
Dynamic Capabilities in the Context of Mergers and Acquisitions

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Structured Abstract

Purpose – The purpose of this paper is to present the current state of a study which aims at precisely analysing the causal relationship between dynamic capabilities and success of combined groups in a laboratory setting.

Design/methodology/approach – This study uses a laboratory experiment with a sample of approximately 160 students to test its hypotheses. The experiment encompasses a computerized version of Target the Two – a card game formerly invented by Cohen/Bacdayan (1994) – as well as a questionnaire on dynamic capabilities.

Originality/value – This study seems to be the first to quantitatively examine the role of dynamic capabilities in contributing to the success of breaking up and redeveloping routines as a response to a merger at the group level

Practical implications – The outcomes of the application are especially important for merging organizations with regard to the pre-combination phase; if dynamic capabilities turn out to contribute to the success of M&A transactions, this has to be taken into consideration in the due diligence process and in the evaluation of companies

Keywords – Dynamic Capability, Organizational Capability, Organizational Change, M&A, Laboratory Experiments

Paper type – Academic Research Paper

1 Introduction

Understanding success and failure of mergers and acquisitions (M&A) is an important research issue (King et al., 2004). Despite the fact that scholars have studied M&A for over 30 years, we know little about the factors contributing to their success so that failure rates persist at a high level (Cartwright/Schoenberg, 2006, p. S4). For example, Marks/Mirvis (2001, p. 80) accentuate that “efforts to learn why so many combinations fail ... have yielded limited insights.” Similarly, based on meta-analyses of post-acquisition performance, King et al. (2004) and Stahl/Voigt (2004), conclude that previous empirical research is ill-fitted to identify the underlying variables which influence M&A performance. Both authors recommend the analysis of organizational aspects to complement prior research (Cartwright/Schoenberg, 2006, p. S4).

Previous studies as well as anecdotal evidence point to the fact that the main challenge for organizations involved in a merger is to deal with the destabilization of organizational structures and routines. Based on this assumption, this study argues that dynamic capabilities contribute to successful M&A activities. The dynamic capability approach dates back to the work of Teece/Pisano/Shuen who define dynamic capabilities as “the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Teece/Pisano/Shuen, 1997, p. 516). Following this definition, we understand dynamic capabilities as an organization's ability to abandon and readapt established routines in order to respond to changing environments.

Prior research indicates that organizational competencies and success are positively correlated (Mattes, 2009). Yet, up to now, research has not come up with a study that analyses whether this relationship can be preserved in case of a merger. We seek to address this research gap by precisely analysing via an experimental design the causal relationship between dynamic capabilities and success of merged groups in a laboratory setting. Our experiments are based on the work of Cohen/Bacdayan (1994), who used a card game in order to analyse organizational routines. The hypothesis to be tested is that the degree of dynamic capabilities directly influences the success of responding to the change of environment which is due to the merger of groups. We expect the groups showing a high degree of dynamic capability to perform better than those showing a low degree of dynamic capability.

As the primary focus of this paper is to extend existing knowledge of M&A by looking at the role of dynamic capabilities and their contribution to integrating two firms, this paper can be regarded as a first step towards the identification of further organizational variables which influence M&A performance. In the scientific community, studies identifying such organizational factors are of particular importance because there are hardly any publicly available studies relating organizational aspects (such as dynamic capabilities) to M&A performance. Previous studies analysing dynamic capabilities in an M&A context opt either for conceptual or for qualitative approaches (e.g., Helfat et al. (Eds.), 2007, pp. 80; Keil, 2004; Meyer/Lieb-Dóczy, 2003; Roy/Roy, 2004; Voss, 2008). As a consequence, the intended study seems to be the first to quantitatively examine the role of dynamic capabilities in contributing to the success of braking up and redeveloping routines as a response to a merger at the group level. Besides, it introduces experiments as a methodological design to study M&A activities and post-acquisition performance. However, not only science can profit from the intended study, but also organizations that are involved in M&A activities: The identification of the underlying variables which influence M&A performance is particularly important for organizations with regard to the “precombination phase” (Marks/Mirvis, 2001, p. 81); if dynamic capabilities turn out to contribute to the success of M&A transactions, this has to be taken into consideration during the due diligence process and in the evaluation of companies

2 Dynamic capabilities as a potential contributor to the success of M&A

Although post-acquisition performance is an important research area (e.g., Cartwright/Schoenberg, 2006; King et al., 2004; Stahl/Voigt, 2004), scientists have not come up with an extensive list of variables, which influence M&A performance. Consequently, most M&A are still considered to be unsuccessful (Kummer/Steger, 2008, p. 44). Based on their meta-analyses, Stahl/Voigt (2004) and King et al. (2004) recommend the analysis of organizational aspects to complement prior research (Cartwright/Schoenberg, 2006, p. S4) that is currently dominated by financial studies. However, Marks/Mirvis (2001, p. 80) point out that M&A “have proven difficult events for organizational researchers to assess.”

As there is neither a concrete beginning nor a concrete ending to a merger, most studies turn out to be retrospective (Marks/Mirvis, 2001, p. 81). So “the measurement of success and failure is far from being solved” (Kummer/Steger, 2008, p. 46).

Strategic management researchers in the M&A field have focused on the identification of strategic factors that might explain the performance variance between various acquisitions (Cartwright/Schoenberg, 2006, p. S2). Nonetheless, up to now, research has not come up with a study quantitatively analysing dynamic capabilities as a factor that may contribute to the success of M&A transactions. As it is recognized that M&A “constitute a specifically important area of organizational change” (Vaara, 2002, p. 212), a study regarding an organization’s ability to abandon established routines in order to respond to changing environments seems to be inevitable. Therefore, the main characteristics of dynamic capabilities are carved out in this chapter before dynamic capabilities are discussed in the context of M&A.

2.1 Definition and main characteristics of dynamic capabilities

The dynamic capability approach dates back to the work of Teece/Pisano/Shuen who define dynamic capabilities as “the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments” (Teece/Pisano/Shuen, 1997, p. 516). Being widely spread in science (e.g., Govind Menon, 2008, p. 24; Voss, 2008, p. 24; Cavusgil/Seggie/Talay, 2007, p. 161; Helfat et al. (Eds.), 2007, p. 2; Salomo/Gemünden/Leifer, 2007, p. 3; Wang/Ahmed, 2007, p. 33; Wilson/Daniel, 2007, p. 10; Zahra/Sapienza/Davidsson, 2006, p. 922), this definition accentuates an organization’s adaptability.

Likewise, the definitions of Eisenhardt/Martin (2000, p. 1107) and Zollo/Winter (2002, p. 340) reflect the demand of an organization’s adaptability thereby emphasizing the importance of intangibles in an organizational context: Zollo/Winter (2002, p. 340) understand dynamic capability as “a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness.” Similarly, Eisenhardt/Martin (2000, p. 1107) define “dynamic capabilities as the firm's processes that use resources ... to match and even create market change” and point out that “dynamic capabilities .. are the

organizational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die." These definitions underline the importance of organizational routines in a dynamic capability context: Zollo/Winter provide a definition which at least indirectly associates dynamic capabilities with the construct of organizational routines, whereas Eisenhardt/Martin (2000, p. 1107) even equate dynamic capabilities with routines. Being generally described as "repetitive patterns of activity" (Nelson/Winter, 1982, p. 97), routines are especially helpful in complex worlds (Levinthal, 2002, pp. 363). In this respect, routines are still seen as important; but every procedure can possibly result in organizational inertia if the prevailing conditions change (Schreyögg/Kliesch, 2006, p. 460; Schreyögg/Kliesch, 2007, pp. 913), for example, due to an M&A-transaction. Therefore, a definition of dynamic capability (Teece/Pisano/Shuen, 1997, 2002 and 2004; Eisenhardt/Martin, 2000; Zollo/Winter, 2002) should not only encompass a reference to routines but also to an organization's ability to abandon and readapt established routines in order to respond to changing environments. This understanding forms the basis of the intended study.

In literature, the terms dynamic capability and organizational competency are sometimes used interchangeably. For example, Stegmaier/Sonntag (2007, pp. 88) cite the dynamic capability approaches of Teece/Pisano/Shuen (1997) and Zollo/Winter (2002) as an instance for models of organizational competency. Also, Wilkens/Gröschke (2007, pp. 272) develop their understanding of organizational competencies with reference to the dynamic capability approach. The article of Wilkens/Gröschke (2007) is of particular importance for this research field as it offers first empirical insights. Wilkens et al. (2007) operationalize organizational competency (or dynamic capability, respectively) in terms of combination/ cooperation, an organization's ability to cope with complexity, and selfreflexion. Combination and cooperation amongst others encompass items related to an organization's fault tolerance, its communication practices, and to collaboration and sense of togetherness within an organization. An organization's ability to cope with complexity refers, for example, to clearly and precisely stipulated responsibilities, as well as to analyses conducted on a regular basis for benchmarking reasons. And self-reflexion, for instance, relates to an organization's critical examination of learning processes. A further

approach which offers first empirical insights to the field of dynamic capabilities is that of Pavlou/El Sawy (2006a). The authors define dynamic capabilities as the “ability to deploy new configurations of operational competencies relative to the competition by effectively sensing the environment, learning, coordinating activities, and integrating interaction patterns” (Pavlou/El Sawy, 2006a, p. 6) and develop a questionnaire according to this definition (Pavlou/El Sawy, 2006a; Pavlou/El Sawy, 2006b, pp. 223). Nevertheless, just as Wilkens/Gröschke (2007), Pavlou/El Sawy (2006b) do not apply their questionnaire to M&A transactions.

2.2 Dynamic capabilities in the context of M&A

M&A “constitute a specifically important area of organizational change” (Vaara, 2002, p. 212). As such, apart from anxiety of the employees affected by the transaction and aside from culture clashes (Carleton/Lineberry, 2004, pp. 13), M&A involve the necessity to adapt to previously unknown procedures thereby causing a high degree of uncertainty. Consequently, it is inevitable that organizations involved in an M&A activity are flexible and adaptable alike. That is exactly where dynamic capabilities come into play: Combination/cooperation, self-reflexion as well as an organization’s ability to cope with complexity (Wilkens et al., 2007) might support an organization in abandoning established routines in order to respond to changes that are due to the relative merger.

Against this background, recently, scholars have proposed to analyse dynamic capabilities in an M&A context: On the one hand, there are articles that highlight M&A as a potential area of application for dynamic capabilities (e.g., Helfat/Peteraf, 2003, p. 1007) without any further investigation. On the other hand, there are some extensive studies analysing dynamic capabilities in an M&A context (e.g., Helfat et al. (Eds.), 2007, pp. 80; Keil, 2004; Meyer/Lieb-Dóczy, 2003; Roy/Roy, 2004; Voss, 2008). It is noticeable that most of these studies more or less equate dynamic capabilities with acquisition experience (e.g., Helfat et al. (Eds.), 2007, pp. 80; Roy/Roy, 2004; Voss, 2008). For example, Roy/Roy (2004, p. 8) describe an organization’s integration capability as “a type of dynamic capability” and point out that “dynamic capabilities can be generated or evolve through direct experience or from the experience of others through organizational learning processes.” Similarly, Voss (2008, p. xvii),

analysing whether “different types of M&A capability evolve in the course of firm’s acquisition strategies”, recognizes that dynamic capabilities and acquisition experience are more or less the same. She reverts to the dynamic capability concept in order to define M&A capability which she understands as “a dynamic capability enabling the organization to reconfigure its existing operating resource and capability base in order to achieve competitive advantage in changing environments” (Voss, 2008, p. 8).

Recently, Helfat et al. (Eds.) (2007, pp. 80) published an article on acquisition-based dynamic capabilities, i.e. on “how firms use business acquisitions to obtain new resources” (Helfat et al. (Eds.), 2007, p. 80). According to these authors, acquisitionbased dynamic capabilities encompass three elements: acquisition selection, acquisition identification, and acquisition reconfiguration capabilities (Helfat et al. (Eds.), 2007, pp. 81). Acquisition selection capability refers to an organization’s ability to recognize whether an M&A transaction is appropriate for expanding the own resource base, whereas acquisition identification capability is an organization’s ability to carry out an extensive due diligence thereby ensuring to identify proper target companies. Finally, acquisition reconfiguration capability relates to an organization’s ability to rearrange resources within the merged companies, so that new resources might be created. So, just as Roy/Roy (2004) and Voss (2008), Helfat et al. (Eds.) (2007) use the dynamic capability concept within an M&A context. However, none of these authors explicitly analyses dynamic capabilities themselves as a factor that might explain the performance variance between individual acquisitions.

Besides, previous studies analysing dynamic capabilities in an M&A context opt either for conceptual or for qualitative approaches (e.g., Helfat et al. (Eds.), 2007, pp. 80; Keil, 2004; Meyer/Lieb-Dóczy, 2003; Roy/Roy, 2004; Voss, 2008). Nevertheless, a quantitative study would be reasonable, given M&A failure rates (see, for example, Carleton/Lineberry, 2004, pp. 8; Jansen, 2005, p. 531; Schoenberg, 2006, p. 368; Strähle, 2004, pp. 68) which persist at a very high level (Cartwright/Schoenberg, 2006). Also, the results of meta-analyses which come to the conclusion that previous empirical research is ill-fitted to identify the underlying variables influencing M&A performance (King et al., 2004; Stahl/Voigt, 2004) indicate that quantitative studies might be meaningful within this research area..

3 Empirical Study

3.1 Research methodology and context of analysis

The literature review revealed that although understanding success and failure of mergers and acquisitions is a highly relevant research issue (King et al., 2004), previous empirical research is ill-fitted to identify the underlying variables which influence M&A performance (King et al., 2004; Stahl/Voigt, 2004). For that reason, it is recommended to analyse organizational aspects to complement prior research (Cartwright/Schoenberg, 2006, p. S4). Against this background, we are conducting a quantitative study analysing the influence of dynamic capabilities on the success of merged groups: Two students cooperatively conduct a task in order to routinize their problem-solving behaviour. The change of environment occurs, when the respective groups are merged to groups of four students. Our study was designed to be quantitative in nature in order to complement previous qualitative studies analysing dynamic capabilities in an M&A context (e.g., Helfat et al. (Eds.), 2007, pp. 80; Keil, 2004; Meyer/Lieb-Dóczy, 2003; Roy/Roy, 2004; Voss, 2008). Switching from an organizational to a group level seems to be appropriate for several reasons: On the one hand, “we cannot put a thousand people in a laboratory” (Leavitt, 1958). On the other hand, small groups represent subgroups which are parts of larger organizations (Cohen/Robinson/Edwards, 1969, p. 208). In this context, it seems to be reasonable to assume that the problems coming along with M&A transactions emerge when employees working in departments at the group level are forced to abandon their routines in order to adapt to previously unknown procedures of people working in the relative department of the other company.

In order to address the research question, we have been conducting a laboratory experiment since September 2008. Using experiments as a methodological design to study post-acquisition performance is relatively innovative, as the common measures of acquisition performance encompass “cumulative abnormal returns, managers’ assessments, divestment data and expert informants’ assessments” (Schoenberg, 2006, p. 361). In spite of the limited external validity coming along with controlled laboratory experiments, which is often highlighted in literature (Rack/Christophersen, 2007, pp. 27), experiments have successfully been used in some other empirical studies on mergers and acquisitions (e.g.,

Montmarquette et al., 2004; Weber/Camerer, 2003; Davis/Wilson, 2008; Huck et al., 2007). And in this case, laboratory experiments appear to be an appropriate research method, too, because the causal relationship between dynamic capabilities and the success of merged groups has not been analysed so far and experiments are considered to be the most effective research method for analysing causal relationships (Huber, 2005, p. 71).

Generally, we expect a high degree of dynamic capability to lead to more favourable results of merged groups given the same task and circumstances. Likewise, we expect a low degree of dynamic capability to lead to less success of the merged groups. In order to analyse these relations, the degree of a group's dynamic capability has to first be determined. In our study, dynamic capabilities are operationalized on the basis of Wilkens et al. (2007), so that data regarding combination, cooperation, the ability to cope with complexity, and self-reflexion has been collected by means of a questionnaire. We expect that there is also a positive relationship between the elements representing dynamic capability and success in non-changing environments.

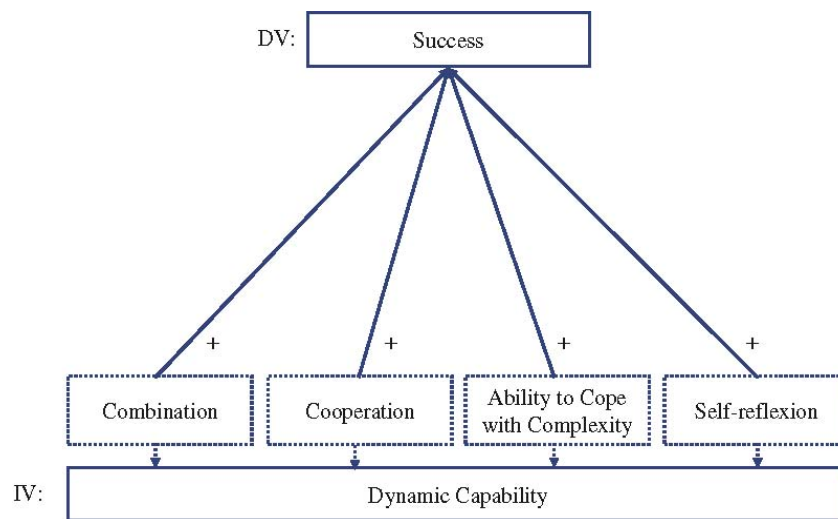


Figure 1: Relationship between Dynamic Capability and Success

H1. There is a significant positive relationship between dynamic capability and success. H1a. There is a significant positive relationship between combination

and success. H1b. There is a significant positive relationship between cooperation and success. H1c. There is a significant positive relationship between the ability to cope with complexity and success. H1d. There is a significant positive relationship between self-reflexion and success.

H2. There is a significant positive relationship between dynamic capability and success in case of a merger of groups. H2a. The higher the degree of a merged group's dynamic capability, the more successful the merger will be. H2b. The lower the degree of a merged group's dynamic capability, the less successful the merger will be.

3.2 Sample

We are conducting our laboratory experiments with 160 participants. The sample consists of 114 men (71.3%) and 46 women (28.8%), with age ranging from 18 to 29 and a mean age of 21.73 years (SD = 1.745). Our sample is restricted to undergraduate management students who are enrolled for the 3rd semester at Frankfurt School of Finance & Management. The use of students as subjects for experiments is often criticized in science (Elliott et al., 2007). This limitation applies to many samples of experimental studies in the field of M&A as well as in the field of organizational research (e.g., Davis/Wilson, 2008; Huck et al., 2007; Lindqvist/Stennek, 2001; Montmarquette et al., 2004; Podsakoff/Dalton, 1987, p. 424). However, we seek to address this limitation by falling back on subjects who preferably have already gained relevant professional experience. As a result, 60.7% of our sample consists of students who are working at least 20 hours per week in a financial institution; most of the remaining subjects have already gained some professional experience in the course of an internship. Finally, people with an academic background in the field of management are well-represented in merging organizations, so that we consider our sample as appropriate for studying the research question.

3.3 Research design, data collection and analysis

In order to analyse the influence of dynamic capabilities on the success of merged groups, we are conducting a laboratory experiment in a German university (Frankfurt School of Finance & Management). Our experiments are based on the study of Cohen/Bacdayan (1994), who used a card game in order to analyse organizational routines in a laboratory setting. This card game, which is called Transform the Target (Egidi/Narduzzo, 1997, p. 677; Wang/Zhang, 2008, p. 872) or rather Target the Two (Garapin/Hollard, 1999, p. 465; Egidi/Bonini, 1999, p. 3), has been used for several further investigations, for example, by the University of Trento in Italy (Computable and Experimental Economics Laboratory, 2006; Egidi/Narduzzo, 1997). Studies of Egidi and his colleagues (e.g., Egidi, 1996; Egidi/Narduzzo, 1997) confirmed that Target the Two is suitable for studying routines. In the original version invented by Cohen/Bacdayan (1994), Target the Two is played by two subjects and involves a total of six cards (2♥, 3♥, 4♥ and 2♣, 3♣, 4♣). The goal of the game is to put 2♥ in the target position. The less time and the less moves are needed in order to achieve this objective, the higher is the reward for the pair of players, who are awarded a fixed payoff per completed hand. As the relative pairs are rewarded as a team – and not on an individual basis – subjects have an incentive to cooperate. Each player is assigned a personal card which cannot be seen by the other person. The remaining cards are on the board, with two of them lying face-down and two of them lying face-up. One of the face-up cards is marked as the target position; for this card, a special rule applies which differs according to the role the relative player represents: One of the players (called Numberkeeper) can only exchange his card with the one in the target position if his personal card has the same number as the one in the target position; the other player (Colorkeeper) is only allowed to exchange his personal card with that in the target position if the two cards are of the same suit. The players alternately exchange their personal card with one of the cards on the desk until the hand is completed; i.e. until 2♥ is in the target position.

Based on a sample of 64 subjects, i.e. 32 pairs of players, Cohen/Bacdayan demonstrated that, with the card game, organizational routines “can be induced in the laboratory” (Cohen/Bacdayan, 1994, p. 555). For that reason, we consider Target the Two as a suitable game for studying our research question: In accordance with our definition of dynamic capabilities – which we understand as an organization's ability to abandon and readapt established routines in order to respond to changing environments – in a first step, we instructed our subjects to play 40 hands of Target the Two, so that their problem-solving behaviour became routinized. Afterwards, we asked our subjects to fill out a questionnaire on dynamic capabilities which is mainly based on the work of Wilkens et al. (2007). Based on the results, the degree of dynamic capabilities has been determined for each group. In the second step, the change of environment takes place insofar as the pairs are merged resulting in groups of four students who are asked to play the card game once again. For the treatment we used the results of our survey; i.e. groups showing a high degree of dynamic capability have been merged and groups showing a low degree of dynamic capability have been merged. It will be measured, whether the groups showing a high degree of dynamic capability perform better after the merger than those showing a low degree of dynamic capability; success is measured in terms of money gained in the course of the game.

In order to isolate the effects of dynamic capabilities we controlled other factors that could have a causal effect on performance differences. At this, we also controlled for the ability to concentrate by conducting d2-Tests of Attention (Brickenkamp, 2002). In addition, we controlled for intelligence by conducting a short version of Berliner Intelligenzstruktur-Tests (Jäger/Süß/Beauducel, 1997) in order to get as much information as possible on factors that could further influence performance differences.

At the moment, we are analysing our data for the first part of the study. Up to now, our data analysis is mainly based on descriptive statistics. We use

Spearman's rank correlation coefficient in order to measure the relationship between dynamic capability and success

4 Preliminary Results

As we are still collecting data for the second part of our study, only the key findings regarding our first hypothesis will be presented in this section. In line with Hypothesis 1, dynamic capability has a positive relationship with success ($\rho = 0.243$), which is statistically significant at the 0.01 level (two-tailed). This outcome is concurrent with earlier research on this topic (Mattes, 2009). Also the findings of Mattes (2009) regarding the relationship between the respective dimensions of dynamic capability and success can be confirmed by our results. Mattes (2009) run laboratory experiments based on a complex computer game in order to analyse the relationship between dynamic capabilities and success. Using the questionnaire of Wilkens et al. (2007) as a basis for the measurement of dynamic capabilities, he comes to the conclusion that all but one of Wilkens' dimensions (Wilkens et al., 2007) is positively correlated with success. Just as Mattes (2009), we found out that the positive relationship between combination and success is not statistically significant ($\rho = 0.141$). As a consequence, Hypothesis 1a cannot be confirmed in our study. In the course of our study, this result is remarkable since it is not necessarily expected: The card game that we are using in our experiment aims at routinizing subjects' problem-solving behaviour. Therefore, those subjects who are successful in building appropriate routines were expected to be the most successful in terms of their reward in the first part of our study. And as organizational routines „are made up of a sequence of coordinated actions by individuals“ (Grant, 1991, p. 122), combination and cooperation are a prerequisite for the emergence of routines.

However, the following outcomes are in line with our expectations: Correlation analyses revealed significant interrelation between cooperation and success ($\rho = 0.290$), so that Hypothesis 1b can be confirmed. In a similar vein, our data support Hypothesis 1c and 1d predicting a significant positive relationship between the ability to cope with complexity and success ($\rho = 0.278$) as well as between self-reflexion and success ($\rho = 0.238$). All these correlations are

statistically significant at the 0.01 level (two-tailed). These findings are also concurrent with research of Wilkens et al. (2007).

Our findings reveal that the strongest relationship is that between cooperation and success. This result might be influenced by the fact that the card game encourages cooperative behaviour. In Target the Two, the payoff “is awarded to the pair [...] so that both players have an incentive to cooperate” (Egidi, 1996, p. 5). Nevertheless, outcomes of Mattes (2009) also come to the conclusion that the strongest link is that between cooperation and success.

5 Conclusions

Recently, several scholars have proposed to complement prior research by analysing organizational aspects as factors that might explain the performance variance between individual M&A transactions (Cartwright/Schoenberg, 2006, p. S4). According to Vaara (2002, p. 212) M&A “constitute a specifically important area of organizational change.” As such, apart from anxiety of the employees affected by the transaction, M&A involve the necessity to adapt to previously unknown procedures thereby causing a high degree of uncertainty: Although routines developed during the day-to-day business may be successful on a stand-alone basis, a merger should require that an organization’s employees abandon their routines in order to adapt to procedures of people working in the other company.

Against this background, this article has introduced dynamic capability as a factor that might possibly contribute to successful M&A activities. The main characteristics of dynamic capabilities, defined as an organization's ability to abandon and readapt established routines in order to respond to changing environments, have been carved out, followed by a discussion of dynamic capabilities in the context of M&A. Moreover, the quantitative study that we are conducting in order to precisely analyse the causal relationship between dynamic capabilities and success of combined groups has been shortly described. Specifically, comments on hypotheses, sample, research design, data collection, and first results have been provided in this contribution.

The main challenge within the framework of our study was to exactly define terms, variables, and constructs. For this, we base our definitions on an

extensive review of the existing literature. In the course of this literature review, not only articles on dynamic capabilities have been researched, but also contributions to related topics such as organizational competencies, organizational capabilities, and organizational routines. A further challenge was to develop proper measurement concepts. We addressed this issue by falling back on the questionnaire of Wilkens et al. (2007), which is one of the very few quantitative approaches to measure dynamic capability or organizational competency, respectively. Although their questionnaire has already been field-tested and validated, it is not completely suitable for a survey in a laboratory setting. Therefore, some items have been amended or even deleted, and, consistent with theory, further items have been added. At this, we followed standard psychometric scale development procedures.

However, our study can only be regarded as a first step towards the identification of further organizational aspects which influence M&A performance. The reason for this is the limited external validity coming along with controlled laboratory experiments (Rack/Christophersen, 2007, pp. 27). As we fall back on groups instead of organizations in order to analyse the coherence between dynamic capabilities and success, we can only derive first indications for real M&A transactions. Thus, in addition to studies in a laboratory setting, field studies seem to be essential, so that further scientific studies are required for a detailed analysis of the causal relationship between dynamic capabilities and the success of M&A activities. In this respect, our “laboratory data might suggest possibilities which inspire theorizing and suggest interesting kinds of field data to collect” (Knez/Camerer, 1994, p. 108).

In conclusion, we believe that our intended study will at least make two major contributions: On the one hand, it seems to be the first to quantitatively examine the role of dynamic capabilities in contributing to the success of breaking up and redeveloping routines as a response to a merger at the group level. If dynamic capabilities turn out to contribute to the success of a merger, the results of this study have implications for due diligence and evaluation processes alike. On the other hand, it introduces experiments as a methodological design to study M&A activities and post-acquisition performance

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