus toward worldwide integration in many globe-spanning strategic activities, including the tenets and initiatives of CSR.

Institutions, Infrastructure, and Variations in CSR and M&As

Institutions and infrastructure are arguably as much a hallmark of economic development as are increases in production and consumption. The CSR outreach by MNCs/EMNCs in differing nations reflects differing national provisions for, for instance, health, education, and welfare. M&A activity in differing nations reflects, at least partly, differing financial infrastructure and economic resiliency—for instance, in the depth and transparency of financial regulations, currency robustness and stabilization policies, stock market structure, business practice standards and international ethics compliance, and capital market access. Therefore, M&As and CSR simultaneously mirror and support institutions and infrastructure, and contribute to national economic development levels.

CSR can be executed as a deliberate strategy concomitant with acquisitions and involving differing home- and host-country contexts. It is worthwhile noting that CSR can involve multiple firm levels and can, and should, be as fully customized and innovative as any other leading-edge product or service of a globally competitive and high-performing firm. We concentrate on this multi-level, multi-constituent model premising stakeholder engagement as something crucial to ensuring the success of strategic moves.

This background leads into a discussion of how M&As and CSR differ in different parts of the world. We examine this differentiation in the sections below, beginning with a discussion of variations in CSR across national economic development levels, then moving to a consideration of M&A strategies against different economic backdrops, and finally proceeding into an analysis of the two sets of initiatives as intertwined and coevolving processes.

8.3 What Market Models Impact CSR Program Development and Leadership?

Economic Mainstays, Market Models, and CSR Program Development

Developed- and developing-economy MNCs differ in their CSR programs depending, as noted, on the national institutions and infrastructure. We address this issue using examples from around the world. For instance, in the Arabian Gulf region known as the Gulf Cooperation Council—the region of our case analysis in the preceding chapter—governments have tended to provide very generously for the health, education, and welfare of citizens with financial resources derived from the extractive energy economic mainstay. The CSR programs of firms in the region can therefore concentrate on enhancements to mentoring and career experiences; encouragement for higher educational attainment; and refinements in professional development, stewardship, and care for the natural environment, while paying attention to ethics and ensuring high standards of professionalism and output quality in the workplace. Stewardship of the natural environment is very important in desert biomes with extensive extractive energy resources. Environmental protection also comes strongly to the fore in CSR programs in the EU, in, for example, the reduce-recycle-reuse ethos and the heightened awareness of immigration, multiculturalism, and intercultural communication issues in the context of an aging workforce and the need for new workforce entrants, as well as the balance of humanitarianism and resistance against refugee inflows.

The governments of Western Continental Europe are mostly coordinated-market economies, with substantial health, education, and welfare social safety nets typically funded by taxation (Hall, 2015). In the Arabian Gulf, these benefits to citizens are more often funded through oil revenues and resources (SWFI, 2016). Even in the extensively oil-endowed European country of Norway, taxation helps fund governmental institutions and infrastructure for the benefit of residents; oil funds are typically reserved for future-oriented development. CSR programs in Western European MNCs frequently play major roles in ethics, environmental and workforce protection, community outreach, and global standards for corporate citizenship and social responsibility. In the liberal-market economies and developed markets of, for instance, Australia, Canada, the UK, and the US, government social safety nets vary in depth and breadth, but the typical pillars—ethics, employees, the environment, community, and global standards and outreach—are all represented. In Latin America, Southeast Asia, Africa, and the island areas of Oceania—which include countries at all levels of economic development—CSR initiatives are complementary to governmental institutional resources and infrastructure, providing benefits to stakeholders in areas where the firms do business as well as in other areas for humanitarian outreach purposes and even (potentially) with the long-range aim of building goodwill and cultivating new markets (Rathert, 2016). In embracing extended stakeholders and entering new markets, firms encounter the challenge of balancing global- and national-level imperatives and commitments.

CSR Global Integration and National Responsiveness

The challenge for MNCs doing business in multiple countries and regions is to engage, and even excel, in both global integration, which requires global standards and outreach demonstrating the same sense of corporate citizenship and humanitarian outreach across borders, and local responsiveness, which involves demonstrating an economic, cultural, and political awareness of different levels of institutional infrastructure and different needs. In some situations, stakeholders can and should be addressed globally with needs and concerns cutting across national boundaries (Brammer, Jackson, & Matten, 2012). In other instances, particular considerations—such as clean water, literacy, workplace safety protection—pertain to particular areas of a more intensely expressed need for corporate intervention and cooperation. One way for MNCs/EMNCs to address both global integration and national responsiveness is to maintain global standards according to the defined corporate pillars of CSR (e.g., employees must be treated fairly and safely, suppliers must conform to similar ethical practices, and the environment must be protected) wherever in the world the firm does business. Stakeholder outreach can then be customized to local needs and interests, such as for career mentoring in more-developed areas, access to essential education in less-developed areas, and a commitment to ensuring technological capabilities and resources in all areas.

Concerning the M&A aspects of the CSR portrait, the resources available to MNCs for use in cooperating with local firms and government agencies and collaboratively engaging stakeholders partially depend on the firms' acquisition history and success. The more financially successful an acquisition program, the more resources the firm has for corporate development and attention to CSR programs. The more places in the world the firm reaches through an acquisition program, the more extensive its corporate philanthropic outreach. A sustained and consistently successful and impactful acquisition program provides more enduring resources than an intermittent and erratically successful program. For instance, the top-ranked executives in our Agility case analysis specifically referred to having been good to their shareholders—by, for instance, enhancing shareholder value through acquisitions—before striving to be good to a broader set of stakeholders. Therefore, we emphasize that the M&A program is integral and antecedent to sustained CSR program development.

Top Leadership and CSR Program Development

Building on the reflections in the preceding section and reinforcing a perspective emphasized throughout the book, we posit that CSR can be instrumental in both the motivation for and the integration of an acquisition. We cite the balancing of global integration with local responsiveness in CSR discussed in the classic transnational perspective of Bartlett and Ghoshal (1989) and, more recently, the discussion in Miska, Witt, and Stahl (2016) of the orientation of acquiring firms' top management toward global or local CSR. Analyzing the antecedents of firms' selection of global versus local CSR, Miska and colleagues find that the backgrounds of top management teams influence CSR outcomes. As noted in the research study (2016), a tendency toward selecting both global and local CSR initiatives occurs when an emerging-market acquirer has undertaken repeated cross-border acquisitions, including entering

Western markets, and the top management team has international experience and has encountered multicultural settings. This combination of factors militates in favor of an EMNC acquirer having both globally integrated and nationally responsive CSR. This finding resonates with our Agility case analysis in the preceding chapter, where the firm's multilingual, multicultural, and internationally educated top management evidenced a clear orientation toward both global and local CSR. Likewise, it is conceivable that any top management team, from either a developed or a developing market, could be influenced by their own range of international and cultural experiences when recommending transnational approaches to both global integration and national responsiveness in CSR. Developed- and developing-economy MNCs could therefore differ in their CSR programs depending on the international experiences and characteristics of the top management team.

8.4 How Do Developed- and Developing-Economy MNCs Differ in Their Approaches to M&As and CSR?

Motivations for Acquisitions

Emerging-market acquirers have been known to be interested in acquiring firms broadly for growth and capabilities and even more specifically for gaining stature as well as market access and expansion. While developed MNCs (DMNCs) also acquire globally for a variety of reasons, three motivations for acquisitions into emerging markets have predominated: (1) entering new markets, (2) acquiring reverse innovations (originating in emerging regions and then transferred into more-developed regions) and (3) reducing expenses through access to lower-cost labor in countries amenable to such pay-scale disparities (Cuervo-Cazurra & Narula, 2015; Lynch & Jin, 2016). These differences between EMNCs and DMNCs in motivations for acquisitions have implications for CSR.

As mentioned, while Western firms have openly acquired business entities to enhance their own CSR programs and sustainability reputations, emerging-market firms may view CSR as more of a luxury and a subsidiary enhancement and may not yet develop the programs in as much depth. Alternatively, acquirers such as ArcelorMittal (acquiring firm originally from India), Tata Group (India), Lenovo (China) and Agility (Kuwait) have all made observably substantial and documented investments in CSR, as evaluated for instance through GRI and EcoVadis (EcoVadis, 2018; Global Reporting Initiative, 2018) and by highly detailed websites on the CSR program pillars and annual or biannual reporting instruments (Agility, 2016; ArcelorMittal, 2018; Lenovo, 2017; Tata Group, 2018). Zhejiang Holding Group (China), acquirer of Volvo, has a CSR website noting the conventional 3-E's—Economy, Environment, and Society—without clearly established reporting or supporting detail (Geely, 2018).

Tata Motors, acquirer of Jaguar Land Rover PLC and part of the Tata Group, has a uniquely specified CSR program with repeated reference to employment outreach and enhancing employability prospects for historically disadvantaged communities in India. Their unique 4-E's are Education, Employability, Entrepreneurship, and Employment (Tata Motors, 2018). Tata Group, Tata Motors, Jaguar USA, and Land Rover USA each have their own CSR program and websites, with shared references to 2020 global CSR goals but without visibility; while the Tata Group and Tata Motors CSR websites are detailed and differentiated, the subsidiary Jaguar and Land Rover CSR sites are less so (Jaguar, 2018; Land Rover, 2018; Tata Group, 2018; Tata Motors, 2018). The Jaguar USA and Land Rover USA CSR sites contain product pop-ups and links. Zhejiang Geely Holding Company, acquirer of Volvo, and the divisional entity now known as the Volvo Group each also have their own CSR (Geely, 2018; Volvo, 2018). The Tata and Geely approaches are consistent with the immediately forthcoming discussion of 'light-touch' integration by developing market acquirers expanding into developed regions (Liu & Woywode, 2013). However, firms with emerging-markets heritage such as ArcelorMittal (India/Netherlands/Luxembourg), Lenovo (China, which acquired the IBM PC and server businesses from the US), and Agility (Kuwait, which acquired multiple historic logistics brands internationally) have all opted for more integrated approaches to CSR, similar to the integration of their acquired brands, with a unified program and corporate identity.

Integration of Acquisitions

Another aspect of the differentiation between EMNC- and DMNC-acquiring firms involves the integration of acquired entities. We have emphasized that CSR can be instrumental in both the motivation for and integration of acquisitions (Park et al., 2019). Research has demonstrated that EMNCs acquiring abroad tend to exhibit what has become known as 'light-touch integration,' whereby the acquirer maintains a more distant or hands-off stance, enabling the acquired firm to retain autonomy and a distinct brand identity even after the acquisition (Liu & Woywode, 2013). The point of the light-touch approach has been to preserve both the tangible and intangible resources and capabilities, often including personnel, which attracted the acquirer to the target in the first place. This tendency has been observed internationally during the past decade (Marchand, 2017), and it is still too early to determine at what point an integration approach might change; a time may come in the post-acquisition trajectory when the acquirer would prefer tighter control and a more unified brand identity. Certainly this tendency has been observed in acquisitions made by DMNCs, with many instances where the acquirer first offered the target autonomy and identity preservation and later exerted tighter control (Colman & Rouzies, 2018).

The implications for CSR of variations in the intensity and closeness of integration are considerable. For instance, when the acquirer's interest in the target is partially due to its CSR program and reputation, a more distant integration would not enhance the social responsibility reputation of the acquiring firm. At the same time, the acquiring firm could be appropriately wary of intervening too much or too soon in the successful CSR program of an acquired firm for fear of damaging the very social responsibility asset that had been part of the reason for the acquisition. As CSR programs represent a potentially complex juxtaposition in corporate strategy between the profitability mandate to shareholders and a social responsibility engagement with the broader set of stakeholders, these programs should be managed with due attention paid to all aspects of the people-planet-profits triple bottom line. These three intertwined dimensions merit attention by all acquiring firms, whether from emerging or emerged markets, when integrating acquisitions undertaken with CSR as part of the motivation. Emerging-market firms may have an advantage in maintaining the target CSR momentum—and thus, ultimately, the benefits to the acquirer—through the tendency toward lighter-touch integration, leaving programs and structures in the acquired firm largely intact. As lighter-touch integration has been noted as a feature of EMNC acquiring firms' activities in more-developed markets, and as more-developed markets have tended to have more extensive CSR, there are benefits to the continuity of target CSR and the global dissemination of CSR into the ethos of emerging markets.

Institutional Interrelationships of M&As and CSR

As noted in the preceding chapter, the pillars of CSR programs can interrelate with local institutional logics, infrastructure, and stakeholder needs. Examples of institutional arrangements at the state level include the regulation of financial markets; monetary policy and currency safeguards; and the implementation of health, education, and social welfare entitlements (Keister, 2004; Musacchio, Lazzarini, & Aguilera, 2015). Institutional structures at the state level have implications, broadly, for national security and citizen well-being and, specifically, for any type of acute disaster or distress alleviation (Gould, Barry, & Wilkinson, 2015), such as terrorist activity, natural catastrophes, or even personal debt relief. Institutional logics can also exist around state policies regarding issues such as marriage, family, and employment continuity (Weber, 1922/1947). These institutional forces all factor into variations in CSR deployment in emerging and emerged markets and top management decisions regarding where to focus initiatives—and which stakeholders will benefit—depending upon the country and people receiving the help.

CSR Programs in Partnership with the State

Due to the greater frequency of their acquisitions, programmatic acquirers (from both emerging and emerged markets) need to balance and rebalance global and local considerations, state-level infrastructure, and the possibility of changing state-level resources when determining the specific manifestations of their CSR programs. In the resource-abundant Arabian Gulf region, for instance, state-level health, educational, and social welfare support to citizens has been remarkably high and has left more advanced needs (according to the hierarchy of needs) within the domain of CSR. As noted by Khan, Al-Maimani, and Al-Yafi (2013), Arabian Gulf firms—and indeed firms from anywhere that are acquiring into that region or any other region—can share social responsibility outreach with the state. Taking into account dynamic state-level resources—such as Gulf oil prices, which have declined precipitously since 2014—acquiring firms can participate in the coevolution of CSR programs with the state. Such efforts represent new directions in the longer-range development of CSR not only in the Arabian Gulf region but also increasingly worldwide, as corporations become agents of social support in conjunction with the state.

8.5 How Do M&As and CSR Interconnect in Emerging Markets as EMNCs Become Larger, More Powerful, and More Global?

Nurturing M&As and CSR in Tandem and from the Start Within the Organizational Culture

The Agility EMNC case in the preceding chapter suggests that the two programs—M&A and CSR—can be developed in parallel. CSR and M&A managers should be at approximately similar levels of responsibility and in direct reporting relationships to the CEO. They should also interact with each other, particularly during the acquisition of firms that add CSR capabilities. Our case also suggests that the M&A program and the overall size, expansion rate, and stature of the firm can benefit from reaching a certain strength before a firm launches a CSR program, but that firms can begin in small steps and small ways right from the start to incorporate social responsibility initiatives and practices, even before multinational expansion and globalization are on the horizon. In that way, the organizational culture builds around CSR from the beginning, and it can serve as a bedrock and part of a cultural unification impetus within acquisition integration.

The firm's top leadership crucially lays the groundwork for growth and outreach. One of the Agility case study's interview respondents, who had been with the firm in the early days noted, 'The CEO was right there with us on the shop floor, talking with us, talking with us about how things were going, letting us know about what was happening with the firm.' This respondent reinforced that the culture of collaboration—later extending more fully into the culture of business integrity and worldwide social responsibility—was there from the start.

'Filling' Institutional Voids

Another aspect of the M&A and CSR interconnection to consider (as also shown in our case study) is that EMNCs are highly aware of institutional voids and stakeholder needs in emerging-market regions, whereas DMNCs should strive to cultivate such an awareness when expanding into these areas via acquisition. This is not to say that DMNCs cannot and do not also provide excellent CSR in emerging-market regions. EMNCs have the home country (or region) advantage, whereas DMNCs are propelled into a consideration of these emerging-market situations through acquisitions. As expressed by our case-study firm, an emerging-market heritage provides insights into the communities and stakeholders where EMNCs do business both in emerging markets and worldwide.

'Reversing' Social Responsibility Deployment and Innovations

Just as reverse innovation and knowledge flows have been noted to occur (Mudambi, Piscitello, & Rabbiosi, 2014), reverse social responsibility and sustainability could also occur. In such a reversal, developed regions would take notice of CSR practices and performance from the developing world. Our analysis in the preceding chapter of the joint M&A and CSR development of Agility describes one example of this reverse sequence.

Throughout this chapter, we have connected the stakeholder and institutional perspectives (which are also grounded in our case analysis) with implications for M&A and CSR directions. Stakeholder needs vary according to the institutional voids, and an emergent global CSR program should be locally responsive to these variations. Moving between global and local levels, as MNCs from various regions of the world become larger and more powerful, their spheres of influence—and possibly their spheres of responsibility—increase. These MNCs, in principle and in practice, provide greater support to individuals and communities in situations ranging from daily health, education, and welfare concerns to less frequent but more invasive circumstances of wide-scale natural disasters or comparable adversities. The firm leadership—the same leadership that has inspired and directed M&A programs—contributes to setting the responsibility and sustainability standards of the large MNCs impacting worldwide business and economic development. As firms continue to expand and internationalize, as M&As continue as a popular (though risky) strategic maneuver to accomplish expansion and internationalization, as M&As also become better understood as mechanisms for the promotion and enhancement of CSR, and as concerns for humanitarian and environmental welfare escalate, M&As and CSR—in emerging markets and around the world—will become even more prominent in interrelation moving forward.

8.6 What Can Developed- and Developing-Economy MNCs Learn from Each Other About the Interconnections of M&As and CSR?

M&As and CSR together have become a means for firms to implement a global strategy with social responsibility. In portraying CSR as globally and strategically interrelated with M&As, we also discover how EMNCs and DMNCs can learn from each other about this interconnection. We propose that, by valuing CSR as a key component of global expansion and by taking concrete measures such as coordinating CSR with acquisition efforts, acquiring firms in both emerging and emerged markets can reap additional synergy and goodwill from acquisitions. We offer below several insights and recommendations, not as an exhaustive list but as a springboard for contemplation and action:

- Be aware of institutional voids and global and local stakeholder needs.
- Consider the integration approach as part of the CSR strategy. Lighter-touch integration as has been popularized by EMNC acquisitions within developed markets provides the advantage of preserving CSR program structure and impact.
- Assess the implications of global-level partnerships in pursuit of local objectives and determine whether international aid partners can assist in both levels or whether additional, more local partnerships need to be forged for local outreach.
- Preserve outlets for stakeholder voices and input about stakeholder needs and avoid the assumption that what is helpful in one part of the world is necessarily helpful in another.
- Always be open to learning while also developing and maintaining core ethical standards and practices consistent with an international sense of integrity and a world-class reputation.
- Develop CSR outreach and standards as much as possible along the entire global supply chain, spanning both emerging and emerged markets.
- Recognize that CSR, M&As, and notions of emerged-/emerging-ness are all subject to change in their definition and practice, and that dynamic constructs deserve close leadership attention.
- In the coevolution of M&As and CSR, realize that, although the constructs can and do exist in tandem, they are not always perfectly harmonized, and it may be necessary and helpful—particularly in the aftermath of a major acquisition—to carefully examine CSR practices, objectives, and expectations.

We reprise these points in various ways in the final section and then conclusion of this chapter and in the concluding third section of the book.

8.7 Will We Begin to See More of a Convergence in M&A-CSR Patterns Toward the Developed-Economy Model?

CSR and M&As, like all strategic practices, require innovation. As mentioned, the concept of 'reverse innovation' has captured how innovation can flow from developing to developed economies. In line with this thinking, CSR programs in developing nations could influence programs in more-developed nations, even as CSR and M&A strategic implementation and stakeholder considerations converge, regardless of national levels of economic development.

We have asked whether we will see more developed-developing economy convergence in M&As and CSR. Another form of the question could be 'Will we simply see more convergence in M&As and CSR?' We have reflected on the possibility of a reverse social responsibility influence. Thus, another form of the question could be 'Will we find innovative forms of CSR, as interrelated with M&As, appearing in different places around the world?' The alternate forms of the question concentrate on the M&A-CSR interconnection fundamentally, and not necessarily according to levels of national economic development.

These remain open questions. As noted in the preface, our book represents not only an explication of the key current issues but also an articulation of new issues and questions arising in the M&A-CSR research journey. Just as the precise patterns of evolution in emerging and emerged markets cannot yet be fully known, we cannot yet completely discern the trajectory of CSR development in conjunction with acquisitions. We know that human beings have been engaged in buying and selling in various forms, at individual and organizational/collective levels, for millennia. Likewise, we know that individuals and groups have been moved by philanthropic impulses throughout history. The modern business era has formalized a particular type of commercial buying-and-selling of firms as an 'acquisition' and has deemed philanthropic outreach by corporations to be part of what has become known as corporate citizenship or social responsibility, but the underlying concepts can justifiably be considered ancient. The more recent manifestations and interconnections reflect the modern, increasingly digitized, and global business environment alongside an increasing concern for the natural environment and the preservation of quality of life. We have seen within the past two decades the rise of the sharing economy, and sharing intrinsically relates to CSR. What is possible depends less on how similar CSR and acquisition programs in emerging and emerged markets have become than on how convergent CSR and traditional strategic notions of acquisitions have become.

CSR in the laissez-faire robber-baron era in the US was principally an issue of individual leadership principles embedded within corporations, such as in the noted philanthropy of Andrew Carnegie and the Rockefeller family, but the individual or family ascription trumped the corporate or organizational attribution. Later, CSR arose as a notion associated with firms, but it was a notion frequently viewed with suspicion, as something running counter to the appropriate conduct of profit-making enterprises. More recently, CSR has been seen as increasingly intertwined with the core strategic vision and mission of the firm. Profitability and philanthropy in the corporate sense have been paired similarly to rights and responsibilities at the individual level in modern concepts of the balancing and counterbalancing of performance and payment and privileges and obligations.

8.8 Conclusion

This chapter has reflected on interrelated M&A and CSR strategies, as growth in emerging markets has been increasingly driving growth in the global economy, even as emerging-market countries themselves move toward higher levels of economic development. It remains an open question whether Western CSR examples push emerging-market companies to adopt similar practices and how the national institutional context encourages or discourages local companies' adoption of Western-style CSR practices. The increasingly close interconnections of M&As and CSR in our view strategically subsume the question concerning the closeness of emerging and emerged markets. Both DMNCs and EMNCs function in a global business environment where strategy and responsibility—M&As and CSR—are increasingly aligned. To return to one of the opening questions, the issue of M&A-CSR strategic convergence stands over and above the issue of the closeness of such interconnections in developed or developing economies. Increasingly, the variations within levels of economic development are arguably more noticeable than are the variations across levels. The issue of innovation in CSR and M&As remains open due to the intrinsic benefits of forward momentum and change, but the innovation we suggest involves a deeper integration or intertwining of the two types of programs, in conjunction with digital interconnections and sharing platforms already emergent and increasingly developed in the business world.

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Part III

What’s Next? Setting a Research Agenda

9

Onwards and Upwards: Broadened and Deepened Perspectives on M&As

Svante Schriber

Abstract This chapter looks at crucial assumptions underpinning this book and provides new perspectives for future M&A research. Recognizing the importance of recent trends including globalization and global programs of cross-border acquisitions, this chapter builds upon and looks beyond what has already been elaborated. Combining the themes of CSR and non-Western acquirers, this chapter delves into some of the fundamental theoretical starting points touched upon earlier. It argues that the book represents a strategic, actionable outlook on M&As, and thereby outlines novel ways of engaging with the world through M&As. It also proposes a framework and suggests innovative directions and a research agenda for future M&A research.

Keywords Framework • CSR • Stakeholders • Serial acquirers • Research agenda

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9.1 Introduction

As one of the key phenomena in modern business life, M&As have received much research attention. Still, some of the points made in earlier chapters of this book are only slowly entering into the range of subjects considered in M&A research. A few have just begun to meet the curiosity of researchers but are yet to be developed; others remain sorely neglected. This is problematic for two reasons. On the one hand and from an intellectual perspective, this means important insights remain opaque or unprobed. On the other hand, and from a practical perspective, although academic research is sometimes argued to have limited impact on business practice, insufficiently developed theories are unlikely to improve this situation, but instead cement a situation where important impulses from academia fail to live up to their full potential.

In particular, this book asks important questions. What are the reasons behind M&As, and are they always only strictly financial? Who stands to gain from or is influenced by M&As? And lastly, are M&As the same regardless of context? This book starts making new connections between research themes to address these questions. It does so by combining recent progress in the field of M&A research and the wider stream of management research. Concretely, by combining a perspective that regards non-Western acquirers and multiple non-financial motives and interest groups in M&As, this book advances understanding of the broader consequences of M&As and how these can be improved.

This concluding chapter aims to achieve several things. It has the ambition to pull together arguments developed throughout the book and contextualize them by pointing to some fundamental theoretical arguments and debates. It also aims to outline potential for further developing M&A research. However, summarizing earlier chapters is not one of the aims, and references to prior sections of the book are made assuming the reader is largely familiar with the themes presented there.

9.2 A Growing Field with Remaining Gaps

Anyone familiar with M&A research—and not least after reading Chap. 1 in this book—will realize this field is very open to new theoretical perspectives. Besides the influence from economics in most traditional business research, financial and behavioral and other research streams have had profound impact also on M&A research. However, M&A researchers have often overlooked the reasons behind this theoretical width, and it is worthwhile to briefly revisit some of them as they set this research field apart from many others.

First, of course, M&As involve entire organizations. Combining two previously separate firms offers a great opportunity to study literally all aspects of organizations. While more limited changes (e.g. in a specific function such as HR, accounting, or financing) can offer grounds for research specialized in one particular field (e.g. HR research), the sheer breadth of issues ongoing in M&As means they allow a width of research perspectives. M&As therefore offer fertile empirical soil for researchers interested in virtually every aspect of organizations, such as R&D (e.g. Valentini & Di Guardo, 2012) or marketing (e.g. Öberg, 2014).

Second, M&As take place in literally all forms of organizations and contexts. Although M&A frequency is connected to economic fluctuations, M&As display a clearly growing trend visible in terms of both frequency and values (King, Bauer, & Schriber, 2018). They also occur in virtually all contexts; geographically and in terms of business environments. While most publications share a tendency to favor large, multinational, publicly floated Western corporations, M&As also occur in public organizations or small family or mid-sized firms across the globe, increasingly acknowledged in research (Bauer, Schriber, Degischer, & King, 2018).

Third, and arguably most important, M&A research is phenomenon-based. Theoretical starting points define many researchers and their research. For instance, transaction cost, network, agency, institutional and identity theory are defined by a shared theory and fundamental outlook. These are then applied on various empirical settings to further their own particular theory, and not always primarily oriented to benefitting from contrary or complementary viewpoints developed in adjacent fields.

In contrast, M&A research per definition is defined by a shared effort to better understand and explain a particular empirical phenomenon from a wide array of complementary theoretical angles. Reviews of the field repeatedly reveal the width of theoretical vantage points and how they complement each other (Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; Graebner, Heimeriks, Huy, & Vaara, 2017), and at an overall level, this book bears witnesses to the openness to the variety of theoretical perspectives in M&A research.

Against this background, it is surprising that important perspectives in management research have remained virtually untouched in M&A research. As has been elaborated in prior chapters, omissions have hampered theory in several ways, adding weight to the need to invite also other actors than owners or managers to enter the stage, and to offer new roles to those already on the stage. This book also draws on concepts already established in other research fields. The use of stakeholder theory opens up debates to consider new interest groups. Moreover, it is generally accepted that M&As lead to change with broad effects. The book argues that a broader societal perspective can enlighten the understanding of M&As and draws on the concept of CSR. This is important as, taken as a whole, M&A research has been sadly slow in adopting this view.

Last but not least, the book points to the importance of the context in which M&As evolve. The dominance of Western firms and perspectives is only gradually starting to ease. This is interesting, for one, by adding an example of another context. More important, however, is the resulting insight that contexts differ. In short, the book opens up a wider perspective on the aims behind M&As, who is affected by M&As, and how this relates to the context.

9.3 Onwards: A Much-Needed Novel Outlook

In a first instance, the book therefore connects to and develops a more nuanced view of the goals that organizations pursue, how these are set, and how they relate to different interested parties in and around the organization. M&A research is largely an integral part of the wider business research community. Although there are many scholars and research fields dedicated to alternative views, most research openly or tacitly regards firms as ultimately there to serve the interests of shareholders. The stakeholder perspective is a tool that allows nuancing this, and instead points to how firms may pursue also other goals.

This connects to the observation by Donaldson and Preston (1995) that stakeholder theory can take different forms. The descriptive approach aims at providing more accurate accounts of how firms actually operate. The instrumental approach, in contrast, attempts to empirically validate what ways stakeholders, generally managers, can achieve business goals. Lastly, the normative approach assists in asking pertinent questions regarding the moral and philosophical role of corporations.

Put in these terms, the outlook developed throughout the book not only provides a descriptive account of the intersection between CSR, stakeholders, and M&As. Instead, it takes a step forward to suggest ways in which to act, and thus mixes an intellectual path with implications for action. Beyond making the reader aware of a multitude of geographical and cultural contexts, the book takes seriously the notion that stakeholder theory has the potential to 'show us different but useful ways to understand organizations in stakeholder terms' (Freeman, 1999, p. 233). This book therefore fills an important role in explicating novel ways of how to regard M&As—and how to manage them—in what can be called a strategic outlook.

Traditionally, CSR and stakeholder perspectives are depicted as contradicting the shareholder value maximizing perspective dominating strategy perspectives (Jensen & Sandström, 2013). Also here the book can therefore be said to reflect a broader intellectual pursuit of asking new questions rather than merely making fractional additions to what we, essentially already know (Alvesson & Sandberg, 2013). But rather than distancing itself and nurturing divides, this book proposes that integrating a wider range of interest groups and societal outcomes is not anathema to strategizing. This is visible in a long tradition in strategy research considering influence from, for example, language (Gilbert, 1996) or the social, cultural, and legal context of strategy, for instance to environmental regulations (Rugman, Kirton, Soloway, & Soloway, 1999). In a more fundamental sense of the word, strategies can be developed for various goals, such as in a stakeholder perspective. Some have argued forcefully this is what sets business research apart, and that losing sight of this may well risk the relevance of this subject (Greenwood & Miller, 2010).

Arguably more fundamentally, however, the book cuts right through two related and highly current concepts: capitalism and globalization. Without going into lengths about the concepts themselves, it is illuminating to consider the book in light of how they are generally treated in associated research. Capitalism of course has been described in many ways, but here refers to the system where private capital is employed to finance business ventures while taking risk but with the right to excess returns. The taken-for-granted focus on increasing shareholder wealth is of course criticized from many angles in business research, with arguments that CSR can do little but act as 'window-dressing' for the established order (Banerjee, 2008), but the link to the broader system of capitalism remains rather silent in M&A research.

The book also weaves in with debates on globalization, probing the spreading of economic, socio-political, and cultural power from Western countries onto the rest of the world. Most research has studied, for example, how best to profit from cross-border acquisitions (Kling, Ghobadian, Hitt, Weitzel, & O'Regan, 2014). Although concerns are expressed about globalization also in prior M&A research (Vaara, Tienari, Piekkari, & Säntti, 2005), this research mainly has evolved along traditional paths. For instance, cultural trait differences have largely been described as a problem in acquisitions (Froese, Pak, & Chong, 2008), and only recently acknowledged as representing potentially important knowledge (Vaara, Sarala, Stahl, & Björkman, 2012). However, in the main, M&A research has been conducted in the strong emphasis that Western firms acquire firms in other countries, although there are recent tendencies to acknowledge also other forms of cross-border acquisitions (e.g. Rabbiosi, Elia, & Bertoni, 2012).

Clearly acknowledging some of the drawbacks of how society—and business firms specifically—is organized, this book arguably takes the position that it is more important to solve concrete problems rather than addressing accounts of how things are described. In this sense, the stakeholder and CSR models allow outlining different ways of acting and thereby influencing the world. In this way, the book ties in with arguably more critical realist than constructionist developments in business research. In itself, this is a position that avoids the postmodern neglect of anything 'out there' and focus on talk only. It also avoids a relativist 'perspective shopping,' where anything can be criticized from at least one perspective and nothing in the end stands out as possible actions. This arguably more positive outlook also is fertile soil for future research.

9.4 Upwards: A Framework and an Agenda for Future Research

Connecting these themes, it becomes possible to construct a framework illustrated along two dimensions, as depicted in Fig. 9.1. This is by no means the only way to bring together the central themes from this book;

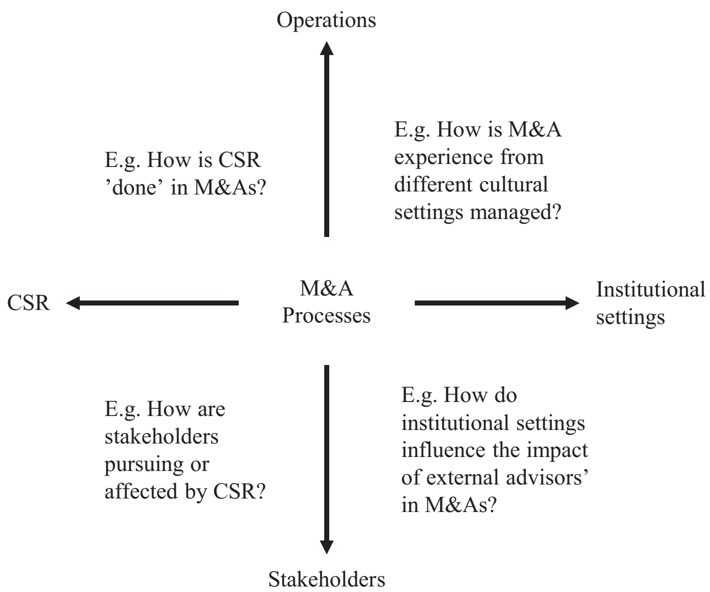

Fig. 9.1 A proposed CSR and stakeholder framework for future M&A research

other combinations could be imagined, at different levels of abstraction and involving different concepts. The framework brings to the fore certain key concepts to emphasize the central points from the argument. The framework is a helpful tool for highlighting key concepts and relations between these concepts, thus moving beyond emphasizing these in separation.

The first, horizontal dimension combines the focus on CSR and institutional settings, in turn revealing two important insights. While it is easy to assume CSR is an objective function much like the utility to be maximized in traditional economics, the book makes clear CSR implies different things in different contexts, since responsibility—to what, to whom, and how—depends on the cultural context. Therefore, the plural in 'settings' is intentional; it highlights one of the central themes of the book, that institutions are not as one-sided as suggested in research emphasizing a Western perspective.

The second, vertical dimension combines stakeholders with operations, or the operating core of the firm and the wider set of groups with interest in it. The book has illustrated how traditional focus in acquisition research is placed on a collapsed relation between owners and operations, where managers are expected to execute shareholder value-maximizing strategies through realizing synergies in the organization. Substituting stakeholders for shareholders, this dimension explicates how the organizational benefits and change efforts to realize them are intertwined with various stakeholder groups.

The framework suggests some novel fruitful areas for future research. These are sketched next, moving clockwise and starting top left. It thereby moves from arguably more 'intuitive' to increasingly complex combinations of topics.

Quadrant 1: CSR and Operations

Operations is arguably the core level in understanding M&As. Operations is the traditional playing field for commonly cited motives behind M&As—shared resources, knowledge, marketing organizations, and so on. Setting the tone for much of this research, Shrivastava (1986) defined this as the physical integration that takes place following M&As in order to achieve economies of scale and scope. Scholars such as Larsson and Finkelstein (1999) and Birkinshaw, Bresman, and Håkanson (2000) elaborated on business side integration and how it must be balanced against the well-being of employees.

In a broader sense, however, operations refer to what is done, which involves the planning and taking care of prior experience, alongside valuating, integrating, and so on. Taking a stakeholder and CSR perspective implies that operations are no longer necessarily driven by top managers nor oriented toward optimizing shareholder wealth. This puts searchlight on how different goals evolve and are pursued by a range of stakeholders.

A first step could be to consider CSR in already published research. Re-conceptualizing earlier studies could reveal CSR work in different parts of the M&A process; target selection, negotiation, and integration. For instance, the study by Graebner (2009) on trust in the negotiation process between acquirer and target offers insights into where certain benefits (paying a low price) overrules ethical or CSR concerns (of not lying about plans to reduce the workforce).

Research also could benefit from close, empirical first-hand data, rather than the traditional cross-sectional quantitative studies of archival M&A data. Simply put, future research could probe how CSR is 'done' in acquisition processes. For instance, research can clarify if certain synergies are more difficult to pair with CSR goals, how CSR goals are communicated and cascaded down the managerial hierarchy, as well as how tensions between societal value and economic value are actually managed.

Here the growth of strategy-as-practice perspectives appears a fruitful approach. This stream is concerned with what is done, by whom, and how, and provides a useful framework for analyzing involved operations. Although the strategy-as-practice perspective is an established approach in strategy research (Vaara & Whittington, 2012), this lens largely has remained untested on acquisitions and therefore holds large potential especially in this particular topic area.

Quadrant 2: Operations and Institutional Settings

While providing empirical data from an understudied region in itself enriches M&A and strategy literature (Schriber, 2016), insights into non-Western acquirers give important insights into the acquisition decision-making and implementation. Taken a step further, this implies that there may be differences depending on where M&As play out. For instance, M&A research has provided insights into managerial risk preferences (Pablo, Sitkin, & Jemison, 1996), serial acquirers (Laamanen & Keil, 2008), and hubris (Roll, 1986). However, risk-taking relates to culture and the institutional framework, for example, investor regulations and the willingness to take on risk (Campbell, Sirmon, & Schijven, 2016). Addressing how such pre-M&A variables relate to differences in institutional settings should deserve more research attention.

Increased contextual attention also means M&A integration research can become more sensitive to contingency factors. For instance, research persists in pointing to resistance to M&As. The typical example is employees not only experiencing increased stress and anxiety, reducing their ability to contribute to integration, but active efforts to resist or undo integration (Larsson & Finkelstein, 1999). However, the implications from this quadrant is that research is lagging in clarifying how context defines what is considered legitimate goals, as well as the opportunities to successfully pursue them. Again, important insights likely involve considering the process in which this occurs, that is, in what order events unfold.

For instance, Bauer et al. (2018) take a step in this direction. They demonstrate that the effect of common integration choices is contingent on the local context. More specifically, they study the influence of how the availability of alternative employment—that is, outside of the focal acquisition—moderates the effect of fast or slow integration, but more research is needed. Overall, research has considered M&A isolated or considered only one context, and adding comparisons between different contexts may complement, for example, research that experience from prior acquisitions may be irrelevant or even hazardous in others (cf. Zollo, 2009), but can also enlighten other research questions.

Quadrant 3: Institutional Settings and Stakeholders

This quadrant combines how stakeholders interact with institutional settings. The stakeholder aspect highlighted substantial differences regarding how M&A processes should evolve as well as with regards to the ability of various stakeholders to influence the course of events. Institutional differences imply different ideas about what is desirable and legitimate. For instance, 'The HRM practices viewed as appropriate in the local context are likely to be embedded in the values and behavioural norms shared by people in this environment' (Björkman, Fey, & Park, 2007, p. 433). This book joins forces with a growing stream challenging a dominating Western influence in business research in general, and in strategy research in particular (Wright, Filatotchev, Hoskinsson, & Peng, 2005).

Broadly, this quadrant addresses that a globalized firm faces several potentially different institutional settings. For instance, Krug and Hegarty (1997) established differences in top management turnover depending on acquirer country of origin, but the exact mechanisms at play largely remain uncovered. To take another example, the influence of external advisors has been shown not always to support shareholder value (Parvinen & Tikkanen, 2007) and may differ between different contexts.

Not least, the possibilities for different stakeholders to influence M&A processes can differ with implications for the goals that are pursued—and hence with effects for CSR—and findings regarding, for example, how sellers and buyers struggle to reach an agreement (Graebner, 2009) may be influenced by other stakeholders (regulators, unions, etc.), but also patent rights, to name a few. The role of investors differs significantly between cultures. As a concrete example, relations to banks have played a strong role in Germany while M&A research largely implicitly has taken an Anglo-Saxon view considering mainly strict fiduciary financial relations to rather anonymous owners and creditors. Put differently, this quadrant urges more attention to cultural differences involving multiple institutional settings.

Quadrant 4: Stakeholders and CSR

This quadrant combines a focus on CSR and on stakeholders. CSR research generally objects to the priority given to an objective function of the firm (Jensen, 2000). Stakeholder theory, in a related but distinct way, argues against a taken-for-granted prioritizing of one interest group over others. By combining these, this quadrant directly brings together two fields that are dominantly kept separate. Indeed, globalization has been identified as a 'blind spot in stakeholder theory' (Jensen & Sandström, 2011, p. 475). Given this overall lack of attention, it is not surprising that M&A research rarely engages with CSR or stakeholder framework, and combining the two is rarer still. This urges research to new efforts to contribute to this understudied area in the context of M&As.

One potential area of future M&A research is increasing attention to stakeholders interested in CSR earlier in the M&A process. M&A processes are typically planned in the top echelons of firms and great efforts are typically made to keep M&As secret (Harwood, 2006), and once a target is detected, path dependencies typically mean the goals envisioned are difficult to abandon (Jemison & Sitkin, 1986). However, with increasing attention to CSR (both individual and in response to media or other pressures), one can assume different stakeholders in firms will put forward CSR goals. For instance, research could study CSR professionals in M&A processes. Overall, this quadrant implies more thorough understanding is needed in how stakeholders are involved in influencing the goals prior to M&As, but also how stakeholders are affected with regards to CSR considerations.

9.5 Conclusion

The underlying storyline in the present book is positive. Rather than repeating claims M&As often fail to achieve certain aims, that aims to do with CSR have been given insufficient attention in research, and that viewpoints of too few stakeholders have been allowed to dominate M&A

research for too long, the book provides an important step forward for research, but also for M&A practice. Broadening the set of goals that are considered, also by involving more stakeholders, allows improving how M&As are managed.

In this concluding chapter I have argued that the outlook of the book is strategic. It may seem counterintuitive for those considering strategy research a toolbox for managers, and hence a reinforcement of established business research perspectives. Rather, the argument here has been that integrating the other theory is a means not only of perspectivizing or criticizing but also of expanding the view of the roles that M&As can play. In this sense, the book joins a broader strategy research movement and builds on and expands the role of M&As. Together, it offers a much-needed positive impulse to those interested in M&As and how they can make significant contributions in firms and via firms in society. Put differently, if strategy partly is about reaching goals it is also about setting those goals. This book reminds us a strategic outlook can include setting M&A goals considering more stakeholders than only shareholders.

For researchers, the book also has allowed opening up important viewpoints. A framework in this chapter has opened up new avenues for future research and new pertinent questions. The suggested framework or topics do not constitute final limits for what needs to be studied; rather they are intended as a form of 'structured inspiration.' Four distinct areas of research are suggested, each tying in with but also expanding existing M&A theory. Beyond conceptually developing this research, efforts also should be welcomed that aim to rejuvenate the methods for studying M&As (Meglio & Risberg, 2010).

This brings us to the limitations of the scope addressed in this chapter. The suggested framework and research agenda are by no means the only way to bring together the central themes from this book. Moreover, other combinations could be imagined, such as combining themes diagonally or, rather than in pairs, in threes, across the framework, and at different levels of abstraction and involving different concepts. As such, there are several potential other possibilities to advance and broaden M&A research, and it should be seen as an encouragement to future research to probe other ideas.

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10

Moving Forward: Scholars as Stakeholders

Olimpia Meglio and Kathleen Park

Abstract In this concluding chapter, we discuss acquisition scholars as stakeholders who have influenced acquisition research. Acquisition scholars have largely shaped the academic discourse surrounding mergers and acquisitions, voicing some stakeholder views at the expense of others. We discuss possible explanations, analyze consequences of gap-spotting research—as opposed to research fundamentally challenging prevailing assumptions—and suggest strategies for producing more relevant research. Conformity and marginal contributions are among the risks inherent in attempting to contribute to any research discourse. We also propose a dynamic agenda for future research and methodological recommendations.

Both authors shared the ideas proposed in this chapter. Olimpia Meglio wrote Sects. 10.1 and 10.2, and Kathleen Park wrote Sects. 10.3 and 10.4.

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10.1 Introduction

Acquisitions have received much attention from scholars from different disciplines. Regardless of their backgrounds, scholars converge in depicting acquisitions as complex and unique. We see complexity and uniqueness as two sides of the same coin. Each and every deal displays a particular intersection of strategic, organizational, and cultural traits. The complexity and uniqueness together render the total phenomenon difficult to grasp. Scholars to date have offered mainly mid-range theories on acquisitions and have continued searching for additional independent, moderating, or mediating variables to enrich theoretical frameworks (Risberg, King, & Meglio, 2015). Over time, as theoretical models have become more and more sophisticated, so have research methods.

To better capture the depth of acquisitions, scholars have used different research strategies, enriching theoretical frameworks with new variables (see Bauer's, 2018 attempt to build a configurational approach) or borrowing from different fields such as the organizational change literature (see King, Bauer, & Schriber, 2018; King, Dao, Meglio, & Bauer, 2018). Still others acknowledge that acquisitions do not happen in isolation from other organizational events, thus suggesting an embeddedness perspective (Rouzies, Colman, & Angwin, 2018). However, present findings on acquisition outcomes are at best inconclusive (King, Dalton, Daily, & Covin, 2004), necessitating further research. A possible explanation is that acquisition scholars have become entrenched in a similar mindset, tending to rely on the same stock of knowledge and research methods and therefore producing only marginal contributions (Meglio & Risberg, 2010).

We share an interest in offering alternative views to grasp the many facets of acquisitions. In this book, we have reflected on the neglected challenges confronting acquisitions in a globalized world, with companies experiencing new stakeholder responsibilities and national boundaries losing importance. Companies are increasingly expected to be socially responsible and to build a future where business, responsibility, and sustainability are interwoven (Park, Meglio, & Schriber, 2019).

In our view, these issues should inform acquisition research, as they provide fresh perspectives voicing new issues and interrelationships. In this book we have challenged conventional conceptual underpinnings and, following Wicker (1985), we have suggested novel approaches for the analysis of acquisitions. First, we have enlarged the domain of analysis by including new actors and stakes to investigate. Second, we have contextualized deals with respect to institutional settings, acknowledging the influence of these settings on acquisition processes. In consequence, we have highlighted stakeholder engagement and CSR issues in acquisitions, enabling a more comprehensive and close-up portrait of these deals.

Our contributions, however, should not be conceived solely as a way to free current research from a conventional mindset. Our attempt is also driven by the desire to enhance relevance. Obtaining more nuanced accounts and fine-grained understandings of the stakeholder views shaping acquisition processes enables us to better illuminate the mechanisms that eventually result in acquisition performance (Meglio, 2015). This type of understanding is a powerful tool for better handling acquisitions. Recognizing that stakeholders count means that CSR issues should be considered as intimately tied to strategic issues and specifically to acquisition strategy. In this light, achieving legitimacy among stakeholders becomes essential to achieving acquisition success.

Beyond enlarging the analysis to stakeholders other than shareholders, we have also recognized that acquisitions do not happen in a *vacuum*, and that traditional concepts such as national cultural distance cannot encompass the complexities companies face when implementing acquisitions. The institutional context has been advanced as crucial to the comprehension of acquisitions but no one, to the best of our knowledge, has examined stakeholders, responsibility issues, and institutional settings as interweaving factors shaping both acquisition strategy and CSR programs.

10.2 Promoting a Research Agenda: The Role of Acquisition Scholars

In this book, we have enlarged the domain of analysis recognizing the role of stakeholders other than shareholders in shaping the dynamics of the acquisition process. The business press as well as acquisition scholars are influential in the interpretation of these dynamics. While the role the business press plays in setting the public agenda (Dearing & Rogers, 1996) giving voice to different stakeholders and supporting their interests—for instance, by raising the attention toward irresponsible behaviors or environmental consequences arising from acquisitions—has been expressed, we contribute to bringing attention to the role of scholars as stakeholders in investigating some stakeholders and neglecting others.

Risberg (2013) advances the idea that acquisition scholars should be considered as stakeholders, with an interest to get published quickly and in renowned journals. Toward this end, scholars choose topics, methods, and even sources to build the arguments enhancing their chances of succeeding in the publishing game. It has been observed that much scholarly writing is highly specialized and incremental in terms of aims and contributions, and that gap-spotting is the most common mode of formulating research questions (Alvesson & Ŝändberg, 2013). The same overall assumptions and ideas are more or less taken for granted and reproduced. This is especially true in so-called quality journals, where conformity with the US hegemonic methodological apparatus is promoted over novelty and innovation (Meglio & Risberg, 2011). Starbuck (2009) asserts that this state of affairs has increased the number of studies that produce meaningless results as they strive for generalizations and ignore the idiosyncratic properties of organizations. An even more detrimental consequence is that these studies provide exemplars for new scholars who tend to reproduce the same kind of studies that are then affected by the same flaws (Starbuck, 2009).

These considerations help us to understand the tendency toward conformity permeating acquisition research in terms of substantive issues, research methods, and conceptual contributions. We embrace pluralism and novelty over conformity and incrementalism, and we additionally observe that acquisition scholars have a responsibility. Not only do scholars produce knowledge about acquisitions, they influence the practice of acquisitions by educating executives (Brief, 2000). Echoing Goshal (2005), we would like to express our concern that incomplete or inaccurately grounded acquisition theories may harm the practice of M&As.

Building on these reflections, we encourage acquisition scholars to enrich the academic discourse in several ways. First, we recommend adopting a process orientation more often in empirical research. Process research can provide a deeper, richer picture of acquisition complexities and can overcome the more limited views allowed by cross-sectional research. Entering the field and observing phenomena in real time offers insights not available through deductive, hypotheses-testing research (Meglio & Risberg, 2010).

Second, we suggest modifying the vocabulary surrounding acquisitions. Teerikangas and Vaalikangas (2015) provide an excellent example in using the phrase and concept of employee engagement that replaces the notion of employee reactions. In our view, this choice signals a shift from treating employees as a means to an end to instead considering employees as part of the *spectrum* of stakeholders engaged in corporate actions and outcomes, including acquisitions. It is not simply a linguistic turn, but rather a change of perspective, and still more can be done. For instance, questioning acquisition performance as a key construct in acquisition research is another important way to expand the involved stakeholders beyond shareholders and to enrich conventional discourse about acquisitions (Meglio & Risberg, 2011).

Third, we reinforce extant encouragement of the development of managerial frameworks in parallel with scholarly models and propositions, providing insights for researchers and practitioners alike. We are not the first to recommend such an approach, but our experiences of acquisition research and our observations of the concomitant development of corporate strategy and social responsibility suggest to us to reinforce this type of action research perspective. Toward this end, we now turn to our description of a research agenda, as part of the way forward in acknowledging and further investigating the complexities of corporate strategic activities embedded in a global economy with global stakeholder and sustainability perspectives to pursue.

10.3 Promoting a Research Agenda: Issues to Investigate

In this book we have only just begun to mine the complexities of the corporate strategy-sustainability interrelationships in the specific form of acquisitions and CSR. As mentioned in the preface, our goal has been to provide insights, perspectives, and inspiration for further investigation rather than definitive answers. Here we propose a provisional overview of issues for exploration centered on five key themes—summarized as stakeholder sensemaking, M&A and CSR integrative convergence, global diffusion, institutional forces, and global partnerships—moving forward from our vantage of scholars as stakeholders. We recommend to scholars to consider and pursue:

Stakeholders—Investigating stakeholders using a sensemaking perspective. Sensemaking and sensegiving are important to understand stakeholder reactions during the acquisition process and eventually their influence upon performance. This issue interrelates conceptualization and methodological explorations, as a sensemaking perspective dovetails with a process approach in collecting and analyzing data. In addition, this issue references enhancing awareness of the stakeholders to whom we as scholars give voice and those whose voices may be still not yet fully heard. As scholars based in Europe and the US, we welcome input from around the world.

Integration—Examining conflicts or convergence in a CSR program and acquisition integration priorities. This theme interrelates M&As and CSR around the crucial issue of integration, which is a complex and still not fully understood phase where many scholars and practitioners believe M&As fundamentally succeed or fail. This theme also accesses the programmatic perspectives on M&As and CSR as areas not undertaken randomly or in isolation but rather as a series of strategically formulated, ethically informed, and interrelated transactions.

Diffusion—Further exploring acquisitions as vehicles for diffusing socially responsible practices across the globe. With this item reference our global perspective and our counterbalancing of corporate strategy and stakeholder interests and needs from emerging and emerged markets and the need for a transnational perspective of both global integration and national responsiveness.

Institutions—Analyzing institutional settings to better understand national-level institutional infrastructure voids further motivating the role of corporations as agents, alongside governments, within the maintenance of civil society and also the roles of stakeholders as key actors in both state and firm.

Partnerships—Along the lines of the previous point, encouraging partnerships between state and firm evokes complementary resources. Corporations, governments, and international cooperation or social responsibility organizations, such as the UN and various related agencies, represent a global triumvirate, as discussed in our case analysis, as well as in examples interwoven throughout the book.

10.4 Conclusion

Nobel-prize winning economist Kenneth Arrow famously articulated his impossibility theorem of achieving optimal outcomes in spheres ranging from politics to corporate strategy and beyond (Arrow, 1951). As graduate students in strategic management, we studied the classic works of Arrow and marveled at his breadth of accomplishment (e.g., Arrow, 1973, 1974) in engaging with the scope of social responsibility and the limits of organizations. He wrote of social choice and individual action, while we have taken on just a very small slice of his realm of applicability in addressing strategic decisions and sustainability choices, again specifically in the form of CSR and M&As.

Our findings and observations on the complexities of these interrelated corporate decisions, the need for rich data and process research, and the imperative for continued exploration and understanding of the issues from both the scholarly and managerial perspectives are consistent with the notion that what we are looking for are not optimal solutions but rather ethical, achievable, and sustainable ways forward in intermingling these two domains of corporate actions, M&As and CSR.

Arrow also asserted the responsibilities of corporations, although for his time it was still novel to argue for an ethical responsibility to shareholders. Current thinking has vastly extended the relevant range of global stakeholders. Here, in conclusion therefore, we also acknowledge the embeddedness of our perspectives in modern digital and societal as well as global economic phenomena. We view M&As and CSR as inherently interconnected areas of corporate activity. This convergence reverberates in the digital and sharing economy, where we are all more and more interconnected through online networks and through business models and platforms increasingly interlinking businesses, consumers, and available resources.

As CSR fundamentally argues for the preservation and fair treatment of natural and human resources—and M&As promote corporate longevity and performance enhancement, in however of the many ways acquisition performance can be measured—these interconnections resonate for us globally, strategically, and socially. We hope that this book has contributed to raising new issues on convergent M&A-CSR perspectives embedded within these interconnections. We look forward to the continuing journey of understanding.

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