

Multilevel understanding of critical success factors in M&A

Abstract

Except for its multidisciplinary and multistage perspectives, several decades of research on mergers and acquisitions (M&A) performance has produced little progress on the multilevel front to better understand M&A *critical success factors* (CSFs). This study is ripe to enhance our understanding of how CSFs may interplay across individual and organizational levels. As a result, we use a multilevel framework to analyze and illustrate how the interplay between individual and organizational levels may impact the understanding of CSFs in M&A performance research. Our methodological approach employs a content analysis in order to generate a categorization of pre- and post- acquisition CSFs using a multilevel framework. Furthermore, we identify and show four distinct interplays – *upward*, *downward*, *both-way* and *no* interplay – within and across prior identified M&A CSFs, and theoretically explained when each type of interplay arises. Finally, this work contributes to expanding our understanding of the ongoing cross-fertilization debate and establishes a foundation for the theoretical importance of a multilevel perspective to M&A performance research.

Keywords

Critical success factor, mergers and acquisitions, interplay, multilevel, M&A performance

Introduction

For decades, management and organization studies have remained an important domain literature for studying mergers and acquisitions' (M&A) performance/success. In fact, various types of companies including multinational enterprises frequently employ M&A as a core strategic tool for growth and international value creation (Degbey & Ellis, 2016; Degbey & Hassett, 2016). Specifically as a research field to understand companies' performance, M&A studies are known to be wide-ranging in multilevel, multidisciplinary and multistage terms (Angwin, 2007; Gomes, Angwin, Weber & Tarba, 2013; Javidan, Pablo, Singh, Hitt, & Jemison, 2004). However, while the multidisciplinary and multistage aspects of understanding M&A performance or success are well documented in empirical and review papers (Gomes et al., 2013; Halebian, Devers, McNamara, Carpenter & Davison, 2009; King, Dalton, Daily & Covin, 2004; Meglio & Risberg, 2011), the multilevel understanding of M&A success is less researched. This paper attempts to address this important but missing aspect of M&A research through a content analysis of extant literature on *critical success factors* (CSFs). This multilevel study, we argue is desirable because current conceptualizations of CSFs in M&A performance literature do not allow us to see at what combined level and phase the preponderance of a particular CSF can be seen and what new insights that can generate. Also, while earlier papers have taken a phases approach to explain connectivity or interplays, our ability to theorize CSFs that mutate between levels cannot be achieved using a similar approach to gain new insights for enhanced performance.

Specifically, our objective is to understand how the interplay between individual and organizational levels may influence our understanding of CSFs in M&A performance. In so doing, we analyze and illustrate the interrelationships of CSFs in M&A research with an adapted multilevel framework based on prior scholarly works (see Molloy, Ployhart & Wright 2011; Powell, Lovallo & Fox, 2011). As can be said of CSFs, Molloy et al. (2011) for example suggest that all too often research where lower systemic level dominates over higher level (i.e., primacy of individual)

fails to communicate with research concentrating on CSFs where higher systemic level dominates over lower level (i.e. primacy of incentives and social institutions), and consequently, multilevel research remains rare. In this paper, our approach takes the form of conceptual analyses of journal articles to accomplish this multilevel task, and thereby enhance our knowledge and understanding of CSFs in M&A performance literature and practice.

M&A research spans over a period of half a century and draws upon several disciplines, and is important in strategic, monetary and social terms (Gomes et al., 2013). However, M&A performance literature shows that half to three-quarters of M&A fail in creating value (Bower, 2001; Lees, 2003; Lovallo & Kahneman, 2003). As a result, many researchers have sought to explore the antecedents of M&A performance and some scholars have found M&A success to center on the features of the acquirer and target, and their strategic, organizational and cultural fits for integration as well as synergy realization (Chatterjee, 1992; Datta & Puia, 1995; Larsson & Finkelstein, 1999; Weber, Shenkar & Raveh, 1996; Weber & Tarba, 2012). Other scholars have amplified the call for a focus on the human and psychological aspects of M&A research to explain the variance in M&A performance (Cartwright, 2005; Stahl & Voigt, 2008).

Nonetheless, prior studies using several disciplinary perspectives in their pursuit to advance our knowledge of M&A performance have failed to discuss how the interplay between individual level and organizational level may influence our understanding of CSFs in M&A research. In fact, this disconnection is not surprising because the predominant analytical focus of research in this field has mostly remained at the organizational (firm) level, i.e., the mutual fit between the acquirer and target firms for integration as well as synergy realization (Chatterjee, 1992; Datta, 1991; Larsson & Finkelstein, 1999), even though prior studies to a lesser extent also acknowledged the primacy of research focus at the individual level in shaping M&A performance, and so, contributes to M&A research knowledge fragmentation. Angwin and Vaara (2005) have espoused a similar view that the field suffers from a lack of connectedness, and the various streams of M&A research are only

marginally informed by one another leading to limited and compartmentalized understanding of the complexities involved in M&A research. Although Angwin and Vaara's (2005) work has led to an important subsequent study (see, Gomes et al. 2013) revealing dynamic connectedness in a multidisciplinary review of CSFs in M&A performance literature, it does not address the multilevel interplay between the identified CSFs.

Recent special issues of the *Academy of Management Journal* (Hitt, Beamish, Jackson & Mathieu, 2007), the *Journal of Organizational Behavior* (Griffin, 2007), and the *Journal of Management* (Aguinis, Boyd, Pierce & Short, 2011) have called for studies that would bridge gaps between both the disciplines and levels which underlie management and organization studies in order to expand our understanding. Thus, bridging the gaps between both disciplines and levels is becoming topical in contemporary management and organization studies, and some M&A scholars have responded to these calls and begun to bridge the disciplinary gaps (Gomes et al., 2013). We build on this earlier effort by using their identified CSFs to understand the interplay and consequential impacts on M&A performance. Our work uses the dataset of Gomes et al. (2013), which employs prior meta-analytic leading journal article reviews from such authors as King, Dalton, Daily and Covin (2004) and Haleblian, Devers, McNamara, Carpenter and Davison (2009) and extends this dataset to include a multilevel analysis. As we illustrate later, this dataset is both multidisciplinary and multilevel. Yet, Gomes and his colleagues concentrate only on bridging gaps between disciplines and not between levels. In addition, the work of Gomes et al. (2013) is the first to the best of our knowledge, to consider the dynamic interrelationship between CSFs at the pre-acquisition and post-acquisition stages.

We contend that it is necessary but not sufficient to only examine the interrelationships of CSFs through a process lens which divides acquisitions into pre-and post-acquisition stages. CSFs also have an important multilevel dimension to them. In our review work, we content analyze and make explicit this multilevel dimension by discussing the interplays that explain the multilevel dimension

(i.e., individual and organizational) of CSFs at both pre-acquisition and post-acquisition stages. However, we do not attempt in any way to propose a new set of CSFs to explain M&A performance, rather we push for multilevel understanding of M&A success with already identified CSFs in M&A literature.

Our contribution stems from how the application of a multilevel framework to CSFs may help expand our knowledge of the intertwined connections in M&A performance literature. By introducing a multilevel perspective to M&A research, the study opens possibly new windows to inform M&A performance literature and hence, supports a fertile ground for future M&A research.

The remainder of this work is structured into four sections. In the next section, we present our method including three sub-sections. In the following section, we detail our results. Next we present our discussion, and finally, close by providing some concluding remarks regarding our key contributions and offer invitation for further exploration on M&A performance research and practice.

Methods

1. Dataset

In selecting our literature, we depart from and adopt the dataset of the recent multidisciplinary review of Gomes et al., (2013), mainly because their work does not only build on prior meta-analytic leading journal articles review from such authors as King et al., (2004) and Haleblan et al, (2009), but also include books review. In addition, the work of Gomes et al., (2013) is the first to the best of our knowledge, to consider the dynamic interrelationship between CSFs at the pre-acquisition and post-acquisition stages. Based on our research objective, an inductive approach was considered appropriate for conducting our content analysis and illustration based on the current state of M&A literature, and the general controversial and inconclusive assumptions and findings within the various streams of M&A research (Gomes et al., 2013; Welch et al., 2011).

The following preliminary methodological steps were replicated from the work of Gomes et al. (2013): identifying appropriate articles relating to M&A CSFs (i.e., focus on titles and abstracts for keywords); the use of Business Source Complete and ABI Inform as the main databases to identify articles; defining/selecting the appropriate journals within the database based on the Association of Business School (ABS) *Journal Quality Guide* for the review process (cf. Duriau, Reger & Pfarrer, 2007); and finally, narrowing the reviewed papers to recognized top-ranked general management, strategic management, international business, organization studies, and finance journals. In addition, to ensure a comprehensive overview of the literature, we followed the exact approach of Gomes et al., (2013) and focused on relevant articles and CSFs. This first methodological step is illustrated in the upper left corner of Figure 1.

(Insert Figure 1 About Here)

2. Framework

In our second methodological step, we categorized each selected article on the basis of our multilevel framework (see Table 1) into either individual level category or organizational level category. With this kind of categorization, we are able to obtain an approximate idea of the extent to which M&A studies have focused on individual and organizational levels. Moreover, this initial categorization of our dataset provides a glimpse to understanding the question: to what extent M&A studies have focused on individual and organizational levels and how the interplay of CSFs at these respective levels may impact M&A performance (cf. Zahle & Collin 2014).

A multilevel perspective to M&A research relates to the methodological individualism–holism debate in social sciences. This debate seeks answers to the question of “to what extent may, and should, social scientific explanations focus on individuals and social phenomena respectively?” (Zahle & Collin, 2014, p.2). It is widely concurred that methodological individualism means that social phenomena must be explained by showing how they result from individual actions whereas

methodological holism means that explanations of social phenomena are centered round organizations, processes, and structures which cannot be reduced to individual actions (Heath, 2014). Both methodological individualism and methodological holism are used in M&A studies, which is understandable because M&A mechanically trigger changes either towards individual actors or the organization (firm) as a whole (Degbey & Saeed, 2012).

On the individual level, these mechanically triggered adjustments or changes usually affect individual human cognitions, emotions and their social interaction within and between merging organizations (Barkema & Schijven, 2008a; Teerikangas, 2012; Sinkovics, Zagelmeyer & Kusstatscher, 2011), and also external individual relationships connected to the focal parties (Cartwright & Cooper, 1995). On the organizational level, these mechanically triggered adjustments or changes are mostly seen as a strategic and/or organizational move for growth and development. More importantly, these changes which predict, mediate and moderate M&A outcomes are not only restricted to the two parties involved in the process but equally they have influencing effects on external relationships connected to the focal parties across the merging and connected firms (Anderson, Havila & Salmi, 2001; Degbey & Pelto, 2013, 2015; Havila & Salmi, 2000). Consequently, it is clear that the debate of both methodological individualism and methodological holism is present in M&A studies as well. However, it is rarely asked to what extent has M&A studies focused on individual and organizational levels, and how the interplay of CSFs at these respective levels may impact M&A performance.

Inspired by the methodological individualism–holism debate and the frameworks from Molloy, Ployhart and Wright (2011) and Powell, Lovullo and Fox (2011), we created a multilevel framework and applied it to the content analysis of our dataset. Our multilevel framework is illustrated in Table 1.

(Insert Table 1 About Here)

According to Rousseau (2011), individual level relates to articles in which the unit of analysis is on the individual. In order to get a more detailed view, we used key concepts from methodological individualism. The studies in this category emphasize the primacy of individual and study such phenomena where individual actions shape organizational structures and processes. On the other hand, organizational level relates to articles in which the unit of analysis is on the organization/firm. This unit is emergent and arises out of the interactions of individuals and groups (Rousseau, 2011). For a more detailed guide, we used key concepts from methodological holism. The studies in this category emphasize the primacy of incentives and social institutions. These social structures affect individual behavior.

3. Content Analysis

In our third methodological step, we conducted a content analysis of all the articles in each critical success factor. The purpose of this exercise was to find whether a particular critical success factor contains interplay between individual and organizational levels. The different possibilities for interplay uncovered were *upward* (individual level affecting organizational level), *downward* (organizational level affecting individual level), *both-way* (both individual level affecting organizational level and organizational level affecting individual level), and *no interplay* between levels. In the process of uncovering the specific interplay for each critical success factor, first, each author evaluated and formed their own opinion and after that the different possibilities were discussed until consensus was achieved.

In the next section (i.e., results section), we concentrate on illustrating the possible interplays in the critical success factors, following the results of our categorization and distribution tables supported by the multilevel framework.

Results

1. Results Supported by Framework

As can be recalled from our second methodological step, we categorized each selected article on the basis of our multilevel framework (see Table 1) into either individual level category or organizational level category. As a result of this analysis, we integrated them with pre-acquisition and post-acquisition phases into Table 2 and Table 4 (see appendix). In these tables (2 and 4), our work demonstrates additional combination – multilevel combination – to complement the multidisciplinary interrelationships (see, Gomes et al., 2013) espoused in M&A performance variables solely based on pre-acquisition and post-acquisition phases approach (cf. Quah & Young, 2005). Thus, the categorization shown in Tables 2 and 4 demonstrate that more understanding regarding M&A CSFs can be obtained when we adopt a multilevel perspective to complement the dichotomized pre-acquisition and post-acquisition stages of examining CSFs in M&A research.

To further illustrate and make sense of the articles in our categorization Table 2 (refer to appendix), we created Table 3 which shows individual and organizational level distribution of articles at pre-M&A phase (see below).

(Insert Table 3 About Here)

Table 3 shows the distribution of articles discussing individual and organizational level core processes/concepts at pre-M&A phase. In **Pre1**, ‘choice and evaluation of the strategic partner’, one article examined individual level factors and eight articles examined organizational level factors. In **Pre2**, ‘pay the right price’, all the articles concentrated on organizational level factors. In **Pre3**, ‘size mismatches and organization’, one article examined individual level factors and five articles examined organizational level factors. As can be seen in Table 3, in **Pre 4**, ‘overall strategy and

accumulated experience on M&A', the number of articles were 2 (13%) and 14 (87%) respectively. The rest of the critical success factors: **Pre5**, **Pre6** and **Pre7** follow the same logic.

Similarly, we created Table 5 (see below) to illustrate the individual and organizational level distribution of articles at post-M&A phase in order to further illustrate and make sense of the articles in our categorization Table 4 (refer to appendix).

(Insert Table 5 About Here)

2. Results Supported by Content Analysis

Results of our content analysis, as indicated earlier, concentrate on illustrating the possible interplays in the critical success factors, and are presented in Figures 2 and 3 for pre-acquisition and post-acquisition CSFs respectively. In addition, the various interplays are further elucidated in this section, i.e., both pre- and post- acquisition CSFs and distinct interplays.

Pre-acquisition CSFs and distinct interplays:

No interplay(s): From our categorization and distribution tables above (see, Table 2 and 3 respectively), we examine the pre-M&A CSF choice and evaluation of strategic partner (**Pre 1**). Our dataset together with the guideline framework do not show the interplay of this critical success factor in terms of its interplay between organizational and individual levels, i.e., downward, upward or both-way interplays. Rather we observe that this critical success factor exhibit some key concepts and core processes of interest at the organizational level. For example, Nahavandi and Malekzadeh, (1988) as well as Weber, Shenkar and Raveh (1996) discussed the issue of cultural fit/compatibility of the merging parties. Also, Jemison and Sitkin (1986) also emphasized the M&A implementation process itself as a source of value creation in addition to strategic and organizational fits. On the other hand, this critical success factor exhibit similarly some key concepts and core processes of interest at the individual level without any interplay with

organizational level. For example, the work of Leighton and Tod (1969) discussed about managerial decision and action generation by providing certain ground rules or schemas to M&A managers.

Pay the right price (**Pre2**) is so far the only critical success factor without any individual level article from our dataset. Also, in comparison to critical success factor **Pre1**, **Pre2** does not show any interplay between organizational and individual levels. However, it indicates an organizational level attribute as it is concerned with the evaluation of the amount one firm (acquirer) should pay to the other (acquired firm) in order to complete the acquisition deal. For example, our dataset exemplifies the act of deal overpayment from the work of Anslinger, Copeland and Thomas, (1996); Hayward (2002); and Inkpen, Sundaram and Rockwood (2000), and as a consequence, this critical success factor exhibits symmetric/asymmetric interfirm bargaining as an organizational level core process from the multilevel framework (cf. Seth, Song & Pettit, 2000).

(Insert Figure 2 About Here)

Downward interplay(s): Size mismatches and organization (**Pre3**) as a critical success factor shows a downward interplay, i.e. organizational level influence on individual level. For example, if the size of the acquisition is too small relative to the acquirer, then acquiring firm managers often might not give enough weight to its relevance, as their individual perceptions are shaped by this organizational level process or structure of ‘too small’ size (Gomes at al., 2013), or other managers might pay too much attention to this particular deal due to the nature of the acquired firm’s organization (cf. Barney, 1991). Similarly, organizational level influence on individual level takes place when too big acquisition might trigger in-fighting between individuals (Ahuja & Katila, 2001; Chung, Singh & Lee, 2000; Kitching, 1967; Moeller, Schlingemann & Stulz, 2004). A second pre-M&A critical success factor in which the interplay between individual and organizational level works mainly *downward* is future compensation policy (**Pre7**). Two of the articles under ‘future

compensation policy' examined the effects of organizational level concepts or processes such as earn-outs and incentives to individual level ones such as attitudes and motivation (Anslinger, Copeland & Thomas, 1996; Inkpen, Sundaram & Rockwood, 2000). The other two articles took the individual as their unit of analysis, and examined from that point of view how executives' decisions are affected by organizational level compensation structures (Grinstein & Hribar, 2004; Devers, Cannella, Reilly & Yoder, 2007). Although the first-two analyzed articles on 'future compensation policy' employ organizational unit of analysis and the remaining two (third and fourth) used the individual as their unit of analysis, they both show the same downward interplays.

Upward interplay(s): Based on the analysis of articles from our dataset, the fourth pre-M&A critical success factor 'overall strategy and accumulated experience on M&A' (**Pre4**) operates mainly on organizational level. This is evidenced by the work of Hayward (2002), Vermeulen and Barkema (2001), and Barkema and Schijven (2008b), which concentrates explicitly on how organizations continuously learn to better their acquisition performance. These authors' works indicate mainly how organizational learning is derived from the firms' accumulation of experience, and in shaping its overall strategy. In the same vein, other scholars such as Haleblian, Kim and Rajagopalan (2006), and Zollo and Singh (2004) also discuss firms' overall strategy and experience of M&A.

However, these articles cited above derived their findings from organizational learning theory, which emphasizes the importance of organization's *individual members* experience with a particular action and its effect on generating organizational level routines (e.g. Cohen & Levinthal, 1990; Simon, 1991). Moreover, Simon (1991, p.125) argues that "an organization learns in only two ways: either by the learning of its members, or by ingesting new members who have knowledge the organization didn't previously have". Hence, we conclude that the critical success factor, **Pre4** shows an upward interplay.

The critical success factor, courtship (**Pre5**) shows an upward interplay. Individual relationships based on shareholder and/or board-member representation in multiple firms are more likely to generate courtship on organizational level (i.e., *upward interplay*). For example, Sebenius (1998) provides twelve ground rules of which the establishment of personal relationships is considered as one variable that will enable successful organizational level courtship.

Both-way interplay(s): Further, the critical success factor communication before the merger (Pre6) shows in our multilevel illustration both-way interplay, i.e., both upward and downward. For example, the critical success factor ‘communication before the merger’ (Pre6) combines many individual level core processes or concepts such as meaning, sensemaking, and schemata. These are influenced by the organizational communication directed to individuals. However, meaning, sensemaking, and schemata are used for enactment and action generation, which in turn can affect organizational level. If, for example, individuals perceive communication in negative light, a socially constructed distrust and uncertainty towards the ongoing M&A may emerge, and may result in negative organizational level consequences (cf. Angwin, 2001; Inkpen et al., 2000; Jemison & Sitkin, 1986).

Post-acquisition CSFs and distinct interplays:

No interplay(s): The first post critical success factor, i.e., integration strategies (**Post 1**) shows no interplay between levels. Integration in general refers to an interactive and gradual process in which the merging firms learn to work together and cooperate as a unified entity, and make decisions regarding, e.g., the degree of unification, direction, content and functional areas of integration (Haspelslagh & Jemison 1991; Öberg & Tarba 2013). M&A integration is often regarded as a difficult process, strongly internally focused between the two merging firms, and a crucial aspect of the process for M&A success. Hence, strategies adopted for integration matter, taking into consideration the different contexts and motives of M&A. This critical success factor functions at the organizational level, as it is mainly focused on what takes place between the two firms. For

example, integration strategies such as those focusing on organizational/cultural fit (see Nahavandi & Malekzadeh, 1988) or strategic fit (Howell, 1970) are all discussing issues at the organizational level.

(Insert Figure 3 About Here)

Upward interplay(s): Post-acquisition leadership (**Post2**) from our dataset shows an *upward* interplay. For example, faulty management during M&A implementation may lead to failure (Pritchett et al, 1997). Also, sound leadership style may influence successful implementation of M&A process (Angwin & Meadows, 2009; Vermeulen & Barkema, 2001). Also see the work of Sitkin and Pablo (2005) on leadership style, and personality characteristics (Waldman & Javidan, 2009).

Both-way interplay(s): Speed of implementation (**Post3**), as a critical success factor shows *both-way* interplay. The work of Vester (2002) provides a supporting argument that relatively high speed may cause discomfort among managers and employees and consequently affect the M&A integration process – a clear indication of a downward interplay. On the other hand, Light's (2001) work clearly indicates an individual decision-making perspective on M&A speed of integration process (i.e., upward interplay), by emphasizing that mistakes resulting from quick/rapid managerial decisions might not be as harmful to M&A integration process as compared to the cost of losing momentum of the business due to low speed.

Post integration team and disregard of day-to-day business activities (**Post4**) as the fourth post critical success factor exerts *both-way* interplay on M&A performance. A downward interplay is present in how the complexity of the acquisition process affects managers' time to focus on day-to-day business activities of the firm (Howell 1970; Ghemawat & Ghadar 2000), and limits their attention on internal growth and innovation. On the other hand, some scholars demonstrate an upward interplay by emphasizing that a group of individuals may be formed to coordinate the entire post- acquisition process (Inkpen et al., 2000; Jemison & Sitkin 1986), and the earlier this group of

individuals are identified and brought together, the greater the chances of harnessing the necessary strategic fits between the merging organizations (Schweiger et al., 1993).

Communication during implementation (**Post5**) employs both-way interplay. M&A communication process is validated through individual managers' actions (i.e., downward interplay). For an upward interplay, managers' over-communication to employees, particularly, customer-facing ones could jeopardize the possibility to reverse already disseminated information to third parties in case of changing circumstances, which in turn, may affect the integration process and eventually destroys or weakens M&A performance.

Managing corporate and national cultural differences (**Post6**) shows both-way interplay. An example for an upward interplay from our dataset shows that unsuccessful navigation of individual-level outcomes such as individual cross-cultural adjustment and synergistic learning may affect the realization of organizational outcomes such as technology- transfer, knowledge-sharing and global growth, as a consequence of failure in integration (Brenen & Peterson, 2009). Another example of an upward interplay is the work of Graebner (2004), which emphasized that the role of the acquired manager is critical in resolving post-acquisition integration implementation dilemmas, and consequently, improve the value creation in the integration of firms. With respect to downward interplay on the other hand, Lubatkin, Schweiger & Weber (1999), complement earlier attempts to explain the departure of top managers of acquired firms using post-merger conditions that create perceptions of relative standing by measuring post-merger perceptions of relative standing themselves (and not the conditions that create the perceptions) to reveal their effects on acquired top executives' departure.

Discussion

The current study produced an approximate distribution that shows to what extent M&A studies have focused on individual and organizational levels. In addition, we observed four distinct

interplays – upward, downward, both-way and no interplay – through which CSFs may interplay. However, these findings do not assist in the provision of a clear picture of which CSFs require more individual level studies and which ones need more organizational level studies. Consequently, we compared the previous two findings with each other and the synergistic effect of that exercise led to the conclusion that those CSFs that show interplay between levels but have only few studies on either individual or organizational level need more studies respectively. We discuss this logic in the next three paragraphs and illustrate its result in Figure 4.

(Insert Figure 4 About Here)

In some CSFs (e.g., in **Pre2** which operates exclusively on organizational level) it does not make sense to complement the existing organizational level studies with individual level studies. This is explained by our content analysis where we found that some concepts exist only at that level without any countervailing possibility. Similarly to **Pre2**, with **Pre1** and **Post1**, we found only concepts that are meaningful at that level. Hence, in these three CSFs research focused on the individual level should not be complemented with the organizational level and vice versa.

Following that, we are left with **Pre3, Pre4, Pre5, Pre6, Pre7** and **Post2, Post3, Post4, Post5, Post6**. According to our content analysis, in these CSFs individual level concepts and organizational level concepts are connected. We also show the direction of that connection. If this connection is valid, then it makes sense to have studies on both levels. In some CSFs (**Pre6, Pre7** and **Post5**), we observe an equal amount of studies on both levels. Also, in **Pre5, Post2** and **Post6** some studies exist on both levels, although their distribution is not even.

Following the previous section, four CSFs remain: **Pre3, Pre4** and **Post3, Post4**. These CSFs are heavily distributed towards one level, i.e. organizational level. In total these CSFs have only 5 individual level studies and 36 organizational level studies. This uneven distribution would not matter if in these CSFs individual level concepts and organizational level concepts were not

connected. However, our content analysis shows that they are indeed connected. Thus, we conclude that these four (**Pre3**, **Pre4**, **Post3** and **Post4**) CSFs require more studies on individual level.

Moreover, results from Tables 2–5 indicate that there are more individual level studies at post-acquisition stage than individual level studies at pre-acquisition stage. There might be two possible reasons for this. First, if our existing knowledge on M&A performance literature is a reflection of practice in the real world, then we infer that individual level influences are greater at the post-acquisition phase than at the pre-acquisition phase. Second, if the latter assertion is not a reflection of practice in the real world, then it would mean that academic literature is biased or skewed toward either individual or organizational level in some CSFs. In other words, some CSFs might be lacking either individual level or organizational level studies. Our comparative analysis of results presented in Tables 2–5 and Figures 2–3 indicate that the second reason suggested above holds for M&A CSFs. That is, we could not make conclusions based on Tables 2–5 alone but with added information from Figures 2–3, we were able to conclude that those CSFs that have shown interplay between levels but have only few studies on either level need more studies on the lesser studied level. In our dataset, for example, it was evident that critical success factor **Pre3** (downward), **Pre4** (upward), **Post 3** (both-way) and **Post4** (both-way) require further individual level studies (as noted in the previous paragraph). We acknowledge that the number of articles in each critical success factor category is quite small, and new additions or different interpretations in categorization might change the percentages, but the logic of our multilevel approach to understanding M&A performance still holds even if these variations occur.

An important final point to be made here relates to theoretical explanations of the distinct interplays identified in our multilevel study of M&A critical success factors. These explanations are important for us to be able to understand when each type of interplay arises and under what circumstances (e.g. underlying antecedent variables). In fact, management research has essentially subscribed to methodological individualism and methodological holism explanations to understand multilevel

research. Yet, the direction of the interplays (see Figure 4) in our findings, for example, does not support the prevailing logic in multilevel research. According to this logic the larger context within which individual level processes are nested generally exerts a greater downward influence than what individual level variables exert on the higher-level context (Mathieu & Chen, 2011). In our findings, however, the influence (as illustrated in Figure 4) is almost equally distributed between the systemic levels and the findings are even slightly distributed towards upward influence. Indeed, some previous studies have demonstrated that upward influences can still be prominent in instances where higher-level phenomena have yet to fully crystallize or form (Chen, Kanfer, DeShon, Mathieu, & Kozlowski, 2009; Morgeson & Hofmann, 1999) – during an M&A process for instance.

Therefore, results of our study imply that a third explanatory force, termed here as ‘*conceptual mutation*’ might be at play. We define ‘*conceptual mutation*’ as the transformation of a concept(s) from one level to another level. That is, the same concept(s) taking a different form at another level. For example, the presence of conceptual mutation is the explanatory force behind the *upward interplay* of CSF Pre5, ‘**personal relationship**’ (i.e. an individual level antecedent) conceptually mutates into ‘**courtship**’ (i.e. an organizational level antecedent). Table 6 below shows the theoretical explanations of when each type of interplay arises and their antecedent variables.

(Insert Table 6 About Here)

In addition, Table 6 enables us to see the antecedents, interplays and the explanations of interplays behind the statistic that demonstrates how the preponderance of organizational factors/concepts reduces between the pre-stage and the post-stage. For example, the presence of methodological holism or conceptual mutation in every CSF at the pre-stage explains the low portion of individual level studies at the pre-stage (19% vs. 81%). On the other hand, the presence of methodological

individualism or conceptual mutation in every CSF at the post-stage explains the larger portion of individual level studies at the post-stage (32% vs. 68%).

Conclusion

We began by acknowledging the strategic, monetary and social importance of M&A research and practice, spanning over more than half a century across multiple disciplines. Yet, it is inconclusive in revealing dynamic interrelationships between and among CSFs underpinning their performance, and this perhaps might explain the high failure rate (Bower, 2001; Kitching, 1967; Lees 2003). Indeed, what we see is the availability of huge body of M&A work with many prescriptions for enhancing performance, but little work in terms of establishing connectivity, for example, across research streams in which CSFs are embedded and can interact (Angwin & Vaara, 2005).

Lately, Gomes et al., (2013) conducted a multidisciplinary review of CSFs in attempt to address the lack of linkages between CSFs both within and across phases of the M&A process. We contend that this is an important step but it is incomplete until the multidisciplinary approach is linked with a multilevel approach for achieving a more holistic picture of M&A performance research and practice. As a consequence, we employ a multilevel perspective/approach to show how we can achieve a better understanding of M&A performance through the integration of disciplines and levels. In general, our study contributes to the ongoing cross-fertilization debate and establishes a foundation for the theoretical importance of a multilevel perspective in M&A performance research.

We believe our research offers contributions, i.e., provides new theoretical and managerial insights, and depicts a useful point of departure for future research in M&A performance. In terms of *theoretical contribution*, our research demonstrates the application of a multilevel perspective to M&A performance literature in four main ways. First, we highlight that the pre-M&A and post-M&A dichotomy of analyzing multidisciplinary CSFs can be complemented with a multilevel

perspective to improve our understanding of the interplay within and across CSFs at individual and organizational levels (cf. Aguinis, et al., 2011; Hitt et al., 2007; Molloy et al., 2011; Powell et al., 2011). As a consequence, our work shows how to bridge the gap between disciplines and levels when examining M&A CSFs. Second, our study provides an approximate distribution that shows to what extent M&A studies have focused on individual and organizational levels. Third, on the basis of our study, we observe four distinct interplays – upward, downward, both-way and no interplay, plus intra-level and combined effects – through which CSFs may interplay to enhance our theoretical knowledge of M&A performance. Fourth, by combining information regarding the extent to which M&A studies have focused on individual and organizational levels with information on the interplays in each critical success factor, we are able to conclude on the exact critical success factor (s) and level in which further studies are most needed. Finally, we offer a theoretical explanation of when each type of interplay arises and their underlying antecedents. Hence, this work accounts for a multilevel M&A performance theory building and also serves as a guide to future studies.

For *managerial implications*, first, we emphasize that our multilevel approach provides a more holistic perspective, and managers would benefit if they take into account the simultaneous interplay of multidisciplinary CSFs at pre-M&A and post-M&A phases, and also at individual and organizational levels. Second, this study reveals to managers the specific M&A phase and level that CSFs are largely centered in extant M&A studies. A higher percentage (approximately 70%) of the CSFs at post-M&A phase is distributed under organizational level, supporting the predominant analytical focus in extant literature (cf. Chatterjee 1992; Larsson & Finkelstein 1999), and also corroborating the current belief that post-M&A integration phase is decisive for success (Bauer & Matzler 2013; Homburg & Bucerius 2005).

However, we advise managers to equally consider the importance of pre-M&A CSFs if they want to enhance their M&A performance. Further, only a small percentage of CSFs is distributed at

the individual level, which suggests that more studies on managerial decision making and judgment, action generation, sensemaking etc. are required to better inform managers about the importance of individual level core processes/concepts mentioned above rather than only a deeper focus on organizational level core processes and concepts. The latter point is supported by the work of Powell et al. (2011), who stated for example that the failed mergers of AOL/Time-Warner and HP/Compaq clearly resulted from poor executive judgment.

On the whole, we believe that employing a multilevel perspective to examining CSFs in M&A performance literature and practice are topical but still at embryonic stage, and it has a great opportunity to unearth some of the unexplained variance in M&A performance. Hence, we invite M&A scholars to explore these avenues in future research works.

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Appendix:

Table 2 Categorization of pre-acquisition performance variables against the multilevel framework

	Individual level	Organizational level
Pre-merger Phase	Leighton & Tod (1969) PRE1, PRE4 Finkelstein & Haleblan (2002) PRE3 Krishnan, Miller & Judge (1997) PRE4 Sebenius (2002) PRE5 Sebenius (1998) PRE5 Light (2001) PRE6 Hubbard & Purcell (2001) PRE6 Teerikangas (2012) PRE6 Grinstein & Hribar (2004) PRE7 Devers, Cannella, Reilly & Yoder (2007) PRE7	Jemison & Sitkin (1986) PRE1, PRE4, PRE5, PRE6 Nahavandi & Malekzadeh (1988) PRE1 Kitching (1967) PRE1, PRE3, PRE4, PRE5 Angwin (2001) PRE1, PRE6 Weber, Shenkar & Raveh (1996) PRE1 Lubatkin (1987) PRE1 Wang & Zajac (2007) PRE1 Boyle & Winter (2010) PRE1 Inkpen, Sundaram & Rockwood (2000) PRE2, PRE4, PRE6, PRE7 Howell (1970) PRE2, PRE4 Anslinger, Copeland & Thomas (1996) PRE2, PRE7 Bower (2001) PRE2 Tuch & O'Sullivan (2007) PRE2, PRE3 Seth, Song, & Pettit (2000) PRE2 Datta & Puia (1995) PRE2 Hayward (2002) PRE2, PRE4 Moeller, Schlingemann & Stulz (2004) PRE3 Chung, Singh & Lee (2000) PRE3 Ahuja & Katila (2001) PRE3 Vermeulen & Barkema (2001) PRE4 Haleblan, Kim & Rajagopalan (2006) PRE4 Barkema & Schijven (2008a) PRE4 Delong & Deyoung (2007) PRE4 Barkema & Schijven (2008b) PRE4 Colombo, Conca, Buongiorno & Gnan (2007) PRE4, PRE5 Very, Lubatkin, Calori & Veiga (1997) PRE4 Brouthers & Brouthers (2000) PRE4 Zollo & Singh (2004) PRE4 Li & Guisinger (1991) PRE5 Barkema, Bell & Pennings (1996) PRE5 Shneider & De Meyer (1991) PRE5

Table 4 Categorization of post-acquisition performance variables against the multilevel framework

	Individual level	Organizational level
Post-merger Phase	<p>Lubatkin, Calori, Very & Veiga (1998) POST1 Schweiger & Goulet (2005) POST1 Very, Lubatkin, Calori & Veiga (1997) POST1, POST6 Ashkenas & Francis (2000) POST2 Krug & Nigh (2001) POST2 Angwin, Stern & Bradley (2004) POST2 Angwin & Meadows (2009) POST2 Light (2001) POST2, POST3, POST5 Walsh (1988) POST2 Walsh & Ellwood (1991) POST2 Cannella & Hambrick (1993) POST2 Krishnan, Miller & Judge (1997) POST2, POST6 Krug & Hegarty (1997) POST2, POST6 Karaevli (2007) POST2 Nemanich & Keller (2007) POST2 Waldman & Javidan (2009) POST2 Kavanagh & Ashkanasy (2006) POST2 Ghemawat & Ghadar (2000) POST4 Leighton & Tod (1969) POST5 Bastien (1987) POST5 Hubbard & Purcell (2001) POST5 Graebner & Eisenhardt (2004) POST6 Brannen & Peterson (2009) POST6 Lubatkin, Schweiger & Weber (1999) POST6 Graebner (2004) POST6</p>	<p>Puranam, Singh & Zollo (2006) POST1, POST6 Cording, Christmann, & King (2008) POST1, POST6 Schweizer (2005) POST1 Larsson & Lubatkin (2001) POST1 Nahavandi & Malekzadeh (1988) POST1 Howell (1970) POST1, POST4 Capron & Mitchell (1998) POST1 Bjorkman, Stahl & Vaara (2007) POST1, POST6 Birkinshaw, Bresman & Hakanson (2000) POST1 Child, Faulkner & Pitkethly (2000) POST1 Vaara (2003) POST1 Slangen (2006) POST1, POST6 Larsson & Finkelstein (1999) POST1 Ranft & Lord (2002) POST1, POST3 Puranam, Singh & Chaudhuri (2009) POST1, POST6 Spedale, van Den Bosch & Volberda (2007) POST1 Calori, Lubatkin & Very (1994) POST1 Vaara (2002) POST1 Schweiger & Goulet (2005) POST1 Chatterjee, Lubatkin, Schweiger & Weber (1992) POST1, POST6 Puranam & Srikanth (2007) POST1, POST6 Ellis, Reus & Lamont (2009) POST1, POST6 Makri, Hitt & Lane (2010) POST1 Ashkenas, DeMonaco & Francis (1998) POST2, POST3 Angwin (2001) POST2 Weber, Shenkar & Raveh (1996) POST2, POST6 Inkpen, Sundaram & Rockwood (2000) POST2, POST3, POST4, POST5 Anslinger, Copeland & Thomas (1996) POST2, POST3 Vermeulen & Barkema (2001) POST2, POST4, POST6 Homburg & Bucerius (2005) POST3 Olie (1994) POST3 Homburg & Bucerius (2006) POST3 Jemison & Sitkin (1986) POST4 Deng (2010) POST4 Schweiger & DeNisi (1991) POST5 Eisenberg & Witten (1987) POST5 Teerikangas & Very (2006) POST6 Weber (1996) POST6 Kogut & Singh (1988) POST6 Morosini, Shane & Singh (1998) POST6 Reus & Lamont (2009) POST6 Chakrabarti, Gupta-Mukherjee & Jayaraman (2009) POST6 Sarala & Vaara (2009) POST6 Vaara, Sarala, Stahl & Björkman (2011) POST6 Stahl & Voight (2008) POST6 Datta (1991) POST6</p>

LIST OF FIGURES:

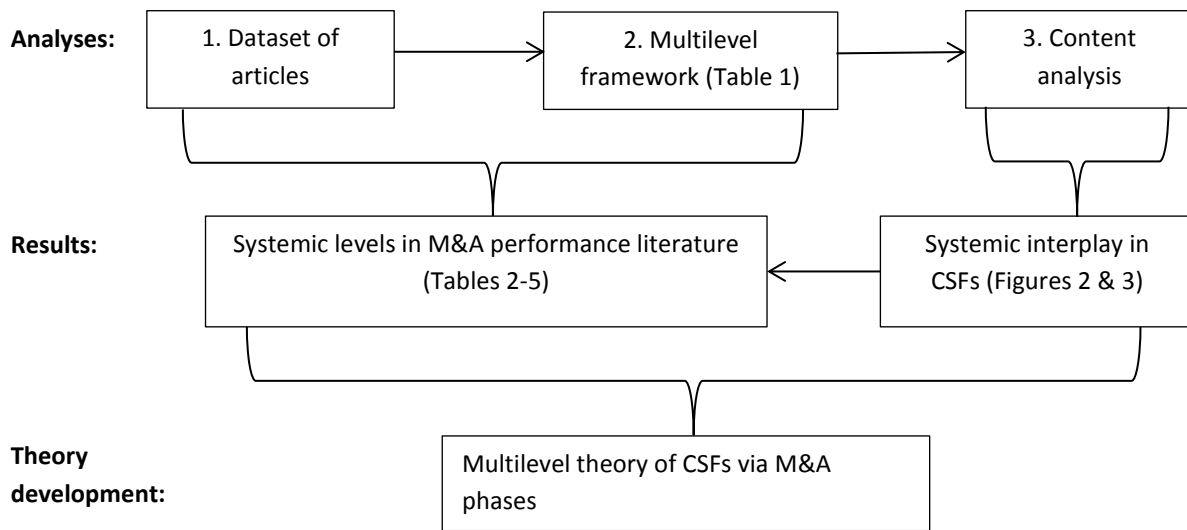


Figure 1 Methodological and theoretical development of this research

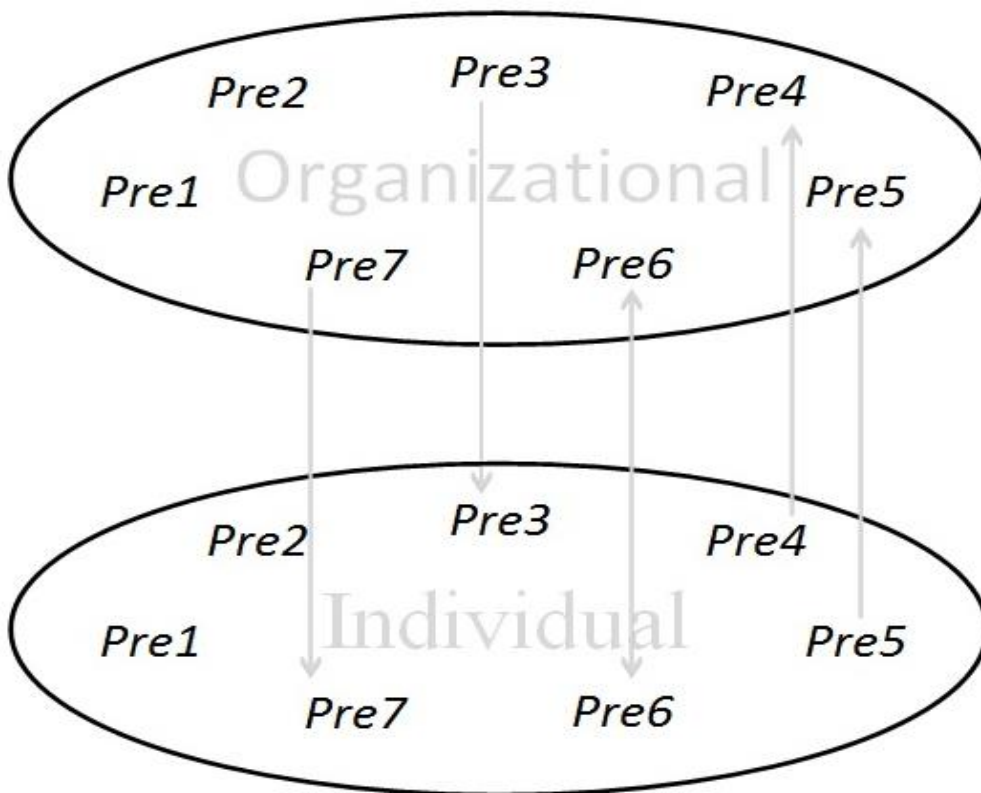


Figure 2 Individual and organizational level interplay in pre CSFs

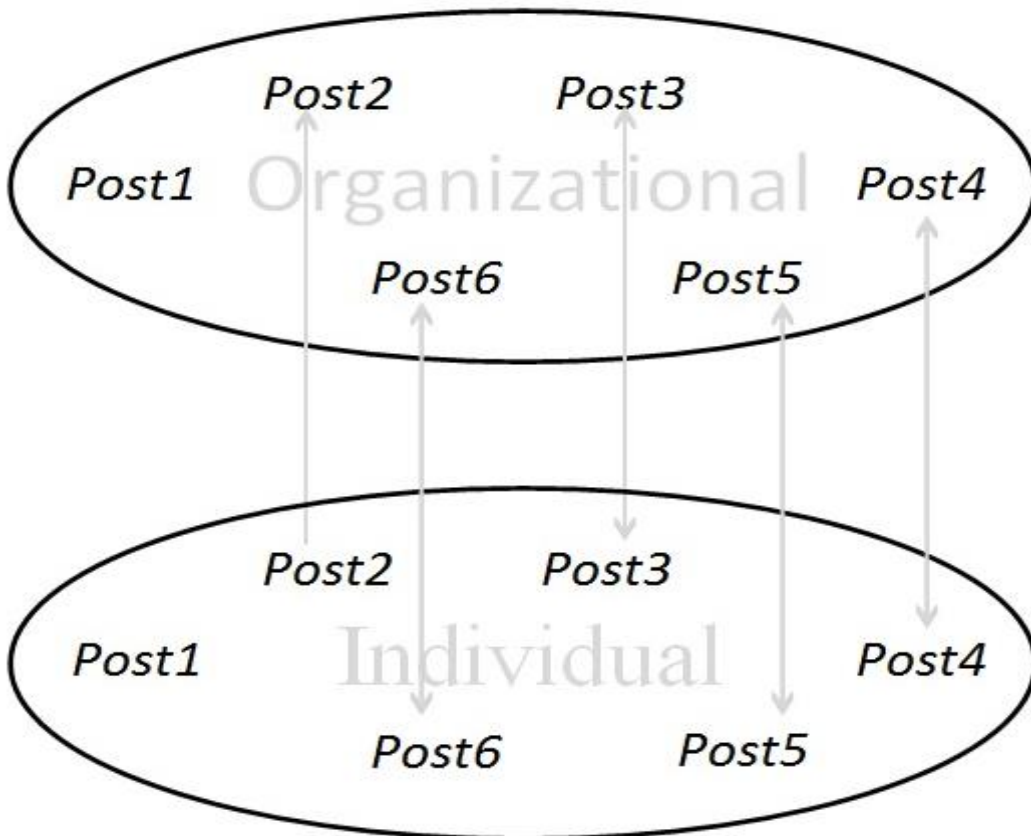


Figure 3 Individual and organizational level interplay in post CSFs

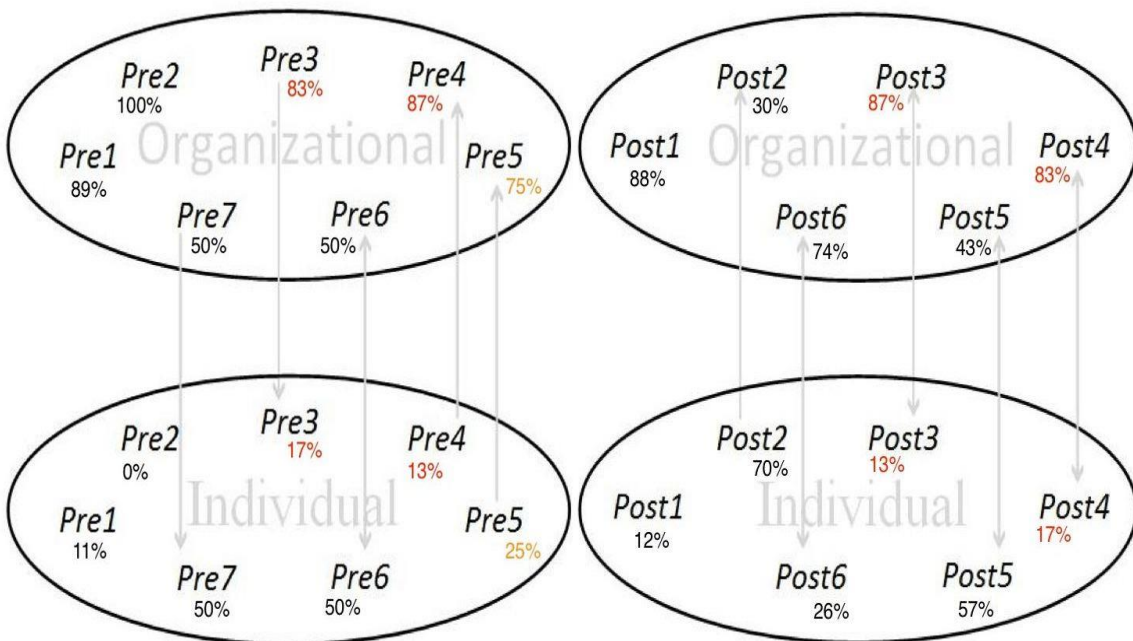


Figure 4 The combined effect of our findings

LIST OF TABLES:

Table 1 A multilevel framework for M&A research (Adapted from Molloy et al., 2011, p.589; Powell et al., 2011, p. 1372)

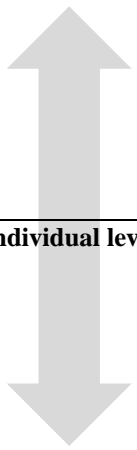
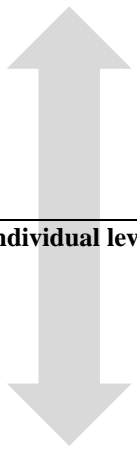
	Core processes of interest	Key concepts	Assumptions about firms
 Organizational level	<i>Primacy of incentives and social institutions:</i> Intergroup bargaining, problem solving, politics, conflict resolution, organizational learning, resource allocation	<i>Methodological holism:</i> Culture, reference groups, social cognition, process, structure	<i>Higher systemic level dominance over lower:</i> Firms are socially constructed and externally influenced, actions in firms are emergent, firms resolve strategy problems via conflict resolution and intergroup bargaining
 Individual level	<i>Primacy of individual:</i> Individual decision making, intragroup decision making, sensemaking, perception, enactment, action generation	<i>Methodological individualism:</i> Bounded rationality, heuristics and biases, emotion, schema, meaning, action rationality	<i>Lower systemic level dominance over higher:</i> Firms' decisions are made by top executives and top management teams. Individual actions generate organizational structures and processes

Table 3 Individual and organizational level distribution of articles at pre-M&A phase

Pre-M&A phase: Critical success factors	Individual level core processes/concepts	Organizational level core processes/concepts
Choice and evaluation of the strategic partner (Pre1)	11 %	89 %
Pay the right price (Pre2)	0 %	100 %
Size mismatches and organization (Pre3)	17 %	83 %
Overall strategy and accumulated experience on M&A (Pre4)	13 %	87 %
Courtship (Pre5)	25 %	75 %
Communication before the merger (Pre6)	50 %	50 %
Future compensation policy (Pre7)	50 %	50 %
Average	19 %	81 %

Table 5 Individual and organizational level distribution of articles at post-M&A phase

Post-M&A phase: Critical success factors	Individual level core processes/concepts	Organizational level core process/concepts
Integration strategies (Post1)	12 %	88 %
Post acquisition leadership (Post2)	70 %	30 %
Speed of implementation (Post3)	13 %	87 %
Post-M&A-integration team and disregard of... (Post4)	17 %	83 %
Communication during implementation (Post5)	57 %	43 %
Managing corporate and national cultural differences (Post6)	26 %	74 %
Average	32 %	68%

Table 6 Theoretical explanation of interplays and antecedent variables

CSFs	Individual Level Antecedents	Organizational Level Antecedents	Interplay	Theoretical Explanation of Interplay
Pre 1	Managerial decision and action generation	Cultural fit/compatibility, M&A implementation process	No interplay	No interplay
Pre 2	None	Evaluation of the amount a firm should pay	No interplay	No interplay
Pre 3	Managerial perceptions/attention	Organization's nature/size/structure	Downward interplay	Methodological holism
Pre 4	Individual learning	Organizational learning	Upward interplay	Conceptual mutation
Pre 5	Personal relationships	Courtship	Upward interplay	Conceptual mutation
Pre 6	Meaning, sensemaking, schemata	Organizational communication, socially constructed distrust and uncertainty	Both-way interplay	Conceptual mutation
Pre 7	Attitudes and motivation, executives' decisions	Earn-outs, incentives, compensation structures	Downward interplay	Methodological holism
<hr/>				
Post 1	None	Organizational/cultural fit, strategic fit	No interplay	No interplay
Post 2	Leadership style, personality characteristics	Implementation of M&A process, outcome of M&A process	Upward interplay	Methodological individualism
Post 3	Discomfort (individual emotion), decision making theory	Integration speed	Both-way interplay	Methodological individualism & Methodological holism
Post 4	Managerial attention, group forming	Complexity of the acquisition process, strategic fit	Both-way interplay	Methodological individualism & Methodological holism
Post 5	Personal communication	Communication through the organizational hierarchy	Both-way interplay	Conceptual mutation
Post 6	Individual cross-cultural adjustment, manager's role, departure of top managers	Organizational outcomes such as technology-transfer, knowledge-sharing and global growth, Implementation of M&A process	Both-way interplay	Methodological individualism & Methodological holism