

Paper Title: The Murder in Merger: Mergers and Acquisitions as violent events of organisational transition

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The Murder in Merger¹: Mergers and Acquisitions as violent events of organisational transition.



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Abstract

Drawing on my work as an organisational development practitioner, my PhD research and an international research project this paper considers participant and media generated ‘texts’ of mergers and acquisitions (M&As). Using an interpretative textual analysis based on a psychoanalytic framework the paper explores re-presentations of M&As and the impact this has on our understanding of this area of organisational activity. Four M&A cases (Nestles/Pfizer’s Baby Food, AOL/Time Warner, Body Shop/L’Oreal and London Film Makers Co-op/London Electronic Arts) are used as illustrative studies.

Although M&As are widely understood to be emotional and often destructive events (Sinkovics, Zagelmeyer, & Kusstatscher, 2011) the public discourse as represented by the media is often depersonalised and focussed on rational, objective strategy. The emotions and anxieties experienced by those affected are ‘frequently disposed of via denial, rationalisation, and intellectualisation and not open to discussion.’ (Allcorn, 2005: 95) However, these public texts ‘have also been identified as critical sites where the (re)construction and legitimization of organizational change such as mergers and acquisitions are carried out ...’ (Kuronen, Tienari, & Vaara, 2005)

Exploring representations of M&As appears to be a gap in the field of organisation studies.

¹ After De Gooijer, 2009

In exposing these texts the intention is to surface the psychic reality of these ‘dramatic events of organizational reform.’ (Tienari, 2000) and to explore the issues this raises for future research.

Background

As an organisational development practitioner I have worked with a number of organisations, mainly non-profit, that have either been through, or considered merger. As part of my PhD I explored the case of an arts organisation that had gone into insolvent liquidation. The organisation had come about as the result of an ‘encouraged’ merger by its public sector funding partners and the research data showed that while this was not the only contributing factor to the organisation’s failure it had a profound effect on the people involved.

For the last twelve months I was also involved in the ‘Art of Restructuring’ project which was a three-country (UK, France and Belgium) collaboration exploring the arts as part of organisational restructuring. It involved a wide range of artforms and participants from academia, consultancy, the unions, HR, management and the arts sector.

Through my involvement I became increasingly concerned with participant and media generated texts of mergers and acquisitions (M&As), by texts I mean all forms of cultural artefacts, and what appeared to be an underlying sense of violence or destruction inherent in this form of organisational transition. This research has therefore had three core influences; my work as an OD practitioner, my doctoral research and an international research project into the relationship between arts practice and organisational restructuring.

This working paper will first consider the field of M&As and how it has been approached in the literature. It then goes on to reflect on how this form of organisational activity has been represented more widely through the media and the accounts of those involved. Through the exploration of four illustrative cases I consider the symbolic nature of these specific mergers and how their various transitions have been represented.

The paper then utilises a psychodynamic frame to explore under the surface of M&As and why they could be considered as a violent transition that becomes a site of trauma and anxiety for those involved. The paper concludes with a view on how such an approach responds to a gap in the field and how the research might be developed further.

The field of Mergers and Acquisitions

M&As have been the subject of research interest for some 30 years, and while study in this area was initially led by the finance and strategy disciplines it has become increasingly multi-disciplinary taking in process literature, organisational behaviour, social sciences and psychology. Despite the wealth of literature, it has been pointed out that ‘in parallel to these research advances, the failure rates of M&As have remained consistently high.’ (Cartwright & Schoenberg, 2006: 1)

Issues such as deregulation, market liberalisation, globalisation and the current economic downturn have all contributed to an increase in M&A activity recently. Current ONS (March 2012) statistics illustrate the scale of the activity in the UK alone:

- The value of acquisitions abroad by UK companies (outward acquisitions) rose to £12.0 billion in quarter four 2011 from £6.8 billion in the previous quarter. In 2011 overall, the total value of outward acquisitions was £50.8 billion, the highest value reported since 2007 (£57.8 billion)
- Expenditure on acquisitions in the UK by UK companies (domestic acquisitions) increased slightly to £1.4 billion in quarter four 2011 from £1.3 billion in quarter three. For 2011 as a whole the total value of domestic acquisitions was £7.6 billion. This is the lowest annual value for domestic acquisitions reported since 1993 (£7.1 billion) on current price basis.

Its popularity as a strategy is in itself a curious phenomenon as most M&As fail to deliver the expected results and indeed can produce, ‘undesirable consequences for the people and companies involved.’ (Marks & Mirvis, 2011:161) Researchers suggest that more mergers fail than succeed and that this inevitably has an impact on how it is perceived as an activity, ‘the most recent research shows that 83% of all deals fail to deliver shareholder value...In addition, M&A can exact a heavy toll on employees (De Meuse & Marks, 2003; Mische, 2001).’(Marks & Mirvis, 2011: 162)

Although M&As are widely understood to be emotional and often destructive events (Sinkovics et al., 2011) the public discourse as represented by the media is more often focussed on rational, objective strategy, ‘these aspects of work life, while common, are also frequently disposed of via denial, rationalisation, and intellectualisation and not open to discussion.’(Allcorn, 2005: 95)

Despite, and possibly because of, these defensive routines the experiences of these events are far from rational and intellectual, ‘viewed symbolically, a large-scale corporate merger entails a necessary destruction of parts of the organisation.’ (De Gooijer, 2009: 173)

“There’s nothing more major by way of managerial responsibility than ending the life of your organisation, which in a sense technically is what a merger is. You know, you’ve dissolved your trust...”(Learmonth, 2004: 589)

The Texts of M&As

“Only transactions which result in a change of ultimate control of the target company are included.” ONS March 2012

This statement from the ONS regarding how they define M&As gives some indication of the nature of the discourse around this area of business activity. Much of the representation in the West as featured in the media, concerns winning or losing, battles and wars, attack and destruction. A number of existing studies use metaphors, such as marriage or war, to explore these discourses (Dooley & Zimmerman, 2003; Huck, Konrad, & Müller, 2001; Koller, 2002; Toxvaerd, 2004) but with a few exceptions (De Gooijer, 2009) little attention has been given to the more destructive nature of M&As.

The images at the head and tail of this paper illustrate there can be powerful psychodynamic forces at play when M&As are represented. They illustrate the conscious and unconscious dynamics that can have a forceful influence on the primary task of an organisation, ‘these dynamics are indicators of an organisational psychic reality...’(De Gooijer, 2009: 13)

It is also the case that the place of representations of the media concerning organization and management research is a relatively recent area of study. Only three articles have emerged through my research to date (Kuronen et al., 2005; Mazza & Alvarez, 2000; Vaara & Tienari, 2002) that consider this area of representation and its implications. Their contention is that the popular press in the West is an arena where management approaches are re-constructed and/or re-produced.

“Media texts have also been identified as critical sites where the (re)construction and legitimization of organizational change such as mergers and acquisitions are carried out through specific discourses (Vaara & Tienari, 2002) and discursive practices (Hellgren et al., 2002).” (Kuronen et al., 2005)

(Re)presenting Transition: Four illustrative cases

In developing this paper four illustrative cases were selected on the basis of maximum variation to consider how merger texts are presented in both the media and the experiences of participants. A psychodynamic framework has been used to develop an interpretative account of what these media, and other texts might tell us if anything about the psychic reality of M&As.

Armstrong's (2005) four dimensions give an insight into the emotional patterning of an organisations, and they have been used as a sensitising framework (Blumer, 1954). They include:

- Context/ecology: recognition of the organisation being contextually embedded and the challenges this can create
- Identity: the distinctive set of practices that embody what the organisation does
- Task: understanding the organisational processes
- Structure: how the organisation is managed

Firstly, the Nestle acquisition of Pfizer's baby food is explored as this carries some of the archetypal texts of M&A. The AOL Time Warner is featured by contrast as many of its initial texts were of the jubilant handshake, one of the most featured images of merger in the media.

The Body Shop, originally an ethically based cosmetics business created by Anita Roddick, is included because it was the subject of much media debate at the time and unlike others the trauma seemed to be held primarily by loyal customers for whom the brand represented particular values and ethics.

Finally, The Lux Centre was an artists' moving image organisation based in a regeneration area of London and primarily funded by public subsidy from the main film and arts funding bodies.

Nestle and Pfizer's Baby Food



Photo: Rune Hellestad, Guardian 23rd April 2012



Photo: Joao Vieira, Reuters 23rd April 2012

Coverage of the Nestle takeover of the Pfizer subsidiary seems to be characterised by some of the more destructive themes of M&A: the takeover battle, beating its rivals, dominating the market, heated battle. Much of the focus is on the objective language of strategic fit and the rational arguments behind securing a high/growth margin business and gaining greater access to China as a key future market.

Overall, the texts seem to endorse the management approach and decision-making and record it as a deal with a clear rationale. Only one question is raised and that is based on the price of the deal – in a Guardian article (29/5/12) an analyst is quoted as saying ‘we believe the multiples being some way ahead of market expectations may dampen near-term enthusiasm for the deal.’ Even this challenge is wrapped in a language of rationality and some might say obfuscation.

There is no mention of the identity dimension in terms of impact on the acquired company and there is only one sentence that considered identity – ‘a boycott of the company was started more than three decades ago over a baby milk scandal in Africa.’ It is almost mentioned in passing and there is no sense that this deal compromises Nestlé’s identity at the expense of survival and growth, one of the key tensions that Armstrong points to in his framework. The visual texts are equally benign in that they either feature children or one of the Nestle buildings.

AOL Time Warner



Photo: Ruby Washington, New York Times

This was a merger of global significance that some said at the time would change the face of public media beyond recognition.

“Those journalists were in no doubt - this was not just a huge business story, it marked a sea-change in the way the world worked. A glance at the story on the BBC's website gives a flavour of the mood. One reporter is quoted as saying, "it will reinvent television and the possibilities are endless".

Another proclaimed that "putting these two companies together means huge gains for both", and a third, one Rory Cellan-Jones, said: "Shockwaves from the merger are already being felt around the business world." BBC News Channel 9th December 2009

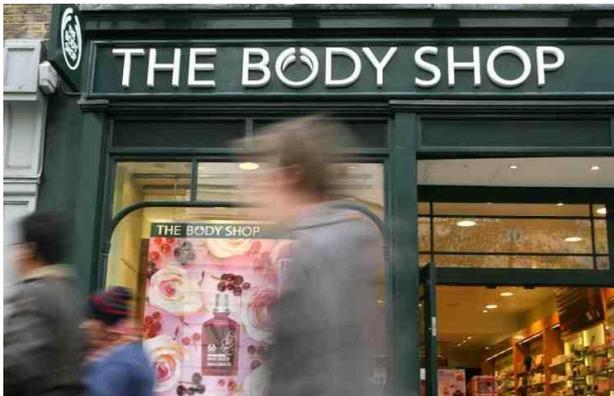
The mood and reporting were almost jubilant, it was a match made in heaven, one of the biggest deals ever done and there was no sense of a downside. Some comment was made at the time on the different attire of the two men and how this might have been indicative of a joining of equals that was perhaps not so equal. The symbolism about this M&A was more of that of marriage and then divorce than war and battle. The implication being that this happened out of love and willingness but ended in tragedy as the desired relationship didn't work

The BBC noted in 2009 that AOL Time Warner had split after a nearly 10-year marriage and goes on to talk about AOL regaining the market ticker symbol used before the merger – as if it were returning to its maiden name. When it returned to trading AOL's value was around 10% of its value at its height pre-merger.

“A decade on. It's hard to recapture the febrile atmosphere of those times.”
BBC news, 2009

In management and process terms this was a merger that was endorsed as being almost inevitable and desirable. In identity terms it had grown out of a love affair and not a hostile battle, with the journalists being present at a celebrity wedding. There was an interesting comment regarding the courtship and that it had been kept unusually quiet and hidden from view, implying the norm was that this would be played out in public.

The L'Oreal acquisition of Body Shop



The most featured images for this M&A were those of the physical shops and Anita Roddick herself, both appearing as if they were manifestations of, or the containers (Bion, 1985) for, the organisation's values.

Several articles featured campaigning customers calling for a boycott of the shops as from their perspective the takeover by L'Oreal, and as a result the connection with Nestle, was simply unacceptable.

If Body Shop was looking for the endorsement of the media it must have been sorely disappointed. Two headlines give some flavor of the responses:

“Oh, Anita it’s not worth it.” Sunday Times March 2006

“Body Shop’s popularity plunges over L’Oreal sale.” The Independent, April 2006

This was not so much a love story as a sordid affair and the Body Shop’s customers loathed it. So strong was the reaction that Anita Roddick felt compelled to try and explain the company’s actions on her blog:

“I woke up on Sunday morning, bright and early, to discover that – apparently, and at some time during the night – I had ‘betrayed women’.

This is something that has happened to me only rarely in my life, thank goodness: reaching over for the Sunday papers and my reading glasses, only to find the headline ‘Oh, Anita, it's not worth it!’

Well, it hardly makes you welcome the day.

What had I done? Had my face-full of botox, had layers of flesh shaved off my thighs? Had I sponsored this year’s Miss World Competition? None of these. The reason was that a great big cosmetic company wanted to buy us.

Having had a day or so to digest what was being said – mainly, for some reason, by women commentators – I have realised that, however much I believe their barbs were wrong, I am not the only one to feel an emotional protectiveness towards The Body Shop...” Blog 21st March 2006

In this case public commentators were not supportive of the management approach, here there were very clear anxieties being raised in terms of the tension between identity and survival and growth. Anita Roddick was seen as embodying a different set of business values that she was now betraying. No longer seen as Guardian Angel of these values there seemed to be skepticism and confusion about the reason for selling to L’Oreal. In terms of context Anita Roddick had demonstrated that an ecologically committed and ethically driven business could be competitive. While she stated that changing L’Oreal was part of her motivation for selling the deal was regarded as having a primarily one-way benefit. The Body Shop was an object held in mind with great affinity and affection by its customers and this was perhaps underestimated.

London Film Makers Co-op and London Electronic Arts



Photo: Burrell, Foley, Fischer Architects

The Lux Centre was a refurbished space in Hoxton set up to house the newly merged London Film Makers Co-op and London Electronic Arts. It was to be a beacon for the rapidly developing artists moving image sector as well as home to an archive spanning some 40 years of work. The merger was primarily covered in the non-mainstream media and in personal blogs. The most common image used being that of the front of the building, which like The Body Shop shops seemed to symbolize the container in which many placed their hopes for the future of the digital arts sector.

Much of the internal text was around feeling that the building was too good to be true and that like Cinderella's carriage at some point it would all disappear in a puff of smoke. The trauma of the merger was evident and it was felt to have happened outside of the control of those most intimately affected:

“Quite quickly the problems started, many of them have now become archetypal motifs of failed National Lottery projects... All this conspired to bring the organisations to the point of collapse ... only to be saved by a rescue package secured on the basis that the organisations merge and cut overheads. This was done virtually overnight with staff struggling to know how to answer the phone at the start of the year. With little time for negotiating how the merging of two distinct organisations and cultures would be negotiated, the Lux Centre was born.” (Research participant)

One blog was tellingly titled, 'Introduction to a Conflict...'

On the first of January 1999 one of the last surviving media collectives of the radical sixties, the London Filmmakers Co-Operative (L.F.M.C.), proudly announced its merger with London Electronic Arts (established as London Video Arts 1976) to form the Lux Centre for Film, Video and Digital Arts, a unification which was supported by the British state funding agencies ... What the programme didn't announce was that since its inception the cinema and the L.F.M.C. had been losing money hand over fist and that they were forced into the merger as a condition of the funding agencies saving them from financial ruin.

Neither did the programme admit that the merger was only really extinguishing the final vestige of the Film Makers Co-Operative: its name. The L.F.M.C. had not been a Co-Operative since 1995, when as a condition of financing the move to a new building the funding agencies required the L.F.M.C. to abolish its open access democratic constitution. Since 1995 there were no '*members*' of the Co-Op since there was no Co-Op.

The overarching sense with The Lux Centre was that it was some sort of chimera that was set up to fail and the threat to identity in fact became a threat to survival. It was a position forced on the organisations in which much of the direction was taken out their hands. Where the identities were strongest was in retaining the vestiges of the original organisations, The Lux never really achieved a merger. A repeating theme became the erosion of democracy and a management that had moved from 'missionaries to mercenaries.' (Zagier Roberts, 1994)

M&A as violent transition

In their symbolic form M&As involve the destruction of at least some part of the entities involved. In psychodynamic terms this could be described as the destruction of the organizational object, held in the minds of the employees (Armstrong, 2004; De Gooijer, 2009) and this was certainly powerfully represented in the texts for the Body Shop and The Lux. It came later in the deal between AOL and Time Warner.

“The emotional experience evokes the symbolic experience of the loss of a loved object from absence, injury or annihilation.” (De Gooijer, 2009: 175)

The texts of Body Shop and The Lux show how deeply this was felt by a range of stakeholders in the organisations including their customers (who do not appear to have been widely considered in the M&A literature). This can also be seen in other examples, such as the respraying of a North West Airlines 747 to Delta Airlines colours (<http://www.youtube.com/watch?v=qqZKpCJEqNE>).

This was a very vivid portrayal of such annihilation and it evoked strong responses from employees and customers, one said:

“It’s just sad to see a bird changing its looks...it’s like changing a person’s face with plastic surgery....(.” YouTube comment

M&A could be described as ‘catastrophic change’ (Bion, 1984) in that it destabilizes the existing order ‘in a way that is felt to be a disaster by those experiencing the change.’ (De Gooijer, 2009: 176) Change at this level is experienced as uncontrollable and as a result is felt to be destructive and existence threatening. As was seen in the Body Shop and The Lux Centre the perception was of one entity being annihilated by the other. In the case of Nestle the texts appear almost ambivalent that the ‘target’ company will simply be absorbed.

It also seems to be the case that those involved in such an organizational transition tend to experience a range of destructive emotions that sit in a complex tension where at the same time, ‘ the organizational object may be loved and hated, mourned and attacked.’ (De Gooijer, 2009: 175)

Discussion

M&As are an accepted part of organisational activity, despite the fact that it is well reported that they fail more often than they succeed. They are regarded as a legitimate strategic business option. Exploring representations of M&As appears to be a gap in the field of organisation studies. In exposing these ‘texts’ the intention is to surface more of the psychic realities of these ‘dramatic events of organizational reform.’ (Tienari, 2000)

This review of the four illustrative cases featured in this paper supports the findings of Kuronen (2005) in terms of the media legitimizing certain texts. Specifically:

- Organizational restructuring is inevitable
- There are likely to be specific challenges in each M&A
- Some form of confrontation is likely to be an outcome of such activity
- Power battles are an essential part of restructuring

Overall, it would seem that the mainstream media tends to reinforce existing ideologies, ‘as long as the strategies of the companies and the ideas and actions of the key managers involved correspond to the dominant ideology, the journalists appear to echo the managers’ viewpoints. However, when the strategies and actions appear to deviate from the dominant norms, the journalists seem to be able to exercise some kind of disciplinary power.’ (Kuronen et al., 2005)

This can be seen clearly in the endorsement of the AOL Time Warner merger and the sometimes stinging criticism of the L’Oreal Body Shop deal. In the case of The Lux it was even deeper rooted with a view that the two organisations had sold their souls to the funders and in so doing had abandoned their democratic roots.

In terms of developing this research I intend to work on collecting more participant based texts and to make comparisons between media generated texts and the experiences of those directly impacted by the activity. I also want to explore organisational generated texts in terms of how they portray their M&A to those involved. A few researchers have also indicated there may be a gender dimension to experiences of M&A (Levi, Li, & Zhang, 2008; Tienari, 2000) but this has not been explored in relation to media texts and the dominant discourses as yet.

Finally, this deeper understanding of the psychic reality of M&As may provide useful insights for managers and practitioners involved in M&A activity. A focus on the four boundary dimensions during the phases of M&A may enable a clearer insight into the likely responses of those directly impacted both internally and externally.



Postscript

Three of the case studies featured here have failed to buck the trend in terms of M&A success rates. AOL Time Warner ‘divorced’ in 2009 and The Lux Centre went into insolvent liquidation in 2001. While The Body Shop has continued to operate as a standalone business of L’Oreal its value has reportedly dropped since the sale and it is now on its third rebranding exercise. Time will tell for Nestle.

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