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Symbiotic Acquisitions: The Drawbacks of a Rational Approach

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Despite their popularity, acquisitions have proved disappointing. The reason for this is that economic analyses have prevailed over the managerial dimension of the acquisitions. Although there is currently some agreement about the importance of post-acquisition management, divergences remain as to what the guiding principles should be. Our work, based on the case study method, tests the relevance of competing propositions when the acquiring firm adopts a symbiotic type of insertion policy. The proposition that a rational approach is unsuitable for managing symbiotic acquisitions is corroborated. This result can be explained by the nature of symbiosis policies, which are aimed at developing innovative practices and/or product lines in a cooperative framework. In the cases observed, such joint innovation has an emerging character which is inconsistent with a rational approach.

Although situations differ from one industry and one country to another, it is possible to distinguish several waves of acquisitions during the 20th century, with different underlying motives. Whereas the wave of the 1980s was of the hostile takeover type, obeying a financial logic, that observed in the middle of the 1990s was less aimed at disciplining management of the target than at pooling resources in a "friendly" atmosphere.

THE POPULARITY OF ACQUISITIONS AND THEIR DISAPPOINTING RESULTS LEAD TO GOING BEYOND STRATEGIC ANALYSIS

Despite their popularity, acquisitions have proved disappointing. Research conducted on this topic (Mangenheim and Mueller, 1988) noted that the acquiring firm's stock market performance suffered. Other work has shown that companies that grow by takeovers are less profitable than comparable companies that make no acquisitions (Ravenscraft and Scherer, 1987; Kaplan and Weisbach, 1992; Dehry, 1997). The dissonance between the popularity of acquisitions and their results has stimulated reflections.

One explanation, based on common sense, has practical implications that should not be underestimated. Generally, takeover of a company involves payment of an acquisition premium that has to be compensated for by an improvement in the results of the newly created struc-

Editors' note. This article is a translation from the French of an article published in *M@n@gement* in 2001 [K nig, G rard, and Olivier Meier (2001), Acquisitions de symbiose : les inconv nients d'une approche rationaliste, *M@n@gement*, 4(1): 23-45.] To bring this paper to a wider audience, the authors, together with Joan Potter, have provided this translation. We are glad to offer our English speaking readers the opportunity to read this great piece of research.
ME and BF

ture. A bad acquisition is one for which the premium paid is too high considering the advantages that can be expected from the merger.

Even when the target's value has been correctly assessed, the acquisition may still not succeed because it fails to achieve the synergetic potential, although this potential has been suitably evaluated (Porter, 1987). This managerial aspect of acquisitions has long been neglected, privileging economically based strategic analyses. Such analyses may be interesting, but they are unable to fully explain why acquisitions are statistically disappointing (Hunt, 1990; Cartwright and Cooper, 1996).

Research into post-acquisition management began to flourish in the mid-1980s (Marks and Mirvis, 1985; Walter, 1985; Shrivastava, 1986). Most of this research, with a functionalist approach (Moscovici, 1979: 21-34), presents the performance of acquisitions as the result of a psychosocial dynamic involving:

— The officers of the new structure, who have to justify the acquisition to the various interested parties (shareholders, financial markets, customers, etc.).

— Minority groups (generally without much power) mainly from the company that was taken over. Often upset by the operation and inhabited by existential concerns (Sinetar, 1981; Hall and Norbur, 1987), these minorities frequently make overtures and deploy special efforts to be recognized and accepted (Marks, 1982). To preserve this attitude, necessary to realize the value of the acquisition it has made, corporate management must be careful about the feelings of the personnel from the acquired firm.

Research on post-acquisition management suggests a few principles designed to improve exploitation of the synergies. Among the principles most frequently mentioned is the necessity of the acquiring firm to reach an agreement with its partner, reassure it as to its intentions, foresee the managerial difficulties inherent in the acquisition process and prepare for them.

AGREE

Published papers (Cartwright and Cooper, 1996; Evrard, 1996) state that the insertion process¹ should allow each of the parties to express their viewpoint and stress the importance of acceptability of the measures taken during the post-acquisition phase. One of the main managerial challenges during this period is to keep the players from seeing the situation in terms of winners and losers. This principle must of course be conciliated with the definition of a strategy able to justify the acquisition.

CLARIFY AND REASSURE

Several papers establish a link between the success of an acquisition and the clarification of the post-acquisition objectives. They state it is important to inform the members of the acquired firm about the nature and depth of the changes that will take place (Sinetar, 1981; Marks and Mirvis, 1985; Olie, 1994).

According to these authors, persisting ambiguity as to the objectives of the acquisition is likely to make the members of the acquired firm wary

1. The term of insertion is preferred to the more commonly used term of integration because of the work of Lawrence and Lorsch (1967) mentioned below. The concept of insertion is totally unrelated to differentiation.

and afraid of an unfavorable distribution of roles (Jemison and Sitkin, 1986; Franck, 1989; Evrard, 1996).

FORESEE AND PREPARE

Other authors state that the quality of post-acquisition management depends on the effort made to prepare and plan the operation (Shrallow, 1985; Shrivastava, 1986). Several cases (Bain & Company, 1999) show that merged companies are often overwhelmed after the acquisition of a target company, and even more so when the insertion process was not foreseen and planned for. Consistently with these observations, it is suggested to limit improvisation during the insertion phase (Pritchett, 1987). Therefore, before taking any action, it is recommended to carry out preparatory work aimed at explaining the process and planning future actions (Schweiger, Ivancevich and Power, 1987; Schweiger and DeNisi, 1991).

Summarizing the work on post-acquisition management in this way risks giving the impression of a variegated array of systems. It is therefore important to recall that these authors meant to distance themselves from earlier approaches, criticized for privileging strategic analysis over people. They did so by drawing attention to the projective and managerial dimensions of acquisitions. For the projective dimension, they stressed that acquisition of an existing value (tax savings, possibility of separately reselling assets advantageously acquired as an undervalued set etc.) justifies only some acquisitions. The others are related to a value-creating project to be realized once the acquisition is completed. They also stressed the managerial dimension, because a lack of incentive of the personnel resulting from the acquisition process itself is one of the main causes of loss of value (Haspeslagh and Jemison, 1987).

THREE POLICIES FOR INSERTION OF ACQUIRED FIRMS

Because takeover of one company by another involves insertion of the acquired company in a vaster structure, the issue of the insertion mode cannot be eluded.

With a concern for guiding managers in the choice of a suitable insertion mode, Haspeslagh and Jemison (1991) characterize the post-acquisition phase by two criteria: the need for ensuring the autonomy of the entities concerned to preserve their specificity and their ability to create value, and the need for strengthening the relations between entities to take advantage of existing synergies.

To cater for the different situations that can arise, Haspeslagh and Jemison (1991) make a distinction between three types of possible insertion²: preservation, merger and symbiosis.

The preservation policy is designed to preserve the operational identity and management autonomy of the acquired company. When this is not simply a transitory measure (for instance, pending other acquisitions (Dumas and Giroux, 1996: 10)), preservation is a privileged

². These options, which Haspeslagh and Jemison systematized in a typology (see below), originate in earlier works devoted to the acquisition process (Jemison and Sitkin, 1986; Haspeslagh and Farquhar, 1987; Haspeslagh and Jemison, 1987).

approach in diversification operations. The acquired firm is considered the spearhead of a new activity. The acquiring firm's role is then to give it the incentive to develop and supply it with the required funding. The relation between the corporation and the acquired entity corresponds to what is called financial type control by Goold and Campbell (1987). The merger policy is designed to pool the resources of the acquiring firm and acquired companies. The initial identities disappear to give way to a new entity. Economies of scale and rationalization of resources are the advantages usually proclaimed. Although the acquiring firm often has the upper hand for uniformization of practices and reduction of duplications, the new organization may be built around the strengths of each component (Mailloux and Giroux, 1997: 16).

The symbiosis policy involves management of contradictory requirements. The aim is to create strategic interdependencies while limiting value-destroying initiatives (Angwin and Wensley, 1997). In an approach emphasizing innovation, cultural diversity is a valuable resource and preservation of the specific features of the acquired entity is a necessity. The preservation of two separate entities distinguishes the symbiosis policy from the merger policy, and the development of close relations at operational level distinguishes it from the preservation policy.

Figure 1 shows the insertion process that Haspeslagh and Jemison (1991) believe best suited to the different types of situation that can be encountered after the acquisition.

Whereas the preservation and merger policies are aimed at satisfying a clearly defined requirement (autonomy or interdependence), the symbiosis policy is more complicated since these two requirements have equal importance.

**USEFULNESS OF THE TRIPLET:
PRESERVATION, SYMBIOSIS AND MERGER**

Since all acquisition policies are concerned by the requirements for autonomy and interdependence, it is legitimate to ask whether it is necessary to make a distinction between the three types of acquisition policy as we do, in the wake of Haspeslagh and Jemison (1991)³. In other words, are the preservation and merger categories justified other than by the concern to cater for a few special cases where one of these two requirements clearly predominates?

3. We would like to thank the anonymous reviewer who allowed us to clarify this point.

		Need for interdependence	
		Low	High
Need for autonomy	High	Preservation	Symbiosis
	Low	—	Merger

Figure 1. Three insertion policies

We can answer this question in two stages. First of all, a typology based on contradictory principles is not unheard of, as is demonstrated by the conventional distinction between functional, divisional and matrix structures. In this example, as in the case at hand, clearly assigning priority to a principle (internal efficiency in the case of the functional structure or external effectiveness in the case of the divisional structure) in no way means that the second structure is ignored, it is only assigned less importance. Secondly, it is possible to supply arguments showing that the preservation and merger categories exist empirically. Preservation policies that assign clear priority to the need for operational autonomy are frequently encountered in acquisitions leading to unrelated diversification. The British Hanson Corporation was a perfect example of this type of policy. Merger policies are characterized by the priority assigned to operational articulation of the entities concerned. This category includes so-called rationalization acquisitions and acquisitions aimed at articulating existing complementary resources.

RELEVANCE OF THE CONCEPTS OF AUTONOMY AND INTERDEPENDENCE

The concepts of autonomy and interdependence may bring to mind the well-known concepts of differentiation and integration, which is why it is important to point out the differences. According to Parsons (1951), social systems, among which he includes formal organizations, need to adapt to their environment in order to survive, while preserving the solidarity of their components. Unfortunately, contradictory efforts may be deployed to achieve this. Using Talcott Parsons's approach, Lawrence and Lorsch (1967) put forth the idea that the departments of a company (R&D and production for instance) may be confronted with different environments, in particular as regards uncertainty. They also suggest that the more these environments differ, the more the company's structure must be differentiated and the more difficult it is to coordinate the diverse components of the organization. To remain performing, an organization confronted with a need for increased differentiation must devote more resources to coordinating its activities and solving the conflicts arising within it.

When used together, the concepts of differentiation and integration have functionalist connotations related to their origin: differentiation is an answer to the increase in environmental variety, and the development of more powerful integration tools is designed to compensate for the centrifugal effects of increased differentiation.

Nothing of the sort is observed with acquisitions: the extent of differentiation observable between the entities concerned is in no way an indicator of the importance of the ties that "should" be created. For instance, acquisitions aimed at rationalization may concern targets quite similar to the acquiring company and lead to a merger, whereas acquisitions aimed at unrelated diversification may be accompanied by a preservation policy.

The concepts of autonomy and interdependence concern the links, weak in the first case and strong in the second, developed between the two entities during the insertion process. Symbiosis denotes an apparently contradictory situation from a logical standpoint, since the links between the two organizations are characterized as both strong and weak. The concepts of differentiation and integration correspond to another type of link, denoting processes which are in tension with respect to one another, but without the apparent logical contradiction proceeding from the simultaneous assertion of autonomy and interdependence.

Moreover, the logically contradictory character of symbiosis disappears upon clarifying the nature of the links involved. Symbiosis situations are in effect characterized by the preservation of operational autonomy of the entities concerned (weak links in this area) and by the development of strong links allowing the realization of joint initiatives. From this angle, they resemble situations of inter-company cooperation.

RATIONAL AND NATURAL MODELS PUT TO THE TEST OF SYMBIOSIS

The literature on organizations has sometimes been compared to a jungle. Although Scott (1998) does not claim to discover the regular structure of a French garden hidden under this luxuriance, he does propose a few guidelines. Among these, we shall examine the opposition he develops between "rational" and "natural" systems. In a rational system (Scott, 1998: 33), organizations are instruments designed for achieving specific objectives. Rationality is understood as meaning that the actions are planned and carried out in such a way as to achieve predetermined goals as efficiently as possible. A rational system therefore does not concern itself with how the goals are determined, but only how they are achieved. On the other hand, a natural system puts the emphasis on the fact that organizations are basically communities attempting to adapt to and survive the difficulties they encounter (Scott, 1998: 57). Organizations should therefore be considered as ends in themselves instead of as ways of achieving the ends that are assigned to them.

Confronted with the paradox of a popularity that persists in the face of disappointment, certain authors (Shrallow, 1985; Shrivastava, 1986) have suggested that rationally inspired management was a good way of handling acquisitions regardless of their intent, because it was conducive to consensus, clarification of goals and programming of actions. This universalistic approach has been contested by other authors (Haspeslagh and Jemison, 1991; Angwin and Wensley, 1997), who believe that not all acquisitions should be handled the same way. For these authors, it is important to make a distinction between symbiosis acquisitions and preservation or merger acquisitions. For the former, they prefer a natural approach, whereas for the latter, a rationally inspired approach is entirely suitable.

Their argument goes as follows. The objectives of preservation and merger policies can be clarified before the acquisition is made. The entities concerned can be considered as the means of achieving a pre-defined project and a rational approach is therefore appropriate. On the other hand, symbiosis acquisitions are based on an innovative intention whose features remain to be determined through the future interactions of the entities concerned. The entities cannot then be considered as the means of achieving a project, but need to be seen as active organizations creating their future. With a rational approach, conflicts between entities belonging to the same organization are negative because they interfere with achieving the objective, and must therefore be eliminated in the interest of efficiency. A natural approach sees conflicts in an entirely different way, not as the result of errors or a lack of knowledge of the parties, but as basic divergences on the goals to be set (Scott, 1998: 268). From the standpoint of our approach, the word conflict may be misleading and could perhaps be replaced by the term dissensus suggested by Moscovici. As noted by Doise and Moscovici (1984: 216), "a decision or judgment is generally found to be rational when it represents an average or a compromise." According to the authors, this means that through mutual concessions, the "average of the opinions or judgments has become the norm of everyone." What interests us here is whether the search for a consensus, with its usual meaning of social agreement conforming to the wishes of the majority, is conducive to innovation or whether a certain dose of dissensus isn't better able to stimulate the innovation dynamic at the heart of symbiosis policies. This question is not new. In 1965, Hoffman, as quoted by Doms and Moscovici (1984: 53) wrote that "pressures toward uniformity of opinion could be detrimental to the effectiveness of a group if they prevented looking for and discussing other solutions (...) The more complex the problems, the worse it was to try to achieve a consensus among the members of the group, since the price to be paid could well be the impossibility of finding the optimal solution". **Table 1** compares the main features of the rational and natural models.

This paper will attempt to answer the following question: For symbiotic acquisitions, is a natural model of post-acquisition management preferable to a rational model or not?

Table 1. Two ways of managing the "autonomy-interdependence" contradiction

Discriminating dimensions	Rational model	Natural model
Agreement of wills	Consensus Uniformization	Dissensus Free initiatives
Goals	Clear	Ambiguous
Actions	Programmed	Emerging

METHOD

The case study method (Yin, 1989) was used to test the respective relevance of the rational and natural systems in the particular case of symbiotic insertion.

Access to a particularly favorable fieldwork situation allowed development of an original observation plan. The exceptional character of the fieldwork specific to this research is related to:

— The acquisition by the same company (M gam ca) of two firms (A rofor in 1986, and Forauto in 1992) with remarkable similarities in several major areas, whose influence it was thus possible to control.

— The adoption of insertion policies presenting many similarities, which influence was also controlled.

— Strikingly different results, the first acquisition being considered a success and the second a failure.

These acquisitions were thus an opportunity to observe a rational system, characterized by clarification of goals, programming of actions, generation of consensus in one case and a diametrically opposite system (natural system) in the other case, as control.

A similar scheme was examined by Cook and Campbell (1979: 124 sqq.). According to these authors, the experimental plan including opposing types of systems is more robust from the standpoint of construct validity than a plan where the control group is without a system. This is due to the fact that the causal variable to be manipulated must be very accurately designed. The interest of this experimental plan depends on the results obtained from the observation. Opposing results, as was the case with our research, condition the interest of using this type of plan. Although we are concerned with two cases instead of two dissimilar corporations, Cook and Campbell's analysis (1979) is still fully relevant.

The data were collected through documentary analyses and individual interviews. The documents analyzed included annual brochures, activity reports and letters from the Chairman. Individual interviews (117) were conducted during 1996-1998 at all levels of the three companies (see **Appendix 1**).

OVERVIEW OF THE CASES

AEROFOR

M gam ca decided to acquire A rofor in 1986. The two companies, in the mechanical industry, used different techniques for complementary customers. The acquisition was aimed at giving the new structure a wider range of techniques to facilitate access to new markets. In an industry where rationalization and resource optimization policies were widespread, this acquisition was highly original. From the outset, it was planned to develop a policy of joint innovation based on the strengths of the two entities instead of implementing a conventional merger and absorption approach.

From a managerial standpoint, the intention was to preserve the identity of the partners sufficiently for new capabilities to emerge, while paradoxically preserving the possibility of convergence of identities. The acquisition of Aérofor by Mégaméca was successful, both through the creation of original innovations and through the organization of the new structure⁴.

FORAUTO

In 1992, Mégaméca decided to acquire Forauto, a company which was in the same line of business and exhibited promising complementarities to the group as regarded geographical base, type of customers and know-how, such that good growth could be expected for the group.

Desirous of developing new product lines using the specific resources of the two firms, the management of Mégaméca chose the insertion mode that had been successful with Aérofor.

In 1995, management was obliged to recognize that the expected results had not materialized, either for regeneration of the product line or for development of a common identity. This observation led to change of policy in 1996 and the absorption of Forauto by a subsidiary of the group.

4. In 1989, a joint commercial structure common to the two companies (Mégaméca and Aérofor) was created and became the spearhead and commercial showcase of the new structure (customer reception, commercial presentations, negotiations, signing of agreements).

AN INTRIGUING OBSERVATION

Two acquisitions that were similar by both the features of the partners and the insertion policy led to strikingly different results. If, as we will attempt to show below, the only significant difference between the two situations was a natural approach in the first case and a rational one in the second, this would corroborate the proposition that natural approaches are better suited to symbiotic acquisitions than rational approaches.

ORGANIZATION OF THE PROOF

The five following statements can be used as a test to validate or refute the two approaches (rational and natural) relative to management of symbiotic acquisitions:

- The two acquisitions can be qualified as similar.
- In the two cases analyzed, a symbiosis policy was adopted.
- The results are very different and can be qualified as failure in one case and success in the other.
- Failure is associated with a rational approach and success with a natural one.
- The most obvious other competing explanatory factors can reasonably be refuted.

The quotes below are taken from interviews equally distributed among the three companies studied (see **Appendix 1**) and were confirmed by the main players (executive officers and managers) of the new structure. Considering the aspects covered, the quotes are mainly

from statements made by senior executives, managers and engineers of the entities concerned. Only judgments that were not contradicted by other sources (interviews or documents) were retained.

THE TWO ACQUISITIONS WERE SIMILAR

The acquisitions of A rofor and Forauto can be qualified *ex ante* as similar, i.e. equivalent (Passeron, 1991: 369) from the standpoint of the reference system applied. Taken from the literature, this reference system allowed us to "reduce the apparently overabundant data of the experiment to specific positions (...) in a preestablished data grid." (Granger, 1992: 36).

Selected on the basis of earlier research in the area of acquisitions, the strategic, managerial, cultural and economic dimensions were carefully analyzed. **Table 2** shows that the two cases can be considered equivalent due to their proximity on the dimensions of this reference system.

Table 2. Two theoretically equivalent acquisitions

Dimensions	A�rofor and Forauto	
Strategic factors Salter et Weinhold (1979), Bettis (1981), Christensen et Montgomery (1981)	Preacquisition performance and growth prospects of the target Justification and advantages of the acquisition (synergy, complementarity)	Positive preacquisition performance (profitable) and good growth prospects Same technique (complex shape or pipe processes) Similar area of activity (plate processing/medium runs) Complementarity of customer bases (new automotive customers) Not in direct competition with the acquiring firm (complementary technologies, different products)
Managerial factors Kitching (1967), Bastien et Van de Ven (1986), Jemison et Sitkin (1986), Hunt (1990), Haspeslagh et Jemison (1991)	Acquiring firm's experience with acquisitions Management performance of the acquired entity Acquiring firm's behavior toward acquired firm	M�gam�ca already had experience with acquisitions Performing management with experienced, qualified executives (engineers with degrees from higher engineering schools) kept in their jobs Open behavior by the acquiring firm characterized by protection of organizational boundaries and respect for the cultural autonomy of the acquired firm
Cultural factors Schweiger et Weber (1989)	Proximity in terms of line of work and industry Proximity in terms of company size	Subcontractors on the same level in the industry (same technical expertise in mechanics and same type of customers); also see Strategic factors above Medium-sized company (M�gam�ca was slightly larger than A�rofor and Forauto)
Economic factors Lutbakin et Chatterjee (1991)	Economic situation of the industry at the time of the acquisition and during the insertion process, because of environmental influences on the result	The acquisition of A�rofor (1986) started off with six difficult months because of a contract that was unexpectedly not renewed, causing a transfer of revenue to the next semester. Revenue grew during the first years, but growth was irregular due to the instability of the automotive and aviation markets. The years 1990 and 1991 were especially difficult, due to the decrease in demand in the mechanical industry (even in Germany) leading to a drop in production and a decrease in industrial investments [†] The large fluctuations observed in France during Forauto's insertion period were compensated for by the growth of the German and American markets. The penetration of new markets led to optimistic forecasts and gave M�gam�ca confidence in its policy. No reorganization and no layoffs occurred during the first three years.

[†] "Times like these are very hard on business" (excerpt of the Chairman's address in the 1991 annual report)

The equivalence of the acquisitions in the selected reference system is of course essential to the structure of the proof, since it means that existing theories are incapable of explaining why the two operations had such different results.

IN BOTH CASES, A SYMBIOSIS POLICY WAS ADOPTED

Because the validity of the research basically hinges on this, it is important to verify that both cases have the characteristic features of symbiosis, i.e.:

- Existence of an intention of joint innovation⁵.
- Preservation of operational autonomy.
- Development of a climate of cooperation without domineering or authoritarian behavior.

Table 3 compares the two acquisitions from the standpoint of these three dimensions.

5. The word intention means a general orientation, an attitude towards the operation. The word goal is used to denote more specific operational objectives.

Table 3. Joint innovation, autonomy and cooperation: two symbiotic policies

	Aérofor	Forauto
Intention of joint innovation	<p>“The structure created (...) has a number of unique assets, among which expertise on several complementary processes capable of satisfying multiple, differentiated needs.” “Create a real competitive edge based on the technical features of each company.” “Propose innovative products.” <i>1986-1987 annual report</i></p> <p>“Our ambition was to create a new group, different from those that existed at the time, by privileging innovation over cost control, taking advantage of the strengths of the two companies. Price is a given but cannot be a strategy in itself, except by putting all efforts into that. But we are not the biggest.” <i>Industrial Manager of Mégaméca</i></p> <p>“The idea was to build a new product policy with Europe as our focus.” <i>Aerofor Management</i></p>	<p>“We acquired Forauto in the same line of business. It has technological features that we do not have in our catalog and can allow us to propose new products.” “Implement a logic of innovation supported by the forces in presence.” <i>1992-1993 annual report</i></p> <p>“Our approach was to continue our policy by developing new products that make their mark in Europe and elsewhere. Which is why we acquired Forauto.” <i>Industrial Manager of Mégaméca</i></p> <p>“When we joined the group, innovation and product policy were the watchwords.” <i>Forauto Management</i></p>
Organizational autonomy	<p>“The main topics already identified are as follows: — Each company has its own technical, economic and human features and characteristics that justify preserving it. — Each company preserves a wide measure of autonomy in the areas of organization and research.” <i>1986-1987 annual report</i></p> <p>Observations corroborating these statements: — Preservation of the organizational boundaries of the entities — No interference by the acquiring firm in the acquired firms — Preservation of executives in their jobs — Preservation of the plant and equipment — Independent management of “local” resources</p>	<p>“Set up an original structure ensuring the autonomy of the companies while creating the conditions for joint work.” “Rely on the specific features of each company.” <i>1992-1993 annual report</i></p>
Cooperation with no intention to dominate	<p>“We should create or take advantage of our strengths, on the industrial and commercial plane, based on the use of different techniques and joint work of all the teams.” <i>1986-1987 annual report</i></p> <p>“Collaboration between teams should allow us to develop new technical, industrial and commercial approaches.” <i>1988 sales brochure</i></p> <p>Observations corroborating these statements: — Creation of a permanent interface structure including the senior executives of the companies — Organization of ad hoc working groups — Creation of joint committees, in some cases at the initiative of members of the acquired firm</p>	<p>“benefited from pooling of knowledge and experience gained in our companies.” <i>1992-1993 annual report</i></p> <p>“The structure thus created is organized as a cooperation between companies. Each company has and develops its own know-how and an original identity, and by pooling, them, we are better able to meet market demands.” <i>1995 sales brochure</i></p>

6. This intention does not imply any particular way of proceeding or the goals to be achieved. A distinction must therefore be made between the intention and the goals set up to materialize them after acquisition.

The statements of **Table 3** drawn from interviews and documents were not contradicted by any of the information collected during this research. It is therefore possible to state that the following were observed in each case:

— Respect of the target firm's identity and integrity: rejection of any form of reorganization or restructuring, preservation of organizational boundaries, recognized autonomy of the members of the acquired company as regards operation and resource management.

— A project for joint innovation with the ambition of developing new product lines (proposing complete functions rather than just the manufacture of detail parts) by pooling the specific strengths of the acquiring and acquired firm⁶.

— Setting up of the insertion process in a climate of cooperation and openness. The acquiring firm did not manifest any intention of dominating the acquired firm by imposing its practices or management style.

In conclusion, the two operations analyzed appear to correspond to a symbiotic acquisition.

THE RESULTS CAN BE QUALIFIED AS FAILURE AND SUCCESS

The analysis of the result of the two acquisitions given in **Table 4** is based on the three following dimensions:

— Presence or absence of joint innovation.

— Success or failure to develop sales.

— Presence or absence of a stabilized, positive and constructive relational climate.

In the case of Aérofor, the interactions developed between the members of the two companies gave rise to new practices and led to changes in the shared perceptions of the group. By contrast, despite

Table 4. Results of the two acquisitions

Aérofor	Forauto
<p>Creation of new product lines by evolving from manufacture of raw parts to complex assemblies or functions, pooling the know-how of the two companies in the framework of a consistent management system privileging the concept of value promoted by Aérofor.</p> <p>Good results with growth in sales and market share: in two years, the new structure became leader in its sector.</p> <p>Stimulation of a winning spirit such that enthusiasm and optimism were maintained throughout 1990-1991, considered as particularly difficult years (see above).</p>	<p>No new product lines or creation of joint know-how despite the recognized technical expertise of Forauto and the possibility of pooling it with the group's existing expertise.</p> <p>Disappointing economic results with a substantial drop in sales.</p> <p>Tensions between the members of the two organizations which degenerated into open conflict between the managements. Because of the poor results, Mégaméca considered disinvesting, but finally renounced because of the strategic importance of Forauto for the group. The lack of achievements observed after three years altered the climate of confidence and led to calling into question the initial project. After an initially benevolent attitude toward Forauto, Mégaméca's management became domineering and critical. The reorganization undertaken in 1996 led to the merger of Forauto with one of the group's subsidiaries. This outcome was perceived as a failure by the members of both companies.</p>

the technical complementarity recognized by all⁷, the initially expected synergies did not develop their potential in the case of Forauto, with very disappointing results and the appearance of tensions between the members of the two companies.

The two acquisitions therefore led to strikingly different situations:

- An exceptional success: acquisition of Aérofor by Mégaméca.
- A failure: acquisition of Forauto by Mégaméca, leading to a change in orientation and a reorganization (merger of Forauto with one of Mégaméca's subsidiaries).

FAILURE IS ASSOCIATED WITH A RATIONAL APPROACH AND SUCCESS WITH A NATURAL APPROACH

The rational approach is characterized by preestablished goals and the implementation of actions designed and implemented so as to achieve maximum efficiency. The natural approach considers that organizations are above all human communities that are endeavoring to adapt and survive. This means that they are actively constructing their future.

In the case of Aérofor, it was observed that:

- The goals were not clearly defined.
- The actions were not programmed and in certain cases were definitely improvised.
- An atmosphere of urgency promoted mobilization of all the players.

In the case of Forauto, it was observed that:

- The goals were clear.
- The actions were relatively structured and organized with a view to increasing the efficiency of the work process and promoting cooperation directly focused on the goals of the acquisition.
- A shared feeling of confidence and technical expertise prevailed (see **Table 5**).

In conclusion, the failure of the Forauto acquisition is associated with a rational approach, whereas the success of the Aérofor acquisition is associated with a natural approach.

OTHER COMPETING EXPLANATORY FACTORS CAN REASONABLY BE REFUTED

The above developments show that two targets which are equivalent from the standpoint of the available theories and managed according to the same "symbiotic" principles can have very different results. Furthermore, the idea that a natural approach is better suited to symbiotic acquisitions is not refuted by the observations made. But there could be other explanations for this, which are examined below. In the framework of a refutation approach using this case as a way of testing certain hypotheses, elimination of competing explanatory factors takes place during two stages of the research. First, when creating the sample, it is possible to select the cases to be analyzed based on their similarity in certain dimensions defined in advance. Other rival explanatory factors can also be eliminated after discovery of a causal relation-

7. Several studies made beforehand emphasized the technical complementarities between the organizations. In addition, it was expected that Forauto would expand the technological expertise of one of the acquiring firm's subsidiaries which used the same type of techniques in another area.

ship, when verifying the internal validity. This possibility depends on the amount of data collected, which can be used to refute other plausible explanations that the researcher had not first identified (Campbell, 1989). Obviously, the elimination of factors threatening the inter-

Table 5. Two contrasted approaches

	A�rofor	Forauto
Goals	<p>“Nothing was really programmed at the outset. Mainly exchanges and contacts were made that gradually allowed us to progress positively.” <i>A�rofor Management</i></p> <p>“It can’t be said that the situation was initially clear.” <i>A�rofor Sales Engineer</i></p> <p>“We went step by step. We didn’t quite know how to do” <i>M�gam�ca Sales Manager</i></p> <p>“We had no similar experience in this area. We had to begin by getting to know each other so as to be able to get things moving.” <i>M�gam�ca Management</i></p>	<p>“We attempted to detail and clarify expectations to avoid the risks of misunderstanding and misrepresentation.” <i>M�gam�ca Management</i></p> <p>“We felt we knew where we were headed. It seemed relatively clear.” <i>Forauto Management</i></p> <p>“We felt as though we were reintegrated in a proven logic. It was quite reassuring, even motivational.” <i>Forauto Engineer</i></p> <p>“We tried to do what was expected of us by meeting the sales targets defined for the two coming years.” <i>Forauto Management</i></p>
Development of actions	<p>“The circumstances were such that A�rofor took the initiative, since it had elements that could help us find a solution to the problem posed by our customers.” <i>M�gam�ca Management</i></p> <p>“The decision was made in two days: there really was no choice.” <i>M�gam�ca Management</i></p> <p>“Everything was created at the same time. We took people left and right and it worked.” <i>M�gam�ca manager</i></p> <p>“When the problem was raised, we contacted a M�gam�ca sales manager. A contact was made and led to a project that we submitted to the new management.” <i>A�rofor Management</i></p>	<p>“Our collaboration with Forauto was good, with an attempt at greater professionalism on assessment level (...) and technical validation of proposals.” <i>M�gam�ca Management</i></p> <p>“After the acquisition, we went into action fairly quickly, but we were allowed to manage our business locally. Several regular meetings (once a week) were organized to share functions between our two companies. We had a relatively clear view of what we were supposed to be doing. And we especially felt we were being integrated in a well-oiled operation.” <i>Forauto Administrative and Finance Manager</i></p> <p>“The goals set for us were to work on the technological links between the processes of the two groups for the project with M. (automotive manufacturer), endeavoring in particular to validate certain technical elements. Create new committees on technical (...) or functional topics. But the two major projects were (...) to pool the sales forces and certain functions in the joint structure and the project for a separate R&D department.” <i>Forauto Management</i></p>
Climate	<p>“We said: let’s accept this event as is and consider it as an opportunity for us.” <i>A�rofor Management</i></p> <p>“We didn’t expect it and we had to respond rapidly with whatever was available.” <i>A�rofor Management</i></p> <p>“It was rather exciting, we didn’t really know where we were going, but we were all in it together, which is what was important.” <i>A�rofor manager</i></p>	<p>“We approached this collaboration in a constructive state of mind, with a certain serenity and confidence in our respective abilities.” <i>Forauto Management</i></p> <p>“We were confident and we had enough time relatively.” <i>Forauto manager</i></p> <p>“We therefore made some concessions to them which appeared normal to us. We had the time.” <i>M�gam�ca Management</i></p> <p>“Just like we had done with the first acquisition, we gave the leadership of several (...) technical committees to some managers of the acquired company.” <i>M�gam�ca Management</i></p> <p>“It is good that our executives head some of the committees. In addition to involving them in the new organization, this allows them to strengthen ties with other units of the group.” <i>Forauto Management</i></p>

nal validity can never be considered final. It is merely possible to make a list of factors that can reasonably be considered as threatening and proceed to their elimination.

A first competing explanation could be the choice of acquired entities. Although the two companies appeared similar as mentioned above, could certain specific weaknesses of Forauto be an explanation of the different results? An analysis of the data does not give any grounds for this explanation:

— A spinoff of a major armament group, Forauto was considered to have very good technical expertise and special know-how. It was in the same line of business as the acquiring firm and knew its customers (automotive). Technical analyses made before the acquisition and not called into question subsequently showed the complementarities and the feasibility of the acquisition⁸.

— The good economic health of the company and its references⁹ were a major factor in the decision of Mégaméca's management to acquire the company.

— The decision was not made lightly. The acquisition took place two years after Forauto had been identified as a possible target. The CEO was closely involved in the whole process and devoted significant resources to it¹⁰.

Shortcomings in the management of Forauto could also be a rival explanation, but this is refuted by the data collected. The decision of Mégaméca's management to keep Forauto's manager is fully consistent with the principles of autonomy and cooperation retained. Forauto's manager, with natural authority, a strong background, vast experience in the industry and excellent familiarity with the techniques used by Forauto, played an essential role in the balance and dynamic of the organization¹¹. By maintaining him in his job, the acquiring firm ensured that the transition would be smooth. This was especially important because the personnel of Forauto had already been destabilized by having to leave its original group, which had decided to refocus on its core business.

The failure could also be attributed to a change of the team in charge of insertion between the two acquisitions and a resulting change in the way the post-acquisition process was implemented. This explanation appears even more reasonable because six years separated the two operations. But it is not supported any more than the above ones by the observations made. From 1986 to 1992, neither Mécaméga's management nor the team in charge of inserting the new unit within the group had changed or even experienced any significant departures. In addition, in both cases, the methods which had demonstrated their efficiency were reused: the management of the acquiring firm was integrated in the Management Committee, collaborative structures (committees, project groups) were set up and development of new products was accompanied by pooling of the sales forces.

One last rival explanation could be considered. It is based on historical biases: unexpected events or changes in the environment¹². Although no significant events (death of a manager, conflicts between shareholders and management, loss of a major subcontractor)

8. For these analyses, the group had called on the services of specialized firms and promoted exchanges with the technical management of the target. The chances for success appeared especially good because Forauto's expertise was already in use in one of Mégaméca's subsidiaries.

9. Before its acquisition, Forauto had an enviable commercial situation because of its relations with prestigious customers in the automotive industry. These recent commercial successes were due in particular to its specialization in cold processes, technically more advanced than the customary hot processes. To avoid any unpleasant surprises, Mégaméca's CEO did not look only at the technical and commercial performance of Forauto but also had the company evaluated by financial and legal experts.

10. Taking advantage of his network of relations, the CEO was the first to identify the target, which he then had studied by an ad hoc group. Despite the geographical distance between the two companies, he made many trips to the plant and led the negotiations. The seriousness of the approach is demonstrated by the time spent making the prior studies and meeting the key players of the target as well as by the collective nature of the decision.

11. Forauto's manager was not only kept in his position but also was given a role in the permanent interface structure: the Management Committee. Because of his background and his awareness of the technical aspects, he was also given the responsibility of the R&D part of the new structure. His mission was to promote a "Group Function" capable of developing new product lines based on the techniques specific to each business.

12. Considering the observations given in Table 2, it appears possible to eliminate the economic climate as an explanatory factor in the different results obtained by the two acquisitions.

occurred between the two operations, the demand of customers for a single contact and complete product lines of course played a different part in the two cases – the demand was sudden and unexpected in the case of A rofor and to survive, the company had to satisfy it. For Forauto, the demand already existed, and was the continuation of an initiative already engaged. This customer demand undoubtedly contributed to giving an emerging character to the A rofor acquisition process and a planned one to the Forauto acquisition process.

RESULTS

The observation made within this group specialized in mechanics led to an intriguing result. The same company, M gam ca, proceeded twice in six years to acquisition of “equivalent” companies implementing a policy of symbiotic insertion. The players agreed that the first operation was a success and the second a failure.

The contrasting results of the two acquisitions led us to look beyond their evident similarity for differences which could explain this contrast. The main difference is historical: the two acquisitions took place at different times and cannot be considered as independent events. The approach taken with Forauto was based on the understandable desire of M gam ca to benefit from the experienced gained with the acquisition of A rofor. Insofar as the two cases appeared very similar, the acquiring firm wished to avoid the trial and error process characterizing the acquisition of A rofor, for several reasons:

- Be more efficient by focusing on the target.
- Avoid the errors which are inherent in any learning process and cause tensions between partners.

By proceeding in this manner, post-acquisition management of Forauto by M gam ca appears to have followed rational and functionalist principles, frequently recommended in the specialized literature (see above). As shown in **Table 6**, the observations made on the two acquisitions corroborate the proposition that a rational approach is not suitable for managing symbiotic acquisitions (Haspeslagh and Jemison, 1991; Angwin and Wensley, 1997).

This corroboration of Haspeslagh and Jemison’s (1991) and Angwin and Wensley’s (1997) propositions is interesting because it was obtained under conditions for which strong internal validity can be

Table 6. Two acquisition models in light of the cases

	Forauto	A�rofor
Model	Rational	Natural
Agreement of wills	Consensus, uniformization	Dissensus, free initiatives
Goals	Clear	Ambiguous
Actions	Programmed	Emerging
Result	Failure	Success

expected. The material collected moreover completes the arguments advanced by these authors to justify their proposition.

DISCUSSION

The few papers dedicated to external symbiotic growth (Haspeslagh and Jemison, 1991; Angwin and Wensley, 1997) establish that in this type of operation, it is important to leave room for emergences and initiatives, especially in the acquired firm. The reason for this is to avoid the risk of the acquiring company dominating the acquired company and preventing it from making any valuable contribution to the joint project. Mégaméca's plan to regenerate its product line by creatively pooling the resources of the different partners is typical of symbiotic acquisitions, which differ by the importance attached to joint innovation from operations aimed at preserving or merging of the acquired firm. It is moreover the synergetic potential specific to symbiotic acquisitions that justifies engaging a managerial process made complex by the contradictory character of the requirements for autonomy and interdependence. The difficulties that may arise from the principles of programming, clarity and consensus can be understood from the need for proceeding to creative recombination of the partners' resources.

SYNERGIES AND PLANNING

Observation (Haspeslagh and Jemison, 1991: 161) shows that for acquisitions, the synergies effectively achieved are different from those that served as initial justification for the acquisition. This is due in part to the conditions under which acquisitions are made. The pressure of time and the nature of the accessible information generally prevent a thorough evaluation of the hypotheses relative to synergies. The same factors explain why synergies may be discovered afterwards during interactions that require time and a suitable context in order to arise. It is therefore not surprising that the potential for synergies is difficult to anticipate and that their realization has a basically emerging character. Penrose (1959: 78-79) had already stressed this point relative to internal growth, recalled by others for acquisitions: in many ways, management of synergies resembles management of a new activity or company. Under these conditions, it can be understood why a planning approach has disappointing results.

CLARITY AND CREATIVITY

When operating within an anticipational and consequential rational framework, it is important to know what the goals are before acting. But intelligent decision-makers often behave as though they were unaware of this requirement (March, 1987).

Conventional concepts of intelligent choices are often based on the assumption that making the right decision requires having clear objectives and that improving the clarity of the objectives necessarily improves the quality of decision-making. Actually, greater precision in

statement of objectives and measurement of the results involves a tradeoff between:

- The benefits accruing from better articulation between actions and results.
- Poorer results due to incorrect representation of the objectives, a lack of creative interpretation of these objectives and focusing of efforts on achieving a good score with respect to preestablished objectives (March, 1978).

CONSENSUS AND INNOVATION

For each of the acquisitions analyzed in this paper, the purpose was to innovate in order to regenerate the product line of the newly created structure. The capability of a social group to innovate depends on the modes of interaction that the members of the group manage to establish. From this angle, the typology proposed by Moscovici (1979) is instructive, as it distinguishes between three basic modes: conformism, normalization and innovation.

Conformism occurs when an individual, confronted with a group whose opinions he or she doesn't share, is upset to be in disagreement with the group (Moscovici, 1979: 181). The above discussion shows that neither of the cases examined corresponds to this type of situation. However, the two other modes may be relevant.

Normalization is when the members of a group formulate or accept compromises. It flourishes in situations where:

- The interacting individuals each consider that they have the same level of competence.
- No one is in a position to legitimately impose their opinion on the others.
- None of the members of the group have overriding confidence in themselves or any serious reason for refusing concessions.

At the beginning of each of the two acquisition processes, the conditions for normalization exist. It remains to be seen why they effectively led to a normalization process with Forauto, whereas the acquisition of A rofor led to an innovation process.

One possible interpretation is supplied by Moscovici (1979: 187). As he writes, when a group is confronted with a problem for which it has no reference point or guidelines, its members tend to hesitate and be relatively inconsistent. As soon as they begin to speak, they become aware of the differences between them. Since they have no reason for engaging in a conflict under the conditions mentioned above, they will attempt to find compromises and avoid conflicts.

This mechanism of mutual concessions may however be inhibited if one of the members of the group expresses a personal opinion with some obstinacy (Moscovici, 1979: 187). This is precisely what was done by the A rofor team. Before the other partners had had time to establish the norm of the compromise (Moscovici, 1979: 188), the team had a decisive influence on the outcome of the topic of the interaction by proposing the outline of a solution to the problem raised. Although the quality of the intervention cannot be totally neglected, it is this interruption of the normalization process that is

essential. Procrastination can be fatal: once the normalization process is engaged, innovation is no longer possible. Whereas Aérofor was able to avoid the slide towards compromise by taking the floor and opening the way towards experimentation, a gradual normalization process characterized the acquisition of Forauto, at least until failure became obvious.

Research by Moscovici and the data he gathered from experiments deal with influence phenomena within groups. Our analysis shows the potential of Moscovici's conceptual framework to study interorganizational relations.

CONCLUSION

The desire of the acquiring firm to take advantage of the experience gained on the first acquisition and the ensuing failure shows the difficulty that can be encountered in drawing even from one's own experience. It is tempting to exploit existing experience with the aim of avoiding a costly and unnecessary trial and error process. This may effectively avoid trial and error, but also the benefits that can accrue from it. In other words, a slower learning process is conducive to a more thorough exploration of the possible options (March, 1991). Implementing a symbiotic policy amounts to accepting the contradictory requirements of interdependence and autonomy. The justification of such an undertaking resides in the possibility it offers of proceeding to a creative recombination of existing resources. This process requires thorough knowledge (which may be tacit) of the resources concerned and their particular features. Such knowledge is embodied in the players responsible for the operational activity. From the standpoint of the senior management of a group which is growing by symbiotic acquisition, recombining resources involves new interactions with a deviant character which are inconsistent with clear goals and planned actions.

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APPENDIX 1: POSITION AND COMPANY OF THE PEOPLE INTERVIEWED

Position	Company		
	Mégaméca	Aérofor	Forauto
Executives/Senior Management			
Corporate management	yes	—	—
Plant management	yes	yes	yes
Executive secretary	no	yes	yes
Administrative and Finance Manager	yes	yes	yes
Sales Manager	yes	yes	yes
Middle Management			
Sales Engineer	yes (5) [†]	yes (4)	yes (2)
Production Manager	yes	yes	yes
Purchasing Manager	yes	yes	yes
Tooling Manager	yes	yes	no
Information systems Manager	yes	yes	yes
Maintenance Manager	yes	yes	yes
Quality Manager	no	yes	yes
Design Office Manager	yes	yes	yes
Sales Administrator	yes (1)	yes (2)	yes (1)
Shop Foreman	yes (2)	yes (1)	yes (2)
Operators/Technicians			
Shop technician	yes (7)	yes (5)	yes (4)
Operator	yes (4)	yes (5)	yes (3)

[†] The numbers in parentheses are the total number of people in that position interviewed. A total of 79 people were interviewed, 32 of whom were interviewed again (38 additional interviews), making a total of 117 interviews.