THE PROCESS OF POST-MERGER INTEGRATION: A REVIEW AND AGENDA FOR FUTURE RESEARCH

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ABSTRACT

Mergers and acquisitions continue to be prevalent despite frequently yielding disappointing outcomes. Post-merger integration plays a critical role in M&A success, yet many questions about M&A implementation remain unanswered. In this article, we review research on post-merger integration, which we organize around strategic integration, sociocultural integration, and experience and learning. We then lay out a research agenda that centers on expanding our understanding of processual dynamics in post-merger integration. We focus on opportunities related to temporality; decision-making; practices and tools; and emotionality.

Keywords: Mergers & acquisitions, post-merger integration, process

Introduction

Mergers and acquisitions (M&A) enable firms to enter new geographic markets, join forces with or eliminate competitors, achieve economies of scale and scope, and rapidly obtain novel technologies. These events engender profound organizational change that alters industry architectures, influences firms' innovative activities and financial performance, and shapes individuals' career trajectories, identities and emotional well-being. Yet although decades of research indicates that M&A events lead to pervasive (and often negative) consequences for firms and individuals, the drivers of acquisition outcomes remain poorly understood. In light of the lack of consistent results from prior research, scholars have called for greater focus on the events that unfold during post-deal implementation (e.g., Haleblian, Devers, McNamara, Carpenter, & Davison, 2009; Steigenberger, 2016). These calls have led to a substantial and growing body of work on post-merger integration (PMI). A literature review identified over 300 articles related to PMI published since 1985, as well as multiple edited books (e.g., Stahl & Mendenhall, 2005; Faulkner, Teerikangas, & Joseph, 2012; Weber, 2012).

While post-merger integration (PMI) has received significant attention from scholars, the resulting literature has remained fragmented. Our objective is therefore to synthesize this literature, to identify key theoretical perspectives and empirical findings, and to lay out an agenda for future research. An overarching theme in our assessment of future research opportunities is the importance of developing a richer understanding of PMI processes. A process view of organizations examines "how and why things emerge, develop, grow, or terminate over time" (Langley, Smallman, Tsoukas, & Van de Ven, 2013, p.1). Such a view is particularly relevant for understanding organizational phenomena involving complexity, unpredictability, uncertainty, and ambiguity (Corley & Gioia, 2004; Huy & Reus, 2011), characteristics that are typical of post-merger integration. Yet although both seminal studies (Haspeslagh & Jemison, 1991; Jemison & Sitkin, 1986) and some more recent works (e.g., Clark, Gioia, Ketchen, & Thomas, 2010; Monin, Noorderhaven, Vaara, & Kroon, 2013; Schweizer, 2005; Vaara & Tienari, 2011) have highlighted the importance of process issues, relatively few studies of post-merger integration have adopted the fine-grained, longitudinal approach required for fully explicating process dynamics. Thus, we believe that embracing a process lens will open promising new lines of inquiry regarding PMI.

This article includes three main sections. The first section reviews existing conceptualizations of PMI and provides a working definition of PMI as a multifaceted, dynamic process in which the merging firms or their components are combined to form a new organization. This definition paves the way for a processual view of integration. The second section offers a systematic review of PMI research, with an emphasis on works published in the past two decades. The review focuses on three key areas of PMI research: strategic integration, sociocultural integration, and experience and learning. Strategic integration refers to the ways in which organizations are aligned and resources combined to create value. Sociocultural integration refers to the various human, social, and cultural aspects of PMI, including issues of identity, justice, and trust. Finally, experience and learning refers to the ways in which prior acquisitions may influence subsequent PMI performance.

A conclusion from our literature review is that while prior research has provided many insights regarding the antecedents and consequences of post-merger events, it has provided little guidance regarding the processes through which these events unfold. Therefore, the third section will suggest future research directions to promote greater understanding of process dynamics in PMI. We draw on theoretical lenses and approaches that have been understudied in prior PMI research and that are well-suited to explicating complex, emergent phenomena at multiple levels of analysis. These lenses are temporality; decision-making; practices and tools; and emotionality. We believe that these approaches together form a fruitful agenda for future research.

Conceptualizing Post-Merger Integration

Scholars have conceptualized and measured post-merger[1] integration in multiple ways (Haspeslagh & Jemison, 1991; Stahl & Mendenhall, 2005; Faulkne et al., 2012). In one view, post-merger integration is understood as a set of actions. For example, Pablo (1994, p. 806) defined post-merger integration as "the making of changes in the functional activity arrangements, organizational structures and systems, and cultures of combining organizations to facilitate their consolidation into a functioning whole." Similarly, Cording, Christmann, and King (2008, p. 74) defined integration as "the managerial actions taken to combine two previously separate firms."

Other authors have viewed post-merger integration as an outcome or end state in which the buyer's and target's practices are standardized (Vaara, Sarala, Stahl and Björkman, 2012), the two firms' functions and activities are physically consolidated (Heimeriks, Schijven and Gates, 2012), or the acquired firm ceases to be a standalone business unit (Puranam, Singh and Zollo, 2006). Still others have conceptualized integration as multidimensional. For example, dimensions of integration may include

[1] We use the terms "merger" and "acquisition" interchangeably.

“task integration” and “human integration” (Birkinshaw, Bresman and Håkanson, 2000), or “functional integration” and “strategic control” (Reus, Lamont and Ellis, 2016).

Given this conceptual diversity, we offer our own definition of postmerger integration as “the multifaceted, dynamic process through which the acquirer and acquired firm or their components are combined to form a new organization.” This definition highlights two characteristics of PMI that we view as important: First, integration comprises ~~several interrelated~~ multifaceted sub-processes, some involving strategic integration of activities and resources to create value, and others involving social and cultural issues. Effective integration requires managing each individual sub-process as well as addressing the dilemmas and paradoxes that arise from interaction among sub-processes. Second, the integration process is dynamic in nature, and characterized by complexity, ambiguity, and contradictions. While integration may be partly planned, it will also inevitably involve emergent phenomena, including serendipitous opportunities (Graebner, 2004) and unanticipated problems (Vaara, 2003) that fundamentally change the nature of the integration process.

We now turn to reviewing the l~~empirical l~~iterature on post-merger integration with a focus on empirical work. We begin with strategic perspectives that focus on how PMI influences economic outcomes. We then proceed to sociocultural integration, including issues of culture, identity, justice, and trust. Finally, we review the literature on learning and experience in PMI.

Strategic Perspectives on Integration

Strategic perspectives on integration emphasize the ways in which the acquired and acquiring organizations are coordinated and aligned and their resources are combined to create value. In our review, we have grouped studies of strategic integration into two broad categories. The first category, "interaction, alignment and structural integration," comprises studies that examine interaction and communication activities, the degree of alignment and standardization implemented across the combined organization, and whether the target firm is structurally absorbed into the acquirer. The second category, "reconfiguration and renewal," comprises studies that examine how PMI creates opportunities to recombine and renew firm components, including business units, resources, knowledge, and social networks.

Interaction, Alignment and Structural Integration

M&A scholars have argued that interaction, communication, alignment and standardization are necessary to realize synergies between the acquirer and target, such as economies of scope and scale (Larsson and Finkelstein, 1999). For example, realization of revenue synergies could require coordinated sales and marketing efforts, while cost synergies could require standardization of production processes. One set of studies has focused on interaction and communication activities that enable coordination between the two merging firms. A second set of studies has focused on changes that are implemented in order to align or standardize the two firms. A third set has focused on structural integration, the absorption of the target firm into an existing business unit within the acquiring firm.

Interaction and communication. Studies focusing on interaction and communication activities that take place during PMI have generally argued that a greater degree of interaction will lead to better coordination between the merging firms, generating superior performance. Larsson and Finkelstein measured "organizational integration" as a combination of "firm interaction," defined as "operational interaction between the joining firms during the integration period," and "coordinative effort," defined as "utilization of coordination mechanisms across the joining firms, such as special integrators, transition teams, management information systems, integration plans, senior management involvement and temporary personnel exchange/rotation (1999:20)." They found a positive link between this measure of integration and "synergy realization," a composite performance measure incorporating post-merger benefits in areas ranging from purchasing and production to new market access and transfer of know-how. Larsson and Finkelstein (1999) also found that combination potential, which included both similarity and complementarity between buyer and target, predicted a greater degree of integration.

Other works have studied similar phenomena using different terminology. Bresman, Birkinshaw and Nobel (1999) measured post-merger "communication" between R&D units as the frequency of face-to-face and electronic communication. They separately measured the frequency with which R&D personnel visited or were visited by individuals from other R&D units. Both "communication" and "visits and meetings" were positively associated with tacit knowledge transfer. Larsson and Lubatkin measured "social controls" during PMI as a combination of Larsson and Finkelstein's "coordinative efforts" measure and a second item measuring "introduction programs, training, joint 'get-togethers' (such as cross-visits and retreats, celebrations and other rituals)" (2001:

1606). Social controls promoted acculturation in their study. Reus and Lamont measured “communication” as “the extent to which organization members communicated across former firm boundaries through media such as written memos, reports, e-mail, phone conversations, meetings, and social events (2009: 1306),” and found a positive relationship with acquisition performance, a composite measure incorporating profitability, market share, sales volume and new product development.

Alignment and standardization. A second group of studies is less concerned with communication and interaction per se and more concerned with the achievement of alignment and standardization across the two organizations. Cording, Christmann, and King measured “integration depth” as the degree to which areas including human resources management, production, marketing programs, and strategic planning systems were “integrated or combined as a result of the acquisition” (2008: 761). They found that a greater degree of integration was positively correlated with “internal reorganization goal achievement,” an intermediate performance measure that included consolidation of similar units and transfer of knowledge from acquirer to target, and was in turn associated with post-acquisition stock returns. Bauer and Matzler (2014) used Cording et al.’s (2008) measure of integration depth and also found a correlation with M&A performance. In addition, Bauer and Matzler (2014) found that strategic complementarity increases the degree of integration, but cultural similarity (which included similarity in firms’ strategic orientations toward performance, quality, customer service and innovation), had the reverse effect, suggesting that cultural similarity can act as a substitute for integration. Reus, Lamont and Ellis measured “functional integration” with six survey items gauging “the extent to which key functional areas of the acquired firm were integrated with those of the acquirer” (2016: 938). However, they found no direct effect on performance, using the same composite performance measure as Reus and Lamont (2009).

Other authors used measures focusing on the level of change in the merging organizations. Sarala and Vaara measured “operational integration effort” as “(1) the extent of post-acquisition changes in the acquiring company; (2) the extent of post-acquisition changes in the acquired company; (3) the extent to which overlapping between the units had been eliminated during post-acquisition integration; and (4) the extent to which practices had been standardized (2010: 1377).” They found that this measure helped to predict successful knowledge transfer resulting in benefits to operations. Vaara, Sarala, Stahl and Björkman used a slightly different measure of operational integration, encompassing elimination of overlaps, tendency toward standardization, and the extent to which decisions were based on “maximization of synergistic and other benefits” (2012: 22). This measure was also positively related to knowledge transfer. Zollo and colleagues (Zollo & Singh, 2004; Zollo, 2009; Zollo & Reuer, 2010) asked survey respondents “To what extent were the systems, procedures and products aligned or centralized?” (Zollo & Singh, 2004: 1245). They found a positive relationship between this measure and acquirer return on assets, an accounting-based measure of performance (Zollo & Singh, 2004; Zollo & Reuer, 2010). Zollo and Reuer (2010) also found a positive relationship between integration and long-term stock returns, although Zollo (2009) did not.

Finally, some studies have measured integration in terms of whether neither, one, or both firms experienced significant amounts of change. Morosini, Shane and Singh (1998) identified three "post-acquisition strategies": "integration," which involved significant changes in both firms' businesses and functions and was scored as 1, "restructuring," which involved significant changes in the target firm only, and was scored as 0, and "independence," which involved limited or no changes in either company and was scored as -1. Ellis, Reus, Lamont and Ranft (2011) used the same measure but termed it "level of integration." These studies found no relationship between this integration measure and either sales growth (Morosini et al., 1998) or change in acquirer return on assets (Ellis et al., 2011).

Structural integration. A third set of studies has distinguished between targets that maintain a separate P&L after the acquisition and targets that are "structurally integrated," or folded into an existing unit of the acquiring firm. Puranam, Singh, and Zollo (2006) examined the impact of structural integration on the innovative productivity of the target. For targets without existing products, integration delayed new product introduction. In addition, for all targets, integration delayed the introduction of the first post-acquisition product, but had no significant effect on subsequent product launches. Puranam and Srikanth (2007) found that structural integration increased leveraging of the target's existing knowledge (as measured by post-acquisition patents citing the target's pre-acquisition patents) but decreased the leveraging of the target's innovative capabilities (as measured by post-acquisition patents co-authored by acquiring and acquired firm personnel). Paruchuri, Nerkar, and Hambrick (2006) found that structural integration harmed patenting activity for inventors who lost relative standing as a result of the acquisition. Moreover, among targets that were integrated, those inventors who were more socially embedded and whose expertise diverged more from that of the acquirer experienced greater productivity declines. Kapoor and Lim (2007) also found that structural integration negatively influenced post-acquisition patenting activity by acquired inventors.

Finally, Puranam, Singh, and Chaudhuri (2009) examined the antecedents of structural integration. They found that structural integration was more likely if an acquisition was motivated by obtaining a component technology rather than a standalone product. However, for component-motivated acquisitions, structural integration was less likely if the two firms had overlapping knowledge that could facilitate communication and coordination.

Autonomy. Although studies of structural integration have generally viewed integration and autonomy as polar opposites, Zaheer, Castañer, and Souder (2013) recently argued that the two concepts are in fact distinct dimensions of post-merger implementation. They defined "structural integration" as "the extent to which the acquirer consolidates the functional activities of the target into its reporting hierarchy," and "target autonomy" as "the extent to which the acquirer delegates or defers to the expertise of target managers over decision making within target function activities" (Zaheer et al., 2013, p. 605). They found that their measures of integration and autonomy had a negative (-0.19) but statistically insignificant correlation, supporting the claim that the two are conceptually distinct.

Interestingly, despite using different autonomy and integration measures, several other studies found correlations that are very similar to Zaheer et al.'s findings. Larsson and Lubatkin (2001) measured "autonomy removal" as asymmetric changes in financial, administrative, and operational control of one firm over the other. They found a positive (0.21) but statistically insignificant correlation between this measure of autonomy removal and their measure of "social controls," discussed above. Reus and Lamont (2009) measured autonomy as the extent to which the acquired firm (as opposed to the acquirer) made decisions about performance goals and competitive strategies, finding a negative (-0.205), statistically significant correlation between autonomy and their measure of "communication," also discussed above. Reus, Lamont and Ellis (2016) used the same autonomy measure (reverse-scaled) but defined it as the acquirer's degree of "strategic control." This measure had a positive (0.20), statistically significant correlation with their measure of "functional integration." Finally, Sarala and Vaara (2010) measured autonomy with four items, asking respondents to what extent the acquirer's values dominated in the integration process (reverse coded); to what degree the acquired company was operating under tight control after the acquisition (reverse coded); to what extent any changes were based on the acquired (vs. acquiring) firm's practices, and to what degree the management of the acquired firm had dominated integration decisions. This measure had a negative (-0.150), statistically significant correlation with "operational integration effort." Moreover, an exploratory factor analysis indicated that autonomy and integration effort loaded on different factors.

Taken together, these findings suggest that PMI has, at a minimum, two dimensions, one related to communication, coordination, alignment and standardization; and the other related to imposition, domination, and control. This suggests that scholars should examine the antecedents and effects of autonomy in its own right. Empirical findings on the relationship between autonomy and performance have been mixed thus far. Studies have found positive relationships between autonomy and acquisition announcement returns (Chatterjee, Lubatkin, Schweiger, & Weber, 1992) as well as with a composite measure of acquisition performance (Reus & Lamont, 2009; Reus, Lamont & Ellis, 2016). Datta and Grant (1990) found that autonomy was positively associated with performance in unrelated acquisitions, but not in related acquisitions. Weber, Shenkar and Raveh (1996) found that greater autonomy led to less cooperation but also to less stress in domestic acquisitions. In contrast, in international acquisitions, greater autonomy led to consistently worse attitudinal and behavioral outcomes. Evidence is also mixed for the benefits of autonomy for the transfer of knowledge and capabilities. Ranft and Lord (2000) found that autonomy improved retention, which in turn increased the transfer of technological capabilities from the target to the acquirer. However, Sarala & Vaara (2010) found that greater autonomy reduced beneficial knowledge transfer. Additional research is needed to understand the nuanced effects of various dimensions of both integration and autonomy. Detailed process research may help to untangle the relationships between concepts that have at times been blurred in previous work.

Multidimensional and multistage approaches. Finally, a number of strategy scholars have conceptualized integration as multidimensional. In influential early work, Haspeslagh and Jemison (1991) identified four approaches: holding, preservation, absorption, and symbiosis. The “holding” approach involves virtually no operational changes, with the target firm remaining essentially independent. The “absorption” approach involves complete consolidation, resulting in dissolution of the boundary between acquirer and target. This approach is similar to what other scholars have termed structural integration. "Preservation" involves selective engagement in areas in which there are interdependencies or opportunities for learning, while the acquirer manages the target's other functions at arm's length. Finally, a "symbiotic" approach involves a gradual progression from autonomy to full "amalgamation," in which the two organizations create a "new, unique identity" (Haspeslagh & Jemison, 1991, p. 231).

Haspeslagh and Jemison's description of the symbiotic approach suggests that integration is not only multidimensional but also a multistage process. Subsequent work has further developed this idea. Birkinshaw, Bresman, and Håkanson (2000) found that successful integration requires two phases. In the first phase, managers focus on "human integration," fostering cultural convergence and mutual respect while satisficing on task integration. In the second phase, three to five years after the acquisition, managers revisit task integration and make additional changes to optimize task performance. The authors measured performance in terms of change in R&D output, technology transfer between operations, subjective assessments of the success of R&D integration, and change in the buyer's overall market position. Schweizer (2005) found that pharmaceutical firms' acquisitions of biotech companies performed better if the target's R&D function was left independent while other functions were rapidly integrated. These studies suggest the importance of incorporating temporality into research on PMI, a topic to which we will return in our section on future research directions.

Summary. Research on strategic integration has found that a greater degree of interaction and communication during the PMI process improves performance outcomes.

Alignment and standardization have varied but mostly positive effects on performance. Autonomy appears to be a distinct dimension of post-merger integration. Both structural integration and autonomy have mixed effects on performance outcomes.

Many unresolved questions remain, however. Studies have used an array of measures for strategic integration activities and outcomes, often in conflicting ways. As just one example, some authors equate integration and "consolidation" (e.g., Pablo, 1994; Zaheer et al., 2013), while others view consolidation as just one of several possible forms of integration (Haspeslagh and Jemison, 1991), and still others view consolidation as a performance outcome that results from integration (Cording et al., 2008). A useful direction for future research would be to examine PMI processes longitudinally, explicating how activities such as interaction and communication influence coordination, consolidation, alignment and standardization, and vice versa. It is likely that the relationships between these activities are neither unidirectional nor linear. For example, while communication may be required to achieve consolidation, alignment and standardization, it seems equally plausible that a greater degree of consolidation and alignment produces more communication over time.

A related line of inquiry would investigate path dependence in acquisition outcomes. Path dependence may help to explain the conflicting evidence regarding how actions such as aligning or standardizing practices, combining functions, and removing target autonomy impact PMI performance. For example, firms may leave acquired units autonomous after thoughtful consideration of multiple alternatives, or they may default to autonomy because of target resistance or limited bandwidth among the acquirer's management team. These varying paths could lead autonomy to produce very different kinds of results.

Reconfiguration and Renewal

While many of the studies discussed above have focused on the potential for PMI to realize value from economies of scale and scope, another stream of PMI research has viewed value creation as more dynamic and emergent. The resource-based (Barney, 1991), knowledge-based (Kogut & Zander, 1992) and dynamic capabilities (Eisenhardt and Martin, 2000) views of the firm argue that organizations need to continually reconfigure their assets, capabilities, and knowledge in order to maintain competitive advantage, but firms have a tendency toward organizational inertia that makes such changes difficult. Mergers and acquisitions can therefore create value by disrupting routines and providing new organizational and technical components that can be combined in novel ways. Studies in this stream have examined how PMI results in organizational renewal by triggering reconfiguration of business units, resources, knowledge, and social networks.

Restructuring business units. Several studies have focused on restructuring of business unit boundaries as a result of PMI. Barkema and Schijven (2008b) conceptualized business unit restructuring as a multi-stage process. They argued that initial post-merger integration decisions will be suboptimal because of information asymmetries and bounded rationality. If the buyer makes additional acquisitions, organizational arrangements will become increasingly problematic, eventually triggering a restructuring process. Thus, each additional acquisition increases the hazard of organizational restructuring, defined as recombining existing subunits while leaving the scope of the firm unchanged. The authors measured restructuring as a binary variable reflecting changes in any business unit in the firm in a given year, and found support for their predictions in a sample of large multinational firms over a 40-year period. Moreover, they found that restructuring led to greater improvement in performance (measured as return on assets) if the buyer had conducted a large number of acquisitions since the last restructuring event.

Karim (2006) also examined business unit restructuring. She used archival data to examine firms in the healthcare services, pharmaceutical and medical devices industries. Her dependent variable, termed "business unit reconfiguration," included events in which business units were recombined, divested or dissolved. She found that acquired units were reconfigured sooner than internally developed units; were more likely than internally developed units to be folded into other internal units; and were reconfigured with other acquired units more frequently than internally developed units were reconfigured with other internally developed units. She concluded that acquisitions provide modular organizational components that become ingredients for experimentation, increasing the strategic flexibility of the acquiring firm.

Interestingly, Karim found that for acquired units, the hazard rate for reconfiguration increased sharply for the first three years after the acquisition and then fell at a slower rate. The hazard rates for acquired and internal units did not converge until 18 years after the acquisition occurred. While this prolonged timing may to some extent reflect the characteristics of healthcare-related firms, these findings still remain a striking reminder of the enduring impact of mergers and acquisitions and the challenge of drawing temporal boundaries around the post-merger integration process.

Resource reconfiguration. At a more fine-grained level, studies have examined post-merger changes in the configuration of resources. This topic was extensively examined by Capron and colleagues in a series of papers using a data set of 253 horizontal acquisitions involving manufacturing companies in the US and Europe. Resource redeployment was measured via survey items regarding the extent to which various types of resources from the acquirer were used to assist the acquired business and resources from the acquired firm were used to assist the acquirer's pre-existing business. Capron, Dussauge, and Mitchell (1998) found that firms frequently redeployed R&D, manufacturing and marketing resources from targets to acquirers, while redeployment from acquirer to target was most common for managerial and financial resources. However, the rates of redeployment from acquirer to target were higher than the reverse across all types of resources. Also, firms tended to redeploy resources from the stronger (as perceived by the acquirer) to the weaker firm.

Capron and Mitchell (1998) examined the impact of resource redeployment on the firm's capabilities in R&D, time to market, product quality, product cost and output flexibility. They found that bilateral (to and from target) resource redeployment improved post-acquisition capabilities, while unilateral redeployment was less likely to do so. Capron and Hulland (1999) focused specifically on redeployment of marketing-related resources, including sales force, brands, and general marketing expertise. Like

Capron et al. (1998), they found that resource redeployment was typically asymmetric. For example, general marketing expertise was more likely to be redeployed from acquirer to target than vice versa. Capron (1999) examined both divestiture and redeployment of resources. She found that divestiture of the acquirer's assets (but not the target's) led to cost synergies, while redeployment of resources in either direction led to revenue-based synergies, which included market coverage (product lines and geographic breadth) and innovation capability. However, despite its value-creating potential, divestiture of the acquirer's assets was far less common than divestiture of the target's assets. These findings suggest a possible bias toward favoring the retention of the acquirer's assets regardless of quality.

Capron, Mitchell, and Swaminathan (2001) studied the co-occurrence of resource divestiture and redeployment, arguing that divestiture is best understood as part of a reconfiguration process rather than a sign of acquisition failure. As evidence for this perspective, Capron et al. observed that strategic similarity between acquirer and target led to greater resource redeployment in both directions as well as to more divestitures of target resources, suggesting an overall realignment of related assets. Moreover, greater redeployment of resources to the target led to more divestitures of target assets, and the same pattern existed for acquirers. These findings suggest that divestiture is linked to broader reconfiguration and renewal efforts.

Capron and Guillen (2009) studied the institutional factors that influence resource reconfiguration activities, including disposals and redeployments of assets and capabilities. They found that if the home country of the acquirer had stronger shareholder protections than the home country of the target, the target firm's resources were more likely to be divested or redeployed. If the target firm's home country had strong employee protections, divestment of target assets and redeployment of resources to or from the target was less likely.

Karim and Mitchell (2000) examined changes at the level of routines, which they viewed as constituent parts of resources. They examined product line changes in U.S. health sector firms between 1983 and 1995, using dichotomous variables to indicate whether each product line (physical good or nonphysical service) present in 1983 was still in the firm's product portfolio in 1995. They found that acquired businesses experienced more product line changes than businesses that were not acquired, and that acquirers experienced more product line changes than non-acquirers. Moreover, a greater overlap of acquirer and target product lines increased the retention of both firms' products, while differences at the level of product categories rather than individual product lines increased retention of the target's products.

Building on these findings, Krishnan, Joshi and Krishnan (2004) examined product line changes in the context of nonprofit hospitals. They argued that nonprofit healthcare providers face heightened inertial pressures because of their historical role as caregivers to the indigent. These pressures limit hospitals' abilities to optimize their product mixes to favor more profitable services. Mergers relax institutional and organizational constraints, since services that are available at one hospital location can be eliminated from another, co-owned location with less opposition from the community. Supporting this theory, Krishnan et al. found that hospital mergers led to an increase in the proportion of patients receiving high-profit vs. low-profit services, as well as an increased market share in high-profit services. These effects were amplified by a more competitive local environment.

Finally, Barden (2012) predicted that acquisitions would trigger the adoption of disruptive technology by acquired businesses. They found empirical support in a study of the adoption of HD technology by radio stations.

Knowledge transfer and recombination. Another stream of research has focused more narrowly on transfer and reconfiguration of knowledge during post-merger integration. Capron and colleagues' analysis of resource reconfiguration included knowledge-based resources such as technical innovation capabilities, manufacturing know-how, and managerial capabilities, but also considered other resources such as brand names and sales networks. A stream of subsequent work has built on the knowledge-based view of the firm (Kogut & Zander 1992; 1996) to argue that knowledge-based resources have specific properties that create value but also risks during the post-merger integration process.

Influential early work in this area was conducted by Bresman, Birkinshaw, and Nobel (1999), who examined international acquisitions in which the acquirers' primary goals included access to the target firms' R&D knowledge. The authors built on Kogut and Zander's (1992) argument that knowledge transfer requires a "social community" characterized by mutual trust and shared identity. Using a combination of survey data and in-depth case studies, Bresman et al. (1999) examined how knowledge transfer unfolds during post-merger integration. They distinguished between tacit knowledge transfer, which was measured through a questionnaire, and articulated knowledge transfer, measured through post-acquisition patenting by the target firm. Transfer of tacit (but not articulated) knowledge was facilitated by more frequent communication. The case studies revealed a two-stage knowledge transfer process: In the first several years post-acquisition, the acquirer unilaterally imposed its knowledge on the acquired firm. However, over time, knowledge transfer became reciprocal and collaborative as the two firms melded into a single social community.

As noted earlier, other studies have also found that communication (Larsson & Finkelstein, 1999) and standardization of functions (Cording et al., 2008; Sarala & Vaara, 2010) promote knowledge transfer between the merging firms. However, some scholars have suggested that post-merger integration is particularly challenging for knowledge-based firms because a delicate balance must be maintained in order to realize synergies without disrupting the capabilities of the target (Ranft & Lord 2000; 2002). Ranft and Lord (2002) developed a grounded model of linkages between implementation speed, communications, autonomy, retention, and transfer of technologies and capabilities, highlighting the tension between preserving and transferring knowledge during post-merger integration.

Empson (2001) examined knowledge transfer in case studies of three mergers of professional services firms. She identified two barriers to the transfer of technical and client-related knowledge. First, the merging firms often had different degrees of codified vs. tacit technical knowledge, leading employees to fail to appreciate one another's expertise. Firms that favored tacit knowledge viewed their counterparts' codified knowledge as overly simplistic, while firms that favored codified knowledge viewed their counterparts' tacit knowledge as "insubstantial or unreal" (2001: 852). Because they failed to appreciate the value of their counterparts' knowledge, individuals feared they would receive nothing of value in return for sharing their own. Empson referred to this barrier as "fear of exploitation." Second, some merging firms believed that their counterparts had an inferior, less "upmarket" brand image. Individuals in these firms were reluctant to share client information for fear that their own images would be tainted. Empson referred to this barrier as "fear of contamination."

Meyer and Lieb-Dóczy (2003) studied acquisitions of state-owned manufacturing and construction enterprises in Hungary and East Germany. They distinguished between "strategic restructuring," which involved building upon the knowledge and skills of the target to create new capabilities for the combined firm, and "defensive restructuring," which involved using the target firm for low-cost manufacturing and local marketing under close oversight from the acquirer. Strategic restructuring enhanced performance and was more likely to occur when the acquired firm had strong local resources and when management from the acquired firm took initiative during the integration process.

Graebner (2004) also found that acquired leaders played a central role in PMI involving knowledge-based firms. In a study of nine information technology-related acquisitions, she found that regardless of integration level, acquired managers could help to realize the value expected by the buyer and to identify opportunities for unanticipated or serendipitous value. Acquired leaders promoted the realization of expected value by engaging in mitigating actions to address employees' emergent concerns, and mobilizing actions to maintain productive momentum. Acquired leaders promoted the realization of serendipitous value by using their familiarity with their own firms' knowledge and technologies to identify opportunities for resource redeployment and reconfiguration across the merging firms. However, acquired leaders were only able to perform this function if they were given cross-organizational responsibilities in the combined firm.

Network reconfiguration. Finally, a small number of studies have examined how PMI leads to the reconfiguration of social networks. Allatta and Singh (2011) examined post-acquisition e-mail exchanges between pairs of individuals. They found that dyadic communication was initially more frequent within each firm (target and acquirer) than between firms. Over time, communication between the firms increased – but eventually the trend reversed. Cross-firm communication took nearly two years to peak before reverting to a lower level. Briscoe and Tsai (2011) also examined changes in social ties during PMI. They studied attorneys' client referral patterns after a law firm merger, finding that attorneys whose networks displayed greater closure were less likely to form new referral ties across (previous) firm boundaries. Thus, their study suggests that pre-existing network patterns influence reconfiguration processes during post-merger integration. These studies raise intriguing questions about the process through which individuals form new ties with the "other firm," and how and why some of those ties are eventually broken. Related literatures document that key actors, e.g., general managers (e.g., Martin, 2011) or brokers (Lingo & O'Mahony, 2010), perform "nexus work," but how these actors may influence network formation during the acquisition integration process is largely unexplored (cf. Balogun, Gleadle, & Hailey, 2005; Teerikangas, Véry, & Pisano, 2011).

In addition to altering the structure of social networks, PMI processes may also change the effects of occupying particular types of network positions. Paruchuri and

Eisenman (2012) studied how a merger reshaped the influence of inventors on subsequent innovation activity. They argued that PMI creates anxiety and uncertainty, increasing the perceived value of confirmatory as compared to novel information. Inventors with central network positions are more likely to provide information that overlaps with and provides confirmation of information from other sources. As a result, central inventors become more influential after an acquisition. In contrast, inventors who span structural holes are more likely to have unique information that is not confirmed by others, and as a result, these inventors become less influential after an acquisition.

Summary. Taken together, these studies suggest that mergers and acquisitions create an opportunity for reconfiguration of organizational components, including business units, tangible resources, knowledge, routines, product lines and social networks. Resource reconfiguration generally improves performance, but the acquirer's resources may be excessively favored. Evidence is still limited regarding the performance effects of reconfiguring knowledge, product lines, business units and social networks.

Studies also suggest that the degree of reconfiguration of various organizational components will be influenced by factors including the level of communication, the legal and regulatory environment, managers' perceptions of each firm's resource quality, advocacy by target firm managers, and subsequent acquisition activity. Reconfiguration can unfold over years or even decades. Moreover, the consequences of reconfiguration may change over time.

These findings suggest several avenues for future research. We know relatively little about how PMI decisions are made and how individual traits and organizational processes may influence these decisions. Although there is evidence of rational decision-making, the fact that acquirers are less likely to divest their own assets, despite evidence that such divestitures improve performance, suggests that biases are also present. Future research could investigate how cognitive biases, affective process, and advocacy by various constituencies – potentially including acquiring and acquired firm employees, senior management, consultants and shareholders - shape PMI decisions. Scholars could also explore whether there are ways in which to counteract biases that favor the acquirer's assets and policies. Another intriguing area for investigation is how decision-makers balance short- and long-term outcomes, given that the consequences of PMI play out over extended periods of time.

Sociocultural Integration

While research on the strategic aspects of integration has focused on coordination, alignment and reconfiguration of organizations and their resources, other research has examined the human, social, and cultural aspects of integration. In this section, we will review these sociocultural perspectives. We begin with research addressing cultural differences and their performance implications, cultural integration dynamics, and critical views on cultural differences. We will then turn to identity and examine individual and social identification and the construction of organizational identities. This will be followed by a review of studies on justice and trust in PMI.

Cultural Perspectives

Cultural perspectives provide useful tools for making sense of the problems and challenges of PMI (for reviews, see Sarala, Junni, Cooper, & Tarba, 2016; Stahl & Voigt, 2008; Teerikangas & Very, 2006). Conceptualizations and definitions of culture and cultural integration vary, but typically organizational culture has been seen as consisting of beliefs and values, with some scholars emphasizing culture's symbolic aspects and others its sociomaterial dimensions. Organizational cultures are embedded in national cultures, which are of special interest in cross-border or international M&As.

Cultural differences and performance. Scholars have devoted significant attention to the effects of organizational and national cultural differences on M&A performance (Chatterjee, Lubatkin, Schweiger, & Weber, 1992; Sarala, Junni, Cooper, & Tarba, 2016; Stahl & Voigt, 2008). Case studies have illustrated how cultural differences may create anticipated or unanticipated clashes and conflicts, and have developed models to better understand these dynamics (Buono, Bowditch, & Lewis 1985; Teerikangas & Very, 2006; Vaara, 2003). In an early and influential study, Buono et al. (1985) described difficulties that emerge when combining two different organizational cultures. Subsequent work has used cultural differences as a key variable in explaining post-merger performance. For example, Datta (1991) found differences in top management styles—but not reward and evaluation systems—have a negative impact on acquisition performance. In another study, Chatterjee et al. (1992) examined how acquired leaders' perceptions of cultural differences influenced shareholder returns. They found a strong inverse relationship between perceptions of cultural differences and shareholder gains, providing evidence of the negative impact of perceived cultural difference on M&A performance.

Relatedly, scholars of international business have explored the impact of national cultural differences on PMI (Calori, Lubatkin, & Very, 1994; Chakrabarti, Gupta-Mukherjee, & Jayaraman, 2009; Lubatkin, Calori, Very, & Veiga, 1998; Morosini, Shane, & Singh, 1998; Weber, Shenkar, & Raveh, 1996). Weber, Shenkar, and Raveh (1996) examined the effects of national and corporate culture fit on PMI in domestic and international mergers. In domestic acquisitions, organizational cultural differences were associated with lower top management commitment and cooperation between the merging organizations. In international mergers, national cultural differences were associated with stress, negative attitudes vis-à-vis the merger, and cooperation. In the case of international mergers, the explanatory power of national cultural differences was greater than organizational cultural differences.

While most research on both organizational and national cultural differences has argued that cultural differences cause underperformance (Chatterjee et al., 1992; Stahl & Voigt, 2008), some scholars have seen cultural differences as potential sources of value creation. In their analysis of cross-border acquisitions, Morosini, Shane, and Singh (1998) found that national cultural distance has a positive impact on M&A performance. One explanation for these findings is that in culturally distant settings, the merging companies have different routines, repertoires and capabilities that can be considered as complementary knowledge stocks. Vaara et al. (2012) examined the impact of both organizational and national cultural differences on social conflict and knowledge transfer in Finnish companies' foreign acquisitions. They discovered that organizational cultural differences are positively, but national cultural differences negatively, associated with social conflict. Furthermore, they found that both organizational and national cultural differences are positively associated with knowledge transfer.

Cultural integration dynamics. Mixed findings regarding the impact of cultural differences on acquisition performance have led scholars to develop models to reconcile these seemingly contradictory effects (Björkman, Stahl, & Vaara, 2007; Reus & Lamont, 2009). In a seminal theoretical paper, Nahavandi and Malekzadeh (1988, p. 81) drew from research in anthropology and cultural psychology to provide a model of acculturation, defined as “changes induced in (two cultural) systems as a result of the diffusion of cultural elements in both directions.” Nahavandi and Malekzadeh proposed that the degree of congruence between the acquiring and acquired organizations’ preferred modes of acculturation predicts post-merger outcomes. They identified four modes of acculturation: assimilation, separation, integration and deculturation. In the “assimilation” approach, the culture of one firm is imposed on the other. In “separation,” minimal cultural exchange occurs. In “integration,” structural integration occurs, without cultural assimilation. Finally, in deculturation, a type that may characterize an organization in crisis, individuals want neither to preserve their own culture nor to adopt the culture of the other firm. Alignment in the acquiring and acquired firms’ preferences regarding acculturation mode is expected to reduce acculturative stress and foster successful implementation of the merger. Conversely, lack of alignment will damage performance.

Björkman, Stahl, and Vaara (2007) proposed a theoretical process model that elucidates how cultural differences affect post-acquisition capability transfer through their impact on social integration, potential absorptive capacity, and capability complementarity. They predicted that the effect of cultural differences on social integration will be negative, but moderated by the use of sociocultural integration mechanisms and by operational integration. The impact through potential absorptive capacity is in turn positive and is moderated by sociocultural integration and operational integration. They argue that the impact on capability complementarity may in turn be curvilinear (inverted U-shape).

Stahl and Voigt (2008) conducted a meta-analysis of the impact of cultural differences. They found that cultural differences impact sociocultural integration, synergy realization, and shareholder value in different, and sometimes opposing, ways. Furthermore, they discovered that the effects of cultural differences vary depending on the degree of relatedness and the dimensions of cultural differences employed in the analyses. Thereafter, in a study of international acquisitions by US-based MNCs, Reus and Lamont (2009) found that cultural distance decreases the understandability of key capabilities that need to be transferred and constrains communication between the merging organizations, thus constituting a negative indirect effect on performance. At the same time, their findings indicate that cultural distance enhances the positive effects of understandability and communication on acquisition performance. Thus, investing in communication seems necessary to alleviate the potential negative effects of significant cultural distance.

Similarly, Larsson and Lubatkin (2001) found in a case survey analysis that acculturation may be enhanced by social integration measures. Schweiger and Goulet (2005) also found evidence of the benefits of cultural interventions. Based on their longitudinal field study, they proposed that cultural distance between employees from combining firms can be, at least to some extent, bridged during the early stages of the integration process. In particular, deep-level cultural learning interventions could help promote positive employee perceptions and attitudes to achieve synergy. Finally, Sarala and Vaara (2010) found that organizational cultural convergence (measured as decrease in perceptions of cultural differences) and crossvergence (creation of a new organizational culture) have a significant positive impact on knowledge transfer.

Critical views on cultural differences. In contrast to the studies discussed above, several scholars have taken a critical perspective on the role of culture in PMI, identifying the limits and even biases inherent in studying cultural differences in this context (Riad, 2005; Risberg, 2001; Vaara, 2002; Vaara et al., 2014). - Vaara et al. (2014) examined managers' attributions regarding causes of PMI performance, and found that managers attributed failure – but not success – ~~-~~ to cultural differences. This suggests potential biases in managers' interpretations of how culture affects PMI outcomes. Riad (2005) turned the focus to ~~scholars themselves~~"cultural discourse," arguing that organizational culture has become a "regime of truth" in post~~studies of~~ merger integration~~, shaping norms for research on PMI~~. Riad argues that critique or opposition to the role of organizational culture in PMI is repressed, causing the potential silencing of other perspectives in ~~scholarly d~~discourse. Researchers should therefore be wary of demonizing "difference" in culture as resulting in "clash." These findings can be taken as words of warning about making simplistic linkages between cultural differences and M&A performance by practitioners and researchers alike.

Summary. Research on culture in PMI suggests that cultural differences between acquirer and target often, but not always, reduce performance, and that differences in organizational culture and in national culture may influence PMI in distinctive ways. In addition, cultural integration can be enhanced through communication and use of social interventions.

Future research could further investigate the dynamics of cultural integration. Although scholars frequently cite Nahavandi and Malekzadeh's (1988) seminal article on acculturation modes, the specific process types they proposed have received little attention. Similarly, although case studies provide illuminating descriptions of cultural integration, process models that would elucidate the emergence of cultural clashes and conflicts and how they may develop or abate over time are surprisingly few.

Future research on cultural differences could also be significantly enriched by adopting a more dynamic, behavioral view of culture rather than the prevailing, static understanding of culture as a set of implicit assumptions. A more explicit focus on material and behavioral manifestations of culture, including tools and practices, sensemaking, and situational emotional reactions, could reveal the specific cultural assumptions that matter in a given situation.

Identity in PMI

The literature on identity and identification in PMI has grown in tandem with the literature on culture. Yet, this aspect of integration deserves attention in its own right as studies have pointed to the central role of organizational identity, identification, and identity-building in PMI. Identity refers to the shared sense by organizational members of who they are as a group, while identification is the process by which actors associate themselves with the organization's identity, thus providing a linkage between organizational and individual-level identities. Identity-building or identity construction is the process through which new organizational identity is – more or less purposefully – created in PMI.

Identification in PMI. Several studies have highlighted factors that influence whether employees or managers identify with the new postmerger organization. Van Knippenberg and Van Leeuwen (2001) argued that the more employees perceive the merged organization to be a continuation of their pre-merger group, the more they tend to identify with the postmerger organization. Moreover, the more strongly individuals identified with the pre-merger organization, the more they feel threatened by the merger. Van Knippenberg et al. (2002) propose that identification is also linked with actual or perceived dominance by either merger partner. They found that pre- and post-merger identification were more positively related for members of dominant as opposed to dominated organizations. In addition, perceived differences between the merger partners were more negatively related to post-merger identification for members of the dominated compared with the dominant organization. In a case study of a German industrial merger, Ulrich, Wieseke, and van Dick (2005) focused on the sense of continuity and its impact on identification. They demonstrated that the absence of continuity had a negative impact on managers' workplace identification. In particular, discontinuous changes related to the merger eroded organizational identification. On this basis, Ulrich et al. (2005) proposed a model that highlights the crucial role of a sense of continuity between pre- and post-merger identities.

Interestingly, some evidence suggests that experiencing identity threat may lead to positive consequences. Building on Graebner's (2004) observations regarding how acquired leaders can facilitate the realization of expected and serendipitous post-merger synergies, Colman and Lunnan (2011) explored how identity threat can enhance this process. They found that identity threat triggered initiative-taking among acquired leaders, who spoke up to ensure that their knowledge and technologies were acknowledged and appreciated by the buyer. This behavior led to the creation of serendipitous value in terms of "new work processes, technologies, and organizational and cultural renewal" (Colman and Lunnan, 2011: 853).

Construction of identities. Other scholars have focused on the roles of symbolism and discourses in the construction of post-merger identities. An early example is provided by Schneider and Dunbar (1992), who examined images of M&A events in the media. Researchers have also examined the key role of discursive resources such as stereotypes (Ailon-Souday & Kunda, 2003), metaphors (Vaara, Tienari, & Säntti, 2003) and metonymies (Riad & Vaara, 2011) in building postmerger identities. Ailon-Souday and Kunda (2003) examined how national identities were constructed and used during postmerger integration, arguing that identity constitutes a symbolic resource that is actively used in post-merger organizational struggles. They observed both a struggle for local separateness, i.e., distinguishing the locals from the acquirers, and a struggle for global status, i.e., the establishment of a sense of organizational superiority in relation to the acquirer. The authors highlight the use of stereotypes in these struggles. Similarly, Vaara et al. (2003) illustrate how specific metaphors are used to construct a sense of us versus them as well as a shared postmerger identity.

Research has also explored connections between identity construction and power. Vaara et al. (2005) examined the power implications of the choice of Swedish as the corporate language in a Finnish-Swedish banking sector merger. Their analysis demonstrated how language skills were used as empowering or disempowering resources in communication, how these skills were linked with professional competence, and how this lead to the creation of new social networks. As a consequence, language skills became essential elements in the construction of international confrontation, led to a construction of superiority and inferiority, and reproduced post-colonial identities in the merging bank.

Other work has focused on the role of narratives in identity construction. Maguire and Phillips (2008) highlight how narrative identity-building is linked with institutional trust during postmerger processes; we will discuss this paper in more detail below. In an another illuminating paper, Clark, Gioia, Ketchen, and Thomas (2010) focus on the role of transitional identity, an interim sense held by members about what their organizations is becoming. Their analysis underscores the role of ambiguity in such identities. Based on an intensive longitudinal case study, they demonstrate how a transitional identity allowed organizational members to suspend their preexisting organizational identities and work toward creating a shared new one. They argue that a transitional identity must be ambiguous enough to allow multiple interpretations of what the merged organization is becoming, yet not so ambiguous as to appear threatening.

Vaara and Tienari (2011) provided a process model that elucidates the dialogical nature of identity construction, and in particular, the role of storytelling in these processes. In their analysis of a Nordic financial sector merger, they showed how identity-building proceeded through the interplay of globalist, nationalist and Nordic narratives. These narratives were mobilized in intentional organizational storytelling to legitimate or resist change: globalist storytelling as a means to legitimate the merger and to create MNC identity, nationalist storytelling to relegitimate national identities and interests, Nordic storytelling to create regional identity, and the critical use of the globalist storytelling to challenge the Nordic identity. The authors concluded that such storytelling is characterized by various kinds of ongoing dialogical dynamics that determine what the post-merger organizational identity is perceived to be.

Drori, Wrzesniewski, and Ellis (2013) focused on boundary negotiation as a key part of PMI. Their model showed that identity-building in PMI involves boundaries that are created and recreated to establish a new sense of self in a PMI process. They argue that the boundaries that define the structures, practices, and values of firms prior to a merger are reinforced, contested, or revised in the integration process; they find that the boundary negotiation process shapes the identity of the post-merger organization. More specifically, their study shows that identity-building takes place in two stages: First, the boundaries between organizations are negotiated and created to import practices and values between the two merging organizations. Second, the boundaries are then gradually removed as managers build on imported practices and values to foster actual integration. They conclude that boundaries play a key role in the creation of a new post-merger organizational identity but also allow organizational members to maintain key aspects of their previous identities.

Summary. Research indicates that post-merger organizational identification is higher when acquired employees perceive that there is continuity with their pre-merger identities, and lower when these employees perceive that there are differences between the acquired and acquiring organizations and when they feel dominated by the acquirer. Scholars have also described how stereotypes, metaphors, metonymies and narratives are deployed to construct post-merger identities.

Despite these advances, there is a need to further develop our understanding of identification and identity construction processes in PMI. For instance, little is known about the interplay of managerial efforts to influence identity construction and individuals' responses. Moreover, although identity-related processes are inherently emotional, the affective dimensions of organizational identity construction have received little attention in prior research. Intriguing evidence suggests that negative emotions triggered by identity threat may ultimately lead to advocacy by acquired managers, resulting in better performance. Future research could investigate how acquiring firm leaders can most effectively harness negative emotions among target personnel, and more generally, how leaders can manage their own emotions and the emotions of others. Finally, the role of communications – including social media - remains understudied in the PMI context.

Justice in PMI

Justice is another aspect of PMI that has attracted increasing attention among M&A scholars, often in association with culture or identity. Fairness or justice has been seen as an essential explanation of employee reactions and related postmerger problems. Drawing on the more general discussion about organizational justice (Colquitt, Conlon, Wesson, Porter, & Ng, 2001), scholars have examined how positive perceptions of justice can foster acceptance of change and help motivate organizational members, and conversely, perceptions of injustice may generate organizational conflicts in PMI.

Research on "relative standing" in PMI alludes to the potential consequences of perceived injustice (Hambrick & Cannella, 1993; Very, Lubatkin, Calori, & Veiga, 1997). Very et al (1997) examined relative standing to explain the performance of acquired European firms, focusing on how perceived loss of autonomy, lack of appreciation, and inferior status may lead to cultural clashes and deteriorating performance.

Subsequent research has focused on distributive justice, that is, a fair distribution of resources between the merger partners. This is especially the case with "mergers of equals" that create expectations of equality that are often not met (Drori et al., 2011; Lipponen, Olkkonen, & Moilanen, 2004; Meyer, 2001; Meyer & Altenborg, 2007; Zaheer, Schomaker, & Genc., 2003). In an early study, Meyer (2001) offered an analysis of mergers of equals from a justice perspective. She argued that there are alternative approaches to justice rules with different implications for PMI. A focus on equity, i.e., one is given what one is entitled to, is one approach. She argues that adherence to this approach implies an unbalanced power relationship and relatively low ambiguity. However, in conditions of a balanced power relationship and high ambiguity, managers have to make trade-offs between maximizing economic productivity and fostering relationships, which makes following the principle of equity very difficult. Meyer and Altenborg (2007) alternatively focused on what happens when an equality principle, in which both sides are treated as equals, is operationalized. Based on an in-depth case study of a merger between two telecom companies in Scandinavia, they found that instead of facilitating PMI, the equality principle led to unrealistic expectations on both sides that had a negative impact on social integration.

Other types of justice have also received attention, especially procedural justice, or the fair treatment of all parties in PMI decision-making (Ellis, Reus, & Lamont, 2009; Gleibs, Mummendey, & Noack, 2008). Analyses have also highlighted the importance of informational justice, or fair access to and sharing of information in PMI (Ellis et al, 2009). Moreover, scholars have demonstrated that these dimensions of justice are inter-related (Ellis et al., 2009). Ellis et al. (2009) examined the effects of procedural justice and informational justice on value creation in large related acquisitions, finding that the two forms of justice impact value creation in different ways. Procedural justice was associated with market position improvements after post-merger integration, while informational justice was linked with market position gains during integration and financial returns both during and after integration. Their analysis also suggests that the effects of the various forms of justice are interlinked. In particular, they found that procedural justice appears to decrease the positive effects of informational justice on financial returns, while it increases the effects of informational justice on market position during PMI.

Other research has examined how justice perceptions and related norms may change over time (Drori et al, 2011; Monin et al, 2013). Drori et al. (2011) studied how and why social actors entering into mergers may enact a culture of equality. Their analysis shows that firms can first develop ideas about equality and then create corresponding practices and strategies that construct equality as an inherent part of the merger. While this tendency may help foster sociocultural integration, it may become a liability later on when change is required. This may lead to a more practical and integrative approach regarding equality, which takes into account the interests and needs of the merged firm. In their longitudinal analysis of a merger between two MNCs, Monin et al. (2013) examined how norms of justice change over time. In particular, they identified a pattern in which focus moves from equality to equity to decreasing emphasis on distributive justice. Their analysis also highlights the process dynamics that explain why and how these norms and perceptions of justice may change.

Finally, scholars have suggested that some dimensions of justice may replace one another over time. In a longitudinal cross-sectional survey analysis, Melkonian, Monin and Noorderhaven (2011) examined how the effects of perceived distributive and procedural justice evolve. They discovered that when employees lack justice-relevant information on distributive or procedural aspects of decisions, they will use other temporary heuristics to reduce uncertainty such as scrutinizing the M&A-related cooperative behaviors of authority figures.

Summary. Research suggests that perceptions of relative standing and of distributive, procedural and informational justice influence PMI outcomes. Moreover, the salience and impact of each form of justice may vary over time. Researchers have also described the difficulties of enacting norms of justice, including equality and equity, during PMI processes.

Despite these advances, processual analyses of justice are still relatively scarce in PMI research. We know little regarding how emergent issues are made sense of and how consequent perceptions of (in)justice affect the course of PMI. Moreover, as with research on culture and identity in PMI processes, studies of justice in PMI have emphasized cognition and devoted less attention to affective processes.

Trust in PMI

Trust is yet another topic that has received increasing attention in PMI research (Graebner, 2009; Lander & Kooning, 2013; Maguire & Phillips, 2008; Stahl & Sitkin, 2010). We define trust as the willingness of a person, group, or organization to rely on another party's actions in situations involving opportunism or risk. A key motivation for this relatively recent stream of research has been the observation that trust tends to characterize positive and successful integration efforts (Stahl, Larsson, Kremershof, & Sitkin, 2011) while distrust appears to be associated with a variety of problems (Lander & Kooning, 2013; Maguire & Phillips, 2008). Indeed, lack of trust may be one mechanism driving the emergence of cultural conflicts and identity threats during PMI.

Maguire and Phillips (2008) offer a rare example of a longitudinal case study that elucidates the role of institutional trust as a key part of PMI. Their analysis demonstrates the difficulty of establishing institutional trust, i.e., trust in the inter-organizational arrangement per se. Their case analysis shows that the identity of the new organization may be perceived to be ambiguous, which tends to weaken institutional trust. Later on, when identification increases, trust may in turn strengthen.

In a study of acquisitions of entrepreneurial firms, Graebner (2009) found that merging organizations may have distinctly different views as to whether their counterparts are trustworthy. Her analysis shows how trust asymmetries emerge, persist, and influence actions, including engaging in deception and guarding against deception by others. Her analysis also suggests that the buyers' and sellers' beliefs concerning whether their counterparts are trustworthy or trusting may often be erroneous. Trust asymmetries and errors during the pre-merger phase then lay the foundation for feelings of betrayal during PMI.

Stahl and Sitkin (2010) developed a theoretical model that identifies and elaborates on the processes and mechanisms of trust formation in PMI. They suggest that target firm members' perceptions of the acquiring firm management's trustworthiness are affected by the relationship history of the firms, the interfirm distance, and the integration approach taken by the acquirer. Their multidimensional conceptualization of trustworthiness includes ability, benevolence, integrity, and value congruence. Perceptions of these dimensions either converge into an overall trust judgment or lead to a state of ambivalence, thus affecting a variety of attitudinal and behavioral outcomes. Using a case survey methodology, Stahl et al. (2011) examined similar effects. Interestingly, they found that certain aspects of relationship history and interfirm distance, such as the firms' collaboration history and pre-acquisition performance differences, provide poor explanations for trust, while integration process variables such as speed of integration and communication quality have a significant impact on trust.

Other studies have analyzed different aspects of trust building. In particular, Lander and Kooning (2013) have elaborated on personal, process and outcome related trust building in merger negotiations. Although their analysis focused on negotiations, it also helps to shed light on how these aspects of trust may play a central role in PMI.

Summary. Research suggests that distrust is often present during PMI, and may foster negative outcomes. However, the process dynamics of trust building in PMI are only partially understood. In particular, there is a lack of understanding of how trust and distrust are created in the course of unfolding M&A processes. For example, trust may either increase or decrease throughout the post-merger process, and may vary across groups or across dimensions of trust. It seems plausible that competence-based trust may evolve through different pathways than integrity-based trust. Greater attention to these dynamics represents an important opportunity for future research. In addition, future research could examine in a more fine-grained manner how specific communication tools and practices can be used to foster trust, as well as cultural integration and organizational identification.

Experience and Learning

While the research previously reviewed focuses primarily on individual M&A events, a substantial body of work has focused on the effects of repeated acquisition activity. In particular, this work has examined whether firms learn from prior partnering experience. Studies of acquisition experience have used a host of measures for both experience and performance, with the latter including change in acquirer ROA and internal rates of return (e.g., Zollo & Singh, 2004; Castellaneta & Zollo, 2015), and short- and long-term abnormal stock returns (e.g., Hayward, 2002; Laamanen & Keil, 2008). Because many of these performance measures do not focus specifically on post-merger integration, it is difficult to isolate whether firms are learning about post-merger integration or about earlier aspects of the acquisition process, such as due diligence and negotations. However, we include this work in our review since it may offer preliminary insights into whether and how experience and learning influence PMI.

Experiential Learning in PMI

Numerous studies have examined whether firms learn to manage acquisitions through direct experience, also referred to experiential learning or learning-by-doing. Drawing on earlier work in operational settings, scholars have argued that repetitive acquisition activity yields improved task performance. For example, Pennings, Barkema, and Douma (1994) found that experience is conducive to positive expansion outcomes. Their study showed that firms with experience in particular expansion modes, e.g., acquisitions, were more likely to experience positive performance in the future. Similar findings were reported in other studies by Barkema, Bell, and Pennings (1996), Bruton, Oviatt, and White (1994), and Vermeulen and Barkema (2001).

Despite the substantial number of studies on the topic, however, there is inconclusive evidence of the link between acquisition experience and performance (Barkema & Schijven, 2008a). Studies report insignificant (Barkema, Bell, & Pennings, 1996), negative (Ellis, Reus, Lamont, & Ranft, 2011), positive (Pennings, Barkema, & Douma, 1994; Reus, Lamont, & Ellis, 2016), inverted U-shaped (Barkema & Schijven, 2008b), and U-shaped (Haleblian & Finkelstein, 1999) relationships between firm-level acquisition experience and acquisition performance. While many questions remain unanswered, Haleblian and Finkelstein's (1999) seminal study offers a contingency model that arguably explains this inconclusive evidence. They argue that the effect of acquisition experience may range from positive to negative depending on the degree of similarity across firms' acquisitions.

Other studies examine how timing may influence the effects of prior acquisition experience on acquisition performance (e.g., Barkema & Schijven, 2008b). Hayward (2002) reported that better-performing firms wait an average of 220 days between acquisitions. Related work by Laamanen and Keil (2008) revealed that experience and firm size positively affect the firm's ability to digest greater variability in acquisition rates. Notwithstanding these important contributions, key questions about the performance implications of different patterns of experience accumulation remain unanswered. More recently, Castellaneta and Zollo's (2015) study of buyouts in the private equity context revealed that activity load, i.e., the number of simultaneous deals, negatively influences focal deal performance and the negative relationship is amplified by pacing and past success. Finally, Al-Laham, Schweizer, and Amburgey (2010) assessed the effect of firm age on the acquisition experience-performance relationship. Using post-acquisition patent rates as an outcome measure, their study revealed that experience benefits decrease with firm age such that younger firms benefit more from experience than older firms.

Deliberate Learning in PMI

A second group of studies explores the effect of deliberate learning processes on acquisition performance. Extending earlier work on experiential learning, these studies highlight the role deliberate forms of learning—i.e.., knowledge codification and articulation—play in developing acquisition integration capabilities. Prior work argues that both knowledge codification, i.e., written tools such as PMI manuals, and articulation, i.e., knowledge sharing though direct personal contact such as conversations and trainings, influence performance (Zollo & Winter, 2002). Zollo and Singh (2004) revealed that although acquirer experience does not directly influence acquisition performance, acquirers that codify their experience in manuals and tools outperform those that do not. Interestingly, subsequent work by Heimeriks, Schijven, and Gates (2012) argued that codification may give rise to inertial forces that hinder customization of routines to the focal acquisition. Their findings showed that successful acquirers adjust their codified acquisition routines through risk management and tacit knowledge transfer practices. Their study reveals the interplay of mechanisms of deliberate learning that impact post-acquisition integration outcomes.

Another mechanism of deliberate learning is the creation of a dedicated M&A function. A recent study by Trichterborn, Zu Knyphausen-Aufseß, and Schweizer (2015) surveyed firms from a variety of industries to examine the role of the M&A function. Using structural equation modeling, they found that a dedicated M&A function fosters the development of an acquisition capability, which impacts acquisition performance. To shed further light on the inconclusive experience-acquisition performance link, still other work reveals how outcome and causal ambiguity elicit superstitious learning and performance-deteriorating behavior in acquisitions. In particular, Zollo (2009) showed that the acquiring firm’s perception of past performance is inversely correlated with focal acquisition performance.

Experience Spillovers

A third group of studies assesses whether experience spillovers from other corporate development activities foster positive acquisition outcomes (e.g., Porrini, 2004). Engaging in related strategic tasks, e.g., alliances and divestitures, may improve the firm’s ability to proficiently execute acquisition integration processes. Recent work by Zollo and Reuer (2010) found a U-shaped relationship between alliance experience and acquirer performance, but also find that the effect of past alliance experience is magnified by the degree to which the focal acquisition is managed like an alliance, i.e., with low levels of integration and a high level of relational quality. These findings reveal that, depending on the degree of task similarity, experience spillovers across corporate development activities can be positive or negative. Still other work studies micro-level processes to analyze whether and how firms learn to do acquisitions through related corporate development activities. Using an inductive design, Bingham, Heimeriks, Schijven, and Gates’s (2015) single case study reveals how initiating, generalizing, and backward-chaining structure allowed Dow Chemical to improve acquisition integration processes through their joint venture and divestiture activities. This recent work provides emerging evidence of the important role process dynamics may play in experience transfer within and across different corporate development activities.

Summary

Overall, the substantial literature on organizational experience and learning in acquisitions has provided many valuable insights. Most notably, the complex relationship between experience and performance indicates that experience is a necessary but insufficient condition for learning. Learning is influenced by several factors, including the timing of prior acquisitions, firm age, the use of codified tools, tacit knowledge transfer practices, and the presence of a dedicated M&A function. However, many questions remain regarding what exactly is learned from one acquisition to the next, and whether these lessons pertain mainly to due diligence and negotiations, or also to managing PMI.

Future research could examine the specific mechanisms through which firms can learn about PMI, and whether they differ from the mechanisms of learning regarding deal-making activities. Timing may be particularly important in learning about PMI. Because PMI is a prolonged process, the integration of a prior acquisition may be ongoing at the time of a subsequent acquisition, making it difficult to draw conclusions about the effectiveness of the integration approach used in the prior acquisition. Moreover, while negotiation teams typically "roll off" of acquisitions at deal close and are available to apply their experience to subsequent deals, integration teams may still be engaged in integrating a previous acquisition and unavailable to work on subsequent integration projects. These features may call for different mechanisms to capture and disseminate knowledge regarding PMI vs. other aspects of managing M&A activity. Codified tools may play a particularly important role in PMI, but we have little understanding of how acquirers decide whether and how to create and apply these tools. We also know little about whether acquirers obtain tools from external sources such as consultants or colleagues at other firms, and how these tools are applied and with what results.

Future Research: Toward a Process View of PMI

Throughout our literature review, we have highlighted specific opportunities and questions for future research (Table 1). In this section we take a broader view, highlighting four overarching perspectives that address many of the specific questions we have identified while also promising to elucidate the processual dynamics of PMI in a theoretically grounded manner. These perspectives are temporality, decision-making, practices and tools, and emotionality. These theoretical lenses have developed into significant streams of research in management and organization studies, but their potential in advancing our understanding of PMI process dynamics has not yet been realized. We describe each of these perspectives, how they may shed light on the gaps identified in our review of the literature, and how they may generate new PMI research streams in their own right.

--------------------- Insert Table 1 about here ---------------

Temporal Perspectives

As noted earlier, case study research has indicated that PMI unfolds in temporal phases. For example, Bresman et al. (1999) found two phases for knowledge transfer, the first involving unilateral transfer from acquirer to target and the second involving reciprocal transfer. Birkinshaw et al. (2000) identified two phases of acquisition implementation: an initial three to five year period in which human integration is prioritized, followed by a second period in which task integration is optimized. Drori et al. (2013) found two phases related to post-merger identity building: negotiation of boundaries and removal of boundaries. Finally, Monin et al. (2013) identified three PMI stages characterized by attention to particular norms of justice.

Quantitative studies with larger samples have complemented this work by confirming that PMI outcomes evolve over months or years after an acquisition takes place. Kapoor and Lim (2007) found that acquired firm inventors had significantly lower patenting activity than acquiring firm inventors for the first two years after an acquisition, but the two patenting rates converged for the next three years. Allatta and Singh (2011) found that communication between acquirer and target personnel increased at a gradual pace, peaking two years after deal close and subsequently declining. Stahl and Voigt (2008) found in a meta-analysis that cultural differences between acquired and acquiring firms improved shareholder returns at the time of acquisition announcement, but had a negative effect on shareholder returns several months later.

Thus, extant research has established that timing is important for understanding PMI processes and outcomes. However, multiple opportunities exist to understand temporal processes in a more comprehensive and sophisticated manner. Opportunities to apply a temporal perspective to strategic integration include explicating the time-dependent relationships among PMI activities such as communication, consolidation, and standardization; exploring the path dependence of PMI decisions and outcomes; and examining how managers balance short- and long-term considerations. Opportunities to apply a temporal perspective to sociocultural integration include examining how cultural clashes and cultural integration do – or do not – emerge; how organizational members make sense of emergent issues in order to draw inferences about justice; and how various dimensions of trust and distrust evolve over time. Opportunities to examine temporal aspects of learning regarding PMI include investigating how PMI capabilities develop and/or deteriorate over time and how this process is influenced by the timing of M&A events.

In addition to addressing these specific topics, temporal perspectives may open new avenues for PMI research. These include more nuanced investigations of the roles of speed, frequency and rhythm in PMI events (c.f., Amis, Slack, & Hinings, 2004; Ancona et al., 2001a; Ancona et al., 2001b; Huy, 2001; Klarner & Raisch, 2013).

Speed. Rapid integration has been theorized to mitigate "post-merger drift" (Bower, 2001) by resolving uncertainty that could distract employees from their job responsibilities. However, case study research suggests that fast integration may foster perceptions of injustice, eliciting dissatisfaction and causing key employees to lose motivation and even to leave the firm (e.g., Haspeslagh & Jemison, 1991; Birkinshaw, Bresman, & Håkanson, 2000; Ranft & Lord, 2002). Larger-sample studies suggest that integration speed affects PMI outcomes in complex ways. Cording et al. (2008) found that integration speed increases internal reorganization goal achievement and Schweizer and Patzelt (2012) found evidence that faster integration may enhance employee retention. Homburg and Bucerius (2006) observed that faster integration was most beneficial when the target and acquirer had high internal relatedness (e.g., strategic orientation and management style) and low external relatedness (geographic markets and customers). When internal relatedness was low and external relatedness was high, faster integration was detrimental to performance.

Given these complex and equivocal results, a promising direction for future research would be to assume that each type of post-merger change has its own optimal pace. Formal structures are likely to change more quickly than ingrained beliefs, cognitive styles or skills (Bartunek, 1984). In addition, different paces and dimensions of change may require different leadership styles. Huy's theory of temporal capability (2001) proposed that a "commanding" approach is most appropriate for changing the formal structures of an organization; an "engineering" approach for changing work systems; a "teaching" approach for changing belief systems; and a "socializing" approach for changing the quality of work relationships, including building trust. Using a "commanding" approach to promote post-merger acculturation is likely to be ineffective, for example. Future studies could examine the interaction of leaders' temporal capabilities with the pace of implementing various forms of change in PMI.

Frequency and rhythm. Temporal processes may unfold both within and between successive acquisition events. Acquisition *frequency* or intensity reflects the number of acquisitions undertaken by a firm within a given period of time. The strategic change literature suggests that insufficient time between major organizational changes prevents organizations from rebuilding routines and provides insufficient time for managers to engage in effective decision making (Hambrick, Finkelstein, & Mooney, 2005). Consistent with this prediction, Hayward (2002) found that announcement returns were higher when prior acquisitions were neither too temporally close nor too distant. Similar findings were reported by Laamanen and Keil (2008), who found that a high acquisition rate negatively affected three-year abnormal returns. While these results are intriguing, however, they provide little visibility into the mechanisms through which acquisition frequency affects performance. Additional research isolating the effects of frequency on PMI, as opposed to target selection or negotiations, would be valuable.

Rhythm is “a pattern of variability in the intensity and frequency of organizational activities, typically characterized by periods of accelerated and slowed activity” (Huy, 2001, p. 613). Thus, acquisition rhythm considers not only the total number of acquisitions within a period of time, but the patterns of their timing (Huy, 2001; Huy & Mintzberg, 2003). Laamanen and Keil (2008) found that variability in the timing of acquisitions negatively affected acquisition performance. Future work could assess the effects of more nuanced patterns of acquisition activity (e.g., Klarner & Raisch, 2013). Moreover, research could explore what processes enable acquirers to better manage variability in acquisition timing.

Decision-Making

As noted earlier, survey research suggests that acquirers favor their own resources and practices when making PMI decisions (e.g., Capron, 1999). Case studies reinforce this view. Haspeslagh and Jemison noted that, “firms automatically impose their administrative systems and practices on the acquired firm without considering whether these systems are right in the new setting” (1991: 120) and Mirvis and Marks described a “sense of superiority” that led the acquiring firm’s leaders to assume their company’s “procedures, policies and systems are superior to those of the purchased firm” (1992: 97).

Despite this evidence, extant research has largely assumed a rationalistic model of PMI decision-making, in which integration decisions are designed to maximize value creation (Vaara, 2000). For example, Pablo (1994) used a policy capturing approach in which hypothetical acquisition scenarios varied along the dimensions of strategic task needs, defined as the degree to which synergy realization "depends on the sharing or exchange of critical skills and resources" (1994, p. 808), and organizational task needs, defined as the degree to which synergies "depend on the preservation of a unique, context-specific set of organizational capabilities" (1994, p. 808). Strategic task needs led experimental subjects to choose a higher degree of integration, while organizational task needs and acquirer multiculturalism led to a lower degree of integration. Subsequent studies have also focused on a value creation logic, examining how similarity and complementarity between buyer and target influence integration and autonomy decisions (Larsson & Finkelstein, 1999; Bauer & Matzler, 2014; Zaheer et al., 2013).

Taken together, these studies suggest that PMI decisions are shaped by a complex interplay of rational and irrational factors. Yet extant research offers little insight into how PMI decisions are actually made. With few exceptions (e.g, Yu, Engleman, & Van de Ven, 2005), researchers have not examined the process of integration decision-making in real time or in a fine-grained manner. Moreover, most studies have assumed that integration decisions are made solely by the acquirer, despite emerging evidence that acquired managers (Meyer and Lieb-Dóczy, 2003; Graebner, 2004; Colman and Lunnan, 2011) and consultants (Heimeriks and Graebner, 2014) may play a crucial role. More research is needed to move beyond firm characteristics and to understand how individual actors and their interactions shape decision-making processes in PMI. In particular, we expect the following topics to be particularly interesting.

Executive personality and decision-making. A highly relevant area for future research is how the personalities and backgrounds of acquirer and target executives shape the acquisition integration process. Upper echelons theory suggests that bounded rationality and other cognitive biases play important roles in many strategic decisions (Hambrick, 2007). In the context of mergers and acquisitions, acquiring firm leaders' hubris (Hayward & Hambrick, 1997), narcissism (Chatterjee & Hambrick, 2007) and self-interest (e.g., Deutsch, Keil, & Laamanen, 2007; Gamache, McNamara, Mannor, & Johnson, 2014; Devers, McNamara, Haleblian, & Yoder, 2013) have been shown to influence decisions in the deal-making phase. Leaders' prior experience (e.g., Walters, Kroll, & Wright, 2008; McDonald et al., 2008), functional position (Melone, 1994), gender (e.g., Chen, Crossland, & Huang, 2014), tenure and educational background (Nadolska & Barkema, 2014) also influence decisions regarding whether to acquire a firm and how much to pay. This suggests that a promising avenue for future research would be to examine how leaders' personality traits and backgrounds influence their decisions regarding PMI.

Power and politics in decision-making. Notwithstanding the broader literature on power and politics in organizations (e.g., Eisenhardt & Bourgeois, 1988; Pfeffer & Moore, 1980; Clegg, Courpasson & Phillips, 2006), extant work has only scratched the surface of politics in PMI (Vaara, 2003; Tienari & Vaara, 2012). Prior work suggests that socio-political factors affect interactions between key actors in PMI (e.g., Clark & Geppert, 2011), and that PMI may be linked with broader cultural or societal power relationships and political processes (Hellgren et al., 2002; Tienari, Vaara & Björkman, 2003; Tienari et al., 2005). However, it is notable that current work has mainly focused on the causes and consequences of conflicts in the post-acquisition company. Thus, important questions remain unanswered, such as how power and politics affect decision-making processes within the acquirer and shape bonding and trust within and across the merging firms (e.g., Graebner, 2009). Moreover, given that employee exit affects PMI performance (e.g., Krishnan, Hitt, & Park, 2007) Younge, Tong, & Fleming, 2015), it would be fruitful to examine how power and politics influence the appointment of staff to key positions, shaping retention and decision-making across the combined organization.

Practices and Tools

Our review of the PMI literature indicated that various conceptual frameworks, organizing tools, technologies, intervention methods, and other practices are frequently deployed in PMI. These include codified tools, e.g., checklists and integration manuals (Zollo & Singh); higher-order routines, in the form of risk management practices (Heimeriks et al., 2012); and specific sociocultural interventions (Björkman et al., 2007; Schweiger & Goulet, 2005). Yet we know relatively little regarding how these tools and practices are created (or perhaps borrowed); how they are selected; and how they are deployed.

A practice-based perspective may help to address these questions. Practices are accepted ways of doing things that are shared among actors and routinized over time

(Reckwitz, 2002). Some are more conceptual or heuristic in nature while others may be more sociomaterial, as in the case of concrete technologies or tools like M&A handbooks. Existing practices are both enabling and constraining, and although they may be used in routinized ways, their application may also lead to unpredictable outcomes and unintended consequences (Vaara & Whittington, 2012). We specifically suggest connecting the practice perspective with learning to highlight the ways in which managers and other actors learn how and when to use various practices and tools in PMI. We propose four avenues for future research: the creation and development of practices and tools, the impact of tools on value creation, the role of tools in shaping sociocultural integration dynamics, and the use of tools in communication.

Creation and development of practices and tools. An important area for future research centers on how practices and tools are created, shared, deployed, and updated. Emergent work reveals how single firms develop PMI practices (Bingham et al., 2015), yet important questions remain. For instance, we do not know whether and how codified tools are drawn from external sources, and if so, how they impact PMI performance. We also do not know how firm leaders decide whether to invest in the creation of codified tools. It would also be interesting to focus on TMT decision-making heuristics in PMI; for instance, the basis on which inferences are drawn or the conceptual frameworks that are used in making sense of PMI dynamics. Another unexplored area is the sociomaterial factors that influence the deployment of tools and practices by middle managers and organizational members.

Value creation with practices and tools. Another area focuses on the contingencies that affect how the integration process benefits from learnings captured in PMI tools. For instance, little is known about how specific tools or methods facilitate positive experience transfer. Managers may also suffer from biases coming from previous successes, leading them to be overoptimistic or to underestimate the context-specific problems and challenges in new cases. Although extant work finds that codified tools can dampen such effects (Zollo, 2009), many unanswered questions remain. It would also be fruiftul to study when and how a lack of individual-level experience or competence, e.g., lack of heterogeneous firm-level experience, can be offset by PMI tools. Finally, recent reseach reports that activity load has a negative effect on deal performance (Castellaneta & Zollo, 2015). It would thus be important to know whether specific practices or tools enable organizations to manage heavier activity loads more effectively.

Practices, tools and sociocultural integration. There are also important open questions in regard to how tools and practices impact sociocultural integration, including acculturation, identity formation, perceptions of justice, and trust building. Many, if not most, of the PMI tools are intended to foster the efficiency of implementation, often revealing the 'dark side' of acquirer-to-target knowledge transfer (e.g., Reus, Lamont, & Ellis, 2016), and thus their use may have counterproductive effects in terms of sociocultural integration. There are specific tools and methods used to promote sociocultural integration, but research about them has been limited (Björkman et al., 2007; Schweiger & Goulet, 2005). For instance, we know little regarding how PMI tools affect the building of trust and transitional identity. Moreover, it would be important to study how perceptions of justice may be managed or how tools may be used to foster the development of networks between merging organizations. Important in all this would be to not to only study the potential positive or negative effects of specific practices or tools, but also how their use impacts the unfolding of PMI processes and cause unintended consequences.

Tools of communication. While previous research has highlighted the importance of communication in PMI (Schweiger & DeNisi, 1991), little is known about communication practices and tools and how they shape the dynamics of PMI processes. Preliminary research has explored media coverage of M&A events (Riad & Vaara, 2011; Vaara, Tienari & Laurila, 2006), but there is a dearth of knowledge rega~~r~~r~~a~~ding how merging organizations justify or legitimate their actions vis-à-vis various stakeholders and the kind of challenges that this involves. Exceptions are offered by Vaara and Monin (2010), who studied the dynamics of discursive legitimation in PMI and highlighted the risk that overly positive communication can lead to a legitimacy crisis; and by Vaara and Tienari (2011), who examined how organizational actors and the media used various discursive resources and forms of storytelling to impact the course of PMI. On the whole, however, we know little regarding communication practices and tools in PMI. For example, it would be interesting to learn more about how managers deal with stock market reactions or try to manage internal and external stakeholders by various communication strategies. Furthermore, as noted earlier, little is known about the role of social media in PMI, although it most likely is an arena that has a fundamental impact on how people make sense of PMI.

Emotionality

Researchers have long recognized that post-merger integration may trigger strong negative emotions, or even trauma, among acquired employees (Buono & Bowditch, 1989), and that these emotions could generate undesirable outcomes such as loss of motivation and increased turnover (Empson, 2001). Since this early work, the literature has continued to argue that the emotional consequences of PMI are (1) primarily experienced by acquired personnel, (2) triggered by changes in individuals' relative standing or other personal circumstances, (3) mainly negative, and (4) likely to cause poor organizational outcomes. An example is a series of studies examining loss of relative standing (Frank, 1985) among acquired employees. Hambrick and Cannella (1993) argued that acquisitions often cause a loss in relative standing for acquired individuals, engendering feelings of alienation, inferiority, or jealousy. Subsequent studies found further evidence that loss in relative standing adversely affects post-merger top management turnover (Lubatkin, Schweiger, & Weber, 1999), inventor productivity (Paruchuri et al., 2006), and firm performance (Very et al., 1997).

It is likely that many acquired employees do experience negative emotions, and that these feelings can indeed trigger poor organizational outcomes. Yet this high-level pattern is likely to mask complexity that could be revealed through more nuanced, processual analysis. While the dominant emotional response to acquisition may be negative, it seems likely that emotional responses to PMI are considerably more textured. Emotional responses to PMI could range from positive to negative, affect both acquired and acquiring firm employees, and evolve over time. Each of these types of complexity offers opportunity for developing a deeper understanding of how emotions influence, and are influenced by, post-merger integration processes.

Emotional heterogeneity. Although most research has assumed that the emotional responses to a merger or acquisition will be negative, early work on PMI processes acknowledged individuals' experiences with PMI will vary, and their emotional states can range from frustration, sadness and anger to excitement (Marks & Mirvis, 1992). Similar variety in emotional responses has also been observed in other kinds of organizational change, such as downsizing (O'Neill & Lenn, 1995).

Recent advances in understanding managerial attention (Ocasio, 1997; 2011) may provide a useful lens for understanding heterogeneous emotional responses to PMI. Emerging research indicates that subgroups within an organization (for example, senior managers vs. middle managers) often vary in the object of their attention (Vuori & Huy, 2015). Vuori and Huy noted that senior managers focused attention on external threats from competitors while middle managers focused on internal threats to their own careers. Similarly, in the PMI context, senior managers – particularly from the acquiring firm – will need to devote attention to external parties like industry analysts, shareholders and the media (Vaara & Monin, 2010; Vaara & Tienari, 2011). Acquirers often make predictions to shareholders and industry analysts regarding synergies that will be realized from an acquisition, and senior management will likely be focused on achieving those targets. At the same time, acquired employees may be focused on internal threats to their careers, leading to different emotional responses. Moreover, the focus of managerial attention oscillates over the course of a PMI process (Yu et al., 2005), suggesting that emotions will oscillate as well.

Managing emotions. Prior research suggests that leaders need to take an active role in managing subordinates' negative emotions during the PMI process (e.g., Graebner, 2004). Yet research on how leaders may manage collective emotions remains in its infancy (Huy, 2012). Managing employees' collective emotions during PMI may prove challenging because at the same time that managers attempt to promote emotions that will facilitate achieving organizational goals, employees will be exposed to other influences that may foster opposing emotions. These influences emerge through emotional contagion (Barsade, 2002) and collective rumination (Marmenout, 2011). Emotional contagion is a process in which emotions are transferred from one individual to other group members, and can happen without conscious knowledge (Barsade, 2002; Barsade & Gibson, 2007). Emotional contagion can occur with both positive and negative emotions (Barsade, 2002). Collective rumination, in contrast, involves repetitively and passively discussing organization problems and their negative consequences with a group of peers (Marmenout, 2011). An experimental study asked participants to read and discuss a description of a hypothetical merger. After only 15 minutes of discussion, participants displayed more negative reactions to the merger. Intriguingly, participants in the role of acquirer were more strongly affected by the discussion, resulting in post-discussion satisfaction ratings that were lower for acquirers than for acquirees. This suggests an important avenue of investigation will be how emotions spread within the acquiring firm during the post-merger process.

In addition to managing employees' emotions, managers must also manage their own. Given that senior leaders face pressures from the financial markets, shareholders and the media, they may have to engage in emotional labor in order to display positive affect toward employees. Understanding how senior managers deal with the alignment (or lack thereof) between emotional displays and felt emotions—and the effects on the psychology and behavior of themselves and other people they influence—is another rich area for investigation (Huy, 2012).

A final challenge is in recognizing that negative emotions may not be universally bad. Negative emotional responses may trigger acquired employees to be more vocal in advocating for the use of their processes and knowledge, resulting in greater value creation (Colman and Lunnan, 2011). Negative emotions among acquiring firm personnel could also conceivably engender positive organizational outcomes. For example, fear of unduly offending the other firm`s members could motivate acquiring firm leaders to be more empathetic towards employees of the acquired firm. Examining how leaders can recognize and harness negative emotions during PMI is another promising area for investigation.

Conclusion

The objective of this paper has been to synthesize, critique and reinvigorate research on post-merger integration to foster a deeper understanding of how PMI contributes to acquisition experiences and outcomes. In particular, we have focused attention on PMI process dynamics that are still not adequately addressed or understood in organization or management research. For this purpose, we have conceptualized postmerger integration as a multifaceted, dynamic and context-specific process. In a nutshell, we have argued that such a process perspective is the key to better comprehend the complexity, unpredictability, uncertainty, and ambiguity around these phenomena.

Reviewing over 300 articles published since 1985, our review demonstrates the richness of research on PMI. In particular, we have shown how studies on the strategic and sociocultural aspects of integration as well as those on experience and learning ~~-~~have advanced knowledge of PMI in general and process dynamics in particular. This review also indicates that there are a number of issues that warrant more attention in these established areas of PMI research. To be able to dig deeper into the process dynamics, we have identified new perspectives that can be specifically fruitful for future research. These include research on temporality, decision-making, practices and tools, ~~network dynamics,~~ and emotionality in PMI. Each of these areas warrants attention in its own right, and together they form a fertile agenda for future research.

Our review has shown the need for diversity in theories and methods to capture different aspects of these multifaceted dynamic processes. We believe that it is important to continue to develop new conceptualizations, theoretical frameworks as well as methods to advance our knowledge of the process dynamics. A part of this work is to develop increasingly robust measures to better capture important aspects of PMI. For example, research on knowledge transfer or experience and learning provide examples of how our understanding advances in and through more comprehensive and reliable measures. Yet it is also important to challenge and problematize previous conceptualizations and methods. For instance, recent research on cultural dynamics shows how cultural differences may be seen not only as causes of human resource problems, but also value creation, and how the very perceptions of cultural differences may be part of the PMI process dynamics (Vaara et al., 2014). Finally, in addition to work on specific measures and methods, there is a need to develop dynamic process models to conceptualize the emergent or stage-wise nature of PMI processes. Although there already are examples of such work (Clarke et al. 2010; Monin, et al., 2013; Vaara & Tienari, 2011), new models could go further in elucidating the dialectical or dialogical dynamics involved.

At the same time, it is important to make sure that future research is not conducted in silos of increasing theoretical specialization and methodological sophistication, but that the various perspectives are also brought together in research on PMI. This is crucial to understand the contradictions, paradoxes and dilemmas characterizing PMI decision-making and the organizational dynamics involved. Such understanding may be advanced by new perspectives such as temporality that can cut across more established areas of PMI research.

Finally, we also emphasize the context-specificity of PMI processes. This review shows that scholars have studied PMI processes in various kinds of organizational, industrial and national contexts. Yet comparisons of process dynamics across different contexts are still scarce, constituting a special challenge for future research.

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Table 1: Summary of Findings and Future Research Directions

Topic Area	Key Findings	Unresolved Questions	Lenses for Future Research
Strategic Perspectives	<u>Interaction, alignment and structural integration</u> Greater interaction and communication enhance synergy realization, knowledge transfer, and economic value creation. Alignment and standardization have varied but mostly positive effects on performance outcomes. Structural integration has mixed effects on performance outcomes. Autonomy (decision control) and alignment/restructuring are different dimensions of integration. Autonomy has mixed effects on performance outcomes. <u>Reconfiguration and renewal</u> Acquisitions trigger reconfiguration of business units, resources, knowledge and networks. Reconfiguration can unfold over extended periods of many years. Moreover, the consequences of reconfiguration may vary over time. Resource reconfiguration generally improves performance. However, the acquirer's resources may be excessively favored. Evidence is still limited regarding the performance effects of reconfiguring knowledge, products, business units and social networks. Resource reconfiguration is influenced by the level of communication between firms, the legal and regulatory environments, managers' perceptions of each firm's resource quality, advocacy by target firm managers, and subsequent acquisition activity.	How do interaction and communication influence outcomes such as consolidation, standardization, and reconfiguration? What is the relationship between these activities over time? Are the effects of autonomy path-dependent, i.e. does that impact of autonomy depend upon the process leading up to that outcome? How are decisions made regarding interaction, standardization, and reconfiguration? What are the roles of different parties in making these decisions? How can acquired personnel effectively voice their views? What individual and organizational factors influence these decisions? Do they differ from the factors that influence deal-making decisions? Why do acquirers favor their own assets, and are there ways to mitigate this potential bias? Are there particular tools and practices that may help? How do managers balance short- and long-term outcomes during PMI? What cognitive and affective processes influence the reconfiguration of social networks during PMI? How can leaders shape these processes?	Temporality Temporality Decision-making Decision-making Decision-making Tools and Practices Temporality Emotionality

Sociocultural Perspectives	<u>Culture</u> Cultural differences often, but not always, reduce performance. Differences in organizational culture and in national culture may influence PMI in distinctive ways. Cultural integration is enhanced by communication and social interventions <u>Identity</u> Post-merger identification is higher when acquired employees perceive continuity with their pre-merger identities. Post-merger identification is lower when employees perceive differences between the organizations and feel dominated by the acquirer. Stereotypes, metaphors, metonymies and narratives are deployed to construct post-merger identities. Identity threat may lead to negative emotions among acquired employees, but may also trigger proactive behavior that leads to better performance <u>Justice</u> Perceptions of relative standing and of distributive, procedural and informational justice influence PMI outcomes. The salience and impact of each form of justice may vary over time. Equality and equity norms are difficult to enact. <u>Trust</u> Distrust is often present during PMI. Trust is influenced by communication and other process variables, and is associated with positive PMI outcomes. Issues regarding trust and justice often trigger negative emotions during PMI.	What are the processes through which cultural integration does – or does not – emerge? How do cultural clashes or conflicts emerge and develop over time? What is the interplay between managerial efforts at cultural integration and identity construction and individuals' affective responses? How can leaders manage their own emotions and others' emotions? How can leaders effectively harness negative emotions? How do organizational members make sense of emergent issues in order to draw inferences about justice? How do affective and cognitive responses interact? How do perceptions of trust or distrust emerge over time among different groups of people or across different dimensions of trust? What communication tools can be used to foster cultural integration, promote identification, and facilitate trust?	Temporality Emotionality Emotionality Emotionality Temporality Emotionality Temporality Tools and Practices

Experience and Learning	Prior experience is necessary but not sufficient for improving M&A performance. The timing of prior acquisitions influences firms' ability to learn. Firm age influences ability to learn from M&A experience. Learning is enhanced through use of codified tools However, codification can produce rigidity. This can be addressed through risk-management and tacit knowledge transfer practices. A dedicated M&A function fosters learning and improves acquisition performance. Perceptions of past M&A success can lead to superstitious learning that diminishes future M&A performance. Experience in other corporate development activities (e.g. alliances) may have either a positive or negative effect on M&A performance, depending on the degree of task similarity.	What are the mechanisms through which learning regarding PMI takes place? Do they differ from the mechanisms of learning regarding deal-making? How do acquirers (and acquirees) obtain, select and apply PMI tools? How do acquirers decide whether to invest in the creation of codified tools and/or dedicated M&A departments? And whether to use those tools? How are PMI capabilities developed over time? How are they maintained, and do they have a tendency to deteriorate over time?	Tools and Practices Tools and Practices Decision-making Tools and Practices Temporality