

CHAPTER 20

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POWER AND POLITICS IN M&A

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INTRODUCTION

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Mergers and acquisitions (M&A) are complex social phenomena that bring together different people in conditions of uncertainty and ambiguity. M&A give rise to competing versions of strategy, disputes over resource allocation, and confrontation between groups with varying vested interests. Although their own future is typically insecure, employees are expected to work together and take part in integration efforts. Hence, it is not surprising that issues related to power are crucial for M&A. Power relations are often intertwined with organizational politics and politicking.

In this chapter, we attempt to shed light on power-related issues that arise when previously separate organizations merge or when one organization acquires another. As a basis for this endeavor, we provide a brief overview of the ways in which power as a concept has been treated in management and organization studies. This overview is followed by an analysis of the ways in which power (and politics) has been conceptualized in different strands of M&A literature. We revisit seminal studies in the field where the treatment of power is often implicit. We reread some of the classics in terms of how they (seem to) conceptualize power, and also provide examples of more explicit takes on power and politics in the M&A context. We highlight important contributions, but also point out some of the limitations of extant theorizing.

It is reasonable to assume that power and politics are salient to M&A performance. At the core of social interaction in M&A are power relations and politicking, which concern choosing between alternative and competing directions for the future. It is virtually impossible—and indeed unfruitful—to search for direct and unambiguous connections between power and performance. However, the high failure rate of M&A, which is frequently cited by researchers and practitioners alike, suggests that connections probably do exist. For example, one might expect that power relations and politics contributed to the apparent failure of the merger between Daimler (Germany) and Chrysler (US) or

that the conflicts labeled cultural in the Travelers and Citibank merger in the US had to do with power struggles and politicking.

How exactly power- and politics-related processes unfold in M&A over time is a matter that needs to be studied further, although problems of access are likely to continue to hamper researchers' attempts to do so. Moreover, power is not only a tricky subject for empirical study, but also a theoretically challenging concept. As our review below demonstrates, power and politics are notoriously vague and malleable conceptual tools for researchers. They can be defined and used in a number of ways. Also, power is likely to attain different meanings in mergers as opposed to acquisitions and in domestic maneuvers as opposed to cross-border ones. Based on our tentative analysis of M&A literature in the light of power, we argue that advancements in our understandings of this complex phenomenon will require more in-depth and context-sensitive inquiries.

This chapter is structured as follows. We first provide a brief introduction to power and politics in management and organization studies and beyond. We then move on to outline different perspectives on power and politics in M&A research. Finally, we offer some suggestions for key points and sketch avenues for future research.

POWER: A MALLEABLE CONCEPT

Power is pervasive, and power relationships are of crucial importance for social analyses. Power has, however, been understood in a variety of ways in literatures relevant to M&A (Clegg et al. 2006). A crude distinction can be made between those who theorize power as a resource, as something held and used, and those who advocate a relational view of power in social interaction. These two perspectives are outlined next. We then move on to a brief introduction to a multidimensional definition of power, and conclude this section with a reflection on politics and an outline of literatures that are still not typically drawn upon by M&A scholars, but which may prove helpful in taking us beyond the obvious.

In the 1960s and 1970s, political and sociological analyses advanced the conceptualization of *power as a resource* (Clegg et al. 2006). Management theorists drew on these analyses and distinguished between legitimate (or official) decision-making power deriving from the hierarchical positions of those who exercise power over their subordinates on the one hand and illegitimate (or unofficial) power embedded in social networks and relationships on the other (Pettigrew 1973; Pfeffer 1992; Thompson 1956). In fact, it has been argued that these informal relationships are particularly relevant power mechanisms in organizations (Mintzberg 1983). In general, most management and organization analyses of decision-making power have more or less shared the resource-based view, where power is considered a property of particular actors or groups of actors (Miller et al. 1996).

When power is viewed as something held and used, questions of resistance acquire a particular meaning. In managerialist accounts, resistance has been presented as a

hindrance to organizational development; something to be overcome by means of management. This is reflected in the plethora of popular books on (and for) managers pursuing change in organizations (Kotter 1996). Sometimes the advice may be to “share” power to achieve particular goals, but the overarching message is clear.

In contrast, research on labor processes has concentrated primarily on the collective, conscious, and organized responses to managerial power of male blue-collar workers in factory settings (Thomas and Davies 2005). Power and resistance have been presented as antithetical, that is, related to management and employees and their (often tense) relationships in organizations. While in the 1970s and 1980s this focus was the exclusive domain of a marginalized group of Marxist intellectuals, by the mid-1990s theorizations on resistance had made a dramatic reappearance in new forms (Fleming and Spicer 2008).

Critical management studies (CMS) provided an intellectual counterpoint to mainstream management research (Alvesson and Willmott 1996). Critical analyses of management typically address how cultural traditions and the acts of powerful agents contribute to “freezing” social reality for the benefit of certain sectional interests at the expense of others (Alvesson and Deetz 2000). Management is understood as a concept and category, as a social construction that is filled with history and political motives. Studying management critically means addressing asymmetrical relations of power in depth. However, central to this work is also an appreciation of the difficult position of managers: “Caught between contradictory demands and pressures, managers encounter ethical problems; they run the risk of dismissal; they are ‘victims’ as well as perpetrators of discourses and practices that (un-)necessarily constrain ways of thinking and acting (Jackall, 1988)” (Alvesson and Willmott 2003: 14).

Power and resistance have come to be viewed as a complex issue that cannot be reduced to relationships between managers and employees. Industrial sociologists, too, began to open up the notion of resistance in the 1990s to see “more quotidian variants like cynicism, foot dragging, dis-identification, and alternative articulations of selfhood” (Fleming and Spicer 2008: 302). In brief, while the more mainstream literature on management continued to embrace power as a resource, more critical work slid toward processual and relational understandings.

A post-structuralist conception of *power as relations* in organization and management studies grew out of Michel Foucault’s (1977, 1984) work in particular. Foucault conceptualized social actors as controlled and disciplined by social practices and discourses, rather than vice versa. Practices and discourses, Foucault suggested, construct subject positions and identities for actors. In the Foucauldian view, power relationships are understood to be multifaceted in the sense that those conventionally seen as powerless also exercise power over those conventionally seen as the dominators. Acts of resistance—conventionally seen as a counterforce to power—are in the Foucauldian view an inherent part of the (re)construction of power relations. Resistance is not considered to be separate from power; rather, it is inherent in its exercising (Knights and Vurdubakis 1994). Resistance can even be conceptualized to constitute a form of power (Collinson 1994).

The Foucauldian view can be used not only to point out limits in mainstream takes on power, but also to scrutinize more critical understandings in management studies. In her distinction between mainstream, critical, and Foucauldian perspectives, Foldy (2002) suggests that the critical perspective typically treats power as something negative. A Foucauldian perspective, she argues, is apt for exploring the terrain of identity as a key site for the reproduction of power relations, thus also offering opportunities for resistance and change. Central to Michel Foucault's conceptualization of power is that it is both productive and transformative as well as exacting and limiting (Foucault 1980). Power is viewed as action on action. It is fundamentally relational; modifying, directing, and guiding rather than dominating. In the Foucauldian scheme, domination is the result of the application of force rather than the effect of power.

In management and organization theory, many scholars have been inspired by post-structuralist ideas. They have paid attention to discourses and discursive mechanisms that (re)produce power relationships. Such studies have often examined the (re)production of inequalities in organizations. Foucauldian perspectives have been found useful in, for example, studies of disciplinary practices (Townley 1993), subjugation and subjectification (McKinlay and Starkey 1998), and normalization (Ahonen and Tienari 2009). Studies have also found Foucault's work useful in making sense of discursive struggles in and around organizations (Hardy and Phillips 1999). Struggle refers here, first, to the interplay of different discourses that shape organizational reality and, second, to a struggle over meanings. To put it crudely, the key question (to study) is how and why a particular version of social reality, carrying specific meanings, becomes accepted and normalized as "truth" at a given time and place, and what opportunities for alternatives it opens up. In brief, the relational view on power draws attention to historicity and discursivity and understands resistance as an integral part of power relations.

Power remains a contested terrain in management and organization research. Both views—power as resources and power as relations—have been criticized. On the one hand, to understand power as a resource to be acted on and used by individual decision-makers and dominant groups is to run the risk of simplification. At the extreme, power may be reduced to qualities and possessions of individuals and groups and the positions they hold. On the other, post-structuralist conceptions of power relations have been criticized for an overly deterministic view where the role given to individual subjects and selves remains limited. At the extreme, individuals are seen as puppets moved around by invisible and faceless discourses. It has also been pointed out that by questioning the very existence of "stable" structures, post-structuralists run the risk of offering a relativist scenario where the possibility of a critique of apparent structural inequalities and subordination remains limited.

More *multidimensional views on power* have also been advocated.¹ Steven Lukes (1974) presented a model of three dimensions that advanced power analyses so that in addition to concrete decision-making and non-decision-making the institutionalized power that is exercised to construct social reality also became highlighted. This directed research attention to the ways in which meaning is controlled by some to render others powerless, while the others do not necessarily even become aware of this exercise of power.

Contributions by Lukes and others paved the way for understanding power not solely as something that is possessed by specific actors, but something that is embedded in social structures, traditions, and conventions. A similarly influential view was advocated by Anthony Giddens (1984), who considered power the (causal) ability of agents working within a framework of specific structures to mobilize particular rules and resources.

Stewart Clegg's (1989) circuits of power framework is an example of multidimensional conceptualizations in management and organization theory. Clegg brings together (1) episodic power relationships manifested in concrete situations where different social actors interact, (2) rules of practice that fix relations of meaning and membership (that both define identities and subjectivities for the actors interacting in specific episodes and are affected by these interactions), and (3) structures of domination constituted by social practices and techniques empowering or disempowering actors. The term "circuit" refers to the coexistence and connections between all three levels of analysis.

If power is a vague and malleable concept, so is *politics*. Mainstream management and organization research has found it difficult to grasp the dynamics of politicking in organizations. In contrast, critical studies have embraced such inquiry. For example, in *Moral Mazes*, Robert Jackall (1988) provides an intriguing study of the controversial aspects of managerial work. Jackall suggests that to climb up the organizational ladder, managers need to engage in power play and politicking, and they need to learn to live with ethical dilemmas. For example, by virtue of their position, managers are frequently asked to take part in questionable practices that they may personally find uncomfortable. Yet, at the same time, sensitivity to the necessity of organizational politics—making the right choices in paradoxical conditions—determines their success in making a career, and persuades them to turn a blind eye and take part in, and contribute to, questionable practices.

A Foucauldian view offers an alternative vocabulary to study micro-politics in organizations. For example, increasing attention has been paid to "resistance strategies" as an essential part of organizational power relationships, bringing to the fore the idea that resistance can be seen as a continuous process of adaptation and reinscription of the dominant discourses, as well as inventive in terms of creating new types of practice and discourse-level responses to challenging social situations (Thomas and Davies 2005). Hence, power, resistance, and politics often overlap, both in organizational practice and in research.

Finally, apart from management and organization studies, power is also central to fields that have only recently received attention from M&A theorists. Feminist and post-colonial studies are examples thereof. Different traditions notwithstanding, making unequal gendered power relationships in society and in organizations visible lies at the heart of feminist theory. Marta Calás and Linda Smircich (2009) postulate that feminism implies more than a focus on gender relations; in its various strands and forms, feminism is always political. It is guided by feminist theory, ongoing criticism of non-feminist scholarship, and an aim to create social change. As an example, in the book edited by Robyn Thomas, Albert J. Mills, and Jean Helms-Mills (2004), different scholars theorize on gender and resistance to offer nuanced understandings of identity

politics, and to highlight different ways in which individuals and groups struggle to appropriate and transform gendered norms in organizations.

Post-colonialist researchers, in turn, have examined the relationship between colonizing and colonized cultures and people from a specific power/domination perspective. The seminal work of Edward Saïd (1979) has been influential in illustrating how the cultural and socio-political hegemony of the West continues to subordinate people in the non-West. More broadly, post-colonialist analyses have provided keys for understanding how relationships between specific peoples, ethnic groups, and nations are overshadowed by (problematic) historical heritages. For example, the post-colonial lens has inspired scholars to attempt to understand the social forces behind marginalization and exclusion in contemporary multinational organizations (Prasad 2003; Frenkel 2008).

In sum, power and politics have been defined and put to use in a variety of ways by management, organization, and other scholars. However, this abundance has only of late become visible in M&A research, where the resource-based understanding of power has been notably dominant.

PERSPECTIVES ON POWER IN M&A

The chapters of this edited volume show that research on M&A reflects a range of traditions, foci, and interests. Our analysis suggests that different ways of looking at M&A also tend to incorporate particular understandings of power (as well as resistance and politics). They draw from particular fields of inquiry, prefer specific methodologies, and frame the researched phenomena differently. It is interesting to note, however, that in practice power often remains implicit in the research reports; M&A theorists talk about power-related issues without referring to them as such, or only do so in passing. In the following, we outline seven perspectives on M&A in relation to power (see Table 20.1).

Motives and Performance

Since the 1960s, mergers and acquisitions have been studied from a strategic viewpoint (Kitching 1967) with close links to economics and later finance theory. Such studies have concentrated on the firm-level strategic motives and performance effects of M&A, often with a particular focus on various aspects of decision-making. This kind of research has been based on attempts to understand management as a rational agent solving problems related to market conditions and organization resources in different stages of M&A processes.

Friedrich Trautwein (1990) reviewed theories of merger motives and considered these theories in the light of their prescriptions for merger strategies. According to Trautwein, theories of merger motives—or researchers' explanations for why mergers are carried

Table 20.1 Perspectives on M&A

| <i>Perspective</i> | <i>Key concerns</i> | <i>Focus on power and politics</i> |
|---------------------------------------|---|--|
| Motives and performance | Different strategic motives for M&A, and their connections to performance and value creation | Attaining market power Empire-building |
| Employee concerns | Employees' change-related uncertainty and sense of loss in relation to compliance and resistance in M&A processes | Strategy as political process Employee perceptions of domination and subordination |
| Cultures and cultural politics | Cultural differences, collisions, and resolution through integration in M&A processes | Employee perceptions of dominant and dominated cultures |
| Identities and identification | M&A as culturally politicized spaces (Lack of) employees' organizational identification following M&A decisions | Political actions in cultural encounters Identifications of the dominant as opposed to the dominated |
| Institutions | M&A as elements of particular societal configurations of institutions and markets | Structural power in the form of "rules of the game" in and across societies |
| Legitimation and discursive struggles | Particular representations of M&A, drawing on wider discourses in society M&A stories and narratives-in-the-making | Struggles for meanings Legitimation strategies (Re)constructions of success and failure as well as winners and losers |
| Marginalization and exclusion | Cross-border M&A as constituted in historical relations between peoples and cultures. M&A as gendered spaces | Reification of post- and neo-colonial structures of domination Reification of post- and neo-colonial structures of domination (Re)production of gender-based segregation |

out—fall into distinct categories.² Efficiency theories view mergers as planned maneuvers that are executed to achieve synergies, be they financial, operational, or managerial. Monopoly theory, in turn, views mergers as planned and executed to achieve market power. Horizontal, vertical, and conglomerate mergers provide different opportunities for firms to embark upon cross-subsidization of products, limiting competition in different markets, and deterring potential entrants. Valuation theory is interested in the effects of managers' information about the target's value. In brief, efficiency, monopoly, and valuation theories present particular understandings of why mergers take place, and on this basis attempt to explain their relative success and failure.

Trautwein (1990) also outlined empire-building, process, raider, and disturbance theories of merger motives. According to Trautwein, empire-building theories view mergers to be planned and executed by managers who attempt to maximize their own utility instead of value for shareholders. Process theory, in turn, is said to produce models that describe strategic decisions not as comprehensively rational choices, but as outcomes of processes governed by individuals' limited information-processing capabilities, organizational routines, and political power. Raider theory focuses on wealth transfers from stockholders to bidders. Finally, rather than focusing on individual mergers, disturbance theory looks at waves of mergers in time vis-à-vis economic disturbances, which increase uncertainty and cause change in the expectations of owners and non-owners.

In recent years, strategy scholars have expanded their focus on M&A motives and effects.³ For example, attention has been paid to the combination of assets (Haspeslagh and Jemison 1991), capability development, and innovation performance (Ahuja and Katila 2001) and acquirers' development of capabilities to carry out acquisitions (Haleblian and Finkelstein 1999). Tomi Laamanen, and Thomas Keil (2008: 670) put forth a "third layer of acquisition capabilities: the capability to manage acquisition programs," that is, series of acquisitions in time. They considered the impact of an acquirer's size, the scope of its program, and acquisition experience vis-à-vis the performance effects of acquisitions.

From the point of view of power, different theories of strategic merger motives seem to have different foci (Trautwein 1990). For example, a focus on empire-building hinges on theorizing power relations between managers and shareholders. In process theories, organizational political power is a core category in, for example, the seminal studies by Allinson (1971) and Pettigrew (1977). Trautwein interpreted these studies to frame strategic decisions as the outcome of political games played between actors. In this view, tactical considerations and mutual adjustments dominate the decision process. In more recent strategic takes on M&A such as Haleblian and Finkelstein (1999), Ahuja and Katila (2001), and Laamanen and Keil (2008), power is not explicitly discussed in any way.

In sum, in the strategic perspective on M&A, power—whether or not explicitly addressed—is typically considered a resource. This is often implicit as power as a concept remains unarticulated. The notion of market power, however, seems to be particularly pertinent to the more economics-oriented studies. On the one hand, it directs attention to the environmental conditions of M&A activity, leading to various firm-level

strategic responses to attaining a powerful position in the market. On the other, it downplays power relations within and between the merging organizations. Processual understandings of strategic motives in M&A, with an often explicit focus on politics, provide an exception in the strategic literature.

Employee Concerns

M&A typically unfold in conditions of ambiguity, uncertainty, and insecurity, and this presents particular challenges for employees and managers alike (Risberg 1999). Studies focusing on employees and other human actors in the M&A context have for some time provided a contrast to more strategically oriented analyses (Marks and Mirvis 1986; Napier 1989; Schweiger et al. 1987; Shrivastava 1986). These studies have often sympathized with employees in the emergent, merger-related change processes, and closely examined employee reactions leading to compliance or resistance to change. Schweiger et al. (1987) identified five major employee concerns in M&A: loss of identity, lack of information, obsession with self-survival, loss of talent, and family repercussions. Fubini, Price, and Zollo (2007) used the metaphor of “corporate health” to make sense of how mergers need to be managed in order to mitigate such concerns.

The point of departure in Susan Cartwright and Cary L. Cooper’s (1990) seminal treatise on the human side of M&A was the high-risk nature and failure rate of these manoeuvres. Cartwright and Cooper reviewed classifications of M&A, and concluded that human and social issues were ignored in most analyses. Drawing from the field of psychology, Cartwright and Cooper (1990) focused on employees’ sense of loss and stress. A sense of loss, particularly prevalent in acquisitions, was compared to bereavement for a close friend or relative. It was suggested that feelings of loss may be accentuated in conditions of uncertainty associated with major organizational change such as M&A. This is likely to be stressful for human beings, and to lead to a variety of reactions.

The relative power of the merging organizations seems to be a recurring theme in studies focusing on the human side of M&A. Employees’ perceptions of domination and subordination often lie at the heart of the research. Cartwright and Cooper’s (1990: 69) treatise on the human aspects of M&A addressed issues of power as follows: “Mergers and acquisitions are about power, differing perceptions, cultures and definitions of the situation, and so are potentially conflictual; the social and cultural ramifications extend beyond the boardroom.” The difference between mergers and acquisitions was pointed out as crucial in terms of power: “In an acquisition, there are clear winners and losers; power is not negotiable but is immediately surrendered to the new parent on completion of the deal (Mangham 1973). Merger is rarely a marriage between equals (Humpal 1971), but the parties are likely to be more evenly matched in terms of size, and the distribution of power is more likely to evolve over time” (Cartwright and Cooper 1990: 70).

Cartwright and Cooper (1990: 70–1) concluded that “there will be greater initial conflict and resistance to change within bitterly fought takeovers, particularly if the issue has mobilized the entire workforce (Turner 1987) than in voluntary mergers or

acquisitions, in that feelings of defeat and powerlessness are likely to be heightened (Mirvis 1985).” In mergers, however, “the distribution of power is important in the longer term, as the culture of the dominant party will invariably be expected to become the culture of the new or revamped organization. However, in considering theories which have addressed employee responses to merger, it is useful to draw the distinction between reactions to (i) the announcement itself, and (ii) the changes which subsequently result.” Connections between employees’ perceptions of power and powerlessness,⁴ with feelings of loss, uncertainty, and stress, are of specific importance in this kind of an approach to M&A.

In sum, literature on the human side of M&A builds on perceptions of the relative power of the merging organizations. It is typically implied that this affects a variety of employee reactions, including compliance and more often than not questioning and resistance. In practice, studies of M&A as human activity often overlap with cultural analyses of M&A processes.

Cultures And Cultural Politics

In the early 1980s, with the rise of a more general interest in the study of culture in social sciences, researchers started to explore M&A from a cultural perspective (Buono et al. 1985; Nahavandi and Malekzadeh 1988). Also, a stream of research emerged with a focus on cultural differences and contradictions in international M&A (Olie 1994; Calori et al. 1994; Lubatkin et al. 1998). Cultural differences, whether between organizations or national collectives, have received a lot of attention in the literature. The need to integrate the merger partners began to be framed as a cultural issue, and the impact of cultural differences on merger performance raised interest among M&A scholars (Stahl and Voigt 2005; Teerikangas and Very 2006).

In their seminal work, Anthony F. Buono, James L. Bowditch, and John W. Lewis III (1985) directed attention to the notion of culture in understanding domestic M&A and their outcomes. Buono et al. aimed to complement what in the 1980s was a literature dominated by a strategic perspective. Their study of a merger between two mutual savings banks in the US brought to the fore a novel view of the merger process as an attempt to combine different organizational cultures. Buono et al. examined the cultures of the merging organizations, the attitudes and perceptions of organizational members before and after the merger, the emerging culture of the newly formed organization, and the cultural implications of the merger and its effects on organizational members. With this agenda, Buono et al. paved the way for what became a stream of cultural studies on M&A in the 1980s and 1990s. Cartwright and Cooper’s (1990) contribution discussed above is an example, as they explicitly connect their ideas to the language of organizational culture, discussing cultural (in)compatibility, rivalry, and combination in relation to employee perceptions of loss, uncertainty, and stress.

The question of cultures in M&A was soon taken to the international level. René Olie (1994) provides an example in his study of difficulties emanating from “firm-specific”

and “nation-specific” differences in cross-border mergers. To reconcile these potentially problematic consequences of differences, and to achieve an adequate level and form of integration,⁵ Olie suggested that questions of leadership, symbolic reconstruction of a new identity, superordinate goals, and multi-group memberships would be crucial.

Buono et al. (1985) focused specifically on cultural collisions and their resolution. They discussed at length perceptions of the “organizational locus of power” in the merging firms. This discussion centered on perceptions of individual top managers and their behavior. While in one of the merging firms studied the locus of power was presented as egalitarian and bureaucratically dispersed, in the other firm it was portrayed as being consolidated in the hands of the president. Although not explicitly articulated, the conception of power in Buono et al.’s study is clearly resource based. This is illustrated by their descriptions of the post-merger setting: “soon after the merger actually took place, each parent organization was seen by the employees of the other bank as an ‘invading enemy,’ rather than as a co-equal partner (despite the relatively equal size of the banks)” (ibid. 492). Buono et al. identified stages in the unfolding of the merger, for example, with labels such as “negative stereotyping” and “arm wrestling.” In the merger studied, “it was becoming increasingly clear that although this was to be a ‘merger of equals,’ the culture of the new institution, in terms of its subjective interpretations and its objective artifacts and symbols, more closely resembled Bank B than Bank A” (ibid. 495).

Power is not always explicitly addressed, but it is implicitly assumed in cultural studies of international M&A. It typically becomes framed as a question of national (cultural) balance of power. In describing his merger cases, for example, Olie (1994) contended that “every indication that one of the two parties was dominating the new venture was studiously avoided. A [national] balance was applied to the overall distribution of management positions, the composition of the management and supervisory boards, presidency, new investments and location of the new head office” (ibid. 399). Olie went on to suggest that “despite . . . attempts to symbolize the binational character and the co-equal status of the two partner firms, it was often perceived differently by national groups” (ibid. 400).

In brief, cultural studies of M&A typically frame power as the dominance of one merger party over the other, and the cultural dynamics involved receive particular attention. Buono et al.’s (1985) study exemplifies this. Olie’s (1994) study, in turn, is typical of the significant body of literature on international M&A in the sense that it seeks to understand the dominance of one national culture over another, as well as the effects of integrating the two different cultures. It also attempts to prescribe suitable managerial activities for achieving success in the cross-border M&A context.

Some studies have taken a more processual perspective on cultural differences and their implications for power. Eero Vaara (2003) viewed post-acquisition integration as a culturally politicized space and focused on the ways in which managers made sense of key issues in post-acquisition integration. His analysis illustrated the ways in which the ambiguity surrounding integration issues and cultural confusion may lead to the politicization of post-acquisition integration.

Finally, cultural studies of mergers and acquisitions have been shown to lack critical reflection. Sally Riad (2005) offered a critical reading of the use of organizational culture in both researchers' and practitioners' attempts to make sense of M&A. She applied a Foucauldian perspective in arguing that knowledge on "organizational culture" (a contested term, hence the quotation marks) has acquired authority and constitutes a "truth" (ditto) in mergers. Riad viewed organizational culture as a discursive formation implicated in a regime of truth. She confronted issues of power explicitly, and argued that when used in making sense of mergers, the "truth" of the organizational culture construct has both enabling and constraining power effects.

Identities and Identification

With the rise of cultural studies on M&A, employees' identities and identification emerged as a related topic that raised interest among scholars. Drawing from the field of social psychology, Daan van Knippenberg, and colleagues (2002) analyzed social identity processes in mergers. They argued that organizational identification following a merger is contingent on a sense of continuity of identity, and suggested that this sense of continuity is contingent on the extent to which the individual's own pre-merger organization dominates or is dominated by the merger partner. Van Knippenberg et al. went on to argue that pre- and post-merger identification are more positively related for members of dominant as opposed to dominated organizations, and that perceived differences between the merger partners are more negatively related to post-merger identification for members of the dominated organization.

Steve Maguire and Nelson Phillips (2008) followed the same line of reasoning, paying particular attention to the notion of institutional trust. They focused on how issues of organizational identity and identification processes contributed to the loss of institutional trust—the trust that members have in their organization—among a group of employees from one merger party following the merger decision. Maguire and Phillips suggested that this includes two mechanisms. First, the ambiguity surrounding the identity of the newly merged organization can undermine trust. Second, in time, as ambiguity is reduced, those employees who are highly identified with their legacy organization may continue to experience low institutional trust because they do not identify with the new organization.

With regard to identities and identification in the M&A context, domination (and subordination) is—again—a crucial issue. This is explicit in van Knippenberg et al.'s (2002) study. Maguire and Phillips (2008: 395), in turn, remain relatively silent about power, but maintain that the "efficiency-driven decisions to make headcount reductions and to increase the hours in a work week [in the new organization] were interpreted as signs that [merger partner 1] was emerging as the more dominant partner and that [the new organization] would resemble that legacy organization rather than [merger partner 2]."

Institutions

It is evident that different strands of institutional theory have influenced research on M&A, although not to the same extent as the strategic, human, and cultural views outlined above. The specific contribution of institutionalist research is to consider M&A in the “big picture” and to view them as elements of particular societal configurations of institutions and markets. A form of institutional view was already inherent in seminal historical studies that highlight long-term waves of M&A activity in society (Chandler 1990), as well as in studies of M&A as social movements and fashions (Davis and Stout 1992; Thornton 1995). To put it crudely, these studies considered M&A as constituent parts of their operating environments and, more specifically, of particular industries and their evolution.

The crux in institutionalist theory is that particular societal configurations of institutions and markets determine the rules of the game for economic and social activity. In this vein, Glenn Morgan (2007) set out to explain, first, why M&A take place and, second, how they play out in practice. He pointed out that this entails a focus on “how institutions of society (the underlying patterns of political power, authority, trust, ownership, labor relations and skill formation) pre-structure the game that individual firms and actors play.” Hence, Morgan took distance from the human and cultural understandings of power in M&A literature: “my interest is not so much in what may be termed the microdynamics of power (i.e. how individuals assert their will over others; how one side of an M&A deal overcomes another), it concerns what authors (such as Lukes (1974) and Clegg (1989)) have referred to as ‘structural power’” (Morgan 2007: 116).

Morgan’s (2007) work on “structural power” was in the tradition of comparative capitalisms and national business systems literature, which can be considered particular strands of institutionalist theory (cf. Hall and Soskice 2001; Whitley 1992). Morgan’s fundamental argument was that power (in M&A and in other economic activities) is already distributed by the rules themselves, which reflect a process of social negotiation arising from social conflict between actors with differential power. Morgan maintained that the rules of the game reflect and reproduce power differences. This, he claimed, has significant consequences for the ways in which M&A play out in practice. On the one hand, different rules of the game in different societies create different conditions for M&A. On the other, M&A become a crucial mechanism of power in the restructuring of firms and societies.

However, for scholars such as Morgan the increasing influence of transnational governance bodies and organizations has become crucial for understanding the shift in the rules of the game for M&A activity. The “big picture” has become global. On the one hand, transnational governance bodies such as the OECD, IMF, WTO, and the World Bank and on the other, multinational corporations (MNCs), work to promote a global playing field with universal rules of the game. However, at the same time nation-states continue to pursue their own agendas in coordinating economic activity. M&A need to

be viewed in context, and today this includes both societal (national) and global forces and their intertwining.

Legitimation and Discursive Struggles

The discursive and narrative aspects of M&A have lately received increasing research attention. Influential early studies were carried out by Hirsch and Andrews (1983) and Hirsch (1986), who examined the metaphors and vocabularies of hostile takeovers, and Schneider and Dunbar (1992), who presented a psychoanalytic reading of texts in relation to such events. Vaara (2002) examined the discursive construction of success and failure in decision-makers' accounts of mergers and acquisitions, and Vaara and Tienari (2002) studied types of discourse through which the changes involved in M&A are justified and legitimized, and how they come to be viewed as "natural" in the media. Cummings and Riad (2007) noted that M&A are frequently described with expressions drawn from war and battle, and showed how this has implications for the ways in which M&A are made sense of by focal actors and the public at large.

Andrew D. Brown and Michael Humphreys (2003) provide an intriguing study of a merger of two colleges into an institution of further education in the United Kingdom. In their narrative analysis of organizational members' sense making of the merger, Brown and Humphreys reported a contradiction: while the merger strategists (the senior management team) told a distinctly heroic narrative of epic change, the subordinate groups in the merging colleges authored recognizably tragic narratives. Brown and Humphreys argued that these different narrations and narratives were influenced both by psychological processes and by broadly available cultural resources. Categorization, self-enhancement, and uncertainty reduction were the key psychological processes that influenced how people made sense of the mergers. Cultural resources such as literary genres, in turn, provided means for articulating stories of the merger and its outcomes.

Brown and Humphreys (2003) illustrated the precarious and sometimes contested nature of success and failure in mergers. The senior management team in Brown and Humphreys' study understood the merger to have been largely successful and attributed this success to their own efforts. They expressed optimism regarding the future of the new merged institution. In stark contrast, while subordinate groups in the two merging colleges had different understandings of the merger and each other, they agreed that the merger had been ill planned and poorly executed by an incompetent, uncaring, and careerist senior management team. Brown and Humphreys' findings resonate with Vaara's (2002) study on the discursive construction of success and failure in narratives of post-merger integration. Vaara concluded that the success stories of senior managers were likely to lead to overly optimistic views of the management's ability to control change processes in the merger context. Stories of failure, in turn, led to overly pessimistic views. Questions of power and of dominance and submission came to be understood as more ambiguous and multifaceted than in the more established strategic, human, and cultural perspectives on M&A.

As institutional theory posits in its idiosyncratic ways, discursive and narrative studies also point out that M&A do not exist in a vacuum. Stakeholders often considered to be outside the merging organization may in fact emerge as key actors in the ways in which merger and acquisition processes take shape and are understood. The media is an example of this. How journalists choose to cover M&A may affect the ways in which shareholders, customers, and employees make sense of these complex and ambiguous phenomena (Vaara et al. 2006). Merger strategists, for example, attempt to justify and legitimize their views in the media, while other actors may promote competing understandings (Vaara and Tienari 2008). For example, Vaara and Monin (2010) showed how legitimation is an inherent part of post-merger integration and how successful or failed legitimation effects have a fundamental impact on organizational action.

Discursive and narrative analyses have recently been complemented by novel approaches. Eero Vaara and Janne Tienari (2011) offer an antenarrative lens to international M&A. While classical narrative analyses make sense of organizations through fully formed stories, antenarrative analysis focuses on narratives and storytelling *in action* as they are crafted in organizations undergoing change (Boje 2001; Bakhtin 1981). Antenarratives are fragments of organizational discourse that construct identities and interests in time and space. Vaara and Tienari suggest that antenarratives are particularly useful for understanding international M&A, where different stories-in-the-making coexist and jockey for position. In their model, antenarratives exist in a dialogical relationship and provide alternative ways of giving sense to, or making sense of, the merger and its implications. Vaara and Tienari also illustrate the crucial role that stories-in-the-making play in both the legitimation and the resistance of change in post-merger integration.

Marginalization and Exclusion

Finally, although M&A may have fundamental implications for economies, societies, communities, and various groups of people, explicitly critical analyses of M&A have been scarce. The study of Vaara et al. (2005), focusing on the choice of corporate language as a question of power and politics in an international merger, is a rare example. Vaara et al. used Clegg's (1989) circuits of power framework and pointed to the multifaceted implications of corporate language policies. Language skills became empowering or disempowering resources in organizational communication that were associated with professional competence and led to the creation of new social networks. Language also became an essential element in the construction of international confrontation, led to a construction of superiority and inferiority, and reproduced post-colonial identities in the merging organization. Vaara et al.'s analysis also illustrated how language policies lead to the reification of post- and neo-colonial structures of domination in multinational corporations.

Drawing on feminist organization theory, in turn, Tienari (2000) studied a domestic merger from a gender perspective. He illustrated how women became marginalized in

the merger process and typically ended up in less attractive managerial positions than men. He also showed how the status of feminized positions declined in time. His study brought to the fore how the merger process contributed to the (re)production of gender-based segregation in the new organization. Tienari, Söderberg et al. (2005) elaborated on this with a focus on the making of a multinational firm through cross-border mergers. They explored how male executives explained away the exclusion of women from the top echelons in processes of internationalization. Among other things, their study brought to the fore how understandings of women's family responsibilities serve as an excuse for excluding them from top management (Calás and Smircich 1993). Tienari, Vaara, and Meriläinen (2010) provided another reading of men and masculinity in cross-border M&A. They showed how becoming international induces a particular masculine identity for the top managers involved, but also demonstrated how the managers' national identification persists. Masculine identity construction re-enforces the position of men, while, again, excluding women from positions of authority.

Summary

Different approaches and perspectives form a varied and fragmented field of M&A research, not only in terms of conceptualizing power, but also more generally. Prominent scholars continue to call for more coherence and paradigmatic unity in the field, typically around positivist principles and more "rigorous" research (Larsson and Finkelstein 1999; King et al. 2004). The issue can, however, be turned around. It has been suggested that it is precisely the hegemonic position of positivist methods of inquiry that prevent a rich, multiform, and comprehensive understanding of M&A dynamics from developing (Meglio and Risberg 2010). Conceptualizations of power are arguably a case in point.

Categorizations always remain analytical exercises that merely attempt to organize messy social reality—in this case, academic. Our review above is not intended to be exhaustive. Individual pieces of M&A research may also combine ideas from different perspectives. Our distinction between the seven perspectives and the labels we have given to them can be contested. It is merely offered as a tool for M&A researchers to make sense of the variety in the field, and to develop it further with respect to enhanced understandings of power and politics.

CONCLUSIONS

In this chapter, we have shed light on power-related issues in mergers and acquisitions. We have provided an outline of how power has been addressed in management and organization theory. We have revisited seminal studies in the field of M&A and reread them from the point of view of power, and also provided examples of more explicit takes on power and politics in M&A research. Based on our review and analysis of extant

literature, we have offered seven perspectives to make sense of power and politics in M&A. These include motives and performance; employee concerns; cultures and cultural politics; identities and identification; institutions; legitimation and discursive struggles; and marginalization and exclusion.

Power and politics are extremely challenging theoretical concepts. We have highlighted important contributions in the M&A literature, but also pointed out some of the limitations of extant theorizing. While power and politics have been understood in a variety of ways by management, organization, and other scholars, they remain ambiguous concepts that are defined and put to use in a variety of ways. This abundance has only recently become visible in M&A research, where scholars have for some time been bound by resource-based understandings of power, focusing on questions such as the perceived (im)balance of power between the merging organizations and their representatives, the various consequences of this (im)balance (strategic, human, cultural, or identity related), and the managerial efforts to coordinate the integration of the merging organizations. The focus has been on distinguishing between the dominant (powerful) and dominated (powerless), and on dealing with the (often) negative consequences of this “power asymmetry.”

However, it is important to add to these conventional views on power. Studies that have focused on cultural politics, those taking a narrative or discursive approach to M&A, and those exploring marginalization and exclusion have made a clear leap from a resource-based view on power to a more relations-based view. Yet, alternative framings of power and politics remain scarce in M&A literature. In particular, we lack openly critical studies that would elaborate on topics such as marginalization and exclusion. In international settings, post- or neo-colonial lenses would be particularly helpful in providing M&A scholars with ideas and concepts for understanding the complex ways in which historically constituted relations between peoples and cultures impact upon the dynamics of power relations in cross-border mergers and acquisitions. There are also many other interesting and useful perspectives that M&A scholars could draw upon (Clegg et al. 2006). By so doing, M&A scholars could also aim to contribute to analyses of power in organizations more generally.

At the same time, it is our conviction that making sense of power and politics calls for in-depth understandings of particular mergers and acquisitions. One must zoom in and address the specific dynamics at hand as they unfold in M&A planning, negotiation, and implementation. In short, there is a need for context-sensitivity and a deep understanding of the various dynamics of human and social interaction, whether they are framed in terms of strategy, human resources, culture, identity, or discourse. Sensitivity to context and contextualization of research endeavors have been recognized in fields ranging from anthropology (Dilley 2002) and communication studies (Sillince 2007) to management (Bamberger 2008), strategic management (McKiernan 2006), and international business (Michailova 2011; Welch et al. 2011). In-depth, context-sensitive studies are also likely to advance the development of theory on power in M&A. This would also be practically relevant, as corporate managers have little use for abstract variables and bogus quantification (Kay 2010).

ENDNOTES

1. For a genealogy of (research on) power and organizations, we advise M&A scholars to consult the comprehensive treatise on the subject by Stewart Clegg, David Courpasson, and Nelson Phillips (2006).
2. Trautwein's (1990) research report contains a typical flaw in M&A research: the distinction between mergers and acquisitions remains blurry and unarticulated. Although mergers and acquisitions are legally different transactions (Hovers 1973) and their points of departure differ significantly in terms of social interaction (Cartwright and Cooper 1990), they are often presented as synonymous.
3. In the international business (IB) literature, motives and outcomes of cross-border M&A have been discussed through several thematic perspectives, for example, as a question of strategic choice of entry mode, value-creating strategy, and learning process (Shimizu et al. 2004).
4. Scholars have also focused on issues such as organizational justice in the M&A context. Perceptions of procedural justice, for example, have been found useful in understanding employee reactions to M&A (Lipponen et al. 2004; Meyer 2001; Véry et al. 1998).
5. Olie (1994: 386) conceptualizes integration as the "combination of firms into a single unity or group, generating joint efforts to fulfill the goals of the new organization."

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