TRANSACTIVE MEMORY SYSTEMS AND ACQUISITION PERFORMANCE: A STRATEGIC DECISION MAKING PROCESS PERSPECTIVE

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ABSTRACT

During the pre-merger phase of an acquisition, fundamental decisions are made concerning whether to buy, which company to buy, and how much to pay. Further, acquisitions carry significant firm-wide implications requiring input from multiple different specializations, and hence, they are the product of the judgments, decisions, and social interactions between top managers. We focus our theory development on a pivotal yet under-researched top management team characteristic, transactive memory system (TMS). TMS is the shared division of cognitive labor with respect to encoding, storing, and retrieving knowledge from individual areas of expertise. We theorize that TMT transactive memory directly influences the strategic decision making process, which in turn determines acquisition performance. We test our hypotheses with a sample of 109 acquisitions, combining survey and archival data. We find that TMT transactive memory increases reliance on expert intuition and procedural rationality, while reducing political behavior; and each of these three strategic decision processes carries different implications for acquisition performance. Our study advances theory by explaining the team-level behavioral mechanisms that underlie acquisition performance.

Keywords:

Mergers & Acquisitions (M&A); Strategic Decision Making (SDM); Transactive Memory Systems (TMS); Top Management Team (TMT); Upper Echelons Theory (UET)

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INTRODUCTION

Most acquisitions are destined to fail despite decades of concerted academic interest, and they retain enduring popularity among practitioners (Angwin et al., 2022; Bauer and Friesl, 2024; Christensen et al., 2011). While acquisition value creation is often attributed to the post-merger integration phase (Bauer and Matzler, 2014; Haspeslagh and Jemison, 1991), executives must first successfully navigate the pre-merger stage, where fundamental decisions are taken concerning "whether to engage in a deal, which company to buy, and how much to pay" (Welch et al., 2020, p.844). Acquisitions are the product of the judgments, decisions, and social interactions between senior executives during the pre-merger phase, and these factors shape the subsequent integration process and determine the overall success, or otherwise, of the acquisition (Zollo and Meier, 2008). Further, contrary to post-merger integration, which involves middle managers representing different organizational functions alongside the TMT who provide oversight; the pre-merger stage is commercially sensitive, highly confidential, and thus, typically involves only the firm's most senior executives (Haspeslagh and Jemison, 1991; Trichterborn et al., 2016).

While prior research provides important insights about the role of CEOs in acquisition decision making (e.g., Hayward and Hambrick, 1997; Zollo, 2009), a "deeper understanding of the cognitive and behavioral decision making processes" (Haleblian et al., 2009, p. 492) is needed to explain acquisition behavior and performance. This necessitates a focus on the top management team (TMT), rather than just any one executive, since most strategic decisions involve multiple TMT members (Hambrick, 2007). Also, acquisitions are rare, complex, and can also be controversial strategic decisions (Zollo, 2009); and they require the integration of multiple specialist areas of expertise, spanning strategy, finance, law, operations, and human resources. Thus, effective acquisitions necessitate the TMT to develop a comprehensive understanding of these multiple disciplines, thereby exceeding the cognitive capabilities of

any one executive. This places great importance on the transactive memory system (TMS) of the TMT. TMS enables the effective integration of team members' knowledge (Heavey and Simsek, 2015, 2017), and thus, it is central to effective team decision making (Miller et al., 2006). In practice, members of teams with a well-developed TMS know "who knows what" and can therefore rely upon the respective expertise of one another (Dai et al., 2016; Heavey and Simsek, 2017; Lewis et al., 2005; Mell et al., 2014). In acquisition decision making, TMTs must wrestle with a complex array of issues, and TMS enables teams to draw from the specialized knowledge of individual team members and effectively and efficiently apply relevant knowledge to specific tasks (Zander and Kogut, 1995). However, despite the clear utility of TMS for complex organizational decisions, it remains an understudied concept in the context of mergers and acquisitions (M&A) (Khan et al., 2020).

The core premise of upper echelons' theory is that TMT characteristics predict organizational outcomes (Hambrick and Mason, 1984). We build upon this perspective to theorize that TMT cognitive characteristics *indirectly* affect acquisition outcomes through the *strategic decision making* (SDM) process (e.g., Kollmann et al., 2020; Samba et al., 2018; Souitaris and Maestro, 2010). We argue that TMS directly affects SDM processes, which in turn determine the success or otherwise of the acquisition (Rajagopalan et al., 1993; Shepherd and Rudd, 2014). While TMT transactive memory fosters shared division of labor and the ability to draw on multiple different domains of expertise (Dai et al., 2016; Heavey and Simsek, 2017), it is the SDM process that underlies its effects on firm outcomes. M&A decision makers are typically viewed as capable and rational agents (Jemison and Sitkin, 1986) who strive to use rational processes in SDM. However, rational approaches may become untenable in an M&A context owing to a lack of information and time pressure, as rival bidders emerge, and vendors set tight deadlines for completion. At the same time, the complexity, ambiguity, and uncertainty of acquisition decisions cloud the decision process

which leads to heightened tensions between executives (Shepherd et al., 2020). Thus, alongside rational decision processes, both political and intuitive decision processes may also play a role (Elbanna, 2006; Uzelac et al., 2016).

Decades of SDM research has supported three core dimensions of the SDM process: procedural rationality, political behavior, and intuition (cf. Eisenhardt and Zbaracki, 1992; Elbanna, 2006; Elbanna and Child, 2007a; Rajagopalan et al., 1993; Shepherd and Rudd, 2014). We argue that these dimensions act as the central generative mechanisms transmitting the positive effects of TMS to acquisition outcomes. Rationality occupies center stage in strategic decision making theory (e.g., Elbanna and Child, 2007a; Eisenhardt and Zbaracki, 1992; Samba et al., 2021), while political behavior has long been recognized as another key dimension given that strategic decisions, such as acquisitions, are judgmental and carry high stakes (e.g., Child and Tsai, 2005; Schwenk, 1995; Shepherd et al., 2020). More recently, the organizational psychology literature has advanced understanding of intuitive decision making (e.g., Dane and Pratt, 2007; 2009; Hodgkinson and Sadler-Smith, 2018; Kahneman and Klein, 2009; Salas et al., 2010), which is increasingly viewed as a viable approach to complex organizational decision making (Akinci and Sadler-Smith, 2019; Dayan and Elbanna, 2011; Khatri and Ng, 2000; Kopalle et al., 2023). Since strategic decisions often involve all three dimensions, we integrate rationality, politics, and intuition and theorize that they act as parallel decision making processes, each carrying different implications for acquisition performance.

We contribute to the M&A literature by unpacking the black box that links TMT transactive memory to acquisition outcomes. We do so by focusing on the underlying decision processes that transmit TMS to acquisition performance: procedural rationality, political behavior, and expert intuition. Our work builds on research that has focused on the influence of the CEO on acquisition performance (Malmendier and Tate, 2008; Chatterjee

and Hambrick, 2011; Bernile et al., 2017) by broadening the focus to the entire TMT, and in particular, their transactive memory and decision processes. Next, we argue that acquisition decisions, which are clouded by ambiguity and complexity, lead to the use of these three SDM approaches; each of which, in turn, has contrasting implications for acquisition performance. Finally, we test our research model on a multi-source sample of 109 UK acquisitions and we develop new insights concerning the influence of TMT transactive memory on acquisition performance. Overall, we offer a more comprehensive and realistic picture of how TMT characteristics and behaviors shape acquisition outcomes through the development and test of our integrative model.

THEORETICAL BACKGROUND

TMT Transactive Memory in Acquisitions

Top management teams (TMTs) have been the focus of a large body of research (Finkelstein et al., 2009; Neely et al., 2020; Shepherd and Rudd, 2014), and it is widely accepted that TMTs have a significant bearing on organization processes (Hambrick, 2007; Hambrick and Mason, 1984) and outcomes (e.g., Bromiley and Rau, 2016; Eisenhardt, 1999; Hambrick, 2007; Mihalache et al., 2014). Indeed, the upper echelons literature features a number of different CEO and TMT attributes including, for example, CEO hubris (e.g., Tang et al., 2015), joint problem solving (e.g., Mistry et al., 2023), and interdependence (e.g., Barrick et al., 2007) alongside many others. A particularly prominent theme has been TMT cognition (Kilduff et al., 2000), and although a number of cognition-based frameworks have been advanced to explain TMT behavior, information processing, and outcomes (e.g., Ensley and Pearce, 2001), we focus on TMT transactive memory (e.g., Heavey and Simsek, 2015, 2017). Transactive memory system (TMS) is "a system for the shared division of cognitive labor with respect to encoding, storing, and retrieving knowledge from individual areas of

expertise" (Heavey and Simsek, 2015, p. 941). Indeed, TMS enables teammates to rely on both shared knowledge (of *who knows what*) and differentiated (or specialized) knowledge (of *task-critical information*) (Heavey and Simsek, 2015). Hence TMS enables TMTs to apply their prior learning and experience to generate a collective understanding of a task in which diverse individual knowledge and expertise interact (Lewis et al., 2005; DeChurch and Mesmer-Magnus, 2010).

Acquisition decisions, specifically during the pre-merger phase, involve a series of choices and judgments concerning target selection, valuation, and the evaluation of synergies (Bauer and Friesl, 2024). Such choices and judgments concern an array of complex issues that could easily overwhelm any one executive, spurring a series of damaging decision errors and biases (Duhaime and Schwenk, 1985). However, TMT transactive memory reduces individual executives' cognitive overload, by equipping the TMT with a reservoir of cognitive resources collected from executives' knowledge (Heavey and Simsek, 2017). As such, it can play a pivotal role throughout the pre-merger phase, and also potentially during integration, since the TMT orchestrates the activities of lower-ranking managers and works to reduce ambiguities for middle managers (King et al., 2020), who are typically tasked with executing integration plans (Trichterborn et al., 2016).

Therefore, considering the role of TMS can directly complement research on acquisition experience, and answer calls for M&A research on the division of responsibilities and how individuals can complement or substitute organizational acquisition experience and prior learning (Schriber and Degischer, 2020). Furthermore, TMS fosters trust within a team and allows for the coordination of multiple pockets of expertise (Dai et al., 2016; Heavey and Simsek, 2015). In turn, trust, reliance, and the smooth flow of knowledge facilitate efficient and effective access to, and integration of, salient expertise and prior learning (e.g., Heavey

and Simsek, 2015; Wegner, 1987). In sum, the benefits of TMT transactive memory are particularly relevant for acquisition decision making, as we outline below.

The Strategic Decision Making Process

TMTs influence firm performance through the strategic decisions that they make (cf. Hambrick, 2007; Hambrick and Mason, 1984; Elbanna, 2006; Rajagopalan et al., 1993; Shepherd and Rudd, 2014). TMTs therefore apply their TMS via their SDM processes. In this way, TMS serves as an important team characteristic, or input, that shapes the subsequent decision process, and the decision process then determines task performance. Such a conceptualization is consistent with both the "input-process-outcomes" team process model (cf. Marks et al., 2001) as well as the dominant "team characteristics-decision process-outcomes" model widely adopted and implemented in the SDM literature (cf. Rajagopalan et al., 1993; Shepherd and Rudd, 2014). Hence, TMT transactive memory is likely to have an indirect effect on acquisition performance via SDM processes (see Figure 1).

Insert Figure 1 about here

A large body of empirical literature (e.g., Cray et al., 1991; Dean and Sharfman, 1993b; Elbanna and Child, 2007a; Papadakis et al., 1998), as well as several literature reviews (e.g., Elbanna, 2006; Rajagopalan et al., 1993; Shepherd and Rudd, 2014), have concluded that the SDM process is multidimensional and comprises several theoretically and empirically discrete dimensions—each carrying different implications for firm performance (cf. Dean and Sharfman, 1996). The three foremost dimensions are rationality (grounded in the bounded rationality paradigm), political behavior (grounded in the politics and power paradigm), and expert intuition (grounded in the psychological foundations' paradigm) (Elbanna, 2006; Elbanna and Child, 2007a).

Although focusing on one specific decision process dimension is common (e.g., Khatri and Ng, 2000); acquisitions likely involve all three dimensions (Jemison and Sitkin, 1986; Uzelac et al., 2016). For instance, due diligence and target valuation are de facto rational processes (Angwin, 2001), and given the magnitude of acquisitions, it is inevitable that executives will experience strong gut feelings concerning the acquisition (Kopalle et al., 2023). Finally, acquisitions are inherently political in nature, since they involve complex judgments, trade-offs, and conflicts between competing divisional or functional interests (Shepherd et al., 2020).

Procedural rationality, which has received by far the majority of research attention (cf. Samba et al., 2021), involves collecting and analyzing relevant information in order to arrive at an optimal strategic choice (Dean and Sharfman, 1993; 1996). As such, conventional wisdom has long been that procedural rationality leads to positive outcomes (cf. Samba et al., 2021). In contrast, political behavior refers to a decision process characterized by executives vying to assert their personal preferences, and involves potentially pernicious behavioral patterns, including bargaining, alliance formation, lobbying, and coopting (Eisenhardt and Bourgeois, 1988), which can provoke retaliatory interpersonal hostilities, risking missed opportunities and delayed responses (Shepherd et al., 2020). Empirical evidence overwhelmingly supports a negative relation between political behavior and organizational outcomes (see Elbanna, 2006; Shepherd and Rudd, 2014; Shepherd et al., 2020).

Finally, the least studied of the three SDM dimensions, intuition, has been presented as an alternative or complementary perspective (e.g., Dane and Pratt, 2007; Khatri and Ng, 2000; Samba et al., 2022). Previous conceptualizations of intuition (e.g., Elbanna and Child, 2007a; Elbanna et al., 2013; Khatri and Ng, 2000) have tended to conceptualize intuition as an individual's "holistic hunch" (Miller and Ireland, 2005), which can be "sometimes marvelous and sometimes flawed" (Kahneman and Klein, 2009, p. 515), depending on the

individual's level of *expertise* (Kahneman and Klein, 2009). Therefore, we focus on *expert intuition* (e.g., Miller and Ireland, 2005; Kahneman and Klein, 2009; Salas, Rosen and DiazGranados, 2010), which is defined as "independently formed judgements based on domain-specific knowledge, experience and cognitive ability, shared and interpreted collectively" (Akinci and Sadler-Smith, 2019, p.558).

Expert intuition emerges from domain-specific knowledge (Crossan and Berdrow, 2003; Kahneman and Klein, 2009; Sinclair, 2010; Samba et al., 2022) and enables decision makers to quickly identify and recognize patterns emerging from the task environment (Akinci and Sadler-Smith, 2019; Kahneman and Klein, 2009). Indeed, expert intuition is equivalent to Samba et al's (2022) concept of *team-driven collective intuition*, and intuitive judgments are the product of social interactions (Crossan and Bedrow, 2003). While little empirical evidence exists to date, the nascent body of work on intuition suggests that expert intuition is the product of informational and interactional dynamics of the SDM process (Samba et al., 2022). To illustrate, the CFO of an acquisitive pharmaceutical company (one of the firms in our sample) reported how their TMT had arrived at a collective intuitive decision to acquire, based on their individual executives' domain-specific knowledge. In the case of this acquisition, the CEO was convinced the target was a good strategic fit, while the CFO was certain the deal represented good value, and the COO had "an unshakable faith" that the acquisition would yield commercial and operational advantages. As the CFO explained, the TMT "had built a substantial history bank of intuition". With just seven days to complete the acquisition, and with significant gaps in their analysis, the TMT reached the decision to proceed based on a collective intuitive judgment that the acquisition "felt right"—and it turned out to be a resounding success.

HYPOTHESES DEVELOPMENT

The Relationship Between TMT Transactive Memory and the SDM Process

We theorize that TMS will stimulate procedural rationality for two key reasons. First, TMS expands the repertoire of cognitive resources available, thus giving teams ready access to large amounts of task critical information (Bachrach et al., 2019; Mell et al., 2014; Wegner, 1987). This reservoir of diverse and specialized task critical knowledge enables TMTs to generate multiple different alternatives and solutions which can be debated and evaluated (cf. Dai et al., 2016; Samba et al., 2021). Hence, TMS gives the team more knowledge, and procedural rationality acts as the central generative process for scrutinizing and integrating that knowledge. In this way, different interpretations can be combined through the analysis and exchange of information that deepen the team's understanding.

Second, TMS facilitates the attentional division of labor (Heavey and Simsek, 2015; 2017), meaning that the team can be more comprehensive in their scanning and evaluation of acquisition targets, since executives can each focus on a specific element of the acquisition. This reduces cognitive burden and duplication of cognitive effort (Simon, 1957), meaning that collectively, the team can process more information.

Hypothesis 1: In the pre-merger phase, TMT transactive memory is positively related to the use of procedural rationality.

We further theorize that TMS will have a direct and negative effect on political behavior. Teams with TMS have a collaborative culture and benefit from frequent interactions and cooperation, which reduces power asymmetries (Shepherd et al., 2020). Indeed, TMS has been linked to a range of positive affective outcomes, such as team member satisfaction and team member friendship quality (Zhou and Pazos, 2020). As such, teams with a well-developed TMS have intra-team trust, smooth coordination, and reciprocity (Argote and Ren, 2012); all of which reduce top managers' self-interest and their likelihood

of engaging in self-serving political behavior. Overall, TMT transactive memory encourages executives to communicate openly and to respect one other's preferences and interests while screening, shortlisting, and evaluating potential target firms.

Further, political behavior arises from information asymmetries (Shepherd et al., 2023), and TMS promotes effective knowledge sharing (Argote and Ren, 2012: 1380). Team members recognize that they depend on one another's domain specific knowledge and expertise (Dai et al., 2016; Bachrach et al., 2019), which increases commitment, builds a shared understanding, and leads to team members' accepting common goals (Shepherd et al., 2020). This emphasis on common goals and shared understanding is particularly relevant for acquisition decisions, since they typically require input from different disciplines (e.g., finance, operations, HR, legal) and team members having to accept trade-offs.

Hypothesis 2: In the pre-merger phase, TMT transactive memory is negatively related to the use of political behavior.

Transactive memory enables TMTs to rely on expert intuition when making acquisition decisions, owing to several reasons that revolve around the informational and interactional dynamics of the team. First, from an informational perspective, expert intuition synthesizes disparate elements of information and expertise in a holistic manner (Hodgkinson and Sadler-Smith, 2018; Miller and Ireland, 2005; Sinclair, 2010), providing a relatively immediate comprehension of how to proceed in a given decision situation (Khatri and Ng, 2000). TMS is relevant since it "facilitates ready access to a large amount of task-critical knowledge" (Bachrach et al., 2019, p. 464). This knowledge is tacit and contained within individual member's complex domain-relevant schemas, which then forms the basis for accurate intuitive judgments (Dane and Pratt, 2007). TMS integrates learning from individuals' specialized knowledge, creating higher-order team knowledge, which can then be readily transferred and applied rapidly to different contexts (Huang and Chen, 2018).

While TMTs with a well-developed transactive memory would still need to establish the applicability of their knowledge to the new context, they are able to do so much more rapidly than TMTs lacking a TMS (Bachrach et al., 2019; Hammedi et al., 2013). This well-established collective learning system, in which teammates learn from each other's knowledge and roles, is essential for accurate intuitive judgments (Salas et al., 2010).

Second, TMS provides the "social lubricant" for the exchange and integration of disparate knowledge (cf. Heavey and Simsek, 2017), or intuitive judgments. Indeed, sharing and integrating information, feelings, and knowledge are essential aspects of expert intuition (cf. Eisenhardt, 1999; Salas et al., 2010; Samba et al., 2022). Since TMS is characterized by the specialized knowledge of distinct, complimentary aspects of task-critical information on the one hand, and by the integration and coordination of differentiated knowledge on the other hand; TMS creates the trust and reciprocity that are essential for teams to share and combine their "gut feelings"—feelings that might be hard to justify in a rational sense (e.g., Eisenhardt, 1999; Samba et al., 2019). In sum, TMTs with a well-developed TMS experience positive interactional and informational dynamics that enable reliance on expert intuition. Therefore, the preceding arguments all suggest the following hypothesis:

Hypothesis 3: In the pre-merger phase, TMT transactive memory is positively related to the use of expert intuition.

The SDM Process as a Mediating Mechanism

The link between pre-merger decision making processes and acquisition performance has not previously been addressed (Welch et al., 2020), and the assumption that decision processes matter rests on two key assumptions (Dean and Sharfman, 1996) (see Figure 2). First, different decision processes result in different strategic choices; and the extent to which top managers make viable choices (e.g., identifying a target with a good strategic fit, evaluating

synergies appropriately, and valuing the target realistically) is likely to be a function of the decision process followed (Elbanna and Child, 2007a; 2007b; Rajagopalan et al., 1993).

Second, different strategic choices lead to different performance outcomes since not all choices will be equally effective (Elbanna, 2006; Shepherd and Rudd, 2014). Indeed, target selection is among the most important choices during the entire acquisition process, followed by the assessment of synergies and target valuation (Bauer and Friesl, 2024). Ineffective or biased judgments and choices at this stage will severely undermine acquisition performance irrespective of integration efforts; as the CEO of one of the firms in our sample memorably commented, "*you can't make a silk purse out of a sow's ear*". Hence, decision processes that maximize the accuracy and effectiveness of the choices made should yield more successful outcomes.

Insert Figure 2 about here

TMT Transactive Memory, Procedural Rationality, and Acquisition Performance

A large body of empirical evidence suggests a series of benefits of procedural rationality for decision outcomes (see Samba et al., 2021, for a meta-analysis). Indeed, TMTs that collect and analyze extensive amounts of information may develop accurate perceptions of whether the acquisition has a sound strategic rationale based on what is internally and externally viable (Dean and Sharfman, 1996). Indeed, Hitt and Tyler (1991) describe rational processes as using set objective criteria to evaluate strategic alternatives. Hence, this orientation towards objective organizational goals rather than self-interest makes it more likely that procedural rationality will yield positive outcomes. Procedural rationality also helps to mitigate cognitive biases—especially sunk-cost and confirmation biases, which acquisitions are particularly susceptible to (e.g., Thanos, 2023).

TMS means that top managers are more likely to engage in procedural rationality, as they can share and integrate different but complementary knowledge through awareness of "who knows what" (Heavey and Simsek, 2017). Procedural rationality relies on decision makers having access to both sufficient quantity and clarity of information pertaining to the external environment (Forbes, 2007). Without adequate quantities of reliable information, rational procedures will be based on biased or incomplete assumptions (Dean and Sharfman, 1996). Indeed, for TMTs to improve their understanding of the acquisition, relevant information must first be available to them, and not all information is equally useful (Forbes, 2007). TMS therefore provides an "input" since top managers have ready access to a large amount of task critical information (Bachrach et al., 2019), which can be exchanged, analyzed, and integrated to enable accurate assessments of the external environment (Rau, 2006). Hence, the previous theoretical arguments all suggest the following hypothesis:

Hypothesis 4: Procedural rationality is positively related to acquisition performance, and procedural rationality mediates the positive effect of TMT transactive memory on acquisition performance.

TMT Transactive Memory, Political behavior, and Acquisition Performance

Political behavior among executives during pre-merger decision making is expected to harm acquisition performance for three key reasons: First, it distracts executives from their key responsibilities, risking delayed responses, and even lost acquisition opportunities (Eisenhardt and Bourgeois, 1988). Second, it might impose additional and unnecessary constraints on perfectly viable acquisitions (Nutt, 1993), since promising targets might be discounted if they are not favored by powerful individuals or alliances (Dean and Sharfman, 1996). Third, acquisition decisions might be taken on the basis of incomplete or inaccurate information since common political tactics involve executives withholding or distorting information (Cyert and March, 1963; Pettigrew, 1977).

TMT transactive memory likely benefits acquisition performance through positive team interpersonal relations and friendship quality, as well as team member satisfaction (Zhou and Pazos, 2020). Given the association between TMS and intra-team trust, smooth coordination, and reciprocity (Argote and Ren, 2012), executives' decision making should be less motivated by self-interest. In contrast, in TMTs lacking TMS, executive behavior can be driven by self-interest, with team members deploying political tactics such as distorting information, forming alliances, and fighting for control of the acquisition agenda (Shepherd et al., 2020). Overall, the value of TMS may manifest, at least partly, in a decision making process that discourages and disincentivizes political behavior and instead encourages executives to debate different perspectives freely and safely without the fear of reprisal for speaking out. Thus, we suggest the following hypothesis:

> *Hypothesis 5: Political behavior is negatively related to acquisition performance, and political behavior mediates the positive effect of TMT transactive memory on acquisition performance*.

TMT Transactive Memory, Expert intuition, and Acquisition Performance

Expert intuition enables top managers to make quick and effective decisions (Kopalle et al., 2023), as they immediately recognize patterns and features of the acquisition and then match those patterns with lessons learnt from prior acquisitions (Crossan and Berdrow, 2003; Kahneman and Klein, 2009; Sinclair, 2010). This pattern recognition process is automatic and rapid, enabling the synthesis of disparate information and expertise (Khatri and Ng, 2000), and is particularly beneficial in time-pressured contexts, which acquisitions often are (Zollo, 2009). Second, acquisition decisions are complex, clouded by ambiguity, and often the required information is simply unavailable (Jemison and Sitkin, 1986). Therefore, non-conscious decision processes that synthesize available information with "soft" information, or knowledge, can often provide the only viable basis for a decision (Mintzberg, 1994). In sum,

expert intuition enables TMTs to evaluate acquisition opportunities rapidly and accurately by integrating and synthesizing available information with domain specific expertise.

A well-established TMS enables team members to share their intuitive judgments in a coordinated manner, which can then serve as the basis for collective solutions (Heavey and Simsek, 2017). Further, the team's collective expertise enables rapid and accurate associations between knowledge held in team members' memory and the informational cues of a given environmental context (e.g., Akinci and Sadler-Smith, 2019; Dane and Pratt, 2007; Salas et al., 2010; Samba et al., 2022). In addition, positive interpersonal relationships associated with TMS (Heavey and Simsek, 2017; Bachrach et al., 2019) foster interpersonal trust; and thus, team members not only have confidence sharing their "gut feelings", but they also have greater faith in one another's intuitions. Hence, TMS facilitates intuitive decision processes which rapidly identify and match key patterns and features of the acquisition to the TMT's complex domain relevant schemas, to ultimately arrive at a viable solution (Salas et al., 2010).

Hypothesis 6: Expert intuition is positively related to acquisition performance, and expert intuition mediates the positive effect of TMT transactive memory on acquisition performance.

METHODOLOGY

Sample and Data

The sample of UK acquisitions was identified using the Zephyr database from Bureau van Dijk and includes both manufacturing and services firms since both sectors contribute significantly to Western economies (Papadakis et al., 2010; Bauer and Matzler, 2014).

Research on acquisitions has to balance executives' decreasing capacity to accurately recall specific events while at the same time, ensuring enough time has elapsed so accurate

evaluations of the true outcomes and implications of the acquisition can be formed (Bauer and Matzler, 2014; Golden, 1992). Acquisition integration takes between three to five years from the deal closing (Homburg and Bucerius, 2005). Therefore, to ensure consistency with previous approaches using primary data (see also Ellis et al., 2009), we used this time frame as our sampling period and data was collected in 2020 pertaining to acquisitions taking place between 2015-2018. We conducted a Kruskall-Wallis (Kruskal and Wallis, 1952) test to investigate if our key constructs vary systematically according to the number of years since the acquisition was completed and we did not find statistically significant differences among the different years, and the magnitude of the effects are marginal (p values range from 0.29 to 0.94). Also, to ensure that respondents had significant involvement in the acquisition decision making process, we targeted acquirers with a firm size of fewer than 2,000 employees and less than one billion pounds of annual sales. This approach also increases the likelihood of the acquisition's effects on firm performance being discernible (Bauer et al., 2019), and at the same time, anchoring our surveys to one single significant acquisition aids memory recall (cf. Shepherd et al., 2020).

We identified 996 acquisitions, and we used senior executive board members as key informants because they are typically the most knowledgeable informants for acquisitions (Ellis et al., 2009). Before commencing the survey, we first checked if respondents were employed by the acquiring firm at the time of the acquisition, and if they had significant involvement in, and responsibility for, the focal acquisition. In instances where informants were unable to provide these details, they were prompted to stop the survey and forward our invitation to another member of the TMT who would satisfy these criteria. Our sample includes chief executive officers and managing directors (61%), chief financial officers (20%), chief strategy officers (2%), chairpersons (14%), and chief corporate development officers (3%). Important to note is that the title Managing Director is used interchangeably

with the title CEO in the UK. Chairpersons are also included due to their critical roles in setting firm strategy and ensuring the effective functioning of the TMT, as well as having active involvement in running the business in the UK (Benigson, 2022), which might differ from other national contexts. Respondents' titles were validated using the FAME database.

To develop the survey instrument, we followed Dillman's (2014) tailored design method, aiming to reduce participation effort by increasing the perceived benefits of participating while building trust with participants. Trust is particularly important in studies of acquisitions because they are rare and commercially sensitive strategic decisions, and hence building trust with respondents mitigates the risk of participants providing socially desirable answers (Podsakoff et al., 2012). Also, we placed more sensitive questions, such as performance, towards the end of the survey. Further, we aimed to reduce potential context effects by separating items and constructs in the questionnaire (Weijters et al., 2009). For example, questions concerning TMS, SDM processes, and performance were placed in different sections to minimize consistency motif and priming effects (Podsakoff et al., 2003).

Before sending out our surveys in 2020, we conducted a comprehensive two-step pre-test with both academic experts and senior executives (Churchill and Iacobucci, 2006), which resulted in relatively minor modifications. Reminder emails were sent two weeks after the initial distribution, and in total, we received 109 fully completed first informant questionnaires, each related to a specific acquisition previously identified in the Zephyr database. Our response rate of 10.94 percent is comparable to other studies on TMTs and SDM (e.g., Olson et al., 2007; Simons et al., 1999) and is consistent with the typical response rate of around 10-12% for research involving senior executives (see Hambrick et al., 1993), given the considerable challenges in collecting direct psychometric data from high-ranking organizational elites (Hiller and Hambrick, 2005). Once we received the first informant responses back, we asked each firm to nominate a second TMT informant who had

significant involvement in the focal acquisition. Consequently, we were able to secure a second informant in 24 firms, representing 22% of our sample firms, allowing us to examine interrater reliability.

Non-response bias might be an issue for our data. Therefore, in line with Scheaf et al.'s (2023) suggestions, we first conducted a wave analysis and compared the means and standard deviations of focal constructs among early and late respondents (Armstrong and Overton, 1977). Second, we compared our data with a random sub-sample from the basic population on sales, profitability, and employees, and we found no differences (all *p* values are greater than 0.10). Third, we conducted a benchmarking analysis and compared our scales with existing ones, and we found no major differences in the scale means and standard deviations. All these techniques collectively indicate that non-response bias is not a major concern.

Measures

We use existing pre-validated scales to operationalize our constructs, as detailed below. Detailed information concerning the constructs and items used in the study are available in the accompanying online appendix.

Acquisition Performance. M&A research predominantly uses accounting or stock-market based approaches to assess acquisition performance (e.g., Cording et al., 2008, 2010). However, accounting based approaches might omit relevant non-financial aspects of M&A performance (King et al., 2004) and are influenced by different accounting standards, yielding inconsistency across samples (Weetman and Gray, 1991). Further, stock-market based performance measures are only available for listed firms. As our sample comprises mainly mid-sized non-listed privately-owned firms, we collected perceptual data on acquisition performance. To capture perceptual performance, we used the measures developed by Becker (2005), which have been widely applied in M&A research (e.g., Bauer

and Matzler, 2014) and comprises objective performance (e.g., return on investment; from 1 = extremely negative to 7 = extremely positive) and subjective performance (e.g., the acquisition was the right strategic decision) dimensions. We also utilized the FAME database to collect the average return on assets (ROA) over the three years following the acquisition.

Transactive Memory System (TMS). We operationalized TMS with Lewis' (2003) scale, which has been widely used (e.g., Choi et al., 2010; Zhang et al., 2007) and explicitly recommended for use in organizational settings (Lewis and Herndon, 2011). TMS was operationalized as a 2nd order reflective latent variable composed of three 1st order reflective dimensions (i.e., specialization, credibility, and coordination). Sample items for specialization include "in the pre-merger phase, TMT members had specific knowledge that others did not have". For credibility, sample items include "in the pre-merger phase, TMT members trusted others' knowledge". Finally, for coordination, sample items include "in the pre-merger phase, TMT members worked together in a well-coordinated fashion".

SDM Process Dimensions. We used Dean and Sharfman's (1996) measures for procedural rationality, which have been widely used (e.g., Elbanna and Child, 2007a; Shepherd et al., 2020). Sample items include "in the pre-merger phase, the TMT looked into information in-depth". We captured political behavior with Dean and Sharfman's (1996) scale; sample items include "TMT members were preoccupied with their own agenda". We measured expert intuition using a scale with five items directly aligned with Salas et al. 's (2010) definition of expert intuition. Indeed, Salas et al.'s (2010) concept of expert intuition comprises: (1) extensive domain-specific knowledge, (2) pattern recognition, and (3) automaticity—all of which are captured by our expert intuition survey items. For example, extensive domain-specific knowledge is captured in the item "the TMT was knowledgeable about possible problems….".

Control Variables. We controlled for the degree of integration and integration speed using Zaheer et al.'s (2013) scales, as both can influence acquisition performance (e.g., Angwin, 2004; Bauer and Matzler, 2014). We also controlled for average industry growth prior to the acquisition (Bauer et al., 2018), firm size (number of employees of combined firms per Miller and Friesen, 1982), and the relative size of the target firm (Bauer et al., 2019). Further, we controlled for pre-acquisition and post-acquisition debt because debt may influence managerial discretion and resource allocation decisions (Harris and Raviv, 1991). Hence, we calculated the average total debt three years prior to the acquisition (i.e., pre-acquisition debt) and average total debt three years after the acquisition (i.e., post-acquisition debt) using data from the Financial Analysis Made Easy (FAME) database. Finally, we controlled for acquisition age (number of years since the acquisition was completed), method of payment (cash or stock payment taken from the Zephyr database), and industry type (manufacturing or services).

ANALYSIS

To test our hypotheses, we used variance-based partial least squares (PLS) structural equation modeling (SEM) in SmartPLS (Hair et al., 2017; Ringle et al., 2012), owing to three key reasons: first, PLS is appropriate for smaller samples (Chin et al., 2003; Hair et al., 2012a; Henseler et al., 2014); second, PLS is prediction-oriented (Hair et al., 2012a), which fits our intended theoretical contribution; and third, PLS has been widely applied in M&A research (e.g., Bauer and Matzler, 2014; Dao et al., 2017; Strobl et al., 2020). Our calculations are based on 5,000 bootstrapped samples, as recommended (Hair et al., 2012a), and before testing the model, we investigated potential biases that might affect our data.

Preliminary Data Analysis

Common Method Bias. We took several a priori measures to mitigate the risk of common method bias. First, we guaranteed confidentiality to respondents (Podsakoff et al., 2012) and explicitly asked them not to provide socially desirable answers (Krosnick, 1999). Second, all latent variables were measured with multiple items taken from previous studies (Harrison et al., 1996). Third, we tried to avoid complex and abstract questions that might cause further biases (Doty and Glick, 1998). Fourth, we aimed to reduce context and priming effects by deliberately placing sensitive questions, such as those concerning performance, towards the end of the survey and by dispersing focal constructs and items throughout the survey (Weijters et al., 2009). Finally, we offered a report to participants benchmarking their firm against others in the sample, which would be rendered meaningless in the absence of valid responses.

Moreover, we conducted post-hoc analyses to assess common method bias. First, a Harman's single factor test was conducted (Podsakoff and Organ, 1986), and the results do not indicate common method bias. Second, we applied the "ad-hoc" approach (Podsakoff et al., 2003), by including a common method factor in the model based on Liang et al.'s (2007) recommendations. While all items loaded highly and significantly on the proposed constructs (0.62 to 0.97), loadings on the common method factor were low and largely insignificant. The ratio of substantive variance to method variance is 120 to 1. In sum, this suggests that common method bias is not a serious concern (Liang et al., 2007).

Interrater Agreement and Reliability. We assessed interrater reliability and agreement for the subsample of 24 firms for which we had a second respondent. We calculated the coefficients r_{wg} and $r_{wg(j)}$ to examine within-group agreement (Cording et al., 2008). The average values for r_{wg} and $r_{wg(j)}$ range from 0.77 to 0.98, suggesting high levels of agreement (James et al., 1993; Biemann et al., 2012). We also calculated the ICC1 and ICC2

to test interrater reliability. The coefficients of TMS (ICC1= 0.49, ICC2= 0.65), procedural rationality (ICC1= 0.58, ICC2= 0.73), political behavior (ICC1= 0.50, ICC2= 0.66), expert intuition (ICC1= 0.50, ICC2= 0.67), acquisition performance (ICC1= 0.70, ICC2= 0.82), degree of integration (ICC1= 0.63, ICC2= 0.77) and integration speed (ICC1= 0.61, ICC2= 0.76), all suggest satisfactory reliability (Chan, 1998).

RESULTS

We took a two-step approach, first assessing the measurement model and then the structural model (Hulland, 1999; Henseler et al., 2012) to test our hypotheses. We examined the reliability and validity of the measurement models based on item loadings, construct reliability (CR), and average variance extract (AVE). After deleting some items with low loadings, all measures reached the recommended thresholds. To assess discriminant validity, we evaluated the Fornell-Lacker criterion and cross-loadings. As the results show, reliability, as well as convergent and discriminant validity are established (see Table I).

Insert Table I about here.

We next examined the structural model, using both self-reported perceptual measures of acquisition performance as well as archival objective performance measures (i.e., 3-year post-acquisition average ROA, and these results are reported in *italics*). Our model explains 37% (22% with the archival measure) of the variance in our dependent variable acquisition performance. Table II describes our results with β coefficients, T-statistics, f^2 effect sizes, and variance inflation factors (VIF). All the VIFs are below 5, suggesting that multicollinearity is not an issue (Hair et al., 2012b). Similarly, all the f^2 effect sizes are far larger than the threshold of 0.02 (Cohen, 1988; Henseler et al., 2012), suggesting that the model demonstrates satisfactory explanatory power.

Insert Table II about here

Figure 3 summarizes the results of the PLS analysis based on both perceptual (in bold typeface) and archival objective acquisition performance (in italicized typeface). It displays the R^2 values, and the path estimates of the hypothesized relationships.

Insert Figure 3 about here

Hypotheses 1, 2, and 3 are all supported, indicating that TMT transactive memory has a significant and positive effect on procedural rationality (β = 0.22; p = 0.01 / *β = 0.22; p = 0.01*) and on expert intuition (β = 0.47; p = 0.00 / *β = 0.47; p = 0.00*), as well as a negative effect on political behavior (H2) (β = -0.21; p = 0.04 / *β = -0.20; p = 0.05*).

To examine the potential mediating effects of procedural rationality, political behavior, and expert intuition, we estimated the indirect effects together with their bias-corrected confidence intervals (BCCI) based on MacKinnon et al. (2002) and Zhao et al. (2010). The BCCI approach is considered a more valid and accurate approach than traditional t-value comparisons (see Mackinnon et al., 2004). We incorporated both perceptual measures of acquisition performance as well as archival objective performance measures. Table III shows one statistically significant mediated path: TMT transactive memory increases acquisition performance through expert intuition (β = 0.17; T-statistics = 2.67; BCCI: 0.06 to 0.31 / *β = 0.16; T-statistics = 1.96; BCCI: 0.00 to 0.22*). However, procedural rationality (β = -0.01; T-statistics = 0.11; BCCI: -0.06 to 0.06 / *β = -0.01; T-statistics = 0.26; BCCI: -0.06 to 0.04*) and political behavior (β = 0.04; T-statistics = 1.43; BCCI: -0.01 to 0.11 / *β = 0.04; T-statistics = 1.23; BCCI: -0.04 to 0.10*)—although significantly associated with TMS and in

the way we predicted— do not mediate the performance effects of TMT transactive memory. Therefore, hypotheses 4 and 5 are rejected, while hypothesis 6 is supported. Interestingly, the effect of procedural rationality on acquisition performance is negative, though statistically non-significant. This finding is not only unexpected but also has important implications for theory, given the prominence of rational analysis in SDM theory.

Insert Table III about here

DISCUSSION

Our research addresses the long-standing problem that most acquisitions end in failure (Angwin et al., 2022; Bauer and Friesl, 2024; Christensen et al., 2011). We extend and deepen our understanding of how acquisition value is created and destroyed during the pre-merger phase, where key acquisition decisions are made that ultimately enhance or damage acquisition performance. Specifically, we contribute new theoretical insights about how TMT transactive memory enhances acquisition performance through the pre-merger strategic decision making process. Acquisitions are the product of the social interactions, judgments, and decisions of senior executives; however, M&A research has overlooked the role of TMT transactive memory during pre-merger decision making. Our key finding is that TMT transactive memory indirectly benefits acquisition performance through expert intuition, and at the same time, it reduces political behavior while stimulating procedural rationality.

Theoretical Implications

Our foremost theoretical contribution is to the M&A literature. We developed new knowledge about how TMT cognitive and behavioral factors influence acquisition performance (Chatterjee and Hambrick, 2011; Bernile et al., 2017). More specifically, we contribute new theoretical insights concerning the role of TMS in enabling TMTs to deal with

a series of complex tasks when making acquisition decisions. Although previous research provides insights about the role of CEOs' cognitive characteristics (e.g., Kopalle et al., 2023; Ou et al., 2018; Zollo, 2009), it is more commonly the TMT making key strategic decisions (cf. Hambrick, 2007; Shepherd and Rudd, 2014). As such, we broaden the focus onto the role of the top management team, and their collective characteristics, interactions, and decision processes in influencing acquisition outcomes.

We further contribute to the M&A literature by providing new theory and evidence on the role of three core SDM process dimensions, which transmit the effects of TMT transactive memory onto acquisition performance. Building on Heavey and Simsek's (2015; 2017) previous work establishing firm outcomes of TMT transactive memory, we show that TMS improves acquisition performance, but more importantly, we provide new theoretical insights into the processes that underlie previously theorized effects. Specifically, our SDM process perspective provides new theoretical insights into the key mediating role of rational, political, and intuitive decision making mechanisms, which variously affect performance. Although TMT transactive memory directly affects these three SDM process dimensions, only expert intuition fully mediates this relationship.

Second, we also contribute to the TMS literature (e.g., Bachrach et al., 2019; 2022; Heavey and Simsek, 2015; 2017; Ren and Argote, 2011) by providing new knowledge concerning the underlying mechanisms through which TMS creates value (Huang and Chen, 2018). Indeed, only a handful of studies have explained *how* TMS generates value for teams and firms (e.g., Dai et al., 2016; Huang and Chen, 2018; Kollmann et al., 2020; Mell et al., 2014), and in essence, these studies propose that TMS is a collective information-processing structure. Our work builds on this information-processing perspective and also considers rational processes alongside behavioral and affective processes (Zhou and Pazos, 2020); namely political behavior and expert intuition. Notably, since the SDM process is

multidimensional (Elbanna, 2006), we consider the three core decision processes in concert to advance a more realistic account of TMT acquisition decision making. In this way, we provide a more nuanced account of how pre-merger acquisition decisions unfold in practice, and we contribute to M&A theory by explaining the pivotal roles played by political behavior and expert intuition.

Although the political-incremental perspective (Elbanna, 2006) has largely been overlooked in M&A research, acquisition decision making could be conceived of as an inherently political process. Indeed, acquisitions provoke conflicting viewpoints (Bauer and Matzler, 2014) and trigger power struggles (Haleblian et al., 2009), not least because organizations comprise coalitions with competing interests (Cyert and March, 1963; Eisenhardt and Bourgeois, 1988; Eisenhardt and Zbaracki, 1992) and because acquisitions are highly consequential, complex, and judgmental in nature (Zollo, 2009). We therefore contribute to the strategic decision making literature (e.g., Dean and Sharfman, 1996; Eisenhardt and Bourgeois, 1988; Papadakis et al., 1998) by addressing the important question of why some TMTs appear more vulnerable to political behavior (i.e., those with lower levels of TMS) while others are altogether less susceptible (i.e., those with a well-developed TMS).

Similarly, while intuition is often cast as the poorer relative of rationality (Calabretta et al., 2017), the ambiguity and time pressure associated with acquisitions (Zollo, 2009) place increased importance on the role of non-rational processes such as intuition. Indeed, expert intuition appears well-suited to acquisition decision making as it provides decision-makers with an immediate comprehension of the totality of a given acquisition (Vaughan, 1990), as well as the capacity to synthesize disparate information elements with expertise to form an integrated picture of an acquisition opportunity (Khatri and Ng, 2000). Expert intuition can rapidly provide TMTs with a holistic picture of how to proceed, which proves very useful in the context of pre-merger decision making. Given that empirical work on intuition is very

limited (e.g., Hodgkinson and Sadler-Smith, 2018; Samba et al., 2022), we contribute much needed theory and evidence on a key antecedent of expert intuition, TMS. We also provide theoretical insights concerning the complex causal chain involving TMS and expert intuition, which increases acquisition performance. Our findings are important because theory development has been hindered by limited understanding of intuition "triggers" (Kopalle et al., 2023), and research has largely focused on the intuitions of individuals (Akinci and Sadler-Smith, 2018). This is problematic since strategic decisions are more commonly made by teams, and thus, we provide important insights clarifying how intuition functions in the complex team-based context of acquisition decision making.

Third, the non-significant effect of procedural rationality on acquisition performance was unexpected. Although it is at odds with most of the literature (e.g., Dean and Sharfman, 1996; Elbanna and Child, 2007a), a recent meta-analysis concludes that previously theorized benefits of rational decision making "may have been oversold" (Samba et al., 2021, p. 433). Our non-findings contribute important insights, possibly owing to the fact that, as one CFO in our sample explained to us, executives often rationalize acquisition decisions post-hoc to justify the acquisition to the board or to influential shareholders. Indeed, the same CFO explained how acquisition decisions often entail subjective judgments concerning "softer" issues such as cultural compatibility and potential reactions from target firm employees, which rational approaches are ill-suited to. Further, acquisition decisions often entail time pressure, as target firms set completion deadlines and rival bidders emerge. Hence, executives need to make complex judgments under time pressure. Consequently, they learn specific tools, or rules of thumb, and also learn to focus their attention on certain key aspects of the acquisition (Bauer and Friesl, 2024). Because most analytical tools used in M&A are generic across different acquirers and industries (e.g., tools to evaluate functional synergies and generic valuation techniques), procedural rationality might simply serve as a "box-ticking

exercise" to ensure legal and accounting compliance (e.g., following certain due diligence procedures).

Limitations and Future Research

As with any research, the present study has limitations that could be addressed in future work. First, future studies could consider antecedents of TMS, especially those pertaining to team dynamics such as joint problem solving and structural interdependence (e.g., Barrick, 2007; Mistry et al., 2023) or team learning (e.g., Lewis et al., 2005), alongside perhaps other antecedents at the firm, decision, and environmental level (Shepherd and Rudd, 2014).

The upper echelons literature features a number of different CEO and TMT attributes that might each have theoretical linkages to TMS (see for example, Neely et al., 2020; Shepherd and Rudd, 2014). In particular, Ren and Argote's (2011) integrative TMS framework suggests that interdependence, communication, and team member assertiveness might have important implications for the development of TMS. For instance, executives working intensely together to jointly solve problems tend to develop knowledge of "who knows what" within the team owing to team members' iterative exchanges (Bachrach et al., 2022; Mistry et al., 2023). Also, interdependence can act as a structural or psychological inducement that nurtures TMS, and there is empirical support for a direct effect of interdependence on TMS (Zhang et al., 2007). Finally, a hubristic CEO who maintains a tight a grasp on the TMT will prevent the organic emergence TMS (Bachrach et al., 2022).

Indeed, while Ren and Argote's (2011) framework suggests joint problem solving might be an antecedent of TMS, it may also be the case that TMS is an antecedent of joint problem solving. Given the conceptual linkages between joint problem solving and TMS (e.g., Ren and Argote, 2011; Bachrach et al., 2019), careful theorizing about the causal relationships between these two important constructs may be a worthwhile avenue for future research. Such endeavors will likely call for longitudinal or experimental research designs to

establish causality. Another interesting and relevant perspective relates to learning from acquisitions, or acquisition experience. Future research could investigate the division of responsibilities and how other firm constituents can complement or substitute organizational acquisition experience (Schriber and Degischer, 2020). Relatedly, post-merger integration typically involves middle managers from various organizational functions (Trichterborn et al., 2016) alongside top managers. Future research could therefore investigate whether TMT transactive memory still provides material benefits during the integration phase; when middle managers take on a prominent role in executing integration plans, whereas the TMT's role shifts from formulating the acquisition strategy to orchestrating and coordinating integration.

Our cross-sectional research design limits our ability to claim causality, and hence, future research could adopt a longitudinal design to better establish causality. Indeed, although we followed the common "3-5 year" rule (Homburg and Bucerius, 2005) for our sample selection, there is still potential for retrospective bias. Also, we relied upon a single key informant in each firm, and while previous studies have shown that individual executives can provide a valid and reliable response with regard to TMT behavior and characteristics (e.g., Elbanna and Child, 2007a; 2007b; Elbanna et al., 2013; Miller et al., 1998), future research could attempt to solicit responses from multiple TMT members.

The mediating effects of political behavior are marginally significant, and it is possible that these effects would be statistically significant in samples with greater statistical power. Future research could, therefore, try to replicate the results reported here using alternative and larger samples. Relatedly, we focused on acquisition decisions because they are among the rarest and most complex decisions faced by TMTs; however, future research could sample different strategic decisions, such as new market entry or restructuring decisions, to replicate our reported effects. Also, although we control for the influence of integration speed and the degree of integration, future research might also consider

controlling for integration effectiveness to fully account for value creation or destruction at this important stage. Furthermore, the non-significant effect of procedural rationality on acquisition performance is not only inconsistent with prior empirical research (e.g., Dean and Sharfman, 1996; Elbanna and Child, 2007a; Priem et al., 1995), it also potentially has important ramifications for acquisition theory and practice. Therefore, we urge future research to replicate and extend our study, which would contribute towards building a cumulative body of knowledge capable of guiding acquisition theory and practice (Bettis et al., 2016).

Finally, future studies could investigate how TMT transactive memory may contribute to the use of 'simple rules' heuristics (Bingham and Eisenhardt, 2011, Bingham and Haleblian, 2012). Heuristics are rules of thumb that serve as decision aids, by focusing decision makers' attention on specific aspects of information (cf. Hodgkinson et al., 2023). They are described as low-effort rational decision processes that are learned from experience and deliberately applied to situations that feel familiar (e.g., Bingham and Eisenhardt, 2011; Gary et al., 2012; Lovallo et al., 2012). Our findings show that TMT transactive memory promotes the use of both expert intuition and procedural rationality. Indeed, heuristics have both intuitive and rational components (Atanasiu et al., 2023), and since both intuition and heuristics help top managers to navigate unstable environments (Samba et al., 2022), it may also be the case that TMT transactive memory promotes the use of simple rules heuristics, whereby executives apply rules of thumb (Bingham and Haleblian, 2012; Vuori et al., 2023). Such rules of thumb naturally develop from top managers collectively articulating and sharing lessons learnt from past acquisitions.

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TABLE I. Descriptive Statistics and Correlations

	Mean	SD	CR	AVE	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Average Industry Growth (1)	4.38	1.02	N/A	1.00	*1.00*														
Expert Intuition (2)	5.53	1.01	0.89	0.61	-0.08	*0.78*													
Comparative Size (3)	1.56	0.93	N/A	1.00	-0.01	0.01	*1.00*												
Degree of Integration (4)	5.28	1.55	N/A	1.00	-0.12	0.18†	0.14	*1.00*											
Firm Size (5)	4.21	1.82	N/A	1.00	-0.02	-0.12	0.06	-0.06	*1.00*										
Industry Type (6)	0.43	0.43	N/A	1.00	-0.09	0.05	0.07	0.03	0.01	*1.00*									
Integration Speed (7)	4.10	1.76	N/A	1.00	0.17	-0.19*	-0.03	0.10	0.08	-0.08	*1.00*								
Method of Payment (8)	1.80	0.67	N/A	1.00	0.07	-0.15	-0.02	-0.12	-0.02	-0.13	0.01	*1.00*							
Acquisition Performance (9)	5.30	1.19	0.93	0.62	-0.08	0.52**	0.02	0.26**	-0.07	0.03	0.00	-0.05	*0.79*						
Political Behavior (10)	3.10	1.08	0.82	0.53	0.02	-0.41**	-0.02	-0.13	0.14	-0.02	0.31**	-0.03	-0.36**	*0.73*					
Logged Post-Acquisition Debt (11)	7.31	0.95	N/A	1.00	0.03	-0.06	0.00	0.07	-0.01	-0.05	-0.03	0.08	0.07	-0.01	*1.00*				
Logged Pre-Acquisition Debt (12)	7.33	0.86	N/A	1.00	0.05	0.02	0.07	-0.05	-0.05	0.09	0.00	0.01	0.02	0.02	0.57**	*1.00*			
Procedural Rationality (13)	5.33	0.93	0.74	0.50	0.20†	0.02	0.10	-0.02	0.16	0.00	-0.05	0.14†	0.02	-0.04	0.04	-0.02	*0.71*		
TMT transactive memory (14)	5.56	0.73	0.90	0.49	0.03	0.47**	0.06	-0.01	-0.06	-0.02	-0.16	0.05	0.34**	-0.20**	-0.07	-0.09	0.22**	*0.70*	
Acquisition Age (15)	3.30	1.10	N/A	1.00	-0.03	-0.11	-0.01	-0.03	0.11	0.07	0.00	0.01	-0.11	0.00	0.01	-0.01	-0.07	-0.15	*1.00*

Noted: N = 109; Square root of AVE in italics on the diagonal; CR = Composite Reliability; N/A indicates that the variable is measured with a single item or archival data from the FAME database; ** = $p < 0.01$; * = $p < 0.05$; † = $p < 0.10$.

TABLE II. Coefficients from PLS Analysis Predicting Procedural Rationality, Political Behavior, Expert Intuition, and Acquisition Performance

Path	Model 1-Perceptual Performance					*Model 2-Archival Objective Performance*				
	β	**p**	**T-statistics**	**f^2**	**VIF**	***β***	***p***	***T-statistics***	***f^2***	*VIF*
Main Effects										
TMT transactive memory → Procedural Rationality (H1)	**0.22**	**0.01**	**2.65**	**0.05**	**1.00**	*0.22*	*0.01*	*2.75*	*0.05*	*1.00*
TMT transactive memory →Political Behavior (H2)	**-0.21**	**0.04**	**1.99**	**0.04**	**1.00**	*-0.20*	*0.05*	*1.96*	*0.04*	*1.00*
TMT transactive memory → Expert Intuition (H3)	**0.47**	**0.00**	**5.25**	**0.29**	**1.00**	*0.47*	*0.00*	*5.24*	*0.28*	*1.00*
Control Variables										
Average Industry Growth → Acquisition Performance	**-0.06**	**0.27**	**1.10**	**0.01**	**1.13**	*0.02*	*0.77*	*0.29*	*0.00*	*1.13*
Firm Size →Acquisition Performance	**0.01**	**0.80**	**0.26**	**0.00**	**1.09**	*-0.04*	*0.49*	*0.68*	*0.00*	*1.09*
Degree of Integration → Acquisition Performance	**0.13**	**0.09**	**1.73**	**0.02**	**1.17**	*0.11*	*0.17*	*1.36*	*0.01*	*1.16*
Integration Speed → Acquisition Performance	**0.15**	**0.07**	**1.83**	**0.03**	**1.22**	*0.17*	*0.09*	*1.66*	*0.03*	*1.21*
Comparative Size → Acquisition Performance	**-0.01**	**0.81**	**0.24**	**0.00**	**1.06**	*-0.09*	*0.24*	*1.17*	*0.01*	*1.05*
Pre- acquisition Debt → Acquisition Performance	**-0.02**	**0.73**	**0.35**	**0.00**	**1.60**	*0.05*	*0.47*	*0.72*	*0.00*	*1.58*
Post- acquisition Debt → Acquisition Performance	**0.11**	**0.17**	**1.37**	**0.01**	**1.58**	*-0.01*	*0.88*	*0.16*	*0.00*	*1.57*
Method of Payment→ Acquisition Performance	**0.01**	**0.93**	**0.09**	**0.00**	**1.10**	*0.11*	*0.12*	*1.58*	*0.02*	*1.09*
Industry Type→ Acquisition Performance	**0.03**	**0.61**	**0.51**	**0.00**	**1.07**	*0.03*	*0.63*	*0.48*	*0.00*	*1.07*
Acquisition Age → Acquisition Performance	**-0.04**	**0.45**	**0.76**	**0.00**	**1.05**	*-0.03*	*0.36*	*0.92*	*0.00*	*1.05*

Note: T-statistics reflect the difference between two coefficient estimates divided by an estimate of the standard error of the differences; f^2 reflects the strength of the relationships; Mode1 1 incorporates perceptual performance and Model 2 incorporates archival objective ROA (Return on Assets) from the FAME database**;** bold= perception, italic=archival.

TABLE III. Coefficients from PLS Analysis Predicting Mediating Effects of Procedural Rationality, Political Behavior, and Expert Intuition

Dependent Variable	**Model 1-Perceptual Performance**				*Model 2-Archival Objective Performance (Return on Assets)*			
Mediation analysis	**β**	**T-statistics**	**Bias Corrected Confidence Interval**		*β*	*T-statistics*	*Bias Corrected Confidence Interval*	
			2.5%	**97.5%**			*2.5%*	*97.5%*
Procedural Rationality								
Direct effect	**0.16**	**1.82**	**0.00**	**0.39**	*0.13*	*1.37*	*0.01*	*0.35*
Indirect effect	**-0.01**	**0.11**	**-0.06**	**0.06**	*-0.01*	*0.26*	*-0.06*	*0.04*
Political Behavior								
Direct effect	**0.16**	**1.82**	**0.00**	**0.39**	*0.13*	*1.37*	*0.01*	*0.35*
Indirect effect	**0.04**	**1.43**	**-0.01**	**0.11**	*0.04*	*1.23*	*-0.04*	*0.10*
Expert Intuition								
Direct effect	**0.16**	**1.82**	**0.00**	**0.39**	*0.13*	*1.37*	*0.01*	*0.35*
Indirect effect	**0.17**	**2.67**	**0.06**	**0.31**	*0.16*	*1.96*	*0.00*	*0.22*

Note: T-statistics reflect the difference between two coefficient estimates divided by an estimate of the standard error of the differences; Mode1 1 incorporates perceptual performance and Model 2 incorporates archival objective ROA (Return on Assets) from the Financial Analysis Made Easy (FAME) database; bold= perception, italic=archival.

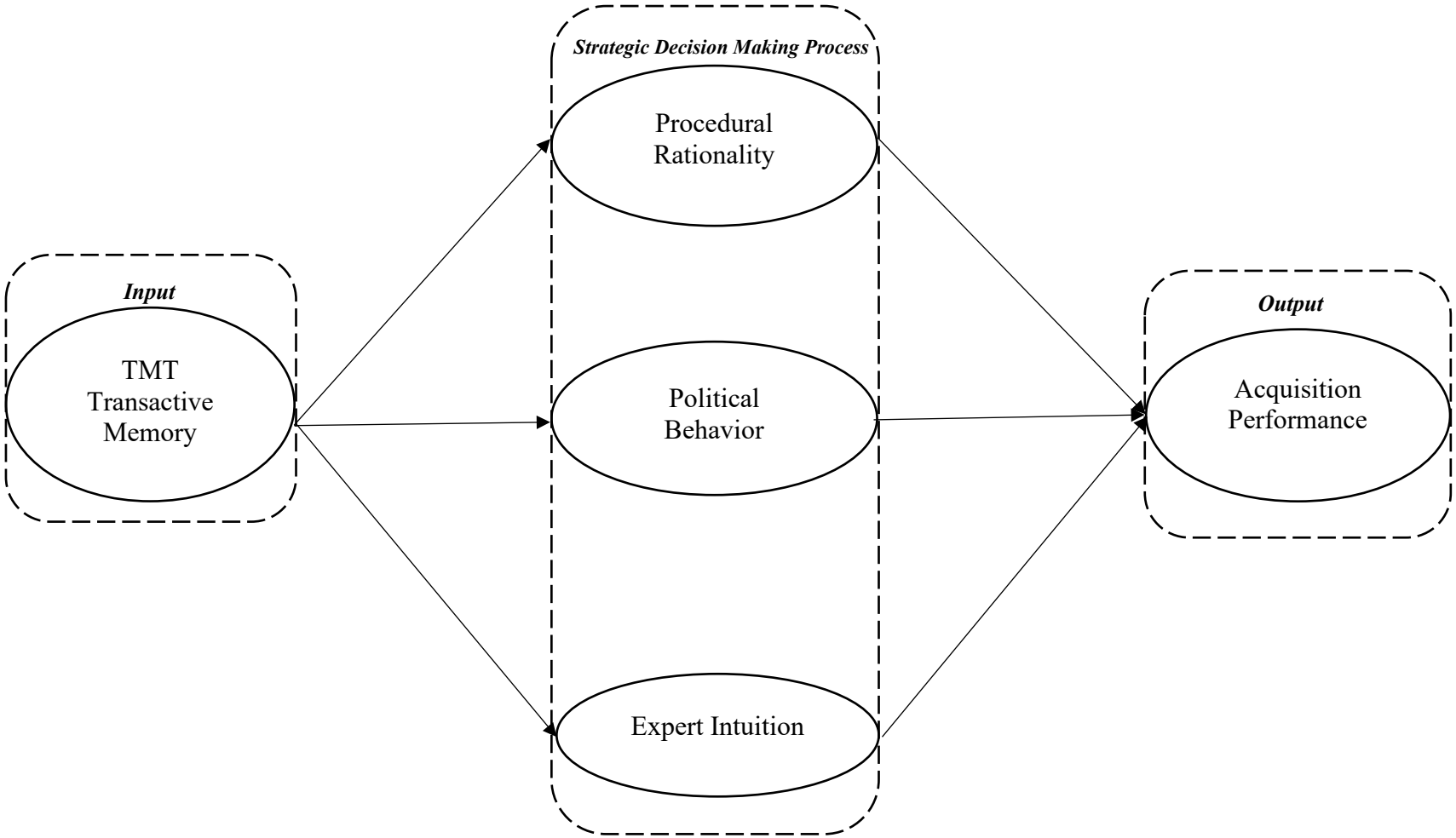

FIGURE 1. Conceptual Model of TMT Transactive Memory, Strategic Decision Making Processes, and Acquisition Performance

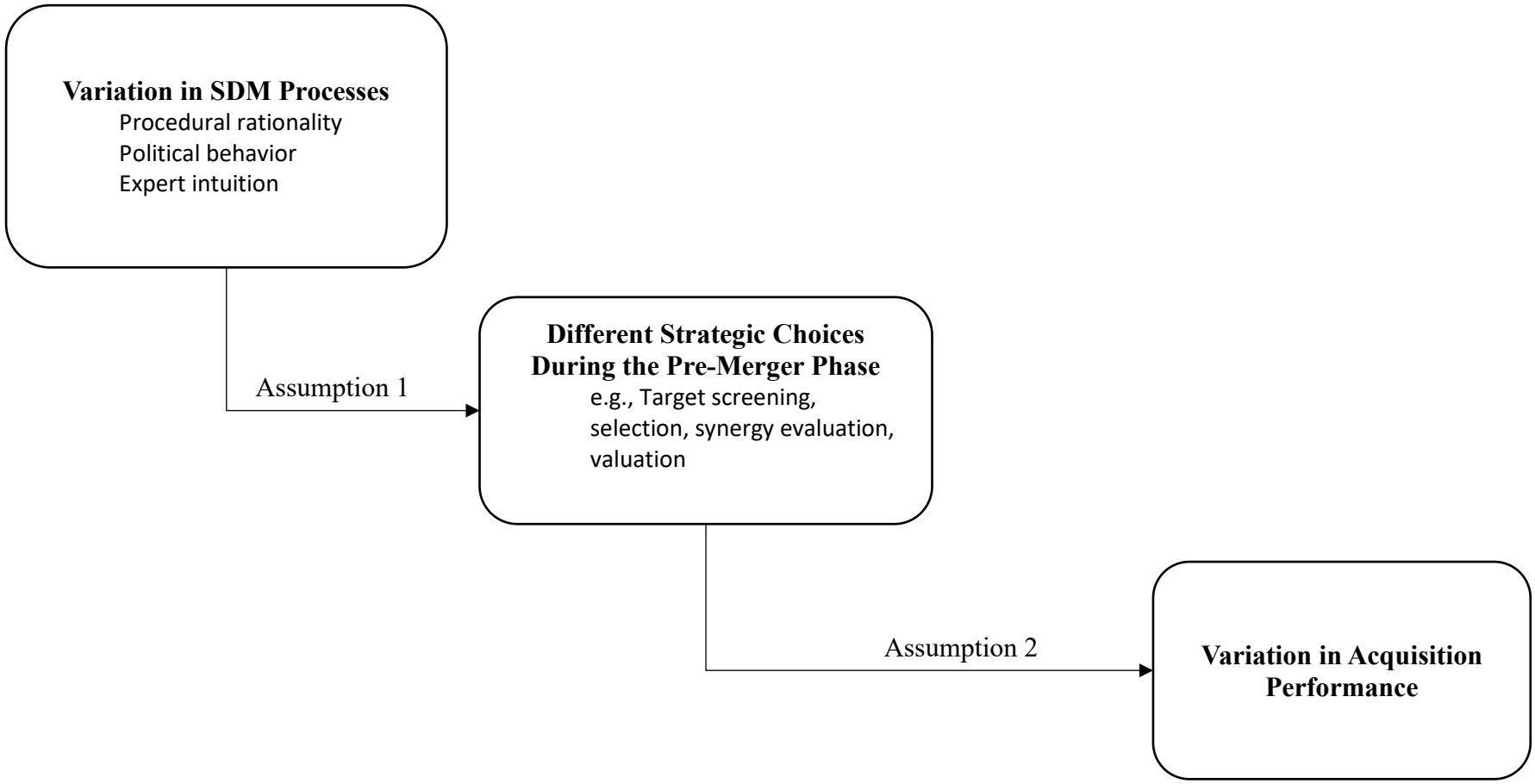

FIGURE 2. Assumptions Underlying the Strategic Decision Making Process-Acquisition Performance Relationship (Adapted from Dean and Sharfman, 1996)

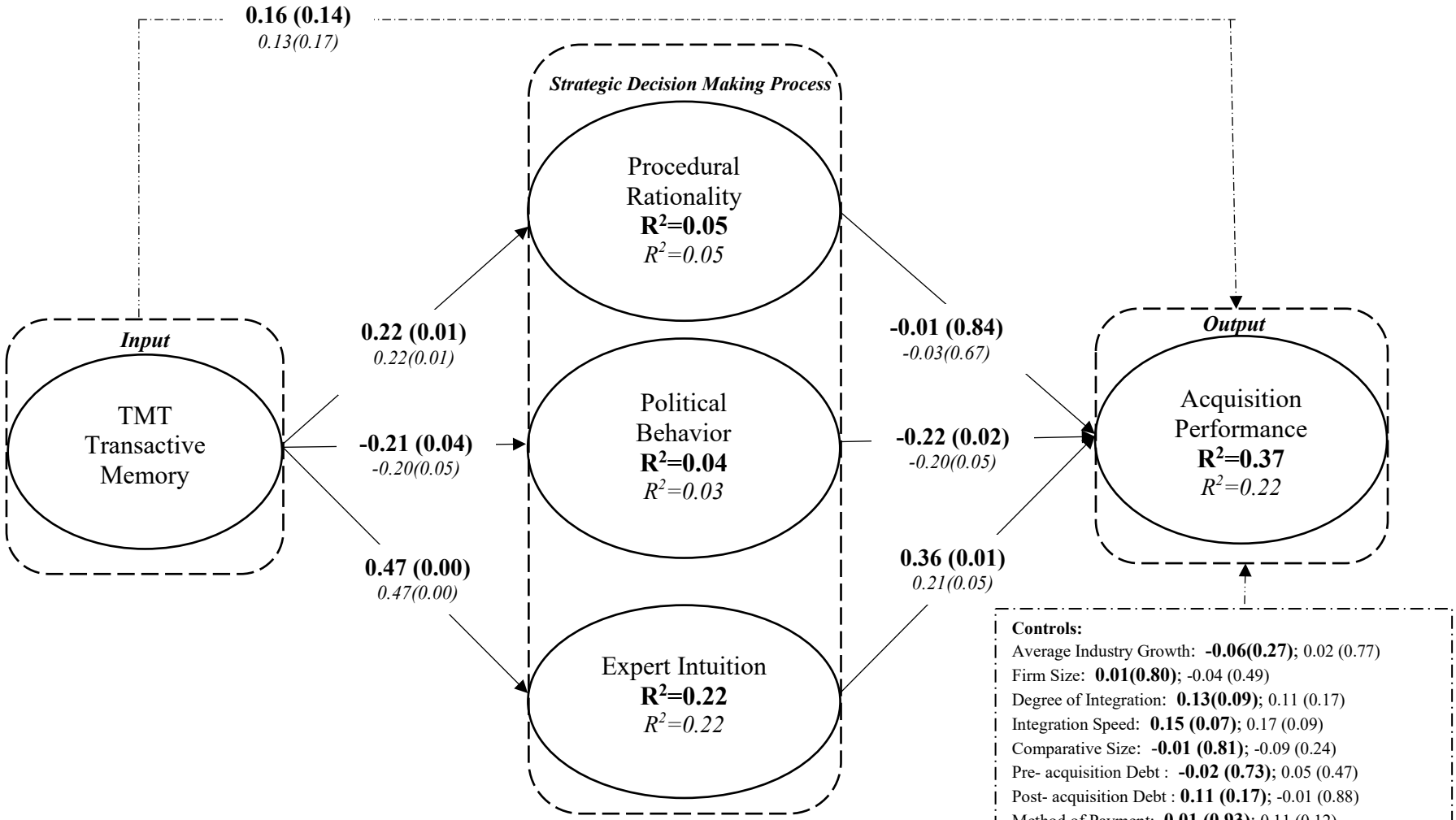

FIGURE 3. TMT Transactive Memory, Strategic Decision Making Processes, and Acquisition Performance

Note: Values in parentheses are *p*-values; coefficients in larger bold font represent results of the model using perceptual performance, the ones in italic represent the model using archival objective Return on Assets (ROA) performance