Motive Archetypes In Mergers and Acquisitions (M&A): The Implications Of A Configurational Approach To Performance

By

Dr Duncan N. Angwin
Warwick Business School
University of Warwick

Full reference:

Angwin, D. N. (2007) Motive Archetypes In Mergers And Acquisitions (M&A): The Implications Of A Configurational Approach To Performance, *Advances in Mergers and Acquisitions,* JAI Press, 6: 77-106.

Motive Archetypes In Mergers and Acquisitions (M&A): The Implications Of A Configurational Approach To Performance

Introduction

The world is currently witnessing the greatest volume of M&A activity ever recorded. This wave is the latest in a series which extend back at least a century, with records identifying a merger wave in the USA beginning in 1897 (Gaughan 1994). Despite the vast amount of transactions recorded, a substantial body of analysis of M&A performance, spanning at least forty years, shows failure rates for acquirers of between 45% and 82% on a wide variety of measures (c.f. Kitching 1967, Jensen and Ruback 1983, Hunt 1990, Jarrell and Poulson 1994, Mueller 2003). This raises a paradox core to the study of M&A; why do acquiring managers continue to transact M&A deals, and on such a massive scale in both number and dollar terms, when so many are deemed to fail?

In order to resolve this paradox researchers have focused attention upon two issues: 1) are the performance assessments accurate, and 2) might managers be misguided in their motivations[1]? Clearly flawed performance measurement might vindicate managerial decisions to transact M&A and so resolve the paradox. Similarly if managers are misguided, through human frailty for instance, their insistence on transacting M&A might be explained when so many are deemed to fail.

Addressing the first question, considerable efforts continue to be devoted to refining performance measures, in terms of variables used, and using different methods of analysis in order to assess whether these choices affect acquirer's success rates. Whilst this has had the effect of nuancing performance results, these refinements in themselves have not managed to change the overall picture of M&A, as failure rates remain within the range mentioned above. Substantial efforts have also been directed at moving below the global picture of M&A to investigate performance for sub-groups on the basis that some types of M&A may perform better than others. Strategists in particular have focused attention upon variation amongst M&As in terms of different economic bases for transactions. Although some variations in performance have been associated with different 'classical' categories, these findings remain contentious (see for instance the longstanding debate over diversification performance reviewed in Grant 2000). The overall conclusion from hundreds of studies is that most M&A fail, and that identifying robust differences in performance between different strategic classifications of M&A is

[1] 'Motivations' in this chapter is taken in its broadest sense to be reasons and impulses for acquirers to engage in M&A. It therefore includes external pressures upon acquirers and their top management from different contextual layers (such as institutional and competitive influences), as well as in-firm socio-political dynamics. It also includes the individual motivations of executives influential in making acquisition decisions.

difficult to achieve. With this 'certainty' of poor performance, the dominant conclusion is that managers must therefore be misguided in their motivations (c.f. Sirower 1997, Hayward 1997).

The inference that managers must be at fault has caused performance researchers to focus upon the second question, why managers might act contrary to value maximising behaviour? The main explanations are managers as agency problem (Jensen 1986), as exhibiting hubris (Roll 1986), being subject to a winner's curse (Varaiya and Ferris 1987) and gambler's ruin (Wilcox 1971). Researchers in pyschology and human behaviour have helped elaborate on why managers might be flawed in their desires to engage in M&A (c.f. Marks and Mirvis 2001) with explanations including myopia, bounded rationality, loss aversion (Fanto 2001).

Whilst many case studies now exist of managerial frailty in M&A, it is instructive to note that linking managerial characteristics with performance is rarely tested empirically. This may be explained by the strength of the underlying assumption about what constitutes 'legitimate' M&A; 1] *the acquiring company will only engage in M&A where it will increase economic value for acquiring shareholders*. In other words it is assumed that any manager engaging in an M&A which may provide neutral or negative returns is transacting an illegitimate deal and so is a 'bad' manager. This simplistic logic denies the possibility that managerial actions could be in the best interests of the firm and yet may not result in improved firm value from that particular transaction.

The assumption of what constitutes 'legitimate' M&A derives from the finance discipline and is a deterministic view of how practitioners must act. Its force comes from post-hoc assessments of outcomes, of being wise after the event, and ignores the ex-ante nature of decisions with which managers are faced, of not having knowledge of how things will actually work out. However it is not the intention of this chapter to engage in the problem of timing so much as to challenge the core assumption that 'managers must only engage in M&A where they will maximise economic value for the firm.' From the standpoint of managerial actions in practice it will be shown in this chapter that M&A are undertaken which on a single transaction basis may not 'profit maximising', but are for the good of the firm. From these observations the chapter will show that 1) practitioner motives may not be completely constrained by assumption [1]; and 2) these 'other' motives may not necessarily be 'illegitimate'.

If one accepts, and as this chapter will argue, that there can be M&A which are justifiable although not fitting entirely within the narrow definition of 'legitimacy' defined above, then the basis of many performance studies may be seriously flawed. M&A transactions will have been included in calculations where the 'legitimate' motivations of management were not focused on increasing shareholder value per se for instance, but for a purpose which may arguably have been of greater importance. By including these sorts of M&As into performance studies, where the assumption is that all M&A enhance firm economic value, success outcomes may have been biased downwards.

This chapter argues that current assessments of M&A performance lack rich appreciation of motivations for M&A. The 'myopia' of performance studies, with over simplification of motives and outcomes by finance, strategy and economics scholars, may in part explain some of the paradox identified at the beginning of the chapter. These narrow assumptions have led to crude categorisations which will have confounded data; where data is deemed to be 'the same' and therefore able to be aggregated and subjected to tests, when in fact fundamental differences are present and obscured. Such assumptions, which may be at odds with a more complex reality, may help explain why so many deals appear to perform poorly in performance studies and go towards explaining why so many M&A deals continue to take place.

This chapter presents a richer picture of motivations for M&A to counter the over simplification of legitimate motivations. This more sensitive picture is closer to actual M&A practice 'on the ground' and raises new questions over the way in which M&A performance may be assessed. A more sophisticated view of motivations may cause M&A performance appraisals to be revised in the light of 'actual' rather than 'inferred' practice and also help unravel the performance paradox.

The chapter begins by reviewing classical M&A motivations. Additional motivations from a broader literature and managerial practice are then introduced and their 'legitimacy' discussed. The atomistic way in which motivations are treated is then questioned and the case for motivational interaction examined. To represent this complexity a series of motivational archetypes is proposed to enable a more accurate reflection of managerial motivations for M&A in practice. They lend themselves to testable hypotheses about different performance outcomes and raise questions about appropriate performance measures.

Four contributions to the M&A literature on performance are made; 1) a broader set of motivations for M&A than is current in the literature is presented; 2) the 'legitimacy' of these new motivations is established; 3) motivations are shown to be not only singular in nature but also intertwined and complex; 4) an approach for capturing this greater complexity is presented in order for more sensitive empirical tests to be performed.

'Classical' approaches to M&A motivation

In this section 'classical' approaches to the reasons why acquires engage in M&A are reviewed. Here 'classical' refers to common approaches to motivation in the M&A performance literature. These motives can be ascribed to the fields of finance, economics and strategy and share common assumptions that there are single intentional rational[2] motives. The main motivations are summarised as follows:

The finance literature assumes that shareholder wealth is the goal of the firm. Motives are generally one time gains and include

[2] Rational from the manager's point of view

- reducing the cost of capital. This may be through scale effects for instance or through buying a listed company (if a private firm) for instance;
- reductions of tax liabilities[3]; tax benefits can also be achieved cross border;
- adjusting the debt profile of the acquired company[4];
- asset stripping;
- acquirers borrow against the cash balances of the target company;
- accessing cash in the target company to reduce overall leverage;
- improving stock market measures such as share price/eps/PE
- purchasing a bargain, or 'cheap' deal - (Wernerfelt, 1984) where companies may be undervalued. This may be because acquiring managers have better information about the target than the stock market (Ravenscraft and Scherer 1987)

The economics literature regards the firm as a homogeneous decision making unit concerned with maximising long run profitability through achieving sustained advantage over its rivals. Commonly cited motives in this literature focus upon firms gaining competitive advantage through cost reduction or increasing market power.

- economies of scale i.e. increasing volume of production reduces unit cost
- economies of scope i.e. spreading advertising costs across more SBUs
- increasing bargaining power along the value chain i.e. increasing market power to capture value from the customer; increasing power over suppliers to reduce transaction costs

The classical strategy literature shares many of the assumptions of the economics literature outlined above, although challenges have come from more recent strategy insights. Classical strategy literature, which may be broadly described as the positioning school, focuses upon the position of the firm in its industry and clearly overlaps with economics described in brief above. For instance Porter's (1985) work on industry structure straddles both domains. Motivations which can be included here include

- overcapacity reductions: where there is overcapacity in the industry this has a depressing effect upon prices in the market. By purchasing competitors and closing them down, this reduces over capacity and buoys up prices
- collusive synergies (Chatterjee 1986), where potential entrants to an industry are deterred by the potential competition
- concentric acquisition by a market leader (Steiner 1975),
- mutual forbearance (Porter 1985), where an acquirer deters entrant of new competitor into the acquirers market, or affect pricing ability in mutual markets through acquiring in a competitors' main market. These synergies represent wealth transfers from the firms' customers (Trautwein 1990).

---

[3] This maybe through judicious application of tax loss carry forwards from the target firm, tax treatment of goodwill, or other special tax treatment, and in leveraged acquisitions the transfer of value through reduction in the cost of capital base on the tax deductability of interest;

[4] In turnarounds, higher risk debt may be renegotiated down by providing guarantees (Haspeslagh and Jemison 1991)

The strategy literature also overlaps with the finance literature in considering the role of risk and return. The main motivation here is often referred to as diversification.

- greater diversity may improve stability of earnings and reduce portfolio risk (Haspeslagh and Jemison 1991). This may make a firms stock more attractive to investors.

More recently the strategy school has focused upon the unique and valuable characteristics of a firm's resources as the source of sustainable advantage. As a consequence, motivations are explained in Resource Based terms (Penrose 1959, Wernerfeldt 1984, Barney 1986, Dierickx and Cool 1989) where firms consist of idiosyncratic costly-to-copy capabilities the exploitation of which may give a competitive advantage. Firms then can be viewed as a bundle of capabilities, which are immobile, valuable, rare and difficult to imitate or substitute (Barney, 1991) in a highly imperfect market. Such firms may well become acquisition targets as they offer the potential for acquirers to achieve above-normal economic profits through exploiting valuable, rare and private synergies between both firms. The motivations cited here include:

- acquiring new capabilities i.e. knowledge acquisition (i.e. know-how), owning innovation (buying entrepreneurial firms)
- acquiring new resources i.e. unique assets (i.e. brands, patents, intellectual property)

All of the strategy motivations for M&A above are based upon the assumption that the M&A deal will make the firm 'better off' (Porter 1987) in a demonstrable way using conventional performance indicators i.e. reported earnings, share price, market share.

The strategy literature has sought to classify M&A deals in order to create a more fine grained appreciation of performance. The classic descriptions are Horizontal, Vertical and Diversification (Ansoff 1957, Rumelt 1982), relating respectively to acquiring within one's industry, along the supply chain, and outside of one's industry or supply chain. These are frequently used in performance tests (c.f. Rumelt 1982, Singh and Montgomery 1987). Further permutations on this theme have resulted in further classifications of Concentric M&A, related and unrelated diversification, and other versions attempt to capture the internal (rather than external) relatedness of merging organisations through terms such as related linked and related constrained. More recently categorizations which attempt to cover industry dynamics, product/market overlaps and the overlap of internal unique resources have been proposed such as overcapacity M&A, geographic roll up, product and market extension, M&A as R&D and Industry convergence (Bower 2001).

All of the above reasons for M&A assume rational managerial motivation based upon improving firm performance rather than examine motives. Rather than rely upon these largely assumed motivations, and recognising that anomalies exist in motivation and performance outcomes, this chapter now examines other motivations which have not been fully recognised or not been recognised at all in the M&A performance literature. Some of these motivations fit within classic assumptions, some overlap and some contradict.

Other motivations recognised in the literature

The success bias in performance studies has caused the majority to focus upon testing the positive and legitimate motivations outlined above. However, there are motivations which are well known which receive far less attention. The most famous has been inferred by the finance literature as an explanation why M&A fail. It focuses upon managers acting rationally in terms of maximising their own benefits at the expense of firm welfare and shareholder returns – the so called agency problem (Jensen and Meckling 1976). Managers may also exhibit behaviour which can be described as 'hubris' (Roll 1986), excessive confidence, which can result in flawed descisions such as overpayment. These human frailties are generally offered up as an explanation for why acquisitions fail, rather than necessarily being tested in its own right,[5] or indeed incorporated into performance studies. Additionally it is important to note that attributing poor M&A outcome to negative characteristics of managers is an acknowledgement that managers affect outcome and that their positive attributes also may have an affect.

The sweeping generalisation that the failure of M&A is due to the frailty of the human condition has provoked authors to suggest that failure may not be entirely due to subversive motivations and an agency problem. Managers may also believe that their role is to protect and honour community values (Selznick 1957). The concept of stewardship (Davis, Schoorman, Donaldson 1997), argues that top manager (s) can act out of altruistic intent. Although Davis et al. (1997) ultimately argue that stewardship aligns with shareholders interests, this may not always be the case. Tensions between the agency and stewardship perspectives may result in M&A which under-perform in shareholder terms but may benefit other stakeholders (Angwin et al. 2004). This raises a fundamental issue of whether the financial markets are always best placed to value the actions of top management. For instance an altruistic CEO through deep embeddedness in an industrial context may be expected to be more of an expert on how firms should be run and necessary investment decisions which should be made (such as M&A) than financial analysts and shareholders far removed from the situation and with other calls on their time. The CEO may take actions which may not result in positive shareholders returns in the short run but could be of fundamental importance to the long term success of the firm. This raises fundamental issues about motivations which are rational but not due to human frailty and are not fully recognised in the classical M&A literature.

Under recognised motivations

Intentional and rational decisions to acquire

The following are acquirer motivations to acquire firms for intentional and rational reasons.

- Exploration

The vast majority of M&A literature is predicated upon M&A as an exploitative mechanism for achieving gains. The attraction of this assumption is that it offers certainty about how gains should be achieved – through cost reduction for instance. However this

[5] The author is aware of just one study that seeks to test explicitly for managerial hubris Hayward and Hambrick (1997)

is to deny M&A as a method for firms to explore (Angwin 2001). As new territories, markets, knowledge, emerge, there will always be a need to engage in these areas as first movers as well as later entrants. By definition there will be significant uncertainty as acquirers cannot know the future. They can form views about whether the potential of an acquisition may be high, but in new unfamiliar territories (geographic, informational, technological etc) the information available may be extremely unreliable and even where there is information it may be very difficult to interpret. In cases of M&A into new territories, it may be that no-one outside of the target company (e.g. early acquirers into China), and indeed in extreme cases inside the firm itself (such as the sell off of businesses in E. Germany and other former communist countries post liberation) really knows what the business is like. There are huge question marks over the real state of the acquisition, its potential over time, how the market may evolve or in some cases, whether a market will actually emerge at all. In deal terms, it's likely to be a failure in conventional terms, but over time the deal could be hugely significant in influencing market development and placing the acquirer in a privileged position for future strategic moves.[6] Viewed another way, not to participate may also have a cost of being late or even being excluded from participation later on.

- Ownership

There is a strong assumption in the M&A literature that M&A has to improve returns to shareholders. However this is to ignore ownership structures other than public companies in an Anglo-American context. Private companies for instance may engage in M&A for reasons other than maximising shareholder value. Indeed there are many instances of public companies going private for the very reason that they feel market pressure for shareholder return harms their businesses i.e. thwarting creative endeavours (c.f. The Really Useful Group of Andrew Lloyd Webber).

Not-for-profit businesses also have different agendas to for-profit business. Their concerns are generally for multiple stakeholders with conflicting agendas. In many instances the key funder, such as a government, may have an agenda for the firm which is not couched in terms of profitability but more in terms of 'social good'.

Countries other than Anglo-Amercian ones can have very different views about the purpose of business. The social economic system of Northern Europe has values which are more closely linked to business as a mechanism for improving community. Here the dominance of the shareholder cannot be taken for granted. Indeed in some countries such as Holland and Germany the employee's perspective is enshrined in the governance of the firm. Here concerns over worker welfare and job protection are important considerations in M&A strategy (Morgan 2007). The experience of foreign acquirers from an Anglo-American context attempting to acquire in these countries on the basis of cost reduction through layoffs have often come to grief as employment laws have thwarted attempts to downsize work forces.

---

[6] It is this issue which recent developments in real option valuation are addressing. However this technique falls short of really capturing the essence of exploration through M&A.

- Affecting competitive dynamics

M&A can be used as a weapon to influence the actions of other competitor firms. Although recognised in some areas of economic theory and by game theorists, this motivation does not feature prominently in performance studies. Here performance is less about the contribution of the target firm to the new parent, but more in terms of the damage done to a competitor. In other words an acquisition might have a neutral effect upon the parent but may severely hamper a competitor and so future competition. For instance, when Rowntree was acquired by Nestle for a huge premium, this effectively ended Suchard's hopes of building a stake in the chocolate countline business as there were no other viable M&A targets. Suchard was subsequently acquired itself. Had Nestle lost the contest to Suchard, it is likely they would have had the same problem as Suchard, as they had failed repeatedly in-house to move organically into the market area and there were no other viable targets.[7] Thwarting a competitor may prevent further significant change or challenge in an industry and also improve strategic options in the future.

- Innovation stifling

M&A is often used as a way to affect future potential competition. For instance buying infant firms and closing them down prevents any possibility of takeoff benefits which could change industry dynamics. The purchase and closure of these firms may result in a loss to the acquirer but this may be substantially less damaging than allowing the firm to blossom. This 'innovation stifling' has been seen in the IT and bio-tech industries. An alternative to closure is to purchase infant firms so that the acquirer can control the rate of innovation leakage into an industry. The acquisition itself may not result in a positive return, but current and future cash flows may be protected as well as preserving some strategic options.

A private firm may be acquired to prevent from it from carrying out an IPO or listing on a stock exchange. The acquirer's motivation is to prevent the private firm from becoming more tradable and so available to competitors. Indeed many pharmaceutical companies have stakes in bio tech for this very reason. These sorts of acquisitions are not likely to result in enhanced shareholder value but could become significant in the future if they are not purchased in terms of how value might be lost.

- M&A to internalise risk

Although some of the earliest performance studies examined diversification as a risk reducing mechanism, this was in terms of internal portfolio balance rather than as a mechanism for internalising exogenous risk. For instance an argument put forward by CEOs of international banks, is that had Western Banks owned more financial institutions in Asia, the Asian currency crisis may not have happened. Through direct ownership banks such as Citigroup and HSBC, both of whom have been acquiring aggressively around the world, hope to control external volatility; a source of massive costs in the banking industry.

- M&A for critical mass

[7] The only other targets were not freely traded (with shares held in charitable trusts) or with small explosure to the market area in their overall portfoilios.

Although it is well recognised that firms engage in M&A to increase market power for monopolistic benefits in the market, there are two other reasons why critical mass can be important 1) small firms aiming to float on a stock market or launch an IPO may make a series of acquisitions simply to grow the firm to a critical size. The prize is the IPO rather than individual deals which may well not create value in themselves. 2) In some instances firms will merge in order to create sufficient mass for an industry to take-off (so not a consolidation M&A in the traditional sense). This is happening at the moment in the Canadian on-line transaction services industry. Through the merger of the two leading firms, they have managed to increase the adoption rate of this technology more rapidly amongst new customers than if they had remained in competition with each other.

- Multi-business M&A

It is entirely possible that an acquisition may make sense at different levels of a multi-business but may not make sense for the firm as a whole and detract from overall strategy. An example might be IMASCO's acquisition of Roy Rogers restaurant chain (Grant 1990) where the rational decision from the parent's perspective would have been not to invest in Roy Rogers, as the division was underperforming the group and the acquisition would have absorbed resources and still not helped overall performance. However from the divisional point of view, it was clearly the right decision in order to improve competitive position. This raises the question of what is the appropriate way to assess M&A performance for multi-businesses as the acquiring group share price may fall on announcement and yet profitability at the divisional level may rise.

- M&A as self protection

More M&A is the result of fear of takeover than is widely admitted and there is an assumption that by making the firm larger, it is in some way less vulnerable to acquisition itself. Although this sort of acquisition is recognised, it is rarely discussed in the literature. A variant which is not discussed at all, relates to recently privatised firms. The vast majority tend to embark on cross-border M&A in order to protect themselves against re-nationalisation. These acquisitions may not be successful in classical terms, but may create sufficient obstacle for political attempts to re-nationalise them to fail. Examples include privatised utility companies in the UK.

- M&A as influence

A case made famous in Japan was the acquisition by Livedoor of NBS (Japan Times 2005). The purpose of this acquisition was to gain power over Fuji TV, in which NBS was a leading shareholder, and through this have power in the Fujisankio Communications Group. The acquisition was about achieving influence elsewhere and was less focused upon benefits being achieved in the immediately acquired firm.

- M&A to win political favour

Sometimes acquirers engage in an acquisition specifically to win political favour, even though this may not result in conventional direct economic benefit to the firm. However these actions may lead to favourable opportunities in the future. Examples include foreign acquisitions into China, where conventional wisdom is that these actions may lead to the

building and developing of trust which can be most useful in gaining future benefits, and also the activities of Chinese acquirers in the US.

- Sequential M&A

Linked to the exploration motivation described above, in some instances firms make small M&A in order to learn and understand a sector, perhaps as a prelude to a later larger acquisition (or other forms of entry). This is common practice amongst Japanese firms in cross-border M&A. Although the original acquisition may well perform poorly in economic terms, the benefits of preparation for more substantial activity can be substantial.

Firms may engage in a series of M&A in order to achieve a particular strategic position. Whilst individual M&A may not appear successful, the whole sequence may bring significant rewards, perhaps by achieving market leadership for instance. This approach to serial acquisition means that acquirers will view acquisitions as a portfolio of investments rather than on a deal by deal basis. This is similar to the way VCs and start-up funds evaluate their portfolios where one huge success outweighs several failures.

Negotiated and Political decisions to acquire

- M&A as process

'Internal' motivations may not be the result of a coherent rational decision from top management as they can result from political processes within the firm (Trautwein 1990). A myriad of impulses from within the firm may result in the whole being put onto an acquisition footing resulting in an acquisition far removed from original impulses. Although this internal process view has received some recognition, the M&A performance literature generally persists in assuming that top managements make coherent rational decisions.

The negotiation process itself is also ignored in performance studies. A multitude of deal configurations are possible which may distort original intentions and can affect ultimate results (Jemison and Sitkin 1986, Smith 2007). Here there can be distorting affects from the personalities of the protagonists, actions of competitors, regulatory and competition authorities and a range of other stakeholders. Where there has been significant research into M&A process is in the post-acquisition phase. Disruption of integration plans have been attributed to employee distress through culture clash (Nahavandi and Malekzedah 1988, Cartwright and Cooper 1992) and difficulties in integrating and re deploying embedded and less tangible resources (Nelson and Winter 1992). Whilst there is some evidence that researchers are now linking PAM variables to performance (c.f. Capron 1999), these are still few on the ground.

The 'external' process of M&A decisions has been virtually ignored in performance studies. The evidence for these non-planned events include hostile battles between two firms where a third company may be approached as a potential white knight and so be drawn into the fray; the spoiling actions of competitors causing regulators to examine

deals which might otherwise have gone through (i.e. iSoft/Torex); competitor actions in negotiating side deals for parts of assets and so distorting the original balance of the deal (i.e. the actions of UK supermarkets when Morrisons bid for Safeways).

Imposed motivation
There are motivations which can be imposed upon firms from external sources.

- Customer/Supplier pressure

In some instances powerful customers or suppliers can force firms into making M&A. For instance in the IT industry Nokia brought pressure to bear on one of its suppliers to purchase a high tech firm as they wanted aspects of this technology integrated into the components they were sourcing, but they did not want to purchase the firm themselves. The supplier, wanting to keep its main client had no choice. It may not have benefited from the actual M&A but to lose Nokia as its primary customer would have been a far worse fate.

- Competitor actions

The actions of a competitor may precipitate a firm into engaging in M&A. It is well known that when an industry begins to consolidate there is a rush of other firms to follow suit i.e. UK Banking, professional services firms, oil companies, steel businesses. Arguably the motive here is fear of being taken over. There is evidence that medium sized firms are likely targets in consolidating industries and this pattern appears to exist across different industries. Engaging in M&A in this situation may be more about self-preservation and living to fight another day than achieving substantial post-acquisition benefits through integration.

- Financial community

Financial institutions can exert considerable pressure upon firms to merge either through fear or offering opportunities. It is not unknown for Venture Capitalists to bring significant pressure upon a firm's management, in which they have investments, to make M&A deals in order to grow the firm rapidly, perhaps as a prelude to flotation or IPO. Here growth is good in itself so increase in scale is more important than other success measures. VCs are also known to use the threat of M&A as a stick to beat firms in which they have investments. The financial community is also subject to fads and fashions and there are times when M&A is heavily encouraged, either positively through direct encouragement, or negatively through the fear of takeover.

- Political persuasion

Central governments can bring substantial pressure to bear upon top managements to act in ways which would further the national interest. For instance, in France there has been substantial pressure upon utilities firms to merge rather than accept approaches from Italian and Spanish firms. *'Many of the large utilities deals in Europe reflect a confluence of interests between companies and governments eager to create national champions that can fend off hostile offers from foreign companies. The proposed Suez-GDF merger is one such example: it is a direct response to rumors in late 2004 that Italian utility Enel might make a hostile offer for Suez.' The business rationale for the merger remains*

vague' (Energy Business Review online 2006). When the Government is a major shareholder in a firm and tells them to make an acquisition as it is in the national interest, the acquisition is a success in these terms, although it may under-perform in conventional economic and financial terms. Olivetti was encouraged to acquire Telecom Italia ('TI') to prevent it falling into German hands *as 'the Italian government, which owned a "golden share" in TI and could block any takeover, was itself unhappy about the merger with the German company' (BBC News online 1999).* Post deal, Olivetti was heavily indebted and its share price fell.

At the moment the Central Bank of Nigeria is forcing the majority of Nigerian banks to merge in order to improve the robustness of the financial system. Although firms can seek partners from this limited pool, it is clear that individual banks will fail (as their banking licences will not be renewed) if they do not merge. Although individual mergers may not be so successful for individual banks, as there is plenty of evidence that there will be very significant integration costs with problematic redundancy decisions, it may well be a case of 'losing the battle and winning the war' for merging banks. They will be able to renew their licences and, with fewer larger players and more marginal players excluded, be part of a more manageable, efficient and robust financial system. In China the government is also active in forcing underperforming and often heavily indebted Semi-State Owned firms (SOEs) to actively find overseas merger partners for re-invigoration. This means the companies which China is actively putting forward for merger are not in good health and are likely to result in less than successful deals for foreign partners in the short term. However if a foreign firm wishes to enter this rapidly growing market, the bigger long term gain in new connections and new opportunities may outweigh the short term costs.

- Social, ethical, environmental pressures

The rise of what may be loosely termed Corporate Social Responsibility (CSR) captures a wide range of pressures upon firms to operate responsibly in society. This follows growing belief that certain business practices are damaging to society and others, if unchecked, will cause irreversible damage to the environment i.e. pollution leading to global warming. These varied pressures include ethical dealings with all stakeholders (i.e. employees, customers, suppliers), adopting environmentally sound policies (i.e. waste disposal, carbon emission) for instance. The way in which firms are being influenced by these pressures are through media-driven shaming and the campaigning of activist groups. These can severely damage a firm's reputation and share price. There are also increasing direct controls though legislation and prosecution. The impact upon M&A has been in some instances to increase post-acquisition costs in order to achieve compliance or anticipate future CSR pressures. It has also resulted in M&A taking place in areas where these pressures are currently non-existent or low in order that acquirer activities in highly 'pressurised' parts of the world might be reduced or closed down. More positively firms do purchase 'socially responsible' firms in order that the reputational effect of the specific acquisition may improve the overall reputation of the acquirer. It may make sense to carry out a small acquisition which generates little financial benefit if it has the effect of reducing CSR and activist pressure, or the potential for these pressures, upon the acquirer as a whole.

A typology of firm level motives

The previous sections have highlighted a number of reasons why M&A may take place which are under recognised or ignored in the M&A literature. A few of these might be located within the classical approach, although requiring different methods of evaluation i.e. serial acquisitions require aggregate rather than single deal measurement. Most of the motivations presented here however show broader and more complex concerns than just increasing firm value per deal. Overall the reasons can be grouped into four categories: 1) the 'exploitation' of the target through synergies to increase acquirer value with a high degree of certainty; 2) 'exploration' – acquiring in new areas for potential value and future opportunities with low certainty of improving returns to the acquirer; 3)'stasis' – attempting to preserve the acquirer's competitive situation through fossilising or closing down the acquired firm (few if any direct benefits are extracted from the acquisition itself); 4)'survival' – attempting to prevent the acquirer's demise through acquisition – the acquisition may result in the acquirer losing value, but this may be better than not acquiring at all.[8] In their pure forms the payoffs for these different types of M&A is different (see table 1). From 'exploitation' deals there should be reasonable certainty about value created. 'Exploration' deals may have the potential for much greater returns than exploitation deals as well as much higher risk about whether those returns will be achieved and how far into the future. For 'stasis' deals the acquirer may not receive any direct benefit, with neutral or even mildly negative returns but the negative threat of severe future change may be reduced. 'Survival' deals are not so much about increasing value as to survive potential takeover threat or current demise of the firm. For 'Stasis' and 'Survival' type deals, value creation may be an inappropriate way of viewing performance. Instead we propose a 'worse off test'; [2] *'would the acquirer be substantially worse off if they did not transact a particular acquisition?'* To have a break-even deal and survive to fight again could be a good outcome.

[8] Survival could be said to underlie all firms' strivings, but here it is meant in terms of avoiding a terminal situation.

Table 1: Motivation types and payoffs

Motivation Categories	Motivations	Payoffs
Exploitation	Classical motivations	Maximise shareholder return
	Building critical mass	Aggregate deals to achieve critical size for credibility and final payoff (i.e. IPO, listing)
Exploration	Sequential	Assembling a long term industry/market position for long term payoff
	Learning	Small deal(s) to build understanding for later potential large investment (and payoff)
	Reinvigoration	Find new potential markets/products /technologies/ideas for future growth
	Influence	Indirect control of other assets for potential benefits
	Political favour	Future indeterminate benefits
Stasis	Innovation stifling	Prevent deterioration of competitive situation
	Damage competitors	Prevent competitors from presenting a threat in the future
	Customer / Supplier driven	Engage in M&A to preserve/maintain relationships
Survival	Self protection	Size as a defence against predations
	Regeneration	M&A as passage to more promising industry/area
	Political /institutional	Cope with imposed M&A as least worst outcome
	CSR	M&A in anticipation of potentially fundamental changes in the way business must be conducted

Multiple motivations

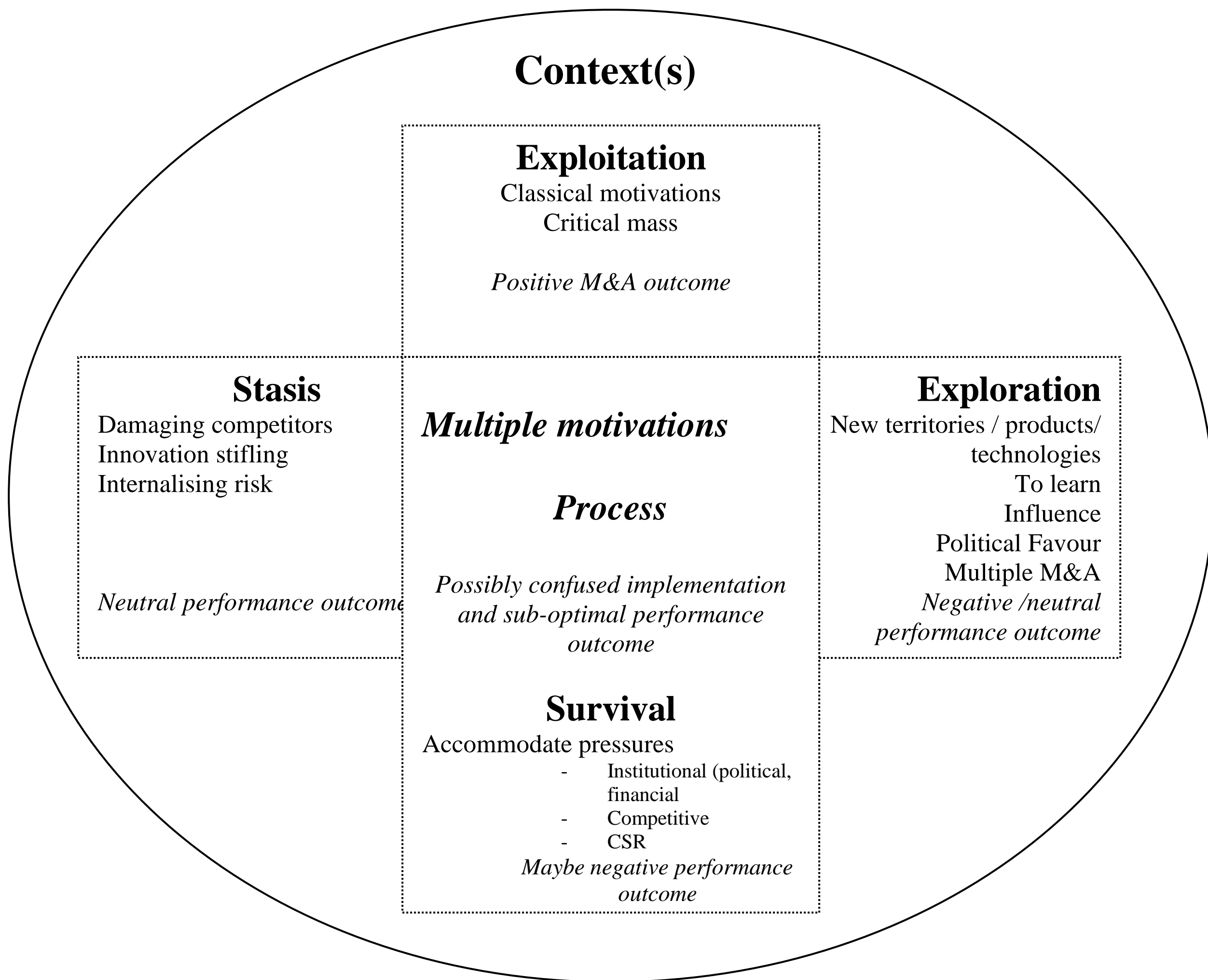
Whilst it is appealing to researchers to be able to categorise M&A into single motives or single categories such as horizontal, vertical or diversified to aid analysis, analytical convenience does lead to over simplified assumptions of why M&A are transacted. It is highly unlikely that top management views acquisition in such crude terms. Indeed in a survey conducted in 1999 of the CEOs of 100 domestic acquirers in the UK (Angwin 2000), an open ended question about their motivations for carrying out a specific M&A transaction elicited up to 7 distinct reasons in some instances, 45% gave 3 or more distinct reasons and 71% of CEOs gave two or more reasons.[9] On this basis single motivations for M&A are unlikely. Multiple motives may result in conflicts in how different requirements might be reconciled post acquisition. Pre-deal, multiple reasons for an M&A may appear attractive and perhaps indicate rich opportunities to shareholders, but post acquisition these wishes may conflict at a fundamental level and so compromise performance. For instance an acquirer's stated motives may be primarily to build market share and also to achieve substantial cost reductions through economies of scale. However, it is not unusual in the post-acquisition period for the latter to come to dominate when anticipated savings are slow to materialise and hopes of building market share vanish (c.f. Mueller 1985, Anand and Singh 1997). Within gross categorisations such as 'horizontal' M&A it is likely that there are many acquisitions which are not 'pure' and contain elements of paradoxical motives. Post-acquisition integration attempts to realise all benefits will most likely struggle.

In order to reflect the complexity of multiple motives, the main types of M&A identified in the previous section have been combined in figure 1 so for instance an exploration M&A may also contain elements of exploitation, or survival may contain elements of exploitation and exploration.

Motives do not occur in a vacuum and the 'context' serves to frame and determine, through institutions, the acceptable types of M&A that may take place. Affecting all parties involved in M&A is the distorting role of 'process', internally and externally to the firm. This may work to undermine clear motivations as well as to result in creative and innovative outcomes.

[9] Distinct means reasons which are not reasons which could be interpreted as coincident.

Figure 1 Multiple motives in M&A



Motivation summary

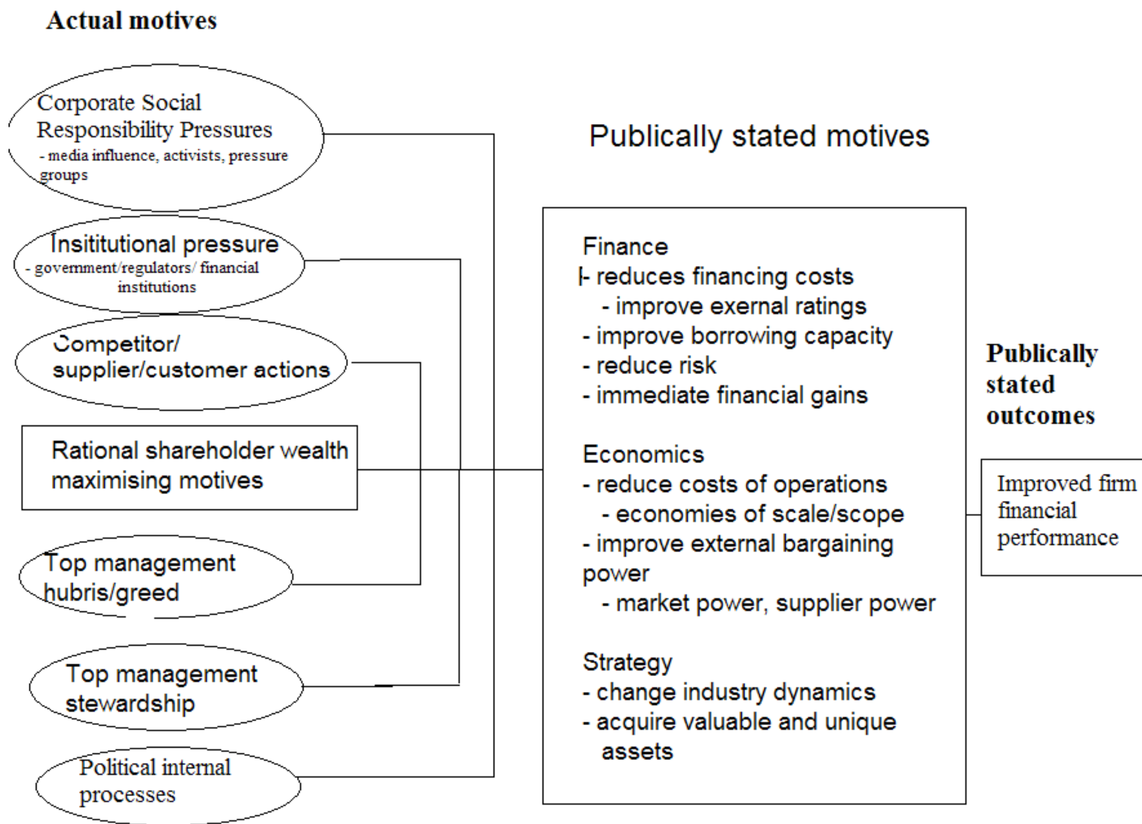
There are far more motivating factors in M&A than are really captured by performance studies which tend to focus on single items or, in the strategy literature resort to broad single categories. This is to judge M&A in narrower terms than is warranted as significant motivations are overlooked, their complexity grievously underestimated and the role of context and process largely ignored. These omissions may mean the results of performance studies may be biased as many deals are being assessed on bases which were never the main intention of top management in the first place. In summary;

1. there are types of acquisition which have been ignored in performance studies
2. complexities in motivations mean conventional categories of M&A are too simple
3. overly simplified views of M&A motivations may have resulted in distorted views of performance
4. strategists need a better framework for capturing actual 'motivations' rather than impugned ones.

This also raises the issue of whether the additional motivations in this chapter are 'legitimate' and who decides? The answers to these questions are context dependent as certain stakeholders, their preferences and priorities will vary depending upon different socio-economic-political systems. However to test M&A performance this chapter argues that management's acquisitions should at least be judged in terms of what they were trying to achieve rather than imposing assumptions and then attacking a straw man for failure. There is a great deal more innovation and creativity in M&A than managers are given credit for and they are not constrained by neat academic prescriptions. On this basis all motivations should be included in testing performance rather than just assuming all acquisitions fit a narrow set of imposed terms.

Care is required for eliciting actual motives as those reported, in offer documents, public statements, even surveys, may be designed for public consumption and to comply with legal and institutional requirements rather than representing the full or, in some cases, even the real reasons for acquisition (Angwin 2001). Researchers will not find top management in print saying that they are carrying out M&A because they think they should experiment and have little idea of how it will work out, or that they have a hubristic CEO, or because they are terrified of being acquired. Instead the reported motivation will be classically described in the legitimate language of economics and finance with broad intent to improve financial returns (Trautwein 1990). To gather information on motivations therefore requires careful and in-depth data collection.

Figure 2 Ways in which actual and reported motivations may combine



Motivation archetypes

In addition to classical motivations for M&A and their meta-categories, attention has been directed to 1) motivations which are recognised and not assessed; 2) motivations which are unrecognised and; 3) distorting effects within and upon motivations. As motivations are likely to be a mix of factors, there is a need to create archetypes to reflect this closer view of reality. With these archetypes, hypotheses can be generated about the configuration of motives which may result in superior outcomes and those which may be damaging.

In order to generate archetypes the dimensions along which these may exist needs identification. The dimensions chosen here are; 1) acquiring firm level motives: are these dominantly classic value maximising motives aimed at improving shareholder value through enhanced competitiveness in the short term or more about creating opportunities through exploration, or stasis and survival measures?; 2) the extent to which external contextual drivers are powerful or weak and whether they are consonant or dissonant with the acquiring firm's competitiveness; 3) the extent to which top management are acting

selflessly on behalf of the firm and investors, or whether they are more interested in their own benefits – the classic agency problem.

1) Acquiring firm motives
   - value maximising behaviour (exploitation)
   - non-value maximising (exploration, stasis, survival)

2) Contextual drivers
   - Consonant
   - Dissonant

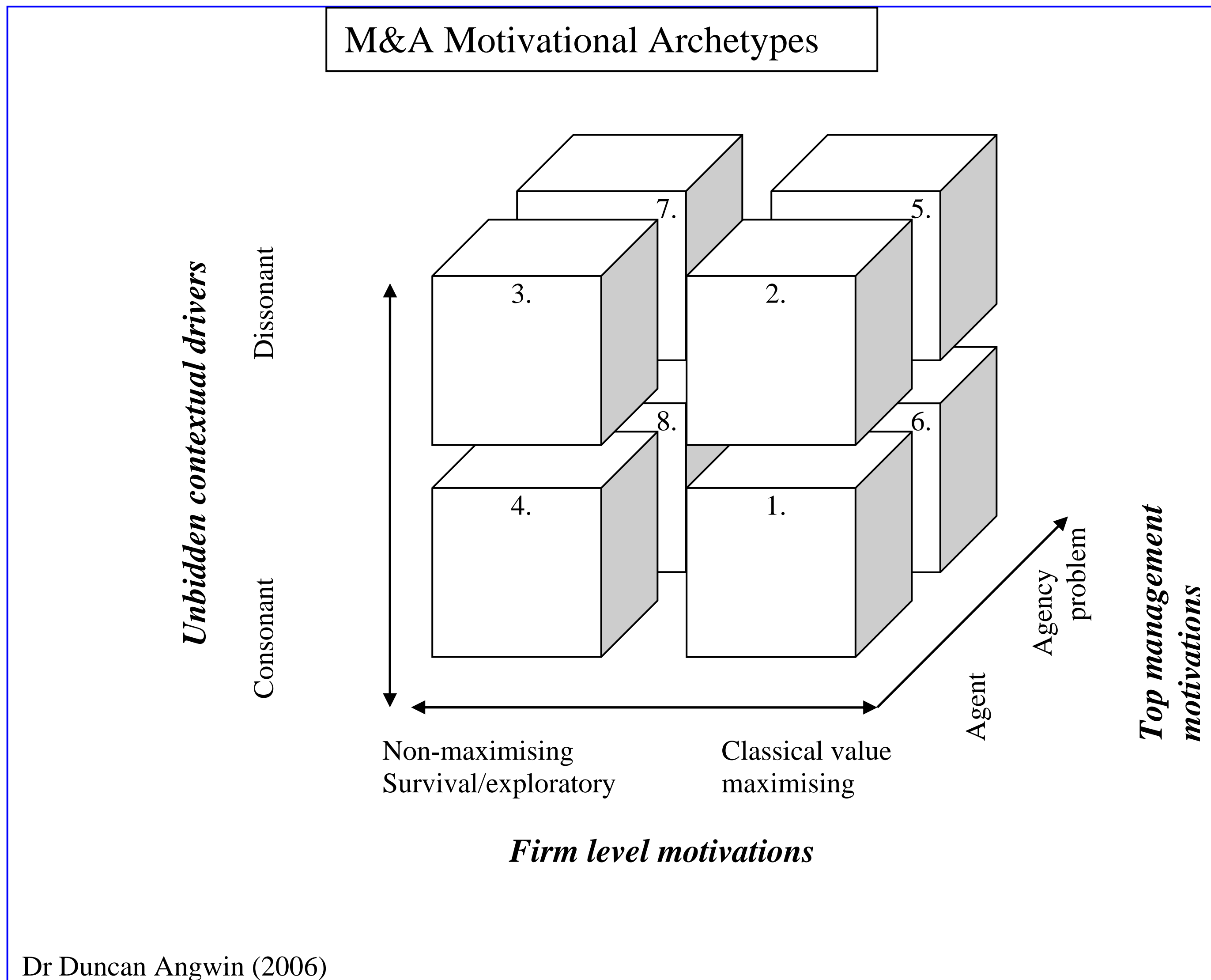
3) Top management
   - Agent
   - Agency problem

Each dimension is envisaged as a continuum where a mixture of motives and pressures is more the norm than the extremes. To operationalize these axes a careful exercise of weighting each motivation in relation to others will need to be carried out.

Using these three dimensions, eight archetypes can be identified (see figure 2)[10]. To illustrate how these archetypes might affect classical descriptors, it is possible for instance to see a 'horizontal' type of acquisition in each of the boxes, but as the subsequent discussion will show, the anticipated outcomes are likely to vary substantially.

[10] Please note that the 'precision' of the boxes is not intentional but more a limitation of the graphics available to the author – zones with overlaps would be closer to the author's ideals.

Figure 2 Motivational archetypes



Type 1: This is the classic type of M&A and one assumed in the performance literature. Here the firm is conducting M&A on the basis of rational value maximising strategies, such as cost reduction, to enhance shareholder value. The top management are acting as good agents and the contextual drivers encourage this sort of M&A. This type of M&A can reasonably be expected to succeed in conventional terms.

Type 2: Contextual pressures in this type may be at odds with the firm's wishes to maximise shareholder value. In this type there may be conflict between firm and top manager rational value maximising motivations and those of the context. Although the merger will be conducted in classical terms, it may well be very difficult for the acquiring

firm to do well out of the deal. For instance in 1988 the British Government encouraged British Aerospace (BAe) through a cash payment to take over the ailing British car manufacturer, Rover group, to avoid a political problem of foreign ownership and large job losses. There were no synergies between the businesses and BAe subsequently divested the business as soon as it could.[11]

Type 3: Contextual factors may be at odds with classic firm motivations but may be accommodated if the firm is motivated by non-maximising motives. There could be tension with a top management focused upon shareholder value in the short term. It is unlikely that the acquisition will succeed in conventional terms but may be beneficial long term. Examples might include a recently privatised firm fearing re-nationalisation, embarking on an acquisition spree to protect independence, or an acquirer, under increasing ethical pressure from a vocal context, making an acquisition to avoid likely censure in the media.

Type 4: Contextual factors set conditions for classic M&A and top management are aligned with this pressure. However the returns may be in the future, requiring exploratory M&A. For instance business may be anticipating the convergence of industries/technologies which suggest profitable opportunities in the future. M&A in this situation may not realise short term returns, and is likely to be risky, but may also result in significant long term benefits. Examples here might include M&A into new geographic markets such as China, or acquiring technology companies in anticipation of technological convergence. In conventional terms these M&A are likely to under-perform.

Type 5: Contextual pressures may pressure the acquirer into deals which do not fit with classical firm motives and there is also an agency problem. The latter may result in a deal which suits top management and addresses the context, but is unlikely to benefit the firm in conventional terms. An example here would include firms which are caught up in an M&A fashion and over acquire i.e. Enclean, where their rate of acquisition accelerated to please the markets, the top management thrived on the deals (rather than day to day management) and the expansion went beyond the capabilities of the firm.

Type 6: Contextual pressures may be propitious for M&A in terms of maximising firm value. An agency problem may mean that top management seek to benefit personally from the deal, although this does not exclude the possibility of the deal being successful. The acquisition of Blue Circle by Lafarge is an example of the acquirer seeking to achieve global dominance through acquisition and enhance profitability through economies of scale. It was widely suggested that the CEO of the acquirer was an example of an agency problem as he occupied the offices of chairman and CEO and was seen to overpay for the firm. The deal was regarded as a success.

[11] It is noteworthy that this acquisition is not mentioned on BAe's website which lists its M&A activity.

Type 7: Contextual pressures may be counter to the firm's classical motives, but could fit with exploratory motives. For instance the interest in global warming could provide firms with the opportunities to acquire prototype environmentally friendly technology in anticipation of this trend continuing. An agency problem does give top management scope to benefit personally and so it is unlikely that such a deal would bring benefits to the firm.

Type 8: Contextual pressures may be favourable for M&A by the firm although the firm may be motivated by non-maximising outcomes. This may enable the firm to engage in speculative acquisitions with low commercial rational. They may be encouraged by top management where there is an agency problem.

Based upon this set of archetypes different sorts of outcomes are apparent. Importantly it is clear that only a few archetypes can be described as classically oriented towards improving shareholder value. Most of the archetypes are likely to result in underperformance in conventional terms. Studies which therefore treat all M&A as homogeneous are including those which are not designed primarily to achieve these gains, and so results are likely to be biased downwards. A more refined approach to M&A motivations could potentially result in quite different results. Many testable hypotheses are possible from this approach and the following are not exhaustive:

Hypothesis 1: Acquirers acquiring in a propitious context with top managers acting as agents, archetype 1, will exhibit higher levels of performance than other archetypes in conventional terms.

Hypothesis 2: Acquirers acquiring in propitious conditions with top managers acting as agents but using exploratory types of M&A (archetype 4), are likely to under-perform short term, but may achieve substantial long term gains.

Hypothesis 3: Acquirers acquiring in dissonant conditions, with top management exhibiting an agency problem, and acquiring in an exploratory way (archetype 7), are likely to be less successful than other archetypes.

Conclusions

Studies of M&A performance in the strategy literature have tended to use a broad typology of assumed motivations for deals. The results of these performance studies have led to ambiguous results. This chapter argues that one reason for this confusion is due to imposing crude categories upon M&A, from which simple assumptions about intentions and benefits are drawn rather than using real motives. The link which is being tested is therefore between abstract categories, and performance rather than real motives and intended performance. For example a horizontal acquisition may be 'authentic' in

classical terms, with coherence between context, management and firm aims, or for instance, simply a label, or legitimating term which disguises real intentions. Without the link to what is actually intended, the data in performance studies may be confounded.

This chapter identifies a number of reasons for M&A which have been under recognised in the literature and some of which do not fit neatly with classical prescription. These motivations highlight different pressures upon firms to engage in M&A and need to be recognised in order for more complete understanding of why firms embark upon these deals.

The chapter also argues that single motives for deals are rare and multiple motives more the norm and that these motives are not necessarily in alignment. To capture this complexity, three dimensions are identified. They give explicit recognition to differences in firm motivations (recognising that not all deals are about profit maximisation and important types of deal are about exploration, survival and stasis); contextual pressures imposing motivations (consonant pressures which might encourage deals for profit and dissonant pressures which might be contrary to classical prescriptions, such as governmental interference); top management intentions (which may be to maximise profits for shareholders or work for personal gain at the expense of shareholders).

From these three dimensions, eight archetypes are identified along with outcomes in classical performance terms. It can be seen that in only two archetypes are there good reasons to suspect that all M&A should succeed in directly enhancing acquirer performance. The other archetypes suggest aggregate under-performance in conventional terms although longer term may individual deals may witness impressive outcomes. If performance studies are examining M&A as homogeneous in these terms, is it any wonder that so many appear to under-perform?

Does this mean that the other archetypes identified are not legitimate forms of M&A if they are not maximising value for shareholders? Clearly this may be the case with archetype 7, where top management has significant opportunity to exploit a propitious situation to personal advantage at the expense of the firm. However the other archetypes offer more complex situations such as whether it is right to experiment and explore for future gain, or whether it is right to accede to governmental pressure which may be vital for survival. In these situations firms may be significantly worse off than if they do not engage in M&A. To highlight firm's efforts to prevent potential / actual deterioration, a 'worse off test' is proposed.

Why is it not more apparent in M&A research that there are greater complexities in motivation? Firstly it is convenient for research to use broad secondary categories than to attempt to identify the variables highlighted in this chapter. Also in defence of the researcher it is important to note that public deals have to convince a broad audience that they are in the firm's best interests. For this reason public pronouncements about M&A will always be in a legitimate language and will downplay other 'less acceptable/recognised' motives. For this reason it is highly likely that there are fewer classical M&A in practice that there are 'in public'. However if we are really to get to

grips with how M&A perform, the complex motivations behind M&A need to be recognised and examined. A more sensitive appreciation of the real reasons why M&A is carried out may well help resolve the paradox of why so many deals are transacted when so many apparently fail.

References

Anand, J. and Singh, H (1997) Asset redeployment, acquisitions and corporate strategy in declining industries. *Strategic Management Journal*, Special Issue, 18: 99-118.

Angwin, D. N. (2007) *Mergers and Acquisitions*, Blackwell Publishers, Oxford

Angwin, D. N. (2006) Motivational Archetypes, *Strategic Management Conference*, Vienna.

Angwin, D. N., Stern, P. and Bradley, S. (2004) The Target CEO in a hostile takeover: Agency or Stewardship – can the condemned agent be redeemed? *Long Range Planning,* 37 (3): 239-257.

Angwin, D. N. (2003) Mergers and Acquisitions as Exploration Practice and Interconnection, chapter 8 in *Images of Strategy*, edited by Cummings, S. and Wilson, D. (2003)

Angwin, D. N. (1999) Post-acquisition management of corporate take-overs in the United Kingdom, unpublished PhD thesis, University of Warwick.

Ansoff, I. (1957) Strategies for diversification, *Harvard Business Review*

BBC News Online (1999) Business: The Company File: Olivetti conquers Telecom Italia May 22nd

Capron, L. (1999) The long term performance of horizontal acquisitions. *Strategic Management Journal*, 20: 987-1018.

Cartwright, S. and Cooper, C. L. (1992) *Mergers and Acquisitions. The human factor*. Oxford: Butterworth-Heinemann.

Cummings, S. and Wilson, D. (eds) (2003) *Images of Strategy*, Blackwell Publishers, Oxford.

Davis JH, Schoorman FD, Donaldson L (1997) Towards a stewardship theory of management. *The Academy of Management Review,* **22:** 20-47

Energy Business Review Online (2006) Gaz de France-Suez merger overcomes domestic Opposition, October 27th.

Gaughan, P. A. (1994) Introduction: The Fourth Merger Wave and Beyond, Chapter 1 in Gaughan, P. A. (ed) (1994) *Readings in Mergers and Acquisitions*, Basil Blackwell Ltd.

Grant, R. (2000) Corporate Strategy: Managing Scope and Strategy Content, in A. Pettigrew, H. Thomas, and R. Whittington (2000) *Handbook of Strategy and Management*, Sage.

Hayward, M., L. A. and Hambrick, D. C. (1997) Explaining the premiums paid for large acquisitions: evidence of CEO hubris. *Administrative Science Quarterly*, **42**: 103 – 127

Hitt, M., Harrison, J., Ireland, R. D. and Best, A. (1998) Attributes of successful and unsuccessful acquisitions of U.S. firms. *British Journal of Management*, **9**: 91-114

Hunt, J. (1990) Changing pattern of acquisition behaviour in take-overs and consequences for acquisition processes, *Strategic Management Journal,* 11: 66 - 77

Japan Times (2005) Livedoor certain to take control of NBS as stake tops 50%, April 2nd

Jarrell, G. A. and Poulsen, A. B. (1994) The returns to acquiring firms in tender offers : evidence from three decades, Chapter 16 in Gaughan, P. (ed) (1994) *Readings in Mergers and Acquisitions*, Basil Blackwell Ltd.

Jemison, D. B., & Sitkin, S. B. (1986) Acquisition: The process can be the problem, *Harvard Business Review,* March- April

Jensen M. C. (1986) Mergers and the Market for Corporate Control, *American Economic Review* **76**: 323-329

Jensen M. C. and Meckling W (1976) Theory of the firm: managerial behaviour, agency costs, and ownership structure. *Journal of Financial Economics,* **3**: 305-360

Jensen M. C. and Ruback, R. S. (1983) The market for corporate control: the scientific evidence, *Journal of Financial Economics,* **11**: 5-50

Kets de Vries, M. F. R. (1990) The organisational fool: balancing a leader's hubris. *Human Relations*, **43**: 751-770

Kitching, J. (1967) Why do mergers miscarry? *Harvard Business Review:* 84-101, November-December

Marks, M. L. and Mirvis, P. H. (2001) *Joining Forces: Making One Plus One Equal Three, San Francisco*: Jossey Bass.

Morgan, G. (2007) M&A as power, chapter 5 in Angwin, D. N. (2007) *Images of Mergers and Acquisitions,* Blackwell Publishers, Oxford.

Mueller, D. C. (2003) The finance literature on mergers. A critical survey, in Waterson, M. (ed) *Competition, Monopoly and Corporate Governance: Essays in Honour of Keith Cowling*. Cheltenham, UK: Edward Elgar.

Mueller, D. C. (1985) Mergers and market share, *The Review of Economics and Statistics,* 67, May: 259 - 67

Nahavandi, A. and Malekzedah, A. R. (1988) Acculturation in mergers and acquisitions. *Academy of Management Review*, 13: 79 – 91.

Nelson, R. R. and Winter, S. G. (1992) *An evolutionary theory of economic change.* Cambridge MA: Harvard University Press.

Porter, M. E. (1985) *Competitive Advantage*, Free Press, New York

Porter, M. E. (1987) From competitive advantage to corporate strategy, *Harvard Business Review,* May / June: 43 – 59

Roll, R. (1986) The hubris hypothesis of corporate takeovers, *Journal of Business*, **59**: 197-216

Rumelt, R. P. (1982) Diversification strategy and profitability, *Strategic Management Journal,* 3: 359 - 369

Selznick P (1957) *Leadership in administration*, New York: Harper & Row

Singh, H. and Montgomery, C. A. (1987) Corporate acquisition strategies and economic performance, *Strategic Management Journal* **8**: 377 – 386.

Sirower, M. L. (1997) *The synergy trap: How companies lose the acquisition game*,

Trautwein, F. (1990) Merger motives and merger prescriptions, *Strategic Management Journal,* 11: 283 - 295
Varaiya N P and Ferris K R (1987) Overpaying In Corporate Takeovers: The Winner's Curse, *Financial Analysts Journal* **43** (3): 64-70
Wernerfelt, B. (1984) A resource based view of the firm, *Strategic Management Journal,* **5** (2): 171-180.