

Heike Matthes • Strengthening Mergers and Acquisitions through Appreciative Inquiry

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APPRECIATIVE INQUIRY

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Strengthening Mergers and Acquisitions through Appreciative Inquiry

Heike Matthes

Lawrence Technological University

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Abstract

Organizations are facing increased competition and are often seeking mergers or acquisitions (M&A) to stay competitive. Repeatedly, these efforts fail, because related factors such as culture and executive turnover are hindering the integration of two organizations. Appreciative inquiry (AI) serves as an approach in organization development that focuses on positive transformational change, which can assist in improving the success rate of M&A's. The focus of this paper is to explore the application of the 4-D model, the five principles, and AI summits within an M&A.

Keywords:

International Management, Appreciative Inquiry, Mergers and Acquisitions

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Introduction

This conceptual paper tries to find out how and why appreciative inquiry (AI), especially the AI summit (Ludema, Mohr, Whitney, & Griffin, 2003), could help to better align organizations, and to reduce the high failure rate of mergers and acquisitions (M&A's).

“Intense global competition makes it more likely that the consequences of not meeting the needs of customers will be fatal to the non-responsive organization” (Thompson, 1997, p. 48). Often organizations are seeking M&A's to stay or become more competitive. However, many of these newly formed organizations fail to yield any additional value. Daniel and Metcalf (2001) found out that 83 percent of M&A's failed to increase shareholder value and an astonishing 53 percent of M&A's actually reduced shareholder value. Such statistical evidence towards the failure of M&A's has led researchers to examine why many of these M&A's fail.

While on paper M&A's often make financial sense for both organizations, repeatedly M&A's fail. Frequently critical factors, such as culture, leadership, management, planning in terms of integrating the business operations, and communications are not able to connect between two organizations leading to failed M&A's. Very and Schweiger (2001) note that failed M&A's often experience problems when both organizations attempt to integrate similar yet different cultures, management teams, and employees into a single entity. Often, the change within an organization because of M&A is immense. Houchin and MacLean (2005) further support this premise by identifying that organizations cannot simply move from one stable state to another when inflicted with change.

One of the newer focal points in organization development (OD) is that based upon AI. Bushe and Kassam (2005) argue that with an organizational approach focused on AI the shift towards a more positive transformational change is likely to occur. This is further supported by the research of Marshak and Grant (2008) who describe a greater shift in OD models that support AI methods.

To explore the application of AI an overview of M&A including exploring causes of failure and success will be presented. Since an M&A is a practice that often involves deep organizational change, understanding the application of AI in this paper should identify the importance of this direction of OD. This paper also explores whether AI's 4-D approach serves as an OD method for organizations that are seeking M&A.

Mergers and Acquisitions Overview

This chapter explores the different kinds of M&A's and the reasons behind M&A's. According to their strategic purpose M&A's can be divided into five different categories.

TABLE 1
Strategic Types of Mergers and Acquisitions

Type	Definition
Horizontal	Companies concerned make the same, similar or related products or services in the identical geographical market.
Vertical	Involved companies are in a buyer-seller relationship before the M&A.
Product Extension	The involved companies are functionally related in production and/or distribution but sell products that do not compete directly with one another.
Market Extension	The involved companies produce the same products but sell them in different geographical markets.
Unrelated	This is the combination of two essentially unrelated companies.

(Buono & Bowditch, 2003, pp.61-64).

The motives behind the M&A's are mostly the following three as identified by Brouthers, Hastenburt, and Ven (1998). Under each motive, there are varying reasons that are categorized as beliefs of what M&A's will provide.

- Economic motives: economies of scale, increased shareholder wealth, cost reductions, etc.
- Personal motives: prestige, challenge, increased sales
- Strategic motives: market power, acquisition of competitor, creation of barriers of entry

The key drivers behind M&A's are complex and different in each sector of the industry (Ahammad & Glaister, 2008). In addition, Tetenbaum (1999) states that the ongoing trend of organizations partaking in M&A's is driven by the promise of cost reductions and increased efficiencies, both factors that are highly coveted by organizations. Businesses are commonly seeking to merge or acquire other businesses as a means of staying ahead of the competition or simply eliminating their competition by driving them out by sheer size. Sometimes, companies acquire their competitor with the goal to close that particular company. Table 2 below identifies some of the largest M&A's that have taken place (Chu & Krantz, 2008; Zhang, 2002).

TABLE 2
Sample of Largest Mergers and Acquisitions by Value

Acquiring Firm	Acquired Firm	Value (Billions)	Year
Exxon	Mobil Corp	\$81.4	1998
SBC Communications	Ameritech Corp	\$75.2	1998
British Petroleum Co	Amoco	\$56.5	1998
Vodafone Group	AirTouch Communications	\$62.8	1999
Pfizer	Warner-Lambert Co	\$82.4	1999
Glaxo Wellcome	SmithKline Beecham	\$75.7	2000
Hewlett Packard	Compaq	\$25.0	2001
Bank of America	Merrill Lynch	\$50.0	2008

The years 1998 and 1999 represent the highest years in terms of voluntary M&A activity as noted by Billet, King, and Mauer (2004), with action valued at \$1.2 trillion and \$1.4 trillion, respectively. Shelton, Hall, and Darling (2003) note that many of the M&A's that are representative in Table 2 were generated as a means to deal with the growing threat of globalization.

While on paper many of these M&A's seem like matches made in heaven, there are some that do not live up to many of the promises. The merger between Daimler-Benz and Chrysler is a prime example. Another example is the merger of AOL and Time Warner, which also failed. On paper, these two mergers seemed to provide an endless list of possibilities for both organizations. Yet in reality, the two organizations struggled continuously to make the newly formed organization successful, and ultimately failed.

M&A's are complex strategies. The benefit of M&A's is to strengthen each organization and to make the new organization as a whole, more competitive in the business environment. These benefits range from increased shareholder wealth, higher quality consumer products, and reduced financial burden (Davidson & Mukherjee, 2006).

While some organizations have been able to successfully merge or acquire other businesses, some had tremendous difficulties to get the concept to work, despite the large amount of money put on the line. According to Schraeder and Self (2003) approximately 50 to 75 percent of M&A's fail to meet the expectations that were initially projected. Perry and Herd (2004) add that even after five years of a completed merger or acquisition 70 percent of the surviving organizations are continual underperformers in their respective industries. Daniel and Metcalf (2001) further reiterate the constant failures of mergers and acquisition by identifying that 83 percent of M&A's failed to increase shareholder value, while an astonishing 53 percent of M&A's actually reduced shareholder value. Such statistics in relation to the failures of M&A's highlight the complexities of successfully completing an M&A. High failure rates such as the ones that have been identified are not one time occasions that can be looked over.

Mergers and Acquisitions: Causes of Failure

In this chapter some of the possible causes of failure and what challenges leaders face during and after an M&A will be explained. On paper, while only calculating the numbers, M&A's often make sense. However, M&A is an enormously difficult strategy to implement as the integration of people comes on the table. The list of challenges concerning the assimilation of employees that often face leaders of organizations conducting an M&A is overwhelming. Schuler and Jackson (2001) note that there are many mostly human factors that result in the failure of M&A's. Most common among their research were cultural clashes between the two organizations, poor management, lack in leadership, poor planning in terms of integrating the business operations, and a breakdown in communications. Hopkins (1999) further supports these findings by stating that improper communication, and varying cultures, are two key factors that result in the failure of an M&A.

The given factors of failure that have been identified by researchers were actual losses that business leaders and shareholders fully understand. Table 3 provides a summary of the selected organizations reviewed by Gopinath (2003) and Galpin and Herndon (2008) that reflect significant losses realized by organizations with a failed M&A resulting in a divestiture and other organizations that have lost immense value from the initial M&A.

TABLE 3
Financial Losses of Selected Mergers and Acquisitions

Acquirer	Target	Purchase Date	Purchase Price/ Billion	Sale Date	Sale or Current Value Billion	Value Loss Billion	Percent Loss
Daimler-Benz	Chrysler	11/98	\$ 38	5/07	\$4.7	\$33.3	87.6 %
AT&T	NCR	9/91	\$ 7.5	1/95	\$3.0	\$4.5	60.0 %
Mattel	The Learning Company	12/98	\$ 3.6	10/00	\$0.0	\$3.6	100 %
Quaker	Snapple	12/94	\$ 1.7	3/97	\$0.3	\$1.4	82.3 %
Novell	Word Perfect	3/94	\$ 0.9	4/96	\$0.1	\$0.8	88.9 %
AOL	Time Warner	1/01	\$164	N/A	\$32.9	\$131.1	79.9 %
Sprint	Nextell	8/05	\$35	N/A	\$10.2	\$24.8	70.9 %

Considering the complexity that is involved with an organization in relation to its structures, systems, and cultures, the integration of two sets of cultures, systems, and structures to form one common set is often a challenge. As Datta (1991) states,

“...while in theory, integration should result in benefits, in reality the picture can be very different. (...) This is especially true when organizational incompatibilities exist in areas such as management styles, reward and evaluation systems, organizational structures, or organizational cultures: incompatibilities which may negate the potential benefits associated with an acquisition” (p. 283).

Leaders of both organizations face a multitude of internal and external challenges. They have to carefully align a multitude of metrics including but not limited to organizational foundations such as values, systems, and cultures. Successful integration of such foundations and metrics pose challenges to many leaders as they must be able to come to a common ground between the two merged organizations or successfully instill their systems into an acquired organization. In conjunction with such challenges, the organizations and leaders also face many political, economical, and societal challenges that all play a critical role in the success of the business endeavor.

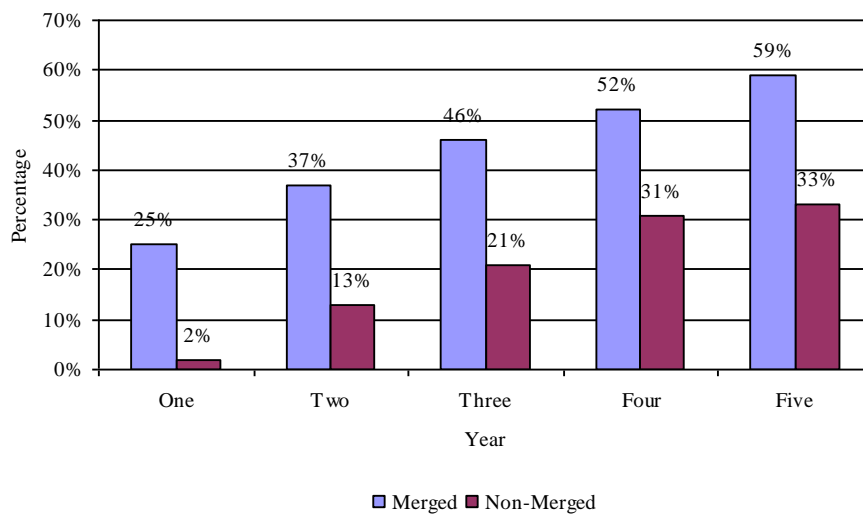
For those organizations that are seeking to proceed with an M&A, reviewing failures of prior organizations serve as great learning tools. Failed M&A's, especially highly publicized ones, offer great insight into the reasons behind why an M&A failed. As the case, the highly profiled merger of DaimlerChrysler will be reviewed, which recently failed and has been already studied by researchers due to the significant lessons that can be learned from this particular merger turned acquisition. From such cases as DaimlerChrysler researchers can identify where previous theories have failed and where new theories can be applied to help increase the rate of success for M&A's.

DaimlerChrysler: Merger turned acquisition. In this chapter DaimlerChrysler serves as an example for some of problems that can arise during an M&A. This case highlights especially the influence of culture during and after an M&A. Theoretically, the merger of Daimler-Benz and Chrysler Corporation seemed to be well suited. Shelton, Hall, and Darling (2003) note that revenues of the newly formed global giant grew twelve percent, operating profits grew thirty

eight percent, and net income grew by thirty percent, all impressive statistics for a merger, especially back in 1999 within its first full year of operations.

However, the success was short lived. Chrysler’s executives opted to leave the organization at an alarming rate. The departure of executives from DaimlerChrysler represented the very beginning of a problem within the merger. With top executives leaving the organization, the leadership abilities that these individuals possessed also left the organization. Research conducted by Walsh (1988) indicates the relative duration of turnover among top executives preceding an M&A. A summary of the research findings is presented in Chart 1 below and indicates a strong variance between executive turnover levels at merged firms versus non-merged firms.

CHART 1
Executive Turnover Levels of Merged versus Non-Merged Organizations



(p. 177)

Krug and Nigh (2001) note that it is common for foreign acquirers to terminate leaders of the acquired organization in favor of their own, citing that 35 percent of executives were terminated by their parent company within the first year if the parent company was foreign.

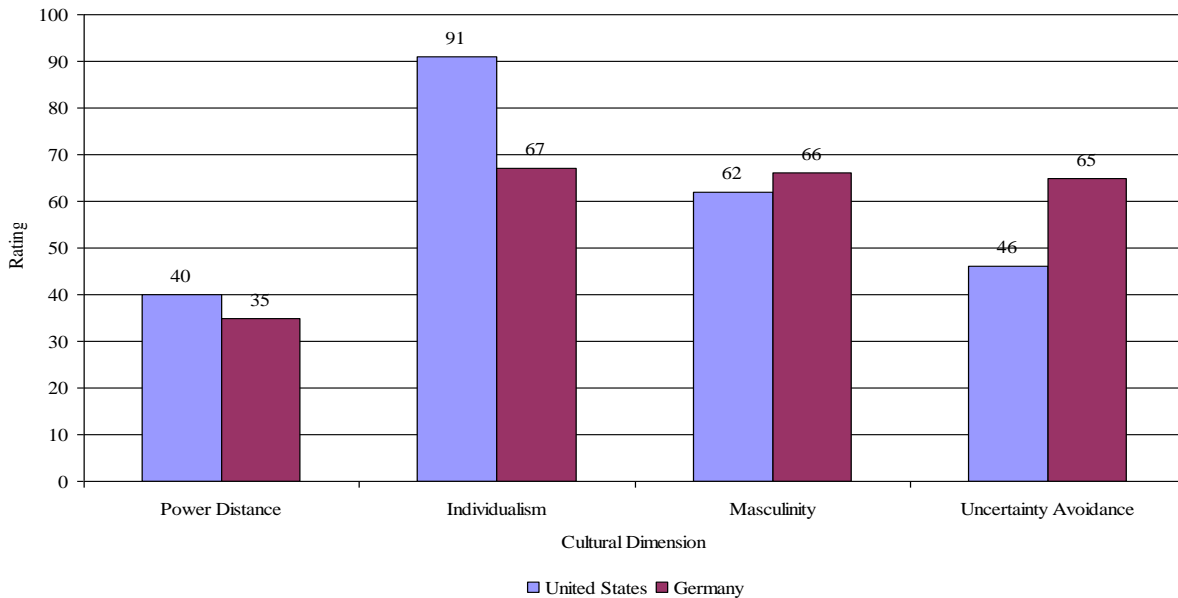
The installment of German leadership posed another problem for DaimlerChrysler. As Nees (1998) noted, the differences between the two cultures, especially in the leadership realm, were pushed aside during negotiations, but quickly reemerged upon completion of the merger. Shelton, Hall, and Darling (2003) further reiterate the strong cultural differences that exist between the German and American cultures that represented the main problems DaimlerChrysler would continually face.

These societal values are, of course, reflected in the cultural norms of corporations. Therefore, it would be expected that the cultures of a German-based company would be significantly different from the culture of its U.S. industry peer. This is particularly apparent in the preferred leadership styles. (p. 315).

The differences in German and American cultures can be easily understood by looking at Hofstede’s cultural dimensions for each respective culture (Hofstede, 2001). The Hofstede cultural profiles are considered to be the most in depth research conducted on cultural profiles. Over the course of more than five years, Hofstede surveyed various employees representing over

70 different countries at IBM. His research findings are still used as a pillar for cultural profiles today, more than twenty years after the first publication of his study.

CHART 2
Hofstede Cultural Profile – United States versus Germany



(Hofstede, 2001)

The differences between the U.S. and German culture are largest in the fields of Individualism and Uncertainty Avoidance. Individualism in this context is the level to which individuals are included in groups. Uncertainty Avoidance has to do with tolerance for uncertainty and ambiguity. It indicates to what level the members of a society feel comfortable in situations that are unknown, new, and different from usual (Hofstede, 2001). “The US-based Chrysler Corporation and German-based Daimler-Benz mirrored these cultural differences. Chrysler had a reputation for having a more freewheeling, open culture, in contrast with the more traditional, top-down management style practiced at Daimler“ (Akre, 1998, p. C3). In addition, to differences within the Hofstede dimensions, the overall business cultural differences between Daimler-Benz and Chrysler is what many researchers believe as the leading cause for the breakup of DaimlerChrysler (Darling, Seristö, & Gabrielsson, 2005).

However, there were attempts made by DaimlerChrysler to help turn around the organization for the better. As noted by Stadler (2005), a post-integration team was introduced shortly after the merger and was in charge of over 1,200 projects. “Despite these efforts (...) obvious frictions were not avoidable. The enthusiasm around the deal gave way to a more cautious approach, not only at the board level, where the company saw most Chrysler executives leaving.” (p. 478). Soon after these efforts and due to mounting losses of the organization, Chrysler was sold off by Daimler-Benz in 2007.

Successful Mergers and Acquisitions

In this chapter I shortly mention that successful M&A’s are possible. Regardless of what type of barriers an organizations faces, successful M&A’s are possible.

TABLE 4

Some Successful Mergers and Acquisitions

Acquiring Organization	Target Organization
Renault	Nissan
Exxon	Mobil
Monsanto	MAHYCO
Barclays	ABN AMRO

Table 4 identifies several successful M&A’s in terms of financial strength, increased market share, and improved overall organizational standing.

Recent studies as noted by Hitt, Freeman, and Harrison (2001), identify that 37 percent of M&A’s tend to outperform their competitors in increased shareholder returns. It is necessary to focus on failed M&A’s in aims of better understanding them. At the same time, it is of even more importance, to focus on the success stories of M&A’s and understand what key concepts allowed for success.

One of the newer models that have emerged in the last decade as a driver towards success is appreciative inquiry (AI). The focus of AI is on the strengths of the organization. In this paper the author will review a case study if AI can be used to successfully implement an M&A by assisting in solving the challenges that are commonly found in M&A’s. As already mentioned above, two of the common related challenges are those of executive turnover and cultural difference. Although these challenges are formidable and pose serious threats to the successful integration of an M&A, they can be helped to overcome by the approaches explored by AI. However, AI is no problem solving tool. In the contrary, it looks at the strengths, endless resources of possibilities, and opportunities each organization has. The following describes AI in more detail.

Appreciative Inquiry Overview

In this chapter I explain what AI is. Often, the possible synergy effects of M&A’s lead to great changes in both former organizations. A large amount of employees on both sides frequently perceive the change and insecurity as a threat, because they regularly do not know what the change will mean to them (Krug & Nigh, 2001). Barbara L. Fredrickson (2003) discovered that the cardiovascular recovery after an anxiety-provoking situation, like a merger, is shorter when the situation afterwards provokes positive feelings. In addition, in her experiments she found out that students showed increases in psychological resilience when making daily efforts in finding positive feelings in what happened.

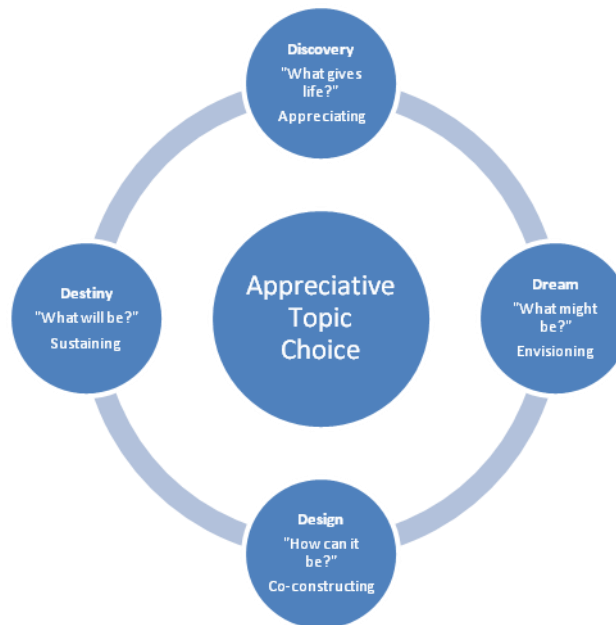
AI focuses in the same direction. It is oriented towards what does work well, what people want more of, not what is missing. Although, “AI does not magically overcome poor sponsorship, poor communications, insensitive facilitation, or un-addressed organizational politics” (Bushe, 2007, p.1), it is different because it focuses on generativity as a replacement for problem solving. It finds out when an organization, or in the case of an M&A two organizations, have been most successful. It involves a comprehensive group of stakeholders and appreciates

the larger social and environmental circumstances in which the organizations prosper (Stavros, Sutherland, & Schiller, 2003).

In the center of finding out, what is the positive core of an organization, AI uses the affirmative topic choice, the 4-D Cycle, which is identified in Figure 1 below (Cooperrider, Whitney, & Stavros, 2008, p.34).

FIGURE 1

4-D Cycle



Each phase (discovery, dream, design, and destiny) of the cycle depends upon the preceding phase and is critical in the successful application of AI within an organization.

1. *Discovery Phase*: This phase focuses on the engagement of all organizational procedures, in particular those procedures and processes that are highly effective and reinforce a positive environment. The questions asked in this phase should be positive questions searching for the strengths around the theme that matters most and look for analyzing thoroughly which topic option can help to shift the organization in the desired direction. It is like discovering a vision of the core strengths. Managers and employees at all levels of the organization question one another to learn about the strengths of the new entity. Newly created business departments and work groups can use AI to find out their own hopes and opportunities and to improve relationships with clients and vendors (Whitney, 1998).
2. *Dream Phase*: It focuses on a new vision for the organization. Not only the financial comfort of the organization is important, but also the environmental sustainability and the social interests of all stakeholders. Dialogues about the organization's present purpose, the mission, and the unique role it can play to the global good are vital, too. Employees and managers at all levels of both companies will sit together and imagine in which areas the new organization can be better than each single company before the M&A. They should talk together regardless on which level in the hierarchy they work. This phase should be free of restraints such as money, cultural, and organizational differences. Often the relationship and trust among employees will improve at this stage.

3. *Design Phase*: The design stage defines the fundamental structure that will let the dream or vision become reality. It also requires an extensive dialogue about the character and structure of the new organization. This process of creating a new organizational architecture will be supported by provocative propositions, also recognized as possibility statements and design principles. In this phase, employees and managers will design a road map of what should be possible and how the new organization will look like. It is important that the ideas of all stakeholders and if the group is too big at least representatives of all stakeholders are included in the road maps. Then the implementation of the changes will be easier, because the changes contain their own ideas.
4. *Destiny Phase*: The final phase of the AI process involves reinforcement and practice of the design phase. At this point, an open-space session with all stakeholders will be held that finalizes in a commitment session. The ultimate form of success of AI involves putting the organization in a self-sustaining environment that is built upon the positive behaviors, procedures, systems, and processes of the new organization. The new organization constructs integrative systems that permit members to see the outcomes of their actions, to identify that they are making an important input, and to experience a sense of improvement (Barrett & Fry, 2005; Cooperrider & Whitney, 2005; Cooperrider et al., 2008). AI is different because it involves all stakeholders and integrates their ideas instead of just giving order what has to be done.

In addition to the 4-D cycle, the five principles of AI (constructionist, simultaneity, poetic, anticipatory, and positive) have to be taken into account. It is necessary to know them when conducting the M&A with the help of AI. These principles are the basis on which the change is built, a kind of fundament. These are (Cooperrider et al., 2008):

1. *The Constructionist Principle*. To be effective as managers, leaders, change agents, etc. it is necessary to be proficient in evaluating, analyzing, and interpreting organizations as living, human constructions. “Language and relationships are our primary vehicles for constructing organizations, communities, and our world” (Whitney, 1998, p. 315). Therefore, it is indispensable that all employees and managers of the new organization have the same understanding of the language they use. It is very important that the meaning behind each word which is used within the organization is the same throughout the whole organization. This is of particular need when different cultures are involved. Otherwise communication and the functioning of the company will become very difficult. In addition, the understanding of the organization’s strengths, goals, and vision should be the same throughout the whole organization. Especially, in the emerging workforce there is a great need to belong to a community they want to belong to. At the same time they should have the room and space to express their diverse views.
2. *The Principle of Simultaneity*. This principle recognizes that analysis and change are connected. Usually, they happen at the same time. When the change agents start to ask questions, the people will start to rethinking their behavior. The careful selection of subjects to talk about in the new organization will define the new organization. The AI facilitator can have an impact with his or her questions that more positive thinking and performance occurs. It is the same when a good friend has a new car. We suddenly see more of these cars and realize how many cars of the same model and color are on the streets. That happens because we focus on this kind of car. AI facilitators do the same. They help employees focus on a certain phenomenon through their questions.

3. *The Poetic Principle.* Organizations are seen as an open book according to AI. The past, the present, and the future are always infinite sources of education, stimulation, or analysis like in a good work of poetry. The words and subjects that we decide to talk about have an impact far beyond just the words themselves. They raise sentiments, understandings, and worlds of meanings which is of special importance in phases of change like an M&A. “In practice, this means, that the language of the inquiry has important outcomes in and of itself. In all phases of the inquiry, effort is put into using words that point to, enliven, and inspire the best in people” (Bushe & Kassam, 2005, p. 166-167) and the new or larger organization.
4. *The Anticipatory Principle.* The key resource for generating positive organizational change or development is joint imagination and dialogue about the future.

Much like a movie projector screen, human systems are forever projecting ahead of themselves a horizon of expectation (in their talk in the hallways, in the metaphors and the language they use) that brings the future powerfully into present as a mobilizing agent. To inquire in ways that serves to refashion anticipatory reality – especially the artful creation of positive imagery on a collective basis – maybe the most prolific thing any inquiry can do. (Cooperrider & Whitney, 2001, p. 21)

Therefore, it is very helpful for the good of the new organization to see the future in a shared way. For example, how they could share their knowledge to improve research and development and innovate new products.

5. *The Positive Principle.* Human constructions like organizations, are principally confirmatory systems and hence are receptive to positive thinking and positive comprehension. The change effect will be longer lasting and more effective when more positive questions are used to guide a group structure. The new or larger organisation will be perceived as positive from the employees, managers, and the community when the change is led by positive questions and positive thinking.

The 4-D cycle and the five principles of AI are very helpful to move forward with the key stakeholders of the new organization after the M&A. This is important because often like in the case of DaimlerChrysler the initial M&A works and fails afterwards because the employees cannot work together. AI can help that the employees work together productively. For bringing large groups of people together, as in the case of an M&A, the AI summit as described by Ludema & Barrett (2007) is an appropriate tool. AI summits bring together 30 to 3000 people and make also use of online technology. These summits bring together the key stakeholders of a system including employees, customers, management, suppliers, dealers etc. In an M&A it is crucial to tap into the potential of change, unlimited thinking power, and resources present in all stakeholders. One or more summits can free almost unlimited amounts of positive energy. Researchers, especially in the U.S., found out that the benefits of AI summits are speed, energy, connecting people to the big picture, execution, results, and sustained change. All these factors are essential for the success of an M&A. “The AI Summit process supports and energizes enduring change by involving organizational members in designing high-performing systems” (Ludema et al., 2003, p. xiii).

According to Cooperrider and Whitney (2007) AI summits were already very successful in the following three examples as identified in Table 5 below:

TABLE 5
Successful AI Summits

Brief Description	Project Length, Number of Participants	Results
<i>Office of Finance, City and County of Denver, CO</i> Discover and disseminate financial best practices and revenue generating opportunities	<ul style="list-style-type: none"> • Mass-mobilized inquiry (two months) • 200 People trained to conduct 600 face-to-face interviews with city employees, local businesses, and a community members • AI summit (1 day), 100 people, action teams formed 	<ul style="list-style-type: none"> • Saved \$70 million
<i>Nutrimental Foods</i> Whole system strategic planning	<ul style="list-style-type: none"> • AI summit (4 days), annual summits since, 1000 people (all employees, customers, vendors, and community members) 	<ul style="list-style-type: none"> • 200 percent increase in profits • 75 percent decrease in absenteeism
<i>Hunter Douglas</i> Organization-wide cultural transformation	<ul style="list-style-type: none"> • Whole-System inquiry (3 months) • 900 employees interviewed, 100 customers and community members • Broad sharing of best-practice stories • Small group meaning-making meetings • AI Summit Dream and Design (3 days), 180 people 	<ul style="list-style-type: none"> • Enhanced employee retention and positive morale • Significant financial savings • Creation of Appreciative Organization Culture

(pp. 78-79)

<i>John Deere</i> Cost reduction Improvement of workforce relationships	<ul style="list-style-type: none"> • Over 200 of the 250 employees attended • AI Summit lasted four and a half days 	<ul style="list-style-type: none"> • Many participants had hope for the future for the first time in 20 years • Lots of projects were launched • Within one month one project alone brought \$3 million in cost savings • Most significant were the transformed relationships, particularly between labor and management
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(Hinrichs & Ludema, 2000)

The systemic approach of AI with its focus on the strengths has changed the organization development field. Johnson and Leavitt (2001) note that AI is a process that is well suited for organizations that care about their vision, their customers, and their employees. Mujtaba (2006) states, “The philosophy of Appreciative Inquiry allows managers and organizations to engage the hearts, minds, and souls of their people. AI is a process that can move people and their

organization upward on the ladder of success in today's competitive global environment of business" (pp.116-117). Organizations such as DTE Energy, Volvo, BP, and Pfizer have employed leading scholars in the field of AI and participated in many summits to help their organizations better compete in a global environment (Cooperrider & Whitney, 2005). AI is not limited to businesses only for that matter; its application can inconceivably be used in almost any environment under any application.

Mergers and Acquisitions: Possibilities of Success

In this chapter I focus on the success of M&A and especially on the application of AI to make a phase after the actual M&A successful. Despite the challenges that organizations face during an M&A, there are organizations that find ways to make them succeed. The key towards a successful M&A is to use the change to unfold the strengths and resources present in all stakeholders. The common view is like the following "integration is a potential major challenge in most acquisitions, regardless of whether they are domestic or international. However, post-merger integration is likely to be more difficult to achieve between firms with home bases in different countries." (Shimizu, Hitt, Vaidyanath, & Pisano, 2004, p.332)

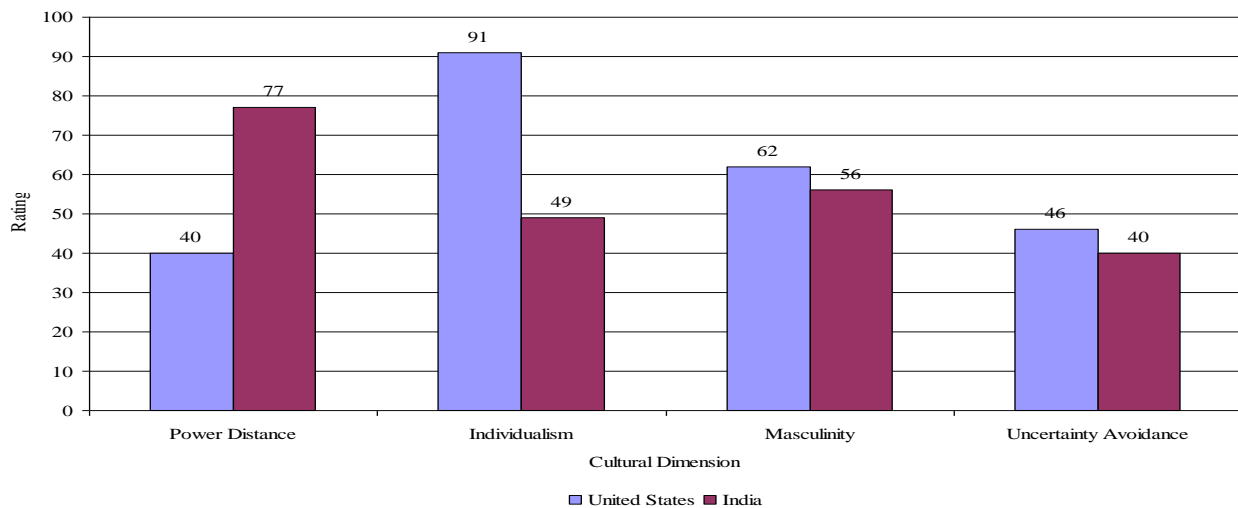
The application of AI is one method that employees work together productively after an M&A. For this paper I will focus on the Mahyco and Monsanto case, because the companies used AI and Management Education (ME) at the same time. In this case I can compare the application of AI with those of ME.

Mahyco and Monsanto: Appreciative inquiry illustration. The case of Mahyco and Monsanto is an example of the successful use of AI after an M&A (Miller, Fitzgerald, Murrell, Preston, & Ambekar, 2005). Mahyco is an Indian based organization that deals with the production of hybrid agricultural seeds and Monsanto is a leading U.S. based global organization that deals with transgenic plants. The leaders of Monsanto and Mahyco had built their relationship and trust from the early 1990s until 1998 and decided to use AI to establish the alliance.

The management of Monsanto approved the AI intervention plan whereas the management of Mahyco did not. Therefore, ME sessions were used in parallel to AI to inform the Mahyco management of Monsanto's history, current business, and plans for the future. On the Monsanto side ten people participated whereas on the Mahyco side 30 top managers took part (Miller et al., 2005). However, both organizations agreed to holding a session based upon the AI four-dimensional process for the R&D department. 32 employees participated, approximately the same number on both sides. Miller et al. (2005) note, that the AI sessions were very helpful to build connections between the organizations and among the employees of each organization. In addition, 75 percent of management participants indicated that progress on their specific project had proceeded further after attending the AI based sessions.

The challenge of employee turnover is not addressed in the Monsanto and Mahyco case. Supposedly, it does not seem to be a challenge in this case. However, cultural disparity seems to be a challenge here as well as in the DaimlerChrysler merger. The cultural differences between India and the United States posed even greater challenges than that of the United States and Germany. Chart 3 identifies the cultural profiles of each organization's respective culture based on the Hofstede model. From the cultural profiles of their respective nations, there are big differences that arise in the areas of Power Distance and Individualism between the two cultures. Such differences between cultures were one of the leading causes of failure at DaimlerChrysler.

CHART 3
Hofstede Cultural Profile – United States versus India



(Hofstede, 2001)

However, in the case of Mahyco and Monsanto the organizations were able to deal with cultural differences, possibly with the help of AI. Miller et al. (2005) noted such differences particularly in the communication style among employees and senior level executives. For example, employees at Mahyco were said to have very formal communication styles with senior management. Unlike those employees representative of Monsanto who practiced an informal communication style with senior management. The difference in communication styles representative of each organization is reflective of the culture in which the individuals were brought up in. This is further supported by data from Hofstede's model in which India, which is home base to Mahyco, has a Power Distance Index of 77 and is reflective in the actions of the employees of Mahyco. Employees that represent Monsanto, based in the United States, reflect characteristics that are based on a Power Distance Index of 40. The Power Distance Index represents

The extent to which the less powerful members of organizations and institutions (like the family) accept and expect that power is distributed unequally. (...) It suggests that a society's level of inequality is endorsed by the followers as much as by the leaders. (Hofstede, 2003, ¶ 5).

Despite the cultural differences in both organizations, the employees were successfully able to understand and accept the differences. AI helped to establish the following factors which enabled a smooth transition between Mahyco and Monsanto:

- Establish key initiatives and goals
- Creation of mutual trust between individuals between both organizations
- Support each organizations transformational processes by empowering employees

Furthermore, during the *Discovery Phase*, both organizations were able to understand each other's strategy, which would later enable them during the *Design Phase* to work on a strategy that fits the cultures of both organizations. Miller et al. (2005) continue to note that the use of AI was further supported by the fact that 92 percent of the participants reported positive results from their session. Through the help of AI, Mahyco and Monsanto were able to find ways to deal with

the cultural differences in both organizations. “OD interventions like AI have broad potential for helping such entities build relational capital to encourage sustainable transcultural collaboration” (p.108). In addition, with the development of a unique vision, both organizations went after a common mission embracing each other’s differences for the best versus using them to divide.

To further explore the possibilities of AI versus traditional organization development models, Mahyco and Monsanto is a good example because they participated in a parallel process allowing for a comparative review between AI and a traditional ME approach. There were large variations between the two approaches. One of the most significant variations was based upon the fact that within the AI process, participants interacted among groups, enabling the establishment of working relationships. In comparison, participants of the management education sessions interacted on an individualistic basis. Highlights of these comparative models are identified in Table 6.

TABLE 6
Comparative Summary of Management Education and AI Sessions

Intervention Flow	Appreciative Inquiry	Management Education
Opening	Discover: Icebreaker – Team members interviewed each other in pairs and introduced each other to the team	Introductions: All participants introduced themselves and stated their objections for being this session and questions on the alliance
Learning	Discover: Informational presentations on alliance building and purpose of alliance by senior management Discover: Presentation on Mahyco and Monsanto’s strategy and tour of facilities Discover: Core competencies exercise, R&D presentations, and a Q&A session with management	Informational presentations on alliance building and purpose of alliance by senior management Monsanto’s Biotechnology strategy Core competencies exercise, R&D presentations, and a Q&A session with management
Understanding	Dream: High point and future article exercise in teams Dialogue: Discussed proactive ideas to address the teams’ dreams	Discussed contractual agreements, expectations, and Q&A session with management Exercise, “What is our role in making the alliance successful?”
Closing	Design: Teams developed action plans and reported to session participants	Discussed alliance goals, objectives, and expectations.

(Miller et al., 2005, p. 99)

From a simple comparison between the two methodologies, one quickly notes the positive connotations that are present within the AI approach versus the ME approach. In addition, within the AI session, participants stated to have a sense of ownership of the presented materials. “The ME session was less collaborative, and participants did not have ownership of

the execution of the inputs and ideas” (Miller et. al., 2005, p.100). In theory, participants who were a part of a given idea are more likely to implement and practice that idea versus the comparative session in ME where participants simply provided a list of ideas to be reviewed later by senior management. AI is clearly the favorite approach concerning strong relationship building, developing trust, and gaining clarity on direction. Watkins and Mohr (2001) also recommend the application AI in the case of an M&A.

However, it must be taken into account that AI is not a problem solving tool and does not easily overcome all challenges involved in an M&A. “Instead of trying to solve the problem, AI generates a collective agreement about what people want to do together and enough structure and energy to mobilize action in the service of those agreements. When that happens, many problems get solved” (Bushe, 2007, p.34). Therefore, in the Mahyco and Monsanto case, the challenges that were not addressed and solved at the very beginning continued to surface. “Six years later, many of the same issues that hampered the effectiveness and building of trust in the alliance still exist” (Miller et al., 2005, p.107). It would have been very helpful, if the participants knew more about their mutual culture before working together. Especially in cultures like India it is not so easy for employees to talk about the future of a company in front of a big audience. One-to-one communications might be more successful. Also, it seems to be very helpful to give room and space to surface and discuss problems from the very beginning (Miller et. al., 2005).

Conclusion

M&A’s are used by organizations to help face the challenges of a new global competitive environment. However, overcoming the challenges of an M&A in itself is very difficult. This can be seen by the fact that approximately two thirds of the M&A’s do not fulfill their expectations. These failures can lead to a full loss of the investment, reduced shareholder value, uncertainty for employees, community, and negative impact on the environment.

One of the major challenges of conducting an M&A is in the ignored cultural and value differences of the merging or acquiring organizations. Cultural differences can be seen in different nationalities. If these differences are understood like in the Mahyco and Monsanto case, they can be addressed and often overcome. When the differences are not respected or ignored as in the DaimlerChrysler case, it is likely that they will lead to separation. Often cultural and values differences also exist in the same country because of different business cultures. These different business cultures are far more subtle and therefore frequently overlooked.

Another major challenge facing an M&A is poor management and leadership which is either caused by or led to the voluntarily or forced exchange of top executives. DaimlerChrysler is one example for the strong challenges created through this exchange. With the departure of top executives, much of the expertise, core values, and communication channels of the former company will be lost. The acquired company changes completely and with it also a large amount of its assets.

AI is an interactive, relational process that invites people in pairs, groups, and ultimately in large town-halls or summit collections to interrelate with one another about what they value most in their past and what they hope for most in the future: best past experiences, cooperative abilities in the system, images of the desired future, and ways to move toward those images. (Fry & Barrett, 2002, p. 273)

Since many people are involved and have provided input into the process, it is easier to implement the new design, because it is the decision of a group versus an individual. In sum, AI

is a promising paradigm to overcome the challenges organizations face with an M&A. Further research will be done where AI was used in the case of M&A's.

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