ODLUČIVANJE NAJVIŠEG RUKOVODSTVA MALIH I SREDNJIH PODUZEĆA U GLOBALNIM AKVIZICIJAMA

SMALL AND MEDIUM-SIZED FIRMS TOP MANAGEMENT TEAMS' DECISION-MAKING IN GLOBAL ACQUISITIONS

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Review

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SAŽETAK

Novo globalno tržište u nekim je organizacijama i industrijama dovelo do promjena u oblicima i načinu provođenja strategije, te do većeg oslanjanja na međunarodno osoblje. Ulazak na globalno tržište kao i uspjeh na njemu, ostvaren akumulacijom znanja, za mnoga je poduzeća postao zamašnjak održivih konkurentskih/razvojnih prednosti. Brojne organizacije odlučuju se za strategiju orijentiranu na međunarodne akvizicije na inozemnim tržištima kako bi se mogle

ABSTRACT

The new global marketplace has caused changes in some organizations'/industries' forms and execution of strategy and reliance on international personnel. Entry and success through the accumulation of knowledge in the global marketplace have become the impetus for sustainable competitive/developmental advantage for many corporations. Many organizations choose a strategy focusing on international acquisitions in foreign markets to compete effectively in the current učinkovito natjecati s konkurencijom u sadašnjem dinamičnom okruženju, koje je podložno sve većim promjenama. Nakon obavljanja akvizicije, praćenje poslovanja nove međunarodne podružnice od strane američkih poduzeća uglavnom je primjer etnocentrične primjene domaćih standarda i načina nadziranja. Smatramo da je najviše rukovodstvo svakog poduzeća vrlo vrijedan resurs, koji valja zadržati, a da bi se trebalo preispitati etnocentričnost praćenja i nadzora. Ovo se istraživanje usredotočuje na najviše rukovodstvo i njegovu vrijednost za poduzeće pri objašnjavanju varijacije akvizicijskog uspjeha. Zbog toga postakvizicijska integracija i praćenje moraju odgovarati za ovu vrijednu imovinu.

ever-changing dynamic competitive landscape. After acquisition, the monitoring of the operations of the new international subsidiary by US firms typically is an ethnocentric example of applying home-country standards and controls. We suggest that the top management team (TMT) of a firm is a valuable resource, needs to be retained and that ethnocentric monitoring must be reconsidered. This research focuses on the TMT and their value to the firm to help explain the variation in acquisition success. Thus post-acquisition integration and monitoring must account for this valuable asset.

1. INTRODUCTION

Research results underscore the importance of the top management team (TMT) in small and medium enterprises (SMEs) success.[1] For example, strategic teams have been noted for their influence on making decisions that affect innovation, charismatic leadership can be more effective than their less charismatic counterparts and transformational leadership inspires and enhances employees' commitment. Development of the organization's culture, strategy and dynamic capability by the TMT is important when the objective of building the economic value of the firm is a paramount goal. These processes occur through the integration of complementary human resources and that encourage the development of a synergistic environment.[2]

Decisions by the TMT to align the human resource skills and strategy can affect performance in small and medium-sized firms.[3] Also, the TMT through their strategic choices becomes an important component that determines the success or failure of an SME organization.[4] Strategic leadership theory holds that companies are reflections of their top managers and that the specific knowledge, experience, values and preferences of top managers are reflected not only in their decisions but also in their assessment of decision situations.[5]

The TMT of an SME, ranging from as few as three to as many as ten managers, is the most important group in an organization[6] and is at the apex of the organization providing strategic leadership.[7] Successful firms owe their success to these small groups of executives that develop strategy and direct the resources that combine both the firm's tangible and intangible assets. Researchers have explored the link between human resource planning and strategic planning, as the TMT is the focal force in planning strategy and staffing to strategic requirements.

Human resources could be a source of competitive advantage, especially if they are aligned with the organization's competitive advantage. Organizations, in a broader sense, have developed certain rules and processes that determine who holds the power and how it is executed. These rules and processes are developed through mutual agreement amongst the participants.[8] A bounded rational TMT affects a firm's strategic choice and the subsequent performance of the firm due to these decisions.[9]

Our research explores the TMT of a target firm after acquisition as mergers and acquisitions continue to be one of the most popular strategic options. In 2004 alone, mergers and acquisition transactions worth $1.95 trillion were announced. It would seem apparent to most that organizational growth strategies will continue to utilize mergers and acquisitions as a viable means to compete in the 21st century. Some examples of large strategic acquisitions in 2005 include a Computer Associates' purchase of Concord Communications for $330 million, Time Warner and Comcast purchasing Adelphia Communications Corporation for $17.6 billion, Wachovia buying Palmer and Cay insurance (revenues of $400 million) and Omnivision buying CMD optics for $30 million.

Strategic reasons for employing an acquisition strategy include: 1) access to new markets; 2) the availability of scarce specialized resources; 3) the opportunity to achieve production efficiencies; and 4) the means to reducing political or market risk.[10] For example, an international acquisition strategy allows SME organizations to exploit foreign market opportunities more quickly than many other strategies[11] while overcoming trade and investment barriers[12] and, through international market diversification, stabilizing organization returns due to uncorrelated market fluctuations and turbulent political climates.[13]

Contrary to previous studies, relatively recent literature suggests that acquisitions do not fail and that they do increase value to the organization. For example, cross-border acquisitions represent an increase of 7.5-10.7 percent in value for 74-76% of the organizations that use this strategy.[14] In domestic acquisitions, research has suggested that additional value has been derived from an increase in operational efficiency, an increase in market power or some form of financial gain.[15]

Retention of a successful target firm's TMT may be very difficult as mutual obligations are the essence of the employment contract, defining the relationship between employee and employer.[16] The relationship of roles and mutual goals has been developed over time. To understand perceived employment obligations, one needs to consider the social phenomena in which they are entwined. The actual retention of the TMT may rest upon two components that have developed during the relationship: transference of the target TMT's contract with the target firm to the acquiring firm, and the type of monitoring by the acquiring firm that may be implemented upon the target firm.

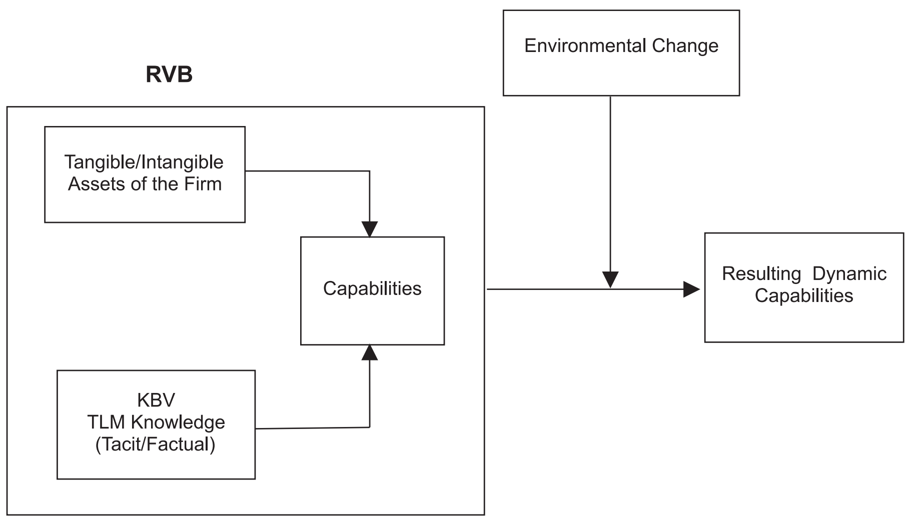
The goals of this paper are to explore the importance of the TMT to the ultimate performance of an acquisition. It is argued from an integrated perspective, on the basis of resource-based, knowledge-based and a dynamic capabilities theory, that the TMT is the "lynchpin" to continued post-acquisition success. The TMT has the knowledge of both the firm and the industry that are valuable to the acquiring firm. Also the TMT is a rare, valuable, inimitable and non-substitutable resource that may be the greatest value of the firm. As the marketplace changes, the TMT must constantly acquire new resources and reconfigure the firm to insure the dynamic capabilities of the organization. As such, not only is the TMT retention important in international acquisition success but an appropriate monitoring and control mechanisms must also be developed.

2. RESOURCE-BASED THEORY AND RESULTING DYNAMIC CAPABILITIES PERSPECTIVE ON THE ROLE OF TMT IN GLOBAL ACQUISITIONS

The intersection of strategy and human resources has been amplified due to the popularity of the resource-based theory.[17] Important concepts of the resource-based theory have assisted in accelerating the convergence of HR management and strategy with the concepts such as knowledge,[18] dynamic capabilities[19] and leadership.[20]

The resource-based theory of the organization suggests that organizations accumulate and develop a bundle of specialized resources that are both tangible and intangible (see Figure 1). These resources, when applied appropriately, should generate above-average returns and can create a sustainable competitive advantage.[21] When it is impossible to develop such resources internally, firms will often attempt to obtain these resources through acquisition.

Figure 1: A Resource View of TMT Value In Global Acquisition



Source: Authors

The focus of research in the resource-based theory is probably best restricted to those differences between organizations that competitors cannot (or do not) duplicate for whatever reasons, or that competitors cannot duplicate loosely enough to eliminate the advantage.[22] Due to inimitability and the dependant variable as competitive advantage, competitors' inability to duplicate successful (rare, non-substitutable, inimitable and valuable) strategies will create a sustainable competitive advantage. Examples of these resources/assets are: TMT, brand names, in-house knowledge of technology, employment of skilled personnel, trade contacts, machinery, efficient procedures, capital etc.

For resources to be considered a sustainable competitive advantage, they must include all of the following characteristics: 1) Resource heterogeneity (resource bundles having intrinsically different levels of efficiency, or some more superior than others), 2) ***Ex post*** limits to competition (once an organization has a superior position, this position can be maintained), 3) Imperfect resource mobility (resources are imperfectly mobile when they are somewhat specialized to organization-specific needs) and 4) ***Ex ante*** limits to competition (e.g. limited competition for the position before the organization attains its superior position).[23] Another deviation from the traditional strategy perspective is that the resource-based theory rests on two assumptions: industries have heterogeneous strategic resources and these resources are not perfectly mobile across organizations.[24] The resource-based theory offers that physical, human and organizational resources are an organization's source of competitive advantage when they are valuable, rare, non-substitutable and inimitable.[25] These resources can be modified as an organization's knowledge of markets, technologies and consumer needs and attitudes are affected by external inputs. The TMT has control over all organizational resources, human resources and physical assets to one degree or another. As new knowledge is developed or obtained, the TMT reacts to modify strategy.

The TMT plus their expert knowledge, due to causal ambiguity can be seen as a valuable, rare, non-substitutable and inimitable resource. For example, the TMT in multinational companies (MNCs) are shaped by experiences that lead to specific knowledge of multiple country markets in which they operate.[26] Knowledge based resources, such as the TMT and their experience, assist in the development of the organization's strategy, core competencies and subsequently its value.[27] Research suggests that the human resources are a valuable component for an organization in developing a competitive advantage.[28] Companies attempt to limit inimitability of their valuable human resources by attempting to limit mobility of employees through company culture and application of implicit and explicit contracts. The resource-based perspective has important implications for the importance of TMT, especially when "the productivity of superior resources depends upon the nature of their employment and the skill with which a strategy based on resource superiority is implemented".[29]

However, the resource-based theory's assumption of the organization as a bundle of resources breaks down in high velocity markets because in these situations resources are added, recombined and dropped with regularity.[30] The dynamic capabilities theory focuses on the flexibility of integration in the new dynamic marketplace, with the focus on knowledge transfer and integration. These capabilities are concerned not only with product and process innovations but also with the strategic innovations that reconfigure knowledge into new approaches to competing.[31]

Managers and academics alike believe that the omnipresence of and the continued heightened aspect of globalization phenomena will continue to exist in the global marketplace.[32] Therefore, the nature of hyper-competitive conditions will necessitate that management: 1) recognize that competitive advantages are time-sensitive and therefore, will erode quickly; 2) develop strategies on a continuous basis, recognizing that there will only be temporary market advantages; 3) adjust the conventional wisdom in management relative to shortening timeframes due to the "quickening" nature of competition; 4) redefine historic industry boundaries due to deregulation and non-traditional competitors entering their industries; and 5) redefine the concept of time as a competitive variable that is necessary in the "creative destruction" of global competitors' market advantages.[33] If the global hypercompetitive marketplace is going to become the competitive standard of the 21st century, management must reexamine the historic profile of global managers, the international TMT and what it will take to manage in this evolving market configuration.

The resource-based and dynamic capability perspectives suggest that intangible resources, which are socially complex and embedded in human capital, are valuable when complementarily bundled with other resources.[34] Because of causal ambiguity, path dependencies and social complexity, this intangible resource will be difficult to duplicate and the loss of an international firm's TMT might create an impossible task to duplicate. For example, dynamic capabilities necessarily rely less on existing knowledge and much more on rapidly creating situation-specific new knowledge. Existing knowledge can even be a disadvantage if managers over-generalize from past situations.[35]

Increasing turbulence in the marketplace has suggested that knowledge, tacit knowledge in particular, is the most strategically important resource which firms possess.[36] Tacit knowledge is both difficult to transfer and necessitates transaction-specific investment. Transferring knowledge is not the same as integrating knowledge. The primary task of the TMT is to integrate the specialized knowledge of multiple individuals.[37] The critical source of competitive advantage is knowledge integration and not knowledge itself. Therefore, a knowledge-based theory is the perception of interdependence as an element of organizational design and subject to managerial choice. The quality of the choices of the TMT rest upon their relevant expertise, developed over time.

Significant attention in the strategy literature under the auspices of the resource-based theory has focused on knowledge, specifically knowledge in regard to customers, competitors, or to the creation of new products or services.[38] The Human Resource Management field focuses more on job-related knowledge and, although it has been argued that all learning begins at the individual, it is affected by both the social context and routines within an organization.[39] Thus, the TMT effectively influences the organizational culture to either engender or hinder the knowledge development, assimilation and intraorganizational transfer.

Core competencies of an organization are knowledge-based and are comprised of human ideas, knowledge and effective direction as sources of the core competency. The dynamic management of this human capital and the TMT's internal and external relationships becomes a resource in itself.

3. TMT CAPABILITY TO CREATE ONGOING VALUE TO THE ORGANIZATION

Perhaps the most important group in an organization is the TMT, and perhaps even more so in an internal setting due to their knowledge of the local markets and networks of relations both internally and externally.[40] The TMT of an organization ranges from as few as three to ten people and is at the apex of the organization providing a strategic team.[41] Successful firms owe their success to these small groups of executives that develop strategy and direct the resources that combine both the tangible and intangible facets.

It can be argued that the TMT of the target firm (i.e. firm being acquired) is important in the acquisition process, both before, during and after. Before acquisition, these managers prepare the firm's employees for the transition; establish ties between the two firms and assist in the valuation. After acquisition, top managers continue to work to integrate the firm into the acquiring company so ongoing performance of the firm may decrease by the loss of this integral Team. After acquisition, top managers of the target firm are viewed as critical to enhancing post-acquisition performance as the TMT possesses knowledge critical to ongoing business operations; their departure may heighten the level of disruption and uncertainty in the firm following acquisition.[42]

Dynamic capabilities refer to an organization's ability to adjust to its changing environment by exploiting existing internal or external resources and competences of the TMT.[43] More specifically, Zollo & Winter[44] find dynamic capabilities, as a "learned and stable pattern of collective activities through which an organization systematically generates and modifies operating routines", to be more effective. The strategic management literature that also applies to global acquisitions suggests that an organization should be able to capture, articulate and somehow codify and transfer TMT routines and competences to benefit from the post-acquisition firm. Once it does this, it can improve the activities critical for success of the newly acquired firm (e.g. absorbing the acquisition and restructuring the combined organization to better respond to market vagaries).

The dynamic capabilities theory is derived from the resource-based theory of the firm that focuses on firm-level resources (internal factors, semi-permanently linked to the organization) that provide the firm with a unique competitive posture.[45] The resource-based theory of the firm theorizes that the accumulation of resources, that are: 1) valuable; 2) rare; 3) imperfectly imitable; and 4) for which there are no strategically equivalent substitutes creates resource position barriers to deter competition and competitive advantage, resulting in above-normal returns.[46]

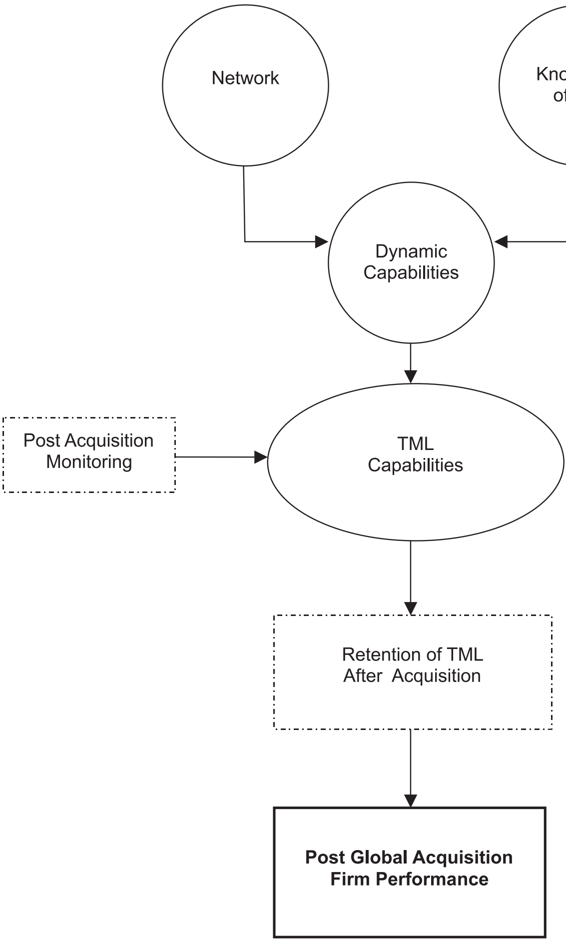
Alternatively, the dynamic capabilities perspective argues that capabilities are more substitutable across different contexts as well as equifinality, thus rendering inimitability and immobility irrelevant to sustained competitive advantage.[47] As such, the dynamic capabilities perspective is focused on the strategic employment of key resources, as opposed to the ownership of the resources themselves and application in a stable environment. The TMT's decisions as to the direction and employment of strategically key resources are often what creates value for firms and performance. Dynamic capabilities are thus the organizational and strategic routines, by which firms achieve new resource reconfigurations as markets emerge, collide, split, evolve and die.[48] The firm's internal resources are not considered stable but must be bought, sold and developed by the TMT as the strategy changes to compete in the dynamic environment.

4. TMT IMPORTANCE AFTER THE ACQUISITION

The resource-based theory focuses on resource integration. The acquisition of resources is a strategic necessity as valuable firm resources are scarce, imperfectly imitable and lacking in direct substitutes.[49] The resource-based theory also suggests that acquisitions can help firms maximize firm value through gaining access to other firms' valuable resources.[50] The real sources of a firm's success are due to the organization's firm-specific or idiosyncratic resources. Empirical studies demonstrating that firm-specific factors are more important than structure characteristics in explaining a firm's superior performance have lent further credence to the early conceptual work on resource-based theory.[51] As these valuable resources are firm-specific and can be causally ambiguous, they may embark on acquisition attempts. Also, there is a difference between assets and capabilities as assets are related to "having" while capabilities are related to "doing", making them more invisible. Target firms may wish to be acquired as they have the assets but not the capabilities, which could be supplied by an acquiring firm. For example, small research and development bio-tech firms that develop a new drug have the asset but not the capability to distribute so they seek a large firm to acquire them while the large firm wishes to acquire the strategic asset as it has the capability to market and distribute.

Probably the key postulate of the resource-based view is that differences in resources are causally related to differences in product or service attributes, and thus to competitive advantage and differences in performance. A characteristic that may make firm resources less imitable is their social complexity. The interpersonal relations within a management leader and a firm's reputation among suppliers or customers are examples of socially complex firm resources that cannot be completely managed by the firm and are difficult to replicate and imitate. Resources such as assets and capabilities have to be developed by the TMT, choosing paths of flows (investments) over a period of time. This inimitable resource, developed and maintained by the TMT, as well as their interpersonal relationship is an integral portion of value to a firm. The acquisition of a firm will include retention of the TMT from a resource-based theory perspective (see Figure 2).

Figure 2: Proposed Model of TML Impact on Global Acquisition



Source: Authors

5. TMT CAPABILITY – NETWORK

TMTs develop these networks of relationships between firms and maintain them. In international settings, where "relationships" are a key to success, established TMT networks are invaluable. What makes a network of firm relationships so important is the continuity of relationships and shared values, with relationships defined as: nonhierarchical/long-term commitments, multiple roles and responsibilities, mutuality and affiliation sentiments. Therefore, what differentiates the network-oriented organization is the density, multiplicity and reciprocity of ties, plus a shared value system defining membership roles and responsibilities. Networks add value. The TMT's network of external and internal relationships, in which a successful firm is embedded, will represent a significant contribution to the firm's continued success.

The ambiguous, complex and fluid configuration of firms that constitute a network, and the personal relationships of the members developed over time, create value for the firms. Each network member's identity communicates a certain orientation toward other actors; it conveys a certain competence, because it is based on each actor's perceived capability to perform certain actions and on the particular resources each actor possesses. The TMT administers these relationships, chooses appropriate compatible partners and maintains the relationships.

A major source of information and network maintenance is the TMT as a boundary spanner. Boundary spanning communication is important to SMEs as a source of new information and awareness of environmental changes. Boundary spanning refers to the effective interaction between an organization and its external environment. This lynchpin assures an even flow of information between the two parties. Meaningful communication between firms in a working partnership is a necessary antecedent to trust and, in subsequent periods, the accumulation of trust leads to better communication. This vital transference of information allows the parties to share strategic views on the external market environment, internally mutually decide a course of action and then implement it. When boundary-spanning functions are created, the organization may be better able to manage its environment effectively.

Networks of relationships within and without the firm are important for the TMT dynamic capability. For example, explicit knowledge that is not embodied in specific products may not be efficiently transferred. However, alliances and networks of these alliances may be well-suited to the transfer and integration of this knowledge.[52] Another consideration is the speed at which this knowledge is transferred. Networks of firms sharing knowledge will permit knowledge to be transferred more quickly than by relying purely on the market.[53] From the dynamic capabilities perspective, the network strategy involves the routines by which the TMT reconnects webs of collaborations among various parts of the firm to generate new and synergistic resource combinations among businesses.[54] These network alliances bring new resources into the firm from external sources.[55]

6. TMT CAPABILITY - KNOWLEDGE

Today's marketplace is knowledge-based; knowledge along the competencies built upon this platform is the main factor in determining an organization's current and future value.[56] Knowledge has emerged as the most strategically significant resource of the organization as increasing turbulence of the external business environment has focused attention upon resources and organizational capabilities.[57] The TMT has tacit knowledge in regard to strategy, organizational strengths and weakness, the industry etc., which is a valuable commodity to the firm. Also, the TMT develops routines that create knowledge flows throughout the organization.

Knowledge is information laden with experience, truth, judgment, intuition and values; a unique combination that allows individuals and SMEs to assess new situations and manage change. Differences in the knowledge possessed by different individuals are implicit in the concept of asset specificity.[58] More broadly, these differences motivate individuals to specialize in various aspects of business activity, including the TMT.[59] It is the corporate-level knowledge that constitutes the stable generation mechanism of strategic behaviors. The strategic behavior design process consists of information interpretation and processing and is structured by the corporate-level knowledge.[60]

7. TMT CAPABILITY RESULTING IN ORGANIZATIONAL DYNAMIC CAPABILITIES

How the TMT employs the firm's assets, and how quickly, affects the success of a strategy in today's global competition. This asset employment can be called dynamic capabilities, which refer to the development of management capabilities and difficult-to-imitate combinations of organizational, functional and technological skills necessary to gain/sustain a competitive advantage.[61] The TMT has a major role in this process. Dynamic capabilities necessitate having the TMT develop overall organizational coherence while recognizing the unique features of the internal and external environment to facilitate customization of strategies and also focusing attention on the adaptation, integration and reconfiguring of both internal and relational resources to match the opportunities in the global and local marketplaces.[62] The TMT's decisions as to the direction and employment of strategically vital resources is what often creates value for firms and performance. Dynamic capabilities thus are the organizational and strategic routines, by which firms achieve new resource reconfigurations as markets emerge, collide, split, evolve and die.[63]

Without effective strategic TMT the probability that a firm can perform well when confronting the challenges of the global economy is greatly reduced.[64] Dynamic capabilities are the antecedent organizational and strategic routines by which the TMT alters the firm's resource base by acquiring and shedding resources, integrating them together and recombining them to generate new value-creating strategies.[65]

8. IMPERATIVE RETENTION OF THE TMT

The loss of the TMT of a previously successful newly-acquired organization will lead to weaker post-acquisition performance. The importance of the TMT of the acquired organization, the value of the strategic decisions it takes and its influence on performance has been researched extensively in management literature.[66] Many researchers focus on a managerial view of acquisitions with attention paid to how goals are developed, resources are allocated and individual's efforts are coordinated to build congruence in the overall direction adopted by the company that the TMT will facilitate after acquisition.[67] Loss of the TMT will impair the development of the new goals and of the role the acquisition will perform. This, in turn, will negatively affect the performance of the acquisition.

From the strategic choice perspective, Child[68] claims that managers have discretion and that the decisions they make are of vital importance to the success of the organization. Top management is often viewed as critically involved in formulating and implementing strategy to provide superior performance for the SMEs. The task of management is to provide dynamic capabilities for organizational flexibility and to configure an organization for the preservation and control of technology, structure and culture.[69] The TMT is thus an integral part of the value of the acquisition by developing its strategy, organization and teamship. Loss of the valuable members of the TMT will negatively affect the TMT capability.

The human dimension (the TMT in this instance) is critical to the effective execution of strategy[70] as well as to the development and dissemination of knowledge and organizational learning within the organization.[71] A study by Lengnick-Hall & Wolff[72] of three perspectives in strategy (resource-based, hypercompetitive and high-velocity, plus ecosystem and chaos theory-based views) established common themes concerning this human dimension. These concepts include: developing effective exchange relationships,[73] understanding that strategy and context are dynamic[74] and emphasizing the performance "numerator" rather than the cost "denominator".[75] The performance "numerator" suggests a superiority of product or service that will require a talented TMT for continued performance. Relationships outside traditional organization boundaries focus on strategic alliances that require a diverse TMT in a dynamic, churning marketplace. In effect, loss of the TMT of the acquired organization may directly affect performance, exchange relationships (within and without the organization) and strategy regarding the specific market context.

Retention of the TMT as a group is important, as in accordance with the idea of bounded rationality that the creation of new knowledge, acquisition of existing knowledge and storage of knowledge cannot be performed by one individual. Therefore, the TMT are experts that specialize in particular areas of knowledge. The knowledge-based theory suggests that the TMT develops rules and directives to facilitate knowledge integration based upon specialist expertise.[76] Also, knowledge assets remain with the individual employees and cannot be readily transferred with the most complicated tacit knowledge resident in the TMT. The greater the loss of the members of the TMT, the less effectively will the TMT perform after the acquisition.

9. MONITORING POST-ACQUISITION ROLE OF THE TMT

After acquisition, post-contractual (post-acquisition) problems may emerge that could affect how the acquisition performs. It must be determined how the principal (i.e. acquirer) should evaluate and reward the agent's (target) performance so that the international target firm will be motivated to behave in a manner consistent with the acquirer's goals. The acquirer must also determine what information strategy should be employed to formalize evaluations. The major assumptions regarding these problems are: the acquirer and the international target are motivated by self-interest and cultural nuances hinder evaluation, the acquirer operates under conditions of incomplete information and the acquirer's decisions are complicated by environmental/cultural uncertainty.

To alleviate potential post-contractual problems, many purchasers may be more inclined to make changes and increase governance, especially those in culturally distant environments.[77] However, efforts to centralize authority (as in bureaucratic organizations) may encourage low knowledge transference throughout the organization.[78] After acquisition, the purchasing organization strives to create a situation in which all the internal and external resources are joined, working together towards the mutual goals and objectives. Hence, social control is considered the best way to engender these cooperative behaviors.[79] The aim of social-type controls is for the values and the goals of the organization to become identified and then followed by the individuals associated with the organization. The target TMT's participation in the buy-in, development and implementation of known monitoring systems is essential to engender cooperation.[80]

Tsai[81] illustrates that both the inter-organizational and intra-organizational social capital development contribute in many ways to the creation of new values/goals for an organization that will assist in control development and monitoring. This research provides support for the development of social capital as a mechanism that facilitates value creation at both the external-dyadic and internal-business unit levels, alleviating the need for extensive monitoring systems.[82] In effect, relationships need to develop mutual understandings of how each party's roles are developed and where mutual goals are established, as opposed to bureaucratic "one size fits all" ethnocentric monitoring systems.

Difficulties in developing monitoring mechanisms must overcome internal factors, such as differences in organizational culture and structure, as well as country culture and laws that may be linked to a persuasive effect on worker attitudes, managerial styles, decision-making and organizational success. Studies have argued that differences in culture and management styles have a significant negative impact on acquisition performance.[83] Similarly, significant differences in cultures often result in discomfort and hostility during the post-acquisition phase, as the monitoring mechanisms imposed by the acquiring firm were incompatible with the TMT's expectations or processes.

Post-acquisition problems are also affected by the organizational culture of the target organization and the ineffective/inappropriate/deleterious use of excessive, acquirer-specific, monitoring systems. Poorly implemented monitoring systems may create circumstances in which the TMT exits. SMEs, in an attempt to obtain the information required to effectively motivate or correct target firm action, may implement monitoring systems that are acquirer-specific. If these systems are unacceptable to the target firm, or their TMT, post-acquisition performance will suffer. The greater the application of monitoring in societies that are relationship-based, the harder will it be to establish relationships of trust amongst the international TMT.

SMEs, in a broader sense, have developed certain rules and processes that determine who holds the power and how it is executed. This is based on social values developed by agreement amongst the participants.[84] A parent company that acquired an international target firm and does not attempt to evaluate the impact of its monitoring measures may: 1) lose the successful target TMT, or 2) alienate the integration target firm's employees. For example, when AOL's Robert Pittman took over Time Warner in 2000, he argued that the online upstart and the venerable media conglomerate could win more advertising dollars by working together. His strategy might have made sense but he set overly ambitious growth targets and derided seasoned Time Warner executives, who pointed out that the package deals involved giving advertisers discounts that were too deep.[85] By early this year, Mr. Pittman's strategy collapsed due to corporate infighting, recession and disinterest among advertisers in this strategy of cross-media deals. In July, Mr. Pittman quit after his growth targets were scrapped and investor credibility was at an all-time low.

Monitoring implementation will require the TMT buy-in and support since development of the organization's culture, strategy and dynamic capability by the TMT are assumed to be performed with the objective of building the economic value of the firm and developing the cognitive capability to create economic value. This process will occur through the integration of complementary human resources and development of a synergistic environment.[86] Thanks to its guidance, corporate culture development, employment practices and deployment of human resources, the TMT influences these internal factors. Decisions by the TMT to align the human resource skills and strategy can affect performance.[87] Also, through its strategic choices the TMT is a main component that determines the success of failure of an organization.[88] The strategic team theory holds that companies are reflections of their top managers and that the specific knowledge, experience, values and preferences of top managers are reflected not only in their decisions but also in their assessment of decision situations.[89]

Excessive monitoring may hurt the TMT dynamic capabilities characteristic. Dynamic capabilities necessitate having the TMT develop overall organizational coherence. Such coherence must recognize the unique features of the internal and external environment to facilitate customization of strategies while focusing attention on the adaptation, integration and reconfiguring of both internal and relational resources to match the opportunities in the global and local marketplaces.[90]

The complexity of the internal and external environment makes the TMT's strategy decision-making difficult and is influenced by idiosyncratic situations: "Owing to uncertainty, complexity and conflict (both in and outside the organization), different organizations will employ different strategic assets, without any one set being probably optimal or easily imitated".[91] In essence, the manner in which the TMT employs the assets affects the success of an acquisition and the resulting ongoing global strategy. As the TMT and its actions are very difficult to observe or imitate, the success of this strategy will make competitive advantage more sustainable.[92]

10. CONCLUSION

The business press is replete with warnings concerning the use of acquisition as a strategic growth option, particularly in the global business arena. It makes for "good press" when grand global acquisition strategies fail in the "public eye". But, one of the key issues overlooked by the press pundits is the important role to the ongoing concern of the TMT and how to effectively monitor its retention and post-acquisition behavior. The TMT has instilled in its membership the network relationships that are critical to the ability to enact economies of scope (e.g. reaching the geographically dispersed potential market). The relationships held by the TMT are intangible assets enabling the post- acquisition organization to develop strategies that are difficult for rivals to duplicate. An intimate network of relationships provides the strategic fulcrum to permit the organization to institute timely changes in its strategies allowing it to exhibit dynamic capabilities relative to changes in the hypercompetitive global marketplace.

The TMT in a post-acquisition environment possesses both tacit and codified knowledge that makes the organization unique, relative to its global competitors. The value of codified knowledge is more easily determined but may be of less value to the ongoing post-acquisition entity. Tacit knowledge can provide the holographic insights to interpret the complex global environment. This contextual knowledge provides TMT members with insights through experience which are nearly impossible to replicate by competitors. Therefore, the retention of these key managers is paramount in developing unique capabilities and providing the foundation for making changes to meet the requirements of a rapidly changing global environment.

In an effort to maximize the retention of TMT members after an acquisition, the acquiring firm's management must develop a monitoring mechanism that values the tacit/codified inputs of the TMT of the acquired firm while, at the same time, insuring control. The monitoring process should provide information on performance without being considered intrusive or unduly constraining to the management capabilities of the TMT (e.g. network/relational as well as tacit/codified knowledge). This is a difficult balancing act to help ensure a flow of information that captures performance metrics without devaluing the capabilities of the TMT of the acquired firm. This balance of information and knowledge may be one of the keys to the success of a global acquisition strategy of a firm.

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