Dynamic Capabilities in Acquisitions: When Acquirer and Target Employees Face Contradictory and Complementary Human Resource Signals

Abstract

Dynamic capabilities are crucial for firm survival and success, but to survive and succeed firms must manage multiple higher- and lower-order dynamic capabilities that can be complementary, but also conflicting. Utilizing human resource (HR) signaling theory, we provide new theoretical insights into the conditions, mechanisms, and reasons why Mergers and Acquisitions (M&A) capabilities (a lower-order dynamic capability) and organizational agility (a higher-order dynamic capability) are sometimes complementary, and at other times contradictory during acquisition integration. Our theory disentangles the interaction between these capabilities and explains how they act as a double-edged sword. We test our theory development using survey data from 91 acquisitions taking place in Germany, Austria, Switzerland, and Lichtenstein. Our results show that conflicting HR signals from M&A capabilities and organizational agility cause acquirer-target conflict, complicating post-merger integration and hindering knowledge transfer; while complementary signals enhance knowledge transfer. The findings provide important implications for the M&A, HR management, and dynamic capabilities literature, as well as valuable insights for M&A practitioners.

Keywords: Dynamic Capabilities, M&A Capability, Organizational Agility, Acquirer-target Conflict, Knowledge Transfer, Post-merger Integration, Human Integration, Signaling Theory

INTRODUCTION

Firm survival depends on the firm's ability to continuously transform in order to build and sustain competitive advantage (Rumelt et al., 1994, Ghosh et al., 2022). Dynamic capabilities are essential for sensing and seizing opportunities, and for reconfiguring resources; explaining why some firms succeed while others fail (Teece, 2007, Easterby-Smith et al., 2009). Dynamic capabilities reflect a firm's capacity for change (Helfat and Winter, 2011), but differ by functional domain, location in the capability hierarchy, and their level of analysis (Schilke et al., 2018). Indeed, the literature differentiates between higher- and lower-order dynamic capabilities (Schilke et al., 2018, Peteraf et al., 2013). Higher-order dynamic capabilities, like organizational agility (Weber and Tarba, 2014), address major challenges by reinventing the organization's structures and routines, including its lower-order capabilities (Winter, 2003, Peteraf et al., 2013). In contrast, lower-order capabilities focus on specific strategic tasks, such as strategic alliances (Kale and Singh, 2007) or mergers and acquisitions (M&A) (Zollo and Winter, 2002, Schweizer et al., 2022).

Research typically assumes that higher- and lower-order dynamic capabilities complement each other and enhance performance (Barreto, 2010, Heimeriks et al., 2012), promoting the idea that "more is better". However, preliminary evidence suggests that interactions between different capabilities can sometimes be disruptive (e.g. Schilke, 2014), and there is a major gap in understanding how these capabilities interact, and the mechanisms that drive tensions arising from their interplay (Schilke, 2014, Schilke et al., 2018). This paper addresses this theoretical shortfall, by exploring and unpacking how different dynamic capabilities interact, drawing on a human resource (HR) signaling perspective (Townsend et al., 2012, Haggerty and Wright, 2009, Meier-Barthold et al., 2023).

We argue that a HR signaling perspective enables a better understanding of the interplay between different dynamic capabilities, which affect not only organizational

outcomes but also shape employee dynamics. Indeed, the effectiveness of dynamic capabilities depends on coordinated behavior among employees, which is determined by consistent HR signals from organizational policies and practices underlying different dynamic capabilities (Verona and Zollo, 2011, Warner and Wäger, 2019, Haggerty and Wright, 2009). However, since dynamic capabilities operate simultaneously and in parallel, we argue that they can generate reinforcing or complementary signals, but also conflicting or weak HR signals, which ultimately determine the effectiveness of these capabilities.

This research therefore explores how the policies, routines and practices underlying different dynamic capabilities affect employees, which in turn shape strategic outcomes. Acquisitions provide an ideal setting to study interactions between different dynamic capabilities and HR signaling for two reasons. First, M&A capabilities can play an important role in enabling organizational agility, a higher-order capability that balances the development and deployment of lower order dynamic capabilities over time (Weber and Tarba, 2014). As M&As constitute an important vehicle for achieving strategic change, M&A capabilities contribute to organizational agility, which focuses on strategic change by aligning routines with external dynamics and unexpected events (Schriber et al., 2019). Second, integration – combining and aligning operations, strategies, structures and cultures of acquirer and target organizations (Pablo, 1994) – is crucial for achieving acquisition goals (Birkinshaw et al., 2000), particularly knowledge transfer, which is essential for realizing synergies (Ranft, 2006, Vaara et al., 2012, Sarala et al., 2016). Indeed, firms invest heavily in developing capabilities to better align management practices, cultures, and values to create shared identities and positive attitudes among employees (Dao and Bauer, 2021). Hence, in an acquisition context, HR signals refer to all integration policies and practices (e.g. integration manuals) as well as to the general policies and practices that characterize the acquiring organization's routines and processes (e.g. knowledge management platforms such

as staff intranet or decentralized decision-making routines) that signal desired behavior to acquirer and target employees.

On the face of it, these two capabilities might seem complementary since they both place emphasis on learning and knowledge generation. However, organizational agility focusses on continuous renewal emphasizing flexibility and change, breaking path dependencies and reliance on historic routines (Teece et al., 1997, Doz and Kosonen, 2010). In contrast, M&A capabilities rely on routines learnt from prior deals and emphasize conformity (Trichterborn et al., 2016, Bower, 2001) thereby giving rise to inertial tensions as agility attempts to break with the past and M&A capabilities attempt to build on the past. Combined, organizational agility and M&A capabilities might be complementary but also contradicting, as they rely on distinct routines, practices, and activities (Rindova and Kotha, 2001).

By integrating HR signaling theory with dynamic capability research, we address a critical gap in understanding the mechanisms that lead to complementary and contradictory interactions between different levels of dynamic capabilities (Peteraf et al., 2013, Schilke, 2014, Schilke et al., 2018). Particularly, we demonstrate that conflicting HR signals complicate integration efforts, risking employee conflicts and hindering knowledge transfer. However, we also show that strong signals improve knowledge transfer. Acquirer-target conflict and knowledge transfer are of particular importance, as these factors are both crucial for minimizing integration friction, preserving intellectual capital, enhancing operational efficiency, and accelerating synergies for M&A success (Sarala et al., 2016).

In sum, this research contributes to the literature by explaining how, why, and when different higher- and lower-order dynamic capabilities influence conflict and knowledge transfer in acquisitions. We do so by disentangling and unpacking the complementary and

contradictory interactions between organizational agility and M&A capabilities. Our findings provide important insights into the emerging literature on the relationships between higher- and lower-order dynamic capabilities (Schilke et al., 2018), the interplay between HR practices and dynamic capabilities (Apascaritei and Elvira, 2022), and post-acquisition integration value creation (Colman and Lunnan, 2010, Dao and Bauer, 2021). We test our theory development with survey data about from 91 acquisitions taking place in Germany, Austria, Switzerland, and Lichtenstein.

THEORY AND HYPOTHESES

Acquirer-Target Conflict, Knowledge Transfer and Dynamic Capabilities

Knowledge is a key resource that drives corporate renewal and competitive advantage (Sarala and Vaara, 2010), and organizations invest heavily in capabilities to access and transfer knowledge. Knowledge transfer is often a primary motive for M&As, with successful knowledge transfer between acquirer and target being a central determinant of value creation (Junni et al., 2015, Sarala et al., 2016, Liu and Meyer, 2020). Indeed, the ability to transfer knowledge through M&As is rare and difficult to imitate, offering firms the potential for superior returns. However, transferring knowledge is inherently challenging because it is tacit and socially embedded (Ranft and Lord, 2002, Tian et al., 2021, Nonaka, 1994).

As such, acquirers must create an environment that encourages knowledge-sharing behavior (Minbaeva et al., 2012, Sarala et al., 2016) aiming to combine and align two separate organizations (Pablo, 1994). Aside from merging operations, integration facilitates the transfer of valuable, hard-to-imitate knowledge-based resources (Ranft and Lord, 2002, Sarala et al., 2016). However, integration is often accompanied by resistance, conflict (Seo and Hill, 2005, Schriber et al., 2019), and the loss of key personnel (Paruchuri et al., 2006).

Indeed, acquirer-target conflicts, which stem from an "us vs. them" mentality between the two firms, disrupt post-acquisition integration (Sarala, 2010); and managing these conflicts is crucial for successful integration and knowledge transfer. To address these challenges, some organizations develop M&A capabilities – the ability to plan and effectively execute acquisitions – derived from past experience (Zollo and Winter, 2002, Bauer et al., 2024). M&A capabilities help with combining and aligning operations, strategies, structures, and cultures of the acquirer and target (Pablo, 1994, Lamont et al., 2019) by emphasizing conformity (Bower, 2001, Capron and Mitchell, 2012). As such, M&A capabilities enable acquirers to allocate resources effectively, minimize disruptions, and foster successful knowledge transfer, by drawing on the experience of M&A managers who refine integration processes over time drawing from accumulated M&A experience (Junni et al., 2015, Trichterborn et al., 2016).

At the same time, many organizations operate in dynamic environments, requiring the development of higher-order dynamic capabilities such as organizational agility (Weber and Tarba, 2014). Organizational agility is the firm-wide ability to respond to unexpected changes with rapid, innovative actions, and to exploit these changes as opportunities for growth (Ahammad et al., 2020, Lu and Ramamurthy, 2011). It encompasses both market capitalizing agility, which is the ability to quickly adapt products or services to meet customer needs, and operational adjustment agility, which is the ability to rapidly adjust internal processes and structures in response to market shifts (Sambamurthy et al., 2003). As such, organizational agility weakens any tendency to rely on past success and routines (Doz and Kosonen, 2010, Teece et al., 1997) by emphasizing flexibility and fluidity.

Lower-order M&A capabilities and higher-order organizational agility demand coordinated behavior among employees, which is achieved through consistent HR signals (Verona and Zollo, 2011, Warner and Wäger, 2019). Taking a HR signaling theory

perspective (Haggerty and Wright, 2009, Bowen and Ostroff, 2004), these capabilities may send both complementary and contradictory signals to employees, creating strong and weak HR situations which impact acquisition outcomes. Both aim to attain organizational renewal and change; and consistently signal the importance of adaptation and change through learning and knowledge generation (Santos-Vijande et al., 2012, Zollo and Winter, 2002), creating a strong HR situation in terms of knowledge transfer.

However, strategic agility aims to avoid reliance on past success while an M&A capability develops from similar experiences making past success more salient. Furthermore, M&A capabilities stress formalization, standardization (Trichterborn et al., 2016), conformity (Bower, 2001, Capron and Mitchell, 2012) with signals such as integration checklists and manuals and target setting; while agility prioritizes flexibility (Nijssen and Paauwe, 2012) with signals including a de-layered organization structure and the use of informal real-time communication channels (e.g., WhatsApp messaging). Such contradicting signals can create inertial tensions resulting in divergent interpretations among employees, intensifying job, role, social identity, and cultural stressors (Seo and Hill, 2005); and giving rise to acquirer-target conflict which indirectly undermines value creating activities such as knowledge transfer. Managing these tensions is therefore of central importance in order to maximize deal value and longer-term organizational performance. Figure 1 visualizes the conceptual model underlying this research.

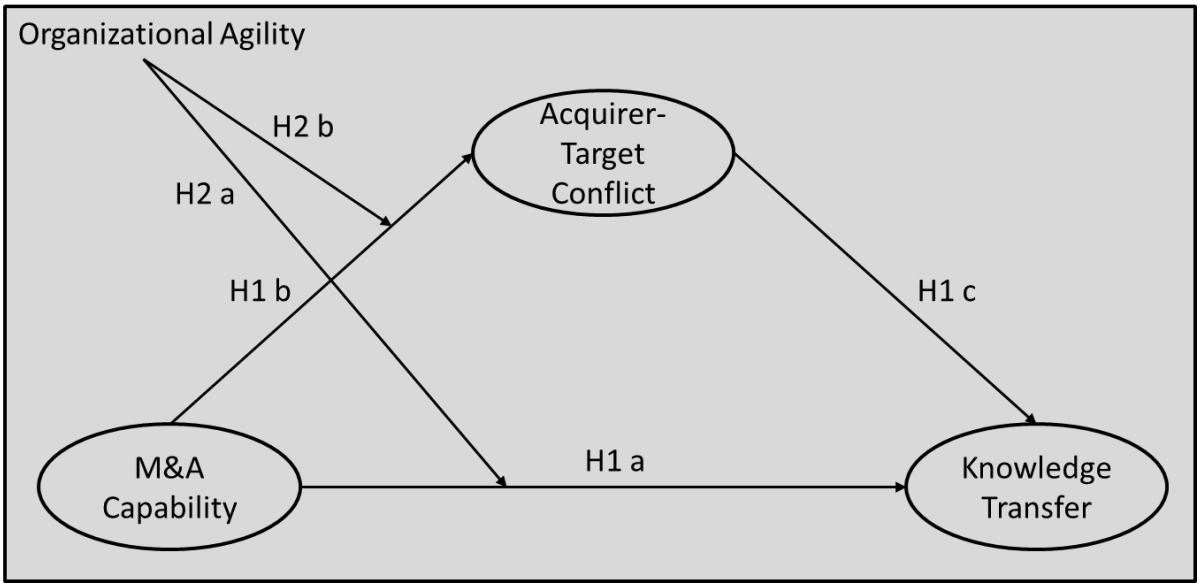

Figure 1: Conceptual model

M&A Capabilities, Acquirer-Target Conflicts, and Knowledge Transfer

Many acquisitions fail due to the inability to access and transfer knowledge (Graebner et al., 2017). If acquisition integration is not handled effectively, it can lead to resistance, reduced productivity, non-compliance, absenteeism, and employee turnover (Seo and Hill, 2005) – all of which undermine the acquirer's ability to access the target's knowledge base. To facilitate knowledge transfer, acquirers must diagnose and understand any underlying impediments and implement effective strategies to enable the free flow of knowledge. M&A capabilities allow organizations to systematically identify cause-and-effect relationships in acquisition integration and address emerging issues (Bauer et al., 2024). These capabilities are learnt, refined, and strengthened through repeated M&A activity (Zollo and Winter, 2002).

Taking a HR signaling theory perspective (Haggerty and Wright, 2009, Bowen and Ostroff, 2004), the routines and processes underlying M&A capabilities send strong signals to employees that the organization is committed to knowledge transfer and learning (Minbaeva et al., 2012). In addition, the routines and processes underlying M&A capabilities send strong

signals to employees emphasizing conformity (Capron and Mitchell, 2012) which serve to reinforce behaviors that align with acquisition goals, such as knowledge transfer (Haggerty and Wright, 2009, Bowen and Ostroff, 2004).

M&A capabilities rely on articulating, codifying, sharing, and internalizing acquisition-related knowledge (Kale and Singh, 2007, Trichterborn et al., 2016). By reflecting on and sharing experiences, acquirers can revise existing routines to improve integration and knowledge sharing (Zollo and Winter, 2002). Firms with well-developed M&A capabilities are likely to benefit from employees who possess enhanced cultural awareness, gained through experience and an understanding of the importance of mechanisms like acquirer-target employee mentoring, joint training sessions, and collaborative workshops. These initiatives foster mutual learning of expertise, as well as a deeper understanding of each firm's processes, systems, and culture (Marks and Mirvis, 2011, Brueller et al., 2016, Colman and Lunnan, 2010).

Codification and sharing further enhance the transfer of knowledge by making previous acquisition experience explicit and accessible through regularly updated guidelines, manuals, and communication channels (Hayward, 2002). These practices ensure that tacit knowledge concerning effective integration management becomes formalized, mobilizing it for use in future acquisitions (Trichterborn et al., 2016). This may manifest in acquisition manuals, guidelines, and playbooks that can be made accessible to all employees involved in integration (Zollo and Singh, 2004, Zollo and Winter, 2002, Trichterborn et al., 2016). Additionally, integration staff may undergo formal cultural training and establish structured feedback loops to facilitate continuous feedback, open dialogue, and the ongoing improvement of knowledge-sharing practices (Marks and Mirvis, 2011). These activities serve as organizational artifacts reflecting a commitment to learning and knowledge transfer, while also signaling that knowledge sharing and transfer are valued and encouraged

behaviors (Bowen and Ostroff, 2004, Haggerty and Wright, 2009). These signals provide a powerful stimulus to employees to engage in knowledge transfer activities across boundaries (Minbaeva et al., 2012). The preceding arguments all suggest the following hypothesis:

H 1a. Stronger M&A capabilities are associated with higher knowledge transfer among acquirer and target organizations.

Conflict almost inevitably arises during M&A integration (Sarala, 2010, Vaara et al., 2012, Weber et al., 2011); and M&A capabilities can be a double-edged sword in this respect. On the one hand, there is a risk that when routines and processes underlying M&A capabilities are imposed, it signals autocracy, giving rise to resistance and discontent (Vaara et al., 2012, Seo and Hill, 2005). Indeed, acquiring firms often attempt to impose formal controls and standardized procedures on the target (Dao and Strobl, 2019). While signals emphasizing formal protocols might minimize role ambiguity—and therefore conflict—employees of the target firm might perceive strict controls negatively, viewing the acquirer as having scant regard for their firm's culture, practices, and autonomy; resulting in diminished morale, reduced productivity, and even the loss of key talent (Paruchuri et al., 2006). While potentially streamlining certain processes, such a top-down approach can inadvertently lead to conflict and resistance within the acquired company (Haspeslagh and Jemison, 1991, Empson, 2001, Bauer et al., 2021).

On the other hand, M&A capabilities raise awareness of how conflict and resistance can hinder knowledge transfer and destroy acquisition value. This deep understanding helps managers to recognize the importance of mitigating stressors like identity threats and cultural differences, which are crucial for successful integration and knowledge sharing (Seo and Hill, 2005). Codification and expertise-sharing activities underlying M&A capabilities enable acquirers to develop and refine practices that minimize or manage acquirer-target conflicts,

allowing these practices to be reproduced in future transactions regardless of individual managers' involvement (Trichterborn et al., 2016, Zollo and Winter, 2002). In this way, M&A capabilities enable acquirers to assess similarities or differences between current and previous acquisitions, allowing them to either apply past experiences (generalization) or avoid them (discrimination) in decision-making (Trichterborn et al., 2016). Hence, internalization activities, such as acquisition-related mentoring and training, enhance an acquirer's ability to absorb lessons such as conflict prevention gained from previous acquisitions (Kale and Singh, 2007).

Research suggests that substantial effort in teaching, training, and communication reduce post-merger conflict by clarifying tasks, simplifying decision-making, and improving coordination (Weber et al., 2011). For instance, firms with M&A capabilities are likely to establish routines to diagnose the target's organizational culture, as well as building protocols and designing activities for managing cultural integration—with the overarching aim of attenuating conflict (Colman, 2020, Colman and Lunnan, 2010, Marks and Mirvis, 2011). Effective M&A practices, such as promoting open and transparent face-to-face communication, forming task forces and committees, and organizing retreats, all play a crucial role in engaging employees in cultural clarification and deep-level learning. This approach ultimately reduces acculturative stress, mitigates identity threats, and diminishes inter-group bias (Weber et al., 2011, Marks and Mirvis, 2011, Ranft and Lord, 2002). These types of processes and practices help to mitigate acquirer-target tensions, by fostering trust and cohesion—both of which are crucial for reducing acquirer-target conflict (Junni et al., 2015, Vaara et al., 2012).

In sum, well-established M&A capabilities provide strong signals to both acquirer and target employees that the integration process is being well-managed and transparent, while

promoting cultural learning and understanding; all of which minimize potential stressors and conflict (Marks and Mirvis, 2011). Overall, we expect that:

H 1b. Stronger M&A capabilities are associated with reduced levels of acquirer-target conflict.

Based on the previous arguments, M&A capabilities drive knowledge transfer following acquisitions in two ways: First, they directly encourage knowledge transfer through sending appropriate signals as discussed in H1a. Second, M&A capabilities also create an indirect effect through minimizing acquirer-target conflict as discussed in H1b.

In theory, conflict does not necessarily entirely preclude knowledge sharing and transfer (e.g. Olson et al., 2007); indeed, target and acquirer employees might have different interpretations of their tasks (i.e., cognitive conflicts associated to tasks and processes) but still elaborate those misunderstandings and in so doing share their expertise. However, empirical evidence for positive outcomes has only been established for low to moderate levels of cognitive conflict (Jehn and Mannix, 2001). Additionally, this perspective neglects that integration is inherently emotive (Klok et al., 2023) as employees suffer identity threats and heightened anxiety. When conflict is affective, it most commonly undermines interpersonal relations and trust, and leads to animosity (Jehn and Mannix, 2001). Hence, where firms lack the requisite skills to handle task conflict, it reduces knowledge sharing by fostering an "us vs. them" mentality (Lou et al., 2024b, Dao et al., 2016, Klok et al., 2023). Without trust, open communication, and cohesion, the conditions for effective cooperation are weakened (Lou et al., 2024a, Shepherd et al., 2020, Shepherd et al., 2023), resulting in employees withholding information, which undermines successful post-merger knowledge transfer (Empson, 2001, Sarala et al., 2016, Sarala and Vaara, 2010). Acquirers with well-developed M&A capabilities are better able to manage and prevent acquirer-target conflicts

due to their deep understanding of integration challenges (Trichterborn et al., 2016). Therefore, we propose the following:

H 1c. Acquirer-target conflict hampers knowledge transfer and partially mediates the relationship between M&A capabilities and knowledge transfer. Acquirers with well-developed M&A capabilities are associated to higher levels of knowledge transfer because they face reduced levels of acquirer-target conflict.

The Moderating Role of Organizational Agility

Acquisition integration is embedded within a wider organizational context (Rouzies et al., 2019) and is therefore inextricably linked to organizational agility. This owes to the fact that acquisitions constitute a core vehicle for organizational change (Marks and Mirvis, 2001) and, due to their complexity and the ever-changing environments in which they take place, adaptability is crucial for a successful integration. For example, acquisitions can disrupt customer relationships (Rogan, 2013), and many acquirers face market share losses (Harding and Rouse, 2007). Additionally, firms become vulnerable to competitive responses (Keil et al., 2013) as management focuses on integration (Bauer and Matzler, 2014), slowing their ability to identify and react to emerging opportunities and threats (Cording et al., 2008, Schriber et al., 2022). Agility allows acquirers to quickly respond to unanticipated events, like competitive retaliation, by adapting existing processes to combat competitive pressures (King and Schriber, 2016, Schriber et al., 2019).

Organizational agility rests on practices emphasizing rapid organizational learning, workforce scalability, and a highly adaptable infrastructure (Nijssen and Paauwe, 2012). From a HR signaling theory perspective, organizational agility appears to be a double-edged sword: On the one hand, organizational agility might complement M&A capabilities due to

the fact that both rely on routines and processes related to organizational learning which reinforces knowledge transfer. Indeed, both dynamic capabilities place great value on employees and their expertise. As such, organizational agility strengthens HR signals from M&A capabilities associated with knowledge transfer.

On the other hand, a contradictory effect emerges since the routines and processes related to flexibility and adaptability systematically undermine M&A capability signals emphasizing conformity (Bower, 2001, Capron and Mitchell, 2012). Organizational agility reduces reliance on established practices and patterns (Doz and Kosonen, 2010, Teece et al., 1997) while M&A capabilities center around established practices and patterns (Trichterborn et al., 2016). Combined, the interplay between organizational agility and M&A capability sends complementary HR signals directly encouraging knowledge transfer, but also contradictory HR signals during integration, risking conflict, which in turn hampers knowledge transfer indirectly.

In terms of complementary HR signals, we theorize that a positive interactive effect on knowledge transfer will emerge because both organizational agility and M&A capability signal organizational renewal and change through an organizational climate that values and builds on employee contributions and expertise. HR practices underlying both dynamic capabilities are deeply rooted in mutual understanding and learning (Nijssen and Paauwe, 2012, Trichterborn et al., 2016) and emphasize the importance of nurturing and transferring knowledge. Organizational agility relies on the timely acquisition of new knowledge and the organization's absorptive capacity—the ability to identify, access, and utilize valuable knowledge (Nijssen and Paauwe, 2012, Zahra and George, 2002). This allows organizations to adapt strategies to unexpected challenges, leverage insights from target firms, and foster a positive work environment that supports acquired employees and enhances knowledge transfer. Indeed, empirical evidence indicates that absorptive capacity boosts post-merger

patent productivity among acquired inventors (Hussinger, 2012). At the same time, M&A capabilities depend on the firm's ability to codify employee expertise and extract insights from previous acquisitions (Felker et al., 2024), thereby facilitating knowledge transfer, especially in challenging industries characterized by a high competitive intensity (Bauer et al., 2021).

As a result, HR signals emphasizing mutual learning and knowledge transfer align with both organizational agility and M&A capabilities, creating a 'strong situation' (Haggerty and Wright, 2009) that emphasizes knowledge-sharing activities between acquirer and target employees. This alignment fosters consistent and uniform interpretations of HR signals (Haggerty and Wright, 2009, Townsend et al., 2012), reinforcing collaboration and knowledge transfer. Thus:

H 2a. Organizational agility moderates the relationship between M&A capability and knowledge transfer. When organizational agility is high, the positive direct effect of M&A capability on knowledge transfer increases.

On the contrary, the interplay between organizational agility and M&A capabilities might also send contradicting signals creating a weak HR situation that increases acquirer-target conflict due to inertial tensions. Inertial tensions derive from the very nature of how the two capabilities develop and from contradictory routines and processes which underpin each capability.

First, M&A capabilities arise from M&A experience based on activities that are transferable across acquisitions (Trichterborn et al., 2016). Hence, M&A capabilities develop over time through the accumulation of tacit and explicit knowledge (Bauer et al., 2024, Zollo and Singh, 2004), making the impact of past acquisition success more salient. As such, organizations with M&A capability favor established, tried and trusted approaches (Felker et

al., 2024) giving rise to structural inertia in integration management (Hannan and Freeman, 1984). On the contrary, organizational agility emphasizes the need for continual adaptation and experimentation (Zhang et al., 2024) which involves the flexible application and revision of existing M&A routines and processes (King and Schriber, 2016, Schriber et al., 2019). As such, it is in the very nature of organizational agility to avoid reliance on past success and well-established patterns of activities (Doz and Kosonen, 2010, Teece et al., 1997) giving rise to frequent modifications and deviation from initial integration plans.

Second, M&A capabilities enable acquirers to vary integration speed according to the target context (Homburg and Bucerius, 2006, Graebner et al., 2017). Hence, M&A capabilities enable acquirers to understand target companies, enabling contextualized planning and implementation, fostering socially accepted behaviors or conformity (Bower, 2001, Capron and Mitchell, 2012). On the contrary, organizational agility emphasizes the need for rapid execution, change, and flexibility (Cheng et al., 2020). For instance, acquirers increase integration speed, thereby departing from original integration plans, in reaction to competitive pressures (King and Schriber, 2016). As such, to become effective, both dynamic capabilities rely on distinct patterns of activities and send conflicting HR signals.

For HR signals to be effective, they must be interpreted consistently by employees, creating a 'strong situation' that lends legitimacy to HR management (Haggerty and Wright, 2009). However, organizational agility sends signals to target employees suggesting that integration can be approached flexibly. This undermines signals from M&A capabilities leading to a 'weak situation,' where employees interpret signals inconsistently (Haggerty and Wright, 2009, Meier-Barthold et al., 2023). In such 'weak' situations, inconsistent employee responses arise due to individualized interpretations (Townsend et al., 2012), potentially causing acquirer and target employees to form conflicting conclusions and behaviors, thereby reinforcing intra-group biases and acculturation stress (Dao et al., 2016). Thus, we propose:

H 2b. Organizational agility moderates the relationship between M&A capability and acquirer-target conflict. When organizational agility is high, a well-developed M&A capability increases acquirer-target conflict.

As discussed earlier, M&A capabilities are associated with a deep understanding of integration dynamics (Trichterborn et al., 2016) that indirectly support knowledge transfer through the prevention and mitigation of acquirer-target conflict. However, we expect that the weak HR situations arising from the contradicting signals from organizational agility and M&A capability (Bowen and Ostroff, 2004, Haggerty and Wright, 2009) undermine the potential of M&A capabilities to indirectly facilitate knowledge transfer. Employees from target and acquiring companies naturally form distinct sub-groups (Dao et al., 2016). When misunderstandings arise due to conflicting HR signals—such as the contrast between agility emphasizing flexibility, and M&A capabilities stressing conformity—employees from these groups are likely to interpret these signals differently. Team members tend to favor others sharing similar viewpoints, often at the expense of "out-group" members with differing opinions (van Knippenberg et al., 2004). Thus, when acquirers are highly agile, M&A capabilities cannot fully mitigate acquirer-target conflict and hence knowledge transfer is indirectly undermined. Therefore, we suggest the following hypothesis:

H 2c. Organizational agility negatively moderates the mediating effect of acquirer-target conflict on the relationship between M&A capability and knowledge transfer, such that with increases in agility, the indirect relationship between M&A capability and knowledge transfer becomes less positive.

Methods

We utilized a survey design because the focal variables (e.g., conflict and M&A capabilities) are not publicly available. We targeted senior executives deeply involved in M&A processes

(e.g., CEOs, CFOs, and M&A managers). Data collection occurred in 2019, using the WIRE database of the Bayer Institute. The sample was limited to acquisitions from acquirers located in Germany, Austria, Switzerland, and Lichtenstein to avoid translation biases and to minimize cultural and institutional influences (Moschieri and Campa, 2009). Additionally, these countries are characterized by strict labor regulations that affect employee uncertainty (Homburg and Bucerius, 2006) and ultimately, conflict. Further, following Bauer et al. (2018), we limited the sample to acquisitions made in long-established industries (e.g., machinery engineering), excluding less-established industries (e.g., information technology) and short-term non-strategic acquisitions (e.g., venture capital).

We ensured the sampled acquisitions were recent enough to minimize retrospective bias (Reus and Lamont, 2009) while ensuring sufficient time had elapsed to guarantee integration was complete. Integration usually takes three to five years after deal closure (Krishnan et al., 1997, Homburg and Bucerius, 2006). Thus, we focused on transactions made between 2014 and 2016 and we obtained a final sample consisting of 780 transactions. We emailed the link to our online survey to participants in March 2019, and made follow-up phone calls in April 2019. Finally, after a final round of follow up emails in May 2019, 144 questionnaires were returned, of which 91 were fully completed, corresponding to a final response rate of 11.66%. Our sample size and response rate are comparable to others in the field (Strobl et al., 2020, Homburg and Bucerius, 2006, Dao et al., 2017).

Measurement

We relied on existing pre-validated scales measured on 7-point rating scales. To increase the external validity of our survey, we pre-tested it with eight M&A practitioners. This resulted in minor wording adjustments and the inclusion of examples. Appendix A provides an overview of the survey measures and their psychometric properties.

Knowledge Transfer. The knowledge transfer scale was adapted from Capron et al. (1998) and is widely used in M&A research (Junni et al., 2015, Vaara et al., 2012). The scale comprises ten items ranging from knowledge about product technology to supplier relations. Similar to previous research (Sarala and Vaara, 2010), we were interested in the overall transfer of knowledge because acquisition success depends on bidirectional knowledge flows (Bresman et al., 1999). Hence, we do not distinguish the direction of knowledge flow. Previous research also found that distinguishing between knowledge transfers to and from the acquirer is not particularly helpful because the flows are highly correlated (Bresman et al., 1999, Sarala and Vaara, 2010).

Acquirer-target Conflict. To measure the acquirer-target conflict during integration, we adapted the task (three items), process (four items), and relationship conflict (three items) scales from Jehn et al. (2008). Task conflict captures misalignment between the acquirer and target organizations in relation to work-related ideas and tasks. Process conflict measures opposing views held by acquirer and target organizations regarding the means and strategies employed to perform work-related tasks. Relationship conflict measures interpersonal differences related to personalities, opinions, or preferences (Jehn and Bendersky, 2003).

M&A Capability. M&A capability was adapted from Trichterborn et al. (2016), and is based on the articulation (7 items), codification (6 items), internalization (3 items), and sharing (3 items) of acquisition related knowledge within an acquirer.

Organizational Agility. Organizational agility was adapted from Lu and Ramamurthy (2011), and captures operational and market-based agility with six items. Operational adjustments enable the acquirer to quickly adapt physically and structurally, and market adjustments enable acquirers to quickly sense and exploit changes in the market.

Control Variables. We controlled for relative size in terms of sales (King et al., 2004), as well as industry growth (Bauer et al., 2018), acquisition experience using the number of acquisitions during the previous 5 years (Dao and Strobl, 2019, Strobl et al., 2022), and human integration (Birkinshaw et al., 2000). To assess human integration, we adapted two items from Cording et al. (2008) measuring changes to the organization structure and culture at the target. Finally, we also control for the number of years since the acquisition occurred.

Results

Measurement Evaluation

We investigated the multi-item measures using exploratory factor analyses (EFA) in SPSS 27.0.0. In a subsequent step, the results of the EFAs (loadings ≥ 0.66; AVE ≥ 0.60; α ≥ 0.57) were confirmed using a confirmatory factor analysis (CFA) using Amos 27.0.0 (loadings ≥ 0.62; AVE ≥ 0.48; α ≥ 0.67). Knowledge transfer was measured as a second-order construct comprised of two first-order dimensions. We excluded two knowledge transfer items due to low and unclear item loadings on both factors (item loadings ranging from 0.40 to 0.52 on both factors). Acquirer-target conflict was measured as a second-order construct composed of the first-order dimensions task, process, and relationship conflict. For M&A capability, two items of the dimension articulation (loadings < 0.20), two items of the dimension sharing (loadings < 0.58), and one item of the dimension internalization (loading < 0.09) were excluded due to low loadings (loadings below 0.60 were considered too low). M&A capability was measured as a second-order construct composed of the first-order dimensions articulation, codification, internalization, and sharing. After excluding one item to improve the constructs convergent validity (to achieve an AVE exceeding 0.50), organizational agility was measured as a first-order construct. Human integration was measured as a first-order construct. The CFA revealed a moderate model fit ($\chi2 = 1216.17$ ($p = 0.000$); $\chi2/df = 1.54$;

TLI = 0.79; CFI = 0.81; RMSEA = 0.08 (90% CI = 0.069–0.086)) which is unsurprising considering the relatively small sample size, the substantial number of indicators, and the measurement model's complexity. Following previous research (Lu and Ramamurthy, 2011), we create summated scales based on item means because they are a valid representation and are easily replicable. Appendix A reports this analysis.

Following Fornell and Larcker (1981), we also examined discriminant validity by comparing the square root of the average variance extracted (AVE) of each variable with the respective variable correlations (see Table 1). As the square root of the AVEs consistently exceeded the variable correlations, discriminant validity is established.

	Mean	**S.D.**	**-1**	**-2**	**-3**	**-4**	**-5**	**-6**	**-7**	**-8**	**-9**
Knowledge Transfer (1)	4.94	1.00	0.71								
M&A Capability (2)	4.67	1.13	0.30***	0.84							
Organizational Agility (3)	4.89	0.98	0.37***	0.30***	0.71						
Acquirer Target Conflict (4)	3.17	1.15	-0.09	0.05	-0.15	0.79					
HR Integration (5)	4.59	1.52	0.23**	-0.04	0.03	0.29***	0.83				
Experience (6)	7.70	8.20	0.27	0.45***	0.02	0.14	-0.09	n.a.			
Relative Size (7)	1.64	1.18	-0.04	-0.34***	-0.07	0.06	0.01	-0.20*	n.a.		
Industry Growth (8)	4.41	1.32	0.05	-0.20*	-0.06	0.07	-0.03	-0.05	0.00	n.a.	
Years since Acquisition (9)	2.93	1.84	0.13	-0.16	0.03	0.24**	0.06	-0.12	0.00	0.13	n.a.

Note: S.D. = Standard Deviation; n.a. = not applicable; Square root of AVE (based on CFA results) on the diagonal; * p<.10; ** p<.05; *** p<.01; two-tailed test;

Table 1: Correlation Table

Key informant survey research has the potential for common method variance. Despite taking a series of a-priori measures, such as separating variables in the survey to reduce proximity effects and avoid response patterns (Podsakoff et al., 2012) and using multi-item measures (Harrison et al., 1996); common method variance cannot be entirely ruled out. Thus, we conducted a Harman's single-factor test (Podsakoff and Organ, 1986) which

revealed eleven factors, with the first factor accounting for 26.53% of item variance, indicating that common method variance is not a serious problem in our data (Podsakoff and Organ, 1986). Further, a CFA testing a single factor model including all 42 indicators was conducted (Lu and Ramamurthy, 2011), which yielded a very poor model fit ($\chi2 = 2439.70$ ($p = 0.000$); $\chi2/df = 3.01$; TLI = 0.21; CFI = 0.29; RMSEA = 0.15 (90% CI = 0.143–0.156)). Collectively, these analyses indicate that common method bias is not a major concern.

Hypotheses Testing

To test our hypotheses, we used hierarchical ordinary least squares (OLS) regressions, and we also conducted additional moderated mediation analyses using Hayes' (2013) process macro (version 3.5) for SPSS. These analyses provide detailed insights into the relationships between M&A capability, organizational agility, acquirer-target conflict, and knowledge transfer. All variables were mean-centered as the regressions involve interaction terms (Aiken and West, 1991). The variance inflation factors are all below 1.79 and therefore below commonly proposed thresholds, suggesting multicollinearity is unlikely to be an issue (O'Brien, 2007).

In terms of acquirer-target conflict, the calculations reveal that M&A capability does not exert any direct significant influence on acquirer-target conflict. H1b is therefore not supported. Organizational agility exerts a significant negative direct effect on acquirer-target conflict in Model 3, Table 2 ($\beta = -0.24^{**}$; p value = 0.05). Model 4 introduces the interaction between M&A capability and organizational agility which turns out to be highly significant and positive (Model 4: $\beta = 0.28^{***}$; p value = 0.00). Figure 2 shows that in contexts of high organizational agility, M&A capability increases acquirer-target conflict, while in contexts of low organizational agility, it reduces acquirer-target conflict. Figure 3 presents the marginal effect of M&A capability on acquirer-target conflict and demonstrates that under low levels

of organizational agility (scale ratings below 3.21), M&A capability reduces acquirer-target conflict. Under high levels of organizational agility (ratings exceeding 5.68), M&A capability increases acquirer target conflict. These analyses provide statistical evidence in support of H2b.

The F and F change statistics in Table 2 indicate that especially the inclusion of organizational agility and the interaction between M&A capability and organizational agility significantly increase the explanatory power of the regression. Overall, the results explain 24% (R^2 adjusted Model 4, Table 2) of the observed variance in acquirer-target conflict.

Acquirer-Target Conflict	**Model 1**			**Model 2**			**Model 3**			**Model 4**		
	Coefficient	*S.D.*	*p Value*	*Coefficient*	*S.D.*	*p Value*	*Coefficient*	*S.D.*	*p Value*	*Coefficient*	*S.D.*	*p Value*
Constant	3.07***	0.12	0.00	3.08***	0.12	0.00	3.10***	0.12	0.00	2.97***	0.12	0.00
Years since Acquisition	0.15**	0.06	0.02	0.16***	0.06	0.01	0.17***	0.06	0.01	0.15***	0.06	0.01
Industry Growth	0.05	0.09	0.59	0.06	0.09	0.52	0.06	0.09	0.51	0.04	0.08	0.64
Relative Size	0.10	0.10	0.32	0.12	0.10	0.26	0.12	0.10	0.22	0.09	0.10	0.38
Experience	0.03**	0.02	0.04	0.03*	0.02	0.09	0.02	0.02	0.13	0.03**	0.02	0.03
HR Integration	0.22***	0.08	0.00	0.22***	0.08	0.00	0.23***	0.07	0.00	0.25***	0.07	0.00
M&A Capability				0.07	0.12	0.57	0.15	0.12	0.23	0.02	0.13	0.88
Organizational Agility							-0.24**	0.12	0.05	-0.22*	0.12	0.06
M&A Capability * Organizational Agility										0.28***	0.09	0.00
F Value	3.83***			3.22***			3.44***			4.52***		
F Change	3.83***			0.33			4.03**			9.58***		
R^2	0.18			0.19			0.23			0.31		
R^2 adjusted	0.14			0.13			0.16			0.24		

Note: S.D. = Standard Deviation; * p<.10; ** p<.05; *** p<.01;

Table 2: Hierarchical regression analyses for the dependent variable acquirer-target conflict

Knowledge Transfer	**Model 1**			**Model 2**			**Model 3**			**Model 4**			**Model 5**		
	Coefficient	*S.D.*	*p Value*	*Coefficient*	*S.D.*	*p Value*	*Coefficient*	*S.D.*	*p Value*	*Coefficient*	*S.D.*	*p Value*	*Coefficient*	*S.D.*	*p Value*
Constant	4.82***	0.11	0.00	4.86***	0.11	0.00	4.85***	0.10	0.00	5.54***	0.29	0.00	5.67***	0.29	0.00
Years since Acquisition	0.08	0.06	0.17	0.09*	0.05	0.09	0.08	0.05	0.13	0.12**	0.05	0.03	0.12**	0.05	0.02
Industry Growth	0.04	0.08	0.63	0.08	0.08	0.30	0.08	0.07	0.29	0.09	0.07	0.20	0.08	0.07	0.23
Relative Size	0.02	0.09	0.85	0.09	0.09	0.32	0.08	0.08	0.36	0.10	0.08	0.21	0.09	0.08	0.28
Experience	0.04***	0.01	0.00	0.03*	0.01	0.08	0.03**	0.01	0.03	0.04***	0.01	0.01	0.04***	0.01	0.00
HR Integration	0.16**	0.07	0.02	0.16***	0.06	0.01	0.16***	0.06	0.01	0.21***	0.06	0.00	0.24***	0.06	0.00
M&A Capability				0.27***	0.10	0.01	0.17	0.10	0.11	0.20**	0.10	0.05	0.12	0.10	0.23
Organizational Agility							0.32***	0.10	0.00	0.26***	0.10	0.01	0.26***	0.10	0.01
Acquirer-Target Conflict										-0.22***	0.09	0.01	-0.29***	0.09	0.00
M&A Capability * Organizational Agility													0.19**	0.08	0.02
F Value	3.08**			3.94***			5.20***			5.66***			5.93***		
F Change	3.08**			7.13***			10.16***			6.48**			5.58**		
R^2	0.15			0.22			0.31			0.36			0.40		
R^2 adjusted	0.10			0.16			0.25			0.29			0.33		

Note: S.D. = Standard Deviation; * p<.10; ** p<.05; *** p<.01;

Table 3: Hierarchical regression analyses for the dependent variable knowledge transfer

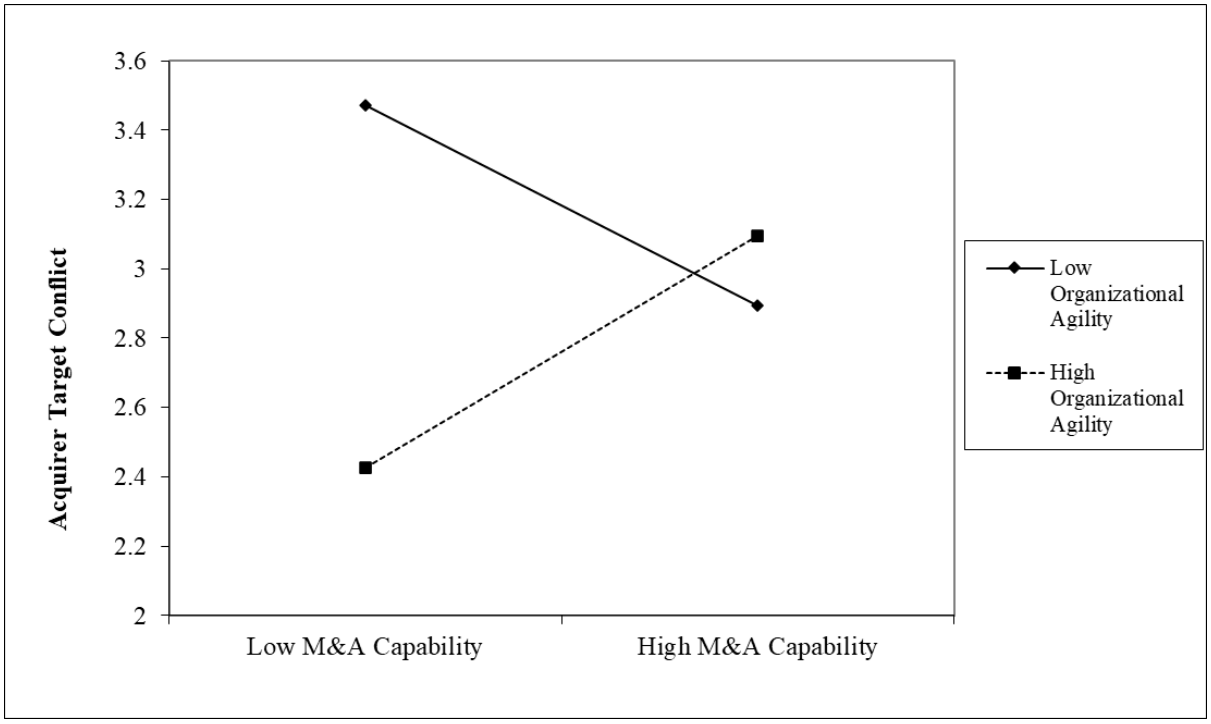

Figure 2: Moderating effect of organizational agility on the relationship between M&A capability and acquirer-target conflict

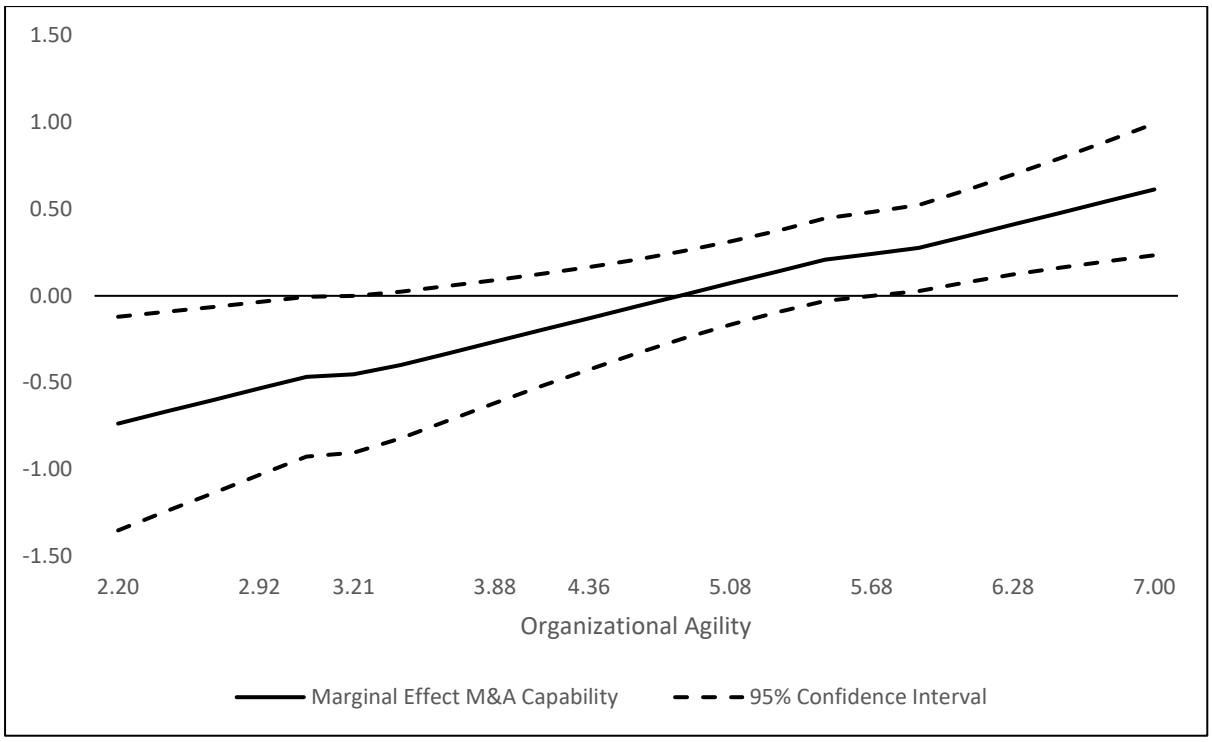

Figure 3: Marginal effect of M&A capability on acquirer-target conflict

In terms of knowledge transfer (see Table 3), the calculations reveal that M&A capability exerts a significant positive effect on knowledge transfer in Model 2 (β = 0.27***; p value = 0.01). This effect becomes insignificant though when including moderator and mediator variables into the regression (Models 5). Hence, we find no statistical evidence in support of H1a. Organizational agility exerts a highly significant positive direct effect on knowledge transfer (Model 35, Table 3: β = 0.26***; p value = 0.01). In support of H1c, acquirer-target conflict significantly reduces knowledge sharing (Model 5, Table 3: β = -0.29***; p value = 0.00). The interaction term again turns out significant and positive (Model 5, Table 3: β = 0.19**; p value = 0.02). Figure 4 shows that M&A capability only increases knowledge transfer under conditions of high organizational agility. In conditions of low organizational agility, the effect of M&A capability on knowledge transfer is negative. Figure 5 presents the marginal effect and demonstrates that for levels of organizational agility below scale ratings of 5.26, an M&A capability does not significantly influence knowledge transfer. For scale ratings exceeding 5.26, an M&A capability significantly increases knowledge transfer. These analyses provide statistical evidence in support of H2a.

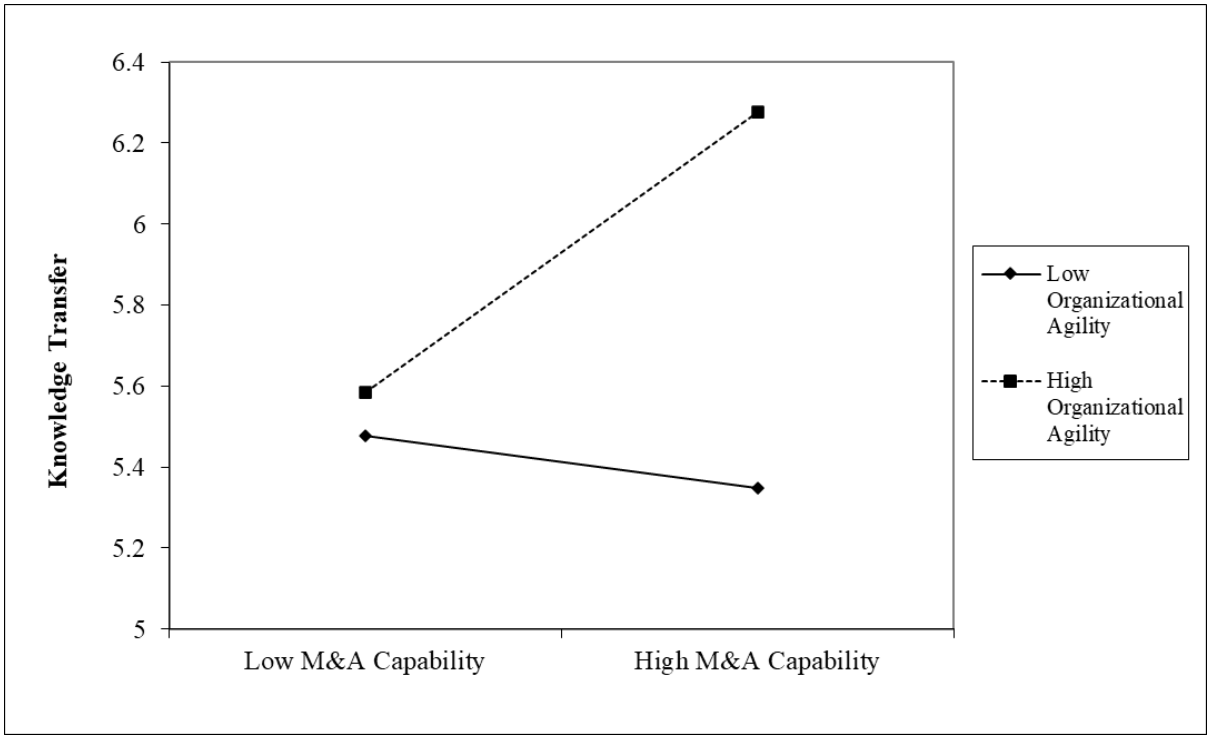

Figure 4: Moderating effect of organizational agility on the relationship between M&A capability and knowledge transfer

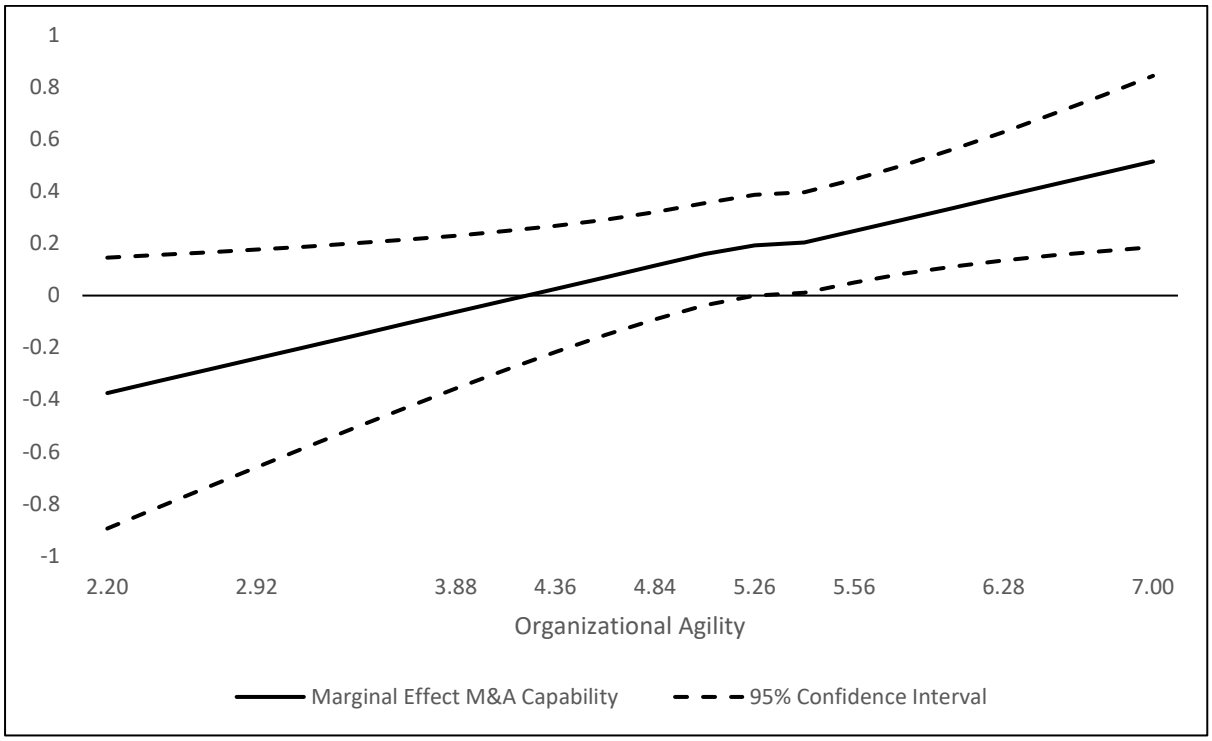

Figure 5: Marginal effect of M&A capability on knowledge transfer

We investigated H2c using Hayes' (2013) Model 8 in the process macro for SPSS. This analysis reveals a significant index of moderated mediation (index = -0.08; 95% confidence interval = -0.18 to -0.01) indicating that M&A capability indirectly influences knowledge transfer via acquirer-target conflict and that this effect depends on the level of organizational agility. Figure 6 presents the indirect effect and demonstrates that under very low levels of organizational agility (scale ratings below 2.92), an M&A capability increases knowledge transfer through reducing acquirer-target conflict. Under very high levels of organizational agility (ratings exceeding 5.80), an M&A capability decreases knowledge transfer due to increased acquirer target conflicts. These results support H2c.

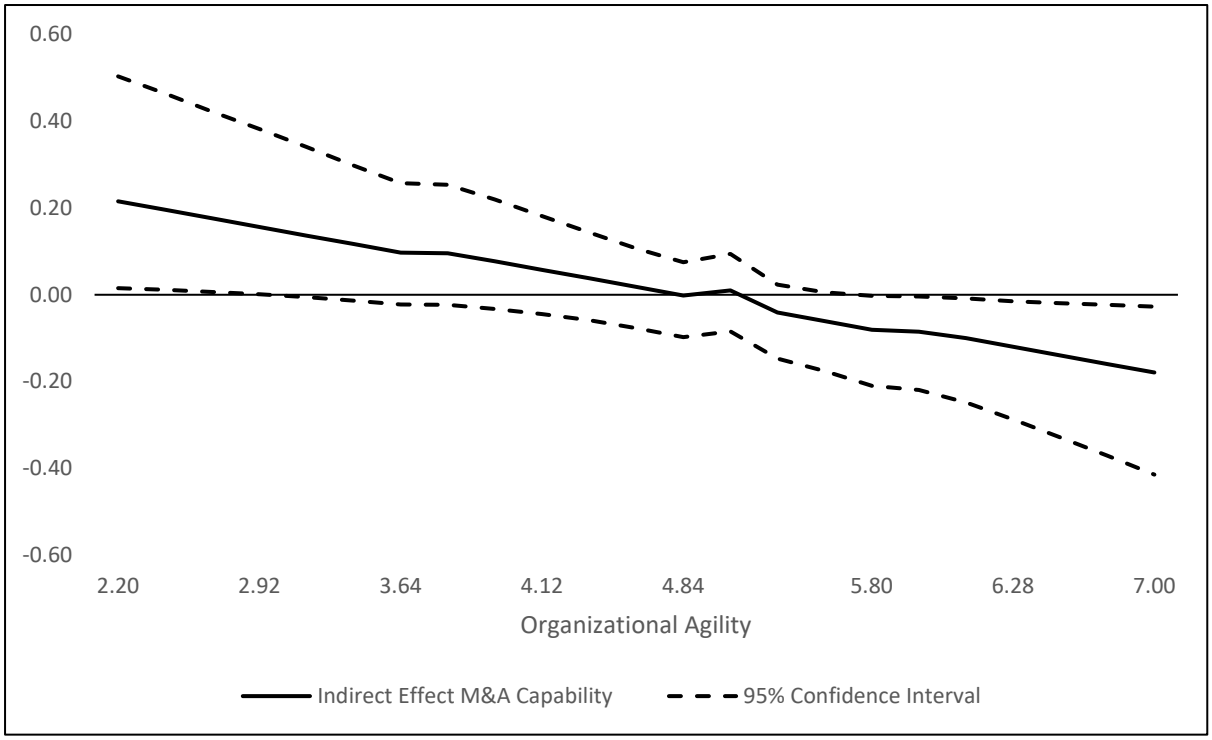

Figure 6: Indirect effect of M&A capability on knowledge transfer via acquirer-target conflict for observed levels of organizational agility

The F and F change statistics in Table 3 indicate that the explanatory power significantly increases with each model. Overall, the results explain 33% (R^2 adjusted Model 5, Table 3) of the observed variance in knowledge transfer.

Robustness Checks

Endogeneity Robustness. We conducted an instrumental variable analysis following Bascle (2008). Our data only included strong (F-value = 12.00) and suitable (Sargan's J-statistic = 1.00; p-value = 0.61) instruments for acquirer target conflict (Bascle, 2008, Stock and Yogo, 2005)[1]. The subsequent two-stage least squares regression confirms the effect of acquirer target conflict (β = -0.26*; p value = 0.08). The Wu–Hausman (0.05; p-value = 0.83) and Durbin–Wu–Hausman (0.05; p-value = 0.82) tests indicate that acquirer target conflict is an exogenous regressor (Davidson and MacKinnon, 1993).

To comprehensively assess the sensitivity of our results to endogeneity (Busenbark et al., 2022, Busenbark et al., 2021), we also investigated the impact threshold of a confounding variable (ITCV) and the robustness of inference to replacement (RIR) using STATA 18. This is appropriate because, like a good deal of management research, we are interested in establishing causal inference rather than identifying precise parameter estimates (Busenbark et al., 2022). ITCV outlines how strong the correlation of an omitted variable would have to be with an outcome and a predictor variable to alter the effect. These correlations are used to calculate ITCV impact values which are compared to the impact values of covariates derived from their partial correlations. If no covariate shows higher impact values, omitted variable bias is unlikely (Busenbark et al., 2022). RIR quantifies the number of cases that would need to be replaced with zero-effect cases to overturn the identified causal inference (Busenbark et al., 2021). RIR provides insights into biases stemming from any source of endogeneity (Frank et al., 2013, Busenbark et al., 2022).

[1] The following items were used as instruments: Item 1: During the integration of the target, managers maintained friendly relationships with employees; Item 2: Before the integration, buyer and target companies shared an understanding of the competitive situation; Item 3: During the integration phase, it happened that employees of the target company had to take on tasks without receiving the necessary resources (material, time, budget, etc.).

The results of these analyses reveal that only the effect of organizational agility on acquirer target conflict could be prone to potential endogeneity biases (see Table 4). The covariate acquisition experience exceeds the ITCV impact value indicating that omitted variables overturning the inference could exist (Busenbark et al., 2022). For all other significant relationships, it is unlikely that endogeneity is a major concern since the covariates' impact values are consistently lower compared to ITCV impact values. Further, RIR analyses reveal high numbers of cases that would have to be replaced.

Outcome	Predictor	ITCV Impact Value	Covariates with higher actual impact values based on partial correlations	ITCV Outcome Correlation	ITCV Predictor Correlation	RIR	Causal Interference Bias
Acquirer Target Conflict	Organizational Agility	-0.027	Acquisition Experience (-0.033)	0.165	-0.165	11.31%	Cannot be excluded
Acquirer Target Conflict	M&A Capability * Organizational Agility	0.15	None	0.388	0.388	37.73%	Unlikely
Knowledge Transfer	Acquirer Target Conflict	-0.158	None	0.397	-0.397	38.60%	Unlikely
Knowledge Transfer	Organizational Agility	0.163	None	0.403	0.403	39.53%	Unlikely
Knowledge Transfer	M&A Capability * Organizational Agility	0.113	None	0.261	0.261	39.09%	Unlikely

Note: We calculated ITCV and RIR taking the significance levels of our results into account. **A**s the effect of organizational agility on acquirer target conflict was significant at the 10% level, ITCV and RIR were calculated for this level of significance. All other ITCV and RIR thresholds are calculated for the 5% level of significance.

Table 4: Sensitivity of significant predictors to potential endogeneity biases based on ITCV and RIR

Measurement Robustness. To check whether the moderate fit of the measurement model influences our results, we reperformed all analyses with a trimmed measurement model. We reduced the number of items of M&A Capability by focusing on the two highest loading items of each subdimension. We also excluded factor 2 of knowledge transfer. These modifications improved reliability and validity (AVEs >: 0.50; CRs >0.69) and yielded good model fit ($\chi2$ = 530.89 (p = 0.000); $\chi2$/df = 1.29; TLI = 0.91; CFI = 0.92; RMSEA = 0.06 (90% CI = 0.042–0.070)). Recalculating the regressions using the trimmed measures confirmed our results, including the moderated mediation.

Alternative Models. We calculated regressions with alternative measures for knowledge transfer and acquirer target conflict. We used each of the sub factors of knowledge transfer as different dependent variables. This revealed that the interaction effect between M&A capability and organizational agility on the second factor capturing management and marketing knowledge transfer is not significant (β = 0.09; p value = 0.37). All other results are confirmed including the moderated mediations. In terms of acquirer target conflict, we ran models for each individual subdimension. Task (β = -0.21***; p value = 0.01), process (β = -0.15**; p value = 0.04), and relationship conflicts (β = -0.28***; p value = 0.00) exert very similar effects. However, the index of moderated mediation is only significant for task conflict (index = -0.06; 95% confidence interval = -0.16 to -0.00). We also ran a model including all three conflict dimensions simultaneously which confirmed the effects for task (β = -0.27*; p value = 0.09) and relationship conflict (β = -0.21**; p value = 0.03) but not for process conflict (β = 0.13; p value = 0.37). Also, all indexes of moderated mediation turn out insignificant. However, the VIFs for task (VIF = 6.22) and process conflict (VIF = 5.96) indicate that multicollinearity could bias these results.

CONCLUSIONS

Theoretical Contributions

Our study makes several contributions to the literature on M&As, dynamic capabilities, and strategic human resource management. Firstly, we advance knowledge concerning how, why, and when higher- and lower-order dynamic capabilities interact. These insights address long-standing calls (Schilke, 2014, Schilke et al., 2018) to explore and explain the mechanisms that lead to disruptive and complementary effects of dynamic capabilities. We show that different levels of dynamic capabilities send both complementary and conflicting HR signals to employees during acquisition integration, impacting knowledge transfer and conflicts. Our research sheds new light on dynamic capabilities by incorporating a novel HR signaling perspective (Haggerty and Wright, 2009, Townsend et al., 2012).

Our study demonstrates that the simultaneous presence of higher- and lower-order dynamic capabilities can create both 'weak' and 'strong' situations, resulting in favorable and unfavorable outcomes (Bowen and Ostroff, 2004, Haggerty and Wright, 2009). This represents an important contribution to HR research on dynamic capabilities, as it unravels the complexities and pitfalls of dynamic capability hierarchies (Apascaritei and Elvira, 2022, Peteraf et al., 2013, Schilke et al., 2018). Indeed, our findings challenge the "more is better" assumption by illustrating the complex human dynamics that arise from the interaction between different types of dynamic capabilities.

Secondly, our findings are particularly relevant to research on acquisition integration. Our findings underscore that acquisitions are embedded within a broader organizational context (Rouzies et al., 2019), and we provide new insights into how organizational agility shapes the efficacy of M&A capabilities by influencing post-merger integration dynamics and subsequent M&A outcomes. Additionally, the non-significant effect of M&A capability

on conflict suggests that two opposing forces may be at work, effectively canceling each other out. On the one hand, the formalized routines for integration can lead to resistance among target employees who resent the imposition of new rules and processes. On the other hand, M&A capabilities can signal competence, transparency, and clarity which minimize stressors like role ambiguity.

Collectively, our findings provide a more nuanced understanding of the role of M&A capabilities by highlighting their overall value creating potential as a driver of knowledge transfer. At the same time, their potential to mitigate specific dynamics such as acquirer-target conflict depends on the wider organizational context (Rouzies et al., 2019). Specifically, M&A capabilities act as a double-edged sword for agile acquirers. While they reinforce learning and knowledge generation practices, they can also give rise to inertial tensions.

Our theory development thus helps to refine prior work on M&A and alliance capabilities (Kale and Singh, 2007, Trichterborn et al., 2016) by explaining a key boundary condition, and we demonstrate that simply possessing M&A capabilities is insufficient. To achieve successful integration, acquirers must align M&A capability with appropriate wider organizational routines to avoid conflicting human resource signals and foster complementary ones, thereby creating a 'strong situation' (Bowen and Ostroff, 2004, Haggerty and Wright, 2009). It is critical that integration manuals, checklists, and cultural reviews allow for flexibility (Ahammad et al., 2020, Weber et al., 2011, Weber and Tarba, 2010). Failure to engineer flexibility could lead to resource allocation dilemmas (Lamont et al., 2019), exacerbating ambiguity and uncertainty around integration processes in response to short-term environmental changes (King and Schriber, 2016). These conflicting signals provide a novel explanation for the prevalence of stressors such as anxiety, ambiguity, and acculturation stress during integration.

Finally, our study contributes to the literature on HR signaling (Haggerty and Wright, 2009, Meier-Barthold et al., 2023) by elucidating some of the multi-level origins and consequences of contradictory and complementary HR signals. Our interdisciplinary approach therefore advances the HR management literature, addressing gaps in our understanding concerning the mechanisms behind both disruptive and synergistic HR signals.

Managerial Implications

The bottom line for M&A practitioners is that agility offers a stronger and more consistent return than M&A capability, by directly enhancing knowledge transfer and minimizing conflict. Building a strong M&A capability is still valuable but requires careful alignment with agility to avoid unintended conflict during post-merger integration. Therefore, focusing on enhancing agility may offer more immediate and broader benefits than exclusively developing M&A capabilities.

It is essential that M&A managers recognize that both higher- and lower-order dynamic capabilities send contrasting messages—whereas organizational agility signals flexibility and change, M&A capability signals conformity. Successfully navigating arising inertial tensions is crucial for avoiding confusion, stress, and disengagement among employees. In agile organizations, M&A managers must therefore reduce signals associated to conformity. Top managers must also ensure that the HR practices related to agility and M&A capability are consistent and reinforce one another, avoiding mixed messaging that could lead to anxiety and conflict. For instance, over reliance on detailed checklists and manuals might exacerbate acquirer target conflicts.

In addition to capability alignment, M&A managers should be mindful of the resource allocation dilemmas and workforce stressors that often arise during post-merger integration. Short-term reactive adjustments to competitive dynamics can increase ambiguity, making it

essential to balance stability and adaptability. Managers should also proactively address employee stressors such as anxiety, acculturation stress, and identity threats through transparent communication, employee support programs, and cultural training. By making a concerted effort to foster collaboration and knowledge transfer, M&A managers can improve long-term value creation from M&As.

Limitations and Areas for Future Research

Our study is not free of limitations. We utilized a retrospective key informant design since the variables of interest are not publicly available. Despite implementing several countermeasures, we cannot completely rule out potential biases (Sudman and Bradburn, 1973, Kumar et al., 1993). Also, the use of a cross-sectional survey design limits our ability to establish causality. Our study focused on specific regions and types of acquirers, which limits the generalizability of our findings.

The implications for future research are six-fold. First, as demonstrated, M&A capabilities are not universally beneficial. Future studies could therefore explore alternative boundary conditions under which M&A capabilities are activated, accentuated, and attenuated. Second, our study stresses the importance of aligning dynamic capabilities with organizational goals and HR practices. Future research could examine the processes and means through which organizations can align these capabilities to optimize outcomes. Third, we demonstrate that interactions between higher-order and lower-order dynamic capabilities are more complex than previously thought. They can both complement and contradict with each other, sending different HR signals to employees. This highlights the need to move beyond traditional "more is better" assumptions to develop an understanding of how different capabilities interact. Fourth, our findings suggests that dynamic capabilities influence not just organizational performance but also employee perceptions and behavior. Future research

could therefore investigate how HR practices and signals influence outcomes of other types of dynamic capabilities (e.g., sensing capabilities), especially in complex contexts like acquisitions. Relatedly, future research could explore the role acquisition motives play in shaping the effects of organizational learning and HR signaling, and consider alternative acquisition outcomes, such as overall acquisition performance. Future research might also investigate how firms balance flexibility and formalization in post-merger integration across different industries and national cultures. Finally, it would be interesting to investigate the directionality of knowledge flows and how they are affected by different HR signals.

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