

**MICROFOUNDATIONS OF  
STRATEGIC DECISION RATIONALITY IN M&A**  
A Dyadic Investigation Between Germany and China

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## ABSTRACT

Mergers and acquisitions (M&A) have become one of the primary strategies to increase corporate wealth but often fail to reach expected targets. While the notion of the bounded-rational man has been emphasised, the microfoundations of executives' factual decision-making processing, cognition and behaviour remain a source of debate. Extant research presents scattered, mostly unilateral studies and leaves a bridge to further explore and connect the disparate determinants that effect executives' level of rationality and organisational judgement in the complex realm of M&A.

Data was collected from a sample of 30 senior M&A executives and consultants from Germany and China through semi-structured interviews. Within the post-positivist paradigm, the qualitative study employs a phenomenological approach and extends the theoretical framework with data from the lived experiences of these strategic decision-makers. Executives' mental and observable characteristics become explicit in the interfering circumstances and dependencies of M&A decision specifics in which these are deployed. In the dyadic perspective, findings highlight an experience-intuitive, a socio-structural, and a risk-dynamic path as significant in executives' strategic decisions, where ego becomes the enemy of rationality and societal norms its friend.

A dynamic typology of behavioural momentum is then developed, proposing seven dimensions that direct non-rational behaviour in strategic M&A decision-making. This framework, grounded in system theory and dual-process models, summarises the relevant cues that affect the ease of perception and evaluation of realities which subsequently promote the relative dominance of cognition over rationale in such decisions. The conclusions emphasise that SDM models would be more complete when considering the underlying microfoundations of executive's (inter-)actions in a content- and context-sensitive manner pertaining to the environment, organisation, target, decision practices and their interdependencies. It is also argued that conscious reflection of experiential perspectives becomes a necessary competence of decision-makers and top management teams (TMTs) to improve their business practice.

*Keywords: mergers and acquisitions, bounded rationality, decision-making, strategic decisions, dual-process model, microfoundations, system theory*

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## **AUTHOR`S DECLARATION**

I declare that the work in this thesis was carried out in accordance with the regulations of the University of Gloucestershire and is original except where indicated by specific reference in the text. No part of the thesis has been submitted as part of any other academic award. The thesis has not been presented to any other education institution in the United Kingdom or overseas.

Any views expressed in the thesis are those of the author and in no way represent those of the University.

May 28, 2020

Signed: \_\_\_\_\_

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## PUBLICATIONS AND CONFERENCE PAPERS

Some ideas of this study have appeared previously in publications or have been presented at conferences:

Arnold, N., Sanchez-Bengoa, D. (2017a, September, 13-15) *Management objectives in M&A decisions: A departure from rationality?* [Conference presentation]. 10<sup>th</sup> Annual Conference of the EuroMed Academy of Business, Rome, IT.

Arnold, N., Sanchez-Bengoa, D. (2017b) Management objectives in M&A decisions: A departure from rationality? In D. Vrontis, Y. Weber, E. Tsoukatos (Eds.) *Global and national business theories and practice: Bridging the past with the future* (pp. 1914-1918). EuroMed Academy of Business Conference Book of Proceedings; Vol. 10. EuroMed Press. Available at <https://emrbi.org/bop2017.pdf>

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May, 2020 / 2020 年 5 月

Nicole M. Arnold 妮可

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## TABLE OF CONTENTS

<b>ABSTRACT</b>	<b>I</b>
<b>AUTHOR'S DECLARATION</b>	<b>II</b>
<b>PUBLICATIONS AND CONFERENCE PAPERS</b>	<b>III</b>
<b>ACKNOWLEDGEMENTS</b>	<b>IV</b>
<b>LIST OF FIGURES</b>	<b>X</b>
<b>LIST OF TABLES</b>	<b>XI</b>
<b>ABBREVIATIONS</b>	<b>XII</b>
<b>GLOSSARY</b>	<b>XIII</b>
<b>CHAPTER ONE - INTRODUCTION</b>	<b>1</b>
1.1 BACKGROUND OF THE INVESTIGATION	2
1.2 FIELD OF RESEARCH	6
1.2.1 Mergers & Acquisitions: Corporate M&A Activity	6
1.2.2 Organisational Decision-Making: Microfoundations in Strategic Objective	8
1.2.3 Dyadic Insights: Comparison Across Cultures	11
1.3 RATIONALE & RESEARCH OBJECTIVES	14
1.4 SIGNIFICANCE OF THE STUDY	17
1.5 SCOPE OF RESEARCH	21
1.6 STRUCTURE OF THE THESIS	22
1.7 CHAPTER SUMMARY: INTRODUCTION	25
<b>CHAPTER TWO - LITERATURE REVIEW</b>	<b>27</b>
2.1 COMPOSITION AND APPROACH OF THE LITERATURE REVIEW	28
2.2 FRAMEWORK OF THEORY	29
2.2.1 Organisational Theory: A System-Theoretic Approach	29
2.2.2 Personality Theory: A Dual-Process Approach	32
2.2.3 Summary and Interim Findings About the Framework of Theory	35
2.3 THE ORGANISATIONAL ENVIRONMENT: EVOLUTION AND DETERMINANTS OF THE MERGER MARKET	36
2.3.1 Merger Activity in Perspective	36
2.3.2 M&A Market Drivers and Externalities	38
2.3.2.1 Neoclassical Concepts	38
2.3.2.2 Behavioural Models	40
2.3.2.3 Multi-cause Approaches	42

---

2.3.3 The Moderating Role of the Environment in M&A	43
2.3.4 Summary and Interim Findings About the Environment	46
<b>2.4 THE ORGANISATION: INVESTMENT STRATEGY M&amp;A</b>	<b>48</b>
2.4.1 The Corporate System	48
2.4.1.1 Corporate Strategy, Strategic Management and Firm Performance	48
2.4.1.2 Firm Characteristics	49
2.4.1.3 Corporate Governance	51
2.4.2 Strategic Decision-Making in M&A	54
2.4.2.1 Corporates' Urge to Merge	54
2.4.2.2 The Relevance of Decision Content	56
2.4.2.3 Insights into Process and Practice	57
2.4.3 Summary and Interim Findings About the Organisation	60
<b>2.5 THE INDIVIDUAL: EXPERIENTIAL TENDENCIES IN CHOICE</b>	<b>60</b>
2.5.1 Beyond Executives' Choice	61
2.5.1.1 A Departure From the Rational Economic Man	61
2.5.1.2 Emerging Concepts of Managerial Cognition and Behaviour in Organisational Strategic Decisions	64
2.5.2 Personality Traits of Strategic Decision-Makers	67
2.5.2.1 Intuition, Gut Feelings and Past Experiences	68
2.5.2.2 Cognitive Bias and Heuristics	71
2.5.2.3 Managerial Welfare and Agency Motives	73
2.5.2.4 Optimistic Beliefs: Hubris, Overconfidence and Illusion of Control	74
2.5.2.5 Narcissism Propensity, Self-Evaluation and Executives' Egomaniacal Needs	77
2.5.2.6 Risk Preferences and Perceived Uncertainty	80
2.5.2.7 Demographic Proxies	82
2.5.2.8 Social Mind and Anchored Values	83
2.5.2.9 Group Dynamics and Individual Power	85
2.5.3 Summary and Interim Findings About the Individual Executive	89
<b>2.6 CONCLUSIONS FROM THE LITERATURE REVIEW</b>	<b>90</b>
<b>2.7 CHAPTER SUMMARY: LITERATURE REVIEW</b>	<b>95</b>

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<b>CHAPTER THREE - METHODOLOGY AND RESEARCH DESIGN</b>	<b>97</b>
<b>3.1 OUTLINE TOWARDS THE RESEARCH APPROACH</b>	<b>98</b>
<b>3.2 RESEARCH QUESTIONS</b>	<b>99</b>
<b>3.3 PHILOSOPHICAL PERSPECTIVE &amp; STRATEGY</b>	<b>100</b>
3.3.1 Research Paradigm	100
3.3.2 Research Strategy	104
<b>3.4 RESEARCH DESIGN</b>	<b>109</b>
3.4.1 Framework of Methods: New Knowledge, New Perspectives	109
3.4.2 Role of the Researcher	117
3.4.3 Research Ethics	119
<b>3.5 METHODOLOGICAL APPROACH</b>	<b>121</b>
3.5.1 Accessing the Field of Research and Sampling	121
3.5.2 Data Collection	126
3.5.3 Data Analysis	129
<b>3.6 RESEARCH QUALITY</b>	<b>134</b>
<b>3.7 CHAPTER SUMMARY: METHODOLOGY AND RESEARCH DESIGN</b>	<b>140</b>
<b>CHAPTER FOUR - RESEARCH FINDINGS</b>	<b>141</b>
<b>4.1 INTRODUCTION TO ANALYSIS OF FACTUAL EVIDENCE</b>	<b>142</b>
<b>4.2 TOP MANAGEMENT'S LIVED EXPERIENCE OF BEHAVIOURAL FACTORS APPLIED IN STRATEGIC M&amp;A DECISIONS</b>	<b>143</b>
4.2.1 Analysis	143
4.2.2 Major Themes Reflecting German M&A Executives'	
Behavioural Factors	148
4.2.2.1 Powerful and Skilled Personality	148
4.2.2.2 Multiple Cognitive Stimulation	153
4.2.2.3 Perceived Dominance in Social Syndication	159
4.2.2.4 Favourable Attitude Towards the Target	163
4.2.3 Major Themes Reflecting Chinese M&A Executives'	
Behavioural Factors	167
4.2.3.1 Disciplined Personality with Limited Expertise	167
4.2.3.2 Contradictory Cognitive Stimulation Coupled with Risk Insensitivity	172
4.2.3.3 Social Allies and Human Esteem Covered Under Central Power	176
4.2.3.4 Overpaid Partnership Propensities Towards the Target	179

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<b>4.3 THE CONDITIONS THAT AFFECT EXECUTIVES' ECONOMIC RATIONALITY IN STRATEGIC M&amp;A DECISIONS</b>	<b>184</b>
4.3.1 Analysis	184
4.3.2 Emerging Themes Reflecting Contextual Factors for Behavioural M&A Decisions of German Executives	187
4.3.2.1 Uncertainty in and Dependency on an Intricate Environment	187
4.3.2.2 Compliance With Internal Frameworks	192
4.3.2.3 Captivated Quest for More	194
4.3.2.4 Process Loopholes and Managerial Discretion in Complex and Momentous Decisions	197
4.3.3 Emerging Themes Reflecting Contextual Factors for Behavioural M&A Decisions of Chinese Executives	203
4.3.3.1 Market Challenges and Chances Under Control of the Government	203
4.3.3.2 Compliance With the Federal Context	207
4.3.3.3 Longing to Get Into M&A	209
4.3.3.4 Power Centralisation and Formality in Demanding Decisions	211
<b>4.4 POTENTIAL INTERDEPENDENCIES IN BEHAVIOURAL M&amp;A DECISIONS</b>	<b>216</b>
4.4.1 Analysis	216
4.4.2 Key Relationships in German Executives' Behavioural M&A Decisions	219
4.4.2.1 Executives' Competency Indirectly Related to Agency	219
4.4.2.2 Multiple-Dependence on Executives' Aspirations	220
4.4.2.3 Executives' Opposing Dependency on Experiences	222
4.4.3 Key Relationships in Chinese Executives' Behavioural M&A Decisions	223
4.4.3.1 Executives' Cognitive Stimulation Impaired by Their Being Novices in M&A	223
4.4.3.2 Executives' Imperfect Competency Positively Related to Behavioural Restraints	224
4.4.3.3 Executives' Aspirations Cognitively Related to Premium	226
<b>4.5 CHAPTER SUMMARY: RESEARCH FINDINGS</b>	<b>227</b>

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<b>CHAPTER FIVE - CONCEPTUAL FRAMEWORK</b>	<b>229</b>
5.1 INTRODUCTION	230
5.2 EMERGING PATTERNS AND DISTINCTIONS IN THE DYADIC CASE	230
5.3 A DYNAMIC TYPOLOGY OF BEHAVIOURAL MOMENTUM FOR M&A DECISION-MAKING	235
5.4 CHAPTER SUMMARY: CONCEPTUAL FRAMEWORK	239
<b>CHAPTER SIX - DISCUSSION</b>	<b>241</b>
6.1 BEHAVIOURAL FACTORS INFLUENCING EXECUTIVES' OBJECTIVE ANALYSIS AND RATIONALITY IN STRATEGIC M&A DECISIONS	242
6.2 CONTEXTUAL DETERMINANTS OF BEHAVIOURAL DECISIONS IN M&A	253
6.3 QUALITATIVE RELATIONS AND INTERDEPENDENCIES OF BEHAVIOURAL FACTORS IN STRATEGIC M&A DECISIONS	261
6.4 THE DYADIC CASE: A COMPARISON ACROSS CULTURES	265
6.5 CONCEPTUALISING THE MICROFOUNDATIONS OF STRATEGIC DECISION RATIONALITY IN M&A	271
6.6 CHAPTER SUMMARY: DISCUSSION	275
<b>CHAPTER SEVEN - CONCLUSION</b>	<b>277</b>
7.1 FINAL RÉSUMÉ AND CONCLUDING REMARKS	278
7.2 CONTRIBUTION TO KNOWLEDGE AND IMPLICATIONS FOR THEORY	285
7.3 CONTRIBUTION TO MANAGERIAL PRACTICE	288
7.4 LIMITATIONS & DIRECTIONS FOR FUTURE RESEARCH	290
7.5 CHAPTER SUMMARY: CONCLUSION	292
<b>REFERENCES</b>	<b>294</b>
<b>APPENDICES</b>	<b>410</b>

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**LIST OF FIGURES**

Figure 1	Outline of the thesis structure and progression	23
Figure 2	Chapter 1 – Progression	25
Figure 3	Streams of literature for a microfoundational study of strategic M&A decisions in a systematic review	28
Figure 4	Main theories on M&A activity and interdependencies of drivers	47
Figure 5	Chapter 2 - Progression	95
Figure 6	Framework of methods	116
Figure 7	Data analysis process	129
Figure 8	Chapter 3 - Progression	140
Figure 9	Chapter 4 - Progression	227
Figure 10	A dynamic typology of behavioural momentum in strategic M&A decisions	236
Figure 11	Chapter 5 - Progression	239
Figure 12	Chapter 6 - Progression	275
Figure 13	Chapter 7 - Progression	292

---

**LIST OF TABLES**

Table 1	Research objectives	16
Table 2	DPM: Attributes ascribed to the two processing types	33
Table 3	Research gaps and their consideration in study	91
Table 4	Research questions	99
Table 5	Comparison of the positivist, post-positivist and anti-positivist worldviews	102
Table 6	Sampling criteria for participation	122
Table 7	Taxonomy of German interview participants	124
Table 8	Taxonomy of Chinese interview participants	125
Table 9	Interview statistics	126
Table 10	Terminologies of data quality in quantitative and qualitative research	135
Table 11	Preliminary existential analysis - Extract	143
Table 12	Final analysis: Themes representing behavioural factors of German M&A executives in SDs	145
Table 13	Final analysis: Themes representing behavioural factors of Chinese M&A executives in SDs	147
Table 14	Final analysis: Themes representing contextual determinants of SD rationality of German M&A executives	185
Table 15	Final analysis: Themes representing contextual determinants of SD rationality of Chinese M&A executives	187
Table 16	Preliminary relational analysis - Extract	216
Table 17	Final analysis: Themes representing key relationships between behavioural factors of German M&A executives	217
Table 18	Final analysis: Themes representing key relationships between behavioural factors of Chinese M&A executives	218
Table 19	Patterns and distinctions in the microfoundations of SD rationality between German and Chinese M&A executives	231
Table 20	The effect of culture dimensions on SDM behaviour in M&A	267
Table 21	A DPM dichotomy in strategic M&A decisions	270

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**ABBREVIATIONS**

Attn.	Attention
Av.	Average
bn	Billion
CET	Cognitive-experimental theory
CV	Curriculum vitae
DPM	Dual-process model
EUT	Expected utility theory
F	Female
GFC	Global financial crisis
GT	Grounded theory
GST	General system theory
IB	International business
M	Male
M&A	Mergers and acquisitions
n.p.	No place of publication given
OB	Organisational behaviour
OST	Open systems theory/ Organisational systems theory
PE	Private equity
PMI	Post-merger integration
PRC	People's Republic of China
RDT	Resource dependency theory
RQ	Research question
SCC	Subprime credit crisis
SID	Strategic investment decision
SD	Strategic decision
SDM	Strategic decision-making
SM	Strategic management
SME	Small- and medium-sized enterprise
SOE	State-owned enterprise
TA	Thematic analysis
TMT	Top management team
UE	Upper echelons

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## GLOSSARY

***Behavioural factors*** – Executive’s cognitive, behavioural or personality traits and attitude that invoke non-rational preferences in choice, i.e. it does not cover consumers or others, even though such behaviour may be immanent in individual’s decisions.

***Behavioural momentum*** – The reinforcers that are experienced to increase or dampen progress towards non-rational tendencies in decision-making within the stimulus context of M&A.

***Chinese companies*** – These organisations are founded and domiciled in the PRC.

***Culture*** – also named ***Socio-culture***. People’s shared behavioural patterns, norms and values. It is considered as collective social conduct and “*social mind*” (Smith, 2003, p. 500). It does not only refer to national or ethnic groups, but similarly to other kind of communities, i.e. organisations.

***Decision-maker*** – The person who is strongly involved in making the decision, i.e. the decision is dependent on him, his vote or recommendation. For this study, this includes members of the executive management board (1<sup>st</sup> level), and 2<sup>nd</sup>-level M&A executives.

***Dual-process model (DPM)*** – This model is based on the theoretical assumption that cognitive tasks evoke two types of processing that subsidise people’s behaviour: intuitive (type 1) and reflective (type 2) routines (Evans & Stanovich, 2013).

***Dual-process system*** – see *Dual-process model*. In literature the terms system 1 and system 2 are also commonly used to distinguish between two minds as separate reasoning systems that support type 1 and type 2 processing (Frankish, 2010). Unless indicated otherwise, the term refers to DPM in this study.

***Environment*** – The organisational environment is made up by the remote and the task environment (Carpenter & Sanders, 2009). While the remote environment embraces indirect impacts for the organisation from political, economic, legal/regulatory, social-cultural, natural and technological circumstances, the task environment is more unique to the organisation and unfolds direct power stemming from suppliers, consumers, competitors (Carpenter & Sanders, 2009; Zhang, Majid, & Foo, 2012).

**Five-factor-model** – also named *OCEAN model* or *Big Five*. The model categorises individual differences into five dimensions (openness to experience, conscientiousness, extraversion, agreeableness, neuroticism) that have been recognised as major traits of personality (dys-)functioning (Widinger, Gore, Crego, Rojas, & Oltmanns, 2017). Based on factor analysis, it has been widely applied in personality psychology to measure and understand individual alterations in personality (McAdams & Pals, 2006).

**German companies** – These organisations are founded and domiciled in the Federal Republic of Germany.

**Mergers and acquisitions (M&A)** – For the purposes of this research, M&A involve friendly takeovers, cross-country as well as national deals and are not constraint as regards their diversification, i.e. horizontal or vertical mergers. However, it does not cover distressed or hostile M&A, as these are considered to involve different specifics not comparable to the majority of deals. In this study M&A comprises the buying, selling, dividing and combining of corporate entities as part of the business strategy. This includes the takeover of the majority of the shares and respective control and management rights in the acquired company. This is, because minority stakes are considered to be bound with less strategic thoughtfulness.

**Microfoundations** – Explanatory supremacy is placed on the lower-level mechanisms of the individual/TMT whose (inter-)actions are mediating or enabling higher-level phenomena (Felin, Foss, & Ployhart, 2015). Its central notion is to disaggregate routines and to identify “the proximate causes” (Contractor, Foss, Kundu, & Lahiri, 2018, p. 7) of human action that bring about strategic phenomena, such as organisational M&A decisions. The individual executive and their (inter-)actions are the decisive, indispensable authority “on how routines and organizational capabilities originate ..., how they are maintained, revised or replaced, but also in how [they] affect” (Vromen, 2010, p. 366) organisational behaviour (OB).

**Non-rationality** – The term is used in this study to stipulate that personal intrinsic forces edge or bound out rationality to certain degrees, i.e. variance from the normative optimum (see *Rationality*) in peoples thought and behaviour (Stanovich, 2011, p. 3). The term *irrationality* is intentionally avoided, because of its often reference to disabilities, illness or absolute absurdity.



***Rationality*** – This is considered as a normative notion, in the meaning of economic rationality and refers to optimal choices with specific strategic intention for business purposes. It is related to “formal consistency ..., conforming to the laws of probability and the axioms of utility theory” (Pfister & Böhm, 2008, p. 8) while reasoning logically when drawing conclusions and selecting from a series of choices (Evans & Over, 1996; Rieskamp & Reimer, 2007).

***Strategic decision (SD)*** – Such decisions are generally taken by the top management and relate to corporate long-term plans (Meckl, 2004). They usually involve high risks, massive organisational as well as capital resources and fundamentally influence functions and processes of the organisation (Alkaraan, 2015).

***Strategic investment decision (SID)*** – As a particular type of SD, the study focuses on investment decisions whether or not to merge with another company by taking over the majority of the target. This is executed in order to fulfil organisational goals through appropriate means (Chandler, 1962, as cited in Shrivastava & Grant, 1985) and includes the process of several considerations attached with judgement.

***Top management team (TMT)*** – As there is little consensus in research about this definition (Klimoski & Koles, 2001) this study refers to TMT in accordance with Wiersema and Bantel (1992, p. 104) as the highest level of the companies' management as well as the 2<sup>nd</sup> level.



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# **CHAPTER ONE**

## **INTRODUCTION**

## INTRODUCTION

This first chapter introduces the topic of SD rationality in mergers and acquisitions (M&A) and outlines the microfoundational approach. The study is brought into context and an introduction to the field of research is provided. It emphasises the rationale and objectives for this investigation as well as its significance. Furthermore, the scope of the research is delimited. The chapter closes with an outline of the further thesis proceedings.

### 1.1 Background of the Investigation

For decades markets are set to experience increasing volatility and dynamics of change. Even a brief retrospection shows that the environmental conditions, demands and possibilities have changed to a great extent in every place in the world, with some megatrends being explored (Batt, 2018). This similarly affects everyone's life, even one's own personality (Tewes, 2020). Both individuals and companies have to cope with innovations and fast pace, facing greater challenges for their business to survive (Biswas, 2018). Domestic competitive pressures grow and the speed of international expansion accelerates (Holbeche, 2018). Market participants are confronted with the growing dynamics of powerful globalisation trends, digitalisation and social evolution, where commonalities converge. At the same time, distances between cultures and economic systems are shrinking with the growing ease of world-wide relations and trade dynamics (Al-Rodhan & Stoudman, 2006; Batt, 2018; Tewes, 2020).

Within this age of globalisation and interconnectivity, it is not only the complexity of progressively liberated, interconnected and competitive markets but also demographic and social changes. These have encouraged alterations in values, priorities and expectations that inevitably impact businesses' behaviour (Wimmer, 2012). Such a corporate environment is an intricate sphere affected by manifold variables that are not fully assessable (Scott, 2003) but with which companies have to cope (Hillman, Withers, & Collins, 2009; Pfeffer & Salancik, 2003). Corporates taking advantage of national differences in expenditures, resources, technologies and knowhow; sourcing of goods and services or production is no longer a domestic but an international activity (Kotabe & Murray, 2018). If companies want to address these issues effectively, they are

required to adjust their business solutions to quickly changing market conditions (Prajogo, 2016). The earlier and more proactive they are, the more likely they are to gain sustained competitive advantage (Reeves & Deimler, 2011).

Following decreasing market restrictions and lowering investment limitations, Western economies like the United States (U.S.) and Europe have sought new market potential for their products or services abroad. Among other emerging countries, the People's Republic of China (PRC) has been a prime target for many businesses because of its huge size and resulting prospects for growth, productivity and workforce skills as well as cost aspects and capital availability (Tan & Ai, 2010; Wolff, 2008). At the same time Chinese businesses have realised that their economic development as an emerging market, as well as their current and future competitiveness with Western companies, is highly dependent on their global presence and their respective integration into the world economic system. Following the PRC's entry into the World Trade Organisation in 2001, which boosted the Chinese economy (China Daily, 2002; Lau, 2001), the market opened up to foreign investors. Also, China's economy, so far characterised by state-owned enterprises (SOEs) as its backbone, has undergone fundamental reform during the last decades, to a now prevailing dynamic private sector (Lin, Cai, & Li, 2008; Z. Wang, 2008). Consequently, in both Eastern and Western markets, business and market pressures accelerate expansion and require a business strategy in keeping with the times.

Strategic investments have taken on a vital role in this era. However, instead of setting up new companies, M&A have been in corporates' strategic focus as another opportunity for quickly expanding success strategies in a global business environment. Horizontal and vertical mergers or other kinds of conglomerates have become one of the prevalent instruments for value-oriented corporate development and growth (Calipha, Tarba, & Brock, 2010; Lobet & van Gampelaere, 2018) in a globalised and challenging volatile macroeconomic context. While the importance of deliberate strategic management (SM) beyond domestic borders has been realised, it has been found that the underlying intentions and irregularities are manifold and indicate untraceable conduct (FitzRoy, Hulbert, & Ghobadian, 2012).

M&A have a long history and since 1895 mergers have been documented (Gaughan, 2011; Müller-Stewens, 2010a; Nelson, 1959). For decades, analysts have tried to explain the reasons behind merger activity and its cyclical market trends, resulting in models and concepts about this M&A phenomenon that are based on neoclassic (Gort, 1969; Jensen, 1993; Jovanovic & Rousseau, 2002; Manne, 1965) and behavioural explanation (Auster & Sirower, 2002; Rhodes-Kopf & Robinson, 2004; Shleifer & Vishny, 2003). However, as yet there is no independent evidence that any of these can serve as a comprehensive explanation. It is considered one of the ten most important but unanswered questions in the financial economy (Brealey, Myers, & Allen, 2011).

As a variable in this construct, companies seem to strive for corporate transactions, during some times more, and less in others. As their objectives are manifold, they are not always explicable. Most appear to be value-oriented (Bradley, Desai, & Kim, 1988; DePamphilis, 2019; Porter, 1987; Roll, 1986; Seth, 1990a, 1990b) based on the superior business strategy, striving for growth, improved efficiency and advantages over competitors. However, there are indications that conflict between intuitive or cognitive-experiential and rational processing affects people's better judgement (Bromiley & Rau, 2016; Epstein, 2016; Gigerenzer, 2016a; Narayanan, Zane, & Kemmerer, 2011). Likewise, managerial conduct, attitude and behaviourism exercise influence on related decisions. With a constraint vision that is centred only on economic motivation and outcomes, the power of existing strategy and decision models is however limited in addressing the underlying processing that produce such organisational M&A behaviour. Although it is not *the one* decision, but serial decisions undertaken during the merger process, such interference is a constant companion over the whole course and provides even more prominence to the initial strategic decision (SD) on a merger.

Consequently, strategic decision-making (SDM) and organisational conduct are key for any M&A activity. Both have been the subject of much research and theoretical discussion (Mitchell, Shepherd, & Sharfman, 2011; Rahman & De Feis, 2009; Shephard & Rudd, 2014; Zafirovski, 2008). Until recently economic models frequently assumed executives to be rational actors (Gort, 1969; Simon, 1957; Zafirovski, 2008). The findings from cognitive psychology or behavioural economics, instead, indicate that strategic investment decisions (SIDs) employ less rational analysis compared to other SDs (Papadakis, Lioukas, & Chambers, 1998).

Judgment is not always based on logical reasoning, potentially inspired by, e.g. hubris (Haynes, Campbell, & Hitt, 2010; Liu & Xie, 2011), overconfidence (Dittrich, Güth, & Maciejovsky, 2005; Ferris, Jayaraman, & Sabherwal, 2013), narcissism (Rosenthal & Pittinsky, 2006) and emotions (Lerner, Valdesolo, & Kassam, 2015; Seo & Feldmann Barrett, 2007). This micro-level foundation however is frequently underrepresented in SDM models, although scholars of SM and organisational theory have long accepted that executives' traits, behaviours, experiences, and values affect strategic outcomes (Finkelstein, Hambrick, & Cannella, 2009; Hiller & Hambrick, 2005; Nadkarni & Barr, 2008; Singh & Singhal, 2016). At the same time, the influence of non-rational human behaviour on their field of research increasingly concerns economic and finance scientists (Camerer, Loewenstein, & Rabin, 2004; Cartwright, 2018; Sunstein, 2009; Wilkinson & Klaes, 2012) looking beyond rational and deliberate aspects of decision-making. Particularly, their effect on economic decisions became an often-used explanation for manipulating (market) anomalies with far-reaching consequences (Ainslie, 2016; Daxhammer & Facsar, 2017).

Behavioural aspects are increasingly considered to influence parts of business and economics nowadays, permitting workarounds or circumvention in decision-making processes (Greve, 2013; Hirshleifer, 2015) and departing from rationality. They provide promising fundamentals for management research and become a necessary addition to normative approaches. Despite the considerable number of studies, theoretical foundations are rather fragmented without claim to comprehensive representations in SDM. They lack a thorough understanding of the actual M&A decision-making that makes organisations' fortunes, as environmental, organisational and managerial drivers, and the complex relationships involved in explicating the level of SD rationality are seldom disaggregated. Therefore, the researcher advocates the value of investigating SDM behaviour from the experiences of those who are believed to be central to the phenomenon. Much can be gained from the microfoundations, cumulating knowledge from both organisational and psychological disciplines, enriched with multidimensional and cross-cultural determinants. They add the needed precision to extant advances in organisational and management theory towards a more realistic and holistic view of the phenomenon.

## 1.2 Field of Research

Despite the growing interest of business and management scientists in (historical) M&A developments, the process, specifically post-merger integration (PMI) and economic perspectives, research about the human factor in decision-making has principally developed alongside in psychological and organisational studies. Its incorporation into M&A research however attains increasing attention in the field (Aharoni, Tihanyi, & Connelly, 2011; Cheng, Rhodes, & Lok, 2010; Hendry, 2000; Smith, 2015; Weber, Vrontis, Tsoukatos, & Shams, 2020) and provoked the motivation for this study.

Although giving primacy to the individual, the study acknowledges that executives' SD behaviour can only be explained realistically when determinants are addressed at different levels, including the M&A environment, organisational SDM constituents, and socio-cultural factors. The following sections provide an overview of these three particulars to introduce and position the background of this research.

### 1.2.1 Mergers & Acquisitions: Corporate M&A Activity

Originating from U.S. American investment banking, the term *M&A* comprises the trading (acquisition/disposition) of companies, business units and participations, and includes fusions and takeovers, and in a wider sense also cooperations, i.e. joint ventures, alliances (Müller-Stewens, 2010b). Distinctions are emphasised according to the intensity of commitment or the degree of joint investment between the organisations, risk, influence of control, depth of integration and pain of separation, while the types of strategic combinations vary with increasing expression of these characteristics, from licensing to alliances/partnerships, to joint ventures, to mergers and lastly to acquisitions (Marks & Mirvis, 2010).

At the higher end, a merger or acquisition poses major challenges to be overcome in the transaction and also post-merger. Thus, they are considered as *real* M&A (DePamphilis, 2019) and studied as such in this study. While a merger involves the combination of at least two business entities that are usually similar in size with only one entity remaining, in an acquisition the acquirer is significantly larger than the target (Pignataro, 2015).



There is a distinction between friendly and unwanted hostile takeovers defended by the target company (Rauch & Wahrenburg, 2011). However, nowadays the latter is seldom the case (IMAA, 2020c), and the majority of M&A take place under responsive conditions. M&A may be classified as horizontal or vertical mergers, conglomerates and market/product extensions: while horizontal M&A combine two companies with similar product/services range, vertical transactions merge entities that are involved in different stages of a value chain, i.e. buyer-seller, client-supplier, and conglomerates involved in unrelated businesses (Gaughan, 2011). They include domestic and cross-border transactions.

These different M&A types offer a range of options for companies' corporate development and provide ground for implementation and realisation of their objectives. They provide opportunities for faster corporate development and growth, rapid gain in market shares or acceleration in the development of production/service chains beyond internal progression (Gaughan, 2011; Hopfmüller & Schimmer, 2010).

As a result, M&A have developed into an international phenomenon that attracts both the world's major economic nations and emerging economies, and it covers every industry (IMAA, 2020c). Historically, corporate transactions develop in cyclical up- and downward movements - according to the number and total value of transactions - with strong divergence, bursting highs and longer terms of lows, but generally rising tendency (Müller-Stewens, 2010a). These developments represent characteristic 'waves' of M&A activity that have been documented for over a century and in several M&A markets; among these countries, more extensively for the precursor USA but increasingly also for both countries under investigation (Appendix 1). From this, global merger activity appears particularly correlated to macroeconomic, political and regulatory or industry movements.

Global merger activity seems to be unstoppable, recovering again and again not indicating a declining trend let alone a full stop. Quite the opposite in fact: M&A have taken a major place on the agenda of many corporates. Macroeconomic developments, e.g. free movement of capital, lowering market entry barriers, (new) market demand, and legislative amendments, open up market opportunities and business chances (Zhang et al., 2012). At the same time, globalisation and cross-border activities tighten

competitiveness and increase pressures (Hirst & Thompson, 2019). Big players brush aside smaller ones and promptness (of decision) and flexibility become vital. Many companies see opportunities and are not afraid of any challenges associated with the transaction or PMI. They foster internationalisation efforts and advance alternative strategies to survive in these times. Even though, in retrospect, many mergers fail to reach the expected targets (Gaughan, 2011; Houston, James, & Ryngaert, 2001; Lobet & van Gampelaere, 2018), they are a welcome instrument to enforce strategies.

In figures, the latest transaction values for the year 2019 hit another high since the outbreak of the sub-prime credit crisis (SCC) and subsequent global financial crisis (GFC) in 2008, exceeding pre-crisis figures (IMAA, 2019). What statistics might forecast, experts are awaiting: the next wave (Dieudonne, Cretin, & Bouacha, 2014; McCarthy & Dolfsma, 2012). There is thus strong indication that M&A are remaining in business focus and are again increasingly important for corporates. At the same time M&A significantly influence the development of the company, both the target and the acquirer. Thus, M&A are considered of current and future importance for SM. As a part of business, they require acknowledgement and particular attention due to their specific characteristics, i.e. complexity, uncertainty, and intervention in business operations. Also, they cannot be isolated from the macroeconomic environment. Both increasing M&A activity and its substantial weight for business will strengthen constraints and require well-considered conscious decisions about mergers.

### **1.2.2 Organisational Decision-Making: Microfoundations in Strategic Objective**

Decision-making is part of business, affecting all levels of the organisation (Alkaraan & Northcott, 2013). It is sequential and generally day-to-day business for every member of the company. Most of these decisions are routine or organisational ones that are necessary to keep things going. As such, it is mainly selecting among options (Shivakumar, 2014). Nevertheless, decisions are of specific interest because they are manifold while being reference-dependent and underlying a variety of influences and contexts (Shephard & Rudd, 2014). Here, a distinction must be drawn between the kind of decision and underlying circumstances. SDs are dependent upon many more factors that add complexity, and they are overarching (Mintzberg, Lampel, Quinn, & Ghoshal, 2013).

A strategy stresses a certain purpose that is intended to be achieved (Hornby et al., 2015). Implicitly this includes decisions about the alternatives evaluated by the company's decision-makers (Alkaraan, 2015) to define such particular strategy. It is the route to establishing long-term competitive advantages (Nutt & Wilson, 2010). Consequently, SM demands specification of the mission and vision of the company when searching for opportunities in its environment (Bowen, 2018). It incorporates the development of plans and measures, including personnel and financial resources, to achieve these objectives (FitzRoy et al., 2012). Thus, decision-making is of focal interest in SM literature (Elbanna & Child, 2007a; Rahman & De Feis, 2009), particularly because SDs are non-routine and exceptional, as they engage significant commitments, reposition and investment (Elbanna, 2006; Hendry, 2000; Shivakumar, 2014). In contrast to non-strategic decisions, strategic ones are long-term with inherent risks and have a substantial impact on the company's future development, being costly to undo or to make up leeway (Nooraie, 2012; Shephard & Rudd, 2014). They are moderated by organisational goals (Cyert & March, 1963) and involve bilateral negotiation between the stakeholders in an uncertain environment with multifaceted goal structures (Bower, 1970; Carter, 1971; Cyert, Simon and Trow, 1956; March and Simon, 1958; Mintzberg, Raisinghani and Theoret, 1976, as cited in Shrivastava & Grant, 1985). There is at least a wide-ranging variance of opinion on one and the same judgement choice. Especially in the field of M&A, SIDs contain specific characteristics, not comparable with other multifaceted assessments.

Despite numerous decisions taken in the context of the M&A process, the decision about whether to enter into merger activity is certainly no routine choice, it is strategic (Galavotti, 2019). Managers have the power to make SIDs on adapting the organisation to the changing environment. Consequently, it is usually directed towards the market (Porter, 1987) and (re-)positioning of the firm, linking strategy and M&A goals. The management has to commit itself to respective action (Mintzberg, Raisinghani, & Theoret, 1976), and to providing resources to reach the goal of acquiring the target company. Thus, research on SIDs is of particular importance, because it provides insights that can support improvement and effectiveness of executives' choice, and ultimately underwrite the organisational success (Shephard & Rudd, 2014), while minimising far-reaching consequences or collapse. Because of their relevance, decisions

associated with the achievement of such overarching goals are characteristically taken by the top management (Gregory, 2014; Meckl, 2004).

M&A are an almost separate field of research, but reference to its strategic meaning is inherent. They are not an end in themselves but rather one option for SM to reorganise and optimise the corporate portfolio (Hopfmüller & Schimmer, 2010). The corporate strategy defines where to invest or divest in order to reach organisational goals. In addition to expansion and market power (Chatterjee, 1986), other strategies include diversification and additional values (Gort, 1969; Kerler, 1999), synergies (Berkovitch & Narayanan, 1993; Penrose, 1959), or efficiency (Healy, Palepu, & Ruback, 1992; Houston et al., 2001; Lambrecht, 2004). Companies operating successfully in this field are well acquainted with the possible M&A instruments. They use them in their strategic-fit, accepting the excessive restructuring in return for the usual high potential for positive effects in the long run (Bauer & Matzler, 2014).

However, for M&A, existing decision-making models are assumed to offer only partial perspectives of the SDM process and leave thought-provoking questions unaddressed. Generally, strategic M&A decisions are considered to be goal-oriented and thus economically rational. However, in practice they seem to be susceptible to outer influences from the macroeconomic context and the micro-economy of the organisation (Boateng, Hua, Uddin, & Du, 2014; Choi & Joeon, 2011; Ovtchinnikov, 2013). One line of enquiry to explore in these M&A developments is to examine how economics are linked with the microfoundations of decision-making. Any corporate strategy or merger decision is taken by psychologically motivated individuals or TMT and not by economically programmed computers, placing explanatory primacy of the phenomenon on the individual level (Felin & Foss, 2005; Kano & Verbeke, 2019). Economic and rational models in strategic choice largely ignore single perspectives and consider those as homogeneous (Haak, Sieweke, & Wessel, 2020), but calls for attention to a more micro perspective into the heterogeneous antecedents that remained as explanatory black-boxes about the macro-level phenomenon have emerged in recent years (Felin et al., 2015; Contractor et al., 2018).

Microfoundations go beyond micro disciplines as they explicitly recognize interactions, mechanisms and context to explain higher-level phenomena (Felin et al., 2015).

Particularly, M&A as an international phenomenon with different influential circumstances across organisations, countries and societies benefits from understanding the microfoundational explanation as to how and why individuals and TMT reach different level of SD rationality that aggregate in organisational SDM behaviour (Kano & Verbeke, 2019).

Even though manifold decisions are to be taken during the whole M&A process, the study intentionally focuses on the initial SID including target selection and respective negotiation. The subsequent PMI is an inevitable part of the process, but the overarching decision about why and how to merge, “the starting point for the whole M&A process and its outcomes” (Friedmann, Carmeli, Tishler, & Shimizu, 2016, p. 2340), is fully challenged beforehand, respectively affected by more decision-making problems (Galavotti, 2019). The early stages set the merger rationale and the standards for the long-term relationship and integration approach of the merged company and its people (Gomes, Angwin, Weber, & Tarba, 2013). For this reason, the researcher emphasises understanding the underlying motivations and drivers for strategic deal decision-making and negotiation as a neglected critical success factor, and focuses on the pre-M&A and deal phase.

SDs are an integral part of organisational decision-making and building corporate strategy. Thus, they are the most-weighty decisions that affect the whole company and have decisive consequences, particularly in M&A. Focussing on the microfoundations in strategic objectives thus provides more fundamentals to advance the collective organisational perspective, while weighing strategic risk and chances in the tension field with nested personal perception, emotion and respective behaviour.

### **1.2.3 Dyadic Insights: Comparison Across Cultures**

More sensitivity has been claimed for the influence of culture in management and organisational science (Hofstede, 1983; Teerikangas & Thanos, 2018; Weber et al., 2020). It is not only the political environment but also sociological and psychological tendencies that are conditioned by national culture factors (Hofstede, 1983). Especially in internationalised global businesses, it becomes essential to understand the social constructions that drive action (Brownlie, 1994). They may be very distinctive locally

(Wulf, Florian, & Meissner, 2020; Yates & De Oliveira, 2016), as culture is evolutionary.

Therefore, the dyadic approach applied also means comparing different (socio-)cultures. This becomes necessary because merger activity is generally not bound by domestic borders, it is an international phenomenon (IMAA, 2020c; Vancea, 2013). As a consequence of the globalisation trends, different cultural and social milieus also meet and their specific features become important for M&A. Top managers as the strategists who take the directing decisions, are distinctive. They are not only of different nationalities, but they are also individuals characterised by their personality, shaped by their environment and lifelong experiences (Boeren & Epskamp, 1990). These form an implicit set of patterns of knowledge, rules and meaning, that underlie and are expressed in people's way of living (Keesing, 1981; LeVine, 2017).

As a major variable, their thinking styles (Abramson, Keating, & Lane, 1996; Allinson & Hayes, 2000; Zou et al., 2009) and kinds of strategies (Breuer, Ghufraan, & Salzmann, 2018; Hofstede, 1983, 2001; Stienstra, Harms, & Groen, 2016), ethical conduct (Baskaran, Kumar, Tangaraja, & Mahadi, 2019) or decision procedures (Cetenak, Cingoz, & Acar, 2017), may be influenced by national culture. Developed over time, culture is exemplified "in symbolic and non-symbolic communication modes" within human populations, developing meaning and arguments to handle "present and anticipated future problems of its existence" (Bullivant, 1981, p.3 as cited in Stephens, 2009, p. 27). Historically developed over ages, they are difficult to change (Smircich, 2016; Zou et al., 2009). The cultural sense in this research emphasizes values, patterns and rules of behaviour that give common meaning to actions and beliefs in the context of organisational decisions (Stephens, 2009).

The deliberate choice of the countries is market-driven. EU firms have become important players in the global market of M&A (Vancea, 2013). Here, Germany is the starting point as it is the researcher's home country. Thus, information and results will be tangible, comprehensible and convenient for investigation. It allows easy and ready access to the market and participants. Furthermore, PRC is chosen as an object of comparison because it is one of the emerging market players (OECD, 2019) and thus of specific economic interest. Since 2010, it has been the world's second-largest economy

after the U.S., and since 2014 the largest according to purchasing power (Federal Foreign Office, 2015). In addition, its reforms since 1979 have allowed the PRC to switch from market-dominated SOEs to non-state firms which include collective-ownership and joint ventures, and to open its doors to foreign investors. Here, M&A have played a vital role in the modernisation of the SOE sector (Wolff, 2008) and in increasing PRC's competitiveness. At the same time, even though M&A are a comparatively new occurrence in PRC (Wolff, 2008), Chinese companies have shown increasing investment appetite in foreign companies during the most recent years, with peaks in 2016 and 2017 (IMAA, 2020a). Therefore, the PRC has not only been a target, but also become an acquirer in cross-border M&A.

With a focus on Germany and China, the study parallels two companions with a significant dynamic and reciprocal relationship. China is Germany's most important economic partner in Asia and vice versa, Germany is China's in Europe (Federal Foreign Office, 2020). Additionally, Chinese companies are very active in M&A, while the number and volume of transactions has steadily increased and surpassed peak values in Germany since 2007/08 (IMAA, 2020a, 2020b). The Asian market has heated up as regards M&A, apparently withstanding turbulences from the SCC and GFC. Considering PRC's appetite to become a world power, M&A will continue to play a vital role in restructuring its industries (Zhu & Zhu, 2016) and towards growth abroad (J.P. Morgan, 2019, p. 16). Nonetheless, M&A have not as substantially been on the research agenda of organisational studies in China, mainly because it was a very restricted market (Davies, 2013; Shuiyu, 2019) until recently and it still is relatively non-transparent. This investigation will thus allow new insights into the M&A market as well as on individuals' approaches in Chinese decision-making. Lastly, Germany and China have dissimilar characteristics, which suits the purpose of this comparative investigation: they belong to two largely different national culture groups, have a distinctive market size and dissimilar levels of economic development (Alldatanow, 2020).

Even though the U.S. are the precursor of M&A and still a big player, the EU and Asia have caught up to its supremacy in M&A (IMAA, 2020c). Also, there is already a lot of literature and research available with a focus on the U.S. (Cartwright, 2005) that does not justify such a research area against the benefits and advances of a China survey.

Additionally, the spread in cultural differences and view in personality between the U.S. and Germany is considered to be low (Carducci, 2009) and consequently such a study may lack meaningful results to this end. This is also the reason, why European countries have been excluded as comparator. Other BRICS states (Brazil, Russia, India, South-Africa) or the Gulf region were not taken into closer consideration on the shortlist, mainly because of comparatively low M&A activity (<50 bn US\$ p.a.; IMAA, 2020c). They would therefore not provide adequate reference values.

### **1.3 Rationale & Research Objectives**

The three aforementioned areas that constitute the field of research obviously intermingle and have overlapping spheres. Much of the academic literature, however, has been dedicated to either the environment (M&A activity), the organisation (SDM) or the individual (personality traits). Despite the relevance of either part to influence or being influenced, the need to merge these has been raised by current research (Shephard & Rudd, 2014; Weber et al., 2020).

On the one hand, SIDs involve a variety of specific internal and external criteria that should be evaluated to provide a solid basis for decision-making (Alkaraan, 2015). On the other hand, much research has missed to simultaneously including the individual decision-maker, and behavioural psychology has made greater progress separate from organisational studies. Over the years, increasing interest has emerged regarding differences in economic decision-making affected by psychological, cognitive, emotional, cultural and other social factors, so-called behavioural economics (Cartwright, 2018). However, the literature has mostly concentrated on quantitative or observable indicators, economic efficiency and advances, or decision outcomes. Although the presence of behavioural motivations has been emphasised (Coase, 1937; Dhir & Mital, 2012; Fanto, 2001) or simply assumed (Hambrick, 2007; Pfeffer & Salancik, 2003), it remains empirically underrepresented. Criticism pertains to these insights as non-fundamental (Gal, 2018), hardly generalisable and not disproving typical mainstream axioms from classical theory (Maialeh, 2019), while lacking adequate psychological grounding in SM (Powell, Lovallo, & Fox, 2011).



In the specific context of M&A, those who make the SD are thus no longer supposed to be *economic man*, but influenced by potential behavioural effects. To date, empirical studies have not provided a comprehensive and conclusive explanation of executives' non-rational conduct in strategic M&A decisions. In fact, some ideas and theoretical approaches exist (Kahneman & Tversky, 1979; Peteros & Maleyeff, 2013; Shimizu, 2007) but they are deemed inappropriate for complex M&A decisions, as they do not mirror all related determinants (Laux, 2012; Nooraie, 2012; Tversky & Kahneman, 1974). To better understand the phenomenon, it is therefore necessary to understand individual-level factors, interaction and their mediating forces (Abell, Felin, & Foss, 2008; Felin et al., 2015; Finkelstein et al., 2009). This research addresses this need to uncover the underlying behavioural constituents of SD rationality, taking into account the M&A-specific environment – or concisely:

**The aim of this exploratory study is to provide empirical evidence about the nature, determinants and dynamics of non-rational SDM behaviour in the context of M&A. In the dyadic study, a second aim is to develop a typology of behavioural momentum for M&A SDM.**

The rationale of this research is to close the gap in literature by enriching existing theoretical approaches of organisational theory with personality theory and to expand those into the field of M&A by understanding the microfoundations of executives' SD rationality. That is, the proximate influences on a manager's sound rational-economic analysis and strategic evaluation. For this purpose, the following objectives have been developed. First, the study seeks to make explicit individuals' behavioural factors as they engage in strategic M&A decision-making in Germany and China. Second, it determines the contextual dimensions of the organisational and remote environment that facilitate executives' non-rational tendencies in choice. Third, the micro-level factors that influence SD rationality are investigated for interdependencies. The fourth and final objective is to achieve a comprehensive and integrated understanding of shared patterns of behaviour under the influence of (socio-)cultural context, derived from the German and Chinese executive's dyadic understanding about the phenomenon, leading to the development of a new management typology. These major research objectives and key components of the expected results unfold in three research questions (RQs).


Research objective / Key component	Research question
<i>Identify</i> the <b>key behavioural factors</b> that German and Chinese executives experience as influencing their objective analysis and rationality in strategic M&A decision-making.	<b>RQ1</b> Which behavioural factors do German and Chinese executives experience as influencing their objective analysis and rationality in strategic M&A decision-making?
<i>Determine</i> how, and under which <b>conditions</b> , these behavioural factors are perceived to affect economic rationality in the M&A decisions of German and Chinese executives.	<b>RQ2</b> How, and under which conditions, do the behavioural factors affect economic rationality in the M&A decisions of German and Chinese executives?
<i>Detect</i> potential <b>interdependencies</b> between the individual behavioural factors.	<b>RQ3</b> Which potential interdependencies exist between the individual behavioural factors?
<i>Identify</i> <b>patterns</b> of behaviour between German and Chinese executives in consideration of their (socio-)cultural background  <i>Conceptualise</i> a <b>business management typology</b> of behavioural momentum that aggregates microfoundational constituents and multi-level effects.	 <b>Conceptual Framework</b>

Table 1. Research objectives.

Beside in-depth insights into the nature, determinants and dynamics of non-rational SDM behaviour, the dyadic view introduces a comparison and differentiation, acknowledging potential influences by national context or (socio-)cultural background which build a substantial base in an international field of interest. It is revealed whether equivalent findings permit the assumption of a more generalisable phenomenon or differences that need to be reflected upon. With this more embracing view the investigation renders possible the creation of a business management typology, recognising that executive's central role towards SD rationality would not be completely understood without knowing its multi-level determinants. Only then, organisational behaviour (OB) can change for the better and increase merger performance.

This rationale and research objectives are materially evoked and supported by the post-positivistic paradigm that grasps the challenge of contributing a more realistic understanding of actual behaviour. It values the strength of executives in SDM as a legitimate level of analysis, without ignoring how multi-level influences of the reviving dynamics of M&A differ and aggregate across context, content and process. This is supported by the qualitative phenomenological approach applied in this research,

exploring the lived experiences of those participating, and contributing to broadening knowledge by insights from the lower-level origins and causal antecedents. The results seek to meet the demand of mainstream literature for a more fundamental and adequate theoretical grounding, aggregated from the constituent microfoundations to a collective construct. At the same time, they provide useful recommendations for management practice.

#### **1.4 Significance of the Study**

There is a vast amount of literature and research available covering specifics and procedures related to corporate M&A activity that has advanced mainly along disciplinary lines. Executives should act as rational *economic man*, in compliance with the company's strategy, and it is a vital task of management to undertake their actions in the best interest of the organisation. It becomes obvious, however, that strategic M&A decisions are not made by rationally programmed human beings, but emotionally charged people. Several examples have shown, and it has been empirically proven that this is the reason why a large number of M&A fail to deliver the expected benefits in the long run (Borg, Borg, & Leeth, 1989; Gaughan, 2011; Houston et al., 2001; Lobet & van Gampelaere, 2018).

SDM is seen as a multi-disciplinary and complex organisational phenomenon shaped through individual and group (inter-)action. Therefore, there is an increasing need to consider decision-makers' (cognitive) competence portfolio as a critical source of SD rationality in strategy research (Powell et al., 2011). Moreover, calls to integrate the micro-level fundamentals emphasise a more realistic understanding and rigorous explanation of OB. However, the question as to which behavioural factors and practices affect executives' rationality has yet to be fully answered. Behavioural studies and psychological understanding allow assumptions to be made in this context, but this phenomenon is far from elucidated when adequate adaptations to SDM that have such outstanding importance for corporates are still lacking (Friedmann et al., 2016; Hodgkinson & Sadler-Smith, 2018; Powell et al., 2011). Although valuable insights and issues have been raised, much of the existing SDM and organisational literature is often less focussed on individuals or simply assume their homogeneity when investigating

organisational phenomena. Psychological literature, in turn, describes and examines cognitive and behavioural factors in splendid isolation.

It is argued that not only behavioural factors but also a multitude of contextual influences impede executives' level of SD rationality despite their best intentions (Felin et al., 2015; Haak et al., 2019). Strategic M&A decisions are specific because they combine complexity and strategy, while taking place under continuously changing environmental and corporate conditions. Along with the heterogeneity of executive decision-makers as human beings, this requires a flexible, adjustable and context-sensitive strategy (Adegbite, Simintiras, Dwivedi, & Ifie, 2018; Daft, 2016; Prajogo, 2016). Complexities and interdependent multifaceted components are however often simplified for empirical enquiry which may explain the only partial or disconnected perspectives in extant research (Elbanna, 2006). It has further been claimed that incomplete research is the most critical impediment to successful acquisitions, highlighting the need to incorporate multiple dimensions, including behavioural factors, into future investigations (Cartwright and Schoenberg, 2006).

Drawing on the microfoundational movement, the current study addresses these limitations by examining the SDM behaviour of experienced M&A executives and by considering the different multi-level determinants and emergent dynamics mediated through relations across contexts. Such comprehensive investigation is significant to return from the growing specialisation that lost connection to real nested structures, while also bridging the micro-macro gap. With the system theoretic view, it combines the three core areas of this construct into a farther holistic notion: the external environment, the organisation and the individual decision-maker. Furthermore, this investigation gives primacy to the subjective position of TMT executives, as personified decision-makers, to reach a better understanding of the complexities of human SDM procedures and black box mechanisms. Moreover, the cross-disciplinary approach is of theoretical relevance for integrating organisational and personality theories within the fields of M&A strategies, decision-making, and micro-behavioural processes, and adds to the debate about how rationally executives actually organise and strategise (Eisenhardt et al., 2010).

Notably, the majority of research in M&A has been executed in Western countries, with seemingly similar cultural imprints. Therefore, no fundamental empirical statement can be made about the extent to which cultural differences have an influence on decision-making behaviour or even rationality in M&A. Instead, ethnic and psychological studies already indicate that preferences, culture, value stances and common beliefs characterise human conduct and their motivation (LeVine, 2017; Parks & Guay, 2009; Zou et al., 2009). Because M&A is an international phenomenon, it must be of interest to see similarities and distinctions in behaviour between the market players in order to draw conclusions about the materiality of country- and cultural-specific stimulus for SD rationality. Detecting social mechanisms, patterns of meaning and multidimensional explanations assists in conceptualising an elegant and rich typology of behavioural momentum. Its constituent microfoundational insights are aggregated into a collective but moreover more holistic framework that has not yet found empirical substance. This means wider evidence and contributes to understanding and comparing the origin and importance of behavioural powers in strategic M&A decisions in two different cultures. With the focus of this dyadic research pertaining to countries that are also at different economically-developed stages, the study attempts to expand theory as regards temporal context and geographic applicability, as well as institutional, national and cultural influences on SDM behaviour that is seldom explicated.

Although behavioural and cognitive capabilities have been identified as critical elements for SDM (Augier & Teece, 2009; Helfat & Peteraf, 2015), the practical world of M&A remains covered in theoretical guidance. Probably because high-level executives' in-mind procedures and boardroom behaviour are extremely difficult to study, such perspective is often excluded (Elbanna & Child, 2007a; van Ees, Gabrielsson, & Huse, 2009). These issues are addressed in a non-traditional research design, overcoming the prominence of descriptive, regression-based analysis and qualitative-positivistic views in organisational research. Using a phenomenological qualitative approach in a post-positivist stance, the study investigates the *why* and *how* executives depart from SD rationality, rather than the *what*. Specifically, it enriches knowledge about the behavioural SDM processes and routines by using in-depth interviews to investigate the lived experiences of those who are crucial to SDM. It thus captures the unconscious implicit processes of executives' M&A decision-making, which adds experiential significance to an underexposed and flawed positivistic view of

extant theoretical literature. By providing a more inclusive examination of the mechanisms influencing the level of SD rationality in M&A and with the prominence of executive's role in the process, the investigation underpins relevance structure and microfoundations of management research for behavioural practices (Anosike, Ehrich, & Ahmed, 2012; Holt & Sandberg, 2011; van Manen, 1990).

When 70% to 90% of M&A fail to deliver value because of executives' judgement and assessment (Christensen, Alton, Rising, & Waldeck, 2011; Lobet & van Gampelaere, 2018), it becomes relevant to provide deeper understanding of their practice in the ever-important field of M&A. Diverse decision-making methods have been developed during the past decades but their variety has confused practitioners more than it has supported them in their examination and enactment of SDs (Rahman & De Feis, 2009). The investigation of actual SDM practice becomes even more essential above economic modelling, and focus needs to be drawn to the set of individual, societal, cultural etc. determinants as a basis for a more comprehensive microfoundational understanding of non-rational tendencies in choice. This is relevant for supporting executives in their SDM process and their effective reflection of inherent non-rational behaviour in order to ensure that M&A are not the outcome of "chance and good fortune, even error" (Aldrich, 1979, as cited in Whittington, 2001, p. 19), but of considered SDs. By acknowledging the heterogeneous structure of one's cognition and context that direct their SD rationality, the prevailing generalisation and assumed homogeneity is abandoned to allow individual and organisational change for the better.

Over decades, M&A have repeatedly accompanied the business world. Their wavy appearance allows the expectation of the next giant movement to come, exceeding prior peaks and pace of development. The significance of the study derives from the experience of the past to better manage future comparable situations. Uncovering and giving meaning to the microfoundations leads to enriching and reconsidering decision-making theory in M&A and, at best, adjusting the practices that foster more conscious and successful decisions. It helps to identify and structure which different determinants and relations mediate SD rationality, and makes an important contribution to understanding the nature and dynamics of executive's (un-)conscious cognitive processes.

## 1.5 Scope of Research

The rationale of this study places particular focus on a multi-level explanation that privileges the individual. Therefore, the scope of the investigation is limited to explore the microfoundations of SD rationality in M&A, which is connecting those underlying motivations, (inter-)action, and executive's characteristics with context that effect the degree of rationality in firm-level SDM.

Moreover, the study takes a managerial perspective. It includes the views of those who make the decision or are highly involved in these, but does not cover other vantage points or stakeholders. For a broad and comprehensive database, the investigation is not controlled by a specific organisational interest of one particular company or sponsor. It rather takes a broader approach, without being restricted in terms of sector or size. However, in accordance with the comparative research the sample is limited to German and Chinese founded companies.

Against the background of people's personal environments, the microfoundational dyadic study also recognises ethnicity and considers social reality as two-sided: it constitutes particular culturally and historically derived meaning and relevance structure for people experiencing it (Crotty, 1998), and these constructions determine their behaviour by motivating it (Gray, 2009). Research strives for identification of individual and collective understanding, potential cluster and essence. It seeks to make implicit sensitivities explicit during data collection and derive meaning from data analysis. Thus, it is not the purpose of this study to test hypothesis and there is no particular interest in generalisation of the results; the findings are constrained by the participants involved in the investigation and their experience in the field. Even though identified pattern within this dyadic investigation may opt to be generalisable, this is not to be meant in a statistical sense but rather in the meaning of transferability to comparable situations or context. As a result, the typology of behavioural momentum will assemble and specify decisive factors but any quantification of their relations is beyond the scope of this research.

As outlined earlier, M&A may take different forms and complexities. This study will only consider M&A with equal partners on both sides. It does not include special kinds

like distressed M&A or hostile takeovers as these involve extraordinary specifics compared to other kinds of M&A that control the market. The study considers dominating structures being in focus of theoretical and practical interest.

A further point to mention is that for the decision-making process itself, it is widely assumed that SIDs, including negotiation, are superior to any other decision during the M&A process (Elbanna, 2006). With their specific characteristics and long-term orientation, they set the standard for subsequent decisions and implementation (section 1.2.2). Such cascade is not further tested or proven in this investigation.

This delimitation in scope might cause loss of diverse minor associated matters, but allows stronger focus on the principal issues. The specific methodology and research design strengthen the validity of the data and designation of related matters, thus reducing quantitative constraints and increasing the rigor from real-life, practical experiences.

## **1.6 Structure of the Thesis**

The thesis is structured in seven chapters. After this introduction, follow the literature review and the methodology chapter. Then the findings of the empirical study are presented, synthesised in a conceptual framework and afterwards discussed. The thesis closes with a conclusion and reflection on the investigation.



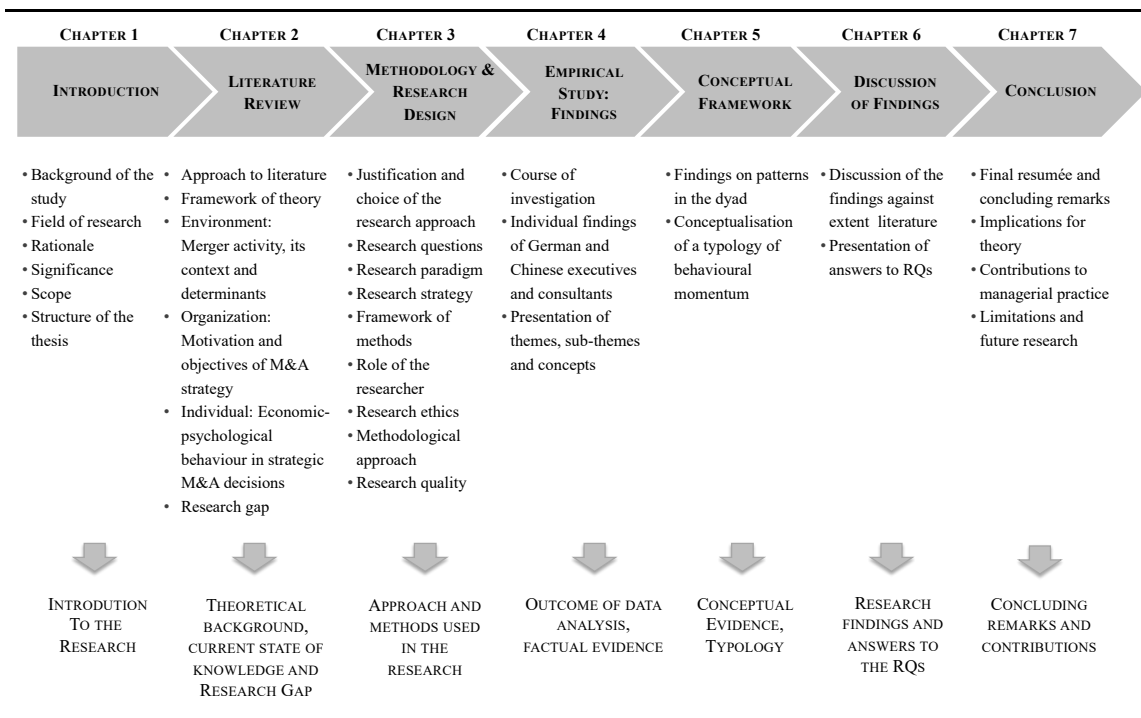


Figure 1. Outline of thesis structure and progression.

This introduction presents the field of research and rationale of this investigation. Then, the second chapter examines relevant literature. The structured literature review includes a discussion and outline about the theoretical framework of the thesis. Current issues and debates in the field of the special subject M&A are reviewed, looking at three main streams of thematic literature. The review firstly looks at the contextual specifics in the merger markets over the course of time. Second, companies' strategic objectives in corporate mergers are examined, providing insights into firm-level process and practice. Third, based on this, a comprehensive perspective about the current status of research on the behavioural and cognitive limitations in individual decision-making is provided. It refers to the psychological background of the study and identifies available experiential explanations relevant to this empirical research. In addition to a general focus on these topics, specifics of each country under investigation - Germany and PRC - are contemplated. The chapter concludes with a synthesis delineating central issues for managerial decisions that form the basis for designing further research. It provides for a problem statement and research gaps that are revealed from the selected material analysed while contextualising the outcome from the literature review in a comprehensive idea about the microfoundations of SD rationality in M&A.

In chapter three, the methodological framework and research design for the investigation are outlined. The strategy and methodology chosen for this research is discussed and it is justified as preferred over alternative approaches. The researcher's post-positivist worldview is exemplified and it is explained why an inductive approach using semi-structured interviews was considered most appropriate and most efficient to investigate microfoundations of SD rationality. Also, the role of the researcher and underlying research ethics are outlined. Finally, the research procedures are described, how interviews were prepared and conducted, and how the data was analysed.

Chapter four presents the findings of the investigation reflecting the lived experience of non-rational behaviour in M&A decisions. It provides an overview of how sub-themes and themes emerged from the interview data. Following, these are presented in detail pertaining behavioural factors, contextual circumstances and key relationships, each separately for Germany and PRC, and provide rigorous factual evidence.

A conceptual framework is developed in the following chapter. The findings are synthesised and patterns of behaviour in German and Chinese executive M&A SIDs are presented. As a result, a tailored business management typology for strategic M&A decisions is proposed.

Subsequently, the empirical part ends in an extensive discussion of the interview findings in the context of existing literature in chapter six. The advanced understanding of the phenomenon is outlined in order to answer the three RQs and to close the research gaps.

The final chapter seven provides a conclusion about the investigative results and their meaning. Implications for organisational and management theory as well as for M&A management and SDM practice are recommended. It addresses the limitations of the research and proposes potential avenues for future research to extend knowledge within this field.

## 1.7 Chapter Summary: Introduction

This first chapter introduced the topic of this research study and justified the focus on Germany and China as protagonists.

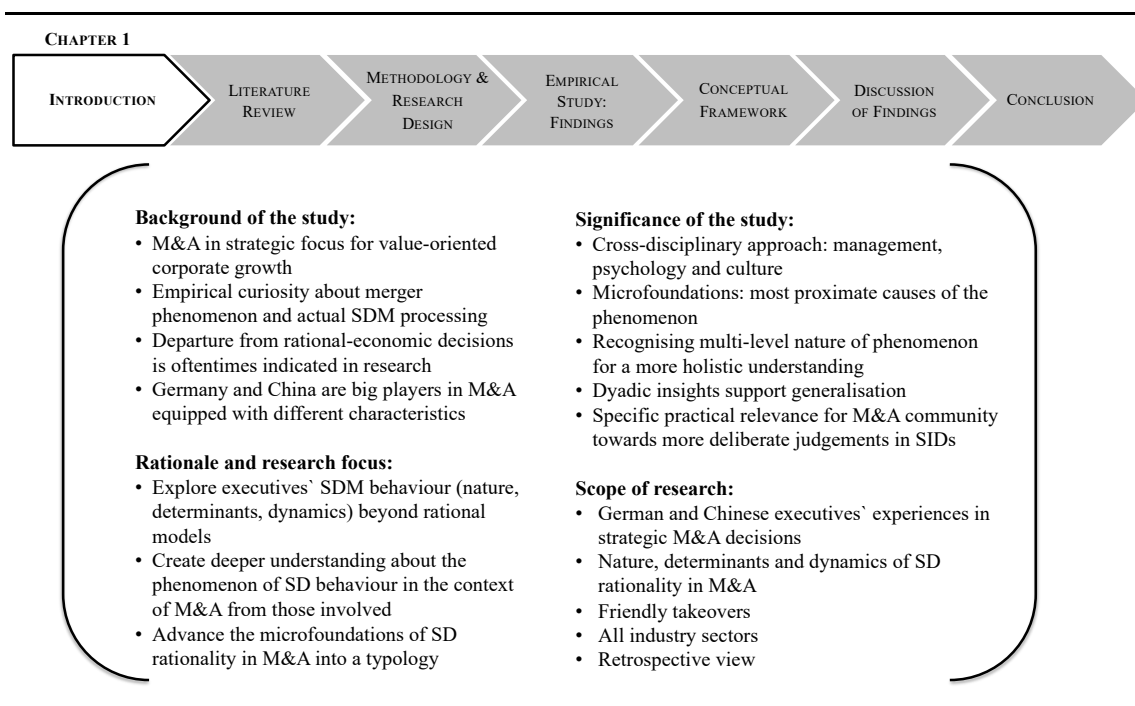


Figure 2. Chapter 1 – Progression.

The background of the investigation has been presented and the fields of M&A and SDM were brought into context with the underlying micro-level, executive's (inter-)action around. The significance of a microfoundational dyadic study was defended while indicating the objective of a more comprehensive and realistic understanding of SD rationality. Then the chapter demarcated the scope of this research as regards industry, country, and M&A specifics to manage expectations about the final results. Finally, the structure of the thesis outlined the further research proceedings and outcomes attained for each chapter.



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# CHAPTER TWO

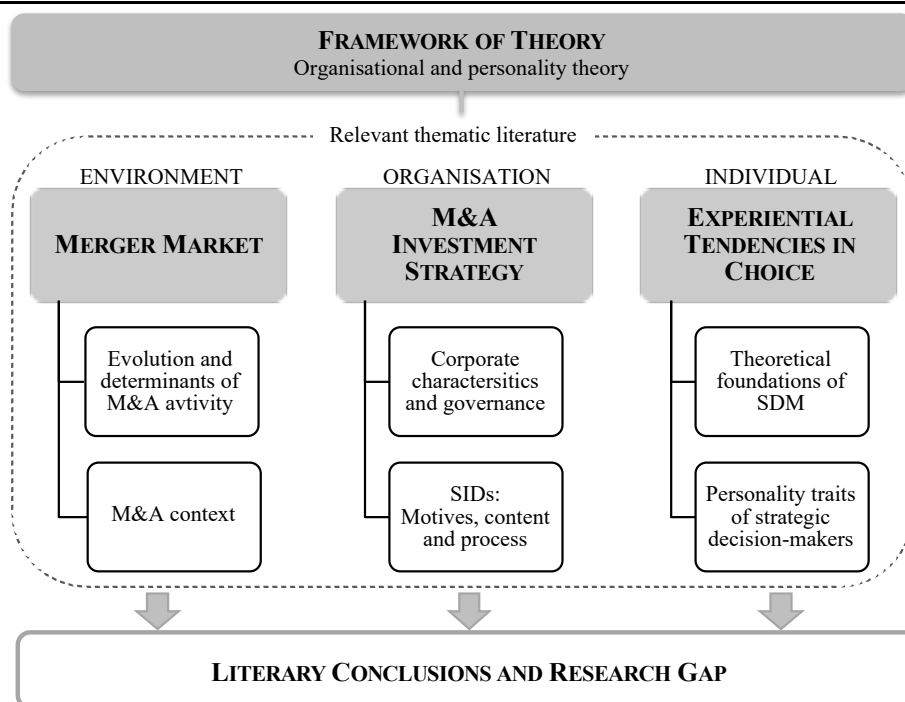
## LITERATURE REVIEW

## LITERATURE REVIEW

This section outlines the theoretical framework and provides a critical and systematic review of the relevant literature related to SD behaviour in M&A. Existing knowledge at the levels of the environment, organisation and individual respectively, is examined and the research problem is brought into context. The chapter closes with conclusions from the literature review and outlines the research gaps.

### 2.1 Composition and Approach of the Literature Review

This study addresses the essential characteristics of SD behaviour, and the influences that determine its level of rationality in the context of strategic M&A decisions. Besides the fundamental framework of theory, this literature review draws on a body of previous theoretical and empirical research and on current debates in the field, identifying gaps and potential research avenues. The central idea of this investigation is based on three main streams of thematic literature: external environmental characteristics of the merger market, internal organisational aspects of M&A investment strategy and process, and the foundations of individuals' SDM behaviour.



*Figure 3.* Streams of literature for a microfoundational study of strategic M&A decisions in a systematic review.

The requirement for a reference to one of these main streams and respective keywords in the selection of literature provided more relevant and substantive detail. The study relies on extant organisational and SM research, but similarly draws on empirical studies examining SDM behaviour from the broader psychological literature.

The database is limited to German and English literature, predominately contemporary works from 2008-2019 but also includes historical material, which enriches the knowledge base. The literature review focusses on published journal articles that are considered validated knowledge. Books, book chapters, working papers and statistical data sources are also included and serve as additional information.

## **2.2 Framework of Theory**

There are numerous theories available that help reach an understanding of how executives behave in SDM. This study suggests two main theoretical positions that balance perspectives from organisational management theory and psychology. They postulate the theoretical assumptions for this research and provide the basis to expand extant knowledge in the field of M&A.

### **2.2.1 Organisational Theory: A System-Theoretic Approach**

Systems theory is an approach to perceiving the world and is generally considered to be interdisciplinary with an adaptable framework for investigating occurrences holistically (Teece, 2018). General systems theory (GST) as introduced by von Bertalanffy (1950, 1968) and later revived by Rapoport (1986) focuses on relations in any kind of system. Scientifically all systems interact with their hierarchically ordered subsystems, e.g. internal components, supra-systems, other outer systems (Caws, 2015; Simon, 2011; Skyttner, 2008).

Pursuing this concept, early approaches scrutinised the organisation as a closed system, but remained rare (Skyttner, 2008). Rather, organisational theorists like Luhmann (1991, 2017) and others (Baecker, 1999; Katz & Kahn, 1978; Kirsch & Meffert, 1970; Weick, 2001) applied GST to OB, considering companies as adaptive open systems. Such open systems theory (OST) - here considered synonymous with organisational

system theory - outlines the complexities and interdependencies of the organisation and its participants in their environment which they have to cope with in order to remain competitive and achieve business aims (Scott & Davis, 2007; Teece, 2018). Furthermore, OST argues that incidents only exist and are constituted as a unity (Luhmann, 1991). They cannot be reduced to their elementary parts in order to capture and comprehend them fully, but they (also) have to be observed from a holistic perspective (Mele, Pels, & Polese, 2010; von Bertalanffy, 1968) which is more than the sum of all the components (Skyttner, 2008). Moreover, an autonomous system element is different in terms of its interrelation with other elements (Mele et al., 2010).

OST has contributed to the development of a sound theoretical as well as practical orientation in organisational science (Mele et al., 2010; Steinmann & Schreyögg, 2000; Wimmer, 2012). The company as a productive social system (Luhmann, 1991; Ulrich, 1970) requires an integral, problem-related reference framework (Gomez, 1981; Skyttner, 2008) for coping with and controlling changing management challenges. Thus, systems theory entails the cybernetic approach of a corrective self-organisation, self-control, and circular interdependencies with the environment (Beer, 1959, 1972, as cited in Wimmer, 2012) to ensure the functionality of the system for viability. Cybernetics was advanced by different scientists (McCulloch, 1965; Wiener, 1954) and often related to computation and neuro-science (Arbib, 2018). Some researchers have also applied its principles in organisational and managerial contexts (Beer, 1967, 1981; Pask, 1961) but it has been criticised for being too structured and mechanistic for business dynamics (Flood & Carson, 1993; Flood & Jackson, 1988).

Acknowledging this dynamism and the respective increase in complexities has led scientists to investigate the organisation-environment relation using complexity theory (Mason, 2007). This widens the view beyond linear causality (Ferlie, 2007; Mason, 2007) and recognises that in their interaction, the system part determines how the system as a whole behaves in its environmental context (Amagoh, 2008). It looks at the input-throughput-output processes (Katz & Kahn, 1978), how the organisation is affected by and in turn may push environmental change, and how the internal system elements (i.e. individuals) and subsystems (i.e. teams) operate in the open system. Exchange between such systems leads to internal transformation processes of elements reaching for homeostasis and equifinality/common finality (Hannan & Freeman, 1977;



Skyttner, 2008), equilibrium/balance (Arbib, 2018), self-regulation, autopoiesis (Maturana & Varela, 1980).

Although, OST does not further factor in environmental specifics, it offers new perspectives on strategic and operational management (Wimmer, 2012) and opportunities for improving management practices (Besio & Pronzini, 2011) where the environment constitutes a part of the living system (Skyttner, 2008). Admittedly, management scholars rather narrowed their focus and turned their back on OST (Teece, 2018). Nonetheless, and because of this, OST is considered to provide a viable and appropriate approach for this study to conceptualise the complexities of SDM in a continuous interaction with the environment. Specifically, how executives as members of the organisation take strategic actions towards M&A to cope with the changing conditions in order to achieve their business aims, grow and survive (Mele et al., 2010). It allows for the systemisation of the various levels, ranging from the executives' personality, to the organisation, and to the corporate environment, including their interdependencies, insecurities and dynamics that are immanent to any merger activity. Consequently, analysis of the system *organisation* is directed by internal organisational procedures and strategy. Such an organisational perspective includes people as separate subsystems within the company, being individuals or groups whose experience and cognitive structure (Mele et al., 2010) as well as their shared lived experience (Simon, 2011) generate organisational action. It is not only externalities like technologies, natural and macroeconomic or political determinants, but also the socio-cultural ecosystem that plays a vital role in strategic M&A decisions, challenging the "assumptions on which managers act" (Brownlie, 1994, p. 704). Therefore, from the systems psychology viewpoint all human individuals themselves should be seen as dynamic objects driven by routine, habits or other behavioural patterns and social visions, while facing societal problems culminating in business decisions (BCSSS, 2008).

Yet, while systems theory has helped advance and improve the understanding of some fields of OB it has done little to establish a well-founded link to other societal systems of which individuals are also a part (Flood & Carson, 1993). OST also maintains its stringent hierarchy (Becvar & Stroh Becvar, 2018; Flood & Jackson, 1988) and dismisses the purposive role of individuals beyond their boundaries, of how they adopt

choice or to what extent this exerts influence on the system. OST includes the people in terms of their communication and their perceptible image, but is silent about their cognitive limitations or behavioural structures. Systems science remains systematic involving intricate relations, but systems do not exist independent of human being and mind (Arbib, 2018; Contractor et al., 2018). For a more complete understanding of SDM that is multi-level by nature, the human sciences and personality theory may add to provide essential insights about conscious and unconscious thought and behaviour, beliefs and sentiments that are inevitably part of people's (inter-)action.

### **2.2.2 Personality Theory: A Dual-Process Approach**

Beside the vital and complex interdependencies between the organisational system and its environment to be managed, it seems viable to capture the human factor, its perception and processing as part of multiple - cultural, social, organisational - systems (Mele et al., 2010).

Classic personality theories study the “nature, operation, and development of personality” (Carducci, 2009, p. 2). Whereas, several concepts were attributed to mental disorders or physical anomalies, later attempts looked at the influence of unconscious mind and non-rational rules that limit people's everyday operations. As early grand theorists Freud, Maslow, Skinner and Rogers (Wood & Joseph, 2007) have to be named. Their theories led to identify common features: uniqueness of the individual, a dynamic nature, and continuity (Carducci, 2009). They assumed some consistency of people's behaviour across situations and time, but also considered dynamics as far as the individual may be influenced in their feelings, thoughts, and behaviour (Epstein, 2016; Schultz & Schultz, 2009) establishing multiple identities and loyalties (Scott & Davis, 2007). Therefore, it is deemed important to understand the underlying beliefs, reasoning, and doctrines of the actors.

Allport (1965) recognised early on, that despite their individual contribution none of the classic personality theories could explain any person as a whole. While he and later others (McAdams & Pals, 2006) requested a synthesis of the best contributions from these theories, Wood and Joseph (2007) maintain that contradictory characteristics make this impossible. Nevertheless, people's behaviour embraces a fascinating

complexity and this provoked interest by many decision researchers who developed so-called dual-process or dual-system models. While dual-process models (DPM) theorise processes and attitudes, dual-systems attribute these to cognitive structures, but they generally share the same basic idea. That is, two types of systems or processing exist in human minds that influence behaviour, the (broadly) intuitive or experiential (type 1) and the reflective and rational (type 2).

	Type 1	Type 2
<b>Evolution</b>	▪ shared with animals	▪ unique to humans
<b>Process</b>	<ul style="list-style-type: none"> <li>▪ fast, parallel</li> <li>▪ non-conscious, preconscious</li> <li>▪ automatic</li> <li>▪ process opaque</li> <li>▪ experiential</li> <li>▪ non-verbal</li> <li>▪ associative</li> <li>▪ holistic</li> <li>▪ effortless</li> </ul>	<ul style="list-style-type: none"> <li>▪ slow, serial</li> <li>▪ conscious</li> <li>▪ controlled</li> <li>▪ self-aware</li> <li>▪ rational</li> <li>▪ verbal</li> <li>▪ rule-based</li> <li>▪ analytic, logical</li> <li>▪ effortful</li> </ul>
<b>Attitude</b>	<ul style="list-style-type: none"> <li>▪ implicit</li> <li>▪ emotional</li> </ul>	<ul style="list-style-type: none"> <li>▪ explicit</li> <li>▪ affect-free</li> </ul>
<b>Content / context</b>	<ul style="list-style-type: none"> <li>▪ affective</li> <li>▪ context-specific</li> <li>▪ concrete</li> <li>▪ actual</li> <li>▪ causal propensities</li> </ul>	<ul style="list-style-type: none"> <li>▪ neutral</li> <li>▪ context-general</li> <li>▪ abstract</li> <li>▪ hypothetical</li> <li>▪ rule application</li> </ul>
<b>Variation</b>	<ul style="list-style-type: none"> <li>▪ independent of general intelligence</li> <li>▪ little variation across cultures and individuals</li> <li>▪ relatively unresponsive to verbal instruction</li> <li>▪ learning by experience</li> </ul>	<ul style="list-style-type: none"> <li>▪ linked to general intelligence</li> <li>▪ variable across cultures and individuals</li> <li>▪ responsive to verbal instruction</li> <li>▪ reasoning based on evidence</li> </ul>
<b>Validation</b>	▪ self-evidently valid	▪ validation by logic and evidence

*Table 2.* DPM: Attributes ascribed to the two processing types. From Epstein (2016, p. 12), Evans and Stanovich (2013, p. 225), Grayot (2020, p. 106) and Kahneman and Frederick (2002, p. 51).

Generally, DPMs stipulate that people act with both, the experiential and the rational system. One camp argues for parallel-competitive processing of both types (Glöckner & Witteman, 2010a; Pennycook, 2018; Smith & DeCoster, 2000). The other, which tends to be the majority, is default-interventionist and assumes that type 1 always first processes an automatic, intuitive response and type 2 monitors its quality, adhering,

amending, or overriding the original reaction (Evans & Stanovich, 2013; Kahneman & Frederick, 2002). Even though type 2 operates to rationalise in special complex or extreme situations, the experiential system can drive behaviour in the rational system and has biasing influence on their logical reasoning, inasmuch as inducing maladaptive behaviour (Epstein, 2016). Instead other scientists have argued that both systems function independently, contingent on the importance of the decision (Booth-Butterfield et al., 1994), time pressure (Schroyens, Shaeken, & Handley, 2003), information load (Roberts & Newton, 2001) and in the case of repetitions (Opitz, 2010), or they turn to different developmental paths, due to cross-cultural specifics (Klaczynski, 2009). Therefore, belief bias can be reduced or also increased depending on the surrounding circumstances of the decision, competing and corresponding with rationality.

Historically, these models were used in cognitive psychology (Schneider & Shiffrin, 1977) but the two-minds theories seem to have advanced independently in different disciplines like reasoning (Evans, 2008, 2011; Sloman, 2014), learning (Eitam, Hassin, & Schul, 2008; Sun, Slusarz, & Terry, 2005; Wang, Xu, & Liu, 2018) as well as judgement and decision-making (Barbey & Sloman, 2007; Diederich & Trueblood, 2018; Evans, 2008; Glöckner & Witteman, 2010a; Stanovich, 2009, 2011). In this regard, some approaches gained popularity. For example, Epstein's (1973, 2016) cognitive experiential theory (CET) is mainly concerned with the experiential and emotionally driven. However, he theorised a more global approach to a theory of personality. It does not seek for a full integration but, different to other theoretical models, it acknowledges aspects of some classic personality theories, including "self-theory, learning theory, cognitive science, psychoanalytic theory, and emotions theory" (Epstein, 2016, p. xvii), amended and adjusted by a variety of influential information. CET is an implicit self-theory, i.e. it directs people's behaviour and they prosper and adapt automatically through continuous experience, including self, other people as well as the impersonal and their interaction (Epstein, 2016). Of particular interest, implicit motives, defined as "nonverbal cognitive-affective beliefs" (Epstein, 2016, p. 41), have a positive or negative significance on approaching or avoiding things. Also, it is assumed that one's implicit theories are organised in a hierarchical manner, where the more general beliefs are backed and stabilised by a larger number of narrower ones on the lower levels that allow flexibility (Epstein, 2016).

The central notion of DPM has been emphasised by several researchers (Barrouillet, 2011; Diederich & Trueblod, 2018; Evans, 2011; Hodgkinson & Sadler-Smith, 2018; Schneider & Coulter, 2015). However, the literature is fragmented in terms of specifying features or with inappropriate application, and several critics remain about exclusively lab-based, insufficient or ambiguous evidence (Evans & Stanovich, 2013; Grayot, 2020; Sahlin, Wallin, & Persson, 2010). Despite these limitations, its dichotomy is considered theoretically significant to assist behavioural economics with the demanding undertaking of understanding why executives deviate in their SDM under influence of rational and experiential tendencies.

### 2.2.3 Summary and Interim Findings About the Framework of Theory

The two theories that were presented provide different angles that should not be observed separately but as an integral part of management and organisational science, where it is not economies or organisations that make the decision, but people (Felin & Foss, 2005).

Systems theory is a lens for OB theorists to change and improve managerial operations (Luhmann, 2017; Scott & Davis, 2007). It covers the relationship between organisations, their members and the explicit environment (Katz & Kahn, 1978; Mele et al., 2010), placed in constant interdependency and further influenced by dynamics outside their control. While the individual is underrepresented in system-theoretic approaches, personality theory, particularly the so-called DPM, contributes the second theoretic component. On the one hand, its assumption of learning from experience enabling behavioural adjustment (Epstein, 2016) perfectly matches the system-theoretic approach with its elements as adaptive open systems (Luhmann, 2017). On the other hand, the multiplicity of the human system proposes a conceptual umbrella pertaining to the way people actually process information for their SDM, including the experiential beside the rational.

As a consequence, this study draws on ontological views that elements of personality theory, when merged into systems theory, constitute an adequate reference framework for understanding the key determinants that German and Chinese executives experience as influencing their objective analysis in strategic M&A decisions as well as for

discovering the nature of their operations across contexts. Thus, both theories together are also microfoundational as they provide an enhanced appreciation of the micro-level, the levels surrounding it and how the various system components (inter-)act and affect SD rationality (Felin et al., 2015; Skyttner, 2008). Accordingly, the literature review focuses on the OST pillars with (1) the supra-system *environment*, (2) the system *organisation* and (3) and the subsystem *individual*, showing the extensive number of studies available, their mutual relationship and their application in the field of M&A.

## **2.3 The Organisational Environment: Evolution and Determinants of the Merger Market**

From the system-theoretic view, organisations are dependent on and organise according to the relations established with their environment. This is a set of determinants that may change over time and to which the system has to adapt to in order to survive (Daft, 2007; Pfeffer & Salancik, 2003; Prajogo, 2016; Scott & Davis, 2007). Against the background of this research, this study aims to understand the specific characteristics and notional role of context in which strategic M&A decisions occur, and how these affect executive's rationality.

### **2.3.1 Merger Activity in Perspective**

Merger activity has undergone a remarkable development in terms of numbers and values of transactions and its spread across industries and countries. Having mainly emerged from the U.S., M&A have become an international phenomenon over time.

The nature and evolution of merger activity is primarily described and explained on the basis of statistically available data for the U.S., where first corporate transactions were recorded in 1895 (Nelson, 1959). Studies for UK and continental Europe start to appear more than half a century later (Bi & Gregory, 2011; Gugler, Mueller, & Weichselbaumer, 2012; Petmezas, 2009), and China as the straggler documents its first significant M&A activity in 1993 (Duyster, Cloudt, Schoenmakers, & Jacob, 2015).

Displaying pioneering U.S. merger activity in terms of the number and total value of deals, shows intense cyclical up- and downward movements, strong divergence,

bursting highs and longer terms of lows, with a general rising tendency (IMAA, 2020c). In different time series and intensity, similar movements can be found on the German and Chinese M&A markets (IMAA, 2020c). Historically, these volatile time series have puzzled economists. The presumption of an underlying wave-pattern for merger activity has been largely investigated for common characteristics, resulting in six apparent waves, each with different features and specifics. The first ‘Great Merger Wave’ formed monopolies by horizontal consolidation of industrial production, where the second yielded expansion through verticalisation and moved towards oligopolies (Leeth & Borg, 2000; Nelson, 1959; Stigler, 1950; Thorp & Crowder, 1941; Weston, 1961). With low levelling in the 1930s and 1940s, M&A activity took off again after the economic depression and World War II. Lasting longer and peaking in volume, large conglomerates emerged, seeking growth and diversification (Hubbard & Palia, 1999; Nelson, 1966; Scherer & Ross, 1990). After recovery from the oil crisis and economic recession, regulatory changes and liberalisation in the smaller de-diversification wave during the 1980s paved the way for the bursting takeover boom during the succeeding fifth wave, being an international one (Andrade, Mitchell, & Stafford, 2001; Golbe & White, 1988, 1993; Gugler et al., 2012; Harford, 2005; Jovanovic & Rousseau, 2002; Ravenscraft, 1987). The most recent sixth wave was characterised by global expansion, private-equity investments and shareholder activism (Alexandridis, Mavrovitis, & Travlos, 2012; Müller-Stewens, 2010a). Since the 2008 GFC, activity slowly took up again and remains on an upward trend, indicating another wave ride.

Clustering in time, merger waves are not periodic, they have particular characteristics, with a different amplitude and interval for each cycle. Only seldom has this pattern been questioned or raised doubts (Gärtner & Halbheer, 2006; Shughart & Tollison, 1984). Yet, there have been calls for a more detailed enquiry of the different mechanisms of M&A activity (Golbe & White, 1993), where investigations on the phenomenon are weak.

The existing studies focus geographically, mainly on the U.S. and UK (Cartwright, 2005), while developing countries like PRC have only made initial efforts to track this phenomenon (Hao & Yu, 2014; Kingkaew, 2019). They either refer to some sub-periods or one wave respectively (Alexandridis et al., 2012; Hubbard & Palia, 1999; Leeth & Borg, 2000) or remain descriptive when they are more comprehensive (Gaughan, 2011; Müller-Stewens, 2010a).

Although the samples and data vary, the patterns of historical merger time series seem evidently systematic enough to reach a high level of agreement among economists about the wave-like phenomenon. The explanations indicate that their occurrence is closely related to particular externalities at that time, involving some areas and industries earlier and others later.

### **2.3.2 M&A Market Drivers and Externalities**

It cannot be denied that M&A are highly important from an economic perspective since billions of dollars are transferred during the waves (IMAA, 2020c). Cues for such time series suggests strong determinants for M&A, frequently classified as neoclassical and behavioural theories.

#### **2.3.2.1 Neoclassical Concepts**

Classic economic theory assumes efficient self-regulating markets (Smith, 1759). While Coase (1937) criticised its foundations and assumptions, e.g. perfect competition, he was one of the first to analyse mergers, including externalities in economic efficiency. His conventional model considers technological and economic advances as a trigger and assumes that the exchange of efficient and inefficient companies will self-regulate consequential effects (Coase, 1937).

Later pioneering work can be found in Gort's (1969) economic disturbance theory which is one of the rare theoretical models. He demonstrated inter-industry variation and the consistency of merger waves with severe economic, technological and regulatory changes for the 1950s. In his model the frequency of mergers is defined by valuation differences caused by economic shocks, the urge for monopoly power and economies of scale (Gort, 1969). It was generally supported by later research for the third wave (Gaughan, 2011; McGowan, 1971), the mid-1970s (Jensen, 1993) and also for the 1980s (Andrade & Stafford, 2004; Mitchell & Mulherin, 1996; Morck, Shleifer, & Vishny, 1988) that regulatory, technological and far-reaching economic changes, effected mergers and altered the industry structure. The same determinants were reported during the 1990s (Mulherin & Boone, 2000), where Andrade and Stafford (2004) provided strong evidence on disproportional power of industry shocks and intra-



industry merger, while Gaughan (2011) specified reasons of competing capital and knowledge.

Jovanovic and Rousseau (2002) utilised the discoveries of Gort (1969) and applied the Q-theory of investment on merger activity. For the first two merger waves as well as for the 1980s and 1990s, merger movements are correlated with upcoming new technological advances, applicable for entities with deviating  $q$ , i.e. market-to-book-ratio value and replacement costs of capital (Jovanovic & Rousseau, 2002). Others opposed that complementarities are the focus for asset reallocation during this time (Rhodes-Kopf & Robinson, 2004) or claimed the existence of a dual economic role, expansion and contraction (Andrade & Stafford, 2004). Beside the emergence of new technologies (Aharon, Gaviols, & Yosef, 2010; Andrade et al., 2001; Jovanovic & Rousseau, 2002) other determinants in the operating environment include deregulation (Andrade et al., 2001; Gregoriou & Renneboog, 2007; Mulherin & Boone, 2000; Ovtchinnikov, 2013), employment and financing innovation (Mitchell & Mulherin, 1996) or price shocks (Ovtchinnikov, 2013; Vasconcellos & Kish, 1998). Furthermore, positive correlation to product business cycles (Cook, 2007; Lambrecht, 2004; Ovtchinnikov, 2013), industrial production (Bittlingmayer, 1996) and corporate governance conditions (Holmstrom & Kaplan, 2001) was found.

A comparable link to market cycles was theoretically assumed by Nelson (1966) already, supported by detecting pro-cyclical attempts of M&A reflecting the underlying business cycle (Beckett, 1986; Steiner, 1975; J. Wang, 2008). Evidence was provided on the correlation of merger activity with different stages (Gregoriou & Renneboog, 2007; Jovanovic & Rousseau, 2002) for related as well as unrelated industries (Komlenovic, Mamun, & Mishra, 2011). Specifically, economic growth periods and merger activity were found to generally coincide (DePamphilis, 2019; Gregoriou & Renneboog, 2007). Arguably, others considered economics insignificant (Guerard, 1985, 1989; Weston, 1961) or emphasised that M&A time series fluctuate more than macroeconomic ones (Schary, 1991).

Nevertheless, a correlation of macroeconomic factors and M&A was assumed by Reid (1968) in his economic prosperity concept on merger activity. Although quite loosely argued, he laid some theoretical foundation for understanding the expected

interconnection between conglomerate mergers and macroeconomic performance. Later studies found interest rate development in combination with gross national product (Steiner, 1975) or gross domestic product (Beckenstein, 1979; Becketti, 1986; Guerard, 1985; J. Wang, 2008) as variables. Some confirmed the positive correlation with liquidity (Harford, 2005), cheap access to financing (DePamphilis, 2019), low interest rates (DePamphilis, 2019; Melicher, Ledolter, & D'Antonio, 1983) while more recently, others (Boateng et al., 2014) found a negative impact for cross-border mergers. Resende (2008) confirmed real output growth as further economic driver for UK merger waves since 1970.

The neoclassical approach provides a collection of explanations across industries that lead to employ various macroeconomic triggers (Becketti, 1986; Reid, 1968; Steiner, 1975). These advances discover issues on industry and market-wide relations with M&A activity, but the full range of economic variables is not examined.

Several studies base on the original work of Gort (1969), claimed to provide evidence by correlations (Boateng et al., 2014; Jovanovic & Rousseau, 2002) and statistical models with causalities (Andrade et al., 2001; Becketti, 1986; Cook, 2007). Critically, these concepts rely heavily on mathematical models as well as on the assumption of efficient markets and rational actors. Besides, all of the studies use a different methodology and sample/data that renders comparability or strong evidence impossible and presents a wide range of explanations but no specifics. It is therefore arguable whether the descriptive prediction for merger booms are sufficient to fully describe real economy happenings in their entirety.

### **2.3.2.2 Behavioural Models**

Contrary to the traditional finance paradigm, there has been increased interest in behavioural finance. These models break the assumptions of rationality and draw on the psychological underpinnings of the market participants to explain merger waves, while assuming market imperfection. Principal papers on such merger wave determinants, suggested the influence by stock prices, proven statistically (Markham, 1955; Nelson, 1959; Weston, 1961). Such positive correlation was also identified by Galbraith (1961) and Gort (1969). Additionally, Nelson (1959) indicated a correlation with stock

valuation when it is used as method of payment. For example, *Tobin's Q* relates value to replacement costs that promotes or discourages investments (Brainard & Tobin, 1968; Tobin, 1969).

Scholars (Guerard, 1989; Melicher et al., 1983; Myers & Majluf, 1984) later discovered a link between merger activity and misvaluations caused by information asymmetries during bull markets. Empirical tests report correlation between mergers, stock prices and industrial production (Guerard, 1985, 1989). It was also stressed that stock price trends prognosticate mergers (Melicher et al., 1983) as investors take advantage of temporarily overvalued equity to buy cheap (Myers & Majluf, 1984). Others indicated that company stocks have only limited influence on business activity and decision-making for PRC (J. Wang, 2008), or presented substantial evidence based on U.S. and UK data that share prices may not serve to predict merger waves, claiming the documented correlation as unstable and “spurious” (Geroski, 1984, p. 223).

Andrade et al. (2001) confirm Nelsons' (1959) notion, but also show that stock acquisitions dominate in bull markets, which is consistent with the contemporary models of Shleifer and Vishny (2003) and Rhodes-Kropf and Viswanathan (2004). While the latter is based on rational acting in shareholders' interest, the former assumes target management being short-sighted or incentivised to sell. Supplementary evidence showed the level and volatility of stock market valuations to influence the timing of mergers, promoted by imperfect information and competition (Morellec & Zhdanov, 2005). In support of this, a contemporary study demonstrated that merger activity is relative to the reference point set as a 52-weeks high stock price (Baker, Pan, & Wurgler, 2009).

Gugler et al. (2012) proved the existing overvaluation theory and the Q-theory for both, listed and unlisted companies for the 1990s. However, others found evidence only for public companies' acquisition activity, showing that private businesses take less advantage of high valuation investment climate (Maksimovic, Phillips, & Yang, 2013). Aside from the stock market, anticipation of a forthcoming efficient wave in an industry may lead to value-destroying defensive waves (Gorton, Kahl, & Rosen, 2005). Mainly in support of the industry shock theory, the single-sided model implies less interest in creating shareholder value, but interdependence.

Furthermore, the currency appreciation cycle is considered a potential indicator. Controversially, Vasconcellos and Kish (1996) found no correlation, while others found significant positive relationship (Erel, Liao, & Weisbach, 2012; J. Wang, 2008). Expected appreciation of local currency will accelerate foreign capital inflows, as during appreciation local moneys will be invested abroad (J. Wang, 2008).

These behavioural theories provide rather implication than explication that M&A activity is bound to a number of specific stances of the corporate environment. They place strong evidence on the stock and currency markets as the prominent drivers of merger activity, including expectations about future value and income. Although, they could not provide a full or the only justification, these theories imply that, beside the environmental circumstances themselves, executives' perception of these attains relevance to their actions.

Both, neoclassical as well as behavioural studies, indicate that there is more than one significant determinant, such as links between the macroeconomic environment and capital markets, and multi-cause approaches might provide a more comprehensive view on this.

### **2.3.2.3 Multi-cause Approaches**

Similar to the neoclassical concepts, Harford (2005) identified industry shocks, which are driven by various macroeconomic variables, as causes for merger waves. In his study he compared the neoclassical and behavioural approach and found results that support the former one for the 1980s and 1990s. But he claimed that together with economic, regulatory and technological changes, sufficient capital liquidity is conditional, and even decisive in triggering merger waves (Harford, 2005).

Harford (1999) already hypothesised that free cashflow pushes value-decreasing investments. It encourages firms to follow a more aggressive merger strategy (Harford, 1999; Jensen, 1986, 2003) and has a positive effect on merger trends (Shleifer & Vishny, 2003). The same applies for divestitures (Schlingemann, Stulz, & Walkling, 2002) on aggregate industry level. Accordingly, merger activity is limited by its correlation with the capital market and this in turn by the industry environment.

Other scholars (Andrade & Stafford, 2004; Maksimovic & Phillips, 2001) focussed on the industry- and firm-levels, concluding that on the one hand expansion of companies and on the other hand contraction of industries due to shocks is positively related to merger activity. Under the behavioural hypothesis, one noteworthy multi-cause model was presented by Auster and Sirower (2002). Their favourable three-stage framework combines macro factors and the competitive environment as originators. Although originally modelled to explain failure in realising expected benefits from M&A, they also include cognition, going beyond rational choice, and showed that executives' inadequate information processing, hubris, and managerial self-interest may drive M&A activity.

Overall, the recent findings about the determinants of merger market developments indicate that the corporate environment is characterised by manifold influences that vary in their magnitude and materiality over time. Beside macroeconomic determinants, behavioural factors also seem to contribute to merger activity. However, there remains little evidence on their mutual interferences. Thus, the meaning and role of the environment for merger activity remain multifaceted and to some extent intangible.

### **2.3.3 The Moderating Role of the Environment in M&A**

The previous sections have shown that the merger market is determined by a variety of characteristics. Organisations seem to take advantage of such market dynamics for M&A and the question arises how and to what extent the environment-organisation relation is nurtured by either side.

Externalities may directly or indirectly impact the organisational operations as well as potential decisions that are based on the perception of these conditions (Zhang et al., 2012). In the literature, direct influences are allocated to the task environment and indirect ones to the remote environment (Carpenter & Sanders, 2009; Daenzer & Huber, 2002; Myburgh, 2004; Zhang et al., 2012). Each of these environments may entail different degrees of importance for a company or industry, but it can be assumed that both play a considerable role for M&A. For the remote environment particular importance is attached to the (macro-)economic environment, political, technological, natural, legal, or socio-cultural developments, especially, because organisations cannot

control these dynamics and trends (FitzRoy et al., 2012; Zhang et al., 2012). The task or operational environment instead, is more organisation-specific and pertains to customers, suppliers, labour, competitors or other resources that may affect the ability to achieve business targets (Zhang et al., 2012).

Numerous research has investigated the dependence and relationship between the organisation and its environment. Initially introduced by Pfeffer and Salancik (2003), resource dependency theory (RDT) determines the availability and control over the allocation of resources, together with a monopolistic dominance as imperative attributes for interdependency (Hickson & Pugh, 2007; Pfeffer & Salancik, 2003; Yilmaz, 2013). Meanwhile, literature provides strong empirical evidence for the validity of resource-dependence when explaining OB, structures and related change (Nienhüser, 2008). It has also gained popularity in organisational studies about mergers and joint ventures (Hillman et al., 2009) where M&A are than a result of managing uncertainties or scarce resources in competing environments to secure the success of the company (Burns & Stalker, 1994; Nienhüser, 2008; Pfeffer & Salancik, 2003).

Notably, RDT assumes bounded rationality and emphasises subjective perception in judging resources, power and dependency. Nevertheless, it largely disregards the fact that the environment is also socially constructed. RDT maintains a strong external perspective that stresses the hierarchy of the environment over the organisation, where the organisation reactively adapts to environmental states. Similarly, under the contingency approach, literature suggests that the environments require a constant adaptation of the organisations for a *fit* (Adegbite et al., 2018; Burruss, Giblin, & Schafer, 2010; Daft, 2007, 2016; Kast & Rosenzweig, 1972; Prajogo, 2016).

Others have prioritised respective organisational uncertainties from the flux of environmental states (Bastian & Muchlish, 2012; Şener, 2012; Vecchiato, 2012). The latter was a logical consequence of the external environmental control and strong organisational dependence on the dynamics of such externalities (Oxelheim & Wihlborg, 2008). These have been considered in research investigating the instability and stability of the environment (Aldrich, 2008; Dess & Beard, 1984), naming velocity (Bourgeois & Eisenhardt, 1988; McCarthy, Lawrence, Wixted, & Gordon, 2010; Nadkarni & Barr, 2008; Schreyögg & Kliesch-Eberl, 2007), hostility (Elbanna & Child,

2007a; Papadakis et al., 1998; Thanos & Papadakis, 2009), munificence and dynamism (Goll & Rasheed, 2005; Li, Wei, Zhao, Zhang, & Liu, 2013; Mitchell et al., 2011; Park & Mezias, 2005) as well as complexity (Dess & Beard, 1984; Kukalls, 1991; Merigó, Peris-Ortiz, & Palacios-Marqués, 2014) to influence the degree of procedural SD rationality. However, studies indicate contradictory results. While some authors found a positive relationship between environmental threats (Fredrickson, 1985), hostility (Miller & Friesen, 1983), complexity (Kukalls, 1991) and rationality, others found negative relationships in competitive threats (Dean & Sharfman, 1993b) or even insignificant results (Papadakis et al., 1998). Critically it must be noted that differences seem also attributable to the fact that the sample and moderating variables are not heterogeneous. The more experienced and the better context is understood, perceived uncertainty decreases and influence on rationality is limited (Fredrickson, 1985; Milliken, 1987). Moreover, still many apply objective criteria to define environmental stances and measure their influence, instead of acknowledging that these are enacted as perceived by the decision-maker. Among few, Hough and White (2003) added to this debate as their multi-level study using behavioural simulation accounted for variate conditions and decisions, offering a better understanding across contexts.

For other environmental conditions, it was shown that legal policies counter managerialism and support more rational SDM in M&A (Arnold & Parker, 2009). Natural hazard instead produces distress to which managers usually do not respond rationally (Slovic, Kunreuther, & White, 2016).

Extant literature provides explanatory power that the external environment moderates strategic actions and the level of SD rationality to a great extent where structural and strategic adjustments are oftentimes considered a healing response to the (perceived) challenging environment. However, there are calls for a closer examination of the contextual variables under which the decisions take place (Hough & White, 2003; Papadakis et al., 1998; Rajagopalan, Rasheed, Datta, & Spreitzer, 1998) as well as their interaction or correlation (Papadakis, Thanos, & Barwise, 2010) in order to better understand their influence on rationality in underlying SDM procedures (Elbanna & Child, 2007a) and to provide for a more accurate and comprehensive representation (Hough & White, 2003).

### 2.3.4 Summary and Interim Findings About the Environment

Historically, existing literature provides widespread empirical and theoretical research on merger market developments and its specific characteristics as merger waves. Notably, most contributions refer to a specific period, industry, country or economy, failing to provide a consensual convincing broad theory and consistent explication of determinants, although behavioural and multi-cause approaches seem to represent reality better. In essence, research has focussed on mathematical or statistical models, trying to objectify environmental states with limited explanatory power, and adopted a partial view of environmental complexities.

There is a greater variety of determinants of merger activity that raises the need for a careful attention to be paid to the external environment, its M&A specifics and multidimensionality that influence organisational strategies and OB. The literature review reveals that the competitive environment provides for resource-dependency factors that are causally linked to potentially non-controllable environmental dynamics and insecurities. Even though literature remains with dense focus on power over resources, dynamics and related uncertainties, there are strong arguments that the perceived environment, in line with the OST approach, influences strategic actions but also on the level of rationality involved.

As merger drivers, these moderators can be clustered to demarcate market levels where diverse relations and interdependencies have been found (Figure 4).



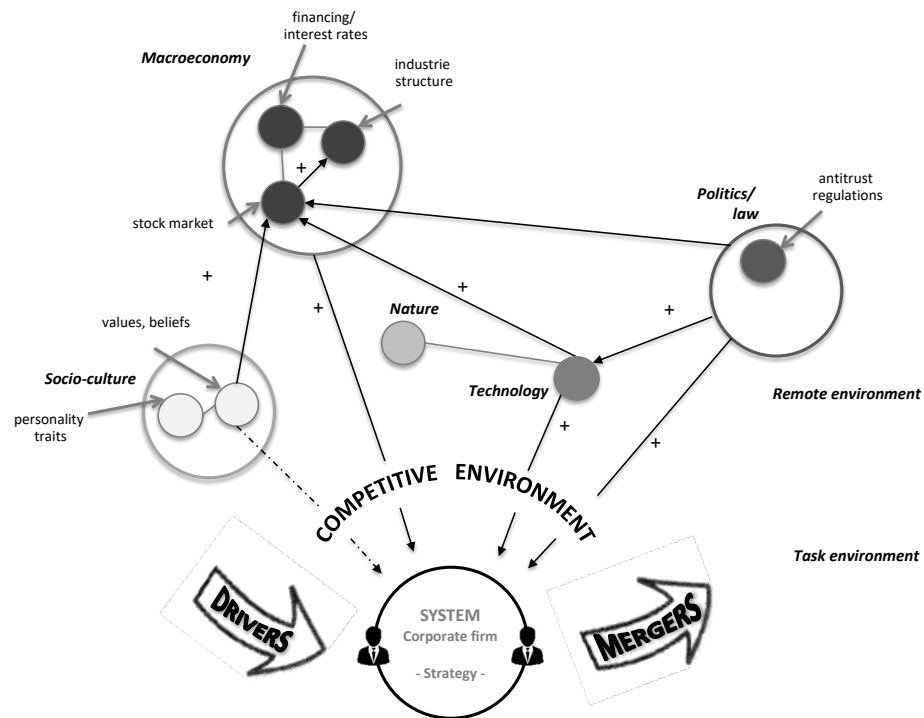


Figure 4. Main theories on M&A activity and interdependencies of drivers. Based on Katz and Kahn (1978, pp. 23-30) and Schreyögg and Koch (2015, p. 82), adapted and enhanced.

In this way, the research highlights that M&A is predominantly embedded in, and strongly driven by, existing (irrevocable) relations and determinants within the macroeconomic context. Applied to this study, volatile and changing market conditions require information about the company's environment to making better informed SIDs (Brownlie, 1994). Besides macroeconomic, political and technological hard facts, additional major forces originating from the competitive environment remain related to (mis-)evaluation and indicate managerialism or other personal/socio-cultural powers as being relevant for corporate action and strategy.

Notwithstanding that the moderating role of the environment has been determined, its relative importance in affecting SD rationality pertaining to merger activity in global marketplaces has not yet been widely explored. At the same time, other empirical studies indicated that decision-specifics and firm characteristics are even more significant to influencing rationality in SDM (Elbanna & Child, 2007a; Hannan & Freeman, 1977).

## **2.4 The Organisation: Investment Strategy M&A**

In the context of the described challenges from the organisational environment each company has to procure its individual corporate strategy and goals (Thompson & Martin, 2010). Therefore, it appears expedient to draw on the strategic and organisational management literature investigating particularities of the corporate system, its motivations and adaptational responses to these environmental conditions. In order to understand their goal setting and attainment this includes firm characteristics as well as aspects of investment strategy, along with the internal procedures and SDM content of M&A.

### **2.4.1 The Corporate System**

#### **2.4.1.1 Corporate Strategy, Strategic Management and Firm Performance**

There is extensive research on the concept of corporate strategy formulation and implementation, and numerous models abound in the SM literature (Mintzberg, 1990). Fathered by Chandler (1962) and Ansoff (1965) as a descriptive concept, Porter's (2004, 2008) *Five Forces* framework has made a significant contribution as a normative concept and is largely recognised to account for the impact of competitive forces on corporate strategy. Other scholars have looked at shareholder value creating strategies (Rappaport, 1986), or influentially included additional forces of resources (Hofer & Schendel, 1978; Pfeffer & Salancik, 2003), or the corporate environment (Mintzberg, 1979; Suarez & Oliva, 2005; Thompson & Martin, 2010) that require strategic alignment from time to time. What these have in common is that they see strategy as expressing the organisational long-term direction, to attain "advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations" (Johnson, Scholes, & Whittington, 2008, p. 3).

Strategy formulation and implementation are the outcome of a formal process at the discretion of the top management of a company (Chandler, 1962; Johnson et al., 2008). It can also involve shareholders and other stakeholders who may have different visions for the company (Panda & Leepsa, 2017). At the same time, it requires the top management to continuously accomplish appropriate initiatives, maintaining the

company in a homeostatic balance by protecting and enhancing organisational value, securing targeted strategic objectives, even under perturbation (Teece, 2018). Thus, continuous examination and analysis of the environment and internal structures (Buckley & Casson, 2019) enriches and updates the decision basis for managers in SIDs and directs SM with a controlling, regulation and adjustment function (FitzRoy et al., 2012).

Strategy has been related to numerous deliberate complex choices (Porter, 2004, 2008; Thompson & Martin, 2010) and the process of SDM and control over business resources, ultimately pertaining to firm performance, have been studied by various researchers. Furthermore, strategy has been considered “as a process of organizational rationality” (Xue & Guo, 2013, p. 14), and past strategies as well as past performance have been found to be positively related to rationality in decisions (Eisenhardt, 1989; Elbanna & Naguib, 2009; Jones, Jacobs, & van’t Spijker, 1992). However, it has also been argued controversially that non-performances are much more pressurised for rational action while performing companies rely more on their previous success (Cyert & March, 1963; Fredrickson, 1985).

The following will review more closely which corporate characteristics oppose a fully rational approach.

#### **2.4.1.2 Firm Characteristics**

Several studies have found that specific features of a company, in particular firm size and ownership type, affect SDM comprehensiveness and process.

##### ***Firm Size***

The size of the organisation has been mentioned in several studies as being significant for decision comprehensiveness, but with contradictory results. For instance, Child (1972) and Fredrickson and Iaquinto (1989) posit a negative relationship. Others found that with increasing size, procedures become increasingly formalised and more experts get involved, which was related to rationality (Child & Mansfield, 1972; Elbanna, Child, & Dayan, 2013). Similarly, Nooraie (2008) asserted a positive relationship between firm size and rationality, and decentralisation of the SDM process. Yet, others

(Dean & Sharfman, 1993a; Elbanna & Child, 2007b; Meissner & Wulf, 2014; Papadakis et al., 1998) have found no significant relation.

While it must be noted that studies have used distinctive definitions of size, they mostly refer to number of employees, but because of different dependent variables the studies provide inconclusive results. Despite its regular mention in the literature, it remains ambiguous whether firm size exerts particular influence on SD rationality in M&A.

### ***Ownership Type***

In their study, Papadakis et al. (1998) established that Greek privately-owned companies follow less rational decision processes than state-owned or larger multinational companies. More studies however investigated entrepreneurs and found that those are affected by a lack of time for a thorough, rational SDM process (Busenitz & Barney, 1997). From another perspective, Grieco (2007) confirmed that while managers are associated with more routine decisions than entrepreneurs, they are more rational. Sarasvathy (2008, p. 9) provided similar explanation but claimed that “entrepreneurs are entrepreneurial, as differentiated from managerial or strategic, because they think effectually”. Indeed, novice entrepreneurs or start-ups are found to be less rational in their decisions and several researchers have therefore made a differentiation in category and generation of entrepreneurs (Alderson, 2011; Gibcus, Vermeilen, & Jong, 2009).

Others argued that SOEs tend to establish political affiliations, limiting their SDM process to conformity with institutional pressures (Cui & Jiang, 2012) but applying more comprehensive and therefore rational SDs (Papadakis et al., 1998). Likewise, Huang (2009) found that firm’s ownership has a considerable effect on political activities and showed that small- and medium-sized enterprises (SMEs) get much less involved in this area. They also provided some confirmation that for SMEs the process is less complex, faster and relies on personal networks, while processes are still less formalised (Huang, 2009). Additional distinction is made between family and non-family managers, the latter assumed to be less emotionally involved, acting more professionally and logically (Block, 2011), performing in good faith (Verbeke & Kano, 2012), which may diminish over time.

From the extant literature it is tentatively presumed that firm characteristics exert significant influence on SDM processes, relative to other organisational properties. Critically, there is not yet any study providing evidence for a direct influence on the degree of executives' rationality because there is hardly any research across ownership types. It misses firm characteristics as an independent variable but rather uses specific corporate form as a unit of analysis. It seems however advocatable that there is some indirect relevance: the bigger the organisation and the stronger the external enforcement on the company due to ownership type, the less room is left for executives' non-rational assessment to penetrate SDM. Thus, the exigency of compliance with corporate governance structures must also be considered.

### **2.4.1.3 Corporate Governance**

In spite of the crucial role of SDs, the picture emerges that companies are assumed to operate in accordance with their formal structures (Daily, Dalton, & Cannella, 2003; Green & Shapira, 2018). Embracing all legal and factual regulatory frameworks and internal mechanisms, these are covered under corporate governance aspects that are necessary to safeguard the interests of all stake-/shareholders as well as the functioning of the company.

#### ***Organisational Slack***

Despite its dependence on resources, as discussed earlier, there is little literature investigating the influence of their availability on SD rationality. Nooraie (2007 as cited in Nooraie, 2012) suggested that access to resources is positively related to the extent of rationality in SDM, and Alessandri (2008) indicated that absorbed slack moderates perceived risk and procedural rationality. Others only mention that slack is positively related to innovation and investments (Hong & Shin, 2019; Richtnér & Ahlström, 2006; Tong & Reuer, 2007) or performance (Guo, Zhou, Zhang, Hu, & Song, 2018), but do not make a distinction whether these rely on rational decisions or not. In a reverse view, other attempts have rather focussed on the power over existing resources or high-power roles that foster a departure from rational action (Fast, Sivanathan, Mayer, & Galinsky, 2012).

### ***Hierarchical Structure and Power Centralisation***

Whereas Shrivastava and Grant (1985) advocated that formal structures and the centralisation of power can help to rationalise decision-making processes, but in their study, Miller, Burke, and Glick (1998) claimed a negative relationship. Miller (1987) found rationality and both formal integration and centralisation in SDM processes to be positively related, particularly for successful and innovative companies. Similarly, this has been confirmed by several studies (Elbanna & Child, 2007a; Rajagopalan, Rasheed, & Datta, 1993). Others found power centralisation to encourage political behaviour among executives (Child, Elbanna, & Rodrigues, 2010; Eisenhardt & Bourgeois, 1988; Huang, 2009), which may also influence rationality in SDM.

Further research investigated that centralisation in firm's decision-making structure induces faster pace in judgement over alternatives by the executive, and also process formalisation to slow down the pace (Wally & Baum, 1994). The literature also indicates the relevance of the type of corporate control and planning formality, which is similarly interrelated with organisational ownership type, where external control is negatively related to rationality (Dean & Sharfman, 1993a). While extant studies provide an objective perspective of the influence of high-power roles on rational processes, they miss to account for executive's subjective sense of power that may direct their behaviour differently.

### ***Agency and Stewardship***

One aspect often related to formal structure and big organisations is the separation of the principal or shareholder and the managing agent, so-called agency theory (Jensen & Meckling, 1976), whereas family managers are usually assumed to act as stewards, in the best interest of their own company (Kotlar & Sieger, 2019). Extant literature draws almost exclusively on the structural relationships, i.e. it has been claimed that different risk preferences, agent compensation and governance structures (Filatotchev & Wright, 2011; Glinkowska & Kaczmarek, 2015; Panda & Leepsa, 2017) cannot fully control agent's actions in favour of the company. With this agency view, the organisations are in need of independent "effective monitors and gatekeepers" (Marnet, 2008, p. 4) who expedite more rationality and ethics (Morck, 2008). Corporate governance, code of conduct and strengthened legislation have been enforced over the past few years, but still the influence of bias and pressure on those agents (Marnet, 2008) or their self-

interest (Bosse & Phillips, 2016) are claimed to be underestimated. At the same time, the unilateral view on only the agent side has been criticised (Kotlar & Sieger, 2019; Pouryousefi & Frooman, 2017) and deemed “under-socialized” (Westphal & Zajac, 2013, p. 607).

This has led to the development of a behavioural agency theory that is based on the idea of bounded rationality (Pepper & Gore, 2015; Westphal & Zajac, 2013). Several researchers have emphasised its importance and attempted to investigate behavioural dynamics in corporate governance more closely. However, even while promoting the behavioural perspective these studies have either remained a conceptualisation of notional implications (Morck, 2008) or a theoretical idea (Leblanc & Schwartz, 2007; van Ees et al., 2009), and in each case have failed to provide a coherent concept.

For emerging economies, specifically the SOEs in China, there has been considerable discussion about the governance in SDs that raised the issue of principal-principal-conflict. In this case, the state holds the majority in shares altering the dynamics of corporate governance processes contrary to shareholder interests (Chen & Young, 2010; Young, Peng, Ahlstrom, Bruton, & Jiang, 2008).

Overall, it seems that the company’s strategy formulation and implementation in governance is at odds when it comes to initiating action to achieve business goals with a stringent rational vision. Even though literature has included aspects of bounded rationality it neither presents rigorous nor homogeneous results. Moreover, they seem contradictory: on the one hand, power centralisation leads to higher rationality, but on the other hand, this central agent tends to be rather non-rational. It therefore seems necessary to delve deeper into the underlying operations that follow governance.

## 2.4.2 Strategic Decision-Making in M&A

### 2.4.2.1 Corporates' Urge to Merge

As a particular strategy, M&A have gained importance in the context of corporate's objective of long-run profitability. They allow to quickly attempt growth revenues and boost efficiencies, where organic growth has reached its limit, under pressure from globalisation, bull markets and fast emerging innovation (Junni & Teerikangas, 2019).

Using ones assets more efficiently (Penrose, 1959) is likely to be considered the original motivation for merging the operations of two corporates (Bradley et al., 1988; Seth, 1990b; Shaver, 2006; Singh & Montgomery, 1987). For both shareholder parties, the most obvious synergistic drivers are based on efficiency theory. But evidence is contradictory as regards justifying motives. Some have found operating synergy to be a driving force, namely economies of scale or scope in production and distribution (Healy et al., 1992; Houston et al., 2001; Lambrecht, 2004; Porter, 1987; Ravenscraft & Scherer, 1987; Seth, 1990a) or economies of experience (Prahalad & Hamel, 1990; Visconti, 2020). Others focused on financial synergies like depreciation-related tax benefits (Hayn, 1989), financial leverage (Gosh & Jain, 2000) or both (Glaum & Hutzschenreuter, 2010; Kerler, 1999). Beside this variety, studies postulate synergies to be a principal motive, prevailing in 75% of the mergers during 1963 until 1988 (Berkovitch & Narayanan, 1993) and remain very important nowadays (Mukherjee, Kiyamaz, & Baker, 2004; Ström & Nakamura, 2014). Where the synergy hypothesis is the most obvious explanation, numerous studies indicate that exactly the opposite seems to happen for the majority of M&As carried out during the past decades: the actual performance of the firms seldom realises such synergistic claims after the merger (DePamphilis, 2019; Gaughan, 2011; Porter, 1987; Roll, 1986; Sirower, 1997).

Moreover, a so-called “collusive synergy” (Chatterjee, 1986, p. 120) makes companies seek increasing market power and size advantages. Market power or monopolies primarily target limited competition (Porter, 1985; Ravenscraft & Scherer, 1987) and allow stock price increases with additional returns (Walker & Hsu, 2007). Their great significance was proven as it was the underlying reason for the first merger wave respectively. Mainly benefitting the merging parties, but also competitors, both



participate in gaining wealth at the expense of the customers by increasing their own prices and production. Eckbo (1985) provided supporting evidence by finding positive abnormal returns for competitors at a public announcement of a merger, and Elango, Dhandapani, and Giachetti (2019) for international mergers in low-regulated areas. Others could not prove such correlation for horizontal mergers (Stillmann, 1983) or international mergers (Federal Foreign Office, 2020). Basically, synergy is doubted, where such motivation is presumably officially restricted (Kerler, 1999) and anti-trust and monopoly law are preventing market power, thus reducing expected returns (Elango et al., 2019).

Beside this synergistic focus of research, attention has also been paid to corporate and product diversification, as an underlying explanation for the third wave (DePamphilis, 2019) as well as brand acquisitions (Newmayer, Swaminathan, & Hulland, 2016). Furthermore, the recent past has seen increasing motivation by organisations to obtain the power over new technologies and knowledge quickly (Ranft & Lord, 2000, 2002) while acquiring innovations at the same time (Graebner, Eisenhardt, & Roundy, 2010). Other studies have found mergers commodity price-driven and motivated by long-term wealth from natural resources (Ng & Donker, 2013; Phan, Tran, & Nguyen, 2019).

The literature also provides evidence that there are usually not only one but multiple reasons for a merger, which range from growth perspectives and manager protection (Donaldson & Lorsch, 1983; Nguyen, Yung, & Sun, 2012), diversification, stability and securing human capital (Amihud & Lev, 1981), corporate growth and executives' job security (Shleifer & Vishny, 1989), or market timing and synergies (Arnold & Parker, 2009; Berkovitch & Narayanan, 1993; Hodgkinson & Partington, 2008; Nguyen et al., 2012). Two of the studies also mention a motivation by personal goals (Berkovitch & Narayanan, 1993; Nguyen et al., 2012). Any such motive provides a reason for strategic M&A considerations, and mostly is concerned with opportunities that the organisation strives to exploit. Findings of earlier studies suggest that the decision motive may have an impact on SDM centralisation when perceived as a threat or concerning reorganisations (Papadakis et al., 1998) and is positively related to SD rationality and effectiveness (Elbanna & Child, 2007b; Fredrickson, 1985; Mintzberg et al., 1976).

Since despite such multiple and perspective-rich motivation goals often remain unattained, it is assumed that decisions pertaining to new business investment is significantly negatively related to rationality. However, there is little research investigating this, apart from Rajagopalan et al. (1998) and Fredrickson (1985) who confirmed this relation. Subsuming, rationality does not only seem to be determined by M&A goals, but by other specific factors of content and process that become apparent during implementation.

#### **2.4.2.2 The Relevance of Decision Content**

M&A decisions have been labelled as strategic while they entail particular prominence for the organisation (section 1.2.2). Extant literature indicates that the respective decision-specific characteristics are critical for the assessment and judgement, as they affect the degree of rationality in SDM (Elbanna & Child, 2007a; Rajagopalan et al., 1993).

Early research simply suggested that the nature of the decision is of relevance (Simon, 1987a). As pioneers, Rajagopalan et al. (1993) compiled a framework going beyond pure descriptive decision process characteristics and specified aspects such as impetus, urgency, significance, uncertainty/risk or complexity. But later research attempts delivered inconclusive results. While some found the importance of the decision or magnitude of impact positively related to decision rationality (Elbanna & Child, 2007a; Nooraie, 2008; Papadakis et al., 1998), others did not find any correlation (Dean & Sharfman, 1993a). As further characteristics, familiarity with the decision type is considered significantly negatively related to rationality in SDM processes (Gary, Wood, & Pillinger, 2012; Nooraie, 2011) and positively related to politicisation (Nooraie, 2011), but Papadakis et al. (1998) could not evidence any correlation. Similar inconsistencies exist pertaining to threats or crises, as compared to opportunities. While some found threats positively related to decision comprehensiveness and rationality (Dutton, 1986; Papadakis et al., 1998), others found no such impact among experienced executives (Fredrickson, 1985).

Moreover decision risk and uncertainty are viewed as the “nub of decision-making” (Butler, 2002, p. 224) and many research studies identified these as key factors to foster

rationality (Elbanna & Child, 2007a; Hastie & Dewes, 2010) and comprehensiveness (Alkaraan & Northcott, 2013; Verbeeten, 2006) even though others found opposite results (Dean & Sharfman, 1993a). Additionally, complexity evokes more intuitive SDM processes (Hensman & Sadler-Smith, 2011; Sadler-Smith, 2008).

Notably, in the recent past, decision research has not paid much attention to the relevance of decision content, but focussed on context. Nevertheless, there is quite a consensus on some SD characteristics, especially imponderable or ambiguous ones, with the peculiarity that these are subject to executive's perception. Therefore, it is not surprising that results from different context/sample are inconsistent as regards their impact on SD rationality. Although lacking wider empirical evidence the overall relevance of M&A-specifics and decision content tend to be noteworthy determinants for SD rationality and should be taken into consideration when investigating its microfoundations. This is also because of its close connection to decision process. Decision's magnitude of impact (Nooraie, 2008; Papadakis et al., 1998) was also found positively related to decentralisation in the process. Similarly, inherent threat or pressure foster hierarchical decentralisation (Dutton, 1986; Papadakis et al., 1998) whereas Milburn, Schuler, and Watman (1983) found centralisation as immediate response. Consequently, the SDM process applied may evolve different degree of procedural rationality.

#### **2.4.2.3 Insights into Process and Practice**

Research into the nature of the strategy process has long lagged behind that on its content (Rajagopalan et al., 1993, p. 350). Several researchers, however, have stressed the importance of investigations on SDM process where the findings help to improve executive's decision-making effectiveness and thus promote the success of the merger (Friedmann et al., 2016; Shephard & Rudd, 2014; Walter, Kellermanns, & Lechner, 2012).

Literature provides for a widely differing range of studies. Early SDM models considered the process as a well-coordinated, rational-analytic approach of reasoned choices from an available set of alternatives (Ansoff, 1965; Sykianakis, 2012), following formalised processes (Shrivastava & Grant, 1985). Other studies mentioned

personal incentives and unequal power between negotiators (Pettigrew, 2014) while the process became a course of decisional activity (Mintzberg et al., 1976). Rajagopalan et al. (1993, p. 351) noted that such SDM processes obviously vary depending on the “contextual antecedent factors”, environmental conditions, organisational requirements and past experiences, and the specifics of the decision, confirmed by later research (Alkaraan & Northcott, 2013).

As a consequence, SDM process considerations depart from the classic view effected by diverse characteristics: duration of the process (Ariely & Zakay, 2001; Campos, Parellada, Valenzuela, & Rubio, 2015; Schilit & Paine, 1987), politicality (Child et al., 2010; Elbanna, 2006; Gakure & Orwa, 2012; Omisore & Nweke, 2014), executive involvement (Bailey & Peck, 2013; Carmeli & Tishler, 2011), as well as the degree of rationality and comprehensiveness (Fredrickson, 1984; Fredrickson, 1985; Fredrickson & Mitchell, 1984; Goll & Rasheed, 2005; Nooraie, 2008, 2011; Papadakis & Barwise, 2002; Rajagopalan et al., 1993). These all influence particularly the decision outcomes (Alkaraan & Northcott, 2013; Elbanna, 2006).

The literature appears relatively consistent in describing the SDM process by sequential steps or phases (DePamphilis, 2019; Galpin & Herndon, 2000; Jansen, 2000; Krallinger, 1997; Papadakis & Barwise, 2002; Rockholtz, 1999; Wöhler & Cumpelik, 2006), continuous and involving formal planning (Goll & Rasheed, 2005). Even though the number of phases and allocation of actions to this advance differently in research, the contents seem similar. Despite a linear model-like structuring and systematic placement of sub-processes are postulated as ideal-typical, different views arose. DePamphilis (2019) and Wöhler and Cumpelik (2006) see a well-structured process advantageous to evaluating the upcoming opportunity with regard to its supporting role in achieving the business plan target. Likewise, the analytical hierarchy process organises SIDs along priorities, structured in a hierarchy from goal to objectives, through subsequent dependent levels, to alternatives (Saaty, 2008). Controversially, Kirchner (1991) among others, adduced that such perspective implies intentionally rational planning and acting. Besides, a structured process may hinder the consideration of upcoming (un-)anticipated opportunities (e.g. increasing information) to the extent needed (Hill & Jones, 2001; Schreyögg & Kliesch-Eberl, 2007). Multitude and complexity are abandoned. The visually and analytically differentiated phases are to be seen integrated,

iterative, and do not correspond a chronological order (Jansen, 2000). This is why the consecutive attempt is oftentimes criticised (Berens, Mertes, & Strauch, 2013; Kirchner, 1991; Rockholtz, 1999).

M&A transactions are generally not bound to explicit rules, but specifics and business procedures developed over time. When applying any model to practice, the stages are not linear but almost always parallel and interlinked, being interdependent and with reciprocal action (Galpin & Herndon, 2000; Jansen, 2000). It allows the reduction of complexity and saves time but requires a consistent decision (Lucks & Meckl, 2002). Also, in practice, this route is not happening in exactly the same way for all mergers and obviously less complex compared to theory (Huang, 2009). As analysed in the previous sections, the business environment is changing, constantly requiring a procedure that follows the call for flexibility in decisions under time pressure (Baum & Wally, 2003; Eisenhardt, Furr, & Bingham, 2010; Meglio, King, & Risberg, 2017; Schreyögg & Kliesch-Eberl, 2007), or according to strategic relevance (Nooraie, 2008; Papadakis et al., 1998). Insofar, the process from planning to integration gives particular strategy-level guidance to keep managers on track, forcing them to clearly and critically think about the transaction (Borghese & Borghese, 2001) but also becomes subject to structural inertia (Hannan & Freeman, 1984). Favouring flexibility at the expense of structure overlooks the critical aspect of involving corporate-specific and personal interferences in SDM.

Models of SDM process - from strategy to PMI - remain mostly one-dimensional and partly underspecified, or over-formal. In theory a structured, more formalised SDM process purports better decisions through rationality, but practically this raises a paradox. SDM in M&A requires flexibility and decision speed (Baum & Wally, 2003; Meglio et al., 2017). Such mismatch between theoretical models and reality entails possibilities for the executive decision-makers to (un-)intentionally engage behaviours that hinder procedural SD rationality, rather establishing this as a persistent routine (Haleblian, Kim, & Rajagopalan, 2006).

### **2.4.3 Summary and Interim Findings About the Organisation**

Extant literature reveals investment decisions like those pertaining to M&A as strategic. As such they have special importance for the company, governed in internal guidance, but current studies indicate that particular inherent corporate and M&A decision specifics effect SD rationality and process nevertheless.

It may be tentatively concluded that perceived strategic benefits like synergies, market power and profit potential become the lure for organisations. At the same time, extant literature demonstrates that the recognition of decision specifics, implementation of procedures and corporate governance structures leave room for managerial discretion, fostering speculation about characteristic managerial utilities of both the individual executive and the TMT. Despite several pitfalls to non-rational SD behaviour on the organisational level, empirical evidence appears to be weak, though rarely limited and still largely inconclusive as regards a direct influence of the organisational system and decision characteristics on SD rationality. This is especially true with regard to the inadequate consideration of the specifics of strategic M&A decisions.

Despite much progress in investigating process routines and organisational capabilities of different corporate forms and acknowledging bounded rationality, insufficient attention has yet been paid to understand such heterogeneity and its individual-level origins. Therefore, it is essential to go beyond the firm level, understanding strategy, process variables, organisational performance and decision efficiency in temporal environmental conditions, and to investigate those who ultimately make the SID.

## **2.5 The Individual: Experiential Tendencies in Choice**

Incidentally the current state of knowledge questions whether sound objective analysis is replaced by subjective (human) cognition in choice and whether executives' personality traits affect SD rationality respectively. Therefore, this section looks at the individual decision-maker and reviews behavioural strategies in SDM processes. It further includes an outline of the potential anchored conduct stemming from people's social and cultural environment whose existence has already been well documented in related literature or akin. In addition, aspects of group behaviour are reflected where a

single human individual is also always part of a TMT.

### 2.5.1 Beyond Executives' Choice

Beyond quantitative decision-making models, the personal predispositions or cognitive limits have occupied a central place in psychological literature over decades. A departure from the rational economic man in SDM has made room for several behavioural concepts of executives' choices.

#### 2.5.1.1 A Departure From the Rational Economic Man

##### *The Economic Man*

Neoclassic decision theory considers the *economic man* to behave economically optimising and therefore rational (Cartwright & Schoenberg, 2006; Schumpeter, 1949), maximising expected utility (Baumol, 1979; Markowitz, 1952; von Neumann & Morgenstern, 2007). Yet, it assumes individuals acting reasonably, with full or perfect information and time needed to weight the choice between the available alternatives to reach their best target. Aware of all the consequences (Baumol, 1979; Kirchgässner, 1991; Simon, 1955; Tomer, 2008), executives' base their decision upon knowledge, expectations and experience (Cartwright & Schoenberg, 2006). Rationality expresses a style of behaviour considered suitable to the realisation of given goals, within compulsory limits, set within given conditions and constraints (Simon, 1972).

The normative concept of rationality is used in economic modelling to enable description and prediction of human behaviour, where their cognition works as a perfect computational device (Secchi, 2012). Generally, the rational model is based on the assumptions of expected utility theory (Shiller, 2005). It has its origins in Bernoulli's conception, was further advanced with standard axioms (Luce & Raiffa, 1957; von Neumann & Morgenstern, 2007) and subjective probability measure (Ramsey, 1931; Savage, 1972), specifying the different dimensions of utility to predict behaviour and focusing on pervasive economic facts. These are probabilities, which the decision-maker objectively knows (von Neumann & Morgenstern, 2007) or subjectively establishes (Savage, 1972). Actual psychological discoveries in behaviour patterns, however, contradict its capability (Sahlin et al., 2010). Rather than proving it,

adaptations of rational choice allow repetition and variety (Dietrich & List, 2013) whereas other studies only undertake a historical review of rationality in economics (Hollis & Sugden, 1993; Sugden, 1991; Zafirovski, 2008).

In point of fact, there were considerable critics regarding the presupposition of perfect rationality (Bourdieu, 2005; Simon, 1987a; Tversky & Kahneman, 1981), anomalies detected in experiments exceeding random error (Akerlof & Yellen, 1985; Kahneman & Tversky, 1992; Thaler, 1992) and the fact that essential features of complex reality are abstracted (Lee, 2011). Others claimed a “drastic revision” (Simon, 1955, p. 99) or consider the neoclassical approach defective, whereas neither induction nor methodological individualism are included (Nell & Errouaki, 2011). Besides, the derived preferences of the decision-maker and rational pursuit are challenged (Dietrich & List, 2013). By experiment it was shown, that rational choice is general and uniform, but inadequate to realistically map decision-making (Miljkovic, 2005). As such, the classical approach is considered at best in some way incomplete. While economists seem to shy away from unmanageable non-economic factors, social scientists, especially psychologists, have started further research about the underlying cognitive mechanisms that affect rationality.

### ***The Administrative Man***

In consideration of real decision-making conduct, Simon (1997) introduced a relative to the economic man, the *administrative man*. He claimed “cognitive limitations of the decision-maker - limitations of both knowledge and computational capacity” (Simon, 1987a, p. 266), simplifying the situation and bounding rationality.

The idea of bounded rationality derives from the Carnegie School (Cyert & March, 1963; Simon, 1955), including psychological aspects into corporate finance and extending rational choice. In organisational contexts, especially SDs, inherent complexity and uncertainty demand reliable predictions and solutions. Simon (1957) postulates that human mind cannot solve complex, or even reasonably approximate, objective rationality, leading to employ alternative cognitive abilities in decision-making, practicably satisficing. His (Simon, 1955) pioneering model is clearly described and sound. It is underpinned by experimental findings documenting deviations from standard rational choice theory, representing initial and guiding



advances to an alternative theory. It offers a more plausible view of human decision-making, limiting rationality by risk and uncertainty, incomplete information and complexity (Simon, 1972), but without giving up the notion of rationality altogether. In addition his model is special while focussing on the procedure of choice, moreover on the environment of the decision-maker rather than merely its outcome (Gigerenzer & Selten, 2002). However, he did not explain why protagonists in his theory satisfice rather than maximise nor learn from experience (Sent, 2018).

Others considered rationality imperfect, searching for reasonableness (Watkins, 2009), naming it deliberate (Rawls, 2003), limited (Gershuny, 1978) or selective (Leibenstein, 1976). Rubinstein (1998) explored various models of bounded rationality in depth and relates problems from standard rationality. Lacking experimental or empirical analysis this study is an excellent overview of existing literature, providing linkages between concepts. It becomes obvious, that the concept of bounded rationality gained increasing interest, with profound impact on understanding organisational decision-making (Lee, 2011; Williamson, 1998). By relating problems of decision and control to opportunism and bounded rationality, Williamson (1998) implied that individuals act widely self-interested, both within and between organisations.

From a different angle, Nelson and Winter (1982) stressed that companies are not able to optimise in persistence of routines. Deviating from Simon's (1997) approach they did not reflect organisational motives in their modelling, which was earlier shown to be particularly relevant. Further supporting evidence can also be taken from close disciplines. Especially models for understanding financial market developments (Barberis, Shleifer, & Vishny, 1998; Daniel, Hirshleifer, & Subrahmanyam, 1998; Hong & Stein, 1999) give a strong indication of equally bounded rationality in M&A investment decisions.

The notion of bounded rationality has occupied an important place for organisational research (Gigerenzer & Selten, 2002; Rawls, 2003; Rubinstein, 1998; Watkins, 2009; Williamson, 1975, 1985). It has proven viable to formalise deviations from neoclassical convictions and provide accounts of effective behaviour. Although these have become popular in behavioural economics research, criterion is weak and it is seldom explicitly unveiled or precisely defined how and by which properties bounded rationality appears

in organisational behaviour or how it may be incorporated into SDM models. Notwithstanding these limitations, the basic assumptions from bounded rationality provide a rich basis for considerable behavioural influences in the context of SDM. Moreover, its variable boundedness provides foundation for non-rational decisions and fits the theoretical approach of CET.

Following the assertion that executives are rational to the limits of their own capacities some concepts emerged pertaining to such limits of cognition, willpower and self-interest.

### **2.5.1.2 Emerging Concepts of Managerial Cognition and Behaviour in Organisational Strategic Decisions**

Due to increasing interest by researchers and OB scientists in investigating decision-making processes, over time some theoretical frameworks have been developed that claim to introduce psychological aspects into SM (Powell et al., 2011). Although these concepts may not be specific to SDM and M&A they were found to highlight important aspects that can support the understanding of SDM behaviour in M&A. Among these, upper echelons (UE), image theory and the dynamic capabilities framework were most frequently mentioned and applied in the literature and are therefore further outlined.

#### ***Upper Echelons***

UE has evolved substantially in organisational and strategy literature. It is concerned with how top managers' characteristics create an impact on SD and firm performance (Hambrick & Mason, 1984). The model is based on the assumptions of bounded rationality and focuses on observable characteristics and demographics (e.g. age, tenure, education, socioeconomic roots) given the difficulties in obtaining psychological data from executives, while admitting, that "some important but complex psychological issues are [hereby] bypassed" (Hambrick & Mason, 1984, p. 196). Hambrick and Mason (1984) emphasised the importance of understanding the mental models of executives and acknowledged that strategic choice is governed by the decision-maker's values and cognition resulting in a selective perception and interpretation.

In later refinements of the theory, psychological appearances that emerged in the so-called “black box” (Lawrence, 1997, p. 2; Rost & Osterloh, 2010, p. 213) are awarded more interest, and besides the individual, group characteristics are also factored in (Hambrick, 2007; Wang, Libaers, & Jiao, 2015). Respective moderating variables are managerial discretion (Hambrick & Finkelstein, 1987) and executive job aspirations (Hambrick, Finkelstein, & Mooney, 2005), TMT composition and intra-group power (Díaz-Fernández, Gaonzález-Rodríguez, & Simonetti, 2020; Finkelstein, 1992) as well as TMT behavioural integration (Hambrick, 1994, 1995; Lubatkin, Simsek, Ling, & Veiga, 2006; Wang et al., 2015). Over the past decade demographic characteristics like gender diversity (Del Carmen Triana, Richard, & Su, 2019; You, Terjesen, & Bilimoria, 2018), TMT nationality diversity (Boone, Lokshin, Guenter, & Belderbos, 2019; Nielsen, 2016), and dominant coalitions (Zhang & Greve, 2019) have been added. Researchers have tested UE in several industries and specific contexts (Abatecola & Cristofaro, 2016; Bach & Lee, 2018; Lee, Sun, & Moon, 2018; Schmid, Wurster, & Dauth, 2015) with different results pertaining to the applicability of the respective characteristics.

The idea behind UE seems to generally advocate a more realistic prescription and understanding of why executives make the decisions they do. Unfortunately, the empirical testing of the latest developments and upgrade of UE remain weak, while at the same time bounded rationality is taken for granted and seldom explicated. The majority of literature has focused on demographic proxies for managerial traits, or leadership, instead of psychological attributes and their influence (Bromiley & Rau, 2016; Oppong, 2014), or even an overarching view of the organisational context (Yamak, Nielsen, & Escribà-Esteve, 2014) that may affect executives' SD behaviour.

### ***Image Theory***

Image theory instead, gives primacy to the social context of individuals' decisions (Beach & Mitchell, 2005) by clarifying how people actually process information for decision-making as a response to the dynamic environment, or to corporate constraints and others' as well as personal preferences (Beach & Mitchell, 2014). It is based on the assumption that not all decision alternatives will be weighted by the decision-maker but instead people compare decision alternatives based on cognitive representations and experiences, represented as images: value, trajectory and strategic (Huning, Bryant, &

Brown, 2012). If alternatives do not fit these images they are automatically screened out. They factor in the subjective perspective of the executive, whereas the value image reflects principle beliefs, morals and ethics of the decision-maker, the trajectory image concerns their goals, and the strategic image pertains to their tactics and ways adopted to achieve the goals including the expected consequences, i.e. their greatest benefits (Beach & Mitchell, 1998). Image theory is thus based on the rational concept of subjective utility enriched with intuitive choice of options (Beach, 1990). It may therefore miss other personal motives and not adequately picture non-rational conduct.

Image theory categorises itself as “a second generation behavioural decision theory” (Beach & Connolly, 2005, p. 180) moving towards more realistic, actual attempts of decision-making. It has served as a basis to forecast different behavioural conduits of individuals, particularly pertaining to employee turnover given certain image violations (Lee, Horn, Eberly, Li, & Mitchell, 2017; Tang, 2016), or investigated potential other psychological factors that result in such images (Nelson, 2004). It has been adapted to describe both individual and organisational decision-making, but it remains silent about their image compatibility, which in turn may influence SDM behaviour.

### ***Dynamic Capabilities Framework***

Dynamic capabilities of organisations have been discussed in the literature for some time (Eisenhardt & Martin, 2000; Romme, Zollo, & Berends, 2010; Teece, Pisano, & Shuen, 1997; Zollo & Winter, 2002) with an increasing interest on a managerial perspective (Augier & Teece, 2009; Helfat & Peteraf, 2015; Hodgkinson & Healey, 2011; Teece, 2007, 2018).

Teece's (2007) framework is based on the assumption of an environment-organisation relationship in which the company must adapt in order to maintain performance. He draws on the behavioural microfoundations of dynamic capabilities and stresses the importance of (1) *sensing* (and scanning) the environment for opportunities and threats, (2) *seizing* these by a timely response, and (3) *transforming* to align to the environment (Teece, 2007). It must be noted that this framework is more intended to explain the sources of corporate competitive advantage rather than its behavioural stimuli, and it has been criticised for treating bounded rationality thinly (Augier & Teece, 2009). It acknowledges that the nub of such dynamics are organisational and managerial

cognitive processes and structures (Teece, 2007), but focuses on only one aspect of boundedly rational behaviour: heuristics.

This framework has recently been further advanced by Hodgkinson and Healey (2011) who inserted emotion and feelings of individuals and groups as significant capacities in organisational decision-making. They drew on a body of neuroscientific knowledge and claim that one should make more skilled use of the less deliberate and intuitive processes (Hodgkinson & Healey, 2011). In a separate study, Eggers and Kaplan (2013) emphasised that aligned managerial beliefs are required to take advantage of the capabilities. In their conceptual model, prior experience translated into routines as well as executives' interpretation to purposely attract relevance for dynamic capabilities. Moreover, they assert cognition as a capability (Eggers & Kaplan, 2013). Following this idea, Helfat and Peteraf (2015) confirmed that sensing, seizing and reconfiguring are based on principal cognitive foundations such as mental activities and underlying mental representations. Consequently, this framework, in its extended version, pays attention to cognition in terms of dynamic managerial capability and thus to the potential influence of executives' interpretations in SDM. However, the specific role of cognitive microfoundations remains empirically underexplored.

The existing conceptualisations around social cognitive variables provide a theoretical base and explanatory approximation of micro-level determinants for organisational SDM but empirical evidence primarily rests on descriptive models and heuristic analogies. Given the limited in manifestations of either characteristics, preferences, or resources, none of them alone can explain the multidimensionality and diversity of the influencing personality traits in their entirety and require further explanation.

### 2.5.2 Personality Traits of Strategic Decision-Makers

Behavioural economists and psychologists have extensively examined a variety of personality and experiential mechanisms that point to micro-level determinants of SD rationality. Some claimed the *five-factor-model* as representative, many more explored personality traits separately. Contemporary literature is spread across domains and provides for a dispersed range of characteristics that call classic theories in SDM into question. Alongside this study's dual-process approach, the following sections focus on

the major factors that have been identified to either directly or indirectly influence executives' decision-making behaviour and have remained in literary discussion over the last decade.

### **2.5.2.1 Intuition, Gut Feelings and Past Experiences**

Many of the previously described frameworks are based on the assumption that past experience develops into routines or at least is the source of future action. Similarly, intuition has been placed in a strong connection with experiential theory (Dane & Pratt, 2007, 2009; Epstein, 2008; Hodgkinson, Langan-Fox, & Sadler-Smith, 2008; Hogarth, 2010). Therefore, it is on the upper scale of the principal behavioural factors to be considered for this study.

It should be noted that the question of what intuition actually is still occupies much space in research. It has been defined as “affectively charged judgments” (Dane & Pratt, 2007, p. 33) or automatic, unconscious mental reasoning (Epstein, 2008; Glöckner & Witteman, 2010b; Weber & Johnson, 2009) but also as the “intelligent-unconscious” (Hodgkinson, Sadler-Smith, Burke, Claxton, & Sparrow, 2009, p. 279) with memorised pattern-recognition (Simon, 1992) and automated expertise (Elbanna, 2006). Likewise, gut feelings have been equated as unconscious intelligence (Gigerenzer, 2007) and affect (Dane & Pratt, 2009). There is also a strong connection to expertise, as research suggests that expert intuition involves a learning component from prior experiences that lead to patterns and routines that are assessed in similar situations (Akinci & Sadler-Smith, 2019; Dane & Pratt, 2007). A prerequisite for this is however that compelling cues are provided which the executive will recognise from instances with sufficient regularity and plausibility (Aromaa et al., 2018; Helms Mills, Thurlow, & Mills, 2010; Kahneman & Klein, 2009; Nilsson, 2008; Weick, 1995).

From the wide range of characteristics that has been attached to intuition in literature Dane and Pratt (2007) summarised common features of nonconsciousness, affect, speed and holistic association. Its role and importance in SDs, however, has been discussed controversially (Matzler, Bailom, & Hutter, 2010; Miller & Ireland, 2005; Singh & Singhal, 2016). While a lot of research still relies on analytical and formal procedures of information and facts or substitute algorithms as a basis for high-quality decisions

(Matzler et al., 2010), other studies emphasised the weight of intuition in SDs (Dane & Pratt, 2007; Julmi, 2019), and more recently also collective intuition of TMT (Akinci & Sadler-Smith, 2019; Samba, Williams, & Fuller, 2019).

For instance, one relationship was drawn between intuition and decision speed (Dane & Pratt, 2007). Where perfect decisions have to be made under time pressure,<sup>3</sup> intuition is applied to processing information quickly and effectively (Dane & Pratt, 2007; Hodgkinson et al., 2009) to still successfully cope with complex decisions within dynamic and highly competitive environments (Matzler et al., 2010; Matzler, Bailom, & Mooradian, 2007; Miller & Ireland, 2005). The same applies under uncertainty (Elmassri, Harris, & Carter, 2016; Kahneman & Klein, 2009). Similarly, it is suggested that formal processes may hinder people to use their intuition (Dane & Pratt, 2007) while others claim that both analysis and intuition are important decision auxiliary (Rausch, 2013) if managers can manage their paradoxical tensions (Calabretta, Gemser, & Wijnberg, 2017).

Intuition has been identified as a distinctive feature between top managers and lower, middle management level or novices (Kahneman & Klein, 2009; Simon, 1987b). The more experienced and knowledgeable managers are, the more they can rely on intuition (Matzler et al., 2007; Rausch, 2013). Research suggests that executives make use of long-standing past experiences in seemingly similar situations applying the knowledge they have gained, and reason in analogy (Azam, Boari, & Bertolotti, 2018; Betsch, 2010; Gavetti & Rivkin, 2005; Gilovich, Griffin, & Kahneman, 2002; Pretz & Totz, 2007; Simon, 1987b). Analogies that may translate into routines can be utilised in situations with equivalent structural relations, and researchers extensively debated whether these are also beneficial and powerful in complex SDs (Gavetti & Rivkin, 2005; Salas, Rosen, & DiazGranados, 2009) or may misinform the executive when situations are not mapped effectively (Gary, Dosi, & Lovallo, 2008; Gary et al., 2012) and information is not properly evaluated for novel decisions (Miller & Ireland, 2005). Scholars have stressed the importance of (unconscious) analogy reasoning and their influence on decisions when applied effectively (Gary et al., 2012), their positive relationship to rationality (Azam et al., 2018), and their utilisation in order to reduce uncertainties (Bali & Christensen, 2009; Lee & Holyoak, 2008) while highlighting that intuitive accuracy depends on decision-makers' characteristics, the environment and the

task under decision (Salas et al., 2009, p. 947). At the same time, it is claimed that experience also produces overconfidence (Dane & Pratt, 2007; Kahneman & Klein, 2009).

Furthermore, experience and intuition seem to rely on emotional influence and gut feelings. Even though early decision theorists (Simon, 1987b; Smith, 1759) had discussed the importance of emotions, decision research seldom reflects it. This is explained by the fact that emotions used to be considered unpredictable or not objectively measurable, and nowadays it is oftentimes forgotten, even seen as lawful behaviour (Frijda, 2013; Zeelenberg, Nelissen, Breugelmans, & Pieters, 2008). Emotions are not clearly defined as they embrace manifold expressions from surprise, elation, happiness, love, empathy to regret, anger, shame, guilt, or disappointment (Cristofaro, 2019; Marcatto & Ferrante, 2008; Summers & Duxbury, 2012; Zeelenberg et al., 2008) that direct how people weigh their decisions. Zeelenberg et al. (2008, p. 19) even call it the “idiosyncratic impact on decision making” behaviour. Arguably their study refers to everyday choices and whether emotional trade-off difficulties also occur in SDs is not further elaborated. Others, though, have stressed the importance of decision-inherent emotions as causes of non-rational SD behaviour (Summers & Duxbury, 2012). Although they investigated their influence on rational anomaly in the context of disposition effect, integral emotions are a just as valid aspect to consider in acquisitions. Emotional awareness then unfolds a positive effect on the use of intuition, particularly for female executives (Sinclair, Ashkanasy, & Chattopadhyay, 2010).

Intuitive processing and non-conscious perceptions lie at the heart of experiential behaviour and have occupied the centre ground of DPM (Sadler-Smith, 2019). However, empirical evidence is fragmented, showing a lack of understanding how behavioural forces unfold in strategic M&A decisions, or has even been claimed inappropriate for the challenges in today’s organisational decision-making (Hodgkinson et al., 2009). Consequently, it is unclear if and when intuition, gut feelings or past experiences in SDM are applicable and moreover used effectively, or whether these are employed at the expense of qualitative and accurate organisational decisions (Dane & Pratt, 2007; Kahneman & Klein, 2009).



A narrow ridge thus lies between expert intuition and heuristics or biases (Dane & Pratt, 2007; Kahneman & Klein, 2009) that have become a distinct body of knowledge in its own right.

### 2.5.2.2 Cognitive Bias and Heuristics

Compared to intuition, heuristics involve much more deliberative processing (Betsch, 2010). Moreover, they use mental shortcuts, emotional filters or rules of thumb to simplify the specific decision complexities (Baron, 2008; Del Campo, Pauser, Steiner, & Vetschera, 2016; Gigerenzer & Gaissmaier, 2011; Kahneman & Klein, 2009) in order “to approximate optimal decision-making strategies” (Lee, 2006, p. 191).

The human mind is equipped with an “adaptive toolbox” (Gigerenzer, 2002, p. 37), which has been discussed controversially in extant research. Most judgement is modelled with “fast and frugal heuristics” (Gigerenzer & Todd, 1999, p. 3) that appear as conscious or unconscious, plausible, efficient cognitive processes and might result in useful behaviour (Gigerenzer & Gaissmaier, 2011, p. 451), particularly under time pressure (Bobadilla-Suarez & Love, 2018). Attempts have been made for a rational theory of heuristics claiming situations in which they can be relied upon for better performance, especially under risk and uncertainty (Bingham & Eisenhardt, 2011; Gigerenzer, 2016b). Controversially, others counted these as irrational, prompting systematic errors (Marshall & Stevens, 2017; Stanovich, 2009).

Although a lot of studies refer to day-to-day decisions, heuristics have also found increased interest from organisational sciences. They are applied when the ease of representativeness, availability, or recalled information are used as a decision basis (Schwartz & Vaughn, 2002), and for satisficing preferences (Bendor, Kumar, & Siegel, 2009; Richardson, 2017; Simon, 1955). Executives quickly and automatically reply to enquiries, exercising affect heuristics (Slovic, Finucane, Peters, & MacGregor, 2002). In an experiment it was found that the use of heuristics is influenced by decision-making style, and that culture might be decisive (Del Campo et al., 2016). Earlier studies found it related to organisation size when entrepreneurs are much more prone to heuristics than are managers of large organisations (Busenitz & Barney, 1994, 1997). Furthermore, the depletion of one’s resources (Vohs et al., 2008) permits the experience

of decision fatigue and leads to heuristics, as well as self-herding to preferred outcomes (Hirshleifer, Levi, Lourie, & Teoh, 2019).

M&A decisions generally should not be characterised by fast decision-making or avoidance of search for information (e.g. due diligence), but the personal stimulus of judging the information and benefits arising from these appear nevertheless.

The literature argued that heuristics might lead to biases (Kahneman & Tversky, 1996), because such shortcuts also generate underlying beliefs or prejudice. These direct people to become biased, applying “faulty mental processes that lead judgements and decisions to violate commonly accepted normative principles” (Montibeller & von Winterfeldt, 2015, p. 1230) in favour or against a thing, specific outcome or alternative (Finucane, Alhakami, Slovic, & Johnson, 2000; Slovic, Finucane, Peters, & MacGregor, 2004), and departing from optimal choice. The feelings associated with the judgement go together with the general perception of risks and losses (Kahneman & Tversky, 1979), assessing risk lower when sensed positive and vice versa (Finucane et al., 2000). Others claimed that available contradictory information may be ignored and either compensated by affect characteristics (Slovic et al., 2002; Wilson & Arvai, 2006), replaced with supportive evidence, so-called confirmation bias (Shefrin, 2007), over-/underestimated because of a pre-set anchor (Blankenship, Wegener, Petty, Detweiler-Bedell, & Macy, 2008; Malhotra, Morgan, & Zhu, 2018; Tversky & Kahneman, 1974) or optimised through inattention (Maćkowiak, Matějka, & Wiederholt, 2018). Moreover, Montibeller and von Winterfeldt (2015, p. 1232) demonstrated that biases “resistant to logic, decomposition, or the use of training and tools” are hard to correct and those distort rational judgement.

Therefore, heuristics and bias embody the notion of bounded rationality as decision-makers are more likely to be swayed by efficient SDM at the expense of logic when under pressure, in means of time (Finucane et al., 2000), uncertainty or performance expectations (Pretz & Tetz, 2007). Bias and heuristics make clear that also unconscious, intrinsic behaviours that are subjective cues for an external reality, influence decision-making. Essentially, although sometimes indicated in the studies, organisational and social parameters that can strongly influence individuals' behaviour are seldom observed alongside. In addition, the definition of bias as prejudice or underlying beliefs

is rather broad and not conclusive. Moreover, decision-makers' best intentions are assumed, which cannot be taken for granted. They may be influenced by several other factors that are discussed in the following sections as separate streams of research.

### 2.5.2.3 Managerial Welfare and Agency Motives

Managerial welfare is its very own characteristic and a "vile maxim of the masters of mankind" (Smith, 1776, p. 448). According to Smith (1776), managerial self-interest will pay off for the company by increased shareholder value, and is then considered economically rational.

Controversially, numerous studies reason that maximisation of management utilities and reduction of agency is in conflict for M&A (Datta, Iskandar-Datta, & Raman, 2001; Hadlock, Houston, & Ryngaert, 1999; Jones, Jolly, Lubojacky, Martin, & Gomez-Mejia, 2019; North, 2001). Originating from a study on separation of corporate ownership and control (Berle & Means, 1933), empire building and managerialism have gained popularity (Gang, Guo, Hu, & Li, 2018; Nguyen et al., 2012; Petmezas, 2009) as one of the most prominent explanations for value-decreasing deals. They lead to a kind of incentive and a (partial) shift of value gains to the acquirer's management at the expense of the shareholders, consciously (Malmendier & Tate, 2008). Malatesta (1983) provided some evidence of a correlation between agency problems and mergers, claiming these responsible for value-decreasing transactions of small-firm acquirers. However, it is suggested that empire building decreases with CEO's age and career horizon (Yim, 2013). Identified reasons are to strengthen the company's dependence on the management (Shleifer & Vishny, 1989), to diversify managerial human capital (Amihud & Lev, 1981; Vennet, 1996) creating dependence on their specialist skills, or to increase interest in maximising firm size rather than its value (Morck, Shleifer, & Vishny, 1990). Managers pursue massive growth to promote personal power and wealth (Lucks & Meckl, 2002; Morck et al., 1990).

There is thus a narrow ridge to greed (Haynes, Campbell, & Hitt, 2014; Hayward & Hambrick, 1997). Some studies therefore also questioned the notion of rational self-interest (Bebchuk, Cohen, & Wang, 2014; Bebchuk, Grinstein, & Peyer, 2010; Haynes et al., 2010; Wang & Murnighan, 2011). The relationship between compensation

policies and agency problems (Bosse & Phillips, 2016; Jones et al., 2019; Pepper & Gore, 2015) in combination with the free-cashflow hypothesis (Jensen, 1986) offers managers to maintain or increase their power and material wealth at the expense of rational business behaviour. This is frequently dependent on company size (Grinstein & Hribar, 2004; Moeller, Schlingemann, & Stulz, 2004). Haynes et al. (2014) further emphasised that even though greed impacts shareholder value negatively, managerial independency, tenure and discretion moderate this effect.

Even though strong indication for non-rational tendencies manifests in the decision outcomes, empirical evidence about how this influences SD processing is limited. This leaves a blurred boundary between managerial welfare and general wealth-maximising self-interest. Still, managers motivated or even self-obliged to merge for personal interest, such as their own power and pay, boosting their ego, evoke additional strong suspicion that executives tend to be overconfident in their appraisals.

#### **2.5.2.4 Optimistic Beliefs: Hubris, Overconfidence and Illusion of Control**

Optimistic beliefs have been attached to executives' personality traits in different dimensions, of which hubris, overconfidence and illusion of control have frequently been related to SIDs and mergers.

Since the 1980s, managerial self-dealing and hubris are mentioned as supplementing factors in theoretical papers, serving to explain value-decreasing transactions (Jensen, 1986, 1993; Shleifer & Vishny, 1991). Petmezas (2009) underpinned the finding by showing that optimistic beliefs of bidders about synergies support misevaluation for UK acquisitions, using regression analysis. Others also dealt with the assumption that manager optimism (Galbraith, 1961; Shiller, 2000) is a driver in stock market misevaluation. Profit maximisation together with short-run overvaluation in bull markets then provides an advantageous deal opportunity with considerable effect on the M&A market (Morellec & Zhdanov, 2005; Shleifer & Vishny, 2003). Moreover, initially expected values are not or rarely created due to managers' overestimation and overpayment, whether deliberately or erroneously (Andrade et al., 2001; Houston et al., 2001; Seyhun, 1990; Sirower, 1997; Sundarsanam, 2003).

Roll's (1986) central hypothesis is that many managers must be infected by hubris, if they acquire even though there are no potential benefits. They passionately believe in gains and are confident about their correct valuation, thus typically overpaying and investing in value-decreasing deals. As evidence, Roll (1986) has drawn on a wide body of research studies, judging them to be inconclusive and finally proposing that this important human element is part of merger negotiation. Superficially, he considered it "simply a random error" (Roll, 1986, p. 199), not intentionally enforced. Although, his work does not provide convincing evidence about particular underlying motives, he postulated central elements: the individual is not economic man and takeovers reflect individuals' decision, while valuing independently. His approach is supported by Berkovitch and Narayanan (1993) using a hypothetico-deductive methodology and Barnes (1998) who both suggested that hubris is a motivator for many takeovers. Floegel, Gebken, and Johanning (2005) conducted empirical tests and support the hubris hypothesis for bidding managers. Especially large companies, irrespective of the company type, are more disposed to hubris effects, resulting to higher premium payments and completion success (Moeller et al., 2004).

Likewise, Hayward and Hambrick (1997) found CEO hubris to prompt the amount of acquisition premium. Closely related to this is the so-called *Winner's Curse* hypothesis, assuming acquirers oftentimes significantly overpay in bids (Agarwal, Kwan, & Paul, 2018; Gaughan, 2011), and consider co-bidding offers as additional information in one's own valuation. Many empirical studies support (Brander & Egan, 2017; Varaiya, 1988; Varaiya & Ferris, 1987) and rarely disprove (Barnes, 1998) this theory, especially when affected by hubris (Roll, 1986). Indeed, current investigation for the M&A markets in the U.S. (Rosen, 2006) and UK (Petmezas, 2009) found that investor sentiment affects valuation of the target and thus the bid.

Controversially, in their extensive taxonomy of managerial goals in M&A, Walter and Barney (1990) displayed the relative importance of managerial motives for the different types of mergers, not referring to hubris at all. Though, there is neither widespread agreement nor strong evidence yet, that hubris is a relevant motive for transactions. It is rather used as explanation for unsuccessful M&A, when executives were too optimistic about the future potential synergies (Andreou, Doukas, Koursaros, & Louca, 2019).

Overconfidence was found to result from experienced power (Fast et al., 2012), belief in one's knowledge (Lambert, Bessière, & N'Goala, 2012; Pikulina, Renneboog, & Tobler, 2017) or past experience (Kolasinski & Li, 2013) and masculinity, but also as a trait for better (D'Acunto, 2005), faster decisions (Picone, Dagnino, & Minà, 2014), and balancing "hyperbolic discounting" (Horvath & Sinha, 2013, p. 665; Kang, Kang, Kang, & Kim, 2018, p. 1) stemming from managerial myopia. Others highlighted that individual risk preference and loss aversion moderate overconfidence and argue that its degree is decisive as to whether the level of SD rationality is affected (Pikulina et al., 2017).

Scholars also referred to overconfidence as wishful thinking (Mayraz, 2011) or desirability bias (Olsen, 1997), being characteristic among investment experts. Albeit the correlation was not too high, he emphasises that in ambiguous decisions this may be the final, decisive aspect, especially when the decision is less repetitive. Malmendier and Tate (2005, 2008) suggested that overconfidence leads to decreasing information exploitation and overestimation of return forecasts in investments, while they overinvest when sufficient cash is available. Besides, individuals tend to overestimate their preference and to underestimate what they don't like (Budescu & Bruderman, 1995; Olsen, 1997; Thompson, Armstrong, & Thomas, 1998). Some attempts have even investigated over- and underplacement as rational (Benoît & Dubra, 2011). Notably, this should only be the case if they occur vice versa. Otherwise, overconfidence seems to result more from personality, managerial context and interaction that evolves, rather than from any given trait. A measure of overconfidence and possible correlations in context has not further advanced while yet the majority of studies shows that people rank themselves better only in simple tasks, what seems to fall short in reality.

Other studies remained with little evidence that optimism is driven by desire (Bar-Hillel, Budescu, & Amar, 2008; Krizan & Windschitl, 2007; Vosgerau, 2010) or a prediction of failure (Barnard, 2008). It was moreover argued that optimism is a necessary and welcome characteristic of corporate leaders (Barnard, 2008; Ben-David, Graham, & Campbell, 2013; Hirshleifer, Low, & Teoh, 2012; Hribar & Yang, 2016) while they fail to notice the limits of human control because of a lack of information or judgement (Barnard, 2008, p. 414).

Therefore, overconfidence has been deemed a consequence of individuals' illusion of control (Baker & Puttonen, 2017; Riaz & Iqbal, 2015), the belief of people to "control or influence ... external events" (Baker & Puttonen, 2017, p. 115) even though in reality they don't. Illusion of control is positively related to investment decisions in stock markets (Ullah, 2015) and is rooted in executives' perceived power (Fast, Gruenfeld, Sivanathan, & Galinsky, 2008). Similarly, Grou and Tabak (2008) found that executives don't make investments they dislike even though they have control, but look for selective evidence substantiating their preferred choice (Dhir & Mital, 2012).

Finally, optimistic beliefs seem to be one of the most investigated biases in SDM, with two sides of a coin: advantages of a quick decision process, and disadvantages from resulting overpricing and value-destroying deals. Nevertheless, what increases executives underlying motivation to the point that they act non-rational, and when, remains quite elusive. Although, it became apparent that overconfidence is closely related to narcissistic behaviour and core self-evaluation, striving for short-term success at the cost of long-term misconduct (Campbell, Goodie, & Foster, 2004; Vazire & Funder, 2006).

#### **2.5.2.5 Narcissism Propensity, Self-Evaluation and Executives' Egomaniacal Needs**

Literature has oftentimes judged executives to largely act in their own interest and desire to obtain leadership (Braun, 2017; Wales, Patel, & Lumpkin, 2013) as well as in positive self-regard (Leising et al., 2013; Simsek, Heavey, & Veiga, 2010).

Core self-evaluation merges research streams of self-assessment traits previously considered separately. It concerns individuals' own assessment about themselves as regards their self-esteem, abilities and self-efficacy, internal locus of control, as well as emotional stability (Hiller & Hambrick, 2005; Judge & Bono, 2001; Judge & Kammeyer-Mueller, 2011). Some researchers even claimed this combination is better at predicting the complexities of individuals' behaviour than these traits individually (Judge & Bono, 2001). Core self-evaluation has primarily been associated with job performance and satisfaction (Bono & Judge, 2003; Judge & Bono, 2001; Resick, Whitman, Weingarden, & Hiller, 2009) or commitment and motivation (Chang, Ferris, Johnson, Rosen, & Tan, 2012). Other studies indicated that self-efficacy is positively

related to venture growth (Baum, Locke, & Smith, 2001), but research pertaining to merger SDM and rationality are rare. Only some separate investigations on internal locus of control have claimed that those executives who “trust in their capacity to ... control the events in their lives by effort and skill” (Boone, de Brabander, & van Witteloostuijn, 1996, p. 668) tend to make rational decisions, with less avoidant and dependent style (Scott & Bruce, 1995) and with high (group) cognitive diversity (Meissner & Wulf, 2017). Others instead claimed their choices to be inconsistent and random (Pinger, Schäfer, & Schumacher, 2018).

Beside the more intra-personal view, several of these traits have been associated with the ‘dark side’ of many leaders (O'Reilly, Doerr, Caldwell, & Chatman, 2014; Paulhus & Williams, 2002; Resick et al., 2009) who are prone to “external self-affirmation” (Morf & Rhodewalt, 2001, p. 177) or “egomaniacal needs” (Rosenthal & Pittinsky, 2006, p. 629). The current state of literature frequently relates this to narcissistic behaviour and suggests a natural link to leadership (Barnard, 2008; Braun, 2017; Campbell, Hoffman, Campbell, & Marchisio, 2011; Ouimet, 2010; Rosenthal & Pittinsky, 2006). Notably, literature draws on several forms of narcissism but when examining leadership and decision-making to the grandiose one (Campbell et al., 2011; Miller, Lynam, Hyatt, & Campbell, 2017).

Grandiose narcissism is associated with self-importance, arrogance, callousness, need for admiration, superiority and extraversion (Clarke, Karlov, & Neale, 2015; Miller et al., 2017; Ouimet, 2010; Rosenthal & Pittinsky, 2006). However, discussions refer to narcissistic leaders as innovative, grandiose strategists (Chatterjee & Hambrick, 2007; Rosenthal & Pittinsky, 2006), “grand visionaries” (Rosenthal & Pittinsky, 2006, p. 622) or “prototypical leader[s]” (Nevicka, De Hoogh, & Van Vianen, 2011, p. 921), but also as “toxic” (Barnard, 2008, p. 421; Rosenthal & Pittinsky, 2006, p. 622), holding “self-love and inflated self-views ... engaging to manipulative” (Campbell et al., 2011, p. 269) action, with a “pervasive pattern of grandiosity” (First & Tasman, 2011, p. 504).

Narcissism has often been claimed as a force behind executives' behaviour (Braun, 2017; Kets de Vries & Miller, 1985) with ambiguous findings in terms of its influence on organisational outcome and performance (Chatterjee & Hambrick, 2007; Gupta & Spangler, 2012; Patel & Cooper, 2014; Reina, Zhang, & Peterson, 2014). It has been



evidenced that narcissism does not necessarily encourage bad investment decisions, but risky ones (Aabo & Eriksen, 2018; Campbell et al., 2011; Chatterjee & Hambrick, 2007; Vazire & Funder, 2006), animated by social admiration (Chatterjee & Hambrick, 2011) and seeking “power, status and prestige” (Kets de Vries, 2016, p. 92). Accordingly, individuals with a narcissistic propensity run to top performance when they perceive the situation as a chance for self-enhancement (Patel & Cooper, 2014; Wales et al., 2013) to outperform others (Campbell et al., 2004).

In the organisational context of SIDs, narcissism has been found positively related to an increasing number and size of acquisitions, fulfilling the egomaniac needs through attracting wide (public) attention and exercising self-confidence (Chatterjee & Hambrick, 2007, 2011; Ham, Seybert, & Wang, 2018; Ouimet, 2010). In this regard Gamache, McNamara, Mannor, and Johnson (2015) also suggested that executives' promotion focus supports the desire for expansion and growth, and therefore M&A, maximising profits to take opportunity of accomplishments and rewards and satisfy their needs. Other studies found that narcissistic CEOs foster deal initiation (Aktas, De Bodt, Bollaert, & Roll, 2016) and drive international expansion (Matta & Beamish, 2008; Oesterle, Elosge, & Elosge, 2016). Foster and Timm (2008) argued that narcissists are driven by immediate positive rewards and understate avoidance of long-term negative effects. Consequently, big and frequent acquisitions undermine the narcissists' needs to prove their superiority and boost their ego which can also be attached to agency aspects of extraversion (O'Reilly et al., 2014; Paulhus & Williams, 2002).

Much of the literature contemplates that narcissistic beliefs in SDM are commonly bad. They “provide poor guides to [rational] action” (Glad, 2002, p. 28), rather than having a positive influence (Ham et al., 2018; Khoo & Burch, 2008; Paulhus & Williams, 2002; Resick et al., 2009) because executives are then not willing or able to accept opposing information (Zhu & Chen, 2015) or generally dismiss advice (Kausel, Culbertson, Leiva, Slaughter, & Jackson, 2015). This implies their impulsiveness to SDM (Grijalva & Harms, 2014; Malesca & Kaczmarek, 2018) while indicating “conflicting cognitive-behavioural patterns” (Foster & Timm, 2008, p. 1015).

As a result, the complex and paradox nature of narcissism and self-evaluation in organisational contexts still seems unresolved. Even though some studies provide ample evidence that both characteristics enforce sizeable and multiple acquisitions, extant literature lacks a conclusive answer to the questions of whether such non-rational traits have a prevalent positive or negative impact on SID behaviour.

#### **2.5.2.6 Risk Preferences and Perceived Uncertainty**

Risk as a means of behavioural proxies has been investigated as a “feeling” (Slovic et al., 2004, p. 311) and uncertainty as “perceptions” (Milliken, 1987, p. 138) when it pertains to a subjective assessment and not an objective condition. The management literature provides a large amount of research about executives’ actual reasoning and deliberation in these situations.

The normative theories about decision-making under risk and uncertainty developed with the assumption of rational preferences for optimal choices (Mishra, 2014; Tversky, 1975). Empirical literature predominately contemplates that in situations of uncertainty, people tend to maximise their utility under expected probability (Mishra, 2014). It theoretically models choice in perfect environments and with comprehensive information, but has often been criticised for its inability to predict or explain decision-making behaviour under risk or to construct patterns while disregarding factual preferences (Bayrak & Hey, 2017; Gigerenzer & Gaissmaier, 2011; Mishra, 2014; Savage, 1972). As a result, alternative theories have evolved.

In the descriptive theories, Kahneman and Tversky (1979) developed a conforming two-stage model. This procedural prospect theory allows overcoming objective prospects and reducing uncertainty in evaluation. It differs from other decision-making theories, for being “unabashedly descriptive ... [with] no normative claims” (Tversky & Kahneman, 1986, p. S272). Even though the update of their research (Kahneman & Tversky, 1992) was modified in means of probability weighting and weaker stochastic tendency, the basic idea is confirmed: upon reference dependence, people are risk averse in chance of gains but risk-seeking when facing losses and overweight lower probabilities. Their studies have provided robust evidence that decision-making under risk does not necessarily follow rational choice, a finding which has been confirmed by

subsequent and numerous other research (Matta & McGuire, 2008; Wang & Johnson, 2012; Wood, 2009). Empirical and theoretical evidence on influential risk has been provided, based on studies with divergent samples (Bowman, 1982; Lehner, 2000), as well using new experimental data and more challenging techniques (Abdellaoui, 2000; Agarwal et al., 2018; Bruhin, Fehr-Duda, & Epper, 2010; Gonzales & Wu, 1999).

Prospect theory argues in line with Simon (1955, 1972) for a focus on cognitive processes in economic behaviour. However, it probes preferences for alternatives with pre-assigned gains/losses, which are not precisely defined, and in organisational contexts often largely uncertain or estimated. Thus, applying prospect theory in economics is mainly unsolved (Barberis, 2013). Choices are subjectively reference-dependant and determined by individuals' attitudes towards gains and losses, or expected economic utility (Köszegi & Rabin, 2006, 2007, 2009). Reasoning of risk perception has rather been explained by affect heuristics involving intuition that tends to underscore risk when they like the occasion and vice versa if they don't favour it (Finucane et al., 2000; Slovic & Peters, 2005).

Closely related to risk feelings, literature generally highlights the influence of perceived uncertainty (Duncan, 1972; Milliken, 1987) or subjectively measured uncertainty (McKelvie, Haynie, & Gustavsson, 2011) on behavioural logics. Studies confirm that environmental ambiguities - mainly evoked by dynamics and complexities (Vecchiato, 2012) - outpace the presupposed rationality of financial criteria (Elmassri et al., 2016). In addition to state, effect or response uncertainties about the corporate environment and its potential impact on the company (Ashill & Jobber, 2010; Bastian & Muchlish, 2012; Milliken, 1987), Jiang and Tornikoski (2019) found that perceived uncertainty let decision-makers depart from causation to effectuation. This is yet another indication for non-rationality caused intrinsically by the executive.

Even though the empirical literature violates the normative beliefs by emphasising that personal traits, beliefs, risk propensity and structural preferences of decision-makers may intervene their SD behaviour, statistics still dominate (Levy, 2016). Studies remain predominantly theoretical, rarely referring to M&A or organisational SD rationality, leaving particularities like limited information, uncertain probabilities and running-process imponderables underexplored.

### **2.5.2.7 Demographic Proxies**

Some early studies advocated that executives' background does not exert any influence on SDM (Hannan & Freeman, 1977; Lieberman & O'Connor, 1972; Lyles & Mitroff, 1980) and these are executed according to organisational objectives, structure, and strategy (Child, 1972). On the contrary, as also suggested under UE, several empirical studies considered the influence of demographic characteristics on managerial behaviour, even while using rational analysis (Bulog, 2016; Hitt & Tyler, 1991; Papadakis, 2006).

#### ***Age***

Age has been confirmed as a relevant factor, negatively related to rational decisions relying on experiences and emotions (Chen & Sun, 2003; Kim & Hasher, 2005; Riaz, Anis-ul-Haque, & Hassan, 2010). Generally, "fluid cognitive abilities" (Bruine de Bruin, 2017, p. 17) necessary for rationality in cognitive-demanding decisions, decline with age, while emotional skills improve (Charles & Carstensen, 2010; Eberhardt, de Bruin, & Strough, 2019). Moreover, increasing age has been related to decreasing risk taking (Goll & Rasheed, 2005), willingness to make choices (Reed, Mikels, & Simon, 2008) and the use of intuition (Bulog, 2016). These indicate stronger reliance on experienced-based knowledge but lack precision about how this affects rationality. Other studies, however, suggested a positive relationship between average age and rational decisions (Delaney, Strough, Parker, & Bruine de Bruin, 2015).

#### ***Gender***

More recent research also integrates the notion of gender (Riaz et al., 2010; You et al., 2018) giving strong indication that men "are more dominant, assertive, objective, and realistic" (Wood, 1990, as cited in Sanz de Acedo Lizárraga, Sanz de Acedo Baquedano, & Cardelle-Elawar, 2007, p. 383). They use "objective factors" (Bulog, 2016, p. 395) and are analytic and logical (Riaz et al., 2010). Women, instead, are more prone to intuition and empathy (Bulog, 2016; Riaz et al., 2010; Sinclair et al., 2010). In another context, however, Sadler-Smith (2011) only found this for female undergraduates, while Delaney et al. (2015) indicate women to be less affective decision-makers, unfortunately not mentioning the underlying decision type.

### ***Tenure***

The literature investigating tenure delivers more controversial results. While some scholars found a positive relationship between tenure and rationality (Goll & Rasheed, 2005; Nooraie, 2008), others emphasised that tenure can lead to executives' limited perspective in choice or insulation. Especially if experience is gained in one company, it becomes negatively related to rationality (Bulog, 2016), and positively related to risk-taking (Jaw & Lin, 2009). Both similarly indicate more behavioural tendencies.

### ***Education***

Educational level has been confirmed to imply more rationality by several researchers (Balta, Woods, & Dickson, 2010; Bulog, 2016; Gibcus et al., 2009; Goll & Rasheed, 2005) and for most studies the correlation seems to be stronger than for age and tenure. In particular, professional education entails careful analytics and a significant relationship to rationality (Goll & Rasheed, 2005). Only Papadakis (2006) found modest correlation.

Notably, extant literature about executives' demographics is mostly covered in UE. When investigated individually, their potential influence on rationality entails largely inconsistent results, particularly because studies used different variables/attributes. They further remain somewhat ambiguous as pertaining to SIDs.

#### **2.5.2.8 Social Mind and Anchored Values**

Beyond the beforementioned observable characteristics, executives' personality and values are also shaped by their social backgrounds (Breuer et al., 2018; Cetenak et al., 2017; Chang & Lin, 2015). Over one's lifetime this inhabits socially constructed underlying beliefs that establish motivation for a certain behaviour (Montaño & Kasprzyk, 2008, p. 76). Behavioural patterns institutionalise, while constantly evaluating and admitting adjustments to people's social context.

Even though human nature is not empirically proven and cannot be generalised (Skinner, 1953/2014), collective "social mind" (Smith, 2003, p. 500) might explain judgement and decision processes of individuals, as they are deemed interwoven in the social environment. This is in line with the structuralist view that recognises

organisational decisions and managerial action to be different across cultures (Cetenak et al., 2017).

The role of culture was first argued by Weber (1904). Later research introduced social order in this field (Allen, 1999) or indicated the impact of culture and personality traits on economic behaviour and growth (Lynn, 1991; Lynn & Vanhanen, 2002). Several cross-cultural studies suggested that cultural specifics may influence behavioural patterns (Cheng et al., 2010; Dimitratos, Petrou, & Plakoyiannaki, 2011; Henrich et al., 2001; Weber & Tarba, 2012), personality (Larsen & Buss, 2008; LeVine, 2017), and risk-taking (Cetenak et al., 2017; Griffin, Li, Yue, & Zhao, 2012). Most influential in the literature to explain different decision-making styles, are Hofstede's (1983, p. 78) national culture dimensions power distance, individualism/collectivism, masculinity/femininity, and uncertainty avoidance that have been extended by long-term/short-term orientation and indulgence/restraint (Hofstede, Hofstede, & Minkov, 2010). Applied to investment decision-making, one study found cognitive diversity to be detrimental for PRC executives, whereas in the U.S. it may be beneficial (Olson, Bao, & Parayitam, 2007). Their study suggests that culturally originated behaviour like collectivism and uncertainty avoidance may be an explanation for this. Others demonstrated that cultural factors like high individualism and uncertainty avoidance spur lower performance (Breuer et al., 2018) and higher extraversion, entailing overconfidence (Chan & Cheung, 2016; McCrae, 2002).

Consequently, organisational decision-making is conditioned by the social and cultural environment that shape individuals' behaviour, their values and beliefs (Pudrog, 2011). This involves ethnicity, religion, and geography (Doidge, Karolyi, & Stulz, 2007; Li, Griffin, Yue, & Zhao, 2011; Moore, Detert, Treveño, Baker, & Mayer, 2012; Stulz & Williamson, 2003; Tadesse & Kwok, 2006). In a separate stream, scientists have investigated and developed models pertaining to moral cognition (Cushman, 2013; Greene, 2012; Mikhail, 2007). Cushman (2013) and Greene (2012) relate moral judgement fully to type 1 of DPM, and thus to pure experiential behaviour. Criticisms of this firm classification arose and recent research has now emphasised the rationality aspect in moral judgements, when the underlying intuitive influx is based on experience and "sophisticated learning" (Wiegmann & Sauer, 2019, p. 23).

On the other hand, people are part of the company and thus, largely unconsciously, “collectively programmed” (Hofstede & Hofstede, 2011, p. 4) during company induction. Traditions, habits, and values strengthen solidarity and loyalty, structural patterns and procedures, as a kind of “overarching rationalization” (Zucker, 1987, p. 446). These may be useful and efficient in managerial decision-making, but where influenced by bias and heuristics, also may have opposite effect.

Studies have predominantly applied cultural values as independent dimensions, and as a nation proxy, neglecting the critical insights of individual closeness to culture. Evidence does rarely directly relate to the influence of culture on decision rationality (Lamba & Ozdasli, 2015; Schramm-Nielsen, 2001), but lets assume that there is an influence depending on lived moral/values. Concerning M&A, the influence of culture has mostly been studied as pertaining to the failure of mergers and PMI (Marks & Mirvis, 2011; Weber, 2011, 2018; Zhu & Huang, 2007) and only exceptionally in relation to the underlying SIDs or pre-merger negotiation (Weber, Belkin, & Tarba, 2011). Consequently, extant research shows the importance of cultural factors for SDM, but their contributions to a comprehensive understanding of the influences on rationality is still in the early stages.

### **2.5.2.9 Group Dynamics and Individual Power**

Even though research has been more engaged with executive’s individual characteristics and behaviour, it has to be acknowledged that these people are moreover part of a TMT together with other executives and the board. Therefore, leadership and SDM usually involve group decision and also become a shared activity (Secchi, 2012). Among peers there are fundamental changes in the nature of decision-making when interacting in a social setting (Kugler, Kausel, & Kocher, 2012; Lee, 2006) and the importance of group dynamics in SDs and group cognitive style has been discussed in a separate stream of literature.

#### ***TMT Group Dynamics***

A review of the studies about strategic group decisions reveals that interest in TMT research is primarily triggered by and builds on the work of UE theory, as discussed earlier. Personality factors in SDM of each single executive are intrapersonal traits that

combine in TMT to which they also belong in the wider organisational setting. SDM is found to deviate - assimilate, leverage or be granted with a distinctive priority, even developing to a new integrative style - when acting in a group. Particularly this originates from group composition and member's interaction (Carmeli, Schaubroeck, & Tishler, 2011; Leonard, Beauvais, & Scholl, 2005).

In this vein, several studies investigating group-level constructs have concentrated on the effect of TMT decisions on firm performance (Certo, Lester, Dalton, & Dalton, 2006), with focus on managerial demographics like age (Auden, Shackman, & Onken, 2006; Goll & Rasheed, 2005), organisational or team tenure (Auden et al., 2006; Goll & Rasheed, 2005; Koufopoulos, Zoumbos, Argyropoulou, & Motwani, 2008; Meissner, Schubert, & Wulf, 2018), team size (Haleblian & Finkelstein, 1993; Sanders & Carpenter, 1998), educational level (Auden et al., 2006; Barroso-Castro, Villegas-Periñan, & Dominguez, 2017; Goll & Rasheed, 2005) or experience (Azam et al., 2018), but rather limited attention of their effect on rationality. However, such objective features and their tangibility have been criticised for invalidity and ambiguity (Carpenter, Geletkanycz, & Sanders, 2004; Kauer, Princess of Waldeck, & Schäffer, 2007; Simsek & Veiga, 2005). Then, other research investigated superior features of TMT composition (Lin & Rababah, 2014; Nielsen & Nielsen, 2013; Oduor & Kilika, 2018), strategic consensus and shared cognition (Cai, Liu, & Yu, 2013; Gallén, 2009; Ramos-Garza, 2009) or behavioural integration in the means of joint collaboration (Carmeli et al., 2011; De Jong & Veijer, 2014; Hambrick, 1994; Simsek & Veiga, 2005).

Beside impacts on firm performance and output, more recent literature aims to go beyond asking to understand *how* personality and managerial cognitive styles of TMT can affect SDs. Leonard et al. (2005) claimed, that interacting group members develop patterns of behaviour within their group, so-called group cognitive style. Their explanation of group-level behaviour, however, remains attached to an average or total number of prevailing cognitive styles of the group as well as to the status or role of one group member who dominates. The joint cognitive style on group level seems to involve rather majoritarian and leading features, instead of commonly developed ones. As a result, this indicates, that understanding of the group cognitive style could be



enhanced by individual characteristics, especially CEO characteristics (Buyl, Boone, Hendriks, & Matthyssens, 2010; Simsek & Veiga, 2005).

In this respect, a strong plea for an improved understanding of board processes has been raised (Barrick, Bradley, & Colbert, 2007; Finkelstein et al., 2009; Leblanc & Gillies, 2005; Leblanc & Schwartz, 2007; Pye & Pettigrew, 2005; Simsek & Veiga, 2005; van Ees et al., 2009). Bailey and Peck (2013) explored shared mental models and visions, a balanced power relationship and strong chair leadership skills as factors that positively influence board's decision-making dynamics towards procedural rationality, with a sample of U.S. publicly-traded companies. Others confirmed that internal board processes and dynamics, including cognitive conflict (Barroso-Castro et al., 2017) and behavioural integration (Carmeli et al., 2011) of the board, support rational decisions while political bargaining (van Ees et al., 2009) counters this.

Noteworthy, Shimizu (2007) combined prospect theory, behavioural theory and threat-rigidity theory and emphasised that complex organisational interactions under risk are affected by both individuals and the group, and cannot be explained by either theory alone. Although widely considered preliminary evidence and generally lacking wider implications as regards the interaction of the combined theories, the choice of the reference/threat points, and the non-random sample, this is a thought-provoking combination that underlines the challenges of organisational theories in explaining SDM behaviour. Furthermore, this study focuses on divestitures. However, these insights could also be applied to investments, where the variables play a comparable role. Adding to this, a more recent study (Hsu & Huang, 2011) reveals that TMT psychological characteristics like innovative personality as well as communication abilities have a positive effect on decision-making style, while risk-taking propensity has no significant effect.

Research in collective behaviour in TMT and joint decision-making has also specified people's tendency to adopt or imitate the judgement of others instead of making their distinct choice (Baddeley, 2010). This evolves in instances of social pressure or where experts or authoritative parties exert influence (Asch, 1952; Deutsch & Gerard, 1955; Milgram, 1974). In the context of SIDs, a herd-like behaviour derives from uncertainty due to information asymmetries, combined with bias in complex M&A decision, and

leads people to follow the judgement of others, that are presumably better informed (Fernández, Garcia-Merino, Mayoral, Santos, & Vallelado, 2011; Scharfstein & Stein, 1990). Psychologists (Freud, 1981; Le Bon, 2012; Reicher, 2001) explained the ways in which the behaviour or contagion of social groups differ from and interact with that of individuals, and indicated the tendency of otherwise rational people to make investment decisions that are non-rational. Whereas only confirmed for the capital markets, the tendency to follow each other in and out of the same investment (Sias, 2004), behaviour-wise going along with self-interest and reputation of managers in decision-making (Devenow & Welch, 1996; Palley, 1995; Scharfstein & Stein, 1990), strongly indicates these to be similarly applicable for M&A investments.

### ***Power and Individual Dominance***

Research on the effect of power on decision-making has been related to risk-seeking, (over-)confidence, and optimism respectively (Anderson & Galinsky, 2006). Inesi (2010) criticised this approach for not considering the effect of anticipated values of gains/losses that she contributed. All experiments, however, assumed riskless or non-strategic choice which reduces the significance of their results for the context of M&A. Nevertheless, these studies make an important contribution to research about hierarchical structures while emphasising individual's high-power mindset beside real power holders showing similar negative influence. Subjective power evokes managerial hubris and overconfidence, while diminishing loss aversion, yet raising the level of non-rationality (Fast et al., 2012).

The ability of power to influence one or a majority of TMT members has also been discussed and confirmed by further research about CEO, board power (Pathan, 2009) and political decision-making style (Pettigrew, 2014). This has been associated with the effort to exert influence on decisions within or between groups, not only with the intention to inform the decision to an effective strategic outcome (Pettigrew, 2014; Pfeffer, 1972b) but rather to manipulate for personal advantage (Dean & Sharfman, 1993b, p. 1071) at the expense of organisational goals, and thus reducing effectiveness (Eisenhardt & Bourgeois, 1988). Other researchers have mentioned this trend as building coalitions or lobbying for interest-accommodation (Pettigrew, 2014; Stevenson & Radin, 2015; Zhang & Greve, 2019). Overall, it is claimed that these behaviours negatively influence the degree of rationality in decisions (Bailey & Peck, 2013).

The role of CEOs, in particular, has attracted a lot of attention in extant research, mainly with regards to their relation to the TMT. The literature has emphasised that the (perceived) power and internal locus of control of the CEO can also negatively impact rationality in decisions (Pinger et al., 2018). Consequently, research has turned its focus from the CEO as a TMT member to a leader and in separate studies has drawn attention to this exceptional and decisive function and CEO-TMT interaction (Jaw & Lin, 2009; Klimoski & Koles, 2001; Lin & Rababah, 2014; Papadakis & Barwise, 2002). It has also been found that CEO usually cooperate less, if they are equipped with the appropriate educational skills themselves (De Jong & Veijer, 2014). Other research found that CEO-TMT exchanges improve knowledge which contributes to rationality (Barroso-Castro et al., 2017; Hendry, 2005) when the exchange quality and TMT personality composition is positively related to decision quality (Carmeli & Tishler, 2011; Lin & Rababah, 2014). Furthermore, research claims that CEOs generally do have strong influence on TMT dynamics and firm performance (Buyl et al., 2010; Klimoski & Koles, 2001; Peterson, Smith, Martorana, & Owens, 2003). However, the influence on the degree of rationality in TMT SIDs is not further investigated.

Beside a strong plea that groups involve more rationality in choice than individuals (Kugler et al., 2012) there has been much research highlighting the counterproductive behaviours that arise within groups, depending on their composition. For both the specific context of strategic M&A decisions remains underexplored.

### **2.5.3 Summary and Interim Findings About the Individual Executive**

The literature review on individual personality traits reveals considerable discretion and executives can inject much of themselves in their SDs. Research has demonstrated that rational choice can be economically efficient, but dropping its assumptions overcomes deficiencies and provides models that seem less false in explanation and prediction of actual SDM behaviour. Simon (1955), Cyert and March (1963) and others contributed stimulating results about the limits of rationality that have found many followers in research, but yet little has profoundly spilled over to organisational sciences.

Some scientists have tried to set up frameworks pertaining to behavioural strategies but those remain empirically weak beyond observable demographic proxies, heuristics and subjective utility. Predominantly though, researchers have been interested in investigating individual traits separately, now providing a diverse set of potential cognitive, motivational and personal intentions to explain the limits of human rationality in strategic choice. These studies equally postulate the importance of the human factor in decision-making, but do not provide conclusive results while generalising beyond heterogeneity and lacking satisficing evidence for the M&A context.

Notably, much of the SM research is of a quantitative or theoretical nature, trying to present organisational phenomena in formulae. Psychology and OB research, instead, placed more attention on executives' practices and conduct, but often neglected the wider context. Consequently, present literature revealed insightful ideas, scattered in sciences. More work is needed to specify which and how behavioural traits actually affect SD rationality in context, and how their (inter-)action aggregates in organisational SDM.

## **2.6 Conclusions From the Literature Review**

The literature review assembles extant knowledge and discusses in detail the recent achievements of the three relevant research streams that represent the determinants of the different levels of SD rationality. As science fields do seldom cross, several research areas remain underexplored with limited results. With a tendency to focus on either a specific unit of analysis, case or an unsubstantiated rather descriptive level, findings are often inconsistent and even contradictory.

Where extant research crystallises assumptions about non-rational tendencies in SDM, several black boxes underlying these constructs remain ripe for exploration. It leaves open for question whether there is salient effect of environmental, organisational, personal and/or decision-specific influences. Unless these behavioural factors and determinants are addressed at different levels, it will be difficult to better explain executives SD behaviour. Also, without solid theoretical empiricism and best practice derived therefrom for organisational adaptation, executives are left making momentous SDs where the full potential of M&A cannot be realised (Bogan & Just, 2009; Coffey,

Garrow, & Holbeche, 2012). These essential conclusions from the literature review are synthesised into seven research gaps (Table 3).

Research gap	Deficiencies in research	Attn.
<b>Executive's behavioural factors in strategic M&amp;A decision</b>	<ul style="list-style-type: none"> <li>▪ Despite progress, organisational literature insufficiently addresses a deeper understanding of <i>how</i> executives reach different levels of rationality in SDM</li> <li>▪ Research concentrated on either organisational or individual behaviour rather than understanding the microfoundational components that aggregate to SD rationality</li> <li>▪ Literature is often single-sided or focuses on observable proxies, while explanation assumes micro-level homogeneity</li> <li>▪ Numerous controversies among the results of previous studies</li> </ul>	RQ1
<b>Context, content and process considerations</b>	<ul style="list-style-type: none"> <li>▪ Limited research available to obtain a comprehensive view on how the multi-level nature of context effects SDM behaviour</li> <li>▪ Partial, objectivised or disconnected consideration of context/content/process influences resulted in a fragmented, inconsistent understanding</li> <li>▪ Lack of conclusive empirical research examining executives' non-rational SDM behaviour pertaining proximate variables and situational context of M&amp;A</li> </ul>	RQ2
<b>Behavioural networks</b>	<ul style="list-style-type: none"> <li>▪ Behavioural factors have been widely explored independently or pertain to either behaviour or cognition, with their own contribution</li> <li>▪ Interdependencies between these characteristics, multiplicity in interaction or complementarity to influence the other with effect on SD rationality in M&amp;A are not yet fully answered</li> </ul>	RQ3
<b>Dyadic assessment and global understanding</b>	<ul style="list-style-type: none"> <li>▪ Studies remain with dense focus and investigative paucity about the influence of culture on SD rationality</li> <li>▪ Research predominates in the Western hemisphere and studies in PRC are immature</li> </ul>	Conceptual framework
<b>Comprehensive view and model-like conception</b>	<ul style="list-style-type: none"> <li>▪ Research on SDs frays into lines of thought in management theory and psychology but misses to integrate knowledge from these fields</li> <li>▪ Understanding non-rational behaviour lacks the holistic consideration of all levels (context, content, process, actors, ...) and in relation</li> <li>▪ No framework for microfoundations of SD rationality in M&amp;A exists</li> </ul>	Conceptual framework
<b>Theoretical integration</b>	<ul style="list-style-type: none"> <li>▪ The individual is disregarded in OST, and DPM do not go beyond the individual</li> <li>▪ Behavioural economics are an umbrella to scattered theoretical ideas</li> <li>▪ Benefits of integrating the rather separated focus on individuals and organisations to explain a phenomenon that encompasses multi-level effects have just been placed on the microfoundations/behavioural strategy research agenda that has not yet been entirely fulfilled</li> </ul>	Typology
<b>Methodological rejuvenation</b>	<ul style="list-style-type: none"> <li>▪ Power of the individual as origin of the phenomenon underexplored</li> <li>▪ Rather descriptive and less context-sensitive</li> <li>▪ Narrow behavioural assumptions explained in traditional regression-based methodologies</li> <li>▪ Qualitative investigations on boardroom and SDM behaviour often applied in positivistic or realist stances</li> </ul>	Methodology

Table 3. Research gaps and their consideration in study.

The critical assumption still underlying most theoretical SDM work is that executives' behaviour is fully rational, aiming at utility maximisation within compulsory limits. Recently, there has been increased interest in the relevance of the human factor and its experiential dimensions in decision-making, often violating the neoclassical view. The literature review indicated that the individual or TMT in their personal and organisational environment are affected in their perception, understanding and assessment of the situation that consequently bound rationality. However, these are a patchwork of organisational-level explorations and frequently lack profound insights into *how* and *which* determinants shape different levels of executives' SD rationality.

A deeper understanding of managerial thinking came to pass merely within the context of personality theory and cognitive science. But although most behavioural traits of strategic decision-makers reviewed question the degree of rationality in SDs, the majority of the foundational literature remains single-sided, i.e. to only one specific behavioural characteristic, particular industry or country, and at a low level of solid means for M&A. Furthermore, there are many controversies among the results of previous studies, mostly because a significant number of the published literature assumes micro-level homogeneity, which did not materialise. Others focused on cognitive techniques and models about observable proxies, rather than on actual decision-making behaviour.

Despite the vast amount of literature available in the area of M&A activity, about the respective organisational practices and potential cognitive influences in SDM (Cohen & Kudryavtsev, 2012; Greve, 2013), organisational and psychological research have seldom advanced integrative or substantial theory. Researchers frequently sought answers in theoretical perspectives that offer largely inconsistent findings or vague conclusions about the distinctive behavioural factors that are experienced as influencing executives' objective analysis in M&A decisions. Studies often miss to profoundly reflect the power of individuals and the multidimensionality in evaluating their influence on SDM behaviour, while often blind of the particulars of the M&A context.

Extant research has devoted much attention to investigating historical M&A activity and the influence of a variety of environmental antecedents on organisational interest in mergers, moving towards more behavioural assumptions. Less empirical evidence instead could be found pertaining the relevance of organisational specifics or even decision specifics. Beyond some early studies bridging content and process (Papadakis & Barwise, 1998) to understand how SDs are processed, their effect on the decision outcome and quality, which are acknowledged to be important, remain largely underexplored (Papadakis et al., 2010). To date, findings are considered empirically weak and inconclusive regarding the extent to which these factors reflect reality, and which of these variables influence SD rationality when considered in M&A.

The intensive research has been able to catalogue several possible human capacities and limits that control their SDM behaviour and, to a greater or lesser extent, influence their rational judgment and strategic actions. However, behavioural factors have been widely explored independently. Despite the fact that interdependencies between these characteristics, their multiplicity in interaction or complementarity to influence the other's direction with effect on SDM in M&A have been suggested in several studies, empirical multi-level research is still scarce (Molina-Azorín, Pereira-Moliner, López-Gamero, Pertusa-Ortega, & Tarí, 2020).

The literature review further suggests that extant research is “not so much culture free as culture blind” (Whittington & Mayer, 2000, p. 31). Evidence about particular socially-constructed managerial characteristics have either been rationalised or have too broad a focus and the influence of culture on decision rationality is under-researched (Gelfand, Leslie, & Fehr, 2008). Furthermore, empirical studies are predominantly based in the Western hemisphere while investigations in PRC are immature. Even though international studies in different cultural societies suggest differences in OB, a dyadic study looking for systematic patterns and distinctions of SDM in M&A, while acknowledging a cultural perspective, has not yet materialised.

In view of the above conclusions from the literature review, there are further limitations in organisational research that has missed to adequately combine the knowledge of both fields, cognitive and social psychology and SM theory and practice, into a holistic framework, even though both are inextricably linked. Specifically, its microfoundations,

focussing on human actors within their environmental and organisational sphere is underrepresented, even though some organisational and psychological studies in SDM partly emphasise this as further opportunities and possible advances in M&A research (Bromiley & Rau, 2016; Shephard & Rudd, 2014). That is not to say that single-perspective or macro-level studies are of minor importance but rather a plea for complementary models beyond these in order to provide a more comprehensive and complete representation of essential forces and impacts on SD rationality in M&A. Such a conceptual integrative approach or explanatory model, accommodating most of the evidence on content, context, process and actors of SDM which could be applied in the specific field of M&A and also be tested in different countries is not presented by existing research studies.

Behavioural economics and psychology have attracted increasing attention. Yet, research has to harness the synergies of an interdisciplinary approach that focuses on uncovering, categorising and describing subjective and unconsciously influencing key factors in the interplay with executives' rational practices in strategic M&A decisions more realistically, and to establish a solid empirical microfoundation. Furthermore, the methods applied in these studies have tended to be predominantly quantitative, representing behaviour statistically, or when qualitative in a positivistic stance. In fact, research has paid much attention to explanatory approaches to describing phenomena. These ultimately do not fully exemplify OB and management concepts as they simplify true-life complexities and discount the perspective of the subsystem's thinking and behaviour. Consequently, there have been calls for a methodological rejuvenation in M&A (Meglio & Risberg, 2010) towards a deeper understanding of those who make decisions (Finkelstein et al., 2009).



## 2.7 Chapter Summary: Literature Review

This chapter systematically reviewed the extant literature related to the field of SD rationality in M&A and identified seven research gaps, which inform the RQs and methodological considerations of this study.

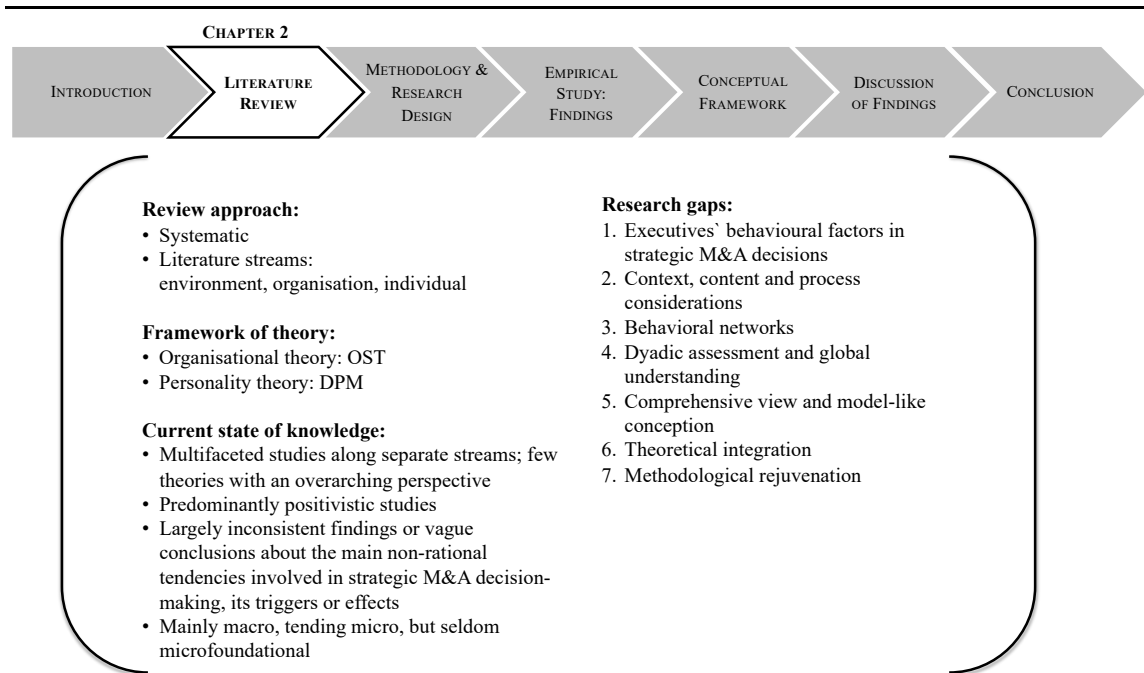


Figure 5. Chapter 2 – Progression.

First, the review approach was outlined. Then, the theoretical framework, combining organisational and personality theory, was presented. Afterwards, the current state of empirical knowledge was critically examined showing the moderating role of the environment, organisational and SDM particularities, as well as the promoting status of the individual decision-maker. This completes the picture about extant knowledge pertaining environment-organisation-individual influences on decision rationality and recognises the need for more microfoundations. The chapter closes with conclusions from the literature review, highlighting the research gaps that merit further investigation and reasons for adopting an integrated approach.



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# **CHAPTER THREE**

## **METHODOLOGY AND RESEARCH DESIGN**

## METHODOLOGY AND RESEARCH DESIGN

The previous chapter reviewed the extant literature concerning environmental, organisational and economic-psychological antecedents of SD rationality and revealed the distinctive research gaps that require further exploration. Following, this chapter presents the research design and respective methodology applied in the study with a justification of the approach adopted.

### 3.1 Outline Towards the Research Approach

The literature review and resulting contextual foundation need suitable methodologies to lay the ground for the fieldwork that is covered under the umbrella of research design and methodology. Every component of the investigation is to be considered in an integrated concept, inherent with a rigorous choice of methodology and research techniques for the phenomenon under study. Besides, the impression of what the world is (ontology) inspires what is considered knowledgeable about it (epistemology), and how it can be investigated (Fleetwood, 2005; Yilmaz, 2013).

This chapter first outlines the RQs that originate from the identified research gaps. Following, the philosophical context and the congruent research design applied to the data are presented. These illustrate the researcher's worldview that guide this investigation and shape the background for the methods and propositions of data collection and analysis. Approaches are discussed and weighed while explaining why these have been preferred over alternative ones. Furthermore, the role of the researcher is highlighted and considerable research ethics are laid out.

Afterwards, the sample selection and size are presented and justified. Qualitative data collection and analysis procedures as well as their research quality are defended, while acknowledging the actual dominance of positivism and quantitative methods.

### 3.2 Research Questions

The research gaps on SD rationality in the existing literature (Table 3) are addressed in three RQs that will be empirically investigated in this microfoundational study.

Attn.	Research question
<b>RQ1</b>	Which behavioural factors do German and Chinese executives experience as influencing their objective analysis and rationality in strategic M&A decision-making?
<b>RQ2</b>	How, and under which conditions, do the behavioural factors affect economic rationality in the M&A decisions of German and Chinese executives?
<b>RQ3</b>	Which potential interdependencies exist between the individual behavioural factors?

Table 4. Research questions.

The RQs are pivotal in the research project (Kuckartz, 2014) as they constitute its objectives and purpose, and allow imagining the intended outcome of the study. Generally, they are based around *which* and *how* questions about the phenomenon, substantiating the exploratory type of this study. However, all of the three RQs are advanced with different intentions.

RQ1 is the focal one. It reveals specific behavioural factors and personal characteristics, the implicit and cognitive means, that affect the level of rationality in strategic merger decisions, as experienced by the executive decision-makers in the two countries. Furthermore, implications on behaviour that derive from the situational context and are conditional for M&A, are explored (RQ2). Whilst there is no clear consensus about which factor, or combination of factors, is influencing the degree of SD rationality, the study seeks a deeper understanding of the key factors, uncovering how they interfere with decision-making procedures. RQ3 answers if any related factors are found and proposes potential reference-dependence.

Based on these findings, the then presented subsequent comparison of German and Chinese behaviour clarifies whether distinctive patterns or (socio-cultural) inferences exist. Finally, the resembled key determinants and interdependencies affecting SD rationality are conceptualised, and a business management typology is proposed.

Answering these RQs and developing the typology clarifies and complements the understanding of the phenomenon under study. This further requires a research design, which supports the aim of the investigation and integrates all its elements.

### **3.3 Philosophical Perspective & Strategy**

This section presents the theoretical perspectives in order to clarify the underlying researcher's beliefs. They reflect her personal understanding of social reality and her worldview. The following also outlines how these affect the respective strategy and methods of uncovering knowledge, as well as the reasoning in this study.

#### **3.3.1 Research Paradigm**

The research methodology and theoretical perspective constitute the philosophical worldview, also designated as research paradigm (Guba & Lincoln, 1994; Mertens, 2010) or epistemologies (Bryman & Bell, 2015; Crotty, 1998). Such orientation of the researcher comprises elementary beliefs that drive action (Guba, 1990), which are important to the research design and the specific methods chosen for data collection and analysis (Crotty, 1998). Consequently, it is essential to reflect upon the basic assumptions of these worldviews (Creswell, 2014). Among the different theoretical perspectives available there are several traditional and also some influential stances, that were taken into consideration when assimilating researcher's attitudes.

Evidence-based practice implies the careful, systematic and prudent use of contemporary best-proven experience in SDM, translating and broadening this to the special field of M&A (Tranfield, Denyer, & Smart, 2003). In the social sciences the kind of empirical scientific research is mainly considered in terms of objective and quantitative methods, while duplicating the natural science research. This is grounded in the positivist tradition (Wallerstein et al., 1996), striving to uncover data and facts that determine an absolute true picture of reality for findings grounded on empiricism, that are generalisable and result in a theory (Alvesson & Skoldberg, 2009). While data is considered present independently and indifferently from the researcher, the positivist is bound to statistical methods for data analysis of social phenomena (Wallerstein et al., 1996), perceived with human senses. Therefore, positivists tend to ignore important

aspects of human life and behaviour (Creswell, 2014). From an ontological perspective, such objectivity is often related to realism (Crotty, 1998) that perceives organisations, culture, corporate strategies etc. independently of their appreciation or any theoretical notion about them (Phillips, 1987).

In the eyes of the researcher it is recognisable that reality is complex and changes over time. Apparently, there is not always one objective truth. Alternative perspectives are required in order to determine meaning structures in social human society that are influenced by leading attitudes in the world, and of which the researcher is also a part (Yilmaz, 2013). Among these emerging worldviews, the anti-positivist fully rejects positivism, while post-positivism amends it. Anti-positivism, often associated with interpretivism or constructivism, focuses on understanding human's interpretation of social reality (Crotty, 1998), taking a subjective perspective and accepting multiple meanings. Post-positivists instead follow the positivist tradition with objective perspectives, but balance this with interpretivist approaches by recognising potential effects of biases (Phillips, 1987; Popper, 2002a, 2002b; Robson, 2002). Nevertheless, it "is also implicitly an assessment of the nature of reality" (Fox, 2008, p. 660) that is socially constructed and shaped by interaction among one another, investigating the subjective ways in which they become real (Creswell, 2014). Post-positivists maintain some objectivity, but rather "approximate the truth" (Crotty, 1998, p. 29) than capturing it in its totality. They tolerate that the reconstructed realities are "only imperfectly apprehensible because of basically flawed human intellectual mechanisms and the fundamentally intractable nature of phenomena" (Guba & Lincoln, 1994, p. 110). Reality may change once their creator develops over information or sophistication (Guba & Lincoln, 1994; Popper, 2002a), accepting it as fallible, imperfect and probabilistic (Robson, 2002).

In further comparison, the three paradigms show differences beside their value stance, especially in their research focus and methodological approach:

	Positivism	Post-positivism	Anti-positivism
<b>Field of research</b>	<ul style="list-style-type: none"> <li>▪ natural sciences</li> </ul>	<ul style="list-style-type: none"> <li>▪ social sciences</li> <li>▪ human behaviour</li> </ul>	<ul style="list-style-type: none"> <li>▪ social sciences</li> </ul>
<b>Research methods</b>	<ul style="list-style-type: none"> <li>▪ deductive</li> <li>▪ quantitative</li> <li>▪ statistical</li> <li>▪ random sample</li> <li>▪ laboratory, controlled</li> </ul>	<ul style="list-style-type: none"> <li>▪ inductive</li> <li>▪ quantitative and qualitative</li> <li>▪ (quasi) experiential</li> <li>▪ purposeful sample</li> <li>▪ natural, contextual</li> </ul>	<ul style="list-style-type: none"> <li>▪ inductive</li> <li>▪ qualitative</li> <li>▪ experiential</li> <li>▪ purposeful sample</li> <li>▪ natural, contextual</li> </ul>
<b>Ontology</b>	<ul style="list-style-type: none"> <li>▪ realist</li> </ul>	<ul style="list-style-type: none"> <li>▪ critical realist, (social) constructionist</li> </ul>	<ul style="list-style-type: none"> <li>▪ social constructivist, relativist</li> </ul>
<b>Epistemology</b>	<ul style="list-style-type: none"> <li>▪ objectivist (neutral)</li> </ul>	<ul style="list-style-type: none"> <li>▪ objectivist</li> </ul>	<ul style="list-style-type: none"> <li>▪ subjectivist</li> </ul>
<b>Value stance</b>	<ul style="list-style-type: none"> <li>▪ absolute positive about knowledge claim</li> <li>▪ value free</li> <li>▪ verification, replication</li> <li>▪ measurable</li> <li>▪ testing role</li> </ul>	<ul style="list-style-type: none"> <li>▪ no absolute truth, only approximate, probable truth, until falsification</li> <li>▪ value laden</li> <li>▪ falsification, construction</li> <li>▪ subjective means</li> <li>▪ learning role</li> </ul>	<ul style="list-style-type: none"> <li>▪ informed and sophisticated (social) construction of reality</li> <li>▪ value laden</li> <li>▪ reconstruction</li> <li>▪ subjective</li> </ul>
<b>Outcome</b>	<ul style="list-style-type: none"> <li>▪ independent of the observer</li> <li>▪ objective</li> </ul>	<ul style="list-style-type: none"> <li>▪ can be influenced by personal values of the researcher</li> <li>▪ no absolute objectivity</li> </ul>	<ul style="list-style-type: none"> <li>▪ dependent on the researcher and his interaction with respondents</li> <li>▪ subjective</li> </ul>
<b>Truth/ reality</b>	<ul style="list-style-type: none"> <li>▪ objectively given reality</li> <li>▪ tangible</li> </ul>	<ul style="list-style-type: none"> <li>▪ constructs reality</li> <li>▪ multiple</li> </ul>	<ul style="list-style-type: none"> <li>▪ constructs reality</li> <li>▪ multiple</li> </ul>
<b>Research aim</b>	<ul style="list-style-type: none"> <li>▪ explanation of physical/natural phenomena</li> <li>▪ proving causal relationships that constitute the social world</li> <li>▪ hypothesis testing</li> </ul>	<ul style="list-style-type: none"> <li>▪ explanation of human phenomena</li> <li>▪ building evidence to support an established theory (using deductive logic)</li> <li>▪ hypothesis generating</li> </ul>	<ul style="list-style-type: none"> <li>▪ understanding</li> <li>▪ reconstructions coalescing around relative consensus</li> </ul>

*Table 5.* Comparison of the positivist, post-positivist and anti-positivist worldviews. From Guba and Lincoln (1994), Greenfield, Greene, and Johanson (2007), Hesse-Biber and Leavy (2011).

From the researcher's point of view, moving beyond positivism holds promising new perspectives to the repertoire of organisational and management studies. Respectively,



the interest to study microfoundations is derived from the notion that something can be known about *why* and *how* non-rational M&A decision-making occurs. Even though it is an unconscious realm, or people keep quiet about it, it is constitutive to their actions. The focus on this topic is dictated by the ontological position to study decision behaviour in context because it constructs predictable effects and pattern-nature of phenomena. The researcher sees the executives as being influenced by the world they live in while at the same time, they are shaping it from their own experience and actions.

As such, the researcher's approach to this study is marked by a post-positivistic stance. She seeks to explain an organisational phenomenon by subjecting the social practices under study, striving for validity, and conceptualising a rigorous, objectivised typology in order to farther approximate reality. She goes beyond quantitative positivism, emphasising specifics about how things actually work in executives' strategic M&A decision-making and how they make sense of it. She departs from deriving *the truth*, but preserves a strong emphasis on the idea of a constructed reality from socially produced, historically emergent knowledge that derives from experiences. This is also reflected in the belief that there exist real mechanisms with dependent regularities in human behaviour that may be available as unobservable intrinsic events, which cause the observable one, the M&A decision. In this specific case, the researcher can interpret how people derive their SID in M&A even though they themselves are not (fully) able to exactly put it in words. With this mindset, the researcher is acting in a practice-based research domain. She engages in descriptive inquiry to untangle the manifold and simultaneous occurrences that make up the complexities of M&A decisions in a globalising and transforming landscape and to get to the bottom of executives' implicit interest and their cognitive ground.

It may be claimed, that post-positivism is generally more quantitative than qualitative and the research context is more subjective than objective. It is however argued that the research is particularly interested in the objective understanding of *which* and *how* microfoundational powers affect executive's M&A decision-making rationality, mediated by their subjective experience. These are inherent and can be aggregated into a close to objective concept of behavioural momentum, organising context, regularities and causal relationships in their behaviour. Inserting a more qualitative perspective, can

therefore contribute to a more comprehensive explanation, gain empirical evidence that constitute true belief and satisfy the demand for more genuine results.

### **3.3.2 Research Strategy**

Within the post-positivist paradigm, to obtain an understanding of the world individuals live in, the research strategy is context-driven and thus provides directions for the research design (Creswell, 2014). A qualitative research strategy together with the hermeneutic phenomenological approach supports the researcher's fundamental orientation to investigate the microfoundations of SD rationality in M&A and the meaning executives have through their lived experiences of the M&A context in which they occur.

#### ***The Motivation for a Qualitative Research Strategy***

Even though both quantitative and qualitative research are concerned with social reality, there are considerable differences that polarise in favour of a qualitative approach in this contemporary study.

Quantitative research is characterised by measurable results and formulae. It mostly involves hypotheses that were deduced from theory, tested and verified during the study (Bryman & Bell, 2015). It provides correlation and uses measurement procedures to answer the RQ and to confirm or falsify hypotheses. Quantitative research is often applied in the natural sciences, where causalities and relations can be represented in numbers, producing accurate, reliable statistical results for predictions of occurrences (Bryman & Bell, 2015). The researcher is more distant from the participant during data collection, not least because the type of question is closed-ended, the investigation is large-scale and more macro-level focussed in order to obtain objective data (Creswell, 2014; Mack, Woodsong, MacQueen, Guest, & Namey, 2005). Also, studies seeking generalisations frequently use quantitative methods with high random populations (Yilmaz, 2013). This approach is unable to provide answers to *what*, *which* and *how* RQs that are becoming increasingly important in business procedures than purely statistical perspectives (Little, 2016).

Qualitative methods instead are descriptive and typically derive theory inductively (Gray, 2009; Watkins, 2012). Their purpose is to understand and reconstruct reality by describing and interpreting social phenomena from the perspective of the actors and the meaning these people bring to them (Bryman & Bell, 2015; Langdridge, 2007), based on a created complex holistic picture from words and descriptions. This requires the researcher to be in direct contact with the participant, building trust and obtaining rich data. It is especially suitable for discovering unforeseen peculiarities and investigating undiscovered areas (Marshall & Rossmann, 2016). Qualitative procedures include contextual understanding and allow a subjective micro-level perspective (Fossey, Harvey, McDermott, & Davidson, 2002). While quantitative research “creates a static view” (Bryman & Bell, 2015, p. 179), qualitative research constructs richer data about the social life which is dependent on people’s lives and environments.

In consideration of the research objectives, a qualitative approach was considered most appropriate to derive valuable data for answering the RQs. Such method is consistent with the post-positivist worldview (Greenfield et al., 2007) that constructs reality by considering subjective means, not striving for the absolute objectivity or the entire truth. This strategy is also compatible with the OST framework that is exploratory in nature and looking for expressive understanding and interpretation (Besio & Pronzini, 2011). For this empirical study that derives meaning about personal behaviour and that involves cognitive issues, a quantitative approach for exploring emotions, beliefs or other soft factors, would be too short-sighted and superficial. Here, a qualitative approach is more valuable where “our brains just don’t seem to be well equipped for reasoning by probability” (Gould, 1992, p. 195). Thoughts and mental phenomena cannot be accomplished with and reduced to algorithms or formulas (Toomela, 2010).

The qualitative approach supports the microfoundational concept and can draw more from exploring executive’s lived experiences of action in M&A decision-making. The close relationship between the researcher and the participant facilitates in-depth information and insider views that would not be possible to grasp with statistics.

### ***The Motivation for a Hermeneutic Phenomenological Approach***

Admittedly, post-positivism and phenomenology traditionally were considered not to be compatible, but their consistency and the resemblance of their assumptions has recently been demonstrated (Fox, 2008; Racher & Robinson, 2003). In terms of the post-positivistic approach, the researcher follows the opinion that social reality is two-sided and with subjective means. It constitutes particular meaning and relevance structure for people experiencing it, and these structures determine their behaviour by motivating it (Gray, 2009). This is inextricably linked with contexts of “culturally derived and historically situated interpretations of the social life-world” (Crotty, 1998, p. 67).

Here, the phenomenological approach harmonises and enables insights into people’s common sense, their meaning-making of and meaning-giving to things in order to allow for interpretation and understanding of their approaches and actions (Gray, 2009; van Manen, 1990). People’s lived experience about the taken-for-granted world is explored and how their structures of consciousness let them perceive it (Holstein and Gubrium, 1994 in Gray, 2009; van Manen, 2016). Likewise, phenomenology is generating understanding and gaining insights into socially constructed phenomena inductively (Gray, 2009; Willig, 2001) from the people experiencing it, accepting that reality can only be approximated (van Manen, 1990). Hermeneutic phenomenology differs from other approaches that study phenomena while it is much more focussed on understanding the meaning and sensemaking of the issue being researched and is thus concerned with the perception of cognition (Smith, Jarman, & Osborn, 1999).

As an alternative, case studies have legitimised their position in management research, however basically by establishing conventions that limit inquiries and “methodological pluralism” (Piekkari, Welch, & Paavilainen, 2009, p. 569). Specifically, given the strong adherence to positivist tenets, while often bound in location, time and context, overweighing the explanation of the case, the use of the traditional case study would have limited the explanatory significance of causal and contextual determinants. Consequently, the breadth of the study would have suffered from the depth (Piekkari & Welch, 2011). Even though, one may argue in favour for a case study, considering Germany and PRC as multiple bounded cases, there was not *the* particular case under investigation. With its context-sensitive perspective of the life of consciousness, people’s cognitive vivacity (Gallagher & Zahavi, 2012), their heterogeneous desires,

understanding and interpretation that evolve in subjective (collective) meaning, the phenomenological approach was better-suited to support the objectives of this microfoundational research project - and a possibility to overcoming conventional constraints.

Phenomenology originates from philosophy and psychology. One of the central proponents of transcendental phenomenological beliefs to the social sciences was Edmund Husserl (2012). The psychological approach, originating from the Duquesne studies, focuses on lived experiences of the individual (Creswell, 2013), “on phenomena ... as they appear to us in consciousness” (Moustakas, 1994, p. 49) to derive general meaning structures and essence from individual descriptions (Moustakas, 1994). Beside others, Heidegger (2010), Merleau-Ponty (2002), Schutz (1967), as well as Giorgi (1971) and van Manen (1990) followed this philosophical view with modifications and partly rejections, resulting in different schools of phenomenology. While Merleau-Ponty (2002) focuses on rediscovering original awareness and experience, pre-reflective and value-free, Schutz (1967) determines a phenomenology of the social world as making sense of the ongoing process of human sensemaking and interaction. Giorgi aims to produce essential structures through precise descriptions of facets of human experience in psychology (Ehrich, 2005). Besides a description of the phenomenon, Heideggerian phenomenology is much more concerned with “the mode of being human” (Lavery, 2003, p. 24), the understanding of how people act (van Manen, 2016). It contemplates lived experiences in terms of an interpretive process (Kafle, 2011; Racher & Robinson, 2003), which is also considered as “fusion of horizon” (Gadamer, 2004, p. 370).

To explicate the microfoundations of SD rationality in M&A through executive’s experienced stories and perceptions, and their live structures of meaning, this study uses an interpretive phenomenological approach based on Heideggerian phenomenology as applied by van Manen (1990, 2016). Van Manen (1990) incorporates descriptive elements that are oriented towards experiential narratives from the participants about the phenomenon under investigation, and interpretive ones of reflective analysis and interpretation. As another material aspect, he draws on the importance of context-sensitivity, which backs the microfoundational approach as well as a research gap closure. This practice suits the study’s objective to go beyond the participant’s conscious knowledge, asking for detailed narratives of subjective practice and

experiences, in consideration of individuals' background, understanding, and interpretation (Heidegger, 2010).

Human experiences confront theory with empirical understanding of the phenomenon from the actors' perspective, how various factors come to play and what they mean for the decision-makers in terms of their influence on SD rationality. Interpretive, or hermeneutic phenomenology, contributes to the approach of the study, because it focuses on the individual practice and experience of the M&A executive and TMT (Kafle, 2011) and reflects on the essential themes that characterise the phenomenon, with the idea of broadening the rational notion (van Manen, 2016). With the phenomenological stance, the study seeks to understand human motivation behind their actions, which are inspired by what they perceive to be real (van Manen, 1990). The interpretive approach, above the descriptive analyses, became necessary where it was highly likely and finally proven that the participants would not share unconditionally and deliberately all their experiences and personal feelings openly.

In this study, such experience shall also and specifically include cognitive experience and thought. Modern philosophy of mind considers phenomenology as a basis for intentional states and action (Tye & Wright, 2014). Such cognitive phenomenology holds that thoughts and mental states are also phenomenal and cannot be excluded from the experience (Bayne & Montague, 2014; Strawson, 2014). Proponents of this phenomenological approach argue for cognitive-experiential and mental content in experience (Strawson, 2014). It is further claimed that self-knowledge of any cognitive states involves intrinsic and non-dispositional properties (Bayne & Montague, 2014).

In this particular research area, the researcher defends the phenomenological approach as supportive to construct theory in cognition and choice. Sensory modalities or bodily sensations are mainly associated with emotions and moods, punctuated with mindful thought, that can be equated to a phenomenon (Bayne & Montague, 2014). Investigating the microfoundations of SD rationality in M&A goes beyond conscious perception and identifies (un-)conscious thought that stresses sensation and behaviour. They are considered operations of will and the phenomenological approach supports to consciously reflect on yet unconscious SDM behaviour and explore their distinctive phenomenal character. Examination of executives' lived experiences in M&A decision-

making facilitates an in-depth exploration using their descriptions as an analytical basis to determine structure and meaning in order to extract essence for a management typology.

The world is actively constructed through human consciousness, mental attitude and perception, whereas “self and world are inseparable components of meaning” (Moustakas, 1994, p. 28). As the researcher is aiming to express the commonalities of individuals’ practices within the particular context of M&A, the phenomenological study explores the ‘what-it-is-like’ of experiencing the specific SDM process. That is, the meaning of participants’ lived experiences about the phenomenon of affected SD rationality in M&A, nested in the system environment that may be taken for granted in our lifeworld. Even though van Manen’s (1990) phenomenological approach derives from the field of pedagogy with influence from psychology, it provides an important contribution to management studies and helps to shed light in such organisational issues that go beyond the rational mind (Ehrich, 2005) and outward appearances.

The cognitive and interpretative phenomenological approach adopted challenges a strong consideration of the psychological momentum and provides for new perspectives on contemporary organisational studies of M&A decision-making. It helps to uncover knowledge where social reality constitutes particular culturally and historically derived (subjective) meaning and relevance structures, determining the behaviour of the people experiencing it (Greenfield et al., 2007) embedded in their specific context. The essence or patterns of the phenomenon are identified and describe stable appearances that can be taken as an objective sign from subjective experiences.

### **3.4 Research Design**

This section introduces methodological considerations and defines the respective framework that is created to answer the RQs.

#### **3.4.1 Framework of Methods: New Knowledge, New Perspectives**

Social scientists can choose among a variety of data collection and data analysis methods when conducting research. To derive an objective social reality, the researcher

implemented appropriate methods, acknowledging that human understanding and interpretation is “inevitably value-laden, theory-laden and context-dependent” (Fox, 2008, pp. 662-663). In consideration of the underlying research objectives as well as the unit of analysis, the following presents an optimised approach to the microfoundations of executive’s SDM behaviour in order to answer the RQs and create new knowledge. First and foremost, the methodology was guided by the research paradigm, the research strategy, and the microfoundational perspective. This study thus retains present objective truth while uncovering subjective meaning.

### ***Rationale 1 – Empirical Primary Data: Creating New Knowledge***

When conducting qualitative research, data sources may include primary and/or secondary information. Where the former involves researchers’ personal extensive research, the latter uses data collected by other researchers or organisations already available for reuse (Bryman & Bell, 2015).

Considering the historical perspectives of merger activity as well as the extant longitudinal literature and studies on merger markets, secondary data analysis may sound reasonable. As has become clear, there is a lot of data available on each of the different streams of literature. However, accessibility of secondary information in this field is limited to public records, e.g. journals, publications. These sources seldom present raw data, but (accumulated) findings instead, and most of these often contain quantitative information. Moreover, official statistics tend to support replication or reanalysis of other original research, using advances in research design and methodology, or explain “contemporary and historical attributes” (Hox & Boeijs, 2005, p. 593).

Using secondary data only, could have prevented to overcome practical (e.g. access, culture, language) barriers. However, these records are limited to the existing, potentially incomplete or inaccurate data base, and would need to be transformed from their original purpose to that specific to this research topic. Consequently, secondary information was only considered in terms of extant literature, that has proven beneficial to the overall picture of the current status of research in the field, although there is no control over the data or its empirical significance.



This investigation combines economic and psychological perspectives, handling personal experiences and perceptions to derive meaning, opening up a very narrow and specific field of research. This required the researcher to collect her own primary data in the specific M&A context from experts involved, using bespoke procedures that fit the research purpose. Original empirical data ensured coherence of the study and problem-solving approaches to the phenomenon in line with the research aim. Furthermore, data collection generated new evidence-based information for knowledge creation, ensuring data quality and reliability while data collection and analysis procedures could be verified.

### ***Rationale 2 - Data Collection: Taking a New Perspective***

From the range of possibilities for collecting empirical data in a hermeneutic phenomenological study, principle methods in qualitative research include interviews, observations, or focus groups (van Manen, 1990). From this selection, in-depth semi-structured interviews were considered the most suitable way to access valuable data for this study, focussing on the area of interest in line with the underlying philosophical approach and research strategy.

First, phenomenological studies extensively make use of in-depth interviews (Vagle, 2014) to obtain experiential narratives for reflection on practice (Ehrich, 2005; van Manen, 2007). Second, to achieve clarification and understanding of the microfoundations of SD rationality in M&A, the data collection has to ensure an information flow about individuals' understanding and their in-mind processes. Such mental phenomena require an investigation with a first-person perspective for a richer understanding (Bayne & Montague, 2014), where interviews offer the most direct and flexible way to obtain detailed data from those who experienced the phenomenon. With the assumption that M&A executives use concepts associated with SDM, but do so in an unconscious kind of way, without always consciously realising their biased mindful views, the purpose of the interview is to bring these tacit processes and thoughts to the surface, where they can be examined and arranged in a formal conceptual structure. Interviews are therefore purposeful and authentic (Gray, 2009). They produce understanding and meaning of experiences, impressions, and feelings (Gray, 2009; Saunders, Lewis, & Thornhill, 2019) in context.

The proximity to the informant was also important because the study is interested in gathering data about personal experiences of the executives and consultants, and the researcher could not anticipate the variety of information each participant would want to share. The semi-structured interviews provided room for clarification and participant discussion, to gain clarity on the responses and raise issues that went beyond the boundaries of the guiding questions, exploring nuances of inner meanings and implicit motivational behaviour. They allowed participants to reflect and new issues to emerge for further exploration.

Observations could serve to explore extrinsic overt individual or group behaviour in a natural setting more accurately and effectively than people may report themselves (Ritchie, Lewis, McNaughton Nicholls, & Ormston, 2014). For explaining behaviour, however, observation cannot provide reason. Where psychological processes and meanings attached to the phenomenon of SD rationality operate outside awareness, the results of observations would be affected by the researchers' view and interpretation. This is considered vague and less reliable. Observation is not yet feasible in this structured research field, where it would hardly be achievable for the researcher to participate without becoming a member of the organisation. It is time-intensive, and ethically debatable (Angrosino & Rosenberg, 2011; Ritchie et al., 2014).

Alternatively, focus groups allow for faster data collection and include the advantage of direct interaction and synergetic, stimulated group effects (Gray, 2009; Ritchie et al., 2014). Predominantly, they generate group attitudes, creative ideas and context. Answers are not independent, but influenced by the group setting, e.g. publicity, dominant participants or moderator's interventions. The potential outcome is considered insufficiently profound and superficial (Stewart & Shamdasani, 2015). However, they could provide additional insights on group behaviour characteristics in addition to the individual perspective. Here though, focus groups have limited benefits for this research as a data collection method, acknowledging that executives are usually restricted from sharing internal information in a wider arena, or groups would be limited to one particular internal established, probably assimilated, deal team.

Even though observation or focus groups hold open discussion and deeper probing of the questions, in this case, there is increased potential benefit of details and richness

from expressive individual interview responses. They provide an opportunity for diving deep into executive's implicit SDM practices and processes in M&A, making them explicit, but are sufficiently structured to capture the microfoundations of SD rationality in a focussed project design. Furthermore, semi-structured interviews are designed to draw descriptions of thoughts, perception, and interpretation, entering into the perspective of the executive's experience, and are the most efficient, practical, feasible but also ethical method for this investigation. It offers a more informed perspective on behaviours in SDM, where large-scale surveys or statistical methods lack precision.

### ***Rationale 3 - Qualitative Content in Data Analysis: Uncover Meaning in Experience***

Essentially, the data derived from the semi-structured interviews is less structured compared to quantitative numeric data (Guest, MacQueen, & Namey, 2012). It is in the form of raw text from the interview transcripts, requiring analysis, description and interpretation to attach meaning (Marshall & Rossmann, 2016). While this study's aims and objectives are highly focussed on identifying behavioural content in the data, in-depth analysis of the interview transcripts will enhance the understanding of executives' lived experience in M&A decisions. Based on the phenomenological strategy, relevant methods include those that look for describing the essence and focus on descriptions and interpretation of data, i.e. interpretive, hermeneutic or thematic analysis (Alhojailan, 2012; Guest et al., 2012; Smith & Firth, 2011).

Against the background of the exploratory inductive reasoning of this investigation and the aim of developing a conceptual typology, methods like qualitative content analysis (Schreier, 2012) or cognitive task analysis (Schraagen, Chipman, & Shalin, 2014) were rejected. After further careful consideration, thematic analysis (TA) was preferred over grounded theory (GT). Even though they share the similarity of search for common themes that are coded, categorised or clustered (Braun & Clarke, 2006; Schreier, 2012), GT is considered too reductive. Its principles of theoretical sampling and constant comparison are incompatible with this study which requires experts with particular M&A knowledge and seeks to compare different datasets that are collected in two different jurisdictions.

Therefore, this qualitative research applied TA, one of the widely-used analysis approaches, and popular because of its flexibility and potential to provide detailed and rich descriptions through the participant's sense of reality (Braun & Clarke, 2006). It was adopted because it fits the aim of the research to establish insightful understanding and participants' visions of this complex phenomenon under investigation and to identify and analyse patterns (themes) within the collected data. TA is a systematic approach to describing the meaning of qualitative data that is less obvious. Participant's experience and interpretation is inevitable for obtaining the most appropriate descriptions of their thoughts and behaviours as well as their resulting actions and practice, moving beyond calculated, deliberate statements (Alhojailan, 2012). Using TA enabled to extract cues of the decision-makers to uncover how they arrive at their judgement and what influences them, without having to fit into a pre-existing coding frame. Such analysis provides an understanding of individuals' practices (Alhojailan, 2012) while it allows interpreting diverse aspects beyond such description (Braun & Clarke, 2006). TA is considered suitable for an investigation that looks for present patterns and helps explore relationships between the concepts which can also be compared (Alhojailan, 2012). Such systematic process of data analysis adds methodological rigour and credibility to this qualitative study (Kuckartz, 2014).

TA, as part of this research strategy, was informed by van Manen (1990). His approach to TA refers to uncovering structures of experience in the sense of essential and incidental themes, exemplified and arranged in the meaning that evolves from the work (van Manen, 1990). Even though his research strategy does not generally provide for strict rules of analysis in his phenomenological approach, he lays down a guideline on steps to be taken: the analytic process advances from descriptive transcription of the interview audios and their reading, to initial semantic topical categories, to overarching thematic statements and an interpretative, reflective effort to refine and theorise these to a thematic map and implications (Guest et al., 2012; van Manen, 1990).

Beyond these considerations, TA was found appropriate for analysing the data to determine relationships or cross-references between the themes (Hayes, 1997) where core themes were considered to determine executives' behaviour (Meier, Boivin, & Meier, 2008), and in the light of the comparative evidence that pertains to the dyadic investigation in this study (Alhojailan, 2012). Overall, TA provided the opportunity to

identify, compare and determine the information from the comprehensive interview data offering a more inclusive explanation to address the RQs, and to conclude with developing a conceptual framework.

#### ***Rationale 4 – Data Sources Foundation: Single, Multi or Mixed Methods***

Even though mixed methods have long been accepted in the social sciences, its application in organisational research only lately attracted increasing interest, but has also been subject to frequent criticism (Creswell, 2011). Qualitative data is particularly hard to replicate, and the probability of confirming results from different methods is considered negligible (Abdalla, Oliveira, Azevedo, & Gonzales, 2018).

A multi-method approach had to be abandoned. The high-ranked executives would not share information in focus groups together with other M&A executives or allow the researcher to participate in a board or TMT meeting, while observations were inappropriate, as outlined earlier. A mixed-method approach was not feasible as it requires a large sample size. The interview participants for this study were already hard to access and the high risk of not getting sufficient respondents to a quantitative survey, led the researcher to reject this approach.

Finally, the study used a single approach, but gained by providing an additional perspective to compensate for concerns regarding methodological rigour and validity. Beside executives, the sample included consultants who partake in the decision-making and are materially involved in negotiation and recommendation of the strategic M&A choice. While these consultants, primarily transaction managers and lawyers, are externals and are not embedded in the overall context of the company, unlike the executives, this perspective added to verify the strength of the impact of the organisational system on the decision-maker. This multiple-case embedded design contributed to a more objective perception of the lived experience of strategic M&A decision-making. Furthermore, the study's dyad involved collection of data from two different groups of people, that validate each other.

### Framework of Methods

The research gaps highlighted the need for a broader view on the microfoundational complexities of SD rationality in the specific context of M&A rather than another specialised and detailed investigation with a single focus. Figure 6 illustrates the framework of methods, incorporated in the methodological approach of this study, and based on researcher's philosophical assumptions.

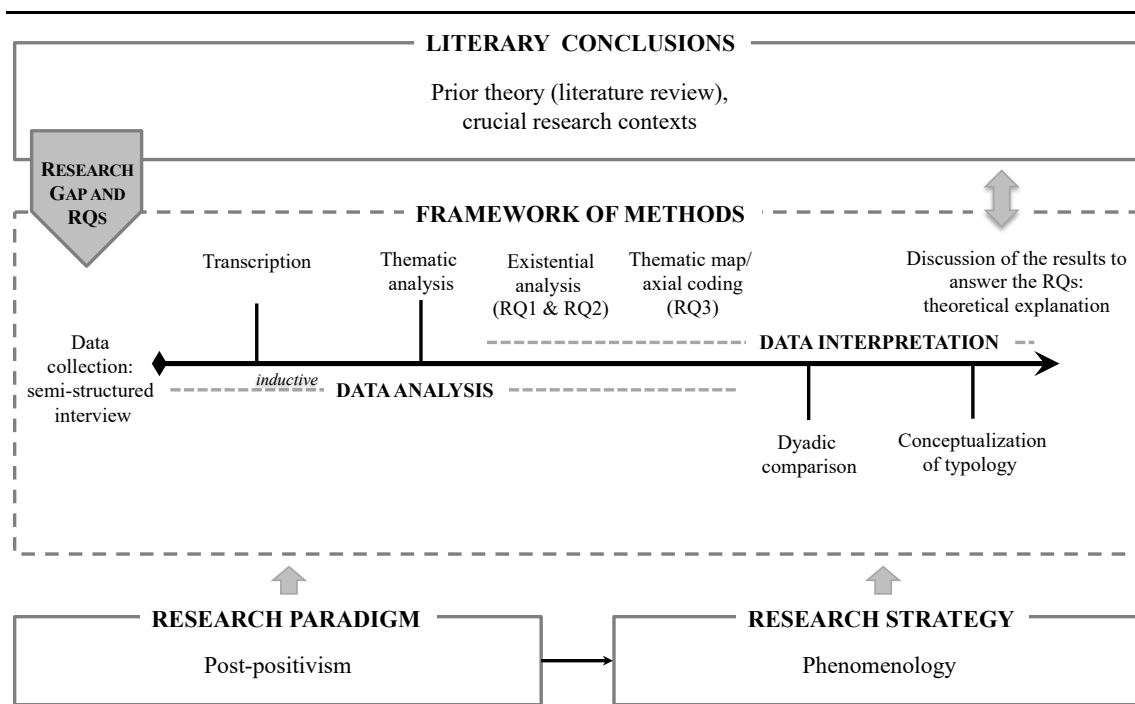


Figure 6. Framework of methods.

In light of an appropriate research design and methods (Lincoln, Lynham, & Guba, 2013), a qualitative post-positivist study, together with the chosen single-method approach, using semi-structured interviews, facilitates to move closer to reality by inclusion of subjective experiences or perceptions and activation of participant's "stock of knowledge" (Ritchie & Rigano, 2001, p. 744). As such, this study utilises an integrated and deliberate methodology for revealing individuals' varied understanding, tacit processes and hidden beliefs in M&A SDM. This approach is reasonable to derive shared patterns, predictions of behaviour and explain cause-effect linkages (Racher & Robinson, 2003; Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011), while accommodating the more microfoundational understanding.

### 3.4.2 Role of the Researcher

In a qualitative study the researcher is usually much more involved and influences the construction of the topic, choice of RQs, collection and analysis of the data (Leavy, 2014; Patnaik, 2013). This is also reinforced by the hermeneutic phenomenological strategy. The potential impact of this role is dependent on the experience and background of the researcher that shall be transparent to the participants and addressees of this study.

The idea for this research topic emerged from the researcher's observations in the market which she gained from her professional experiences and her longstanding interest in the field of M&A. Accordingly, the researcher is engaged in this investigation as a practitioner while in professional employment. However, the study was not carried out with specific interest of the practitioner's role or within her business environment. The research topic was also not chosen from her own organisation. She was thus not personally involved or biased. The practitioner was in a seconded role that maintained an ongoing reference of the research to practice. Nevertheless, all practice is theoretically informed (Brookfield, 2005), and while doing research in the real world, theory is developed from practice and for practice. In fact, the researcher is considered to act as a practitioner researcher, being part of the work and at the same time external to the topic and population. Being a researcher in the post-positivist tradition requires her to be objective, preventing and restricting her own biases, with a distanced view, but going beyond "just the facts" (Ryan, 2006, p. 18).

In a phenomenological study the researcher wants to contribute to organisational and management theory from practice and experience (van Manen, 2016). Therefore, it is considered that the research requires a collaborative approach between researcher and participants. In this case, asking about behavioural factors and practices in SDM involves an insider view where the subjects can talk and reflect about their own actions.

Within a research context of personal experience, attitude and hidden meaning structures with psychological underpinnings, the researcher needed to establish a trusting relationship with the participants in order to achieve truthful and open dialogue with them. Consequently, there was no anonymity between the researcher and the

participant during the interviews, also contributing to a closer relationship and a kind of loyalty. At the same time, the researcher needed to be accepted and respected by the participants to plunge deep into the personal and cultural factors of people's behaviour. Thus, beside her M&A background knowledge, she familiarised herself with current M&A routines and specifics. This enabled an effective professional dialogue to take place, with technically meaningful and profound questions and discussions.

The positive effect of involvement had to be carefully considered and deliberately applied, because it entails interviewer bias and can influence the research in its entirety (Morse, 2015; Rofle, 2006; Schutz, 1967). Specifically, the researcher had to critically reflect how her personal experiences were relevant to the study, but her position was as objective and neutral as possible, taking an outsider's role rather than a participant's role. However, it is the researcher's own views and perception on the problem that gives direction to the study. This partial subjectivity and researcher's preferences influenced the investigation only with regard to the overarching focus of the study and the choice of RQs, respectively. Also, in a study of human behaviour and meaning structures, she must expect to get personally involved in every process step. She was placed as the principal instrument of data collection and analysis and holds a substantial role in the investigation. As the sole investigator, she conducted all conversational interviews and analysis personally. Her interview behaviour was standardised to the greatest extent possible in order to avoid influencing the answers of the participant. At the same time, the generality of the RQs, together with the choice of the methodology reduced power and dominance of the researcher and thus her potential bias in the study.

The research benefited from working as a more objective practitioner researcher. It focussed on the insights brought to the process by the participants involved that would be difficult and time-consuming to achieve otherwise. This position helped to gain deeper credibility of data with a trusted knowledgeable researcher and to get past individual difficulties of restrained voice at the beginning of the interview.



### 3.4.3 Research Ethics

Ethical issues pertaining to the participants and data collection that may arise were to be anticipated (Hesse-Biber & Leavy, 2011; Punch, 2005) when designing the research and required consideration throughout the investigation. Research ethics are understood to describe professional codes of conduct for data collection from and about people, their analysis, reporting, and publication of information about the research subject. Participants need protection, require trust, and research demands integrity while guarding against misconduct and inadequate reflection on their organisations (Israel & Hay, 2006).

To maintain professional behaviour towards those participating, the researcher integrated ethical practice in her research process, taking precautions prior and actions during the interviews. Economic, psychological, social or personal issues that may harm participant's well-being as a result of their participation were respected. This is based on the ethical principles of the governing University (University of Gloucestershire, 2020). Before the research phase began, the University of Gloucestershire faculty research ethics panel approved this study procedures and contents, confirming that no physical, mental, or emotional injury will harm any participant.

In compliance with these requirements, initially all potential candidates were provided with detailed information about the procedures and characteristics of the study and the researcher's personal information (Appendix 2). They also received a consent form (Appendix 3) that described the ethical issues and formal procedures of the study, including a privacy notice for compliance with data protection requirements regarding the collection, usage, and retention of their personal data. Each participant was asked to acknowledge their consent prior to commencing the interview. Any additional information required to make the participants understand the research topic and the types of information they would need to provide, was clarified in a call or directly before the interview took place. Such informed consent ensured that the interviewees participated voluntarily and were not coerced in contributing to the study.

All precautions undertaken protected the privacy of the participants and confidentiality of the data to pose minimal risk to the respondents and detriment of the researcher. Further to the above, access to the audiotapes and transcripts remained restricted to the researcher only. The study used randomly assigned pseudonyms and careful selection of citations to ensure that the participant's identity and the companies they represent are not identifiable.

In compliance with the information letter, consent form and data protection requirements, the research results were only used for this thesis and not disclosed or made public without the subjects' prior agreement. It was avoided to side with participants by including only those persons, with whom there is no involvement in any of their business and decisions, neither personally nor professionally. At no time, did the researcher have any conflict of interest. The study was not funded and there was no other financial compensation, neither from the researcher to the research participants nor from any sponsor to the researcher. The participants did not have any personal or preferential affiliation to the researcher.

The mutual relationship was characterised by respect, integrity and trust. In this context, specific ethnic backgrounds had to be well understood by the researcher. Information about cultural-specific norms, business stratagems and charters was gathered and reflected in the interview conduct, i.e. more extensive introduction phase in PRC to establish trust.

In addition, qualitative research is only legitimate when it adds novel insights to or solutions for latent problems (Lincoln et al., 2013). In ethical justification, this study does not duplicate prior studies. It contributes to extant knowledge with new and extensive information about the field of research and suggests proposals for future research.

### 3.5 Methodological Approach

Based on the research strategy, which adds methodological rigour, the research design was crafted accordingly to obtain a complete story. The following describes the specific methodologies applied and the access to the field in more detail.

#### 3.5.1 Accessing the Field of Research and Sampling

##### *Sample Selection*

The participants of the study needed to be carefully chosen. As the knowledge carrier they have material impact on the ultimate quality of the research. They must have experienced the phenomenon with enduring memories about it and at best share patterns of meaning in order to contribute to this study. The selection of the interview participants was therefore carried out with the intention of securing the most knowledgeable and representative informants associated with executive behaviours who had been involved in strategic M&A decision-making processes. Accordingly, the study required access to high-ranked managers who are difficult to study (Elbanna & Child, 2007a), and who often do not participate in academic studies on the pretext of confidentiality and reluctance to disclose information in academic studies. These people however are the only source of data in phenomenological research (Goulding, 2005). This was the reason why the researcher opted for a purposive sampling strategy that is frequently applied in qualitative research (Yin, 2011). From the variety of purposeful sampling strategies (Patton, 2015), a combination of homogeneous sampling, criterion sampling and snowball sampling was adopted.

As the population is rare, the researcher contacted board members, CEOs, CFOs and M&A executives from German companies from her personal network. The majority of contacts however were established via the network platform *LinkedIn*, or where contact details were publicly available directly via email. The choice of companies was driven by those who are highly involved in corporate M&A, and based on information that was published through official records or press releases. Other participants helped to recruit further interviewees through the use of their network. However, this kind of snowball or network sampling (Handcook & Gile, 2011; Sadler, Lee, Lim, & Fullerton, 2011) was

not the general sampling procedure for Germany and only added to the sample size due to the exceptionally small population.

For PRC instead, this became the main access point among the hard-to-recruit participants. Chinese people have a reputation for being more reserved on sharing information, and more than three-quarters of those contacted refused to participate or did not reply. It was therefore even more important to get in touch with them using personal contacts and recommendations. The researcher also used her network's network to reach out to potential Chinese participants which helped to recruit eight of the 12 participants.

Out of more than 90 requests, 18 positive replies were received from German and 12 from Chinese executives/consultants, showing interest in participating in the interview. This importantly reflects a commitment to the study and allows to deliberately generalise findings beyond the confines of those participating (Bryman & Cramer, 2009).

### ***Sampling Criteria***

With reference to the objectives of the study, an adequate, knowledgeable and to some extent homogenous sample was ensured, which could contribute to an in-depth understanding. Each participant had to qualify with specific criteria (Table 6) to ensure a most representative sample and the right level of reference persons. The selection required that the sample was culturally balanced and presented the range of perspectives and experiences in M&A.

Criteria	Participant inclusion
Capacity to SDM	High-ranked (1 <sup>st</sup> and 2 <sup>nd</sup> level) executive who is substantially involved in strategic M&A decision-making; Expert or consultant who is substantially involved in strategic M&A decision-making
M&A experience and track record	>5 years M&A experience
Ownership of firm	German or PRC incorporated firms
Confined roots	German or Chinese origin

*Table 6.* Sampling criteria for participation.

There was no limitation as regards the business sector, size of the business or participant's age. Accordingly, the final sample was very diverse with regards to business industries (14 sectors) and the participants represented varied age groups with tenure backgrounds from five to over 20 years of experience in M&A and management expertise. As there are comparatively few female board members/executives there was no requirement for a gender ratio (87% male).

### ***Sampling Size and Composition***

At the beginning, the sample was planned to comprise approximately 10 to 15 interview participants for each country. This was considered methodologically valid according to recommended, usual sample sizes in empirical literature for organisational and business research and the homogeneous structure of the participants (Francis et al., 2010; Guest, Bunce, & Johnson, 2006; Marshall, Cardon, Poddar, & Fontenot, 2013; Saunders & Townsend, 2016). Especially phenomenological research calls for a more in-depth than sizeable investigation (Guest et al., 2006; O'Reilly & Parker, 2012). Generally around 10 participants are considered reasonable for these studies (Gentles, Charles, Ploeg, & McKibbin, 2015; Guest et al., 2006; Starks & Trinidad, 2007; Teddlie & Tashakkori, 2009) and a higher number of up to 30 is only mentioned when the data is studied less intense (Gentles et al., 2015), or the sample is heterogeneous (Saunders, 2012).

Even though data saturation in phenomenological research is not considered of much relevance (van Manen, 2016), the researcher was guided by this concept and interviews continued until theoretical saturation, i.e. no significant additional data emerged (Bryman & Bell, 2015). This was represented by 18 participants in Germany, of which 13 were from corporates and five consultants, represented as follows (Table 7):

Alias	Executive level	Ownership type	Company size (N <sup>o</sup> employees)	Business sector	M&A experience	Gender*/ Age
George	1 <sup>st</sup> level	Private	100-999	Interior Design	>20 years	M / 50-59
Adam	1 <sup>st</sup> level	Private	>1,000	Family Office	10-14 years	M / 50-59
Harry	1 <sup>st</sup> level	Listed, sole proprietary	100-999	Real Estate	5-9 years	M / 40-49
Jeremy	2 <sup>nd</sup> level	Listed, family controlled	>1,000	Energy	15-20 years	M / 40-49
Marc	2 <sup>nd</sup> level	Private	>1,000	Food	>20 years	M / 50-59
Nick	2 <sup>nd</sup> level	Private	>1,000	Pharma	5-9 years	M / 50-59
Charlie	2 <sup>nd</sup> level	Listed	>1,000	Media	>20 years	M / 40-49
Bob	2 <sup>nd</sup> level	Corporation	>1,000	Retail	15-20 years	M / 40-49
Olivia	2 <sup>nd</sup> level	Listed, family controlled	> 1,000	Chemicals	15-20 years	F / 40-49
Jack	2 <sup>nd</sup> level	Private	>1,000	Electronics	10-14 years	M / 30-39
James	2 <sup>nd</sup> level	Corporation	100-999	Family Office	5-9 years	M / 40-49
Ross	2 <sup>nd</sup> level	Listed	>1,000	Media	15-20 years	M / 50-59
Ben	2 <sup>nd</sup> level	Listed	>1,000	Media	10-14 years	M / 40-49
Tom	1 <sup>st</sup> level	Partnership	>1,000	Consultancy	15-20 years	M / 40-49
Tony	1 <sup>st</sup> level	Corporation	<99	Consultancy	>20 years	M / 50-59
Ed	1 <sup>st</sup> level	Private	>1,000	Consultancy	>20 years	M / 50-59
Michael	1 <sup>st</sup> level	Private	<99	Consultancy	>20 years	M / 40-49
Matthew	1 <sup>st</sup> level	Private	100-999	Consultancy	>20 years	M / 50-59

\* Male (M); Female (F)

Table 7. Taxonomy of German interview participants.

A further number of 12 interviews were conducted in PRC, of which eight were from corporates and four consultants, represented as follows:

Alias	Executive level	Ownership type	Company size (N <sup>o</sup> employees)	Business sector	M&A experience	Gender*/ Age
Sophia	1 <sup>st</sup> level	Listed	>1,000	Electronics	5-9 years	F / 40-49
Steven	1 <sup>st</sup> level	Private	>1,000	Automotive	5-9 years	M / 30-39
Richard	1 <sup>st</sup> level	Partnership	<99	Fund Management	15-20 years	M / 40-49
John	1 <sup>st</sup> level	Private	<99	Real Estate	5-9 years	M / 50-59
David	1 <sup>st</sup> level	Corporation	<99	Fintech	5-9 years	M / 40-49
Andrew	2 <sup>nd</sup> level	Listed	>1,000	Diversified conglomerate	5-9 years	M / 40-49
Sarah	2 <sup>nd</sup> level	Listed	>1,000	Diversified conglomerate	>20 years	F / 40-49
Sam	2 <sup>nd</sup> level	Corporation	<99	Private Equity	15-19 years	M / 40-49
Henry	1 <sup>st</sup> level	Private	<99	Consultancy	15-20 years	M / 50-59
Tyler	1 <sup>st</sup> level	Corporation	<99	Consultancy	>20 years	M / 40-49
Parker	2 <sup>nd</sup> level	Partnership	>1,000	Consultancy	>20 years	M / 40-49
Prescilla	2 <sup>nd</sup> level	Partnership	>1,000	Consultancy	5-9 years	F / 40-49

\* Male (M); Female (F)

Table 8. Taxonomy of Chinese interview participants.

Finally, the interview statistics of the total of 30 interviews conducted can be summarised as follows:

	Germany	PRC	Total
<b>N°. of interviews</b>	18	12	30
<b>Group of participants</b>	13 corporates / 5 consultants	8 corporates / 4 consultants	21 corporates / 9 consultants
<b>Hierarchy level</b>	8 on 1 <sup>st</sup> level / 10 on 2 <sup>nd</sup> level	7 on 1 <sup>st</sup> level / 5 on 2 <sup>nd</sup> level	15 on 1 <sup>st</sup> level / 15 on 2 <sup>nd</sup> level
<b>Industry variance</b>	11 sectors	7 sectors	14 sectors
<b>Company ownership structure</b>	6 listed, 8 privates, 3 corporations, 1 partnership	3 listed, 3 privates, 3 corporations, 3 partnerships	9 listed, 11 privates, 6 corporations, 4 partnerships
<b>Interviewee gender</b>	1 female/ 17 males	3 females/ 9 males	4 females/ 26 males
<b>Av. duration of interview / total time of data collected</b>	00:57:56 hrs/ 17:19:38 hrs	00:53:51 hrs/ 10:46:10 hrs	00:55:53 hrs/ 28:05:48 hrs
<b>Av. M&amp;A experience</b>	>> 15 years	<15 years	~ 15 years
<b>Company sizes</b>	all ranges from <99 to >1,000 employees	ranges of <99 and >1,000 employees	all ranges from <99 to >1,000 employees

Table 9. Interview statistics.

The overall variance in industry and ownership structures as well as the longstanding experience of the participants provided for rich data and high-quality responses. These further justify and confirm the number of participants. In terms of practical considerations, the sample size is not too large to still allow for a high-quality in-depth analysis of the data, but sizeable enough to derive valid means.

### 3.5.2 Data Collection

The research was conducted as a retrospective study and asked skilled M&A executives and consultants to reflect on their business practice and latest experiences in strategic M&A decision-making. In consideration of van Manen's (1990) phenomenological conversation, lived experience was investigated through semi-structured expert interviews from two primary sources: board members or key company executives for an internal view and M&A consultants with a more external company perspective.



### ***Pilot Study***

With the specific research design and qualitative approach to data in this field of knowledge, the researcher wanted to resolve potential uncertainties before starting the data collection and conducted a pilot study. The interview guideline was reviewed and tested with two qualified persons familiar with executive SDM to ensure clarity, and that the questions were appropriate and relevant to the research aims. These persons were intentionally not chosen from the original sample, in order to not withdraw valuable informants from the difficult-to-obtain target group. However, the same requirements and settings were applied as given for the study itself.

The pilot study brought to the fore that the open questions, developed to invite respondents to talk freely, actually challenged these business people as they were too unspecific in terms of the intention of the question and not tangible enough. Thus, the guideline was adjusted, some questions drafted more focused, while maintaining the questions' openness.

Furthermore, both pilot participants made regular mention of consultants involved in their M&A transactions. While not originally planned, it transpired that consultants play an important role during the M&A decision-making process and could be considered as another strong knowledge carrier for this study. M&A consultants were then added to the sample, where they assist firms in making M&A decisions and take over essential parts of the decision-making. They become a supplementary source of information and contributed an external perception, i.e. extraverted groups (Leonard et al., 2005).

### ***Interview Settings***

Each of the interviews was conducted in person by the researcher herself, to assure consistency in the interview process. At their comfort, the participants chose their office or occasionally a meeting room in a local hotel. The participants who were interviewed via videoconference were those with Chinese executives, where a personal meeting during the researcher's travel to the PRC could not be scheduled.

All of the interviews were either conducted in German or English. From the PRC all participants are fluent English or German speakers, which gave them a strong position to articulate themselves properly in this foreign language, instead of their mother tongue

Mandarin. At the same time for the Chinese a native language interview would have required an interpreter who might include subjective wording in his translation. Thus, it was considered equally fair, to conduct the interviews in English.

The interviews typically ranged from 32 to 65 minutes but exceptionally took as long as 95 minutes. With a total of 28 hours of material collected, the average interview length was 56 minutes. Except for one interview, where the participant did not agree, all interviews were audio recorded and transcribed by the researcher. The one that was not taped, was transcribed - partly from handwritten notes during the session, partly from memory - immediately after the interview.

### ***Interview Session***

The interview guideline (Appendix 4) was developed alongside the literature review and RQs, and fine-tuned after the pilot study. Each session started with an initial small talk to get acquainted and make each other comfortable. Because some time had passed since the information letter was provided to the participants, interviews began with a general explanation of and outline to the research study. This helped to accustom with the setting and prepare for the upcoming talk, manage expectations and familiarise with specific M&A situations the interview should focus on.

Then, the interview began with some introductory questions followed by eight open-ended directional questions that were supplemented with additional ones considered to contribute to gain further information and to pursue the interview. To steer the process and to ensure that the pertinent topics were discussed, the guideline included more general questions at the beginning, moving towards more theoretically driven ones as the interview progressed. The open-ended questions allowed the participants to narrate their experiences freely. However, the intention was to direct the interviewee from superficial statements to intrinsic and implicit accounts of their practice in M&A decisions. Here, such openness allowed eliciting data that was not anticipated in advance and contributed to the aim of creating new knowledge.

Even though initially the researcher was likely to include much more questions she had to remind herself to be clear about the purpose of each question. Finally, the interview guideline questions were proven to be sufficient while leaving room for upcoming topics and an individual shape for each interview. The researcher used methods of looping back and probing for clarification and verification of the answers from the participant, which sometimes opened up to explore further responses. Especially where informants were particularly unemotional and well trained in expressing themselves professionally, hiding subjective data on in-mind procedures, feelings and personal objectives, the questioning methods and persistence paid off. The stories that each individual shared, allowed an understanding of their native cognitive constructs, implicit non-rational tendencies and experiences in strategic M&A decisions from their point of view, while also providing the researcher with the particular background to bring their behaviour into context.

The guideline for the interviews with M&A consultants (Appendix 5) was only adjusted to the extent necessary to accommodate their external perspective.

### 3.5.3 Data Analysis

Interviews were analysed in their original language, using TA within the phenomenological framework of van Manen (1990). Accordingly, after data collection, all interviews were transcribed. For RQ1 and RQ2, the TA was guided by existential analysis (van Manen, 1990), for RQ3 the researcher used the thematic map and the principles of axial coding to analyse the relationships in nodes and themes.

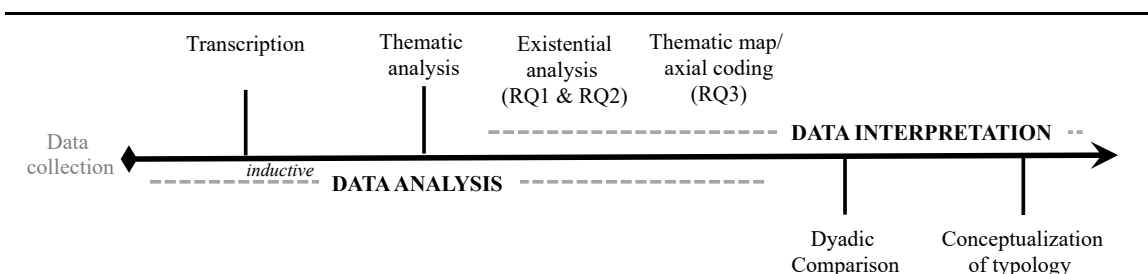


Figure 7. Data analysis process.

All of these thematic findings further provided the basis for developing patterns into a multidimensional typology.

### ***Transcription and Data Management***

After the interviews were conducted, the audio-records were transcribed verbatim. This is generally the most common procedure to prepare the raw data for analysis (Bazeley & Jackson, 2013; Braun & Clarke, 2006). All transcriptions were made by the researcher herself in an effort to guarantee the quality of the records and to familiarise herself with the data as well as to ensure the confidentiality of the information. All transcripts were then entered into the data analysis software *NVivo*, which helped to efficiently and systematically manage the large amounts of qualitative information and to facilitate purposeful retrieval of that data. It was also valuable for a fast and efficient theme recognition and a rigorous, focussed analysis.

### ***Approach to Translation***

The approach to translation introduced into this international study was driven by the objective to bringing the English expressions as close to the German original texts, and to not lose meaning in translation (Chen & Boore, 2009; Santos, Black, & Sandelowski, 2015; van Nes, Abma, Jonsson, & Deeg, 2010). Following discussions in literature about the challenges and implications of language differences in cross-cultural qualitative studies on the validity and quality of the data (Helmich, Cristancho, Diachun, & Lingard, 2017; Santos et al., 2015) the translation was performed late stage.

The researcher strives for an objective translation of the said but acknowledges that there are linguistic nuances in German and English expressions that may be captured differently. Therefore, the data analysis and coding were performed based on the original-language transcripts and only the (sub-)themes were translated to pursue semantic equivalence (Chen & Boore, 2009). Using the verbatim texts facilitated to analyse and interpret the genuine meaning of executives' experiences-as-told while the materiality of expressions from the original data - the core of qualitative research - was preferred over an early-phase translation. For later reference in this study the quotes were carefully translated to English (Appendix 6), complemented with probing for coherent sociolinguistic, M&A-specific and cultural wording where literal translations to English did not always express the essential meanings of the original source. With this requirement for special knowledge about M&A, terminologies, and the people under study as key competencies contributing to a valid translation, the researcher did

not involve a professional translator (van Nes et al., 2010), herself being a native German-speaker and proficient in English.

### ***Uncovering Themes and Isolating Thematic Statements***

Where rooted in phenomenology, analysis goes beyond description of the phenomenon and includes reflection and comparison, called intentional and eidetic analysis (Husserl, 2012; Wertz et al., 2011). The aim is to draw valid meaning from the non-numeric qualitative data, to describe the *what* and *how* (intentional) and to derive essentials, that are invariably present among individuals (eidetic). Thus, analysis has to keep the context of the whole and deviate from its pursuit to scrutinise single broken parts (Hycner, 1985), though deemed equal with the concept of explicitation (Giorgi, 1971; Hycner, 1985).

For this study, the data is unstructured, not readily available for analysis and demands processing, such as categorisation, clustering or interpretation (Marshall & Rossmann, 2016). However, there are no common rules as regards the depth and systematics of process (Gray, 2009; Hycner, 1985; Vaismoradi, Jones, Turunen, & Snelgrove, 2016; van Manen, 1990). Following van Manen's (1990) phenomenological approach several techniques may be applied. For this experiential investigation the open coding style and TA procedures were most appropriate for the in-depth investigation and allowed themes to emerge freely (Vaismoradi et al., 2016) from participants' lived experiences in their contexts.

Themes are considered to unify the common particularities of this complex phenomenon (van Manen, 1990) and elaborate the meaning in order to answer the RQs (Vaismoradi et al., 2016). This method helped uncover executives' business practices and also unconscious meaning from the cautious statements of the informants allowing for interpretation beyond them (Braun & Clarke, 2006). Where the interest in executives' experience of non-rational behaviour is primarily epistemological, but at the same time economic and psychologic, the researcher employed a combination of van Manen's (1990) three approaches to isolate statements together with usual procedural steps of TA.

First, in a preliminary analysis, every transcript was read and re-read line-by-line looking at what each single sentence and paragraph revealed about the phenomenon. Significant statements were assigned with keywords and where these were shared by other participants grouped together into concepts. This step of detailed reading (van Manen, 1990) supported the researcher in developing a holistic sense and familiarity, where she could also immerse herself in the data to understand the interviewees' vision and perceptions. With her openness and withdrawal from personal presuppositions the researcher became conscious and prepared to perceive the phenomenon as such. Initial keywords or phrases were identified as concepts in an effort to organise the recurring ideas in the data into meaningful groups (Vaismoradi et al., 2016).

During a further reading, the focus was more selective and highlighted the most expressive statements. In this stage overarching themes were gradually derived, generating main and sub-themes as well as eliminating redundancies. Sub-themes were grouped into overarching themes, according to similarities and key issues. These expressions and central themes also allowed for identification of incidental analogies between the collected data and of any patterns (Creswell, 2013; Hycner, 1985) that became apparent from comparing their shared features and meanings.

Lastly, using the holistic reading approach, the text was considered as a whole, and notable phrases that capture the essential meaning of the phenomenon were evidenced within the data. The sub-themes and themes identified were reviewed and refined, while verifying their validity and significance to contribute to the understanding of the phenomenon.

### ***Analysis of the Data Guided by Existentials***

Van Manen (1990) emphasised, that every phenomenon under investigation is part of a lifeworld, and considers, i.e. lived body, lived space, lived time, and lived other as fundamental existentials and guides for reflection during the analysis process. He pointed out that one more than the other is always part of the experience under investigation, but there may also be additional ones that help to explore meaning, himself adding lived things in one of his later works (van Manen, 2016).

These dimensions were then considered influential for the meaning structures in participants' lived experiences and were taken into consideration in the further analysis. The researcher translated the lifeworlds as follows: lived body as executives' corporeality or appearance, lived time as temporality/opportunity of M&A decision-making, lived other as relationships to other people involved in SDM, and lived space as organisation. Furthermore, the existential of lived cognition as behavioural/cognitive conduct was added because of the particular research focus of the study. Nevertheless, the researcher also remained open to let other existentials emerge during the process.

### ***Analysis of the Data Using Axial Coding to Gentrify the Thematic Map***

Even though still controversially discussed, qualitative research is accepted by several scholars for providing causal explanations (Braun & Clarke, 2012). In addition to the generation of themes and exploration of potential patterns, TA was further applied to identify relationships. The principles of axial coding were borrowed from GT to identify interdependencies that flow into the thematic map. With axial coding (Birks & Mills, 2011; Glaser & Strauss, 1967) the researcher located relations between the different sub-themes/concepts also in preparation for a typology. While this study did not intend to use a quantitative approach of correlation, axial coding together with thematic maps were particularly helpful "to determine the relationship between variables and to compare different sets of evidence" (Alhojailan, 2012, p. 39) in qualitative data. This should not only be considered as a visual display of any hierarchical relation (Guest et al., 2012), but an indication of what executives experience as associated behaviours or determinants. The researcher tested the relationships with the data and looked for linguistic connectors, such as *because*, *when*, *if*, *as a result* and *since* (Guest et al., 2012) or other signalling words that mark a relationship. This approach provided convincing links between several behavioural factors and added to the rigorous content of the thematic maps.

### ***Interpretation of the Thematic Data***

After isolating the themes about the lived experience of the executives, these require further explication of the data to derive their meaning (Smith et al., 1999). They were transformed linguistically into a phenomenological description while gleaning thematic accounts of the essence of the experiences. Within the interpretative phenomenological approach, this step helped to get to the bottom of participants' cognition and the

individual perceptual processes that govern different levels of rationality when making M&A decisions. From the full set of data collected, the researcher drew interpretations in order to uncover the in-depth understanding about the nature, determinants and relationships of SD rationality in M&A.

Additionally, through cross-country comparison the study was able to develop incidental and essential themes to confirm or disconfirm, and even discern patterns that were drawn from either country. This provided for additional findings but also contributed to validity and rigour in the data.

### **3.6 Research Quality**

There are no particular quality standards as for quantitative research (Kuckartz, 2014). Consequently it has been argued that qualitative research does not provide for sufficient scientific rigour (Noble & Smith, 2015; Rofle, 2006) as reliability and validity are not pertinent to qualitative but rather quantitative means (Marshall & Rossmann, 2016; Martella, Nelson, Morgan, & Marchand-Martella, 2013). Others claimed the need for different criteria in qualitative inquiry (Denzin & Lincoln, 2011; Leung, 2015; Noble & Smith, 2015), resulting in a subtle replacement which has developed into duplicate terminology in quantitative and qualitative research.



Quantitative research		Qualitative research	
<b>Reliability</b>	Exact replicability of the processes and the results (Leung, 2015); consistency of data over time (Joppe, 2000, as cited in Golafshani, 2003; Yilmaz, 2013); true value, applicability, consistency and neutrality (Lincoln & Guba, 1985)	<b>Trust-worthiness, richness</b>	Credibility, dependability, transferability, confirmability (Denzin & Lincoln, 2011); consistency within the analytical procedures and accounting for personal and research method biases that may have influenced the findings (Leung, 2015; Noble & Smith, 2015)
<b>Validity</b>	Accuracy of the research data (Golafshani, 2003; Yilmaz, 2013)	<b>Rigour, credibility</b>	Significance, relevance, impact, and utility of completed research (Morse, Barrett, Mayan, Olson, & Spiers, 2002); integrity and application of the methods undertaken and precision in which the findings accurately reflect the data (Noble & Smith, 2015); appropriate tools, processes, and data (Leung, 2015)
<b>Objectivity</b>	Independent, objectively measured reality (Yilmaz, 2013); data not influenced by research (Watkins, 2012)	<b>Confirmability</b>	Distance between researcher and participant (Watkins, 2012), reflexivity (Ulin, Robinson, & Tolley, 2005), assessment of the degree and incidence of researcher bias, of overimposition of a priori beliefs, and of introspection (Lincoln & Guba, 1985)
<b>Generalisability</b>	External validity: degree to which the research results can be generalised beyond the present conditions of testing, i.e. settings, persons, places, times (Yilmaz, 2013)	<b>Transferability</b>	Transferability of the particular knowledge/ findings to other settings and applicability in other contexts (Noble & Smith, 2015); extrapolation (Polit & Beck, 2010)

Table 10. Terminologies of data quality in quantitative and qualitative research.

Under the post-positivist paradigm, reliability, validity, objectivity and generalisability are considered essential indicators of quality, beside methodological rigour and triangulation, to approximate truth (Fox, 2008; Miller, 2008). Accordingly, the researcher has taken account of the differing qualities and translated them to this qualitative research, implemented by means of specific methodological strategies built into the investigation process. The following explains how and why the applied methods of this qualitative study are sound and justifies its trustworthiness and confirmability while ensuring rigour.

### ***Trustworthiness***

Data reliability and consistency are essential for reaching the goal of a sound and trustworthy business study. The concept of reliability has therefore been transferred to trustworthiness or richness in qualitative research (Denzin & Lincoln, 2011). It was achieved through a consistent approach of the analytical procedures and transparency about the researcher's decisions and interpretation. The iterative approach to data collection and analysis ensured congruence and allowed the correction of errors before they undermined the analysis. Achieving reliability in qualitative research has been questioned and its methods were considered vulnerable to misinterpretation or personal biases (Noble & Smith, 2015). This is because the data is based on personal interaction with the participants who contribute their subjective real-life experiences. To overcome this challenge, the researcher openly presented her orientation and involvement in the research and the lifeworld of the participants. She implemented methods proposed in literature to prove reliability, such as a systematic process in conveying the interview information to ensure that interpretations are well supported by the empirical data sets (Ritchie & Lewis, 2003), asking for clarification in case of ambiguity (Shank, 2006). This was further reinforced in the approach to translation that seeks for equivalence and valid, original expressions while minimizing the distance between the meanings experienced-as-told and the meanings as interpreted in the findings (Polkinghorne, 2007), accounting for personal biases and ensuring transferability.

Furthermore, the ethical principles of the University of Gloucestershire (2020) were adhered to and the researcher was clear about her personal as well as research method biases, so the consistent approach and actions taken prevented to encourage the study's outcomes.

### ***Rigour and Credibility***

In a qualitative world of multiple means, it is hard to arrive at truly accurate measures of data for validity, as approached in quantitative studies (Rofle, 2006). Notably, this refers to construct validity through appropriate operational measures, internal validity resulting from defensible interpretation and conclusions, as well as external validity coming from possible generalisability (Gray, 2009). To implement this in the qualitative study, the researcher aimed to seek rigour and credibility in the application of methods (Lincoln et al., 2013; Patton, 2015), and in the rich set of data derived from the

participants' stories (Altheide & Johnson, 2011) which was achieved by weaving diverse actions into every step of the investigation.

It can be difficult to determine respondents' candour and participant's bias while critical or unsuccessful experiences may remain unreported. To mitigate possible effects, the researcher applied conversation techniques for verification within the interview, such as reflection and control questions. Knowing that their information is truly confidential and having established rapport with the participants, allayed concerns about the security of the sensitive information, social desirability or other consequences, and let them change their initially restraint voice to frank expressions. Participants' answers were not judged but listened and responded to, which let the participants openly share their experiences, behaviours and emotions. What supported this candour was the fact, as the findings show, that participants do not even consider themselves affected towards non-rationality and therefore response biases on their end were weak.

Where it has been highlighted that "[r]igour is clearly the key to success" (Rofle, 2006, p. 305), the research design and methods were shown to match the RQs and provided coherence through to the conclusions. The study details the step-by-step process of analysis and a clear chain of evidence from concepts to codes to themes which allows traceability. Original quotations from the interviews were used as significant statements and provided the credible basis for interpretation and coherent findings, clearly and truly presenting participant's reality "in ascribing salience to one interpretation over another and for framing and bounding an interpretive study itself" (Lincoln et al., 2013, p. 247). The guidance by van Manen's (1990) existentials provided structure in coding and supported better replicability. The analytical process of reading and re-reading replaced the use of several coders, and the researcher could confirm codes or make corrections in this process herself.

Using *NVivo* software in a concurrent comprehensive process of data coding and theme identification contributed to such a rigorous approach, while systemically validating the analytical steps and accurately reflecting how data evolved to the themes and the expressions of the findings. The data gathered was handled appropriately and extensively. This strengthens the interpretation and together with the methodological coherence in using TA, facilitated a thorough analysis. It provides for a clear

demonstration of a more realistic reflection of the executives' experiences and its respective conclusions. Research validity was achieved through truthful results towards reality. The developed typology contributed to this by providing a common understanding and serving as a template for further theory development. The researcher also responsively included consultants beside the purposely chosen corporate participants, in order to increase sampling sufficiency, evidenced by theoretical saturation. Verifying executives' answers with those of the external perspective of the consultants, added validity and confirmatory findings.

### ***Confirmability***

Even though preventive measures and the researcher's code of conduct were in place, data collection and analysis generally underlie the risk of bias and false or constrained information where a true objective reflection of the real-life situation (Gray, 2009; Morse, 2015) will be affected. This can result from the daily condition, mood and personality of a participant, perceived pressures or supposed disadvantages from the research results. It goes beyond the interview setting, becoming incalculable and manageable only to a limited extent.

The adequate sample also added to the depth of the data. The purposeful sampling provided for novel empirical data that comes from beyond the participant's own experiences. The format of the interviews built trust with the participants which facilitated the gathering of better and richer information.

Furthermore, the comparative study ensured multiple empirical data gathered from a set of people in different social situations. The variation and depth of data provided for saturation and soundness of the study. To ensure confirmability and avoid reduced expressiveness due to biased or attenuated information, the findings were gathered from two different sample groups for each country. Converging these findings allows opposing subjective intra-company perspectives of the individual executive, with rather general and more objective accounts from outside-company M&A consultants. Inherent in the dyad of this study, the German and PRC data are available for triangulation. Although the researcher chooses this multiple-case embedded design that was feasible to triangulate data she argues against classic methodological triangulation.

In the sensitive environment of behavioural confines, this approach compensates the methodological limitation of interviews by the strength of multiple perspectives and complementary cross verification. This kind of triangulation further fosters trustworthiness, credibility and external validity.

### ***Transferability***

This concept further promotes the qualitative findings in the means of transferability and shows that several independent sources of empirical data converge on them. Even though, with a post-positivistic view that there is no single definitive description of the real world, generalisability of the results was created in terms of typological applicability. The strength of data refers to its capacity to representing the meaning of the participants about the phenomenon (Kafle, 2011; van Manen, 2016). Despite the particular research context, the research design was set to experience transferability of the phenomenon, where the data from two countries and different participant groups could provide for solid results, and a basis for transferability to another setting (Merriam, 2007; Polit & Beck, 2010; Zachariadis, Scott, & Barrett, 2012). Thus, generalisation in the traditional sense is not the focus of the study, but the typology of behavioural momentum and shared patterns of meaning between German and Chinese executives and consultants demonstrate representational generalisation.

The principles applied and steps carried out throughout the research process contributed to create greater confidence in the results. They have also enhanced the research quality of this evidence-based knowledge about such complex and (unconscious) microfoundational conjectures.

### 3.7 Chapter Summary: Methodology and Research Design

This third chapter outlined the research study design and rationalises the methodological considerations compared to alternative research methods.

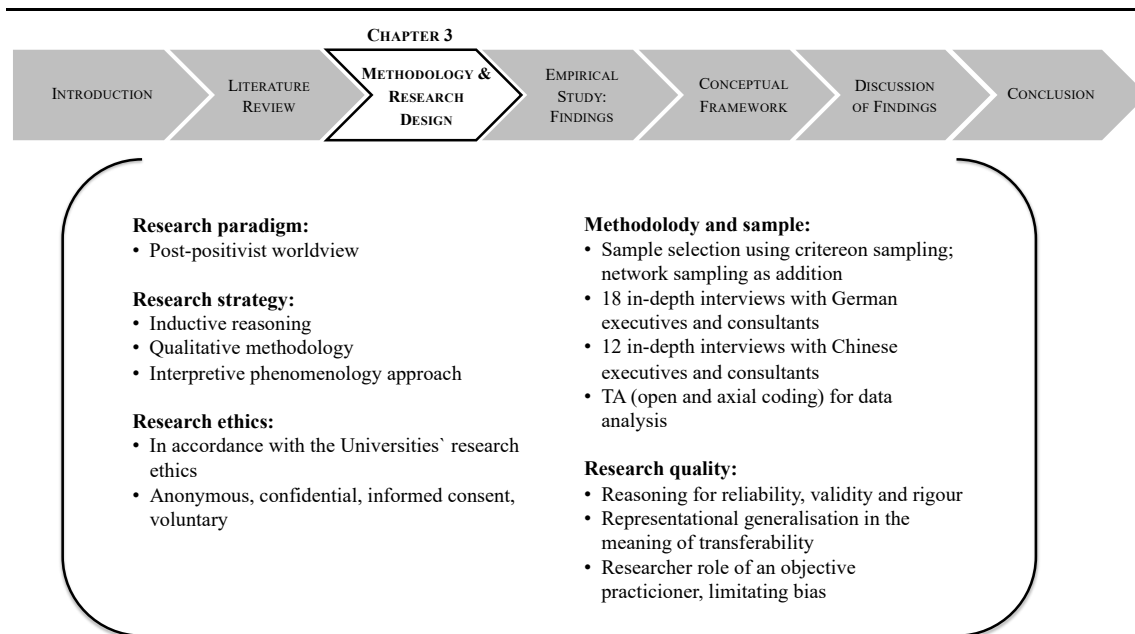


Figure 8. Chapter 3 – Progression.

The research paradigm followed the fundamentals of post-positivism. The choice of a qualitative research strategy and the hermeneutic phenomenological approach was then justified. The following discussion about the selected research design highlighted the composition of the framework of methods used to derive new knowledge and new perspectives through a contextualised, microfoundational perspective on SD rationality in M&A. The design satisfies the need to fill the research gaps by reliable and rigorous data and contributes to extant prevailing quantitative and positivistic approaches in SDM research.

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## **CHAPTER FOUR**

### **RESEARCH FINDINGS**

## RESEARCH FINDINGS

After having outlined the research gaps and respective study design to investigation, this chapter presents the findings of the research. It provides for a description of how the analysis has progressed from the raw interview data to sub-themes and themes and finally constitutes the findings.

### 4.1 Introduction to Analysis of Factual Evidence

The following presents an evaluation of the responses from German and Chinese M&A executives as well as consultants. First, the study provides the major themes that constitute the behavioural factors of executives in strategic M&A decisions (RQ1). Second, findings reflecting conditions and contextual determinants towards non-rational M&A decisions are presented (RQ2). Following, this chapter offers key relationships between the behavioural factors (RQ3).

The structure follows the step-wise approach to data analysis and interpretation. Findings emerged in an iterative analytical process guided by van Manen's (1990) existentials. The researcher became highly involved with the experiential descriptions of the participants, while at the same time touched by its nexus. The study thus meets the demand to explain the human phenomenon more comprehensively and approximate truth. The post-positivist orientation of the researcher proved as antipole for a less biased approach to the data for more objective findings.

The consultants' perspective is not presented separately as this data has flown into the overall analysis because their experiences are considered complementary and triangulatory.



## 4.2 Top Management's Lived Experience of Behavioural Factors Applied in Strategic M&A Decisions

### 4.2.1 Analysis

This section provides for the details of the analysis and shows how the sub-themes and themes emerged in a two-step process according to van Manen's (1990) stages of a preliminary and a final analysis.

#### *Preliminary Analysis*

All transcripts were approached in detailed reading (van Manen, 1990) and the researcher extracted statements and marked keywords that provided relevant information to the investigation. A subsuming concept was attached to every keyword.

Statement	Keywords	Concepts
<p>“But I think it's just more of a question of <b>age</b> than <b>how long I've been in the M&amp;A business</b>. Because at the end of the day it's about <b>with whom we've had what kind of experience at what levels</b>, up to and including financing negotiations or something like that, where you somehow develop a bit of <b>intuition</b> for it and I find that <b>age</b> helps at least once in a while.”</p> <p><i>Adam (Germany)</i></p>	<ul style="list-style-type: none"> <li>▪ Age</li> <li>▪ How long I've been in the M&amp;A business</li> <li>▪ With whom we've had what kind of experience at what levels</li> <li>▪ Intuition</li> </ul>	<ul style="list-style-type: none"> <li>▪ Age</li> <li>▪ Long tenure in M&amp;A</li> <li>▪ Prosperity of professional experience</li> <li>▪ Intuition</li> </ul>
<p>“Time. <b>I buy time</b>. Because in China, well you know, <b>with all the experience</b>, the only <b>I don't want to miss is the window of opportunity</b>. Because especially in China, it's not a market-driven economy. Sometimes the <b>government's involvement</b> will shorten or lengthen the whole kind of the development period.” <i>John (PRC)</i></p>	<ul style="list-style-type: none"> <li>▪ I buy time</li> <li>▪ With all the experience</li> <li>▪ I don't want to miss the window of opportunity</li> <li>▪ Government's involvement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Overpricing</li> <li>▪ Internalisation of past experiences</li> <li>▪ Opportunism</li> <li>▪ Enthusiasm</li> <li>▪ Controlled investment stimulus</li> </ul>

Table 11. Preliminary existential analysis - Extract.

This technique was applied for all transcripts, generally right after the interview has taken place, to familiarise closely with the data. Valuable emergent issues that were identified during the collection process partly informed subsequent interviews.

### ***Final Analysis***

The final analysis moved on from the keywords and concepts to develop sub-themes and themes when reading and re-reading the transcripts, and also additional representations emerged.

Four major themes came up representing German executives' behavioural factors as perceived by the respondents: Powerful and skilled personality, multiple cognitive stimulation, perceived dominance in social syndication and favourable attitude towards the target.

Concept	Sub-theme	Theme
<ul style="list-style-type: none"> <li>▪ Age</li> <li>▪ Extant life experience</li> <li>▪ Gender-specific skills</li> <li>▪ Long tenure in M&amp;A</li> <li>▪ Prosperity of professional experience</li> <li>▪ Wealth of specialist knowledge</li> </ul>	<ul style="list-style-type: none"> <li>▪ Solid competency and demographics</li> </ul>	<b>Powerful and skilled personality</b>
<ul style="list-style-type: none"> <li>▪ Impetus</li> <li>▪ Involvement</li> <li>▪ Persistence</li> <li>▪ Persuasive power</li> <li>▪ Pressure</li> </ul>	<ul style="list-style-type: none"> <li>▪ Personal strength and steadfastness</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Hubris</li> <li>▪ Self-confidence</li> <li>▪ Selfishness</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strong self-belief</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Moral hazard</li> <li>▪ Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ethical tensions</li> </ul>	

- Table 12 continues on next page -

Concept	Sub-theme	Theme
<ul style="list-style-type: none"> <li>Decision fatigue</li> <li>Egocentric bias</li> <li>Emotional transmission of the present</li> <li>Endowment effect</li> </ul>	<ul style="list-style-type: none"> <li>Cognitive bias</li> </ul>	<b>Multiple cognitive stimulation</b>
<ul style="list-style-type: none"> <li>Affirmative inner temptations</li> <li>Gut feelings</li> <li>Intuition</li> </ul>	<ul style="list-style-type: none"> <li>(Extra-)Sensory perceptions</li> </ul>	
<ul style="list-style-type: none"> <li>Enthusiasm</li> <li>Euphoria</li> <li>Passion</li> <li>Thrill and excitement</li> </ul>	<ul style="list-style-type: none"> <li>Optimism</li> </ul>	
<ul style="list-style-type: none"> <li>Career addiction</li> <li>Managerial welfare</li> </ul>	<ul style="list-style-type: none"> <li>Agency</li> </ul>	
<ul style="list-style-type: none"> <li>Core self-evaluation</li> <li>Grandiosity</li> <li>Obsession towards reputation and status</li> </ul>	<ul style="list-style-type: none"> <li>Narcissism</li> </ul>	
<ul style="list-style-type: none"> <li>Diversity of judgement calls</li> <li>Gender uniformity</li> <li>Personal competition</li> <li>Professional heterogeneity</li> <li>Shared vision and mindset</li> </ul>	<ul style="list-style-type: none"> <li>Collaborative efforts amongst challengers</li> </ul>	<b>Perceived dominance in social syndication</b>
<ul style="list-style-type: none"> <li>CEO dominance and leadership skills</li> <li>M&amp;A consultant's authority</li> <li>Shareholder supremacy</li> <li>TMT bottom-up assertiveness</li> </ul>	<ul style="list-style-type: none"> <li>Power distribution</li> </ul>	
<ul style="list-style-type: none"> <li>Internal interrelations</li> <li>Relationship of trust</li> <li>Wheeling and dealing</li> </ul>	<ul style="list-style-type: none"> <li>Social ties</li> </ul>	
<ul style="list-style-type: none"> <li>Affinity</li> <li>Belief</li> <li>Desire</li> <li>Empathy</li> <li>Illusion of control</li> </ul>	<ul style="list-style-type: none"> <li>Executives' object of wishful thinking</li> </ul>	<b>Favourable attitude towards the target</b>
<ul style="list-style-type: none"> <li>Conscious pricing at different discretion</li> <li>Decreasing decision relevance of business plan</li> <li>Extensive assessment of the target</li> <li>Vested processing and use of information</li> </ul>	<ul style="list-style-type: none"> <li>Negligent diligence in quantitative and qualitative assessment of the target</li> </ul>	
<ul style="list-style-type: none"> <li>Cultural fit</li> <li>Human fit</li> <li>Strategic fit</li> </ul>	<ul style="list-style-type: none"> <li>Strategic and social fit</li> </ul>	

Table 12. Final analysis: Themes representing behavioural factors of German M&A executives in SDs.

From the interviews with Chinese participants also emerged four major themes related to executives' behavioural factors: Disciplined personality with limited expertise, contradictory cognitive stimulation coupled with risk insensitivity, social allies and human esteem covered under central power, and overpaid partnership propensities towards the target.

Concept	Sub-theme	Theme
<ul style="list-style-type: none"> <li>▪ Age</li> <li>▪ Gap of professional experience</li> <li>▪ Gender-specific skills</li> <li>▪ Internalisation of past experiences</li> <li>▪ Lack of specialist knowledge</li> <li>▪ Short tenure in M&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>▪ Imperfect competency and demographics</li> </ul>	<b>Disciplined personality with limited expertise</b>
<ul style="list-style-type: none"> <li>▪ Caution</li> <li>▪ Realistic view</li> <li>▪ Strictness in dedication</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pronounced self-control</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Aggressive attitude</li> <li>▪ Ambition</li> <li>▪ Opportunism</li> <li>▪ Pressure</li> <li>▪ Self-confidence</li> </ul>	<ul style="list-style-type: none"> <li>▪ Courageous self-belief</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Dedication</li> <li>▪ Esteem</li> <li>▪ Honour</li> <li>▪ Professionalism</li> <li>▪ Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>▪ High value priorities</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Decision fatigue</li> <li>▪ Self-serving bias</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cognitive bias</li> </ul>	<b>Contradictory cognitive stimulation coupled with risk insensitivity</b>
<ul style="list-style-type: none"> <li>▪ Gut feelings</li> <li>▪ Inner temptations of scrutiny</li> </ul>	<ul style="list-style-type: none"> <li>▪ (Extra-)Sensory perceptions</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Conviction</li> <li>▪ Enthusiasm</li> <li>▪ Excitement</li> <li>▪ Passion</li> <li>▪ Positive attitude</li> </ul>	<ul style="list-style-type: none"> <li>▪ Optimism</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Career addiction</li> <li>▪ Managerial welfare</li> </ul>	<ul style="list-style-type: none"> <li>▪ Agency</li> </ul>	
<ul style="list-style-type: none"> <li>▪ High risk tolerance</li> <li>▪ Ignorance</li> <li>▪ Innocence towards wealth</li> </ul>	<ul style="list-style-type: none"> <li>▪ Lack of concern</li> </ul>	
<ul style="list-style-type: none"> <li>▪ External locus of control</li> <li>▪ Play authoritative</li> <li>▪ Self-efficacy</li> <li>▪ Self-esteem</li> </ul>	<ul style="list-style-type: none"> <li>▪ Core-self evaluation</li> </ul>	

- Table 13 continues on next page -

Concept	Sub-theme	Theme
<ul style="list-style-type: none"> <li>Professional cooperation</li> <li>Respect</li> <li>Team diversity</li> </ul>	<ul style="list-style-type: none"> <li>Knowledge partners among peers</li> </ul>	<b>Social allies and human esteem covered under central power</b>
<ul style="list-style-type: none"> <li>CEO domination</li> <li>Governmental supremacy</li> <li>M&amp;A consultant's knowledge power</li> <li>TMT bottom-up assertiveness</li> </ul>	<ul style="list-style-type: none"> <li>Power centralisation</li> </ul>	
<ul style="list-style-type: none"> <li>Governmental relations</li> <li>Internal and external network</li> <li>Relationship of trust and esteem</li> </ul>	<ul style="list-style-type: none"> <li>Social and political ties</li> </ul>	
<ul style="list-style-type: none"> <li>Affinity</li> <li>Belief</li> <li>Control</li> <li>Desire</li> <li>Deferential interaction among equals</li> </ul>	<ul style="list-style-type: none"> <li>Executives' object of merged interest</li> </ul>	<b>Overpaid partnership propensities towards the target</b>
<ul style="list-style-type: none"> <li>Extensive assessment of the target</li> <li>Increasing consideration of non-economic factors</li> <li>Meticulous processing and use of information</li> <li>Strong decision relevance of the business plan</li> </ul>	<ul style="list-style-type: none"> <li>Due diligence in quantitative and qualitative assessment of the target</li> </ul>	
<ul style="list-style-type: none"> <li>Price hubris</li> <li>Overpricing</li> <li>Perception of target value</li> </ul>	<ul style="list-style-type: none"> <li>Unconscious confidence in pricing with a tendency to overpay</li> </ul>	
<ul style="list-style-type: none"> <li>Cultural fit</li> <li>Human fit</li> <li>Strategic fit</li> </ul>	<ul style="list-style-type: none"> <li>Strategic and social fit</li> </ul>	

Table 13. Final analysis: Themes representing behavioural factors of Chinese M&A executives in SDs.

Guided by van Manen's (1990) existential analysis, the reflection and interpretation were predominantly exposed to the existentials *lived body*, *lived other* and the complemented *lived cognition*. The existential of *lived things* (materiality of the target) emerged additionally.

The following presents this set of new themes representing the lived experiences of the participants, the experiential reality of German and Chinese M&A executives and consultants as regards their perceived SDM behaviour in M&A, in more detail.

## 4.2.2 Major Themes Reflecting German M&A Executives' Behavioural Factors

### 4.2.2.1 Powerful and Skilled Personality

The findings suggest that executives' powerful and skilled personality is of importance to rational SDM. At the same time, experienced and male executives are more likely to employ intuition in their better judgement. Furthermore, too much personal strength, steadfastness, and strong self-belief induce behavioural tendencies.

#### *Solid Competency and Demographics*

Half of the German interview participants aged between 40-49 years, and the other half was older than 50 years. Only one participant was in his late 30s. This is not surprising as the study only included 1<sup>st</sup> and 2<sup>nd</sup> level executives which usually are not younger. The older the participants, the more relaxed, but determined and convinced they appeared in their answers. Consequently, age seems to have some kind of influence on the decision-makers attitude towards their assessment. From the participants' answers however it could not be evidenced that age alone is essential to non-rational SDM. It was moreover connected to and determined as the decision-maker's life experience. Adam, a 1<sup>st</sup> level executive in his 50s, explicitly mentioned age in this connection, "it's about who we've had what kind of experience with at what levels, ... where you somehow develop a bit of intuition for it and at that point I notice that age helps at least once in a while." Matthew based his intuition in choice on his life experiences, not necessarily only from his job. Harry referred to "also life experience, human experience that play a huge role here." The close connection to the knowledge of human nature was further mentioned several times. Therefore, the executives see extensive experiences in their life as a reliable construct for their SDM, informing their intuition base.

Similarly, Nick explained, "everything flows into it, the rational as well as the irrational, ... and with the irrational I am convinced that one can strip into the rational part we use, and the emotional part we know how to deal with it." Although acknowledging non-rational tendencies to be part of SDM, he indicated that their specialist knowledge supports better judgement and seemingly more rational SDM. Similarly, Adam referred knowledge to "solid craftsmanship [necessary for] ... a rock-solid due diligence, understanding what is presented there." Likewise, several executives experienced that

learning is a constant companion. Tom reflected that in retrospective he had “learned an incredible lot over the years”, from the diverse challenges, about the process, negotiation skills and management of the deal team. Another participant emphasised “of course to reflect on the insights in the next projects and to do ones work better” (James). Similarly, Ben raised the importance of making mistakes and “that we recognise them and that we follow them up to ensure that we have learned” whilst Ross stressed that people who “maybe have not so much M&A experience and affinity, ... can even break down such a process.”

Furthermore, a 2<sup>nd</sup> level executive stated that for SIDs “there’s a lot of personal judgment involved and I think that’s only possible through experience.” He considers professional experience important for better personal judgement in strategic M&A decisions, and at the same time indicates that with such personal involvement non-rationality could occupy some space. Similarly, Jack mentioned “that’s the advantage of the education, that others at least can’t pretend you an A for an O and that you have a certain experience in all these things.” Nick also stressed “if it is not number-oriented, that doesn’t mean that it has to be emotional then, but there are qualitative and quantitative factors and of course we all want to hear them and that is also influenced by experiences.” A long-practiced executive moreover experienced himself “to be relatively rational because I think that I can simply classify things quite well with enough experience.” For this reason, the prosperity of professional experience contributes to more rational SDM.

Associated to this is the relevance of long tenure in M&A, where the majority of the participants owe more than 15 years to this business. Tom emphasised that tenure is important to handle sudden and challenging situations during the deal process and to assess the situation correctly. Jack similarly mentioned the ensemble of feelings and M&A tenure while recognising that inexperienced “just don’t have that feeling, ok, where do I plunge into now, even in negotiations, that’s easy, that’s real, that’s experience, you can’t really say otherwise. I probably wouldn’t have thought that 10 years ago either.” These statements show that tenure and respective professional knowledge cause the use of feelings and intuition as a decision base, experienced as rational.

Seldom statements related to gender in this regard, but the interviewees experienced and questioned why the M&A business is dominated by men. A consultant emphasised that “women are simply, they’re just much better, they’re more accurate, they’re more reliable” while acknowledging that men were always in a special relation, best buddies. and only after the GFC “the old grey-haired male friendship has been a bit broken off and ... the organs act much more professionally”. Here, professionalism seems to stand for less misbehaviour. Consequently, increasing rationality and less wheeling and dealing is perceived as women-specific.

### ***Personal Strength and Steadfastness***

Executives experience themselves equipped with a strong impetus to get the deal done, exemplarily mentioned by Charlie. Olivia emphasised that there is “great will to find solutions and make things possible when it makes business and strategic sense.” On the contrary Michael emphasised that such impetus must not be in the investor’s interest but just need a deal “good for myself”. Nick named it “the eBay principle, you unconditionally want to win.” Accordingly, it seems to be a narrow ridge, when too strong an impetus can imply greed, fallacy or other non-rational behaviour.

Similarly, too much involvement seems to have a negative impact on rationality. An executive from a family office experienced himself to acting rational but it “can tip over because you get involved too much, also personally, with thoughts, that you think, boy, great this can all evolve etc., what a nice project it would be and at last do a project again.” With a different perspective Ben, executive from a listed company, raised the importance “to distance yourself from such a [emotional] wave that suddenly sloshes over you with force and mass.”

Relatedly, participants’ experienced that persistence in deal-sourcing and negotiation increase non-rational tendencies, particularly pricing. Marc mentioned the example of one desired deal where they negotiated “at the end in a call incredibly long time ... ready to pay almost twice as much.” To the contrary, a consultant emphasised that a combination “is very important, that you have a certain flexibility, persistence and then determination to bring an M&A project that is very risky to success.” Here again, it seems to be a narrow ridge between the necessity of persistence to get a deal done and too much persistence that leads to irrational judgements.



The participants also made regular mention of persuasive powers, embarking in conviction and determination. Olivia said that one has to be convinced but also to convince others time and again. Similarly, Jack mentioned that “so far we have still found arguments that have convinced the shareholders as well.” Adam conceded similarly, that “yes, you sometimes argue the case against a mountain and afterwards they are then convinced after all”, while Ben acknowledged that “if you feel that someone is of a different opinion, you have to do respective persuasion work.” Even though executives did not explicitly mention irrational tendencies, the said gives indication that strong, even non-rational, engaging argumentation against different opinion may cause others depart from economic rationality, apparently often successful.

Additionally, pressure to get the deal, to not fail and to invest the money influences executives SDM. One example mentioned is that due to the pressure and competitive pricing, Marc overpaid, acknowledging that “rationally you can’t justify it anymore, it’s just that ... I absolutely have to get this.” Other pressure emerged due to fear of failure. Matthew felt this pressure on himself, not to “open one’s necks, or get the slap in the face, boy, you didn’t make it again” while Harry experienced it as to “buy the wrong thing, make the wrong decision.” The personality thus sets the course for more non-rationality if it is excessively pronounced or superficially acts in favour of one’s own positioning.

### ***Strong Self-Belief***

Executives experienced a strong self-confidence, hubris and selfishness that affect their rationality in strategic M&A decisions. One 2<sup>nd</sup> level executive, Jack, he “simply found it extremely sensible to make one, exactly these transactions together, even if one has to eventually pay somewhat more than the actual market price” and repeated the perfect sense several times in conviction. Matthew confirmed such confidence in his lived experience of M&A executives but also for himself as a consultant. This however often culminates in over-confidence. Executives “get an imagination forward” (Adam) and experienced that the business plan is prepared with unsubstantiated extrapolation (Marc).

The interview participants appear also equipped with a strong ego, which was related to selfishness. Olivia acknowledged that ego plays a role sometimes and this destroys

value. Others proved their selfishness while Michael used the transaction to “show what a great guy I am”, and experienced others to pose as “alpha animals”. Matthew, another consultant, emphasised that “this desire who has the greatest, yes, that can be quite decisive for M&A transactions ... the pure lust.”

Strong self-belief also came about in hubris. Executives are experienced as courageous and having guts (Oliva). Marc emphasised that figures contain “unjustified increases” and Adam stressed to “forget ... that the new business model is marked with a big question mark” and acquired even though potential gains were doubtful. The consultants confirmed that “you have to ask yourself, why does someone come up with prices my Excel spreadsheet doesn’t support?” (Matthew) and “entrepreneurs then overestimate themselves” (Michael). Self-belief thus seems a strong motivator for M&A but prompts executives’ non-rationality when focussing and pricing effects that rarely exist as such.

### ***Ethical Tensions***

The consultants’ raised that the M&A business is experienced as evoking moral hazard. As an example, Michael mentioned PE people “who think of themselves and want to raise the next fund, and then need a deal to do so, buy far too expensive for my sake, which is bad for the investors.” From his experience this phenomenon varies depending on the existence of a personal agenda and also on firm type. Partially confirming, Tom experienced an improvement in ethics towards professionalism since the GFC when “the old grey-haired male friendship has been a bit broken off.”

Indeed, other decision-makers exert much more responsibility towards the shareholders, corporate aims and the business. For Adam it is distinguishing that in his SME there is a “very strongly managed responsibility towards our shareholders” and therefore they never “then somehow let us be misled, or they ogled us or promised us anything and then we said, come on it won’t get that bad.” Jack mentioned that in his decisions he wants to make sure that he “also creates added value for the company.” Two other interviewees emphasised that a comparison to market standards (Bob) as well as reflection in critical decision situations (Ben) is experienced as important for responsible SDM. Evidently, with decreasing distance to the shareholder and increasing affiliation with the company, moral responsibility increases and adds to rationality.

#### 4.2.2.2 Multiple Cognitive Stimulation

Cognitively, executives suffer multiple stimulation or biases from their (extra-) sensory perceptions, optimism, agency, and narcissism, that seldom meet with resistance to repel corresponding non-rational tendencies.

##### *Cognitive Bias*

The endowment effect was regularly mentioned as pertaining family-owned companies in sales, also known as divestiture aversion. Marc put it very generally but highlighted that advisors are better used with their “business-like know-how, which actually has a completely, completely emotionless relationship to the matter. ... This gives a strange break in the emotional situation.” A consultant emphasised that “the sale of a family business is the most emotional thing you can imagine.” And Olivia stressed that she took advantage of this while “it has yet been possible to make deals because the seller had the feeling that he was putting it in good hands.” This shows that the decision-makers do not follow rational and economic paths because their emotions make them stumble over what to do and what is the right thing to accomplish with their firm. Also because of their “strong relationship to their employees”, as mentioned by the consultant Michael. Ed posits “it’s got heart and soul in it” but also put it in relation to having failed when selling the business. Notably, no indication was given about similar emotional involvement for acquisitions or other types of companies.

Furthermore, some executives showed signs of decision fatigue. This has been clearly demonstrated with statements about lasting projects, worked on “for half a year ... everyone had different workstreams to take responsibility for and to negotiate with different partners, and analyses etc., up and down, but at some point you just want to close“ (James) and “at a certain point, you don’t want to move away from the transaction” (Marc).

Besides, decision-makers show a tendency to heavily rely on their own perspective, so-called egocentric bias. With perceptual and unintentional distortion of reality they “tend to have certain personal goals, meaning that you simply have the idea that a certain strategy is exactly the right one and the company absolutely needs it now” (Marc).

Adam mentioned, they “wanted to trim the whole company, including shareholders, in the direction he thought was right.”

Similarly, Ross experienced emotional transmission of the present, while “we believe that this place will develop well”, which Marc translated into “unjustified increases” in numbers. Michael explained such phenomenon by “people also always trust a little that things will stay the way they are, just to have security.” Ed, as another consultant, confirmed, “they don’t want to think about it either ... it won’t go on like this forever”.

Effected by these predispositions, executives start to overlook things or become negligent, not adhering to rational reasoning any more.

### ***(Extra-)Sensory Perceptions***

In further intrinsic explanation, an executive experienced the SDM process as “an emotional roller coaster” (James). Bob stipulated to “always have such a feeling of what you like best, but that also varies from one to the other. That always depends on the current situation during the negotiation.” These statements show that the emotional volatility during the transaction may lead to different judgement which is affected by very own inner temptations and favouring. Adam was so excited and continued to assess the target while then satisficing his feelings that “they were also distinctly better.” Nick related impulsiveness to past experiences and acknowledged “that’s possible, that one reacts more emotionally, because he has had negative experiences in the past and therefore champions issues with somewhat higher blood pressure.” He however emphasised that when these constraints are brought on a more objective level it is important to listen to these.

Despite positive cognitive motivation several of the executives also experienced gloomy stimulation, when they felt uncomfortable, with some fear or anxiety. Matthew related his nervousness to inexperience and mentioned an example of a big deal, where these feelings made him more cautious and deliberating. Whereas a 2<sup>nd</sup> level executive mentioned himself becoming anxious when the 1<sup>st</sup> level wanted him to renegotiate a deal, for which he was so far happy with the results, and “out of this euphoria developed a certain frustration, with the tension” of uncertainty. The participants seem to cope well

with these temptations and in some way overcome those with the positive ones, while indication was given that extracting emotion is important for more rational SDM.

Likewise, executives seem to heavily rely on their gut feelings. Bob described that “we actually let ourselves be emotionally guided by it, all three [targets] were very attractive.” In the same vein, Ben mentioned that he very much relies on his gut feelings while “belly and head play their little game together and at the end of the day something throws out.” One of the 1<sup>st</sup> level executives similarly raised that for him it is important to explain his gut feelings and “that this stomach ache outweighs the sense of happiness of colleagues sitting at the table.” Others used words like having “very strongly the feeling” (George) or involved a decision criterion called “look and feel” (Olivia) in their SDM.

Executive’s intuition also plays an important role here. Adam told from his experience that when thinking about the SDM, to have “intuitively a good feeling actually ... and that’s the decisive thing for me at the end of the day, to be honest.” Interestingly, most mention was made of intuition in connection with experience (Harry, Matthew, Adam). Even though there may be “also young entrepreneurs who can do something like this well, because they have a lot of intuition ... it is very important to be able to bring along a certain life experience” (Harry). Equally, a 1<sup>st</sup> level executive from a family office mentioned that “you somehow develop a little sense for it” over time.

### ***Optimism***

One participant, James, acknowledged that he moves away from rationality when he becomes enthusiastic, “great this can all evolve etc., what a nice project it would be and at last do a project again.” Similarly, another 2<sup>nd</sup> level executive acknowledged that “there may be some enthusiasm involved, no question.” Enthusiasm was also experienced as a driver to overcome risks, but Charlie said that towards his board it is “incredibly difficult to then lead this discussion and then encourage them beyond risk aversion.”

Equally, executives experienced euphoria referred to the deal terms when receiving initial information, “of course you will read it with a certain euphoria and tension. And then you yourself are very euphoric and think, super, everything looks great” (James).

He further added that such euphoria may turn to frustration when others catch him, questioning things that he himself overlooked in joyful confidence. A 2<sup>nd</sup> level executive also experienced that they were “really hot on this idea, wow, there’s another partner coming in now, but we want to play along.” While Jack emphasised that “at the end of the day I’m only happy when the hook is finally on, when the ink is dry, because otherwise it would also hinder me in my work to ‘still get the best deal’ for the company.” With these statements the executives show that their euphoric feelings about the deal may impose strong non-rational tendencies as to inhibit their judgement, but finally do not seem to displace rationality completely.

Additionally, a female executive feels “great passion for deals when it’s realised that it would fit well.” In other words, one “must of course be passionate about it and say, yes this makes sense” (Bob). A 2<sup>nd</sup> level executive experienced that one is “then of course keen to say ... we must have that in any case.” Also, on the 1<sup>st</sup> level the passion was experienced to influence one’s decision behaviour where Adam was touched when “the company is however so exciting and it didn’t let me go”, so he went on in negotiations even though the first results from due diligence were not very promising. For Ben his passion is shown in dedication, “I’m really too much, probably here and there, more than 100% on the road for this subject, and I’m really going to do everything I can to make it work.” He also added that when he does not remain focussed on the process and topics, passion may intervene in a wrong direction. And with the passion also comes a sense of pleasure to do M&A.

Furthermore, thrill and excitement let executives go beyond rational SDs. Adam was thrilled about the “exciting company, really something for big boys, really great business.” And for Marc the deal “is of course more chic than dealing with the small-and-small of the day-to-day business today.” This culminates in the so-called deal fever which was regularly mentioned by all interviewees. In such condition it was experienced that one “has bid far too much to get exclusivity” (Charlie), hasty decisions were made because “they want to get it done“ (James) or there are several conditions and consequences that arise from the transaction, but “the deal team doesn’t see that“ (Adam). Consultant Tony confirmed such experiences by acknowledging, “it was so interesting back then you’d think it justified an exception.” If these signs of optimism

are contagious or extend to the SDM-relevant areas in the company, non-rational tendencies in choice become very likely.

### *Agency*

As another compelling aspect executives follow their personal agenda pertaining to career addiction and welfare that counteract rational SDM. Charlie considered it “a great opportunity to develop a new business together” and highlighted that, more for juniors than seniors, “a big deal more or less makes a difference on the CV as well, and accordingly they might have the impetus to want to go through with it.” Harry similarly experienced that the board promised “interesting follow-up tasks, follow-up mandates” which became an incentive to make the deal happen.

Much more crucial however, findings suggest that executives imply non-rational tendencies in choice when greedy and looking for their own managerial welfare. One consultant very clearly stated “greed devours brains, this also applies to such processes. And through greed devours brain this leads them to become totally irrational.” Tom provided further strong indication with examples of executives’ greed for their own benefit when “the board had a personal bonus interest in getting a certain deal through.” Michael confirmed that “these guys are really just making money, exclusively.” From the executives themselves, Charlie claimed that deal bonuses cloud the clear view although it “shouldn’t become a driver of its own, that I’m not objective anymore”, but it does. Other executives (Olivia, Jack) mentioned they do not have transaction-related monetary incentives (any more). Findings though suggest that executives are well aware of these influences and try to circumvent incentives in some way, but yet money is a motivator for many and it becomes - to some extent - a vicious circle, especially in bigger, listed companies.

Not surprisingly it is especially the consultants who shared these experiences about executives having their personal agenda and not the executives themselves.

### *Narcissism*

Pertaining narcissistic propensity Tom remembered, “that was perceived as prestige, as an ego-relevant project. And that also superimposed certain deal logics and synergies. So, you just wanted it, you wanted to demonstrate power and influence with this deal.”

Similarly, Jack emphasised that when deals are seen as a status symbol that go along with taking “risks, no matter of what kind, especially when acting abroad, where one shut one’s eyes to that.” A consultant added to having experienced “as a negative example, many regional princes who actually have nothing to say but pretend to be the great champions”, starting to look for targets and creating their kingdom in grandiosity.

In the same vain there seems to be obsession towards reputation and need for admiration by the M&A executives that powerfully counter rationality. Jack mentioned that “many see this as their personal, a personal thing and think M&A is hip, ... and just want to identify themselves by it.” From his experience “there was an own agenda only behind it, ... of course you can always enrich yourself with something, it’s the status ... I then have something stuck on my lapel, I also made an M&A transaction.” Similarly, another executive experienced a new colleague who wanted to position himself and therefore sought an opportunity (Marc). Charlie also referred to reputational issues as an important matter and a conflict while one wants to remain “without damage, feeling damaged” when a withdrawal becomes necessary and further referred to one’s male sense of power and status that might be harmed. Or in terms of self-importance: “neither the board of directors opens us one’s neck to say, ‘I have misjudged that’, nor does the supervisory board, of course” (Matthew). Marc mentioned that then “problems certainly will be put aside ... namely, what I do with it afterwards, then. To buy the thing is great. You get into the newspaper and everything, all amazing” which outweigh diligence and rationality.

Also, the data shows that almost all decision-makers suffer a bias blind spot in self-perception about their rationality in SDM. The executives consider that they “deal with it very neutrally and then derive the decision” (Bob) and “would not enrapture me with emotions, to make a decision solely on the basis of emotions, but I make them when I have grasped the ratio” (Ben). Others perceived themselves “on a very rational course.” (Marc), or “still as relatively rational” (Charlie). However, there were also more critical voices who said that there is no absolute rational decision (Olivia) but he tried to step back from emotional influences (Jack). Ed as a consultant similarly stated “it’s worth a try, that doesn’t always work.” Overall, M&A executives seem unconsciously influenced by their (extra-)sensory perceptions but consciously rely on these as a SDM basis.



#### 4.2.2.3 Perceived Dominance in Social Syndication

Affiliation to others must not be underestimated and the findings show that additional key issues go beyond the decision-maker as an individual. As part of a team and the corporation, collaborative efforts amongst challengers, power distribution, and social ties were experienced to counter rational SDM.

##### *Collaborative Efforts Amongst Challengers*

Beside the small proportion of female participants in this study, the gender domination by male executives in high-level M&A positions was highlighted by the participants. Moreover, boards were experienced as “men’s economy” (Matthew). He expressed this further as the knowingly said I-know-someone-who-knows-someone, and advisors as well as buyers or sellers of one’s company surprisingly often become those that were longed for. In the same vain, Tom mentioned to “frequently experience, and what is definitely not rationally, I, my perception is that in the M&A business you get to know excessively many supposed to real alpha animals. And these are mainly men.” The participants stress the gender uniformity to contribute to non-rational tendencies in choice when the best buddies (Tom) work together, with an all-men perspective.

This coincides with the usually experienced shared vision of the boards and investment committees when “decisions are then really mostly unanimous” (George). Ross also said that the decision makers “are usually pretty much in agreement.” Other participants had similar experiences in their companies that were “extremely harmonious” (Marc) and akin as regards the “assessment of people, of business models” (Adam). These shared visions seem to be important for the executives in order to have a consensus about such big transactions and not to be able to blame anyone later. The results however do not evidence whether these entail a more or a less rational judgement. Moreover, such shared views and homogeneity call into question to what extent these have been discussed beforehand or follow an agenda induced by social ties.

Pertaining the collaboration, the findings indicate that despite the shared vision, there is little to argue against a diversity of judgement calls. Most of the executives experienced “very lively discussions” (James) and “it’s discussed in all directions, but in the end the decisions are really unanimous most of the time” (Tony). Adam pointed out that “the

sum of the different perspectives usually leads to a balanced, to a balanced assessment and sometimes helpful hints come out of these discussions, what you might not yet have really focused on and where you could yet look at.” Heterogeneity of specialists in the teams was also emphasised to dampen non-rational judgement. Marc experienced each different perspective of their board members to bring in “the three essential positions” that are necessary for the SDM. Likewise, the TMT or deal team are “mixed teams between one side the division and corporate” (Charlie).

Not surprisingly in a man’s world, several statements related to personal competition between those involved. Matthew cited examples from his experience and concluded that “this competition, this desire who has the greatest, yes, that can be quite decisive for M&A transactions.” In the same vain Marc mentioned internal competition when “the local head of the country comes along, who of course is in competition with you, that always makes it difficult” and one has to stand one’s ground. Another consultant emphasised that the density of the market also places personal competition between the potential acquirers “and then when several people argue about it, well, then you don’t look very closely.”

In collaboration, the respondents experienced uniformity and personal competition to entail non-rational tendencies whereas heterogeneity was seen as contributing to more comprehensive and rational decisions. At different levels, however, this can be negatively influenced by dominance.

### ***Power Distribution***

The relation between the superior level of the company towards others was experienced to entail certain dominance. Ed mentioned an example where “the CEO then made it very clear which way to go.” And also, Marc highlighted that the board has to stand the dominance of the CEO, otherwise, with “one relatively weak and the other topples over, then the country manager has won.” Differently, CEO dominance became strongly related to leadership skills which are expressed in “a lot of clear strategy guidelines” (Charlie) or “a negotiating mandate, so that without another approval, as long as they remain within the framework parameters” (Bob) the deal can be made. This shows that in such bigger firms, dominance and power distribution are not mutually exclusive. From these examples, CEO dominance seems to imply more non-rational decision-

making, where this one person can comfortably implement his strategy, while in power distribution this shifts to the 2<sup>nd</sup> level without a 1<sup>st</sup> level corrective.

Similarly, the shareholders entail supremacy, particularly for family-owned businesses where they are yet very much involved in SDM. Bob mentioned that for his shareholder, “of course, if he says no, that’s clear, it’ll be hard.” Another one stated that his shareholder sometimes controls in a different direction “and then you have then again another ... completely different final straight” (James). Ed also specified that it may be the case that the shareholder’s perspective is: “Yes, that’s all nicely negotiated, but I don’t see it that way.” The shareholder then represents the commander in the SDM process in M&A. He may either enforce his own limited-rational behaviour or counter those of the TMT.

At the same time, the participants experienced a disparate relationship between TMT and the board. Data suggests that TMT bottom-up assertiveness weakens the rationality level, but it is successful to different extent. An executive referred to a former colleague of him, “he was very opinion-driven ... extremely opinionated and he always wanted to somehow trim the whole company, including shareholders, in the direction he thought was right” (Adam). Similarly, another example was given where “the board will have questions again, and then again perhaps has a different opinion about it, both price-wise and strategically” (Ed). Differently, Matthew saw such influence from those “who are in charge of the process, they initiate it in time and involve their committees in such a way that they only have to nod off.”

Additionally, the power and influence of M&A advisors became a relevant concept. Adam described them as a “weapon” in the negotiations because they are experts in the respective industry. Others experience consultants “to exonerate” (Michael) or “then complement each other perfectly” (Ben). Even though all organisations make use of consultants the decisions remain with the company and are “not just the recommendation of some law firm” (Bob). Executives are well aware that consultants may be biased because of their success fee, and therefore “we actually emancipate ourselves relatively strongly from our consultants, so that we actually use them more like an extended workbench” (Charlie).

### ***Social Ties***

Interview data suggests that internal and external relationships are experienced to mediate non-rational behaviour in SDM. Internal interrelations in M&A SDM are described by “competitive relationship” between colleagues which make decisions more behavioural, more egocentric (Marc). On the other hand, Adam made reference to a “homogeneous team” or Charlie to a multi-divisional cooperation that ease the process, particularly in order to strengthen the impression about the target among the decision-makers, or to intensify informal reconciliation (section 4.3.2.4).

The importance of trust was mentioned by the majority of the participants as a key characteristic of social ties. Ross emphasised that “they’ve known each other for a long time and that’s why I think there’s a lot of confidence in the team”, also from the board who relies on the team’s assessment. Adam mentioned more particularly his dependence as a decision-maker on the team and good trust because of his sparse time to look into the documents, and “I don’t feel like it either. But then, if you cannot rely on the people here then you are also pinched.” Furthermore, Marc mentions the trust between the seller and buyer “that requires the right negotiator, too, who the others trust.” Same applies for advisors in the deal. Also, the consultant Michael emphasised that “we live by trust.” Trust is positively proven for the people for more commutated rational choice. No indication was given to exploit this for manipulation of the other party, in their assessment and judgement and therefore to non-rational behaviour.

Differently the business network seems mostly be proven negatively with regard to the strong ties of a “men’s economy” who achieve what they would like to (Matthew). Others mentioned that one came across several opportunities off-market only “because people knew each other” (Jack) or deals were generated “yourself via the existing network of contacts to the industry” (James). George acknowledged that deals were done because “the owners knew each other from many many years of joint market cultivation ... That’s what we took over”. A consultant confirmed this from experience when a chairman handed him a business card of a buyer, asking him to call the one for an offer. Business networks are thus exploited to wheeling and dealing, affecting rationality to different extent.

#### 4.2.2.4 Favourable Attitude Towards the Target

As a further relevant determinant concerning SD rationality of German M&A executives the target company turns out to mediate their non-rational tendencies. When it becomes executives' object of wishful thinking and suits strategic and social fit, executives' diligence in quantitative and qualitative assessment decreases.

##### *Executives' Object of Wishful Thinking*

Executives experience a strong affinity towards the target company. This is associated with statements like "proud about such a company" and "which they identify with" (Adam). In relation to another transaction he mentioned "I also have an affinity for it and felt very comfortable". Similarly, Harry admitted a "certain fondness for markets" which has directed his decision.

Such wishful thinking seems even stronger related to executives' desire which is advanced when the target is experienced as a "trophy asset ... such a great brand, that has so much radiance, the numbers are not so important to me now either" (Ross). Ed mentioned that they "wanted to enter the market", whereas Charlie even compared it to "the favourite piece from Gucci, something you've always wanted to have." With this feeling towards the target the decision seems to become increasingly non-rational during the SDM process. Arguments in favour for the acquisition are searched for and financials move to the background (Olivia). This desire was also experienced when the target meets the "ideal conception" (Ed), is emphasised as "a wonderful business idea" from which to make something (Marc) or attracts emotional appeal (Bob). Several respondents also mentioned that this becomes absolutely non-rational when they just "think it's cool" (Jack) or it is a particularly "exciting company, really something for big boys, really great business" (Adam).

Empathy also contributes to this. Marc experienced that "they understood each other very well and then it was merely done with only a handshake." This point was also raised by George who mentioned the influence of "a certain sympathy for the company from ... the past." Although indicating non-rational effect, it was explained or even excused that empathy is a prerequisite to do M&A, otherwise transactions will fail (Jack, Ed).

Furthermore, executives experienced to control or influence the deal outcome with their positive attitude. The target was perceived in some convinced mind-set during the transaction. Olivia affirmed that “you don’t start without optimistic forecasts.” Similarly, Harry said that “a certain optimism must also be there at times.” Another participant, however, mentioned “then, they get the fantasy moving forward” which displaces other rational future-related and relevant aspects for consideration in SDM (Adam). In the same vain Jack admitted “some things are simply seen as too optimistic.” Michael experienced that earlier he had a more academic approach, “but I said goodbye to it completely”, because “there’s so much you can influence” and present the equity story of the target in the right light. Obviously, executives suffer illusion of control, particularly pertaining financials and a better representation of the target, which makes them susceptible to behavioural tendencies in their SDM. This is closely related with belief. In SDM there are many strategic questions, also future-related that may not be answered with proper statistics. Specifically, James experienced this as the perennial question “do we believe in it or not”. And this also finds its way into the figures, “of course, usually very ambitious planning”.

The findings suggest that when no sound basis of information objects, executives start to influence things towards their wishful thinking.

### ***Negligent Diligence in Quantitative and Qualitative Assessment of the Target***

The participants experience that cashflows are not easy to prognosticate and “it is possible to influence both history and planning” (Michael). Interestingly the majority of the participants experienced that information is neither entirely available, nor fully processed or even displaced and not taken into consideration for the SD. It has been admitted by several executives that the deal “is also partly, logically, of course more from the business unit, of course also presented more beautifully, than it actually is” (Jack), or they “wipe away the problems a little bit and don’t really want it to be true” (Marc). Olivia pointed out that “if you want a subject, then topics are worked out accordingly and searched for arguments and advantages.” The same opinion is shared by the consultant Matthew who experienced “to put the strengths to the fore, of course.” It turns out that executives tend to identify and interpret information in such a way that it meets their prospects while counterproductive information is not shared or even not searched for.

At the same time, there is a decreasing relevance of the business plan. George acknowledged for one of his deals that “emotional aspects outweighed pure arithmetic work.” Others experienced that even though financials are important, the SDM is influenced by the buyers’ believe in the underlying business plan (Ross, Ben). Nick labelled this combination “science and art” and emphasised the importance of bringing together the hard facts and the soft skills for a well-balanced SID, which is not always successful.

Controversially, all participants mentioned the relevance of an extensive assessment of the target. It seems that they emphasised their extensive due diligence efforts to excuse their potential non-rationality in SDM stated before and highlighted best practices. George said they have a very long check-list and “we don’t buy where we don’t know the pig in a poke.” Others mentioned not to “make hasty decisions” but a detailed assessment (James), to understand “the main challenges of the business model” (Ben) comparing the merger to a marriage (Harry). With his example he pointed at the infatuation that makes you knowingly blind for some time, or perceiving things differently. Even though they report an extensive work during the due diligence period, the business plan is most subtle to adjust as desired, and repack behaviourally-charged motivations in seemingly rational form, namely figures.

In fact, executives and consultants also insert a great amount of non-rationality in pricing. Explanations range from “synergy effects, which you get additionally, where you actually have to justify the purchase price” (George), “simply the competition in the process was too huge” (Nick) or that the prices were not excessive because they could “pay even higher prices if we leveraged the whole thing with debt” (Jack). For the quantitative assessment the executives also provided evidence that they are willing to overpay (and do so). Especially if the deal is structured in an auction (Harry, Marc). It becomes obvious that pricing is less relevant, if the target is desired. Then it is no longer decisive if “the value later, whether this is 5% above or below the potential head-wise existing anchor value” (Jack). Charlie reflected, “let’s say 20% less had done it, too.” The same was perceived by the consultants. Michael said that he experienced executives to add “another 20% on top to make sure I get it.” And Matthew exemplary mentioned a pricing offer of 46% above expectations when advising to sell a company, and for another one even more than 100% atop. Contrary to their practices, the executives

postulated that (theoretically) they are “by no means” prepared to pay any price (Jack) and want “ideally only pay 1 euro more than my second bidder, and don’t exaggerate” (Charlie). Harry said, as a big company it is not always about the price, but “our story ... make it credible ... that this target fits so well with us, fits our strategy.”

Financials and pricing thus become the largest set screw for executives to cover their non-rational aspirations in seemingly rational figures and still argue it reasonably to the stakeholders.

### ***Strategic and Social Fit***

A key issue to the strategic and social fit has been described by culture. James mentioned the cultural background in general. Adam said that they felt a cultural misfit which is why they did not acquire, and “our shareholder family would have a stomach ache.” Other executives noted the human factor of the target management, and emphasised that it is always “the one question about man” (Adam). It was mentioned that the “mindset must fit” (Harry), and the “human chemistry” (George, Ed, Harry). For M&A this seems to be of particular importance especially where the target management will remain in place after the fact (Ross). Relating this to behavioural tendencies George experienced that they did a deal “because the management inspired us, at that time my father, without doubt” and also Harry “abstracted from the pure financials.” This was further substantiated by a strong interaction with the target management during the process and the resulting subjective judgement about them entailed emotional involvement that lets decision rationality pass by to some extent (Harry; Adam; Ross).

Additionally, executives are attracted by a strategic fit of the target with their corporate goals. Jack “all at once ... relatively fast recognised, that is exactly a part, a component, which is still missing for us here.” Another 2<sup>nd</sup> level executive experienced that such strategic fit outweighs other open points in the negotiation and they “swallow one or the other pill.” Ed experienced that “others moved a bit out of focus because it fitted so well.” By the same means, Marc stressed that strategic fit and “the idea that a certain strategy is exactly the right one and the company needs it now” is also a driver to push deals through, thus challenging fully rational decisions.



### 4.2.3 Major Themes Reflecting Chinese M&A Executives' Behavioural Factors

#### 4.2.3.1 Disciplined Personality with Limited Expertise

The findings suggest that Chinese executives' imperfect competency and demographics and courageous self-belief encourage non-rational tendencies in their SDM while their pronounced self-control and high value priorities counter this effect.

##### *Imperfect Competency and Demographics*

The majority of the Chinese interview participants aged between 40-49 years. All of them shared a stable track record in their professional history some with international studies or working-time abroad. Steven compared himself with his father and concluded that the experience grows with age and this leads to more cautious decisions. From the interview data it can also generally be noted that the older the participants the more structured and focussed were their answers which marks an indication for more comprehensiveness in their procedures.

Another related exposure was their slow dealflow and short tenure in M&A. With an average tenure about 10-14 years most of the participants have been in the M&A business for several years, but with no inflationary excessive deal flow. "Chinese companies are still very young in doing cross-border M&As" (Sam) and require "experience and education on M&A transactions ... about the process of the transaction, types of transaction and the roles ... about the pricing and valuation of the company, of the target" (Prescilla), otherwise, this may cause more involvement of experiential unconsciousness, by unknowingness.

Vast mention related to executives' experiences and knowledge. Sophia recognised that "whether this business model, whether these products, the technology have a market future that is also based on a long experience." Steven, when comparing himself with his father, mentioned that with his longstanding experience "he knows the industry very deeply so he'd make every decision, actually I would say, more cautious, more carefully." Another participant stated, that he tends to be more opportunistic because of his life experiences in PRC, "because in China, well you know, with all the experience, the only I don't want to miss is the window of opportunity" (John). Henry relied on his

life experience and knowledge of human nature when assessing the target management and stressed to “see he is an honest guy, he is very very honest, trustworthy.” However, most of the participants emphasised their according gap in professional experience which makes them more vulnerable to less rational SDM behaviour. Sophia emphasised the problem of over-valuation by those “who cross into, because they don’t know how hard the business is - you can never make a profit on that kind of investment.” Similarly, Tyler stressed that because of the “experience gap, right, compared to the season of global acquirer around the world” Chinese companies are often paying more. A consultant confirmed that “they just need to have more experience in M&A deal” (Prescilla). She further mentioned the example of SOE executives who “have [now] gained enough experiences and an expertise knowledge in ... the investment outside of China and they kind, kind of know the rule of game in the M&A world” becoming better and more rational decision-makers. Differently, David highlighted “experience is very important but ... you have side effects of such experience because we have so much experience sometimes, we think we are right but it’s not.”

Such experiences were closely related to the lack of specialist knowledge “with the asset, the valuation of the asset, the diligence of the asset, as well as offshore funding channels” (Tyler). In the same vain the 1<sup>st</sup> level executive John acknowledged “if you ask me whether I know exactly what I am buying or I am paying the right price, I have no idea.” Other participants emphasised that professional expertise is required for the judgement call as to “how much that would be true or how easy that would be ... realised” (Sam) and as “a pure base to hypothesis” (Richard). Notably however, most participants made regular mention to extend their knowledge and constantly keep learning during the process (Sophia, John).

Seldom reference related to gender, but David acknowledged that “women can be much more careful than men, when they do business. And another advantage for females, they can understand, you know they can understand other people. I think in this part ever more than males.” The sample for PRC was diverse and it could be evidenced from their statements that women are more sensitive to details and empathic, with less susceptibility to irrationality.

Chinese consciously accept the consequences of non-rational decisions due to their imperfect competency, but are not deterred by the resulting risks because the opportunities from M&A outweigh the risks for them.

### ***Pronounced Self-Control***

Interestingly, when talking about examples of how their transactions have been processed, executives showed a clear and realistic view on the circumstances. Sophia described a situation as follows: “But who still offers very high prices on this basis, from this starting point, this is also not credible.” Similarly, another female executive noted that realistically “if it is not a good deal, don’t do it because a lot of people will do it anyway, even if it is not good.” John also emphasised that “it is very difficult ... to admit what we cannot do, especially entrepreneurs.”

Several participants highlighted to exercise caution in SDM, coupled with more conservative judgements which implies more rationality. It was mentioned that this changed over time, adapting to circumstances, macroeconomic situation and regulations, and now “Chinese buyers they are more conservative compared to three years ago, five years ago. Which means, I mean, they were willing to pay a lot for the sanities” (Andrew). In the same vein Steven said that “actually, all the leaders, all the managers they are very cautious when they make their decisions.”

Chinese executives also mentioned their strictness in SDM. They bound themselves in focused, straight processes also towards integration with rigorous boundaries in negotiation (Sophia). Other participants were experienced as dedicated to their task because “first of all, I mean, this is a job. And then we’ll all have to ... work kind of diligently” (Sarah). The M&A executives prioritise their conscientious and appreciated work over personal desires. Overall, their pronounced self-control substantiates more rational SDM.

### ***Courageous Self-Belief***

Chinese executives expressed their courageous self-belief in ambition towards M&A, partially in an aggressive manner. Sam emphasised that this personal attitude flows into the judgement, although “the number are the numbers but depending on how ambitious or aggressive the individual is, you may take the price closer to the line.” Ambition thus

finally culminates in “being ultra-aggressive in trying to take over the asset with no synergies” (Tyler). A 1<sup>st</sup> level executive experienced this similarly and acknowledged that “if it’s me probably, offer price would be one or two euros more because I, if I really want this case to be successful, yes, sometimes I would take a more aggressive strategy” (Steven). In the same vain John, an executive with entrepreneurial roots, mentioned that his ambition always was boosted because in China “are a lot of opportunities for business people”. The M&A consultants confirmed that there are local companies “who have ambitions to grow internationally outside China” (Tyler) and then loosely take on deals.

It also came about that Chinese executives are very much driven by occasions, mentioning an exemplary transaction where they just “wanted to use the opportunity to take a good technology private” (Sam). One entrepreneur acknowledged himself to “look for opportunities” ever since (John). Sophia said that “we not only buy what exists as a business, we also buy the future. We are building the future in China.” Similarly, David stated that “in such an ile of transition ... there are some new opportunities, ... at least we’ll be in the foot alley to make some new companies.” However, their further expressions about assessment of such opportunities remain rippled with realism and sanity.

All of these characteristics as experienced by the executives are usually supported by their self-confidence. Particularly “entrepreneurs think they can do anything” (John). Henry stressed this with more negative sound as confident persons “can persuade their boss to say yes to any transaction they would like to make.”

Finally, all this is underwritten with several pressures the executives encounter during the SDM process. One participant mentioned the pressure to not fail with the deal because “we all know that if we cannot reach agreement on this, there will be a disaster ... and the management team must stand out to say we cannot support the offer” (Steven). Others emphasised the “pressure from the financial performance point of view” (Sarah), to not “afford to fail to pay the price” (Henry) or “they need to get something done” (Tyler) and make concessions. It is their courageous self-belief that stimulates behavioural effect, but this only fully unfolds when it is excessive.

### ***High Value Priorities***

Not surprising for the Chinese culture, the executives experienced to exercise their high value priorities also in SDM. Particularly professionalism emerged as one important value stance. Chinese executives emphasised that “in whatever situation, to be acted to be professional” (Tyler) and “I tried to be transparent and to give them the answers professionally” (Henry). This can be related to their dignity but also to the Chinese challenge of not being trusted by others. One lady mentioned that “first of all I mean this is a job” (Sarah) and Andrew said to “put 100% of my attention on the transaction.” They pronounced their professionalism and equated this to rationality by departing from emotional involvement.

Besides, the executives showed a lot of responsibility in describing their experiences about SDM behaviour. One 1<sup>st</sup> level executive mentioned that it is within his culture to “care about the company”, and when “responsible for thousand people ... you cannot gamble for every decision” (Steven). Andrew, a 2<sup>nd</sup> level executive from a listed company went even further and said that “we do not want to do the low press strategies with competitors, we would like to keep the market as health as before, or more health than before.”

The high value priorities were further expressed in honour. One consultant mentioned that he was “very honoured to, you know, serve them” (Henry). Sam described every transaction and successes he performed so far in very detail which showed his pride and honour to do this job well. Similarly, Steven, a 1<sup>st</sup> level executive, stated that as a junior chef he “actually ... grew up in the factory.” He is more affiliated and emotionally bound to the business as it is family-owned company but honoured and proud since he was able to accompany the development since his childhood.

Likewise, executives showed dedication to their jobs and their ambition to do it well. Sarah stressed she has “to kind of like our job and kind of work kind of diligently.” Particularly in bigger companies, “you just need to carry out the strategy of the company you are working for” (Tyler) which leaves less room to attach non-rational influences.

Finally, esteem was experienced as another important value stance towards more rationality in SDM. One executive mentioned that “sensitivity” is important for them and if a certain limit is exceeded this would no longer be acceptable for her bosses (Sophia). Contrarily, esteem can diminish rational judgement when “high ranking executives, they need to maintain their authority in front of their subordinates, subordinate neighbours” (Prescilla) in order not to lose face.

#### **4.2.3.2 Contradictory Cognitive Stimulation Coupled with Risk Insensitivity**

Executives experienced contradictory cognitive stimulation coupled with risk insensitivity that came about in their (extra-)sensory perceptions, optimism, agency, lack of concern, and core self-evaluation, fuelled by cognitive bias.

##### ***(Extra-)Sensory Perceptions***

For one of the female participants it emerged that “a gut feeling should be supported” by the deal (Sophia), while she mentioned her gut feelings several times during the interview. Another executive of a family-owned business emphasised, “we cannot analyse the policy in deep details. We can only make decisions by our feelings” (Steven). David admitted to “have no idea why I make this decision, but my straight feeling” and added “because we are in financial industry, I have to control our feelings first, but sometimes, we cannot control.”

Chinese executives further experienced inner temptations which were particularly attributable to fears and doubts. A consultant mentioned that “for any Chinese buyer or investors there are a lot of fears, you know discouragements you know, if they could not understand what’s going on on the other side” (Henry). Sam referred to his fear to lose the job if something goes wrong. Some executives then just concur “or provide some very minor objections or, or additions to that discussion.”

Such sentiments seem to intervene non-rational tendencies and make them more cautious and reserved which however seems not to be the case for all executives, while others were attracted by optimism and their gut.

### *Optimism*

Chinese executives experience a generally positive attitude fostered by conviction, enthusiasm, excitement and passion. This appeals to executives' optimism when in "the M&A team they are willing to push forward the transaction" (Andrew). Yet, it was further stressed by Steven that "you cannot be too, how do I say, my father always said that we should be optimistic from the strategic level, should it be more conservative in the technological level because we make every decision ... very careful." Generally, "in China, you know, they're very, very trying to be positive" although the reality "is a very rich challenge" (David). This also emerged in their enthusiasm to "not want to miss ... the window of opportunity" (John) and take "again another chance for us" to get the deal (Sophia).

Tyler showed excitement when "the only thoughts I had, was that it was a very interesting process to be in." Andrew expressed this using words like "sexy", "fancy", or "fantastic" when talking about the target acknowledging that this makes a difference in his judgement. As a consultant, Henry mentioned the example of non-rational decisions, when "we had a lot of and actually especially those who, those investors who bought a lot of football teams and the UK and Italy, you know this kind of transactions, I don't like it." Here the executives' passion about sports has overruled the business considerations and let them invest in non-related business.

Furthermore, the executives showed a strong conviction in their abilities and figures when emphasising that "I only invest when I believe I can, I can make money" (Sam). Similarly, one partner was described as "a little bit overconfident. He thinks he can, he can just simply ... transplant his experience in another field" (Richard). Even though it is a relatively clear and economic reason, such self-assurance, when paired with enthusiasm and positive attitudes can entail non-rational tendencies in choice. Similarly, Andrew stressed that "we have to convince ourselves first before we have had convince the board members."

### *Agency*

Notably, agency particularly came about for executives of SOEs. Participants mentioned career addiction "if they make this this successful deal it might help ... in their track record and performance review for their promotion" (Prescilla) or "once you make the

transaction happen then you would be promoted” (Henry). In the same vain reputation and status in their job was emphasised. A consultant mentioned the two examples of “going to buy very expensive trophy assets” to become known, and stipulated it as “one of the most irrational kind of decisions ... that they just want to put their name out on another one” (Parker).

Others showed agency in their personal welfare and “would like to make the big deal even if the outcome in the future might not be caught” but to increase his fees ongoingly (Richard). John, another 1<sup>st</sup> level executive, mentioned that “it is all about money. It’s about, you know, the power, the power in that industry.” For the PE companies a consultant highlighted “a connection of boldness between the successful deal for the transaction leader in PE firm” (Prescilla). And finally, Tyler, a consultant summarised “it is a very difficult decision, you know, the balance between ambition, greed and risk take.” The effects of agency on rationality therefore become particularly evident in risks and failure of a company.

### ***Lack of Concern***

The findings suggest that executives’ lack of concern is a strong catalyst for non-rational behaviour in strategic M&A decisions. John reflected about a past deal and acknowledged his ignorance, saying “my single largest mistake I made was that I forgot, I ignored, I neglect the fact that we are buying a whole team” which later gave him a headache. Further strong support was found in the data pertaining Chinese innocence towards wealth which goes in line with their high risk tolerance. A consultant explained this behaviour by history, because “China is first generation rich. They made the money themselves ... And it came relatively quick. During their lifetime. So, if they lose it on the baccarat table their view is, it is easy to make it back” (Tyler). Exactly this experience was confirmed by an entrepreneur when describing his professional career and he himself emphasised “don’t be afraid of being failed ... because during that trial, the trial-and-error here works better because there are a lot of opportunities” (John). Particularly private companies “have a different flavour of risk they are willing to take more risk if they feel, ... there is like sufficient protection under the transactions argument” (Prescilla). Confirmatory, Steven described the up-and-down of the entrepreneurial career, trying and failing over again, being “a person [who] would like to take risks and a adventure.”



Their high risk tolerance then helps them to take advantage of opportunities but also to make less rational decisions and to fail.

### ***Core Self-Evaluation***

While one mentioned that “I have to rely on my own knowledge and experience commercially” (Andrew) showing his grandiosity and position in the company, it became even more important to not lose face. Prescilla, a consultant exemplarily mentioned “irrational decision-makers” to make deals, because “they want it. They do not want to lose face. So, they’re just trying to play authoritative.”

This similarly came about in executives’ self-efficacy, mentioning to make a mega deal in order to have “more faith value ... if you make the deal just gets more attention, more respect, more respect, at least for a while” (Richard). Others referred to their particular abilities and eminent position, to knowledge and experience they rely on (Andrew) and being “the one who has to talk to the founder, the owner” of the target (John).

Likewise, the executives showed self-esteem when talking about their job, however there seems to be no influence on rationality. Andrew mentioned “I met the most of the big names” in the industry. Another executive, Sophia, revealed to be “happy and also proud, especially in such bidding processes, that we can convince both the seller and the team.” This enforces motivation about doing M&A, but from the data seldom relevance for non-rational tendencies emerged. John emphasised “it’s about, you know, the power, the power in that industry. That’s, that’s a true need for some people.”

From these statements also developed a tendency that Chinese executives experience more external locus of control when not only praising or blaming themselves. Moreover, Sam explained, this is “oftentimes because they don’t want hold responsibility” and cannot control the decision, but others. Consequently, the more one’s very own self is affected, the more behavioural influx occurs.

### ***Cognitive Bias***

Cognitive bias is not very pronounced among Chinese participants. Only some executives experienced decision fatigue and self-serving bias. A 2<sup>nd</sup> level executive acknowledged that “even if it is not good. After they have invested so much time, they

will feel that they will have to do it.” Steven experienced that “they sometimes just change their mind if they would have their personal responsibility.” In order to maintain self-esteem, they step back and avoid failure probably also to not losing face, which shows their self-serving bias.

#### **4.2.3.3 Social Allies and Human Esteem Covered Under Central Power**

Affiliation to others was experienced as another vital aspect. The more knowledgeable people come together the more rational is the SDM process. Power centralisation, as well as social and political ties have an ambiguous effect, contributing to more rational SDs in case of wilful compliance but more affective ones in face of opportunities.

##### ***Knowledge Partners Among Peers***

The relationship between the parties involved was perceived as respectful and professional. Chinese executives experience the expertise of others as important and M&A deals are seen as a collaborative effort. Andrew acknowledged that “may be, I would like to trust myself more, but I will never ever make a decision only because of my determinant.” Sarah emphasised, “over time a lot of other people will contribute ... and that’s how at the end we have a plan that gets everybody feel most comfortable.” This also includes the consultants, “but we have to ... really rely on our own people to have the tight check, to have the more down-to earth data” (Richard). With this collaboration they become “a well-rehearsed team, and that’s why our performance in such a bidding process was quite professional” (Sophia). In the same vain a consultant stressed “don’t try to be expert on everything but leave those things to the professionals.” With all this expertise put together, Chinese executives get more solid ground for their decisions and can make more comprehensive and rational decisions.

Likewise, team and board diversity were stressed. Andrew mentioned that their board, “they have totally different backgrounds.” Another executive emphasised similarly for her company the importance of a different opinion of the board members, otherwise “everyone sees only one perspective on one thing. If one looks at every 360 degrees, that’s good” (Sophia). Only with such diverse knowledge they can do better decisions. Sam said “it takes a good mix to do investment” after having described the different industry knowledge, age, international and M&A experience in his team.

Notably, an executive highlighted that the board “roughly I have to say 60%, they will rely on the reports, 40% they will, they will rely on their own expertise ... They know the M&A team they are willing to push forward the transaction.” Furthermore, Andrew acknowledged, “we paid a lot for the lessons before and then we realised we should and we have to give enough respect on the comment from the rear.” On the one hand this indicates the relevance of objective knowledgeable teams and opinions, on the other hand this suggests the importance of hierarchical power and respect, as a higher-level corrective, both holding back non-rational tendencies in SDM.

### ***Power Centralisation***

For Chinese companies the executives similarly described different kinds of power centralisation which formalised in CEO domination and governmental supremacy. Particularly for the private companies “the boss have the final say and quite often the boss manage every detail in the process” (Henry). This was similarly experienced by a 1<sup>st</sup> level executive where “at last it will be that the decision will be made by my father and me” (Steven) and confirmed by a consultant (Prescilla). Sam also experienced for other company types, including SOEs, “that’s driven by one or two very important persons. Right. You always have an alpha in a team ... the rest of the team often concur.” He referred this also to responsibility and mentioned that some people just not talk because “they don’t want hold responsibility ... if something bad happens so that then your quoted discussion will be pulled out, and not everyone.”

Although the centralisation admits a departure from rationality by the dominant decision-maker, the government takes additional supremacy because “all the deals will have to be approved by the local government or in some case central government” (Sarah). Sam mentioned an example where “they want the government allow them to be able to get U.S. dollars and euros to complete their transactions but we’re getting very negative with very negative answers from the government” failing to complete and suffering penalties. Others mentioned the supremacy in industry restrictions or encouragements (Henry, David), or pricing limitations (Parker). However, in compliance with these regulations they tend to behave less behavioural, as otherwise they would risk governmental approval.

From the data further emerged the specific role of M&A consultants as pertaining to their knowledge power, helping to overcome gaps and adding to more rational SDM. Executives experienced them as “more professional. And they can give us suggestion to ... make less mistakes” (Steven). Prescilla also stressed “don’t try to be expert on everything but leave those things to the professionals. Let the professionals do their job, so and listen to them.” Some mentioned to “have to rely on the third-party advisors” (Andrew) or to trust their report more “then in my own knowledge” (Parker). This makes them frequently more “business rational even though they may not have sufficient experience, they are willing to consult with the advisers. They’re willing to listen to the advisor’s opinion to help them to form ... a rational decision.” Others emphasised that yet Chinese companies rather prefer their own judgments and not fully trust the advisors, increasing behavioural choice (Richard, David).

At the same time the concept of TMT bottom-up assertiveness emerged with controversial findings. Henry, a consultant, mentioned an example of a SOE where “there is a very excellent and imaginative team, they actually, they can make any decision representation for their boss.” A female executive experienced a lot of freedom in SDM that “is no longer controlled from above. Because that’s also trust.” Another executive instead perceived M&A teams to suffer because even “they have to report the truth, but most of the report are not fully believed by the decision-makers” (Andrew). It therefore seems to be dependent on trust and company culture how much rationality is impaired and how much influence TMTs can have.

### ***Social and Political Ties***

Overall, the relationships of the Chinese executives are perceived as characterised by trust and esteem. Andrew referred to the advisors’ work while “I prefer to trust the real numbers, figures and a third-party due diligence report then in my own knowledge and determents.” The consultants also made regular mention “to be as candid as we can” (Parker) and “to be a trustworthy person” (Henry).

The data further suggests that the internal and external network have particular relevance. “Like in China you have to go out and drink” (John). He added, “it is people’s business. I can’t focus on number. If I focus on number, I think it will be probably pretty dangerous”, showing a departure from rational grounds for his decision. Others mentioned that they used the network to get funding (Henry, Parker), or to find targets (Henry, Sophia, Parker), indicating room for non-rational behaviour. Moreover, governmental relations are emphasised, and corporates “have to keep good, good contacts not only with the local governments but with the local authorities” to easier adjust to new policies (David). John stressed, “in China, everything, you do everything with government, so I was asking government officials to introduce me to their business friends.”

As a result, interpersonal relationships in- and outside the company are experienced relevant for Chinese business and there is strong indication that these affect rational behaviour when opportunities can be attained.

#### **4.2.3.4 Overpaid Partnership Propensities Towards the Target**

As a further relevant matter concerning SD rationality of Chinese M&A executives it evolved that their partnership propensities towards the target company is supporting their rationality in SDM. They perceive the target as an object of merged interests, perform the quantitative and qualitative assessment of the target with due diligence, while seeking for a strategic and social fit. This reverses to non-rationality when affected by unconscious confidence in pricing with a tendency to overpay.

#### ***Executive’s Object of Merged Interest***

The consultants perceive specific affinity of the executives with the target that limits SD rationality. Parker mentioned that “the client always has some other concerns, which, as an independent advisor we do not consider those, because this was always some personal preference.” A 2<sup>nd</sup> level executive also experienced that his board members have their own interest which was expressed as, “they do not like industry, the industrial targets at all because they believe the growth is not as sexy and ... it’s not that fancy, I mean fantastic or something like that” (Andrew). Here a very subjective non-rational tendency in executive’s choice arises.

As a 1<sup>st</sup> level executive, Steven described all the obstacles and challenges they faced during the deal but above all was the desire to get the deal as it “is a perfect case for us and we probably have only one chance to get it done.” A female executive stated about the target: “And the products produced by the company for the Chinese car industry were still quite cool, quite noble” and for another deal “that’s exactly what we need” (Sophia). A consultant confirmed that investors acquire because they desire the “market that they must be in. Will make acquisition of strategic stakes” (Tyler). He added that particularly for the SOE this desire seems to be injected by the national agenda of the government. Even though it may be strategically rational it can be economically non-rational.

This is, when enriched with the belief “that the industry here will move that to that stage like to pay.” (John). The consultants confirmed that such belief about future states takes executives in a behavioural direction, where “the number give you the line, the judgement advises you on whether somebody is going this side of the line or the other side of the line” (Tyler). He further added, it “is not a synergy, it is a view.” Apparently, executives may depart from rationality, depending on own perceptions, but for the majority of the participants, not much of this is injected or later rejected.

Moreover, the data shows that the interaction towards the target is deferential and basically among equals, indicating more rational SDM. Executives expressed their interaction as willing to “use each other’s advantage to be more profitable” (Steven) and create a “win-win situation” (Sophia). John similarly stated to merge interests “to create a team that can do everything.” Another consultant further confirmed these experiences with regard to mutual understanding, and exemplarily mentioned a transaction where the seller feels “to give us everything we are looking for but I think we could understand business over there quite well.” Nevertheless, “Chinese companies they more like to have the control even if they have 30% or the 20% in the target, they want to have certain influence. So especially for the state-owned company” (Richard), but they do not execute this power in their behaviour and act rational.

### ***Due Diligence in Quantitative and Qualitative Assessment of the Target***

The interview data suggests that Chinese executives work very extensively on the quantitative but also qualitative assessment of the target that leave less room for non-

rational tendencies. Sophia emphasised “because Chinese philosophy, that’s a whole piece of fillet. We have to consider completely. At the beginning as a whole piece, at the end also as a whole piece. Because these are interdependencies with each other.” Another executive stated that “actually I make all the analyses very very comprehensively and every time when I talk with my father or when we pick decision, I will try to make all the coming, I will make different scenarios to analyse” (Steven). Sarah put it differently while “this is a job. And then we’ll all have to kind of like our job and kind of work kind of diligently”, which underpins her rationality in the analysis and preparation for decision. The consultant Tyler also confirmed “the level of analysis was very extensive from all angles.”

The meticulous processing and use of information add to the diligent assessment of the target by Chinese executives. Sam mentioned that his “team’s work style is also open-minded ... to explore the truth of the investment project so that we have best chance of making money” while he emphasised in this regard “you have to be honest with yourselves.” Against the same background Andrew reported “we have to be quite careful on the information we have, because we have no idea if that is fully disclosed or if there are some traps in the information ... we have to do lots of own interwheels and works on our own to double check or triple check.” Likewise, a consultant stressed, “it is all about information and intelligence ... The more you know the probably the more worried you become and the better the decision that you make” (Tyler), the less the uncertainties and the more precise the forecasts.

Additionally, it came about that the business plan has a strong relevance for Chinese executives’ SDM. Several participants mentioned that there is “economic rationality” (Parker) or “financially or economically this is a good package” (Henry) and being “more conservative” (Andrew). A consultant emphasised “to make the investment worthwhile for the client, I mean, the returns” (Parker) supporting better decisions, but also indicating to embellish the numbers. In a collaborative effort, others increased their rationality and “changed the financial model over time. And there will be questions challenged by the leaders and that’s how at the end we have a plan that gets everybody feel most comfortable” (Sarah). It has also been acknowledged that yet “everybody has a view but it’s all crystal ball and best guess” (Tyler) and it always remains questionable “how much that would be true or how easy that would be real” (Sam).

However, the participants also mentioned that after having analysed all information “then they would consider about the non-economical factors.” (Henry). John even said that “it’s is people’s business. I can’t focus on numbers” and gave a warning that it would be dangerous if one does so. The data suggests that non-economic factors are taken into consideration beside the financials. However, they do not dominate but rather support to cautiously rationalise the unknown.

### ***Unconscious Confidence in Pricing With a Tendency to Overpay***

The data suggests that the perception of target value by Chinese executives requires distinct attention, showing a persistent tendency to overpricing in M&A. One participant experienced that “I gave enough interest, so that he could not refuse” (John). In the same vain Steven acknowledged with “a higher price for us all, it makes you have more possibility to be successful”. Over time, Sam emphasised, “many companies find assets abroad with very small commercial reason ... willing to pay a premium” and added that it “becomes a habit or becomes a way of thinking when Western companies are thinking about doing business in China. They’re always expecting the highest bidding price from the Chinese companies. That’s something irrational.” Consultants also confirm these experiences and similarly express that one who “calls on a chance, wants to make the acquisition, ... overpay[s] what’s well above the market to get the deal done.” And if it “is a very hot asset it’s a bidding process. If you want to get the assets you have to bid for the highest price.”

However, at the same time, the Chinese executives exemplified the misevaluation of the target as a major factor to premiums and non-rational behaviour in this regard. The perception of the value shifts in perspective. The consultant Parker explained that “still by comparison they see it a lot cheaper than they would pay for a piece of land in Shanghai or Beijing.”

An executive also recognised that they are “paying a lot” but still find numbers that make them “feel that this is a fair value” (Sarah). Similarly, Sam emphasised that “the whole entire valuation exercise is to support a pricing or pricing range that has already been negotiated between the parties” and is “driven by how much you want to get this asset.” How much this affects is also seen dependent on the executive, “because the number are the numbers but depending on how ambitious or aggressive the individual



is, you may take the price closer to the line” (Tyler). Sam indicated this to be triggered by overconfidence and hubris about potential synergy that “certainly allows them or justifies that for a higher acquisition price.”

### ***Strategic and Social Fit***

The interview data shows that Chinese executives experience strong adherence to a strategic fit of the target (Sophia, John, Steven), which suggests more rational choice. To the contrary, Henry uses strategy as a shelter and stressed “it just fits into the strategy of our company, and then yeah quite often the non-economic affected is not discussed on the table, it really takes place in the mind of the boss.”

However, it seems rather important that “the potential partner has the kind of the quality I need, and also culturally” (John). Most of the Chinese executives emphasised that the local culture but also company culture need to work well together “or returns will not come” (David), that is, a rational motive. “I would make some assessment whether the bosses and the management team and the domestic culture can match ... If they could not, I would say let’s stop here” (Henry). Similarly, it was emphasised “there will be some cultural differences whether they can make the best decision” (Parker) while with “a lot of misunderstanding and sometimes they’ll end up badly” (Sam). But even though they are aware of “the number one challenge” (John), Sarah implicated that a misfit is not a deal breaker.

Conversely, the human fit to the TMT is a strong indicator for non-rational tendencies in choice about the target. Sophia well addressed this differentiated in saying that “for the decision, I think the most important is the team, the people who work there, from top to bottom ... we will gain a feeling there if we fit together well. ... And I think that’s crucial.” Similarly, a consultant described very enthusiastically about how he got to know the target management and why he finally had to admit “I can see I like this guy” (Henry). Sarah referred to this human fit as to “a partnership, meaning, you know, first of all, you start to like each other.” Amongst the soft factors, executives particularly emphasise people in their SDM which involves emotions and, if these exaggerate, non-rational tendencies.

### 4.3 The Conditions that Affect Executives' Economic Rationality in Strategic M&A Decisions

#### 4.3.1 Analysis

The preliminary and final analysis were conducted in the same way as described in section 4.2.1.

In relation to the conditions and context that affect SD rationality four major themes emerged from German participant's perceptions (Table 14): Uncertainty in and dependency on an intricate environment, compliance with internal frameworks, captivated quest for more, process loopholes and managerial discretion in complex and momentous decisions.

Concept	Sub-theme	Theme
<ul style="list-style-type: none"> <li>▪ Constantly changing windows of opportunity</li> <li>▪ Cultural differences and mentalities</li> <li>▪ Manifold incalculable risks and uncertainties</li> <li>▪ Shorter market cycles</li> </ul>	<ul style="list-style-type: none"> <li>▪ A dynamic and non-calculable M&amp;A market</li> </ul>	<b>Uncertainty in and dependency on an intricate environment</b>
<ul style="list-style-type: none"> <li>▪ Availability of liquidity</li> <li>▪ Economic crisis</li> <li>▪ Legal and tax regulations</li> <li>▪ Low interest rates</li> <li>▪ Political tension</li> <li>▪ Technological advances</li> </ul>	<ul style="list-style-type: none"> <li>▪ Macroeconomic developments in the corporate environment foster M&amp;A activity</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Competition</li> <li>▪ Consumer demands</li> <li>▪ Expectations from capital markets</li> <li>▪ Industry complexity and specifics</li> <li>▪ Internationalisation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pressure from market participants</li> </ul>	

- Table 14 continues on next page -

Concept	Sub-theme	Theme
<ul style="list-style-type: none"> <li>▪ Long history in M&amp;A business</li> <li>▪ Ownership type</li> <li>▪ Size</li> </ul>	<ul style="list-style-type: none"> <li>▪ Firm characteristics</li> </ul>	<b>Compliance with internal frameworks</b>
<ul style="list-style-type: none"> <li>▪ Dutifulness in corporate control</li> <li>▪ Hierarchical structure</li> <li>▪ Organisational slack</li> </ul>	<ul style="list-style-type: none"> <li>▪ Corporate governance</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Affiliation</li> <li>▪ Branding</li> <li>▪ Market presence</li> <li>▪ Strategic agenda</li> <li>▪ Unjustified urge</li> </ul>	<ul style="list-style-type: none"> <li>▪ Persistent urge for M&amp;A</li> </ul>	<b>Captivated quest for more</b>
<ul style="list-style-type: none"> <li>▪ Big player</li> <li>▪ Diversification</li> <li>▪ Economies of scale</li> <li>▪ Increase product range and market share</li> <li>▪ Knowhow</li> <li>▪ Opening up new sales channels</li> <li>▪ Technological competency</li> </ul>	<ul style="list-style-type: none"> <li>▪ Continuous expansion and growth by varying strategies</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Profitability</li> <li>▪ Shareholder value and return</li> <li>▪ Short-term vivacity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financial demands</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Informal reconciliation</li> <li>▪ M&amp;A team stimulus</li> <li>▪ Shareholder's authority</li> <li>▪ Subjective assessment</li> <li>▪ Strategic flexibility</li> <li>▪ TMT autonomy</li> </ul>	<ul style="list-style-type: none"> <li>▪ Collective decision-making power with discretion</li> </ul>	<b>Process loopholes and managerial discretion in complex and momentous decisions</b>
<ul style="list-style-type: none"> <li>▪ Decision complexity</li> <li>▪ Decision familiarity</li> <li>▪ Decision risk</li> <li>▪ Decision speed</li> <li>▪ Quality and quantity of available information</li> </ul>	<ul style="list-style-type: none"> <li>▪ Multifaceted and uncertain decisions in fast pace</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Longevity of target achievements</li> <li>▪ Prospects for opportunities</li> <li>▪ Sensibility to momentum</li> <li>▪ Transaction volume</li> </ul>	<ul style="list-style-type: none"> <li>▪ Intense magnitude of impact</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Prescribed M&amp;A criteria</li> <li>▪ Suppressed process flow</li> <li>▪ Systematic pursuit</li> </ul>	<ul style="list-style-type: none"> <li>▪ Deviating process performance</li> </ul>	

Table 14. Final analysis: Themes representing contextual determinants of SD rationality of German M&A executives.

From the interview data with PRC participants another four major themes (Table 15) materialised during data analysis: Market challenges and chances under control of the government, compliance with the federal context, longing to get into M&A as well as power centralisation and formality in demanding decisions.

Concept	Sub-theme	Theme
<ul style="list-style-type: none"> <li>▪ Ephemeral window of opportunity</li> <li>▪ Fickleness of the market</li> <li>▪ Uncontrollable setting and policies</li> </ul>	<ul style="list-style-type: none"> <li>▪ A velocity and non-calculable M&amp;A market</li> </ul>	<b>Market challenges and chances under control of the government</b>
<ul style="list-style-type: none"> <li>▪ Accelerating pricing structure</li> <li>▪ Availability of liquidity</li> <li>▪ Exchange rates compression</li> <li>▪ Interest rates development</li> <li>▪ Macroeconomic cycle</li> <li>▪ Political tension</li> </ul>	<ul style="list-style-type: none"> <li>▪ Macroeconomic developments in the corporate environment alter M&amp;A activity</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Competition</li> <li>▪ Expectations from capital markets</li> </ul>	<ul style="list-style-type: none"> <li>▪ Pressure from market participants</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Controlled investment stimulus</li> <li>▪ Currency control</li> <li>▪ Tacit enforceability</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strong dependencies on government plan</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Long history in M&amp;A</li> <li>▪ Ownership type</li> <li>▪ Size</li> </ul>	<ul style="list-style-type: none"> <li>▪ Firm characteristics</li> </ul>	<b>Compliance with the federal context</b>
<ul style="list-style-type: none"> <li>▪ Adherence to governmental guidance</li> <li>▪ Dutifulness in corporate control</li> <li>▪ Organisational slack</li> </ul>	<ul style="list-style-type: none"> <li>▪ Superordinate national governance</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Affiliation</li> <li>▪ Branding</li> <li>▪ First mover in markets</li> <li>▪ Fitting national strategies</li> <li>▪ Internationalisation</li> <li>▪ Market prominence</li> </ul>	<ul style="list-style-type: none"> <li>▪ Emergent attraction about M&amp;A</li> </ul>	<b>Longing to get into M&amp;A</b>
<ul style="list-style-type: none"> <li>▪ Big player</li> <li>▪ Economies of scale</li> <li>▪ Knowhow</li> <li>▪ Natural resources</li> <li>▪ Technological competency</li> </ul>	<ul style="list-style-type: none"> <li>▪ Expansion and growth in the fast lane</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Financial return</li> <li>▪ Shareholder value</li> <li>▪ Stable income</li> </ul>	<ul style="list-style-type: none"> <li>▪ Financial demands</li> </ul>	

- Table 15 continues on next page -

Concept	Sub-theme	Theme
<ul style="list-style-type: none"> <li>▪ Chief's individual dominance</li> <li>▪ Governmental authority</li> <li>▪ Informal reconciliation</li> <li>▪ Strategic flexibility</li> <li>▪ Subjective assessment</li> </ul>	<ul style="list-style-type: none"> <li>▪ State and hierarchical decision-making power</li> </ul>	<b>Power centralisation and formality in demanding decisions</b>
<ul style="list-style-type: none"> <li>▪ Decision complexity</li> <li>▪ Decision speed</li> <li>▪ Industry specific influences</li> <li>▪ Risk</li> <li>▪ Uncertainty</li> </ul>	<ul style="list-style-type: none"> <li>▪ Multifaceted and uncertain decisions in fast pace</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Longevity of target achievements</li> <li>▪ Sensibility to repercussions</li> <li>▪ Transaction volume and complexity</li> </ul>	<ul style="list-style-type: none"> <li>▪ Intense magnitude of impact</li> </ul>	
<ul style="list-style-type: none"> <li>▪ Random M&amp;A benchmarks</li> <li>▪ Systematic and standardised pursuit</li> </ul>	<ul style="list-style-type: none"> <li>▪ Strong process performance</li> </ul>	

Table 15. Final analysis: Themes representing contextual determinants of SD rationality of Chinese M&A executives.

Context includes not only the specific setting of the environment and organisation but also the decision content and procedural circumstances. Guided by van Manen's (1990) existential analysis, the reflection and interpretation were predominantly exposed to the existentials *lived time* and *lived space*. The existentials of *lived strategy* (urge to merge) and *lived procedural practice* (SDM practice) developed additionally.

The following outlines this set of new themes that represent the lived experiences of the German and Chinese participants and constitute their empirical reality pertaining to the influence of conditions and contextual determinants on their SD rationality in M&A.

#### 4.3.2 Emerging Themes Reflecting Contextual Factors for Behavioural M&A Decisions of German Executives

##### 4.3.2.1 Uncertainty in and Dependency on an Intricate Environment

The findings suggest that German executives' SDM in M&A must operate under uncertainty and in dependency on an intricate environment. They are placed in macroeconomic developments that foster M&A activity together with a perceived dynamic and non-calculable M&A market and under pressure from market participants that moderate their non-rational tendencies in SDM.

### ***A Dynamic and Non-Calculable M&A Market***

The executives perceived their investments as “very market-driven” (George) and felt challenged by the market (Matthew). They got the impression because market cycles pass by (Michael) and investments are now “evaluated as to whether they pay for itself very, very quickly, in two to three years” instead of previously ten years, as then “the market is probably just not there anymore” (Charlie). Strategies have to be adjusted accordingly as well as trends to be recognised early.

Market dynamics were also highlighted by the impression of constantly changing windows of opportunity. This is experienced where the question of the right time for M&A is omnipresent but not easy to answer: “The market’s bad, I’m like, no, the market’s totally good. Well, it’s very different there” (Michael). Ross, however, complained that he does not see many opportunities anymore because targets have become too expensive over time or are just not available. Adam experienced frequent discussions about the right time for a market entry and many different circumstances to consider. In order to grasp opportunities and not be the least, one may perceive things differently and interpret them more in a desired direction or just take opportunity of a seldom offer. James outlined his feeling to take advantage because “the general market development ... has not helped us, but has rather confirmed us in our assessment of the situation to carry out the process quickly and consistently, and not to wait too long with a decision.”

Such multiplicity is often experienced as incalculable and associated with uncertainties. This is explained by risks from the remote environment where the market may even become better in the future (Michael). Rather more representations were raised pertaining to the task environment. The interview partners experience market shakeouts in an industry that are often too positively misinterpreted (George), overheated markets that foster overvaluation and risk dynamics like customer or employee fluctuation that lead to reconsider the deal (Michael). Business risks then occur that are neither foreseeable nor assessable (James).

Interestingly, Michael further pointed out the relevance of mentality for market dynamics. He explained that other markets like the UK are much more sophisticated in turning assets, but the German generation of SME owners who “hasn’t built companies to sell them all the time, but ... to earn money and allow their employees to work and then ideally, although it’s usually not the best successor, pass them on to their son or daughter.” If there comes the time to sell, for them it is even more emotional. With such a different mindset and entrepreneurial mentality, markets involve different dynamics and indication is given that this varies cultural-wise. The purported environmental conditions are rather subject to the manager’s subjective perception of the respective context.

### ***Macroeconomic Developments in the Corporate Environment Foster M&A Activity***

Most of the participants declared the political situation as a viable factor in whether they engage in M&A or not, but were ambiguous about its implications for economic rationality in their SDM. The participants mentioned politically stable market conditions (Bob) where they “can really act freely” (Ross). As examples, Ross mentions the involvement and influence of political forces on their media business, where the government wanted them to report differently and finally used other means to enforce it. Similarly, Matthew experienced governmental aims to purporting the SDM for a transaction. Furthermore, Tom expressed that political circumstances can influence either way, “some push ahead, some let it go for now” evoking uncertainties and fears about the further process.

Equally important seem other macroeconomic developments like economic crises that led to more caution and formalities. A consultant, Tom, experienced that before the GFC, deals were made quicker and kicked off informal while afterwards negotiation starts rather early, and “even if they [LOI and termsheet] haven’t become more substantial, there is still more controversy about points, because the parties say that if we don’t agree here, then we don’t have to go into the process at all.” They become more attentive and less affective in face of (past) failure. Ross mentioned the example where they indicated the breakdown of a submarket and tendency towards another submarket which was “fortunately recognised early and [we] acquired such companies and did not built them organically.”

In this context, the executives explained that they are particularly focusing on technological advances and digitalisation movements. Bob said “actually: tech, tech, tech!” and also Olivia and Jeremy emphasised to focus on technology M&A. Another participant similarly mentioned “companies that have already experienced the digital transformation or are already or fully in it, because we see that this will be the long-term end game in all consumer-facing areas, too, is very important for us” and strengthens the investment pressure for James. It becomes more competitively strategic, but not necessarily fully rational.

Moreover, participants saw it particularly contributing to rationality where “a regulatory environment” leads to reconsider things in advance, what is compliant and what works out (Ed). Bob mentioned that they were interested in an industry that “is very strongly regulated, there we gave it a shot”, indicating more caution and deliberate comprehensiveness. In the same vein Ben said that the legal landscape has expanded a lot and not always for the benefit of their business but once in place “then we must confront it and we will face it.” For Jeremy particularly, their “whole business is core regulation, driven by regulation” which limits his non-rational involvement.

Differently, the availability of liquidity drives M&A decisions that lack rationality. Ed experienced that while questioning “what do I do with my money. I can’t invest it anyway, so it’s best to make an acquisition.” He also perceives the market as “bullish”. It becomes obvious that as long as money is available companies look for opportunities to spend it, and because there are not as much alternatives, M&A are made, paying higher prices. This is not only related to equity but also to debt, because “the money is cheap” (Matthew). Therefore, the low interest rate environment pushes to pay irrationally high prices and “make use of a high leverage and accordingly, of course, willingness to also use higher multiples on the valuation side” (James). This encourages M&A activity, “actually not explainable, but ... almost continuously an upward trend in Germany” (Michael).

The participants saw the diverse market developments and trends as particularly relevant to foster their M&A activities. However, depending on whether they perceive these as a threat or opportunity, they involve more rational or more non-rational tendencies in their SDM.



### ***Pressures From Market Participants***

The executives mentioned pressures from other market participants to influence their M&A activity and rationality in SDM. On the one hand this was related to industry complexity and specifics, competition and consumer demands. The participants experience their industry as “very specific” (Marc) or even “more complex” (Nick) than others. Nick particularly related this to market pressures and competition where businesses have to be innovative, like the pharmaceutical industry, or just be there at the right time with the right product. Consequently, companies feel forced to look for shorter product development periods and a lower probability of failure, and believe that M&A are the answer. This is also expressed in “high dynamics in business models” (James) and flexibility, “because if I’m not fast enough, I’m gonna fall down the back” (Matthew). Jack admitted for one acquisition “which now give us a position in a market that none of our competitors currently has, ... has cost us a lot, so money, ... whether everything is always rational, I don’t know.”

There is also a new generation of people with different demands, the lifestyle changes and the eating and living behaviour and priorities as well. So, Marc emphasised there is a “generationally-influenced phenomenon” which has to be served, because there is a large group of customers with demands here. James additionally experienced the digital and technological changes in this regard, and they had to do something to accompany this transformation. Additionally, explanations for non-rational M&A decisions were related to the market expectations. Companies “are naturally under the pressure of expectations from the capital market, they want to show growth figures” (Adam). Nick confirmed, “if I can’t tell an equity story or a turnover story for my area, which I might also be able to implement through M&A, then I have a problem.” The consultant Michael added that “listed companies are actually forced to buy companies and to grow, to satisfy investors and they tend to drive the market.” Further investment pressures arise from internationalisation. “This is a global world, the Germans have accepted the global world even as a global world and so they let themselves be bought and they like to buy” (Matthew). Ross emphasised, “our problem is rather that there are not enough companies on the market that we can buy.”

The increasing external pressure is countered with not necessarily rational but expectation-conforming decisions in order to position oneself better.

#### 4.3.2.2 Compliance With Internal Frameworks

In addition to the broader context of the external environment, the compliance with the internal frameworks also constitutes a meaningful theme. Firm characteristics like size and ownership type as well as a long history in M&A business appear to be significant concepts related to decision rationality in M&A. Similarly related are corporate governance aspects of dutifulness in corporate control, hierarchical structure and organisational slack.

##### *Firm Characteristics*

The data suggests ambiguous findings for listed companies. Michael for example stated that “they are more neutral, they have a mission to fulfil.” At the same time, however, the underlying motives of the decision-maker may be less rational because they “look from quarter to half-year and have to tell an equity story” (Jack). This participant saw the necessity to present good numbers and forecasts to the capital market as a particular situation where executives become non-rational and adjust their action in order to be able to satisfy shareholders. In comparison, family businesses employ less rational SDM. Marc specified that “there is still the classical entrepreneur [who] is an absolutely emotional human class. And he controls his organization the way he always did.” Michael also emphasised that entrepreneurs are “just very emotional.” Nevertheless, there exist diligent businessmen, because it is the owner’s own money. As they “will still be in charge in 20 years” they show a more comprehensive tendency towards the due diligence work and “examine everything which is relevant” (Nick).

However, ownership type seems not to stand on its own and to be closely related to the size of the business, where bigger family-owned companies also incorporate more structured processes and become more rational in their SDM processes. From the variety of firm sizes that participated in this study, it was evidenced, that with increasing company size, M&A decisions become more comprehensive and thus more rational. Participants from bigger businesses have more M&A experts on board, often established separate M&A departments, incorporated more structured processes and are therefore able to involve more efforts in analysis to make better qualified judgements on the information available (Jeremy, Adam, Olivia, Ben, Ed). Participants from the

smaller companies said to experience it the other way around (James), and solo runs cannot be abandoned, which becomes also visible in their corporate governance.

The same outcome became evident for those companies with a long history in M&A. They tend to involve more rational SDM processes, which is similarly supported by increasing standards, processes, expertise as well as teamwork. Ross emphasised “that due to the fact that we’ve been doing this M&A business for a really long time and very intensively, I think overall we’re a pretty good oiled deal machine at all levels.”

### *Corporate Governance*

In the aftermath of the GFC several corporate regulations have been renewed and strengthened as regards the dutifulness of the company’s organs. This seems to have affected the emergence of non-rational tendencies in choice and “the old ‘buddy’-system between the board of directors and the supervisory board no longer exists because the old grey-haired friendship between men was somewhat broken off ... and today the company’s organs act much more professionally” (Tom). All the participants mentioned governance regulations that culminate in different committees or meetings during the transaction process, and emphasised in different means “well, it’s not bad to have someone who drives it on his own personal initiative, but there have to be checks and balances, that still look at it as well” (Charlie). Jeremy, a 2<sup>nd</sup> level executive, acknowledged that for him “in the end, structures help to balance between behaviour and rationality.”

Even though highlighting the importance of “strictest adherence to management principles” (Marc) to better control the process in a rational way, interpretation and enforcement vary. The participants indicate that the availability of internal as well as external resources seems to soften the extent of non-rationality in SDM. This can be explained because the obtainability of qualified resources as well as their increasing attention and focus on the deal enables to make more qualified and rational judgements. Charlie stressed that “the management of the ecosystem internally” is often underestimated but “there emerges also a lot of frustration because the colleagues then say, why don’t they behave the way we want them to.” He saw the personnel as an important part for a successful deal and to keep these resources in a good mood, not to suffer slack resources.

Finally, both sub-themes seem to be related to SID characteristics and process, which became a separate theme (section 4.3.2.4).

#### **4.3.2.3 Captivated Quest for More**

Under a persistent urge for M&A, when German executives seek continuous expansion and growth by varying strategies, satisfy financial demands, they are exposed to non-rational SDM with greedy tendencies.

##### ***Persistent Urge for M&A***

There was several mention by the executives that the attraction about M&A derives from the perceived need to be a “frontrunner in this field” (Ross) or to have “at least the foot in the door” (George). One executive explained that the attraction about M&A comes with affiliation to other players when “competitors made a big deal, now I also have to” (Olivia). She admitted, it is either a “well-thought-out acquisition or ... because I also want to be part of it”, be in the M&A business circle. Marc confirmed that they were looking for a target in a country because “a lot of people went there ... all kinds of people went there.” And Michael indicated, “from then on, you’d rather be more active than last.” With these statements the executives recognised a herd-like behaviour, following a trend and leaving a comprehensive SDM behind.

George mentioned, it “was just because the name was already known.” Similarly, Ross experienced that “[i]t’s just such a great brand, it’s got so much radiance, the numbers aren’t that important to me now either.” Both respondents referred to the brand of the target that made them feel attracted about M&A and let them pass by financials. Likewise, participants experienced the necessity for market presence and “you wanted to be heard from again, just buy” (George). Ross postulated themselves as a “frontrunner” while Jack recognised the transaction to be done because it “was big in the press.”

Executives also showed to be hungry for a deal. James aspired to “finally do another project”. Others just did a deal to tell “we have a hype theme here now, a tech hype theme” (Jack), just have it but with no benefit. Both participants experienced a desire to make deals, but could not rationally justify this urge.

James further mentioned that they wanted to make the deal “with exactly this partner” even though “we had to swallow a pill or two.” Even though at first glance it sounds like a rational decision to follow the strategic agenda, the participants showed that behavioural aspects emerge that outweigh financials.

### ***Continuous Expansion and Growth by Varying Strategies***

The executives experienced different drivers for their M&A activity, with strategic focus “always different over the years” (Jeremy). It became obvious that the pressure to achieve corporate growth and becoming a big player compared to competitors allows for behavioural effects on SDM in M&A. The participants acknowledged that M&A are “the central function of external growth. And internal growth is becoming increasingly difficult for us” (Marc). A 1<sup>st</sup> level executive confirmed that “we need greater growth momentum and we need to invest more in future issues.” Consequently, in the transactions, the executive ignored other relevant (rational) points because he “would unlock to the big ones” (Marc).

The participants experienced also that diversification, economies of scale, access to new sales channels as well as the increase in product range and market share are expedient to corporate growth. Additionally, acquisitions of knowledge and technologies emerged during the last years. However, regardless of the strategy of the company, it became obvious that “if you want it to go faster, I’ll acquire” (Ed). Executives see the achievement of their goals within reach, short-term, in one fell swoop. Jeremy acknowledged just to acquire market, with the ambition to achieve synergies. “The assessment of the strategic potential as well as the synergy potential is extremely important. So how do the two companies fit together” (James). Several respondents however admit these synergy effects that are calculated at the beginning and make the deal a good one must also become real (Tom; Marc). Tendencies were found where those strategies involve non-rational SDM and an executive conceded “that was, from my point of view, zero rational, except that you could say afterwards, ok we now have a hype topic here, a tech hype topic, what we have bought into now” (Jack). Likewise, the 2<sup>nd</sup> level executive Jeremy emphasised an extension beside their core business while “we are very much concerned with the whole issue of innovation, digitization”, not primarily driven by financials. In the same vein, Marc mentioned that the M&A decision related to a market entry was more based on a hope or belief rather than

rational basis: “And now we have entered there. Hoping to learn this enablement there in addition.”

### ***Financial Demands***

Executives experience a lot of financial and investment pressure to allocate the money to the best profitable assets. Under these conditions they tend to acquire where the figures suit returns requirements. Adam put it simply and acquires “as long as it makes money.” The consultant Michael confirmed by experience that in case of own unprofitability “they try to solve the problem by buying a profitable company so that they themselves make a higher margin on average.” This data suggests that executives believe in their evaluation of the logical strength of the return argument in favour of their first best alternative. Consequently, they seek for figures that affirm the pre-set requirements and potentially also their beliefs. Such belief and confirmation bias reappear over and again in the course of the findings.

Despite the aim of short-term financial returns, several executives mentioned the shift from long-term sustainability to short-term vivacity. An executive explained that they only look for investments that “pay for itself very, very quickly, in two to three years” and not “where something needs another 10 years to pay off” (Charlie). Consequently, executives need to provide respective figures. Michael noted that for companies who are short-term managed there is a tendency to overvalue, in accordance with the cycle, “especially listed ones, that’s extreme.” This shows that the cycle and potential future downward trends seem not priced, but current positive trend is extrapolated. Executives abandon realistic assessments and become affected by wishful thinking about future states, valence or positive outcome bias. Differently, “in family-run businesses, it’s more sustainability” (Jack) that remains important.

Similarly, participants showed different perspectives on the relevance of shareholder value and returns, depending on the ownership type. James compared his family-owned business to PE and emphasised, “I think the investment pressure is a little higher there, too. Because we don’t have any external investors but only manage the family’s assets, we also have different return requirements and a different investment horizon.” Marc related the shareholder value returns in the overall context and stressed its relation to long-term vivacity and the opposing dynamic environment which challenges his

investments and figures because “the supervisory board ... always reviews the impact on shareholder value.”

Overall, it must be acknowledged that most participants expressed M&A activity to follow their corporate growth objectives. However, such strategies or aims and the pressures they create seem to translate into behavioural tendencies in SDM and into different ways these decisions are processed in reality.

#### **4.3.2.4 Process Loopholes and Managerial Discretion in Complex and Momentous Decisions**

Further relevance towards non-rational SDM behaviour of German M&A executives unfolds from the decision-type that is multifaceted and uncertain, with intense magnitude of impact, executed in fast pace, and with deviating process performance.

##### ***Collective Decision-Making Power With Discretion***

Generally, the findings suggest that SDM in M&A transactions takes place in multiple stages, involving different levels of decision-making power or committees, and with at least majority or even unanimous votes. This highlights it as a major decision.

However, beside these general procedures and votings in SDM, there penetrate several subjective assessments. Especially the “business plans are never fully objective” (Olivia), and hold “unjustified increases” (Marc). From the consultant perspective, Michael emphasised that “it is possible to influence the history as well as the forecast” and added when adjusting the balance sheet this is “to clean up, rather borderline” but part of the negotiation. Matthew highlighted that “you have to ask yourself, why does someone come up with prices that my Excel spreadsheet doesn’t support?” Moreover, even if the business plan does not justify the acquisition there are examples where those have been acquired nevertheless (Ross).

This can happen despite established processes because discretion is driven by informal reconciliations prior to the formal decision. It is “that top management puts such interpretations on the table and then takes the team in a certain direction” (Marc). Another respondent experienced that “there are preliminary discussions, and if there are

problems and there is resistance from board members, then you can overcome that or let a hard 3:2 discussion take place” (Bob). Similarly, James takes advantage of the proximity to the 1<sup>st</sup> level, “then we knock on the door and ... then there is interest to discuss it”. Also, the consultants experienced such informal reconciliation on the top-level and Matthew stated that “these are then also experienced chairmen of the board of directors ... they initiate it in time and also involve their committees in such a way that they only have to nod off.”

In addition, the findings indicate a meaningful M&A team stimulus. Bob experienced that there is influence from the team on what is presented to the board and “of course also to give the board the certainty that we’re doing the right thing.” Another 2<sup>nd</sup> level executive, James, described that the “final decision will be made by the shareholder, but by the time we get there, we’ll take a lot away from it, anticipating.” The consultant emphasised that such a decision could even be far more rational, when adhering to strategy “according to the criteria we voted on at the beginning” (Ed) and not nicely wrapped.

Beside the stimulus, TMTs tend to involve non-rational perspectives when they are granted some authorities which allow for autonomous decisions. However, for none of the TMT they can make the final SDM about the deal. It either requires the board, an investment committee or shareholder approval. They usually operate with 4-eyes principles or within internal guardrails. Where these leave room for discretion, executives seem willing to take it. Bob mentioned to get “a negotiation mandate, so that one can go without additional approval, as long as they remain within the framework parameters.” As these are particularly financial parameters, other factors may additionally facilitate limitations to rationality in such SDM. As one seldom mention, an executive of a family-owned business emphasised that “I’m well trying to make the decision as if I’m making it for myself, as if it were my business”, but could not exclude intrinsic subjective influence (Adam).

Furthermore, shareholder’s authority was experienced to partially contradict own views, and may turn the deal. On the one hand, this authority is experienced to increase rational SDM. Charlie felt to have “found a solution that I could have lived with” but the board said no. James experienced a similar situation, and did not get a vote but a request for



further optimisation of the deal parameters. He further pointed out with “a shareholder, who is not involved in the daily doing, ... but who reads the information, which he gets from us, again from a completely different point of view ... draws the conclusions for himself.” On the other hand, shareholders might then impose their own perspective and agenda.

Finally, the executives` raised the strategic flexibility in their company as an upside to make deals. It must be acknowledged that this flexibility was mostly mentioned by SME and family-owned enterprises. They can be faster “because it is really the shareholder as managing director with far-reaching powers who sits at the table at a time of need” (Tony). The potential of “short decision-making paths” was further confirmed by others (Matthew; Michael). For the large-sized companies, the 2<sup>nd</sup> level executives were equipped with guardrails, open to adjustments (Bob) and didn’t want to “block yourself by formalising” (Ben). Although flexibility in the process is beneficial to M&A SDM, this leaves room for managerial discretion, exploitable in executives’ own interest.

### ***Multifaceted and Uncertain Decisions in Fast Pace***

Strategic M&A decisions are perceived as involving “highly complex deals ... and very difficult transactions” (Tom). Nick described this in more detail and mentioned the manifold things that have to be factored in the decision. A further component is “then sometimes even holding companies that are somewhere second, third generation, where it sometimes gets a bit more difficult, because the shareholder structure is very complex” (Ed). Beyond the deal itself, others experienced the decision-making process as demanding “not to lose the board either. That he knows where you stand, what you’re doing right now” (Bob), to “overlook nothing, ... be aware that even things come up that are not advantageous” (Nick). From the consultants’ perspective this was confirmed as “very difficult processes that go right across the board. How do we integrate this, how do we do it legally, how do we do it tax-wise” (Tony). As a specificity, in auctions, complexity was experienced when “you have to negotiate with three in parallel, keep three up with the game” (Bob). This process also offers further tension for behavioural tendencies. As Matthew accentuated “what remains for a bidder in such a situation, where he absolutely wants to have the asset, he wants to buy, ... to call the absolute limit price in his view.” Ed, another consultant, confirmed to having experienced such “bidding war” which makes the transaction over-expensive. The executives and

consultants seem well aware of and accustomed to these particularities. Following they are able to handle these as long as the situation does not have special features that involve particular risks or uncertainties.

The risk inherent in the decisions seems to be a meaningful experience for M&A SDs. Even though it was mentioned several times that the participants consider their company as risk averse (Olivia, Charlie, Jack, George) most of the respondents moreover only try to minimise the biggest risks. Nick emphasised that risk is part of the deal and neither unexpected but rather “also one of our core competencies to deal with.” In the same vein, a 2<sup>nd</sup> level executive stressed that “we also take critical facts with us. But we only take them with us when we have understood them.” Charlie experienced that the risk assessment was different within the company and “if only the division, the division had not been part of the group, they would have certainly taken the risk.” The consultants also stressed that there will always be risks, but their probability is important (Michael). The participants saw risk aversion and understanding related to rationality, while desire shows to fade out and downplay risk perception.

Additionally, decision familiarity was particularly mentioned as professionalism and to help the transaction with a good sense of rationality. Ross experienced that less professional people “then see risks that just aren’t there.” Specialists instead are familiar with market practices and negotiation standards (Bob) and therefore sensible to the process and notice “what kind of wheeling and dealing is going on in the background” (Matthew). Differently, familiarity offers the possibility for behavioural influx when only looking for the well-known, although having “very limited information, but I know exactly what to ask for” (Jeremy).

The executives and consultants also made regular mention of time pressure and decision speed which even accelerated over the past years. Marc mentioned an example where he experienced the short time for the deal as “typically, process hurt, terribly much emotion, screaming, etc., and it has to be now.” Another participant had similar experiences in the end-of-year hurry and acknowledged that while they wanted “to make the deal before Christmas, also with the background that we had to swallow one or the other pill” (James). Furthermore, Ben mentioned the pressure from the market “where it was imperative that we act very quickly” to compete against other market

players. The consultants confirmed that the deal process is “always very time-critical” (Tony), letting behavioural factors join the process.

Even though the executives experienced some situations where time pressure has driven deals with incomplete information, most of them were clear that “haste makes waste” (George), and to “do not make hasty decisions” (James). Specifically, one participant mentioned from his experience that he oftentimes needs to remind himself in the process “don’t be too fast ... Let it drop and perhaps answer tomorrow or the day after tomorrow because it is very critical and very relevant for yourself and maybe also for the success of the project” (Ben). The consultants experience the same and said “a process must not be too fast either” (Matthew). Finally, this shows, executives’ awareness that time pressure may lead to uninformed assessments with less rational judgement, even though in practice their conscious reflection may be overrun by speed and rush.

### ***Intense Magnitude of Impact***

Executives experienced a sensibility to momentum. While risk seems to be a constant companion of M&A decisions, executives tend to behave more rational in awareness of the magnitude of that risk. Nick mentioned that “I think the risk is sometimes higher than not taking it”. Charlie named it the “single point of failure” when he “of course decided, that’s what we do, you can take the risk, while in the end other decision-makers just said in the end, no we don’t want”. Similarly, another participant acknowledged that it is “also incredibly difficult for someone, [to do] the completely right, meaning, where do you give way, what do you accept at the end of the day?” (Jack). Again, this was also raised by a 2<sup>nd</sup> level M&A leader who “cannot argue that the investment in itself that we are acquiring here is an attractive transaction. ... a purely defensive measure to develop a maximum opportunity, so to speak” (Marc). Accordingly, executives estimate the prospects of opportunity and chances that a positive risk can bring more advantageous. A consultant summarised it as “this negotiation about multiples depends very much on how many alternatives you have” (Michael).

Similar experience concerns the longevity of the target achievement, where decision-makers tend to be too short-sighted in the early strategic M&A decisions. One

participant said that they have been too optimistic and “figures taken into account in the business plan or future perspectives or forecasts have been given which have simply not been adhered to” (Jack). Bob experienced that for the target acquired, they “have never drawn in the structures.” In practice, it seems that once the closing has been achieved and the early motivation and excitements are over, some executives leave the operational implementation aside. Others instead are well aware of this challenge. Olivia said that “M&A really starts seriously, after signing/closing with the integration, then still everything can go wrong.” Harry reported that this is why they have implemented a separate integration team that is responsible for “bringing together ... people, roles, tasks, processes.” The importance of an early consideration of the later aspects for a successful longevity transaction is part of the SDM, and to reach synergies and integration potentials (James). In addition, it may be assumed that SD rationality moderates the relationship to deal performance.

In the end, positive magnitude of impact involves more non-rational tendencies, while negative magnitude of impact entails more rational SDM. The companies have predominantly rationalised procedures according to transaction volumes, i.e. the higher the volume the superior the decision level or persons involved, trying to circumvent long-term negative influences on the company from the deal. At the same time, however, bigger transactions involve higher personal interest of status or agency or excitement (as outlined previously) which bring contrary behaviour.

### ***Deviating Process Performance***

A systematic pursuit is one concept for M&A executives to behave more rational in SDM. When opportunities for deals come up without the systematic pursuit the further process and decision-making also becomes less structured and is vulnerable to non-rational judgement. Here “sometimes these are only a few eyes that come together” (Nick).

Others mentioned that there is a continuous discussion of the pipeline together with the board to “decide where we want to continue and what we want to finish at that point” (Adam). In the same vain, the executives experienced that prescribed M&A criteria help to remain focused. George pointed out that “there we have a due diligence list, everything is worked out exactly”. Similarly, others have a “M&A policy paper” (Marc)

or “quite clearly defined M&A guidelines, also in written” (Ben). Adam referred to “about ten abstract investment filter criteria prescribed” that give guidance.

The data shows that the participants experience the M&A process in their company as a structured process, with a thorough due diligence procedure and in accordance with guidelines. Jeremy put it directly: “In the end, such structures help to balance between behaviour and rationality.” However, when diving into details it becomes obvious that these formalities and standards are subject to circumvention by the parties involved. Interestingly, “the bigger it is, the smaller is the circle ... There is the structured process and then there is another fast track” (Nick). Another respondent experienced that “as said, we have no formalised process” and the TMT just talks directly while sitting next door to the shareholder (James).

The less structured the process flow the more non-rational behaviour might pour the decision. But regardless of structure, executives take advantage of loopholes to arrange themselves within these processes and leave room to flourish non-rational behaviour.

### **4.3.3 Emerging Themes Reflecting Contextual Factors for Behavioural M&A Decisions of Chinese Executives**

#### **4.3.3.1 Market Challenges and Chances Under Control of the Government**

The findings suggest that Chinese M&A executives take advantage of market chances or manage according challenges under the umbrella of governmental control. Their organisations are situated in macroeconomic developments of the corporate environment that alter M&A activity, together with a perceived velocity, a non-calculable M&A market and under pressure from other market participants which are all of importance to their non-rational tendencies in SDM. To the contrary, the strong dependencies of the M&A activity on the government plan dampen these.

#### ***A Velocity and Non-Calculable M&A Market***

The M&A market is perceived as dynamic and non-calculable. The executives know about government’s involvement that drive them to pursue arising investment occasions. Therefore, “the only I don’t want to miss is the window of opportunity.

Because especially in China, it's not a market-driven economy" (John). Steven realised "we don't know what will happen, in short-term or in long-term. So, we really want to make everything in short, very quickly." He further acknowledged, "we can only make decisions by our feelings ... [the] feeling that we should catch this opportunity." Similarly, others mentioned that they "wanted to use that opportunity" (Sam) because "nobody knows, when the spring will come" (David).

In terms of the environment and policy enforcement David experienced it as "very temporary" and a consultant described the whole macroeconomic situation as uncontrollable, mentioning an exemplary transaction where "the acquirer was just subject to that market risk, of what would happen macroeconomically" (Tyler). Another consultant indicated that "policy changes every day" (Parker), and policy enforcement is neither controllable nor predictable.

This is also related to the fickleness of the market, which needs to be understood and when "the environment changed ... you have to follow such trend" (David). The consultant Tyler referred back over time and experienced that he has seen some trends that have "come and gone" and as a reason behind this volatility he "got to believe that part of the motivation was the national strategy of the country." Similarly, it was highlighted that "things shift from time to time" (Parker) while experience "cannot weight the new candid of the market conditions" (David).

Under such market conditions, M&A take place at a higher decision-making speed, dictated by external influences. Executives have to understand the new situation to act in rationality, because experience cannot maintain it in unfamiliar circumstances. Behavioural tendencies then come into play in terms of time, with risks being taken in exchange for potential opportunities.

### ***Macroeconomic Developments in the Corporate Environment Alter M&A Activity***

The participants indicated differently as regards the influence of political tensions towards their rationality in SDM, but remained largely behaviourally unimpressed. Particular mention was made of the current trade war between the U.S. and PRC which influenced the M&A activity with the U.S., so "for the investment we stopped almost for one year already" (Andrew). In the same vain, Sam explained that "political pressure

and political environment” fostered to switch directions, refraining from North America. Further participants indicated otherwise while “the trade war, of course there’s some impact but I don’t think the decision is not, okay, no because of this reason we don’t do” (Sarah) or even strongly emphasised “we don’t care about the political tensions. We focus on if the economy will change, or will do better” (David). Overall, most of the participants declared that macroeconomic movements are experienced as more significant to involve behavioural factors.

Particularly the availability of liquidity implies non-rational tendencies in their strategic M&A decisions. On the one hand, indication was given that SOEs just deploy their money and because of their “very deep pockets, you don’t really need to have to make debates ... nobody asks that questions, it is we are going to buy it” (Tyler). Similarly, David was interested in a deal because “money is already there”. Sarah confirmed this from her experience to be more rational and reconsider “whether this is the right use of the capital especially, when we are fairly, when we have very tight in terms of capital.”

There was further mention of dependencies on exchange rate compression and interest rate development as well as the closely related increasing pricing structure in the PRC market. However, no indication was given that either leads to behavioural tendencies in Chinese executives’ strategic choice. It was more related to not foreseeable macroeconomic developments that have now altered the M&A activities and made some executive more aware and consequently more cautious in their assumptions and SDM. A consultant emphasised that “the acquirer was just subject to that market risk, of what would happen macroeconomically” (Tyler) that he could not control. Therefore, decisions can be outdated if conditions change and may be considered non-rational at a different point in time.

### ***Pressure From Market Participants***

From the consultants’ perspective it was emphasised that expectations from the capital market encourage non-rational SDM behaviour. Henry “needed transaction to take place to support the growth, because the growthcurve of the listed company would suffer some kind of, ... the new product, the pipeline is still on the run” and emphasised another example of a transaction just “to support the market capitalisation of the company.”

Further mention related to the competitive situation when transactions were performed because “so many competitors are there, we needed to join them” (David), not actually indicating rational economics. Another executive also emphasised “peer pressure, such as his competitor or his brother company get a size, get bigger. So, he’s also in a mood that he wants to acquire another company to become bigger, because the bigger give him more, more face” (Richard).

Besides the market participants that increase their non-rational behaviour, much more relevance was attached to the influence of the government, inducing more rational choice.

### ***Strong Dependencies of M&A Activity on the Governmental Plan***

A consultant mentioned, “China has put a lot of constraints on Chinese companies getting their money out of China ... the government actually has named four, five Chinese companies, and warned them not to make, record what you call irrational investments” (Parker). So, the regulations are seen as to balance rationality. Similarly, Steven explained that such policies control companies’ capital movements “to outside of China and to make money for themselves.” He clarified that as a result “all the managers, they are very cautious when they make their decisions.”

Adding to this, from the stories of the executives it was evidenced that the government puts encouragement campaigns or restrictions very easily depending on what is needed from their perspective. Lately, “Chinese policies have restricted” (Parker). The government, after “go abroad was the strategy for China for some period of years” they “enacted that all the outbound investment should be strictly revealed” (Henry). Specific industries or domestic transactions were then encouraged, and later again different industries. With all this happening, John experienced to be attracted by any “window of opportunity ... Sometimes the government’s involvement will shorten or lengthen the whole kind of the development period.” And another executive, David, is similarly challenged: “when policy changed, we had to change the whole strategy of the company, we have to find other ways, other plans.” The government regulations and encouragement for investments are experienced as volatile and indeterminate, becoming tacit. These then inspire behavioural tendencies in perception of the situation and potential outlook for M&A opportunities.



#### 4.3.3.2 Compliance With the Federal Context

From the interview data emerged that firm characteristics like size and ownership type appear to be significant concepts related to decision rationality in M&A. Same applies to superordinate governance and respective corporate dutifulness.

##### *Firm Characteristics*

Generally, listed and state-owned companies seem to adhere to more rational processes and executives stressed that they have “vigorous process” (Sarah), structured and with formal guidelines (Andrew). In comparison, family-owned businesses employ less comprehensive SDM processes with more flexibility. Prescilla for example considered them as more “practical” and another executive similarly stated, “actually there’s no checklist. It’s quite random” (Henry). A consultant however emphasised that they “are getting quite sophisticated now ... So, they will have a formal investment committee process” (Parker). In view of that, ownership type seems not to stand on its own and to be closely related to an increasing history of the company in M&A, where family-owned companies also incorporate more structured processes and become more rational in their SDM processes as they gain experience.

Closely related to this is the size of the business. From the variety of firm size that participated in this study, it was shown that with increasing size M&A processes become more rational. This is because bigger businesses have usually more M&A experts on board, or enough budget available to engage professional third-party advisors. They establish structured processes and involve more efforts in analysis to make better qualified judgements about the information available. This allows discussion and information exchange while the increasing hierarchical structure seems to largely suppress TMT behavioural influences, but raises them to a higher level. This also becomes visible in corporate governance.

##### *Superordinate National Governance*

The executives mentioned that there is tremendous influence through governmental guidance, increasing laws and regulated sectors. But even for those companies who are not SOEs the executives perceived increasing curtailment. Andrew said that “the government they never gave us the direct influence on the, I mean, decisions on any

investment. But ... we would better to follow the guidance from the government.” Another executive put it very explicit and said “only do what government likes. Don’t try to do the opposite. This is China” (John). One of the consultants added that the influence of the laws and increasing regulated industries imposes a lot of challenges, because the “regulator may object to your bid”, but they find ways to deal with it in the transactions (Tyler).

Consequently, national regulations seem to strengthen corporate compliance. A consultant mentioned that “we might call it money laundry, that’s why in November 2016 the state administration foreign-exchange and the NDRC and the City Council enacted that all the outbound investment should be strictly revealed and then the peers would be slowdown” (Henry). The executive Sam exemplified that there was “a corruption issue. That’s why many ... leaders of the state-owned enterprises were going to prison on under the corruption charge and I was saying this oftentimes, that has something to do with money.” Sarah further highlighted that “the company that I work for has a vigorous process and the process is usually used to flush out this kind of a, this kind of bad wrongdoing.” So, executives perceived compliance with corporate regulations to support rationality in decisions and to avoid misconduct, whereby circumvention also becomes difficult due to the government’s strict reins.

Additionally, executives mentioned that organisational slack is important in their rational SDM. One 2<sup>nd</sup> level executive realised “to rely on the M&A team” and further added, “we paid a lot for the lessons before and then we realised we should and we have to give enough respect on the comment from the rear” (Andrew). Another one emphasised, “it takes a good mix [of people] to do investment” (Sam). Chinese companies rely on a multitude of experts in the strategic M&A decisions, internally and externally. Parker, as a consultant stressed, if companies are short of expertise internally, they hire consultants “to help them with the decision.” Another consultant confirmed this while experiencing “when it comes to cross-border acquisitions in particular, I think our advice and the bank’s advice is quite important, especially when you are a Chinese acquirer” (Tyler).

Governance therefore imposes several directions that let Chinese executives engage with more rational SDM.

#### 4.3.3.3 Longing to Get Into M&A

Chinese efforts of longing to get into M&A became a further perspective of the conditions and context pertaining to non-rational tendencies, captured by emergent attraction about M&A, competitive advantage as well as financial aspirations.

##### *Emergent Attraction About M&A Directed by Government*

Executives' emergent attraction about M&A became explicit in affiliation, branding, market prominence, and internationalisation while fitting national strategies. Chinese companies strive to forfeit the image of a developing country and to become part of the global market. "[F]or most of the Chinese companies, you know, the drivers is for new markets, new products, and new technology sometimes, and the management team oversees to help their expansion of the business" (Henry) being a first mover, and "to become international" (Parker). With this eagerness also comes a desire for prominence in the markets. Parker further highlighted "one of the most irrational kind of decisions is, that they just want to put their name out on another one." Others are attracted to making "brand acquisition" (Tyler).

At the same time, Chinese executives are not immune to affiliation. After some transactions abroad "China's companies you know become more and more aware there would be a lot of opportunities in foreign countries to acquire" (Henry). Accordingly, "the most prolific trend I have seen arising in, I would say in the last three to five years, is really that China outbound acquisition activity" (Tyler). Given this herding, indication is given that transactions are done not only of economic interest, but to following trends (David).

After all, Chinese executives' decisions and strategies as regards M&A activity are well advanced to fitting governmental plans. Particularly "that's the rules of the SOEs to play the national strategies" (Henry). This was confirmed by Tyler who "got to believe that part of the motivation was the national strategy of the country." Other companies also follow what is encouraged by the government and "stopped the cross-border M&A for these kind of transactions" which are not encouraged (Andrew). Lately, many invested in the belt road countries albeit financial unreasonableness. One executive said "for example the one-road-one-belt campaign promoted by the Chinese government for

many investments, I don't necessarily think that those investments would make money in a short, at least in the short run" (Sam). He doubted financial rationality from the perspective of the company and implied experiential behaviour under inducement of the promote, while dazzled by the long-term sustainability of the investment from a political perspective.

### ***Expansion and Growth in the Fast Lane***

The participants experience Chinese companies with an urge to catch up and are therefore fast and partly non-rational in their expansion and growth efforts. One participant explained that the demand for technological progress and knowledge limits rationality to some extent. "China was kind of behind ... So, a lot of time like, you know, acquisitions is, is buying like products or buying technology and ... from an economic point of view it may not necessarily be very justifiable" (Sarah). A consultant added that "there is a series of technology related outbound acquisitions ... And it's really, the trend you know that's changing from time to time" (Tyler). Adjusting to market conditions leads to volatility in strategies, tempting them to follow a trend which promise rapid growth rather than economically rational figures. Adding to this, executives pay for the advantage of being a first mover. Sam excused their high payment with a future prospect which became "one very important reason for us to throw 3.5 billion at the asset; that was because that's a time we knew that electric cars is a big direction and China is going to be very quick in that market."

Furthermore, the executives tend to acquire for becoming a big player in the market, acquiring competitors (David; Tyler), focussed on natural resources (Sam), knowledge to gain capability (Tyler; John) and "establishing the capacity" in new markets (Henry). Also, the aim to obtain economies of scale or synergies was regularly mentioned by the participants. Andrew would like to "acquire a company which will have synergies with our current portfolios." Besides these rational strategies, Parker described a transaction that "may not make sense number-wise immediately, but in the long-run" imagining a positive outlook sometime. A consultant highlighted that "a lot of Chinese companies want to expand and they go and buy smaller company ... out of the box. Sometimes it is just an idea and we don't even know if we can" (Parker). This shows that the Chinese use their rational strategies in a targeted manner, but are sometimes tempted into non-rational behaviour by their expectations of high and rapid growth.

### ***Financial Demands***

In line with the above, executives made clear statements pertaining to financial objectives. This is, “to make money. To make more money” (Sarah). Even though indicating a kind of greed, it is well in line with other executives. Sam said he “focuses on financial return, because we are a financial investor” and Andrew also stated “[t]he most important is the financial return, of course” while deals seem “most likely as a financial investment” (Steven). A consultant clarified that one “may look for more stable income if they just want to hold the asset for long term, accepting lower yields” (Parker). Where the majority however seems to strive for short-term financial return, sophisticated business plans and objective decisions should move to the fore, further indicating less behavioural influence in Chinese executives’ SDM.

#### **4.3.3.4 Power Centralisation and Formality in Demanding Decisions**

From a procedural and content-related perspective, power centralisation, formality and magnitude of impact in M&A decisions counter behavioural influences, while multifacety and uncertainty inspire it.

### ***State and Hierarchical Decision-Making Power***

As a particularity the governmental authority has a strong influence on the decision-making process and saves much of executives’ non-rationality. Henry attached a critical role to the chief of the party committee “in denying, not approving, in denying the transaction.” It is particularly for SOE where “usually everything has to go back to Beijing to make the decision” (Parker), but also for other company types the participants emphasised to “only do what government likes” (John) and “to follow the guidance from our governments” (Andrew). Although most of the participants experienced the governmental authority as a burden, this supports them to be more rational in their decisions. Henry stated, “because of the government, if they don’t agree to make this kind of investment, so based on that it is understandable that the seller takes more risks and spend more time on the transaction.” At the same time, non-rationality flows in on a higher level. Tyler pointed to “a national agenda that they typically execute.” Others complemented this impression while “the government encouraged them to do that and then everything would be very easy to move” (Henry) or when acting “under the instruction of the Chinese government to bail out that

company. So, it's kind of like policy driven transaction. It's not economically, it doesn't make sense economically" (Prescilla).

Despite this supremacy, strong emphasis is placed on executives' experiences about SDM responsibilities and powers within the company, highlighting the individual dominance and discretion by the highest-ranked. One participant put it very clearly and stated that "they hold the final decision power of any acquisition ... usually the president of the company would have the largest say in that discussion but from a formality perspective that is a collective decision-making process" (Sam). Another 1<sup>st</sup> level executive experienced his decisions similarly, so "everybody will give us their suggestions ... but at least it will be that the decision will be made by my father and me" (Steven). The consultants confirmed to experience that the CEO will make the final approval (Tyler) or "the chairman decided to invest" (Parker). Others put it like, "I have to say there is a real decision-maker, the owner" (Andrew) or the decision is usually "driven by one or two very important persons ... You always have an alpha in a team that you see, an enterprise, that is usually the president ... he or she holds a very large influence over the discussion" (Sam).

Such dominance leaves little room for subjective assessment of the 2<sup>nd</sup> level executives and the M&A team, but within the decision by the chief. Most of the participants could only guess on this but highlighted that "quite often the non-economic affected is not discussed on the table, it really takes place in the mind of the boss." (Henry). Sam mentioned this also together with their limited expertise. Therefore, "in that model building process we had to listen a lot from what the hired team think about various synergies." Likewise, Andrew mentioned that the board member of his company "they will rely on the DD reports" as well. But he added "roughly I have to say 60%, they will rely on the reports, 40% they will, they will rely on the, their own expertise." In this combination of course their personal expertise may also be their other-than-rational factors and at least this leaves room for a departure from rationality.

It was also experienced that there is some informal reconciliation prior to the formal meeting. So, the participant was "sure, oftentimes they communicated already with the various members of that community or group. The meeting itself is usually not a battlefield for discussions" (Sam). Sophia provided less explicit evidence, but she

experienced an ongoing communication between herself and her boss during the transaction, a kind of reconciliation, as positive and supportive for the final decision.

After all, some kind of strategic flexibility remains in individual cases. “During the investment committee process a price range will be determined and the act, the project team would use that range to follow on for negotiation and all that” (Sam). Most flexibility seem to be within family-owned or private companies and the least in SOEs (Prescilla).

### ***Multifaceted and Uncertain Decisions in Fast Pace***

From the Chinese participants’ experiences, SDs involving complexity, uncertainties and risks, industry-specific influences or decision speed are experienced as promoting less rational behaviour.

Generally, M&A were considered to involve complex decisions because so many things have to be factored in. A participant stressed that “the M&A thing is a combination, or it’s a mixture, of financial, legal, tax, HR, commercial, operational etc. So generally speaking, for the decision, before that I can persuade so much” (Andrew). Tyler experienced it as difficult to make an ultimate decision considering “all different angles” and later acknowledging that it is numbers but also “a lot of guess work.” To this multifaceted SID adds influence that “vary greatly, certainly varies greatly from industry to industry” (Sam). This participant mentioned some examples that make clear how industry specifics add to the complexity, with “relatively comprehensive infrastructure around that asset” or being “on a rising industry” and the necessity to “understand more about the market about the commercialisation of a pharma product.” His least example shows that expertise in the specific industry helps to keep away from behavioural factors as they “wanted to take that opportunity” but once they recognised and understood the industry specifics “we quit in that transaction” (Sam). Similarly, other participants mentioned specifics that unfold within the M&A process but rather found it as usual complexities of their business, not particularly related to merger SDM (Sophia, Steven).

In this regard, a 1<sup>st</sup> level executive also mentioned transactions “with a lot of risks involved” (Sam). Steven, when in a decision situation to win or lose the deal perceived

it as to “make a gamble again, we should make a decision again.” Furthermore, a consultant expressed the uncertainties by using words like “potentially”, “hypothetically”, “getting a feel” or “anticipating” (Tyler) which all underpin the manifold ambiguities in the SID and resulting behavioural tendencies that overcome rational choice.

What adds to these complexities is decision speed. Most of the executives and consultants mentioned the time constraints of M&A decisions that have to undergo approval from the government and “make it difficult for Chinese state-owned companies to make acquisitions in the U.S. or UK because of time.” (Parker). Adding to this, Sarah said that from her experience “it definitely does impact in terms of the timeline ... if there is a urge that both, from both parties that this is something right to do, and I don’t think the tension is going to change that.” Differently, Parker mentioned that in private companies “usually a few or a handful of people can make the call” and Steven confirmed that “since you know we are family business my father and me, you can make all the decision very quickly and onsite.” He also emphasises that time is of essence for him. “We want to speed up the whole process because every day we pay money for that” and therefore he would like to make quicker decisions and not approve everything by externals. So, depending on structure and hierarchy, pace may trigger behavioural impact.

### ***Intense Magnitude of Impact***

Most of the executives explained to be bound in the process, depending on transaction volumes and complexity, with less involvement of experiential conduct. Prescilla pointed out that if “it is a big decision, and they are most the cases rational because this is really quite a lot of money and also quite important for their company”, getting more sensible to repercussions. David specified this into timely perspectives for their SDM “in the short term will have to be survive first ... in the long term, we have to make much more study.” Adding to this, Tyler acknowledged that executives’ perception of magnitude of impact is downsized by their risk awareness, “so you put it all on the table you lose it all, tomorrow you will make it back.” This shows that decision-makers are opportunistic in the short term and less impressed by magnitude of impact, but in the long term they are.



### ***Strong Process Performance***

The Chinese executives experienced a strong process performance where the M&A decisions are usually conducted in a systematic and standardised pursuit with “clear responsibility” (Sophia). Only for the private companies the participants mentioned that for the assessment and SDM “there’s no checklist. It’s quite random” (Henry). The Chinese listed companies and SOE follow structured processes and detailed guidance, which “is usually used to flush out ... bad wrongdoing” (Sarah). Sophia acknowledged that she always thought they have a standard in place, but “it’s different virtually every time”, so it becomes a more flexible guideline.

Other participants emphasised their structured and formal process with clear thresholds, timelines and responsibilities (Andrew; Sarah) or claimed that “the transaction process is very standard” (Henry). A consultant highlighted that “Chinese privately-owned companies are getting quite sophisticated now ... so they will have a formal investment committee process.” Richard stressed that this may moreover unfold to intended rationality covered under “procedural justice ... if everyone just follows the procedure, even for the future the, the performance is very bad, he should not be blamed” ensuring personal reassurance. Likewise, some experience leeway in SDM but still under “a certain principle or guideline or, or you know professionalism, so you are just based on that and do whatever makes sense” (Sarah). It seems to be monitored by rationality or as Prescilla stated, by hierarchy when “the transaction team has well certain level of freedom of decision-making power in the negotiation. But, but for the final decision ... this should be the board.” Countering the generally positive influence of standards to diminish behavioural effects, a too strong adherence leads to the introduction of perceived rationality, feeling to be right.

## 4.4 Potential Interdependencies in Behavioural M&A Decisions

### 4.4.1 Analysis

The research further aimed to explore potential interdependencies between the behavioural factors. In this effort, all transcripts were re-read and linguistic connectors or other signalling words were used to explore such relationship. Furthermore, the presence of marked sub-themes or themes in the same context were assumed to indicate a relation.

Statement	Concept	Sub-themes
“Well, and the company is <b>so exciting</b> <u>and didn't let go of me</u> , and then we went back up again ... and I come from Northern Germany and <b>my youth travelled extensively in Scandinavia</b> , have somehow <u>also</u> an <b>affinity to it</b> <u>and felt very comfortable there</u> , <u>and intuitively had a good feeling</u> actually, <u>and</u> came back with the <b>impressions</b> , they were <u>also</u> <b>distinctly better</b> .” <i>Adam (Germany)</i>	<ul style="list-style-type: none"> <li>▪ Desire</li> <li>▪ Intuition</li> <li>▪ Enthusiasm</li> <li>▪ Affinity</li> <li>▪ Extant life experience</li> <li>▪ Affirmative inner temptations</li> </ul>	<ul style="list-style-type: none"> <li>▪ Executive's object of wishful thinking / optimism / (extra-)sensory perceptions</li> <li>▪ Life experience / (extra-)sensory perceptions</li> </ul>
“...the number are the <b>numbers</b> but <u>depending</u> on how <b>ambitious</b> or <b>aggressive</b> the individual is, you may <b>take the price</b> closer to the line.” <i>Sam (PRC)</i>	<ul style="list-style-type: none"> <li>▪ Strong decision relevance of the business plan</li> <li>▪ Ambition</li> <li>▪ Aggressive attitude</li> <li>▪ Perception of target value</li> <li>▪ Overpricing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Courageous self-belief / due diligence in quantitative and qualitative assessment of the target/ unconscious confidence in pricing with a tendency to overpay</li> </ul>

Table 16. Preliminary relational analysis – Extract.

The strength of each relation was assessed according to the frequency of mention from the participants and is not based on empirical statistics. However, it serves as a qualitative indication on the complementarity of the individual factors as well as the resulting complexity and dynamics of behavioural momentum in M&A SDM.

Ultimately, from the interview data emerged 12 qualitative interdependencies of what German executives experienced as associated behaviours in strategic M&A decisions, clustered to three key relationships.

Sub-theme / concept	Relation	Sub-theme / concept
<b>Executives' competency indirectly related to agency</b>		
Solid competency and demographics	⇒ (+)	Ethical tensions
Ethical tensions	⇔ (-)	Agency
Solid competency and demographics	⇒ (+)	Strong self-belief
Strong self-belief	⇔ (++)	Agency
<b>Multiple-dependence on executives' aspirations</b>		
Executives' object of wishful thinking	⇒ (+)	Optimism
Optimism	⇒ (+)	Overpricing
Executives' object of wishful thinking	⇒ (++)	Negligent diligence in quantitative and qualitative assessment of the target
Narcissism	⇒ (+)	Negligent diligence in quantitative and qualitative assessment of the target
Agency	⇒ (+)	Overpricing
<b>Executives' opposing dependency on their experiences</b>		
Prosperity of professional experience	⇒ (++)	(Extra-)sensory perceptions
Prosperity of professional experience + strong self-belief	⇒ (++)	Negligent diligence in quantitative and qualitative assessment of the target
(Extra-)sensory perceptions	⇒ (+)	Negligent diligence in quantitative and qualitative assessment of the target

*Table 17.* Final analysis: Themes representing key relationships between behavioural factors of German M&A executives.

Similarly, 10 qualitative interdependencies between behavioural factors developed from the Chinese interview data, clustered into three key relationships.

Sub-theme / concept	Relation	Sub-theme / concept
<b>Executives' cognitive stimulation impaired by their being novices in M&amp;A</b>		
Gap of professional experience + lack of specialist knowledge	⇒ (++)	Unconscious confidence in pricing with a tendency to overpay
Gap of professional experience + self-confidence	⇒ (+)	Conviction
Short tenure in M&A	⇒ (++)	Lack of concern
<b>Executives' imperfect competency positively related to behavioural restraints</b>		
Lack of specialist knowledge	⇒ (+)	Due diligence in quantitative and qualitative assessment of the target
Imperfect competency and demographics	⇒ (++)	M&A consultant's knowledge power
High value priorities	⇒ (+)	Core self-evaluation
Imperfect competency and demographics + high value priorities	⇒ (-)	Agency
<b>Executives' aspirations cognitively related to premium</b>		
Courageous self-belief	⇒ (+)	Unconscious confidence in pricing with a tendency to overpay
Executive's object of merged interest	⇒ (+)	Unconscious confidence in pricing with a tendency to overpay
Agency	⇒ (+)	Unconscious confidence in pricing with a tendency to overpay

*Table 18.* Final analysis: Themes representing key relationships between behavioural factors of Chinese M&A executives.

Overall, it was demonstrated that behavioural stimulation comes in previously ignored multi-dependence, presenting the executive as a proximate cause, while now putting their extensively-studied competencies, aspirations and experiences into context. Organised into key relationships they represent overarching determinants of SD rationality that will be laid out further.

#### 4.4.2 Key Relationships in German Executives' Behavioural M&A Decisions

##### 4.4.2.1 Executives' Competency Indirectly Related to Agency

From the interview data emerged that executives' solid competency is indirectly related to agency. Findings not only show linear interdependencies between the single factors but indirect relationship to agency, indicating a kind of leveraging effect when these factors occur simultaneously.

The participants showed that their solid competency has a positive influence on responsible SDM but also supports self-beliefs. Nick for example mentioned, "with the irrational I am convinced, one can strip into the rational part we use." Adam related his competency to a decision situation where he decided not to buy because of an indicative ethical and reputational risk to "run the thing right into the ground, then you are ruined as investor, I couldn't risk that at all." A consultant further mentioned that in case of less competency, "the fairness [is] at the bottom" (Michael). At the same time executives strongly believe that they are well equipped "the emotional part for which we also know how we can deal with it" (Nick) and with "the advantage of education, they can't pretend you an A for an O" (Jack).

Furthermore, ethical tensions seem mutually dependent on agency. The consultant Michael stressed a negative relationship because "as long as people are involved who have their own agendas and moral hazard, ... there will always be private equity people who think about themselves" at the expense of investor's interests. In the same vein, Tom referred to "the old grey-haired male friendship", that was always associated with supporting each other in personal agendas and advantages, but today after it has been abandoned "in companies the organs act much more professionally." Also, from a corporate perspective, ethical tension, particularly the responsibility towards the shareholders were experienced to reduce agency and following, strengthen rationality. One executive emphasised that he "can't say that we have come to the end somewhere with a process and then somehow let us be misled, or they ogled us or promised us anything and then we said, come on it won't get that bad" (Adam).

Adding to this, executives' strong self-belief and agency were perceived as heavily mutually dependent. One participant mentioned for example when "there's someone who wants to continue his career in the group, then besides the strategic sense there's of course also suddenly, how am I standing all of a sudden, when four weeks later the thing is called off" (Charlie). This indicates that people who perform under career addiction necessarily need and have a strong self-belief to not scrutinise what Charlie mentioned. If they were not, they would reflect on this behavioural perspective and follow the strategic sense. Michael emphasised that self-belief makes people follow their personal agenda to "show you what a great guy I am. And this is not the agenda, that's a strategic guideline top-down that we acquire a company, but rather that's my personal interest" which was related to incentives. A consultant explicitly mentioned the relation between selfishness and agency as stemming from manager's "competition, this desire who has the greatest, yes, that can be quite decisive for M&A ... No logic at all ... Just the pure lust to do something big" (Matthew).

In dependence, competency is indirectly related to agency when ethical tensions do not take the role of a corrective. M&A executives' perceived solidity and strength which push them towards greater egocentricity.

#### **4.4.2.2 Multiple-Dependence on Executives' Aspirations**

The data showed a multiple dependence on executives' aspirations. Their view of the target has a positive relation to optimism, while optimism as well as agency are further positively related to overpricing. Additionally, executives' target aspirations and narcissistic propensities show a positive relation to negligent diligence work.

One executive (Adam) experienced that "the company is so however exciting and it didn't let me go." With this desire he motivated further due diligence procedures and described his positive and optimistic tensions as "an affinity for it and felt very comfortable there, and intuitively had a good feeling" when finally satisficing "they were also much better." Similarly, Marc linked his desire about a "wonderful business idea. I have to acquire this company, we'll make it that and that."

At the same time, target propensities were strongly positively related to executives' negligent diligence. Other participants said "If you want a topic, topics are worked out accordingly and arguments are searched for" (Olivia) and "of course represented more beautifully than it may sometimes be" (Jack). It developed that executives who desire the target in some way, look at or search for positive arguments, and remove negative ones or just explore in less detail. In examples this was mentioned as "so to speak wipes away the problems a little and doesn't really want to accept it" (Marc), and they "push aside and then decide what is actually essential" (James) in the opinion of the executive.

Furthermore, executive's optimism was experienced as positively related to negligence in pricing while willing to go above "the rating, and add another 20% on top to make sure I get that" (Michael). In the same vain, it was experienced that one overpaid even though "let's say 20% less had done it, because the basic misunderstanding was from the beginning, this is a great asset for us" (Charlie).

In further personal aspiration executives' narcissistic behaviour is also positively related to negligent assessment of the target and status objectives outweigh financials. It was "perceived as prestige, as an ego-relevant project. And that also superimposed certain deal logic and synergies" (Tom). Similarly, Jack emphasised that when deals are used "as a status symbol" these prompt "to take risks, no matter of what nature." From this correlation it seems that some executives tend to privilege their own desires and aspirations over those of the company, at the expense of the deal or performance.

In this context a further interrelation emerged, namely between agency and optimism. A consultant emphasised "well, there will always be private equity people who think about themselves and want to raise the next fund, and then need a deal for me to buy far too expensive, which is bad for the investors, but good for myself" (Michael). The executive Charlie similarly mentioned that incentives happen to lead to a kind of "deal fever", misleading objectivity to enthusiasm. This relation however seems particularly applicable for those investors, who relate excessive bonus payments to deal-making.

Under this key relationship it may be assumed that the simultaneous occurrence of these multi-dependent behaviours can at worst leverage, imposing misjudgement, risks and financial damages.

#### 4.4.2.3 Executives' Opposing Dependency on Experiences

As a further key relationship emerged an opposing dependency of experiences which is strongly positively related to (extra-)sensory perceptions. However, these may also lead in an opposite direction, driving negligent diligence in target assessment. When experience comes together with a strong self-belief the effect can even be strengthened.

Executives positively experienced their propensity of professional experience as conducive to (extra-)sensory perceptions in SDM. One 1<sup>st</sup> level executive emphasised that he develops a sense for his judgements relative to “with which people and on which levels have we had what kind of experience, up to any kind of financing negotiations or similar.” Similarly, Nick mentioned that he feels professional experience related to inner temptations while experiencing that “one reacts more emotionally because he has had negative experiences in the past and therefore champions issues with somewhat higher blood pressure. But there is an experience out of it, and values he has.” Another participant also mentioned that “there’s a lot of personal judgement involved and I think you can only bring it through experience” (James). In this interrelation, executives perceive experience and (extra-)sensory perceptions as conducive to their better judgement. Jeremy similarly emphasised the positive connection between experience and gut decisions while equally relating this to risk-taking when occupying a strong belief in one’s experiences. In the same vain, a 2<sup>nd</sup> level executive related experiences and personal development to a better judgement of soft skills, “to be successful in the process about different factors ... [I have to] master both the technical side, the technical side and the soft side. And of course, the juniors start on the hard skills and then grow into other areas” (Nick). With his statement he further emphasised that the soft side, or (extra-)sensory perception, cannot be relied on alone, but also, that executives can get into a conflict between those and their professional knowledge.

Such opposing tendency also emerged further in a relation between (extra-)sensory perceptions as well as prosperity of professional knowledge and negligence in the target assessment. Bob emphasised that “the more I let myself be guided by my gut, the worse the decisions get” but added that when “dealing with it in a very neutral way, and then deriving the decision from it, really helps a lot to try to get everything out of it.” Herewith, he relates gut feelings to negligent work because then he is not so anxious to



inform himself in such detail. Another executive indicated similar relation to experience because “I can’t look at every document. I have to think carefully about what I’m looking at. Of course, I also need some experience for that” (Ben). Based on his experience he will only look at selected seemingly-important information but might miss things out.

Obviously, experience-based decision-making, although appearing rational, leads directly and indirectly to negligent assessments.

#### **4.4.3 Key Relationships in Chinese Executives’ Behavioural M&A Decisions**

##### **4.4.3.1 Executives’ Cognitive Stimulation Impaired by Their Being Novices in M&A**

For Chinese executives, their limited experiences and professional knowledge as well as their short tenure in M&A obtain major relevance for cognitive stimulus.

A strong positive relationship was found between executives’ gap of professional knowledge and lack of specialist knowledge in M&A to overpricing tendencies. Sophia referred to those “who cross into, because they don’t know how hard the business is - you can never make a profit on that kind of investment.” Sam highlighted the learning curve they still have to take and then they “can do better in acquisitions” relating this to previous deals “with very small commercial reason, ... willing to pay a premium.” Similarly, a consultant emphasised that “the assessment of value, ... and relatively you know new players with less experience, probably contribute to that open pain” of overpayment (Tyler).

Richard added that the gap of professional experience when combined with self-confidence may lead to conviction about (future) circumstances. He mentioned the example of his colleague who is “a little bit overconfident. He thinks he can just, simply just, just, just transplant his experience in another field” and emphasised that this may lead to serious wrong decisions when not considering the “whole picture.”

Additionally, there is a strong relation between executives' short tenure and lack of concern. A participant argued that in his early years he just started several projects "to keep grow ... but I was, I did not expect all the challenges, all the issues" (John). Correspondingly, Steven emphasised that with "more than 20 years experience ... he'd make every decision actually I would say more cautious more carefully than before." With less experience, he was more careless then. This has also been stressed by a consultant, "the more you know the probably the more worried you become and, and the better the decision you make. By the less you know, probably the happier you are, but the more unknown, that the future will be" (Tyler). Following this statement, he provided the example of first-generation and highly risk-tolerant Chinese, comparing their attitude to gambling. With longer tenure in M&A and accordingly more experienced knowledge, executives have greater concerns and become more cautious in SDM, which is considered to contribute to better decisions.

#### **4.4.3.2 Executives' Imperfect Competency Positively Related to Behavioural Restraints**

Strong indication pertains to executives' imperfect competency and demographics to be positively related to inhibiting the unfolding of their SD non-rationality.

On the one hand, their lack of knowledge is positively related to a diligent assessment of the target. One executive emphasised that for "financial due diligence, tax due diligence and legal due diligence we have to rely on the third-party advisers" (Andrew), obtaining diligent work from experts. Steven similarly stressed that "they can give us suggestion to make ... less mistakes." A 2<sup>nd</sup> level executive provided an example of a transaction abroad where he spent more time on due diligence onsite because he was not familiar with the specifics obtaining "enough background before I make any decision." Sarah further showed that over time they gathered contributions from several people, and "at the end we have a plan that gets everybody feel most comfortable."

This is supported by a very strong relationship to M&A consultant's knowledge power when executives' admit their imperfect competency and demographics and leave things to professionals. An executive highlighted "they are more professional" and help to "make less mistakes" in things he does not know (Steven). In the same vain Andrew

confessed, “unfortunately I do not have strong background in financial. So, I have to rely on the third party.” A consultant mentioned “because they themselves are not real estate people, so they hire us to help them with the decision” (Parker). And another one emphasised “if you are not relying on local knowledge from local advisors, you are probably missing something” (Tyler). Similarly, Prescilla stressed that “even though they may not have sufficient experience, they are willing to consult with the advisers ... to form a decision, a rational decision.” Therefore, the positive relation to M&A consultant’s knowledge power also contributes to overcome less-rational tendencies resulting from their imperfect competency, as outlined before.

On the other hand, imperfect competencies and resulting behavioural tendencies are attenuated by executives’ high value priorities and were then found negatively related to agency, in particular. This was expressed in different ways, when an executive emphasised that “it’s not about how your power to control a company, it is about how, how you can bring the company to the next level to be successful. So, they more care about the company” (Steven). Others showed this relation while emphasising “first of all I mean this is a job ... and of course like, you know, you, you, you have a certain principle or guideline or, or you know, professionalism, so you are just based on that and do whatever makes sense” (Sarah), or highlighting “the previous management team more care about themselves, ... which is quite different from our culture” (Steven).

To the contrary, high value priorities are positively related to core self-evaluation, especially authority. A consultant emphasised “in most cases because of this hierarchy structure in state owned enterprise the high-ranking executives they need to maintain their authority in front of their subordinates, subordinate neighbours” (Prescilla). Tyler said that “my personal objective would be just to ensure that the clients meet their objectives, my employer meets its objective in terms of meeting its budget, and personally I am enhancing my own reputation of helping companies.” So even though he is dedicated to his work and loyal to his employer under his value stances, he follows a kind of self-esteem and core self-evaluation alongside.

Altogether, Chinese executives’ seem well equipped to not overcome deficiencies of competency with behavioural tendencies but to maintain rationality.

#### 4.4.3.3 Executives' Aspirations Cognitively Related to Premium

As another key relationship the data provided evidence that executive's aspirations result in their willingness of and unconscious confidence in pricing, with a tendency to paying premiums.

A consultant related status by empire building to pricing while "it is also a good opportunity for them to put their name globally. So, they are going to buy very expensive trophy assets" (Parker). In the same vain courageous self-belief seems positively related to overpricing. An executive acknowledged "if I really want this case to be successful, yes, sometimes I would take a more aggressive strategy, when we do the main case" (Steven). A consultant put it like "a very difficult decision, you know the balance between ambition, greed and risk take, you know, risk aversion" (Tyler).

Following these statements, a further relationship emerged between executives' interest in the target which strongly positively promotes higher prices. Sam said "if you want to get the assets you have to bid for the highest price. Then it becomes an exercise to support the higher bedding price right." In the same vain, the consultant Tyler confirmed that when the target is perceived as a call on a chance, executives "overpay what's well above the market to get the deal done."

These qualitative interdependencies particularly originate from a lack of knowledge and experience, leveraged through behavioural restraints, motivated by personal aspirations and finally culminate in premiums, probably not fully justifiable in numbers.

## 4.5 Chapter Summary: Research Findings

This fourth chapter presented insights into the analysis of the interview data and the respective findings of the investigation.

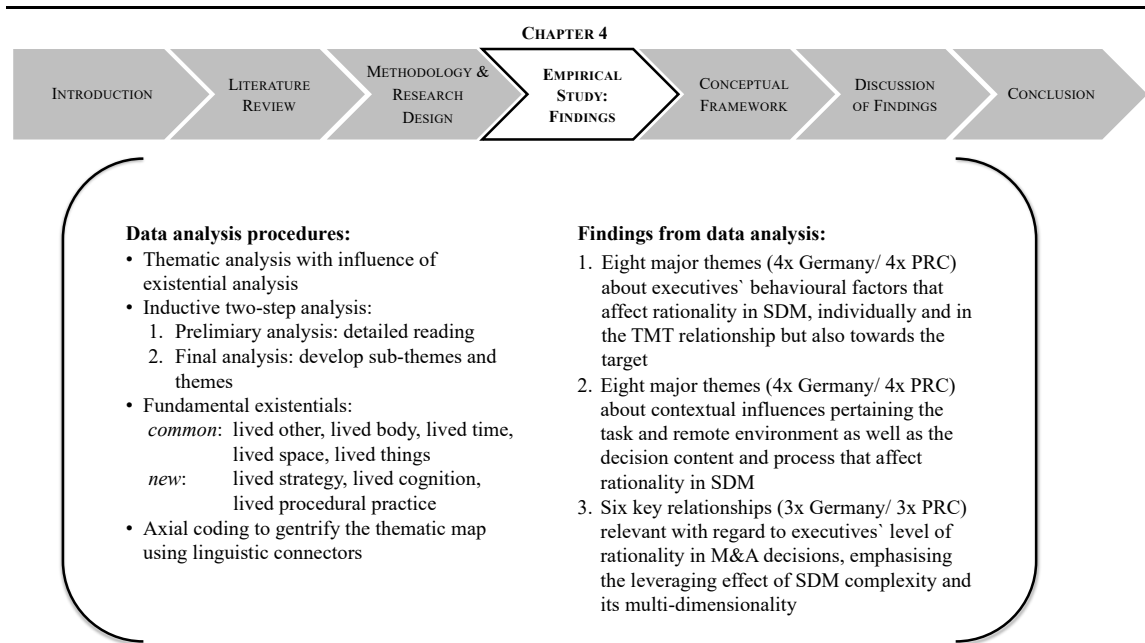


Figure 9. Chapter 4 – Progression.

The data analysis procedures were introduced and examples of the progress of data in the inductive two-step analysis were outlined. Novel findings were presented in rigorous themes of factual evidence pertaining to behavioural factors, contextual circumstances and key relationships, each separately for Germany and PRC.



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# **CHAPTER FIVE**

## **CONCEPTUAL FRAMEWORK**

## CONCEPTUAL FRAMEWORK

After presenting the findings from the interview data separately for Germany and PRC, this chapter introduces the factual evidence into a conceptual framework about the microfoundations of SD rationality in M&A.

### 5.1 Introduction

From the experiential findings about the nature and interrelations of executives' behavioural factors as well as contextual determinants affecting their SD rationality, the researcher proposes to aggregate the dyadic data in a cogent and multidimensional framework. Findings of German and Chinese executives were compared in order to derive patterns and distinctions in their SDM behaviour. Afterwards, these were conceptualised into a typology of behavioural momentum.

### 5.2 Emerging Patterns and Distinctions in the Dyadic Case

In order to reveal collective concepts from the dyad of the study, the researcher compared the thematic maps of German and PRC data, examining for predominant analogies. The presence of similar existentials allowed an in-depth approach that let broad similarities but also some distinctions emerge.

Germany ( <i>themes</i> )	China ( <i>themes</i> )	Pattern	Distinction
Powerful and skilled personality	Disciplined personality with limited expertise	<ul style="list-style-type: none"> <li>▪ Competency</li> <li>▪ Demographics</li> <li>▪ Impetus of personality</li> <li>▪ Level and quality of experience</li> <li>▪ Socio-cultural internalisation</li> </ul>	<ul style="list-style-type: none"> <li>▪ M&amp;A tenure</li> </ul>
Multiple cognitive stimulation	Contradictory cognitive stimulation coupled with risk insensitivity	<ul style="list-style-type: none"> <li>▪ Cognitive encouragement</li> <li>▪ Thought and perception processes</li> </ul>	<ul style="list-style-type: none"> <li>▪ Dominance/balance of experiential over rational factors</li> </ul>

- Table 19 continues on next page -



Germany (themes)	China (themes)	Pattern	Distinction
Perceived dominance in social syndication	Social allies and human esteem covered under central power	<ul style="list-style-type: none"> <li>▪ Collaboration and networking</li> <li>▪ Dominant power relation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Involvement of human esteem</li> </ul>
Favourable attitude towards the target	Overpaid partnership propensities towards the target	<ul style="list-style-type: none"> <li>▪ Concepts and beliefs about target</li> <li>▪ Comprehensiveness and relevance of qualitative/quantitative assessment</li> <li>▪ Pricing</li> </ul>	<ul style="list-style-type: none"> <li>▪ Emotional involvement of the executive towards the target</li> </ul>
Uncertainty in and dependency on an intricate environment	Market challenges and chances under control of the government	<ul style="list-style-type: none"> <li>▪ Environmental circumstances</li> <li>▪ Subjective time perspective</li> <li>▪ Stage of economic cycle</li> </ul>	<ul style="list-style-type: none"> <li>▪ Country's maturity</li> <li>▪ Form of government</li> </ul>
Compliance with internal frameworks	Compliance with the federal context	<ul style="list-style-type: none"> <li>▪ Corporates' characteristics</li> <li>▪ Governance compliance</li> </ul>	-
Captivated quest for more	Longing to get into M&A	<ul style="list-style-type: none"> <li>▪ Intention of M&amp;A activity: growth and wealth</li> </ul>	<ul style="list-style-type: none"> <li>▪ Development stage of M&amp;A undertakings</li> </ul>
Process loopholes and managerial discretion in complex and momentous decisions	Power centralisation and formality in demanding decisions	<ul style="list-style-type: none"> <li>▪ Decision nature</li> <li>▪ Magnitude of impact</li> <li>▪ SDM process standardisation</li> </ul>	<ul style="list-style-type: none"> <li>▪ Hierarchy level of discretion</li> </ul>
Executives' competency indirectly related to agency	Executives' imperfect competency positively related to behavioural restraints	<ul style="list-style-type: none"> <li>▪ Cognitive affect related to executive's competency</li> </ul>	<ul style="list-style-type: none"> <li>▪ Involvement of personality / ego</li> </ul>
Multiple-dependence on executives' aspirations	Executives' aspirations cognitively related to premium	<ul style="list-style-type: none"> <li>▪ Executives' aspirations are catalyst</li> </ul>	<ul style="list-style-type: none"> <li>▪ Level of negligence</li> </ul>
Executives' opposing dependency on their experiences	Executives' cognitive stimulation is impaired by their being novices in the M&A business	<ul style="list-style-type: none"> <li>▪ Dependency on experience</li> </ul>	<ul style="list-style-type: none"> <li>▪ Consciousness of consequential action</li> </ul>

Table 19. Patterns and distinctions in the microfoundations of SD rationality between German and Chinese M&A executives.

The findings show strong patterns as regards the effect of executives' demographics, personality, experience and their socio-cultural internalisation on rationality. On the one

hand a powerful and skilled personality and on the other hand a disciplined personality with limited knowledge, both entail rational perspectives in strategic M&A decisions, each in its own way. The findings demonstrate that M&A experiences leave room for non-rational behaviour but a solid competency and knowledge are particularly supportive to reduce it. This was confirmed by the findings from Chinese participants, where they stumble with imperfect competency and depart from rationality in their SDM. Both groups also show that increasing experience stimulates intuition-based decision-making. Additional impetus of personality is mutually confirmed as a pattern. While Chinese executives showed pronounced self-control to strengthen rationality, German executives with self-belief judge more loosely, with personal involvement and then departing from rationality. Furthermore, findings from both countries confirm that higher value priorities increase rationality in strategic M&A decisions. The results further show that M&A tenure increases intuition-based decision-making, for short-tenured decision-makers unconsciously and for long-tenured ones consciously, but experienced as rational.

Moreover, executives from both countries share a cognitive encouragement in M&A decisions by thought and perception processes. However, the dominance of experiential over rational factors affects differently. German executives are dominated by a positive attitude, additionally inspired by personal interests and narcissistic propensity. Even though Chinese executives experience optimism and agency in a similar way, they show contradictory cognitive stimulation of scrutiny and caution on the one hand and a lack of concern on the other hand, that balance their cognition.

Both have in common that collaboration and networking play a significant role for behavioural influences in strategic M&A decisions. Equally, the countries experience that M&A require a multitude of experts to join forces for successful transactions. Although, the findings further show that the power relations within the team are different and are much more pronounced in Chinese companies, the pattern arises that power centralisation enforces business rationality and power distribution behavioural tendencies. In distinction, Chinese relationships are characterised by trust and esteem towards rationality, while German executives misuse these for their own benefit.

Another similarity emerged as regards the attitude towards the target where both sides are equally influenced by their concepts and beliefs about it and (desirable) future states. Executives are subjectively manipulating their evaluation and are exposed to biases in the diligence of its quantitative and qualitative assessment. At the same time, it was shown from both countries' findings that a more comprehensive and diligent assessment generally entails more conscious and rational SDM. Nonetheless, the emotional involvement reverses this effect. This became apparent in the similarly important strategic and social fit, where German M&A executives experience themselves behaviourally stronger influenced by the human factor and the fit with the target management than Chinese ones. In distinction, German executives appear much more emotionally touched by the target which bounds their rational judgement.

The environmental circumstances, the stage of economic cycle and subjective time perspective became further patterns. Both countries' executives also share the perception of dependencies of the M&A activity on the developments in the corporate environment and experience similar competitive pressures which foster their departure from rational SDM. In a recession or crisis, executives become more cautious than in growth periods that promote optimism and other positive attitudes. As an essential aspect, it came about that the PRC country maturity and form of government allow less freefall for behavioural tendencies in executives' SDM. Under the umbrella of governmental regulations Chinese executives are limited in unfolding their non-rationality, while the relevance of it for German's was not explained.

A robust pattern is the compliance with internal and external guardrails. Listed companies or SOEs in both countries enjoy even stronger regulatory requirements than privately held ones. Additionally, similarities were confirmed as regards firm size that strengthens structures and thus rationality, and a stronger emotional involvement of SMEs. Similarities also refer to the intention of M&A activity, where both countries share the strategy to growth and increasing wealth. However, it must be noted that Germany and PRC are in different development stages of M&A undertakings. With a longer history of M&A activity, Germans are striving for ever more, while PRC is in an initial stage and yet longing to get more into the business, be part of the playground, positioning itself globally. Regardless, the findings show that both stages of aspiration have its impact and are similarly influential for behavioural tendencies in SDM.

Further patterns were found concerning the decision nature that when complex, uncertain and under time pressure entails non-rational SDs. For both groups also SDM process standardisation shares the effect towards rationality. Chinese as well as German big and listed companies seem better structured and standardised than privately held SMEs. Also, magnitude of impact involves more behavioural tendencies when associated with opportunities as compared to risks. As a distinguishing feature, though, it came about that Chinese companies place discretion predominantly on the 1<sup>st</sup> level and German ones predominantly on 2<sup>nd</sup> level, following in PRC, 2<sup>nd</sup> level executives are more rational to comply with the upper authority.

Finally, the dyadic findings also show analogies in the key relationships between the individual behavioural factors. Strong indication is given that executives' experience exerts a great deal of influence on their cognition and emotions that in turn lead to behavioural tendencies in choice with different consciousness in consequential action. Executives' aspirations are a catalyst to non-rationality and emerge as shared pattern, while Germans' according level of negligence increases, and Chinese overpay. Furthermore, cognitive affect is related to executives' competency. In comparison, though, it is found contributing to agency and consequently to non-rational behaviour for German executives, while for Chinese ones it is positively related to behavioural restraints and thus rationality.

The findings provide various compelling patterns between German and Chinese executives pertaining the microfoundations of SD rationality in M&A, and innovate the existing generally-advocated pan-cultural clash. Distinctions basically materialise in terms of specifications and strength of these characteristic cues. Moreover, such comparison brings ample empirical rigour into the assessment of the prevailing behavioural determinants associated with SDM in M&A, since German and Chinese managers often show contrary conducts. Yet, opposing rational and non-rational behavioural stimulus was partly confirmed with the dyadic study itself, and a more general concept can be applied to this phenomenon.

### 5.3 A Dynamic Typology of Behavioural Momentum for M&A Decision-Making

The emergent themes and patterns of behaviour from the dyadic empirical findings defend the choice of theoretical framework and epistemic need of integrating microfoundations in strategic M&A decisions. As perceived by the executives, these are neither binary nor one-dimensional, and the multiple perspectives require attention to the entirety. For this reason, the study sought to conceptualise a business management typology, an often-used and adequate way of systematising the thematic factual findings as well as complex and multidimensional cause-effect relationships that became key perspectives to a more general view on the phenomenon.

The empirical data shows that microfoundations of German and Chinese executives' SD rationality entail a high degree of complexity pertaining to the multiple dimensions of the environment, the organisation, the target, oneself as well as other deal participants, all involved in an overarching process, covered in patterns and mediating interdependencies. From the findings there was no particular evidence for a hierarchical structure of these different dimensions. All have their own weight and effect with the executive being central to SDM execution. Therefore, the typology was organised under the umbrella of the system theoretic framework of this study. It provides a qualitative account of how environmental, organisational, cultural and individual determinants experienced within the context of M&A govern SD rationality, and aggregates the complex relationships within that novel concept.

This qualitative study identified a total of 27 indicators (sub-themes) grouped into eight themes, and 12 qualitative interdependencies clustered into three key relationships for German executives. Another 30 indicators (sub-themes) were grouped into eight themes, and 10 qualitative interdependencies were clustered into three key relationships for Chinese executives. Utilising the existentials from earlier analysis and the recognised patterns and distinctions these were categorised into seven broad dimensions: individual characteristics, cognitive stimulation, affiliation between the parties involved, decision-making practice, environmental leeway, corporate sanctity and the attitude towards the target. The sub-themes became supportive 38 underlying cues. Integrating these so far distinct or unknown behavioural factors and neglected

multi-level dimensions with the perceived qualitative interdependencies completes the typology into an original microfoundational concept (Figure 10).

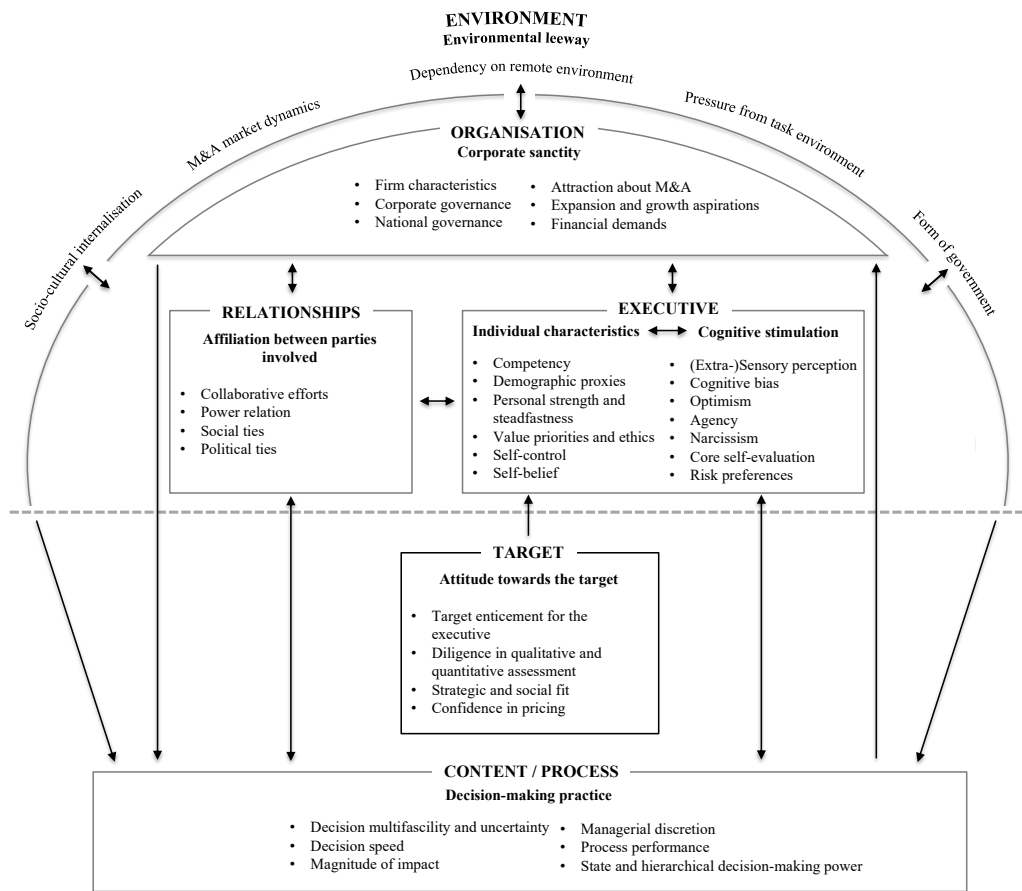


Figure 10. A dynamic typology of behavioural momentum in strategic M&A decisions.

The proposed architecture specifies that the cues and effects on SD rationality in M&A are not a binary or simple subject matter. Although the rational functionality of each dimension remains intact, its different states have a significant impact on how executives involve different levels of SD rationality to make the deal.

The illustration shows the embracing position of the environment for M&A activity, experienced as a conditional part of the system. The findings reveal that environmental factors control decision-makers' behavioural tendencies with different leeway, depending on the form of government and the perceived corporate externalities in which the executives take according action to control organisational success and survival. Executives perceive the market dynamics in a subjective time perspective that transpire into SDM. Their awareness and further action depend on the cues they recognise and

how they make sense of the temporal (macro-)economic landscape for M&A. These impressions generate strategy, future expectations and guide judgement in strategic M&A decisions, inspired by their cognition and governed in socio-cultural internalisation.

Another overarching dimension comprises the particularities of the organisation. They represent corporate sanctity, the direct context executives adhere to. The company provides direction for M&A activity, governance and behaviour, branded by the corporate strategy, its culture and current company situation as well as future aspirations. It is a fundamental backdrop for executives' M&A work setting, as individual or in the group, and affects their feelings, authority and SDM actions.

Within this context, the executive occupies a captivating position to exaggerate or attenuate upcoming non-rational behaviour in such SDM, while influenced by all other dimensions. Executives are stimulated by their very own, individual characteristics and cognition that drive (inter-)action. The findings showed that professional experiences, skills and abilities need to be used responsibly in M&A transactions in order to be strategically rational, which requires the willingness and ability to withstand influences. In executives' *black box* of decision-making, the transformation and processing of information and stimuli is managed by the behavioural control system. It filters unconscious and also conscious thought and perception processes and transforms to multiple subjectively meaningful impressions that encourage SDM often for one's own benefit.

the typology clarifies that M&A are a collaborative effort, covered in the organisational context and shaped by the individuals. The dimension of affiliation between the involved includes the intensity of executives' different power relations and social and political ties to other close, trusting or controlling parties – in- and outside the organisation. Affiliation leaves room for behavioural factors, but also can take advantage of strong knowledge partners for more rational SDM.

The findings also provide evidence that the decision nature and process affect the degree of rationality in M&A decisions, constituted in the dimension of decision-making practice. It seems to require its own autonomy to arrange oneself comfortably for judgement in multifaceted, uncertain and risky decisions and to maintain process performance. The greater the freedom the more the process becomes some type of executives' (un-)conscious pursuit of an intended consequence.

Finally, the attitude towards the target became an appealing dimension for executives' non-rational behaviour. Concepts or beliefs about existent or desirable future states, the management or pricing of the target guide the selection. Executives are influenced in their diligent evaluation of performance and facts, which are assessed by subjective relative importance and affection.

From the interview data it was evidenced that executives' behaviour is subject to values and attitudes covered in personality, reasoning and cognitive processing as well as the structures in context, that make this conduct possible. Their SD rationality is evidenced to be exposed to several determinants and interdependencies. These are captured in seven dimensions, which are described as dynamic rather than static states, varying from transaction to transaction, country to country or person to person. The typology also defends that the dimensions do not necessarily apply simultaneously or to the same extent each time. Moreover, the intensity and mode of the dependencies may vary. Altogether, with their relationships either dimension or determinant can leverage but also soften behavioural tendencies in strategic M&A decisions. The developed dynamic typology therefore also recognises how the interaction of the dimensions regulates the behaviour of each part, particularly the executive, in the entire system.

In order to provide a powerful instrument covering the numerous influxes as well as different system levels, the typology condensed in a more dynamic concept. This is why the description of the dimensions is rather epic, and the specification of the cues became more universal during conceptualisation. They can take on different forms or modes, i.e. the governmental involvement may be rigid or tolerant, and either can imply more rational or experiential conduct.



With such general dimensions the typology reflects that several cues affirm influence on SD rationality in M&A: either directly or indirectly, mediated by another dimension or cue, and with different strength, depending on the perception and sensemaking of the executive, who becomes the actual proximate cause.

## 5.4 Chapter Summary: Conceptual Framework

This chapter presented an innovative conceptual framework developed from the experiential empirical data.

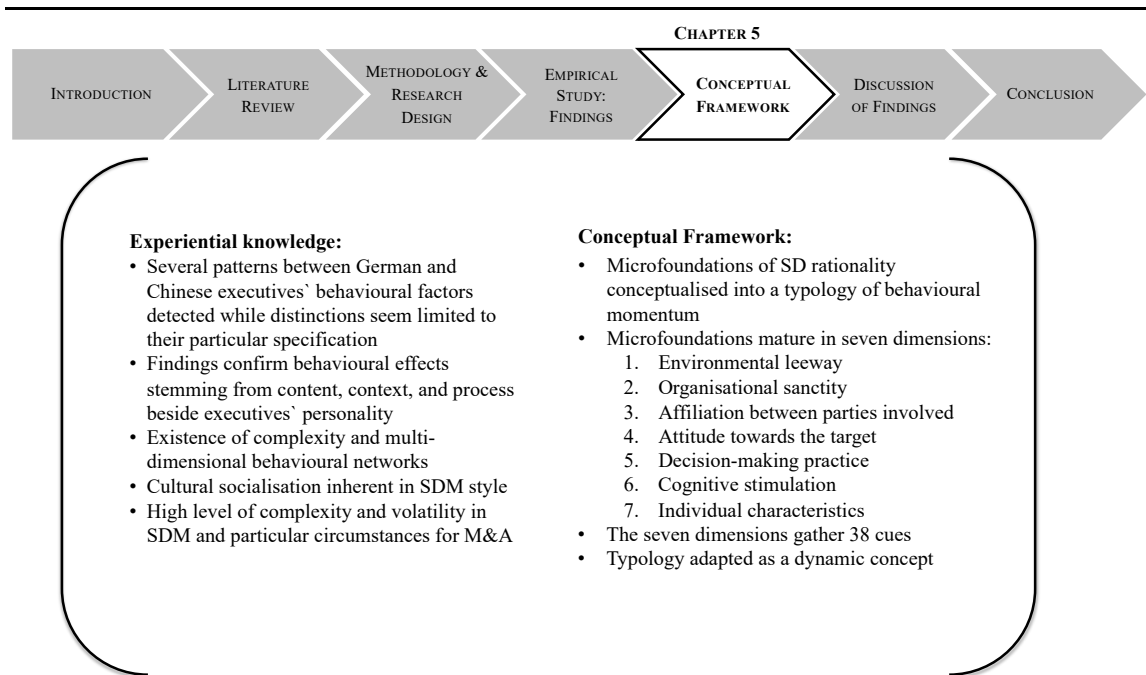


Figure 11. Chapter 5 – Progression.

The dyadic findings have been compared and results offer previously neglected patterns as well as distinctions between two so far separately investigated countries. Finally, these were developed into a typology of behavioural momentum which for the first time provides an aggregate, dynamic concept about the microfoundations of SD rationality in M&A decisions, comprising seven dimensions.



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# CHAPTER SIX

## DISCUSSION

## DISCUSSION

This chapter delves into the relevance and significance of the findings and conceptual framework. It presents the main results, interprets the factual evidence from executives' experiences and explains its meaning. The findings are contextualised within extant literature in an effort to answer the RQs and to close the research gaps.

### **6.1 Behavioural Factors Influencing Executives' Objective Analysis and Rationality in Strategic M&A Decisions**

The first objective of this study was to explore the behavioural factors that influence German and Chinese executives' objective analysis in strategic M&A decisions in order to answer RQ1. Eight new themes present the essence of German and Chinese executives' lived experience pertaining those traits that affect their SD rationality, and provide for three major findings. First, the individual personality profile of the decision-maker is a catalyst for non-rationality in SDM. While competency and morality are particularly valuable assets to more rational decisions, ego and emotions have the opposite effect. Second, rationality varies by the attitudes towards the target that are not evident in the literature, but become vital factors. Third, M&A is a people business with considerable effect from individual as well as group interaction, consistently peppered with biases and heuristics.

#### ***Strong Personality and Multiple Cognition Empower German Executives' SDM Enforcement in Favour of a Target***

The findings specify and enhance the variety of German executive's behavioural factors and subconscious processing, who overall prove to be rationally defective when they are ego-related. Decision-makers hold a pronounced susceptibility to non-rational tendencies due to a strong personality, while exposed to multiple cognitive stimulation. Particularly, their experiences provide them with a solid base for fast and efficient SDM but an over-reliance on these enables them to embellish or repress facts. They cooperate with other parties involved in the transaction, but individuals' perceived dominance in social syndication with pronounced social ties provide executives with opportunities to follow their personal agenda and preferences towards the target, which seriously affect their rational strategic judgement.

As an important advancement, German executives were shown to be a proximate and dominant cause for limiting their SD rationality. The findings suggest that age, experience and specialist knowledge as well as tenure in M&A provide a sound competency that implies more rationality. However, long-experienced executives are increasingly prone to utilise cognitive processes and intuitive approaches in SDM, with varying effects. Although this leaves blind spots in judgement, essentially purporting to be unconscious reasoning, intuition is perceived as rational and essential for better judgement. These findings are broadly in line with studies relating non-rational SDM to demographic proxies even while apparently performing rational analysis (Hitt & Tyler, 1991). Support was found for professional experience or education leading to more rational choice (Balta et al., 2010; Goll & Rasheed, 2005) but even stronger evidence for more gut and emotional judgement in SDM (Akinici & Sadler-Smith, 2019; Elbanna, 2006). the findings related to age support those studies suggesting age had a stronger orientation to affective decisions when based on experiences (Bulog, 2016; Charles & Carstensen, 2010; Riaz et al., 2010), rather than for age alone. Although the specific results show that executives' professional knowledge and tenure seem more important than age, even imperative for their better judgement, they lead to limited perspectives. This confirms the widely expressed views that tenure is negatively related to a rational decision-making approach (Bulog, 2016; Meissner et al., 2018), and disposes executives to strategic inertia, as suggested in UE (Hambrick & Mason, 1984). Notably, such focus on observable/demographic characteristics is proven insufficient, as executive's experiences and relationships throughout their careers form their personality that become much stronger determinant for non-rationality.

This is particularly German executives' personal strength and steadfastness as well as strong self-belief. These characteristics usually increase with success and knowledge and add to elevate non-rational imagination forward. Notably, this seems characteristic for male top managers. Moreover, there was an indication that male and female executives do not share the same vulnerability to behavioural tendencies. The argument that women are generally more emotional and intuitive while men are more analytical and logical in their decisions (Bulog, 2016) receives no empirical support from the results of this study. Men are shown to be particularly prone to non-rational SDM, which is rarely mentioned in the extant literature (Delaney et al., 2015). Adding to this, the findings particularly confirm prior studies that demonstrate hubristic managers to be

less rational but overly confident and selfish (Campbell et al., 2004; Fast et al., 2008). However, the extant literature remains rather weak with regard to other appearances of executives' personal strength and steadfastness or strong self-belief that this study adds as critical factors, as they have been proven to strengthen rationality's greatest enemy, executives' ego.

On the contrary, ethical tensions appear to have a positive influence on executives' rationality while moral hazard implies non-rational SDM. Similarities could be found in cultural studies that generally advocate the influence on personality (Larsen & Buss, 2008; LeVine, 2017; Lynn & Vanhanen, 2002), and those declaring moral judgements as pure experiential (Cushman, 2013; Greene, 2012). Moreover, this investigation complements the interdisciplinary debate about the strength of culture in OB, not in terms of its most studied influences on performance or risk-taking, but on the level of rationality in the preceding SD.

In the seemingly rational and impassive business world, the findings demonstrate that German M&A executives are indeed susceptible to multiple cognitive stimulation, particularly when it comes to (dis-)advantages for themselves. They are predominantly exposed to the influences of their (extra-)sensory perceptions paired with emotional involvement. These results align with research that postulates intuition and gut feelings to be imperative and powerful in SDM (Gavetti & Rivkin, 2005; Julmi, 2019; Rausch, 2013; Salas et al., 2009), handling complex and fast decision-making (Matzler et al., 2010). Furthermore, the argument that intuitive accuracy depends on executives' characteristics, context and content (Salas et al., 2009) receives empirical support from the results of this study. Then this leads either to affirmative temptations or misperceptions that may redirect decision-makers from a proper assessment of the target. Further similarities pertain to the relation of intuition and experience that is a prerequisite for relying on such reasoning (Kahneman & Klein, 2009; Matzler et al., 2007). The findings also align with extant research emphasising intuition as affective (Cristofaro, 2019; Dane & Pratt, 2007), unconscious (Glöckner & Witteman, 2010b), and inappropriate for novel decisions (Miller & Ireland, 2005). However, for familiar decisions, the findings are consistent with other studies where intuition is considered to be automated expertise (Elbanna, 2006) and subconscious (Gigerenzer, 2007). Consequently, the study connects such scattered insights and, in line with the findings

about executives' competency, it can be argued that experience-based intuition and gut feelings are a major asset they have. Both are as essential to the competence portfolio of M&A executives as many of the analytical skills - but they remain largely subconscious just like most of the behavioural factors.

Another strong catalyst for non-rational tendencies was found in executives' optimism. Even though German executives experience passion as a prerequisite to stand by the deal, they perceived it as influencing their rational perspective. When too much of it turns into a kind of deal fever, deficiencies in diligent attention and judgement or overpricing will evolve. This aligns with previous research about corporate leaders' optimistic views (Barnard, 2008; Ben-David et al., 2013; Hribar & Yang, 2016). The findings are unmistakably consistent with Malmendier and Tate (2005, 2008) confirming that overconfidence reduces information exploitation and increases overestimation of returns. In addition, a link has now been established between such cognitive stimulation and the significant effect of narcissism and agency. M&A become an ego-booster when executives utilise the transactions for driving their reputation and status, or when encouraged by career addiction and managerial welfare. To enjoy these benefits, they take risks and shut their eyes to obvious counterarguments at the expense of deal logics and synergies. This is consistent with previous research about narcissistic propensities (Rosenthal & Pittinsky, 2006), particularly the grandiose one (Campbell et al., 2011; Miller et al., 2017). It supports the view of a negative influence of narcissism holding "self-love and inflated self-views ... vanity, manipulative action" (Campbell et al., 2011, p. 269) and a positive one on number and size of transactions (Chatterjee & Hambrick, 2007, 2011; Ouimet, 2010). In this regard, the findings are also in harmony with the reasoning of risk perceptions when executives underestimate risks due to their preference for the target (Finucane et al., 2000; Slovic & Peters, 2005). Further support was found on previous argumentation about executives' career addiction and promotion focus (Gamache et al., 2015) or personal power and wealth (Lucks & Meckl, 2002; Morck et al., 1990) that encourage them to maximise profits and satisfy their aspirations. Despite numerous commonalities with individually examined factors, this study uniquely highlighted that only together they culminate into a prevalence of the egoistic utilitarians, displacing opposing rational influences.

Similar findings are provided in view of their relationship to others involved in the M&A process, perceived as dominance in social syndication. It was demonstrated that M&A are a collaborative effort of numerous experts, who apply more rationality in professionally heterogeneous teams, but are cognitively homogeneous. This supports a diversity of judgements calls and leaves less room for non-rational tendencies, whilst shared vision and mindset as well as gender uniformity encourage the exact opposite. Interestingly, even though collaboration is a prerequisite, traits that should combine on TMT level were experienced in personal competition, again showing that individual ego is more influential. The majority of German executives emphasised that a trusting relationship is important to make the deal happen, but gave contrary indication that this is merely perceived trust or action in support of their own efforts by regularly referring to networks or the men's economy. The findings further show dissimilarities in power distance and in collective judgements especially depending on the firm characteristics.

These results are generally compatible with extant research on TMT group perspectives. The argument that shared mental models, a balanced power relationship and strong leadership skills positively influence rationality in decision-making (Bailey & Peck, 2013) received strong support. Equally, the findings share the widely expressed views that dominance, here conveyed in power distribution to different levels involved, encourages to use SDs to personal advantage (Dean & Sharfman, 1993b; Eisenhardt & Bourgeois, 1988). Notably, the extent of power distribution or dominance seems to be related to the ownership type and company size. The larger or listed companies allow comparably more power distance, with leadership skills and exchange quality becoming pertinent for rationality which has already been emphasised by earlier research (Barroso-Castro et al., 2017; Lin & Rababah, 2014). The findings also support extant research that argued for TMT personalities to influence perceived managerial discretion (Peterson et al., 2003). In particular, the openness of the CEO was significantly related to team dynamics of risk-taking and their intellectual flexibility (Peterson et al., 2003) and have a similar effect in strategic M&A decision-making. This study's results now add evidence that these dynamics also have an influence on SD rationality. Support was further provided to the effect of strategic consensus, shared cognition (Gallén, 2009; Ramos-Garza, 2009) and, moreover joint collaboration (Carmeli et al., 2011; De Jong & Veijer, 2014) on TMTs' intuitive-thinking.



The argument that extraversion is positively related to psychological empowerment (Lin & Rababah, 2014) and therefore team outcomes (Seibert & Daudelin, 1999) receives no substantial empirical support from this study. It did however show that executives can transform their optimism and affinity about the target into TMT bottom up assertiveness. The findings though align stronger with extant research on political decision-making style (Pettigrew, 2014) and coalition building (Stevenson & Radin, 2015; Zhang & Greve, 2019) that encourage non-rational behaviour in SDM.

The study also established the relative importance of favourable target attraction and respective effect on glorification of figures and pricings, giving non-rationality shelter under the quantitative (rationalised) numbers of the business plan. Executives' perceived relationship to the target and its TMT results in a negligent due diligence, vested information processing or overpricing, and significantly influences objectivity. They get an imagination forward and increase the relevance of soft factors in their SDM, while the positive feelings find their way into the numbers. This aligns with the managerial factors of agency, narcissism and optimism. Notably, aspects of strategic, human and cultural fit, when not only covered in empathy and desire, remain essential for the future performance of the deal. For M&A, the particularities of target attraction and related decision-integral emotions emerged as underinvestigated but substantial determinants for SD rationality. There are however similarities to psychological research that has focused on the influence of bias on valuation (Shefrin, 2007), hubris (Agarwal et al., 2018) or wishful thinking (Mayraz, 2011). Propensities of affinity, empathy and desire towards the target seem to align with desirability bias (Olsen, 1997), satisficing (Richardson, 2017) or affect heuristics (Finucane et al., 2000) that can become a final, decisive aspect for the decision. Literature about the effect of these in SDM is so far quite limited and the findings provide rare evidence that the target is an essential source for reducing SD rationality, but not alone a sufficient cause.

Overall, there is an indication that executives' SDM is repeatedly subject to several biases that materialised throughout the themes, particularly with regard to the preparation of the business plan, for pricing and in developing their arguments. This is consistent with the behavioural economics emphasising confirmation biases (Bogan & Just, 2009), endowment effects (Kahneman, Knetsch, & Thaler, 1990), anchoring (Kahneman & Tversky, 1996; Malhotra et al., 2018), and satisficing (Bendor et al.,

2009; Simon, 1955) which are now confirmed for strategic M&A decisions and as symptomatic of inducing non-rationality.

***Inhibited Personality and Contradictory Cognition Tempt Chinese Executives to Unconscious Confidence in Value***

The findings highlighted several influences that attract Chinese executives' objective analysis in M&A SDM, whilst at the same time their high values and socialisation are a strong defence to fully exercising these. Whereas a disciplined personality of the decision-maker encourages rationality, their limited expertise promotes SD non-rationality. This was underpinned by contradictory cognitive stimulation coupled with risk insensitivity. Particularly, their unconscious confidence in value makes them susceptible to non-rational pricing in their deals. Intersocially, executives experience collectivism and human esteem within the team and towards the target, albeit covered under central power, which all seem favourable for their more rational SDM.

Imperfect competency is a primary contributor for non-rational strategic M&A decisions of Chinese executives, infected by unconscious oversight. They perceived themselves equipped with little professional experience and specialist knowledge, coupled with short tenure in M&A. This imperfection makes them vulnerable to non-rational moves when not balanced with comprehensive analytical work, competence building and external knowledge. Long-tenured executives instead, showed more caution in SDM, where their past negative experiences tempt more rational, and positive experiences more non-rational SDs. Furthermore, gender specifics seem to play no particular role towards non-rationality. Even though empathy and prudence were only explicitly ascribed to women, there was no indication from the relatively diverse sample that male and female executives do not share similar affect in this regard. Overall, this seems to be less, rather than subdued.

As regards the observable top management characteristics and personality, the findings from Chinese participants are generally in line with previous research pertaining to education, which takes more analytical approaches (Goll & Rasheed, 2005). Although, for tenure and age they differ from extant literature, which often only refers to the relationship between long-tenured managers and rationality (Goll & Rasheed, 2005), now introducing this factor also for short-tenured managers. As another addition, the

findings highlight a necessary distinction, as only positive past experiences affect rationality. For age, the findings also contradict researchers who argued that increasing age is negatively related to rationality (Kim & Hasher, 2005; Riaz et al., 2010) and align more with the seldom expressed view of a positive relationship (Bulog, 2016). The effect on decreasing risk taking (Goll & Rasheed, 2005) however is consistent. The study further supports the findings of Rost and Osterloh (2010) that less experienced M&A executives process information better than those with professional expertise, when acting in an environment of uncertainty. Therefore, the relevance of age towards rationality seems only significant when related to long tenure and established experience. The further distinction between men and women in their study was not found here. Moreover, prudence seems to be related to cultural aspects and socio-economic roots rather than to gender.

This was also evidenced in Chinese executives' pronounced self-control and high value priorities. These largely oppose courageous self-belief, expressed in ambition, opportunism, aggressive attitude and self-confidence, and restrain respective non-rational judgement. Although executives have a strong ambition to grow, keep up with peers and follow global trends to make up for lost time, their home-country cultural influence is particularly evident in their behaviour towards others and the values acquired through their upbringing. This was not only apparent in their literal statements, but also in their behaviour during the interview. For the Chinese it is business and the non-rational influence is largely limited by formalities, discipline, and ethics.

The strong influence of their social environment aligns with previous research emphasising the relevance of social and cultural environment on conduct in general (Doidge et al., 2007; Li et al., 2011) and personality traits in particular (LeVine, 2017; Lynn, 1991; Lynn & Vanhanen, 2002). As other studies have suggested, the explanation for this may originate in cultural behaviours of collectivism and uncertainty avoidance (Olson et al., 2007). It complements Epstein's (2016) assumption that general beliefs are backed by others, but highlights the power of values for behaviour. This is so strongly subconsciously anchored that their behaviour is guided from the intuitive to the rational. The values explored here, generally align with PRC cultural studies (Fuxiu, Stone, Sun, & Zhang, 2011; Wang et al., 2015) but are now linked to SD rationality, introducing an intuitive-rational aspect in socio-cognitive judgements.

Besides, the findings pertaining to their courageous self-belief are equally reflected in previous research about biases and heuristics (Baron, 2008). Their ambition and opportunism are fuelled by pressure and self-confidence, which leads them to apply mental shortcuts and emotional filters at the expense of economic rationality. This is generally compatible with existing research (Finucane et al., 2000; Montibeller & von Winterfeldt, 2015), but adding attributes of cultural aspects. Most of the executives felt intrinsically motivated to do M&A, to seize opportunities in any way possible, and strive for praise from this aspirational feeling. The notion that heuristics usually are efficient and result in useful behaviour (Gigerenzer & Gaissmaier, 2011) is not yet fully established by Chinese executives, as their “adaptive toolbox” (Gigerenzer, 2002, p. 37) for M&A SDM still needs to be equipped.

Furthermore, the findings provide a strong indication that the executives are subject to contradictory cognitive stimulation coupled with risk insensitivity. This unconsciously becomes an explosive mixture in strategic M&A decisions. On the one hand, they are affected by optimism, agency, a lack of concern, cognitive bias and core self-evaluation while on the other hand, (extra-)sensory perceptions of caution try to counter these tendencies. Particularly, their risk tolerance seems to take on a superior role in this array. It appears contradictory to the findings about their (extra-)sensory perceptions but supportive of the other traits, and thus driving behavioural tendencies. Executives’ short tenure in M&A and missing experiences might explain why they are not able to rely on gut feelings and intuition but to a certain extent are concerned by doubts. However, most of the executives experienced only upward developments in PRC all their lives, believing in future similar trends which touches the bounds of optimism and risk insensitivity, held back only by the fear of not losing face. Such findings are broadly in line with Pikulina et al. (2017) who found individual risk preference and loss aversion to indicate overconfidence that finally surge non-rational tendencies. The findings however counter the conventional view stressing risk aversion in chance of gains (Agarwal et al., 2018; Kahneman & Tversky, 1979, 1992). When spurred by experience, opportunities outweigh risks and Chinese executives are risk-accepting. Furthermore, subjective attitude receives support (Köszegi & Rabin, 2009). This similarly came about in agency motives, seeking for personal status, reputation and welfare. Notably, these are stronger for younger executives, but generally not yet widely dispersed among the Chinese. This is again a consequence of their cultural background and non-capitalist

community, nevertheless now showing increasing tendencies over generations. This trend aligns with research indicating less empire building with increasing age and shorter career horizons (Yim, 2013), but a reference to generations is newly established. This is also generally in line with the notion of promoting personal power and wealth (Bosse & Phillips, 2016; Grinstein & Hribar, 2004; Morck et al., 1990) but personal utility maximisation is underdeveloped for Chinese M&A executives.

Social allies and human esteem seem to play no significant role towards behavioural tendencies in Chinese SDM, as they are covered under central power. Data evidenced that SDM in M&A requires a lot of professional cooperation and the involved executives experienced a relationship with others as knowledge partners among peers. Together with a diverse team this makes their judgement more rational. Particularly, subjective external consultant's advice - when accepted - let them overcome their knowledge deficiencies and rise as powerful rational decision-makers. At the same time, social and political ties came about and let some executives turn to behavioural tendencies in chance of opportunities. Above all, however, it is the power centralisation that marks a particular strength towards rationality in their SDM. Additionally, governmental supremacy and consultant's knowledge power reduce TMT bottom-up assertiveness, especially when the board is equipped with knowledge. However, it remains suggestive that in centralised power relations, the behavioural influx is merely lifted to an upper level.

This is principally compatible with those literature that suggest formal structures and centralisation to support more rational decisions (Elbanna & Child, 2007a; Miller, 1987; Shrivastava & Grant, 1985). The findings however, do not support previous studies that found authority figures make decisions at the expense of organisational goals (Bailey & Peck, 2013; Zhang & Greve, 2019). Also significant encouragement to political behaviours, as suggested by earlier research (Eisenhardt & Bourgeois, 1988; Pettigrew, 2014) cannot be confirmed. Results align more with previous studies that found authority figures and CEO locus of control to harm rationality (Pinger et al., 2018), as they are encouraged to cooperate less when equipped with own knowledge power (De Jong & Veijer, 2014). This is strengthened by TMTs who tend to follow alpha's judgement by not taking responsibility or to keep face (Scharfstein & Stein, 1990), which was not strongly supported by the findings of this study. Rather, the social allies

discovered better align with Bailey and Peck (2013) who found shared mental models and visions are supportive of rationality, adding team aspects of trust and respect.

Additionally, for the Chinese executives the relative importance of the target emerged in the sense of partnership propensities. The findings show that even though executives' perceived relationship to the target is expressed in affinity, desire and belief, respectful interaction among equals and seeking an optimal fit do not significantly influence due diligence in the assessment. Executives experience to extensively assess the target and the business plan has a strong decision relevance which supports their rationality. However, it all gets most non-rational when it comes to evaluation. Their unconscious confidence in pricing mediates the tendency to overpay and became one of the most prevailing expressions of Chinese executives' non-rationality in choice.

These results support the view that executives are confident about their correct valuation and overpay (Roll, 1986). However, for Chinese executives this is not only caused by their optimistic belief in gains but moreover by maladaptive comparison not intentionally enforced and rather an outcome of missing information or knowledge. This is hardly comparable to previous research that has focused on executives' preference, optimism or overconfidence to affect valuation (Agarwal et al., 2018; Brander & Egan, 2017; Petmezas, 2009). Yet, propensities of affinity, belief and desire towards the target seem to align with desirability bias that can become a final, decisive aspect for the decision (Olsen, 1997). However, their integration of cultural and human fit in their assessment seems to enhance the effectiveness of their SID and compensate negative effects from overpricing in the long-run. This now adds empirical results to research that emphasises the importance of cultural analysis (Weber & Tarba, 2012) and cultural fit (Weber, 2018) for better deal performance.

These microfoundational findings add a deeper, contextualised understanding about the nature and role of behavioural factors towards SD rationality, about which management research is relatively silent. Distinctions to current studies particularly relate to culture dimensions, specifics of M&A and the role of the target. Particularly, new evidence was established that multiple and contradictory cognitive stimulation let executives reach different levels of rationality while ego becomes its enemy and societal norms its friend.

## 6.2 Contextual Determinants of Behavioural Decisions in M&A

In order to answer RQ2 the analysis determined contextual influences that effect economic rationality in strategic M&A decisions from the perspective of German and Chinese executives. In the pursuit of this objective, the findings provide supplementary evidence that executives' SDM behaviour is directed by the particular context of the M&A transaction and developed explicit details of such conditions, reflected in three major findings. First, the study highlights the relevance of the dynamics in the remote and task environment for trends in M&A activity, in particular that uncertainties, uncontrollability and pressures shape executives' behavioural tendencies. Second, corporate characteristics, governance and strategy are fundamental towards SD rationality. Third, evidence emerged that decision content and process also exert meaningful influence in either direction.

### *German Executives Exploit Opportunities and Cavity to Accelerate Business in an Intricate Environment*

The study found German executives to involve different degrees of experiential behaviour in the pursuit of managing external uncertainties, dynamics and pressures while faced with strong dependency on the developments in the corporate environment. Coincidentally, these promote a persistent urge for M&A activities to pursue continuous growth and to satisfy financial demands. These conditions influence German executives' cognition and in turn their rational action. They circumvent environmental challenges with expertise. Likewise, decision content is regarded familiar and process is partially evaded by discretion. Their perception of context tends to take credit for past experiences, but is cognitively inflexible in novel events. Ultimately, they cannot stand full rationality while acting under perceived certainty or repressed uncertainty, using cognitive shortcuts and exploiting (procedural) opportunities and gaps to accelerate corporate growth through M&A in the intricate environment.

The executives perceived the corporate environment as volatile and incalculable. This brings manifold risks and uncertainties, arouses opportunities, and drives the pace of decisions to different extents, which challenge their strategic judgement. Future trends and developments cannot be foreseen or securely forecasted and so require executives' assessment. For German participants the study shows that such evaluation is generally

dependent on individual's perception and respective sensemaking about the situation, mostly characterised by particularly positive and optimistic views on the developments, unconsciously ignoring the fact that they entail bounded rational facets. On the one hand, this is broadly in line with the contingency approach (Prajogo, 2016) and previous research about the influence of environmental instability on organisational actions (Aldrich, 2008). The findings also share the widely expressed views that dynamism (Goll & Rasheed, 2005; Li et al., 2013; Mitchell et al., 2011; Park & Mezias, 2005) and complexities (Boyd, 1990; Dess & Beard, 1984; Merigó et al., 2014) limit the degree of procedural rationality. Specifically, it supports previous research that emphasised the prominence of executives' perception and enactment of ambiguous conditions on SDs (Weick, 2001; Zhang et al., 2012). But beyond that, the current findings demonstrate that executives selectively perceive those conditions they prefer, that confirm or motivate them, repressing uncertainties and overemphasising certainties. It is their strong inner conviction that enacts certainty which leaves room for non-rational behaviour but not perceived uncertainty, as emphasised in research (Jiang & Tornikoski, 2019; Milliken, 1987).

the study evidenced that the macroeconomic developments foster M&A activity and explain why firms merge, which is consistent with previous research (Hillman et al., 2009; Zhang et al., 2012). Particularly, the findings are in line with neoclassical and multi-cause concepts for merger activity pertaining to the correlation of macroeconomic, regulatory and technological circumstances (Gaughan, 2011; Gort, 1969; Jovanovic & Rousseau, 2002; Ovtchinnikov, 2013) underlying most merger wave trends. Regardless of its objective state, however, this study found the remote environment to entail another stimulus: conditional to executives' perception as a threat or opportunity they may involve more rational-comprehensive or non-rational tendencies in choice. As evidenced, the availability of liquidity (Harford, 2005), favourable capital market conditions of debt (DePamphilis, 2019) and low interest rates (DePamphilis, 2019; Melicher et al., 1983) have an even stronger effect towards non-rationality when they coincide with unrealistically hopeful expectations of future trends. The argument that free cashflow leads to value-decreasing investments (Harford, 1999) was not directly supported, but the fact that German executives are willing to overpay under these circumstances, indicates that the investments may at least not be value-increasing.



Additionally, pressures from market participants, such as stakeholder expectations and internationalisation, exert a strong influence towards non-rational tendencies in strategic choice. When acting under pressure that may affect the achievement of business targets, executives seem to be less affirmative against non-rational influences, while striving to adapt to the task environment and counter these stresses. Even though this is generally in line with the contingency approach (Adegbite et al., 2018; Prajogo, 2016) and the negative influence of competitive threats on procedural rationality (Dean & Sharfman, 1993a), literature has so far failed to explain market pressures as a behavioural phenomenon and to explicate its constituent parts beyond market share. Managerial perception has rarely been considered, if only for validation (Dean & Sharfman, 1993a), but its direct influence on SD rationality could now be shown.

RDT is often applied to explain M&A activity to reduce competition and dependence on other market players with control over resources (Hillman et al., 2009; Pfeffer, 1972a; Pfeffer & Salancik, 2003). This empirical study largely supports this motivation, where the pressures and the fast changing and growing business world executives face excuse their persistent urge for M&A. Moreover, the findings showed that these circumstances converge into a captivated quest for more, which confirm a direct effect on the bounds of rationality, that RDT only assumes. Particularly, some kind of greed and sophisticated optimism dynamic outweigh rationality. Where organisations want to continue business, they look for competitive advantages through diversification, synergies, new sales channels or products, technologies and knowhow. At the same time, the financial demands related to returns and value persist or increase, seeking quicker realisation. Not surprisingly, the range of motivations expresses the conventional views of previous research about the multiple objectives for M&A (DePamphilis, 2019; Newmayer et al., 2016; Nguyen et al., 2012), indicating the general impetus of longing for profitability (Junni & Teerikangas, 2019), but now also provides extended evidence of its effect on SD rationality.

Beyond these seemingly economically-rational strategic aims, the findings indicate that various non-rational perspectives are covered under their cloak. Returns, profitability and shareholder value are at the top of the targets to be achieved through mergers. Here, executives consciously put a great amount of themselves in the financials, making assets on paper even more profitable as they are. It was further shown that financial demands

drive executives' overvaluations, in accordance with the economic cycle, while executives of private companies are more driven by long-term value and executives of listed companies by short-term results. The overestimation of return forecasts is well in line with extant research (Malmendier & Tate, 2005, 2008). Similarly, confidence in valuation and overpaying were already found by earlier scholars (Roll, 1986) following widely expressed views. However, extant studies attribute this to executives' hubris instead of the economic cycle.

It further evolved that affiliation or herd-like behaviour, absorption and glory-seeking issues, like branding, market presence or pure appeal are particularly affective. Results indicate that not all transactions are based on a sustainable, solid economic ground, when rushing decisions to make the deal, doing the deal for the sake of doing it, following other competitors or just unjustified urges. These tendencies run counter to traditional research about merger motivation but strongly indicate the prominence of narcissism and agency (O'Reilly et al., 2014), managerial welfare (Morck et al., 1990) and greed (Moeller et al., 2004), once a certain saturation is reached and the desire for more arises. They confirm these traits as weak facilitators (Glad, 2002) when underlying reason is missing - adding the non-rationality dimension to these traits.

Organisations have implemented conditions of restricted discretion, where corporate control and regulations of process become more important and executives' individual behaviour less assertive. Corporate characteristics were found to be significant for decision rationality, which appears to increase with size and depending on ownership type, i.e. listed companies and strategic investors are less emotional in their SDM than private SMEs, but depart from rationality when satisficing equity stories. At the same time, the data shows that firm characteristics have a positive relation to formalities and consequently to process performance. The pattern pertaining to size was also reported earlier (Elbanna et al., 2013; Nooraie, 2008). Likewise, the relationship between ownership type and increasing comprehensiveness was found in previous studies showing that private companies are less rational compared to SOEs (Papadakis et al., 1998). The experiential results add that regardless of their ownership type and size, those with a longer history in M&A business perform more structured processes that balance SD non-rationality to some extent. corporate governance appears to have a

positive impact on decision rationality as it increases executives' dutifulness and SDM process formality.

Within these structures, however, informal processes, missing guidelines and strategic flexibility pave the way for executives' discretion and for acting out one's preferences with significant influence on process and decision rationality. Particularly, uncertain and complex decisions in fast pace circumvent to factor in all particulars, summoning non-rational behaviours in perceived certainty. Senior executives feel well equipped and familiar with the decision, they handle these as usual, with gut feelings and experience, forced to move away from the rational decision-making based on financials and hard data when this is scarce. These results of the study fully align with prior research about SDM processes, performance and comprehensiveness arguing that formality leads to more rational judgement (Meglio et al., 2017; Nooraie, 2011; Rajagopalan et al., 1998) and familiarity to non-rational ones (Gary et al., 2012). This study establishes, however, that familiarity is governed by perceived certainty, subjective to executive's sensing. Additional, support was found for the positive influence of magnitude of impact on rationality (Elbanna & Child, 2007a; Nooraie, 2008), but with a distinction. Namely, for German executives, negative magnitude of impact supports rationality, and positive magnitude non-rationality, which also confirms their corporate procedures as depending on individual perception and enactment of the surrounding circumstances.

### ***Chinese Executives Aspire M&A Business Controlled by Governmental Influx***

Chinese executives perceive the M&A market to be indeterminant and dynamic, under pressure from market participants which alter their M&A activity. At the same time, their rationality is less infected by these external developments when strong dependencies on the governmental plan intervene. However, there is an emergent attraction about M&A to achieve expansion and (financial) growth in the fast lane. They are driven by opportunities among superordinate national governance and internal frameworks, operating under state and hierarchical decision-making power. Notably, the executives seem familiar with these particular contexts, content and procedures and can handle them rationally well in most instances, while adherence to structure supersedes behaviour. Still, ultimately, a lot of strategic M&A decisions add up under the guise of overpricing.

Chinese executives perceived the corporate environment with market challenges and chances that are under control of the government. It is nevertheless, recognised as velocity and non-calculable which enforces less-rational SDM. The discontinuous change in policy enforcement and fickleness of the market bring uncertainty and risk that are taken in exchange for ephemeral opportunities. While political tension and money market developments show a particular dependency with comparably little impact on their SD rationality, macroeconomic instability and the availability of liquidity have a stronger influence. This seems to be related to the accommodation of financial demands and the resilience of the business plan. Reduced rationality in turn accelerates the speed of decisions. Executives' experiences cannot maintain rationality in unfamiliar circumstances and risks are taken in exchange for advantages of the few opportunities that arise. It must however be noted that the strength and direction is largely moderated by governmental restrictions or encouragement.

Strong support was found for the role of regulation on merger activity (Andrade et al., 2001; Gregoriou & Renneboog, 2007; Ovtchinnikov, 2013), but its influence on SD rationality was now evidenced only when policy enforcements are perceived as instable. The results show similarities with extant literature that found velocity to influence cognitive representations (Bourgeois & Eisenhardt, 1988; Nadkarni & Barr, 2008). The findings broadly share the views that high-velocity environments have a negative influence on decision rationality (McCarthy et al., 2010; Schreyögg & Kliesch-Eberl, 2007), while here regulation counters this. Moreover, findings generally concur with economic prosperity models claiming liquidity, financing and other financial market circumstances as conditional to mergers (DePamphilis, 2019; Harford, 2005), and also support the idea of RDT (Hillman et al., 2009; Pfeffer & Salancik, 2003; Yilmaz, 2013). Moreover, this study evidences that these circumstances determine not only merger activity but a departure from rationality in related SDs. As to when these macro-financial factors vary, numbers as the basis for the strategic M&A decision fall apart.

The findings further suggest that Chinese executives strategically make use of M&A to achieve their goals and drive M&A activity. The ambition of becoming a global market player stimulated the emerging attraction for M&A over the past years and evidenced a particular context for non-rationality in such SDs. Affiliation, internationalisation and prominence in the markets became particular drivers for Chinese companies that show

trends countering rationality. When racing in pace and striving for competitive advantages, they are tempted to a more aggressive attitude and overpricing. Additionally, demands of financial return, stable income or shareholder value drive their interest. The great need in recent years to evolve further outbound, partially restricted by the government, has challenged behavioural tension in M&A. Optimistic or otherwise emotionally-touched executives are more likely to be affected in their SD rationality in the specific context of growth environments, evidenced in a lack of concern, risk appetite and less attention to target sourcing.

Generally, the findings are in line with previous studies, and confirm the different most popular motivations for M&A activity (Chatterjee, 1986; Glaum & Hutzschenreuter, 2010; Lambrecht, 2004). Particularly, multi-cause approaches are supported that emphasise M&A as a consequence of environmental changes and liquidity availability (Harford, 2005), as well as competition (Auster & Sirower, 2002). Contrary to extant research, there seems to be a significant influence of the decision motive on rationality when executives are optimistic, facing opportunities and lack concern, but not when facing a threat or risk (Butler, Guiso, & Jappelli, 2014; Hastie & Dewes, 2010). In fact, this shows the power of context for thinking and consequently for strategy in a novel way, where the overall positive growth environment determines executive's optimistic attitude and respective opportunistic action. In light of government involvement, these findings are consistent with rare literature investigating the impact of decision motive on hierarchical centralisation (Milburn et al., 1983; Rajagopalan et al., 1998), as follows.

Chinese organisations have implemented conditions of restricted discretion in compliance with the federal context. With a distinct indication for SOE compared to other enterprises, corporate and superordinate national governance were found to be significant for decision rationality while executives' individual behaviour becomes less assertive. The findings show that firm characteristics have a positive relation to formalities and therefore to process performance, with bigger, listed or state-owned companies having more structured processes in place that hinder behavioural judgements to some extent. Particularly depending on the ownership type, SOEs are even more influenced by superordinate national governance than privates. Such governmental influx accompanies the M&A process all along, from top-down country

strategy to deal approval. The findings further suggest that power centralisation and formality is an auxiliary context to more rational judgement. State and hierarchical decision-making power reduces strategic flexibility, and there is a strong indication that this diminishes Chinese executives' behavioural tendencies to rush M&A in the dynamic environment. Particularly when objectivised with extensive external advice. In addition, it must be noted that Chinese companies show a strong process performance which was expressed in a systematic and standardised pursuit. Most of the corporates had clear, some sophisticated, processes in place with guidelines and thresholds for approvals, evidently related to the impact of the decision. The findings show that a set process to which everyone adheres, is a strong catalyst for rational SDM in M&A, while complexity, uncertainty and pace of the decision oppose this to a certain degree.

The arguments that SOE are more rational (Papadakis et al., 1998), and SMEs less involved in political activities (Huang, 2009) can hardly be confirmed, as no SOEs participated in the study. Rather, the relevance of formal structures and centralisation of power for rational decision-making support the conventional views (Elbanna & Child, 2007a; Rajagopalan et al., 1993; Shrivastava & Grant, 1985). A hierarchical process adduces more rational planning and acting (Kirchner, 1991) which was shown in the relevance of the business plan for Chinese executives. At the same time, results confirm previous research that considered structure to hinder flexibility (Hill & Jones, 2001; Schreyögg & Kliesch-Eberl, 2007), and centralisation related to formalisation to slow down decision pace (Wally & Baum, 1994). Notably, external control becomes a strong supporter of SD rationality in this study which was yet underrepresented in such prominent position (Arnold & Parker, 2009; Papadakis et al., 1998), and even found to counter rationality (Dean & Sharfman, 1993a). Although these experiential results share commonalities with previous research, this is advanced to the micro-level. If the SDM process is comprehensive and rational, it does not necessarily follow that the decision-making aggregates in a rational cognitive style. Its link with executive's behavioural factors becomes decisive, whether one acts under this external control or tries to circumvent it. In an attempt to explain such lack of dominance in previous studies, this may be related to the country- and culture-specifics of the sample.

This discussion about the influence of context and conditions on German and Chinese executives' SDM shows that the major experiential findings of this study confirm multi-

cause approaches as determinants for M&A. The particularities of government form, task environment as well as adherence to governance and decision process become however superior to macroeconomic influence on SDM behaviour. Whether executives attribute more or less rationality in choice, then depends on their individual perceptions of these circumstances, which makes themselves the most proximate cause.

### 6.3 Qualitative Relations and Interdependencies of Behavioural Factors in Strategic M&A Decisions

The research aimed to explore potential interdependencies between the behavioural factors. In response to RQ3 the study presents three major findings. First, observable managerial characteristics are largely related to *black box* mechanisms. Second, the behavioural factors explored advance so far simplified or focussed examination of single causation by evidencing that behavioural stimulation is multi-dependent with heterogeneous factors of competency, aspirations and experiences as major proximate causes. Third, none of the relationships alone can explain levels of SD rationality in practice. The vast majority only fully unfolds and leverages or even mitigates their - partly mutual - effect through the consecutive interdependency with another one. Given the qualitative nature of these relations no rigorous statement can be made about its measurable strength.

#### ***Complex Behavioural Dynamics: Multiple, Indirect, and Opposing Dependence***

The study found that German executives experience a cognitive stimulation towards agency indirectly affected by individual competency and demographics as well as ethical tensions. It further recognises several dependencies on their aspirations. Adding to this, executives perceive opposing dependencies on their experiences. These findings show that they are prone to a complex network of non-rational influences, introducing behavioural dynamics in their strategic M&A decisions that can exponentially increase adverse misjudgement.

The interdependencies of German executives' behavioural factors show complexities that make them even more subject to non-rational moves, when leveraging already existing ones. The mediating role of ethical tensions does not seem sufficient to counter the other dependencies. Even though competency is itself also positively related to ethical

tensions, its relationship to strong self-belief, and this again to agency, predominates. At a second glance this indirect relationship leverages even stronger non-rational tendencies while self-belief and agency push each other, and agency suppresses ethics.

The findings widely concur with extant research pertaining to the relationship between cultural specifics and behaviour (Cheng et al., 2010; Dimitratos et al., 2011). Also the particular dependence on agency was partly demonstrated, referring to the agency conflict (Panda & Leepsa, 2017), but neither to rationality nor the inverse relation. Importantly however, the findings expand beyond such individual direct relationships of existing studies, deeming those inaccurate without recognising indirect or concurrent stronger relationships that may superimpose direct affects. Not surprisingly, there is little evidence about the mutual dependence between agency and strong self-belief, also because predominantly related to optimism (Dhir & Mital, 2012), bias (Roll, 1986) or self-interest (Panda & Leepsa, 2017). Likewise, the findings are at odds with previous research that found a relationship between culture and personality (Larsen & Buss, 2008; LeVine, 2017), where this study found an inverse relationship, between personal competency and ethical tensions.

Further complexities were experienced through a multiple-dependence between behavioural factors. In different relationships, executives' aspirations are then a cause for increasing optimism, negligence in information processing, less realistic assumptions in the business plan and overpricing. Some of these interdependencies, but seldom its multiple-dependence, were also found in extant research, particularly as regards optimism and overpricing (Gaughan, 2011; Malmendier & Tate, 2005, 2008; Roll, 1986). Although an explicit reference is missing in previous research about desirability bias (Olsen, 1997), there are similarities to executives' object of wishful thinking and therefore the correlation to ambiguous decision can also be considered confirmed, while adding richness and specifics. The findings however do not support a relationship between narcissism and risk-taking (Campbell et al., 2011; Chatterjee & Hambrick, 2007), as risk can only be assumed to be an unfortunate consequence of negligent assessment.

Interestingly, the study finds that executives perceive opposing dependency on their experiences. On the one hand, SD rationality decreases as a consequence of their wealth



of professional knowledge, strongly related to (extra-)sensory perceptions, reliable in reoccurring and stable situations. On the other hand, their professional knowledge and (extra-)sensory perceptions lead to negligence in the assessment of the target. Consequently, the executives are caught between experience and emotions which leads them to use heuristics, intuition or similar, adjusting or evading procedures. While a lot of research emphasises the importance of sound analytics and comprehensiveness for high-quality and rational decisions (Meissner & Wulf, 2014), others stress the weight of intuition (Bali & Christensen, 2009; Gavetti & Rivkin, 2005; Matzler et al., 2010) when based on experience and knowledge (Dane & Pratt, 2007; Matzler et al., 2010). This again was found related to misinformation (Gary et al., 2012) or inefficient information processing (George & Desmidt, 2018). Interestingly, the findings support both camps of this controversial debate about the role of intuition in SDM, but now emphasising the paradoxical tension as inherent in decision-maker's cognition.

***Trivial Behavioural Powers: Despite Restraints All Culminates in Overpricing***

The study shows interdependencies divided across two sides. Chinese executives perceive a cognitive stimulation that is impaired by their being novices in the M&A business while their imperfect competency is positively related to behavioural restraints. Despite those that encourage more SD rationality, Chinese executives let several trivial behavioural powers entice non-rational premium payments.

For the executives, behavioural tendencies in choice emerge as a consequence of missing business practice, expressed by a short tenure in M&A and a consequent gap in professional experience. It suggests a strong relationship to a kind of aversion. While the lack of both, professional experience and specialist knowledge, is related to overpayment, it involves conviction when coupled with self-confidence, and the short tenure strongly fosters a lack of concern.

In comparison to extant research this is partly novel in as far as influence of long tenure was investigated, but not that of short tenure. While long tenure has been argued to restrict executive's rationality (Papadakis, 2006), it could be assumed that with short tenure this is the opposite. However, the findings of this study counter this assumption and show that short tenure can also limit rationality of executives and lead to a lack of concern, also expressed as risk tolerance. Similarly, the results differ from existing

research pertaining to the influence of knowledge. Even though, previous research found education to be positively related to more analytical procedures and the less educated being more risk-prone (Balta et al., 2010; Goll & Rasheed, 2005; Papadakis, 2006), no direct relation was so far provided between less experienced and well-educated executives with overpricing tendencies. This in combination with self-confidence overcomes missing experience and involves conviction that can similarly be found in research that emphasises the concept of self-evaluation. Previously, however, this has more often been related to hubris (Hiller & Hambrick, 2005).

On the other hand, Chinese executives experienced several interdependencies that were positively related to behavioural restraints, which enabled them to move towards more rationality in their SDM. Particularly, own knowledge about their lack of capabilities and high value priorities are supportive for this. When filling such knowledge gap with external M&A consultant's expertise and more detailed analysis, they indirectly become more rational in their SDM. Adding to this, their value stances have additional positive impact towards a realistic and reflective core self-evaluation. Even when their imperfect competency allows them to consult experiential processing, their high value priorities mostly counter these tendencies and prevent agency. Earlier research has found core self-evaluation to be associated with commitment and motivation (Chang et al., 2012). Although, previous studies have focused on its influence on organisational performance, there is some resemblance with effects of executives' self-evaluation on less comprehensive SDM and narcissistic propensities in choice as proposed by Hiller and Hambrick (2005). Similarly, findings add the rationality component to previous research on locus of control that has mainly been investigated pertaining to organisational outcomes (Miller, Kets de Vries, & Toulouse, 1982). A relationship between ethnicity and executives' core self-evaluation, has also not been scrutinised so far. The further findings pertaining to anchored values are, however, generally in line with cultural studies, showing that ethnicity shapes individual's behaviour (Li et al., 2011; Tadesse & Kwok, 2006). Overall, it is suggested that culturally originated behaviour, like uncertainty avoidance and collectivism (Olson et al., 2007), can be aligned with the findings.

As a further key relationship, executives' aspirations are exclusively a cause for the tendency to overpay. It seems not without reason that the so-called *Chinese premium* is

well-known in the market when the vast majority of behavioural factors culminate in pricing. Executives experienced aspirations towards the target, self-interest and self-belief to influence their pricing structure. Again, this is consistent with existing literature pertaining to investor's sentiment showing to affect valuation (Petmezas, 2009; Rosen, 2006), and therefore the pricing. Similarly, this confirms the notion of desirability bias (Olsen, 1997) or wishful thinking (Mayraz, 2011). However, no support was found for a reciprocal relationship to less information exploitation, as indicated by earlier research (Malmendier & Tate, 2005, 2008).

While there are several areas in which these findings are compatible with extant quantitative correlations, they extend beyond prevalent uni- or bivariate micro causalities. Considering such factors in a previously ignored behavioural network reveals the executives as central, while their non-rational tendencies are not only cause, but also consequence, with indirect, multidimensional effects.

#### **6.4 The Dyadic Case: A Comparison Across Cultures**

The research sought to identify distinctive patterns of behaviour between German and Chinese executives in order to draw conclusions about overarching SDM conduct as well as about the influence of national context and (socio-)culture. In the pursuit of this objective, the study presents four major findings. First, in the German and PRC cross-case predominant patterns pertaining to cultural profiles that affect rationality in international M&A decision-making arose. Second, the findings suggest explicit distinctions that materialise in terms of representations of these characteristic patterns. Third, cultural influence is particularly evident in executives' behaviour towards others, in socio-structural norms and their value traditions. Fourth, the patterns of this dyadic case partially confirm rational and non-rational tendencies, in concurrent occurrence, and soften the dual-system dichotomy. The most conspicuous general patterns and distinctions of both camps are discussed as follows.

The specific outcomes of the dyadic empirical investigation show that there are significant resemblances pertaining to the effect of demographics and experience as well as personality-related characteristics and value traditions on rational SDM. Although pattern-like, the latter factors are largely executed differently in the two

countries, facing stronger personality influence bearing egocentric tendencies in Germany and stronger lived values with rational-equalizing effect in PRC. Exemplary this was shown in the experience of optimism and agency, where Chinese executives perceive it in a similar way as their German counterparts, but show contradictory cognitive stimulation. Their scrutiny and caution on the one hand and a lack of concern on the other, both originate from past (missing) experiences, which bring more balance in their cognition. Additionally, data suggests that professional experience supports more rational decisions, but when faced in combination with a strong personality this may turn to the opposite direction because such executives are heroic, assertive, self-confident and competitive - characters of masculinity. This is why the German sample starts missing or imagining issues while no longer analysing the detail, and departs from rational decisions promoted by confirmation bias and intuition. Chinese executives similarly involve intuition and opportunism but their inherent value traditions and discipline let these appearances become less relevant factors, and they behave intuitive-rational.

Furthermore, findings show that collaboration and relationships are shaped by social influence and aspirations. Chinese executives demonstrate a stronger involvement of human esteem, leveraging different perspectives and collective knowledge for better SDM in the shareholder's interest. German executives instead take advantage of these for their personal interests and success. Likewise, executives in both countries share propensities towards the target, particularly the strategic and social fit. It must be noted that German executives in general, and those of family-owned SMEs in particular, show a stronger halo effect about the target, which is significant for their departure from SD rationality. Chinese executives express stronger involvement of human esteem, long-term cooperation and caring views towards the target. This is further supported by the finding about executives' non-rational upside in the assessment of the transaction where German executives seem to be more cognitively affected than the largely business-rational Chinese executives.

In the globalised environment it is not surprising that both countries experience similar uncertainties and complexities in a dynamic M&A market that influence their rationality in choice. Within this environment they aspire growth and wealth by adapting to these circumstances. The form of government is however a major factor of distinction

repeatedly evident in the findings. The dominance of internal and external control comes about in different forms, but entails an overarching socio-structural influence on limiting Chinese executives' non-rationality and their uncertainty avoidance. Nothing comparable was mentioned by German participants who enjoy the necessary leeway to execute behaviourally-affected SDs in relative discretion. The authoritarian regime does not only limit the freedom of Chinese M&A strategies, but influences power distribution, process formalities, risk preferences, compliance. Moreover, it is indirectly indicated to be early-anchored in people's education, and thus in their value stances.

The most influential findings on patterns and distinctions could be attributed to cultural and socio-economic differences. The dyadic results underscore the general notion of several scholars who argue for more sensitivity and understanding of national culture and respective social constructions or behavioural norms, in management studies (Brownlie, 1994; Hofstede, 1983; Kurtz, 2003). The argument that executives' personality and values are configured by their social backgrounds (Breuer et al., 2018) that form their behaviour and decision-making process (Pudrog, 2011) were also strongly supported.

While most of these studies have applied culture as independent dimension, related to risk-taking, or used individualism/collectivism as the dominant explanatory factor, this research specifies previously neglected direct effects of culture dimensions on SD rationality (Table 20).

National culture dimensions according to Hofstede et al. (2010)	Country	General tendency / effect
<b>Power distance</b>	Low: China	Rational
	High: Germany	Behavioural
<b>Individualism</b>	Germany	Behavioural
<b>Collectivism</b>	China	Rational
<b>Uncertainty avoidance</b>	Germany	Behavioural
<b>Uncertainty tolerant</b>	China	Rational
<b>Masculinity</b>	Germany	Behavioural
<b>Femininity</b>	China	Rational
<b>Long-term orientation</b>	China	Rational
<b>Short-term orientation</b>	Germany	Behavioural
<b>Indulgence</b>	Germany	Behavioural
<b>Restraint</b>	China	Rational

Table 20. The effect of culture dimensions on SDM behaviour in M&A.

The prominent national culture dimensions of Hofstede et al. (2010) were widely confirmed, evidencing executive's closeness to their culture. Where tendencies like femininity, uncertainty avoidance and indulgence counter earlier findings about Germany and China (Hofstede, 1993), the assumption may be drawn that these dynamics change over generations and cultural advancements. Instead of disaggregating national culture, this research aggregated individual behaviour to cultural dimensions and contributes to a microfoundational understanding of culture as a determinant of SD rationality. This goes beyond the anyway rare dyadic studies like Schramm-Nielsen (2001) who allocates her findings to the classic decision-making styles, emphasising experience, intuition and emotion, but misses specific culture dimensions. Lamba and Ozdasli (2015) instead, although using quantitative equation model, provided widely similar findings of cultural influence on rationality for Turkey. Their conclusion however that rationality is typically applied by professionals, cannot be supported, and must rather be differentiated under consideration of professional's personality.

The culture dimensions categorise Germans as more behavioural and Chinese as more rational, and counter evidence of respective judgements as pure experiential (Cushman, 2013; Greene, 2012) or experience-based rational (Wiegmann & Sauer, 2019). It requires wider consideration of underlying attributes, because despite their general culture-based tendency, executives swing between both styles in the choices they make.

Even if in some instances the experiential dominates the evolutionary rational, or vice versa, it never erases the other completely. Particularly this dual process logic is generally in line with extant DPM literature assuming two types of processing and challenges binary economic conceptions (Baddeley, 2010; Grayot, 2020). While the majority of literature assumes that people act with type 1 first and type 2 either intervenes or not (Evans & Stanovich, 2013; Kahneman & Frederick, 2002) this can only be confirmed by this study for highly experienced executives. Moreover, for SDM in M&A the findings support the parallel-competitive processing concept of Smith and DeCoster (2000), where the experiential system may induce maladaptive behaviour when dominating the rational one in particularly complex or extreme situations (Epstein, 2016). Beyond literature, it is uniquely shown that the applicability of DPM as parallel-competitive develops along with the increasing experience of the decision-maker to default-interventionist. Whether and to what extent non-rational SDM occurs

is therefore contingent on the control power of type 2 as an economic man, and the bargaining power of type 1 as an affective agent.

The attributes ascribed to the two processing types as proposed by extant literature (Epstein, 2016; Evans & Stanovich, 2013; Kahneman & Frederick, 2002) also receive empirical support from the results of this study. Moreover, the study advanced attributes for strategic M&A decisions (Table 21). Whereas process and validation appear widely as in existing DPM descriptions, attitude, evolution, and variation were further enhanced, and the context/content classification was separated with varying and specified attributes. The newly established classifications of personality and relationship innovate DPM beyond the process-perspective, to include its actors. This counters extant critics of insufficient and ambiguous support for type 1 (Sahlin et al., 2010) and of rare explanation in behavioural economics (Grayot, 2020). As a particular explication to DPMs that assume type 1 as more intuitive, adaptive and unconscious, the study found that several experiential SD behaviours are strongly preconscious.

	Type 1	Type 2
	<div> <div></div> <div>← experience →</div> <div></div> </div>	
<b>Evolution</b>	<ul style="list-style-type: none"> <li>▪ <i>intrinsic</i></li> <li>▪ <i>personal development</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ <i>deliberate</i></li> <li>▪ <i>culture and social background</i></li> </ul>
<b>Process</b>	<ul style="list-style-type: none"> <li>✓ fast, parallel</li> <li>✓ non-conscious, preconscious</li> <li>✓ automatic</li> <li>✓ process opaque</li> <li>✓ non-verbal</li> <li>✓ associative, <i>random guidance</i></li> <li>✓ holistic</li> <li>✓ effortless</li> </ul>	<ul style="list-style-type: none"> <li>✓ slow, <i>transparent</i></li> <li>✓ conscious</li> <li>✓ controlled, <i>formal</i></li> <li>✓ self-aware</li> <li>✓ verbal</li> <li>✓ rule-based, <i>systematic, structured</i></li> <li>✓ analytic</li> <li>✓ effortful</li> </ul>
<b>Attitude</b>	<ul style="list-style-type: none"> <li>✓ implicit</li> <li>✓ emotional</li> <li>▪ <i>desire</i></li> <li>▪ <i>human and cultural fit</i></li> <li>▪ <i>short-term orientation</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ explicit</li> <li>✓ affect-free</li> <li>▪ <i>neutral</i></li> <li>▪ <i>strategic fit</i></li> <li>▪ <i>long-term orientation</i></li> </ul>
<b>Context</b>	<ul style="list-style-type: none"> <li>✓ affective</li> <li>▪ <i>under pressure</i></li> <li>▪ <i>dynamic</i></li> <li>▪ <i>uncertain, risky</i></li> <li>✓ causal propensities</li> <li>▪ <i>opaque</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ neutral</li> <li>▪ <i>hassle-free</i></li> <li>▪ <i>stable</i></li> <li>▪ <i>predictable</i></li> <li>✓ rule application</li> <li>▪ <i>compliant</i></li> </ul>
<b>Content</b>	<ul style="list-style-type: none"> <li>✓ affective</li> <li>▪ <i>hypothetical</i></li> <li>▪ <i>satisficing</i></li> <li>▪ <i>causal propensities</i></li> <li>▪ <i>equality</i></li> </ul>	<ul style="list-style-type: none"> <li>✓ neutral</li> <li>▪ <i>concrete</i></li> <li>▪ <i>realistic</i></li> <li>▪ <i>rule application</i></li> <li>▪ <i>intense magnitude of impact</i></li> </ul>
<b>Variation</b>	<ul style="list-style-type: none"> <li>▪ <i>linked to experience</i></li> <li>✓ little variation across cultures</li> <li>▪ <i>responsive to context, content and target</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ <i>linked to specialist knowledge</i></li> <li>✓ variable across cultures</li> <li>▪ <i>responsive to facts and figures</i></li> </ul>
<b>Validation</b>	✓ self-evidently valid or <i>believed</i>	✓ validation by logic and evidence
<b>Personality</b>	<ul style="list-style-type: none"> <li>▪ <i>affective</i></li> <li>▪ <i>narcissistic</i></li> <li>▪ <i>self-belief</i></li> <li>▪ <i>lack of concern, uncertainty avoidance</i></li> <li>▪ <i>indulgence</i></li> <li>▪ <i>masculinity</i></li> <li>▪ <i>optimist</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ <i>self-controlled</i></li> <li>▪ <i>high value stances</i></li> <li>▪ <i>cautious, uncertainty tolerance</i></li> <li>▪ <i>restraint</i></li> <li>▪ <i>femininity</i></li> <li>▪ <i>realist</i></li> </ul>
<b>Relationships</b>	<ul style="list-style-type: none"> <li>▪ <i>managerial discretion, individualism</i></li> <li>▪ <i>power distribution</i></li> <li>▪ <i>social ties</i></li> </ul>	<ul style="list-style-type: none"> <li>▪ <i>cooperative, collectivism</i></li> <li>▪ <i>power centralisation</i></li> </ul>

✓ confirmed; ■ advanced/additional

Table 21. A DPM dichotomy in strategic M&A decisions. Based on Table 2.



The dyadic investigation developed innovative insights about the influence of culture and national contexts on SD rationality. It placed rigour on the microfoundational findings that more accurately present the influences and tendencies in dual-processing and resulting levels of SD rationality in M&A. Additionally, the patterns and dissimilarities allowed to create extended clarity and specification about the information processing types as well as about their competitive interplay and soften the dual-system dichotomy.

### **6.5 Conceptualising the Microfoundations of Strategic Decision Rationality in M&A**

This research aimed to conceptualise a business management typology that aggregates microfoundational constituents and multi-level effects of SD rationality in M&A. In the pursuit of this objective the study provides three major findings. First, microfoundations of SD rationality in M&A as experienced by German and Chinese executives concern seven general dimensions that can be theorised into a typology of behavioural momentum. Second, the typology is a dynamic concept, where disparate and changing context, content and personality involve different levels of SD rationality, and allows flexibility for further adaptation. Third, the typology can only be complete when integrating the relationships of behavioural factors involved in strategic M&A decisions, directly, or indirectly mediated by another dimension or cue.

The empirical findings provide evidence that SDM of German and Chinese executives in M&A involve a high degree of complexity, dynamism, and density of risk pertaining to the multiple dimensions that came about, i.e. beside the corporate environment and the organisation itself, the target, the executive as well as other deal participants require their leeway in SDM practice. The typology simplifies these multifaceted factors into an exemplified problem-related conceptual framework, recognising the diversity of dimensions from the empirical findings and their interplay. It synthesises the results of the study that emerged from the interview data of the German and Chinese executives and consultants, providing meaningful and rich details about the underlying heterogeneous, actor-related factors and their (inter-)action that contour different levels of rationality in SDM.

The typology is set up as a dynamic concept where SD rationality can theoretically vary subject to particularities, timely appearance, and strength of the dependencies. As the findings suggest, social reality of M&A is never a constant and the conceptualisation requires flexibility in application for theoretical and practical means, considering the numerous influxes as well as different system levels. The study hereby provided specifications of the distinctive dimensions with multiple and variable modes and related cues. Accumulating the manifold interdependencies and influencing factors that may affect SIDs and their implementation holds the promise of going beyond describing parts of the whole system. By providing a typology that integrates the relationships between process and content as well as context variables with executives' behaviour, a more complete microfoundational understanding is facilitated that increases theoretical as well as managerial relevance.

Executives, as the proximate causes, do not apply the experiential beside the rational in the same way in every transaction. The dynamic typology therefore contributes to an appropriate systematisation of the findings, where the cues stimulate the conscious or unconscious perception of transaction specifics. Every single dimension functions as a catalyst to limit rationality, while several together can amplify these dynamics. Context, content and process interact with each other, not as linear explanations but in a holistic sense. With the focus on examining how human (un-)conscious conjectures influence strategic M&A decision-making, the typology shows that SDs emerge from complex interactions between individuals with different interests and perceptions, interwoven with corporates' internal processes and strategy, influenced by environmental conditions and context. The company can evidentiary be understood as a complex adaptive system, as reinforced by OST, when involved in strategic M&A decisions.

Neither model could so far adequately and comprehensively explain actual influences on SD rationality. From the literature it became obvious that there is a multitude of factors that might cause non-rational tendencies in strategic choice and some of those have found their way into organisational theory. Despite several microfoundational research (Cyert & March, 1963; Eisenhardt et al., 2010; Hambrick & Mason, 1984; Teece, 2007), this draws extensively on a subset of determinants and bivariate causation, providing only limited understanding of the relevance and interplay of these elements towards executive's behaviour. The study now fills this gap by providing an

original dynamic concept, showing evidence that organisational phenomena cannot be reduced to either individual-level or macro-level, but executives become the most proximate cause. The underlying constituents are as heterogeneous as the individual decision-makers and influence the degree of SD rationality in M&A with varying intensity and interaction. The results thus contradict the assumption that non-rational behaviour can be recognised in only five personality factors (Widinger et al., 2017).

Yet, this typology shows some resemblance with the principles of UE “that executives’ experiences, values, and personalities greatly influence their interpretations of the situations they face and, in turn, affect their choices” (Hambrick, 2007, p. 334). The individual characteristics like age, education and career experiences, socioeconomic roots and financial position as suggested by Hambrick and Mason (1984) were similarly found and integrated in the dimension individual characteristics. While the findings of the study confirm the general notion of UE and its extensions, there exist essential differences regarding individual-level constructs, because UE is yet more high-level with a plethora of constructs. In comparison, the results bring more detailed specification with additional insights from the *black box*, the role of executive’s cognitive stimulation and perception, in their interdependencies and context.

Even though the findings show that there is more than pairing subjective utility with intuition in behavioural choice, parts of the typology have some similarities with the assumptions of image theory (Beach & Mitchell, 1987; Seidl & Traub, 1998). Where Chinese executives seem to be much more influenced by the value image, the trajectory and strategic image appear more pronounced for Germans. Unlike existing studies, this typology indicates that incompatibility or violation of individual and organisational image can negatively influence SD rationality. Furthermore, it parallels the dynamic capabilities framework as proposed by Hodgkinson and Healey (2011). They also factor in the environment-organisation relationship and emphasise the relevance of intuition. Even though they put more emphasis on heuristic-based processes and have not gotten into further level of individual detail, routines and purposeful interpretations (Eggers & Kaplan, 2013) were likewise found to be relevant.

Despite similarities with elements of the diverse existing models, substantial differences in data sources, method and perspective make the typology innovative. To the best of the author's knowledge it provides an original and more complete conception that entails generic specifics of strategic M&A decisions in their characteristic and changing context. The results contrast with mainstream approaches to SDM, which focus on the virtues of behavioural economics, remaining one-dimensional while not taking into account the multidimensionality with its dynamics in the specific context. Additionally, it particularly brings about one dimension that has not appeared in studies so far, and at the same time seems to have a considerable impact on the level of SD rationality - the target. The developed microfoundational typology is one of its kind in that it is based solely on qualitative empirical fieldwork and brings together vital factors that have so far only been explored in other contexts/levels, separately or not at all.

As the findings pertain to a homogeneous sample in terms of the hierarchy level but a heterogeneous one with great diversity in industry, together with the dyadic perspective of Germany and PRC, the researcher proposes that this typology provides an introduction to theoretical generalisation. Specifically, it was shown that the findings can be conceptualised to generic specifications, and aggregate to common practices or routines. The dynamic typology deepens the understanding of what drives SD rationality. It postulates that the rational essence of strategic M&A decisions corresponds to executives' ability to manage and benefit from their experiential, mental processes. It posits that non-rational SD behaviour is micro-causational, but mediated by multiple dimensions. Therefore, explicating limited rationality implies a broader conception and more integrated, microfoundational view than acknowledged in the literature so far. At this, the typology can now serve as an initial foundation for a more realistic view of SDM processes, causation and representation.

## 6.6 Chapter Summary: Discussion

This chapter has discussed the research findings with extant literature, in order to answer the study's RQs.

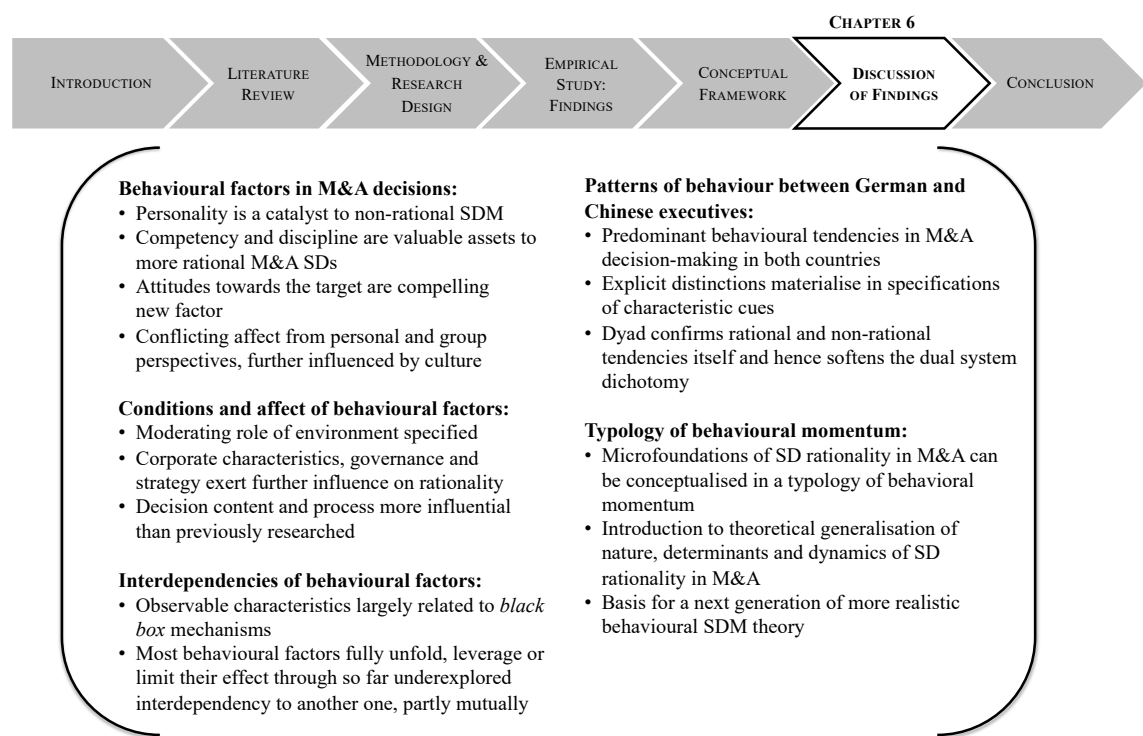


Figure 12. Chapter 6 – Progression.

The presented findings deepen and expand current knowledge with innovative particularities of microfoundations, culture and M&A. The study provides new evidence, which tiles together a more comprehensive understanding about the nature, determinants and dynamics of SD rationality in M&A. The dyadic study further identified yet neglected patterns in the results that strengthen a more general view on this phenomenon. Finally, the original management typology synthesises the findings from the empirical research and can provide practitioners and academics with insights and recommendations beyond those of existing models.



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# **CHAPTER SEVEN**

## **CONCLUSION**

## CONCLUSION

This last chapter offers a comprehensive conclusion to this research. First, a final summary and ultimate remarks are provided. Furthermore, contributions to knowledge as well as to managerial practice are outlined. The chapter closes with some limitations of the study that offer future research avenues.

### 7.1 Final Résumé and Concluding Remarks

The purpose of this microfoundational study was to empirically explore the nature and determinants of executives' rationality levels in strategic M&A decisions, and to help closing the seven research gaps. In order to achieve this, the study pursued four objectives, and investigated the behavioural factors (RQ1), conditions and context (RQ2), potential interdependencies (RQ3), and identified distinctive patterns of behaviour between German and Chinese M&A executives, that were conceptualised into a typology of behavioural momentum.

The findings contribute to the interdisciplinary exchange about rationality and cognition in SDM literature. The study goes beyond existing decision models that prescribe how SDs should be made and provides a set of novel empirical evidence about how SDs actually take place in M&A. Using the example of German and Chinese executives' and consultants' lived experience, the assumption manifests that strategic M&A decisions are never fully rational while this behaviour appears in different forms as causes but also consequences. Yet, the findings do not indicate that all dimensions exert an equal contribution towards explaining rationality in strategic M&A decision-making, but either the executive (Germany) or the environment (PRC) become prevailing mediating dimension. Embedded in a larger setting, the degree of influence may differ depending on the executives' sensitivity and perception of contextual, content-related, procedural, organisational and personal circumstances - they thus become a proximate cause themselves. This study does not only provide exceptional multidisciplinary and multidimensional perspectives on SD rationality in M&A, but also distils a suite of suggestions for prudently managing its symptoms, causes and traps. Specifically, the following main conclusions are drawn.



### ***Behavioural Factors Consciously Repressed but Subconscious Linchpin***

As one of the primary strategies to increase corporate wealth, M&A have gained prominence over the last century. While the importance of deliberate SM has been realised, there is a gap in understanding its factual decision-making processing, judgment and implementation as part of organisational practice. Numerous studies have raised concerns about the applicability of neoclassic concepts of *homo economicus* in business management and dealt with the fact that different observable and unobservable factors have a potential influence on the rationality of decision-makers. This study generally supports this view and emphasises the importance of self-understanding and non-observable characteristics of executives. It opens the *black box* of SDM behaviour in M&A and posits that, apart from economic and strategic interest favouring mergers, SIDs are materially affected by the different sociopsychological attributes and personal characteristics which executives involve in due course of their (automatic) patterns of behaviour, whether conscious or unconscious.

The findings provide new evidence that M&A executives in the two countries generally operate on a rational substantiation but the individual becomes a linchpin to leverage or temper non-rational tendencies. Depending on personality and cultural background the strength of effect may differ while ego becomes the enemy of rationality, and value-based socio-economic roots become its friend. Besides the several characteristics and demographics of the executives that foster affective judgement, experience is another vital asset that evokes largely intuitive SDM covered in subconscious rationality. This study shows that executives with a stronger (moral) sense of self and more objective involvement better resist behavioural traps, and respect strategic rationality.

While highlighting how target attraction may increase the effectiveness of cognition over rationale in strategic judgement, the respective encouragement is unconsciously underestimated by executives. However, it became an imperative factor towards non-rationality in choice, which so far has not been explicitly represented in M&A decision-making research. A good social and strategic fit are essential for the integration and future management, as well as performance of the target (Bauer & Matzler, 2014). However, where other reasons like optimism and belief are unconsciously factored in, executives' encouragement is even more consciously repressed and becomes quantified and reasoned in return figures.

These now explicit behavioural factors show the relative importance of unconscious linchpins and biases that direct strategic M&A decisions and have so far mostly found shelter under the rational cover of the business plan. A person's reference point to non-rational behaviour is thus their personality and cognitive aspects of decision-making styles, but further influenced by externalities when enacting SIDs.

### ***A Multitude of Decision Context, Content and Process Matter***

The above-mentioned behavioural factors are inextricably linked with diverse forces from the larger setting that was specified in a more complete and accurate representation. The study emphasises the moderating role of the environment of the company, the organisation itself and particularities of the decision. There is no simple recipe: while being embedded in a larger socio-political setting, every particular context in which an M&A decision is being executed, can change with new technologies, national priorities, macroeconomic fluctuations, political or legislative procedures or natural occurrences. Such increasingly dynamic environmental conditions of the merger market cause the company, rather its executives, to adjust the strategy and SDM processes. They do so by transforming the perceived circumstances with varying degrees of non-rational behaviour towards their mission to pursue the company's goals. They depart from rationality as a response to external circumstances, due to inherent decision specifics such as complexity, uncertainty and magnitude of impact that are difficult or impossible to grasp or influence. Here, corporates may take advantage of well-established structures, procedures and diligence in SDM towards more rationality. This similarly applies for third-party advisors, provided they fulfil their professional objective role and are not also behaviourally infected by their own interest.

Notably, executives' non-rational behaviour is a consequence of their implicit perception, interpretation and sensemaking of context, content, and process. The findings advance the understanding of how particular circumstances shape the personal and social presence of both countries' executives. It is not only the current circumstances but also the past experience and future associated simulation environment that encourage optimism, affect business plan assumptions, pricing and information processing. These implicitly matured characteristics are unlikely to be erased, and the challenge is to balance their motivation for M&A and their discouragement of rational SDM.

### ***Non-rational Tendencies Are Not Only Cause but Also Consequence***

The study presents several unique qualitative key relationships between the behavioural factors. Of particular interest is that most of the factors comingle and only fully unfold their leveraging or mitigating effect through the as yet underexplored interdependency to another one. The study shows that the still prevailing single-sided perspective on individual independent factors is too narrow while the level of SD rationality is a composite of multiple, indirect, and opposing dependence, perceptions and aspirations.

Particularly, the innovative qualitative relationships suggest experiences and aspirations as a mainstay for leveraging, and competency for easing non-rational tendencies. However, the own personalised view of self and the surrounding circumstances let executives draw relevant assumptions that mature into a network of behaviours. The findings therefore advocate that decreasing SD rationality should not only be considered as a cause for individual negligence or mal-performance, but also as a consequence of the wider M&A context and content that lets executive personality and objectives unfold.

Furthermore, it can also be hypothesised, that M&A entail a chicken-or-egg question when referring the findings to merger determinants. Executives' characteristics and cognitive stimulation are a catalyst for behavioural M&A decisions and the findings propose that these can also cause M&A activity. At the same time, non-rational tendencies in choice are a consequence of executives' aspirations that foster M&A activity. It is the interplay of both that brings more activity in the market sometimes, and less at other times.

### ***Personalised Cultural Profiles Affect Rationality in International SDM***

Where extant research remains predominant in the Western hemisphere and a comparative cultural perspective on SDM has not yet emerged, the dyad of the study provides unique patterns of behaviour between German and Chinese executives that can be attributed to nation-specific influences, both cultural and organisational. The findings reveal that executives are generally homogeneous in terms of the M&A procedures, organisational embeddedness in the environment, and cognitive susceptibility. However, they are heterogenous in their SDM when it comes to certain specifications, in particular depending on the environmental circumstances of governmental influx and their socio-economic roots.

The conclusion drawn is that executives' personalised social profiles impact the level of SD rationality. The findings advance the role of cultural background and ethics in strategic M&A decisions as prominent mediating factors of executives' character and susceptibility to non-rational behaviour. The encoded values influence the processing of information and conduct towards related persons. They are conceived as stable patterns confirmed for both countries, or deeply rooted in national culture dimensions that usually cannot be modified and developed over generations. This includes the supremacy of national context and societal norms as perceived by the executives that bear a direct and significant influence towards executives' SD rationality. Thus, it can be hypothesised that countries with disciplined value-based cultures and stiff societal norms are less predisposed by behavioural influences than those with culture of declining values, characterised by individualism and masculinity.

SDM is culturally dependent, and so the level of SD rationality varies according to executives' cultural penetration and adherence. Such cultural sensitivity innovates organisational research to better understand executives' perception, thinking and behaviour in SM.

### ***Dual-System Dichotomy Softened for Strategic M&A Decisions***

This research combined OST and DPM theory in a scientific ambition to uncover, categorise and describe subjective and unconscious behavioural factors influencing executives' rational practices in strategic M&A decisions. A more complete understanding of how executives' SDM is governed in the organisational and environmental system was approximated, making social-psychological patterns and relationships explicit.

These findings invite behavioural economists to depart from binary concepts, as the theoretical framework was able to explain the microfoundations of SD rationality in M&A towards a more realistic understanding of judgement that comprises both types. This study confirms OST conceptualisations for strategic M&A decisions. It supports the underlying assumption of DPM that the experiential (type 1) operates beside the rational (type 2), but adds a time perspective as the predominance of type 1 increases with executives' experience.

Moreover, the representative attributes that were contributed to type 1 and type 2 satisfy modelling needs of why rational agents tend to deviate from the core tenets of economic man in strategic M&A decisions. Accordingly, the dual-system dichotomy is softened for this case. Consequently, DPM are now more complete as they incorporate aspects of the experiential apparent through executives' personality or attitude, and also differentiate according to content, context, process, variation and validation.

The results for both Germany and PRC solidly demonstrate that the executives generally base their SDM on a rational footing, while the experiential takes its effect in a wide variety of forms, strengths and contexts. Particularly, Chinese executives seem to better deal with behavioural influences and generally employ more rational means than German executives. However, M&A is a people business and cannot be automated, because beside relevant economic considerations, soft factors will always have an important impact on the long-term performance of the deal, and cannot be neglected. The partial departure from the rational economic man by evolutionary experiential experience-based influx can be rather beneficial for the performance of M&A, provided that the dutifulness of the decision-maker is ensured and they do not act solely in their personal interest. It may never be fully rational SDM, but could be grounded in a yet remaining deliberate, strategically rational foundation.

### ***The Typology of Behavioural Momentum: Introduction to Theoretical Generalisation***

When gathering the findings, the microfoundational study showed that a multitude of internal and external factors affect towards less rational SDM in different ways and establish functional mediating dynamics. As a final, yet important outcome of this study, an original dynamic typology of behavioural momentum was presented utilising the structure and patterns of the results. It draws on the two sets of theoretical perspectives, OST and DPM, and argues that their convergence provides a more realistic view on SDM in M&A. The qualitative approach was able to demonstrate the differential importance of these perspectives towards explaining SD rationality and added to these true-to-life impressions. The empirical findings show that SDM in M&A is subject to influence of several factors, dynamics and obviously to executives' susceptibility. At the same time, the dyad of this investigation provides convincing data that there exist genuine patterns and distinctions between German and Chinese executives with sufficient overlap that can be conceptualised.

M&A executives aspire to be rational in their SDM, and mostly believe they are, but act only within their cognitive-context-content setting. Specifically, the model suggests seven so far separate dimensions that take effect on decision rationality in strategic M&A decisions: environment, organisation, target, decision practices and stakeholders, individually as well as in their relationships. Furthermore, the impact of executives' perception and the role of sensemaking was demonstrated and incorporated as characteristic cues. Moreover, the findings of this study showed that neither the dimensions nor executives are homogenous and their influence on the development of behavioural tendencies require dynamic capability. The microfoundational concept thus fulfils the need of both, a model-like conceptualisation and adaptiveness to the different dimensions that may influence towards less SD rationality in different degree.

Consequently, the multifaceted forces of SD behaviour should be unpacked according to the cognitive, multidimensional demands that determine the extent of their effectiveness, which is achieved through the developed dynamic typology. To the author's knowledge, this is the first qualitative study providing an empirical conceptualisation to propose an integrated model that incorporates the antecedents, nature and relations in executives' SDM in M&A. The knowledge of cognitive and social psychology and SM theory are now combined. In view of that, the typology provides an introduction to theoretical generalisation of the microfoundations of SD rationality in M&A.

Ultimately, different levels of rationality are always inherent in strategic M&A decisions while occurring in complex and diverse context- and content-related circumstances effecting and being affected by the personality of the decision maker. How and when they occur may not be circumvented but the degree, misconduct and negative outcome can be controlled by the executives and the organisation in their processing with prudence, reflection and explicitness. It is therefore tentatively concluded that the typology can serve as an initial basis for a new generation of behavioural SDM theory, moving towards a more realistic view of SDM processes and its microfoundations.

## 7.2 Contribution to Knowledge and Implications for Theory

Although there is rich evidence from behavioural and cognitive studies that executives are no fully-rational men but pivotal to organisational action (Felin, Foss, Heimeriks, & Madsen, 2012; Hambrick, 2007), there is yet limited understanding in organisational management research about *which* and *how* the span of behavioural and contextual factors affect executives' SD rationality in M&A. Despite inconsistencies among the findings of existing studies, research about behavioural and cognitive characteristics is fragmented while explanatory power of related micro-level dynamics is lacking (Felin & Foss, 2019). The inter-disciplinary and microfoundational design of this research thus reduces the *black-box* in SM research by contributing not only evidence and clarity on individual-level but also linkages to the macro domain of SDM. This further advances a more comprehensive and realistic explanation of the phenomenon across cultures.

This study provides new insights about the complexities in M&A decision-making and the by-now implicit SDM procedures in M&A. Particularly, the deeper understanding of the nature, role and variety of executive's managerial personalities, heterogeneous thought structures and interaction pertaining non-rational SDM complements organisational decision-making models. The study deepens knowledge in that it does not just take bounded rationality as given, as several other studies do, but provides proximate causes for different levels of rationality and their manifestations in M&A. Leveraging on the perspective of affected individuals reveals significant heterogeneity in executives' (unconscious) motivational accounts and adds improved understanding of the yet assumed homogeneous and institutionalised organisational SDM practices in management theory.

This study further responds to the call for going beyond the micro-level and for greater clarity on how executive's behaviour is mediated by context and relationships (Felin et al., 2015; Haak et al., 2020). While several research left such multi-level complexities aside for the ease of empirical investigation and growing specialisation (Molina-Azorín et al., 2020), this study shows that behaviour cannot be understood separately or reduced to either level. Such integration of context adds to extant explanations that include aspects of the organisational and macro-economic environment and demonstrates the additional power of structures, process and content. The findings

hereby contribute to the academic conversation concerning the explanatory potential of the microfoundational approach for organisational phenomena by advocating not only a micro-macro gap, but also the consideration of differences in behaviour across contexts (Eckardt et al., 2019; Eisenhardt et al., 2010; Felin & Foss, 2019; Friedmann et al., 2016; Kano & Verbeke, 2019). Building on and expanding previous theoretical approaches, the study attained a more fundamental inclusion of the multi-level determinants and dynamics that play vital roles in influencing executives' objective analysis and lead their perception, interpretation and processing of information in strategic M&A decisions. Integrating propensities towards the target that have not previously been specified for M&A with the other dimensions facilitates more comprehensive, richer understanding of executives' SDM behaviour, grounded in reliable and valid empirical research. The proposed inherent moderating relations further advance micro-level understanding by establishing dynamics of previously independent factors that leverage or mitigate SD rationality. However, its strength has to be interpreted cautiously given the qualitative approach to this data.

The dyadic investigation also contributes to international business theories where microfoundations have yet been less influential (Contractor et al., 2018). With the provision of patterns and distinctions in SDM behaviour of German and Chinese executives, specific understanding is extended beyond the mostly Western-oriented and non-comparative studies. Moreover, the study establishes a link to Hofstede's et al. (2010) culture dimensions and provides initial evidence about their influence on SD rationality. Furthermore, with this global context of M&A in phenomenological means, the study draws broad conclusions from particular inferences of Germany and PRC for reasonable extrapolation.

The researcher enriched the readiness and sustainability of evidence across borders and populations with the conceptualisation of a dynamic typology of behavioural momentum for strategic M&A decisions. The developed theoretical model-like concept fills the gap of a coherent comprehensive view, integrating the multi-level complexities of SDM behaviour, leveraged in interdependency. It illustrates a relative contribution about how distinct individual-level propensities, biases, and characteristics instantiate themselves in the collective, organisational, and strategic M&A context, and how the seven dimensions restrict or empower executive's decision-making rationality.



Bridging and extending the contributions of personality theory, particularly DPM, into systems theory served as a fruitful foundation, for placing the individual in the overall context of the organisational system, and shows the importance of considering the parts as well as the whole. The findings principally confirm, but also specify and enhance the extant attributes ascribed to DPM in the literature. They further advance these works by personality, relationship and content/context classifications that determine how information is processed. Besides, a neglected connection between dual-processing and experience-over-time was established that contributes a temporal dimension to rationalisation. As a result, the dual-system dichotomy could be advanced, tailored for SDM in M&A and herewith softened. This contributes to refining DPM and evidences its validity and relevance as a theoretical concept.

Finally, the investigation addressed careful attention to another shortcoming of the majority of existing SDM research. With their positivist views, studies have so far primarily been based on more objective approaches, covering behaviour in formulae while intending generalisation or specialisation. Consequently, the research adopts a post-positivistic paradigm and qualitative methodology as an important point of departure in the context of microfoundational research, while acknowledging that it remains arguable whether actual cognitive behaviour, the perception of non-rationality, can be investigated comprehensively at all. Notwithstanding, with its particular methodological approach, this research put primacy to the individual and was able to provide distinctiveness to SDM research through in-depth information of M&A executives' lived experiences. Capitalising on their subjective perspectives adds richer and new empirical knowledge about managers' behaviour and considerations. These may inform quantitative works to recognise the heterogeneity and complexities of real-life occurrences of the phenomenon rather than generalised representations.

Both, theoretical and methodological contributions intend to encourage researchers to adopt more qualitative, multi-disciplinary and multi-level approaches, emphasising the vital role of the individual/TMT. This is also because understanding how executive's (inter-)action is determined, adapted, leveraged, and suppressed in its constituent microfoundations, strengthens the ties to practice.

### 7.3 Contribution to Managerial Practice

Whilst the theoretical significance is preordinate, the results of this investigation also provide managerially-relevant insights for improving SDM practice and success. As the findings suggest, M&A executives have a complex task to manage. Even though trained in objective analysis and rational discourse in SDM, they are often prevented from performing these by several constraints, moving towards a non-rational, or somewhat irrational, dimension of their judgement. The study indicates a microfoundational explication and conceptualisation of this real-life problem, showing the multi-level effects on SD rationality in M&A with executives as a powerful proximate cause.

The results of the study are oriented towards future SDM practice and can assist M&A teams and other stakeholders to connecting to executives' implicit knowledge about how and why they engage in more (or less) rational SDM. Obviously, organisations will benefit if they manage to act more rationally than their individuals alone. Executives and company leaders must improve their cognitive skills to perceive (intuitive) signals as conscious, and to better identify and estimate or at least realise one's own, teams', competitors', or seller's moves. It allows more control in a flexible and contextually sensitive manner while utilising this knowledge to their best advantage, enhancing deliberate decision-making and improving their chances of success.

In this context, the study reveals the practical criticality of early-stage SD rationality, that should guide companies towards a more comprehensive view of the M&A deal from sourcing to integration, its stakeholders, and underlying (implicit) objectives. Giving collective accountability to M&A decision-makers/TMT and consistent responsibility throughout all phases, will positively affect deliberation and therefore rationality, and increase the success of PMI.

The microfoundational evidence about individual's behavioural factors and (inter-)actions also contributes to human resources practices in personnel selection and M&A team composition. They call for diversity towards rationality, suggesting that M&A executives should better work in interdisciplinary and (gender-)diversified teams. Organisations are able to fully leverage the competencies and also increase objective and rational SDM, since the level of rationality is lower with less education, tenure or

particular (i.e. industry) skills. Likewise, it is important for organisations involved in M&A to implement a coherent communication and knowledge-sharing among the TMT as experiences are an often-used source for executives' judgements. Corporates should cease working in single-minded and strictly hierarchical top-down structures for M&A. In doing so, executives can make more skilled use of less deliberate and intuitive processes.

Furthermore, the findings suggest that understanding how choice hierarchy, propensities towards the target, and decision nature increase the level of non-rationality, consequently lead to reconsidering process, structure and governance. Because M&A executives are required to constantly adjust their strategies and take up at a fast pace, it becomes even more important to actively adapt routines, procedural standards and formalities. These should be precise enough to eliminate loopholes but flexible enough to adapt to deal specifics and dynamics, possibly including control mechanisms as a 'gatekeeper'. In addition, these should survive the closing and include post-merger processes of integration and assimilation.

Additionally, the study enhances the understanding of how multiple context and interdependencies moderate SD rationality and calls for attention beyond just the organisation. To overcome the likelihood that M&A are the outcome of "chance and good fortune, even error" (Aldrich, 1979, as cited in Whittington, 2001, p. 19) but of deliberate SIDs, the developed typology achieves awareness of seven microfoundational dimensions and their relationships. It advocates that the individual decision-makers with their personality, competency and characteristics are a very relevant cause of lower levels of SD rationality while at the same time these evolve as consequences from content and context of M&A. There is no straightforward easy-ready path or one-size-fits-all solution, especially because non-rational behaviours depend on the people's perceptions and interaction backed by culture and personality. Organisations should reflect and reconsider (tacit) ethics and values in order to create a favourable organisational context that entails conceived SDs and improves the enactment of their M&A strategy in a professional, economically rational and successful way. Such a company culture can also provide a better basis for effectively deploying managerial practice open to reflection. If adopted as a learning activity in an iterative process, this can develop in improved routines, or tacit knowledge transfer, and decrease

repercussions from SDs, which will ultimately benefit the decision quality and the success of the deal.

Lastly, the findings show that behavioural factors like agency and beliefs moderate SD rationality, affect value creation for shareholders but also undermine recognition of important stakeholders that are essential for the future development of the firm. These findings add to the conventional wisdom and critics from stakeholders/shareholders and will not contribute to building trust in M&A decision-makers. Executives should foster deal acceptance and take greater account of the needs of those stakeholder groups critical for future performance, i.e. (target) employees, shareholders, customers. It is therefore important to establish timely internal and external communication strategies, and consider stakeholders justly and fairly. This will strengthen their buy-in towards the deal, ensuring greater involvement during PMI. Moreover, financial stakeholders may feel the need to increasing their controls and desires for more transparency about the underlying intension of strategy and pricing.

Notably, firms seeking to improve their strategic M&A decision-making need to pay careful attention to individual's practices that aggregate on organisational level. They cannot afford to neglect the several dimensions that direct outcomes, but must arrange their context in such a way that effects on the level of rationality are minimised for the positive.

#### **7.4 Limitations & Directions for Future Research**

This study has provided several new insights and contributions from the lived experiences of executives in their strategic M&A decision-making. Notwithstanding, there are some limitations to the research and the results open up further avenues for future research.

First, the study emphasises that SD rationality is microfoundational. There is strong indication that the human factor has relevance not only for SID behaviour but also for the future development and success of the deal. Upcoming work in the area should not undermine this influence and consider individual's behaviour in SDM as a source of disadvantage but also advantage. In this regard it would be interesting to further investigate the outcome of behaviourally influenced M&A decisions, as it is still not

clear when such decisions improve or worsen performance. Going beyond the SD, future research should test applicability of these factors to SDM in later M&A phases, and whether they can be confirmed for M&A in general.

At the same time, the impact of seniority and generations on the research results was shown. The age of the participants, owed to the strategic decision-maker level, was more or less uniform and middle-aged. Even though it would be difficult to obtain a younger sample of high-level executives, it would be interesting to see whether next generations will act differently in strategic M&A decisions.

Third, the study has been a retrospective portrayal of individuals' experiences. The results are thus limited to the quality of participant's reflection capabilities and memories on past M&A decisions. Future research might usefully focus on how decisions are actually processed and taken in a M&A transaction as participants might not disclose all the revealing particularities that could be uncovered during a longitudinal study. As this requires moving closer to the decision-maker, the investigation in a multiple case study, observing people's behaviour live, could then advance explanatory insights.

The investigation was limited to a qualitative view of the different dimensions of non-rational behaviour and their interdependences. It can therefore only give an indication about relationships between the behavioural factors. Upcoming multi-level research in the quantitative domain can back the understanding about their correlation and evidence the strength of the effect of individual factors on SDM.

Furthermore, methodologically, a qualitative approach to the contextual understanding and exploration of meaning of action in M&A decision-making is, in first instance, limited in terms of generalisations. At the same time, it is arguable that the specific focus of the study in only two countries is at the cost of developing a more holistic understanding about the microfoundations of SD rationality in M&A. However, the initial small sample of German and Chinese executives covered a broad range of industries and corporates, and as such discovered trends about SDM behaviour that emerged as a general issue in them all. This concept could be tested in other countries and settings to investigate whether the said influences are similar affective.

This will provide additional contributions and also allow potential wider generalisation across a greater number of nations settings.

Finally, it would be interesting to see research probing whether and how executives make use of the practical contributions of this research, and if M&A decisions will be taken less affected in future.

## 7.5 Chapter Summary: Conclusion

This final chapter of the study provided the conclusions and key achievements of the research, showing its originality and value.

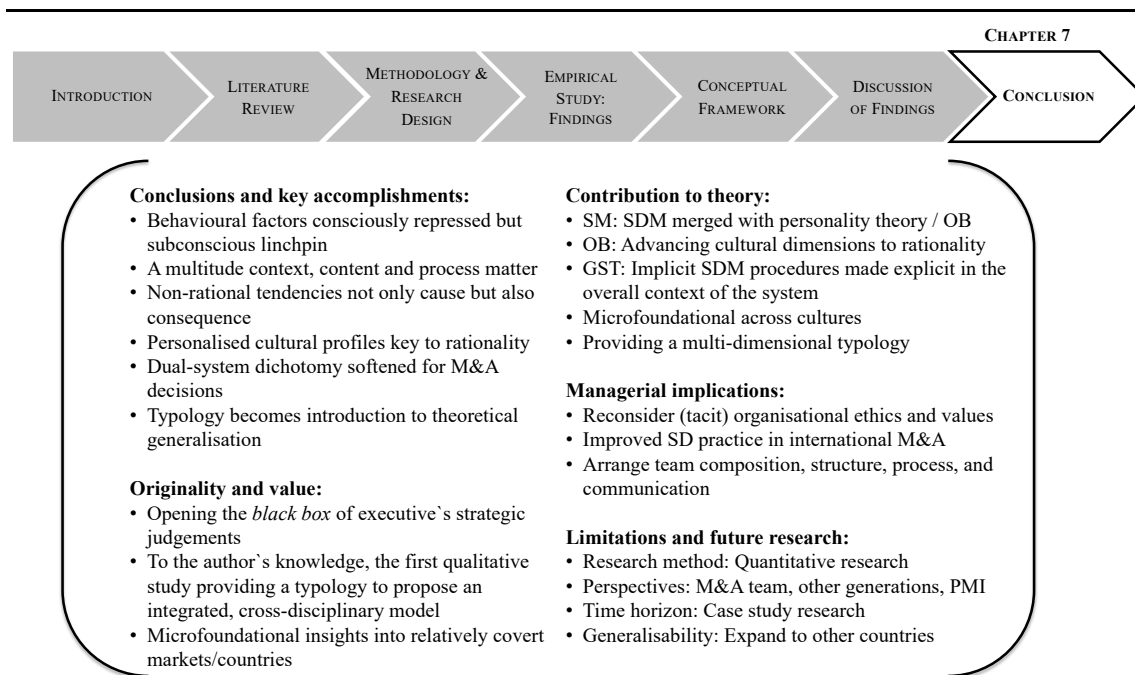


Figure 13. Chapter 7 – Progression.

Several contributions to theoretical knowledge and methodology were outlined, providing new impetus to organisational and personality theory. With its microfoundational perspective and qualitative approach, some practical implications were also presented. The limitations of the study were highlighted and future research avenues were identified to further advance knowledge beyond the prevailing rational assumptions and increase evidence of human behaviours in a real-life setting.

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## REFERENCES

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**APPENDICES**

Appendix 1	Chronological M&A wave telex	411
Appendix 2	Pre-information to participants: Information letter	413
Appendix 3	Consent form	414
Appendix 4	Interview guideline M&A executives	415
Appendix 5	Interview guideline M&A consultants	418
Appendix 6	Significant statements from transcripts (convenience translation)	422

## Appendix 1

### Chronological M&A wave telex

**July 1890** *Sherman Antitrust Act* prohibits horizontal and vertical consultation; monopolies are generally banned --- **1895** First corporate transactions recorded for the U.S. driven by industrialisation --- This ‘Great Merger Wave’ is characterised by horizontal mergers, especially in the oil and tobacco sector --- **1903** Insecurity and panic at the U.S. stock market and recession. Merger activity decreases --- **1914/15** Markets recover; a second wave arises --- **October 1914** *Clayton Act* refines antitrust agreements, ban on discrimination and fusion --- **1916-1920** Merger revival: aspiration for market-dominance as well as expansion --- Antitrust law decreases horizontal diversifications but increases verticalisation, moving towards oligopolies --- **The »golden« 1920s** Recession, company sales and failures; the new market organisation and recovery surges another merger boom and economic growth --- **October 1929** Euphoria and mergers crash together with the break-down of the U.S. stock exchange and the subsequent Great Recession - **December 1950** *Cellar-Kefauver Act* strengthens U.S. antitrust law to prevent vertical and conglomerate mergers --- **November 1954** After World War II and the economic depression, markets signal recovery --- **1960** Increasing interdependence tendencies of national economies favour concentration movement in European M&A --- **Early 1960s** After years of low to zero U.S. M&A activity, transactions increase. The objective: diversification and “Big is Beautiful” --- **1963-1969** The third ‘wave’ brings forth big conglomerates. Germany and France experience their first M&A wave --- **1973** *Bretton-Woods-System* collapses and subsequent years are characterised by ‘stagflation’ and involatility --- **Early 1980s** Suffering eroded competitive situation due to undersized market share, technological advances, and market changes --- **1981 et seq.** Liberalisation and deregulation policies introduced --- Deep structural changes in economic environment. Resulting, reorganisation and restructurings in many industries, focussing on core competencies and synergies --- **Mid 1980s** Investments are highly leveraged. Enormous funds placed in debt due to short-term high yields, neglecting above-average risks --- **October 1987** »Merger Mania« stops when Dow Jones crashes --- **1987-1991** First truly European merger wave - -- **1991/92** Most European countries infected by recession and a deteriorated macroeconomic situation --- **1992 et seq.** Globalisation and consolidation, liberalisation and deregulation, shareholder value, and innovative business models deriving from the emerging New Economy introduce mega mergers, high-speed transactions and multi-acquisition giants --- **1993** China launches significant M&A activity --- **1993-2000** First truly global ‘wave’ presenting the same features in the U.S., Europe and Asia --- **2000** Historical peak in European M&A activity and U.S. all-time high --- **March 2000** Dot-com bubble bursts; >1 trillion US\$ shareowner wealth is annihilated. The international wave calms down --- **September 2001** After the World Trade Center is attacked by terrorists, economies are paralysed - -- **2001-2004** China opposes the global developments in M&A and records rapid growth, mainly domestic deals --- **2003-2006** Occurrences in the early 2000s faltered business that now starts off to a sixth wave. Globalisation, market leadership and core competencies, as well as economies of

scale remain as drivers, deleveraging and private equity gain importance --- **Summer 2007** Banking and financial SCC erupt in the U.S. and subsequently spread to Europe --- **Autumn 2008** GFC emerges --- **Spring 2010** European Sovereign Debt Crisis infects the whole Eurozone --- **2011** China shows reverse effects with massive M&A activity --- **2014** PRC generally follows global M&A trends more closely now, albeit another record high in transactions and volume. Post-crisis economy recovery fuel M&A --- **2016** global markets further recover and show an upward trend in terms of M&A --- **2018** A 7<sup>th</sup> wave? Transaction volumes exceed previous M&A waves. Focus on global deals. Increasing involvement of emerging market acquirers --- **2019** no signs of slowing down ---

Own summary based on Asia: Duyster et al. (2015); global: IMAA (2020c); Junni and Teerikangas (2019); USA: Müller-Stewens (2010a); EU: Vancea (2013).



## APPENDIX 3

### Consent form



University of Gloucestershire  
Oxstalls Campus, Gloucester,  
GL2 9HW

<http://www.glos.ac.uk/>

Fax: 01242 715222  
Tel: 01242 715123

#### CONSENT FORM

**Title of project:** Behavioural Perspectives in M&A Decisions  
**Investigator:** Nicole Arnold (xxx@connect.glos.ac.uk)

Please state 'Yes' or 'No' to the following statements by checking the boxes:

	YES	NO
I understand that you have asked me to participate in a research study.	<input type="checkbox"/>	<input type="checkbox"/>
I have received the information letter and have been informed about the purpose for which my interview will be used if I give my consent and I have been given the opportunity to ask questions.	<input type="checkbox"/>	<input type="checkbox"/>
I have received the Privacy Notice (GDPR) and have been informed about use of my personal data.	<input type="checkbox"/>	<input type="checkbox"/>
I confirm that I comply with the sample requirements: being a Board Member/ highly ranked executive/ M&A consultant and substantially involved in strategic M&A decision-making at a locally owned German/Chinese firm, having a good M&A transaction track record, and being of German/ Chinese origin.	<input type="checkbox"/>	<input type="checkbox"/>
I give my consent for the interview to be audio-recorded.	<input type="checkbox"/>	<input type="checkbox"/>
I understand that I can withdraw my consent at any stage up to two weeks after the interview, without giving a reason why. The data will then not being used in the research.	<input type="checkbox"/>	<input type="checkbox"/>
I understand that any information that would identify me or specified company features will be removed from project data.	<input type="checkbox"/>	<input type="checkbox"/>
I am aware that my anonymised data will be kept for up to ten years, held securely for audit purposes.	<input type="checkbox"/>	<input type="checkbox"/>
I have informed/obtained approval by according authorized party (i.e. board) - where necessary - to participate in the study and am allowed to talk freely about matters related to the study.	<input type="checkbox"/>	<input type="checkbox"/>
I give my consent for anonymised extracts from my interview to be used in publications reporting on the findings from the research; at the same time I waive any authorship.	<input type="checkbox"/>	<input type="checkbox"/>

I wish to take part in this study and give my consent for my interview data to be used as described in the participant information letter.

Printed Name \_\_\_\_\_

Signature \_\_\_\_\_ Date \_\_\_\_\_





**APPENDIX 4****Interview guideline M&A executives****Einleitung / Introduction**

- A. *Darf ich Sie einleitend bitten, sich kurz mit den wesentlichen Daten zu Ihrer Person und Ihrem bisherigen Werdegang vorzustellen?*

As an introduction, could you please provide some information about your personal as well as your professional background?

- B. *Können Sie bitte einen kurzen Überblick über die aktuellen und vergangenen strategischen M&A Aktivitäten Ihrer Firma geben?*

Can you please highlight the companies' activities and historic strategic M&A activities of the firm you are working for?

**Interview**

1. a) *Was sind die wesentlichen (ökonomischen) Treiber für M&A Deals in Ihrem Unternehmen?*

What are the major (economic) drivers for M&A transactions in your company?

- b) *Welche Ziele verfolgt Ihr Unternehmen mit den M&A Aktivitäten?*

What does your company aim for with M&A activities?

2. *Können Sie mir bitte den Prozess beschreiben, wie strategische Investitionsentscheidungen für M&A in Ihrem Haus getroffen werden, und welches die involvierten Personen sind?*

Can you please describe the process of how strategic investment decisions as regards mergers in your company are typically carried out and who are the persons involved?

*Für die folgenden Fragen möchte ich Sie bitte an einen speziellen vergangenen oder aktuellen M&A Deal zu denken, den Sie für exemplarisch halten in Bezug auf strategische Entscheidungen in Ihrem Haus und vor dem Hintergrund des Ziels der Studie zu besonderen Verhaltensweisen. Wie zuvor kurz angesprochen, fokussiert dieses Interview auf Information Ihrer ganz persönlichen Erfahrungen in Ihrer Führungsposition und Verantwortlichkeit für Corporate M&A. Versetzen Sie sich nun bitte in diese Situation nur aus Ihrer Perspektive.*

For the next questions, I would like you to focus on one specific M&A deal/situation that you consider exemplary for your strategic M&A decision-making in your company. As laid out before, the interview focuses on your personal practices in your executive position and responsibility for corporate M&A. Now, please think of an exemplary situation from your point of view when strategically deciding for a merger and executing the particular acquisition.

3. *Können Sie mir die M&A Transaktion sowie die Situation/Umstände unter denen diese stattfand, bitte so detailliert wie möglich beschreiben?*

Can you please describe – as detailed as possible - the specific situation of a strategic M&A decision that you experienced and you are thinking about.

4. *Wenn Sie zurückblicken auf den strategischen Entscheidungsprozess und die richtungsweisenden Momente/Gründe – wie sind Sie persönlich zu der Entscheidung gelangt, von der initialen Auswahl des Targets bis zum Closing?*

When you look back at your strategic decision and the decisive process in this situation – how did you personally reach your decision/choice, from inception until final closing?

5. *In Bezug auf Ihr persönliches Engagement und Ihre eigenen Ziele bei dieser Entscheidung: Was waren Ihre Gedanken, Gefühle und Eindrücke, die Sie während dieser Entscheidungsfindung am meisten beschäftigt und beeinflusst haben?*

As regards your personal involvement in the decision-making: Can you describe your thoughts, feelings, and perceptions that concerned and influenced you most during your strategic decision-making in this merger?

6. *Wenn Sie jetzt an die spezifischen Umstände dieser M&A Entscheidung denken, wie haben diese zu ihrer persönlichen Entscheidungsfindung und -einbindung, die Sie eben beschrieben haben beigetragen bzw. Sie beeinflusst?*

If you think about the specific circumstances of the M&A decision, how did these contribute to your personal involvement you just described?

7. *Ganz direkt gefragt: in Ihren zahlreichen Transaktionen, die Sie gemanaged haben, welche besonderen Verhaltensweisen in Bezug auf nicht rationale Aspekte haben Sie bei anderen Teilnehmern (Kollegen/Verkäufern/Board) wahrgenommen? Und bei sich selbst?*

Directly speaking: in the manifold transactions that you have been dealing with, which specific behaviours as pertaining non-rational aspects of the participants (seller, colleagues, board) did you perceive? And what about yourself?

8. *Bezogen auf Ihre langjährigen Erfahrungen im M&A Geschäft: wenn Sie sich vorstellen, Sie sind mit anderen M&A Entscheidern im Gespräch, welche Lessons Learned würden Sie mit diesen teilen, und warum?*

Based on your longstanding experience in M&A: imagine you are talking with other leaders in M&A what would you share with them as lessons learned, and why? Did M&A decision behaviour change over time?

### **Abschließende Worte/ Closing**

- C. *Gibt es aus Ihrer Sicht noch weitere Aspekte aus Ihrer Erfahrung in M&A Entscheidungen, die Sie für wichtig für diese Studie halten und wir nicht besprechen konnte, oder weitere Punkte die Sie hinzufügen möchten?*

Is there anything else about your experience as an M&A decision-maker that you feel would be important to this study or you would like to add while not yet fully covered from your side?

*Vielen Dank für Ihre Teilnahme und die offene Kommunikation.*

Thanks for your participation and contribution!

\* \* \*

## APPENDIX 5

### Interview guideline M&A consultants

#### Einleitung / Introduction

- A. *Darf ich Sie einleitend bitten, sich kurz mit den wesentlichen Daten zu Ihrer Person und Ihrem bisherigen Werdegang vorzustellen?*

As an introduction, could you please provide some information about your personal background as well as your professional career?

- B. a) *Können Sie bitte einen kurzen Überblick über die aktuellen und vergangenen strategischen M&A Aktivitäten Ihrer Firma geben?*

Can you please highlight the companies' activities and historic strategic M&A activities of the firm you are working for?

b) *Und wie nehmen Sie dies für deutsche/chinesische Unternehmen aus Ihrer Sicht als Berater wahr?*

And how do you perceive these strategic M&A activities of German/Chinese companies?

- C. *Was sind die wesentlichen (ökonomischen) Treiber für M&A Deals?*

What are the major (economic) drivers/objectives for M&A transactions?

#### Interview

1. a) *Was ist die funktionale Strategie Ihres Verantwortungsbereiches, welche Beratungsleistungen erbringen Sie im Hinblick auf M&A für die Unternehmen?*

What is the functional strategy of your area of responsibility at your company?

b) *Welche Ziele verfolgen Sie als Berater mit den M&A Aktivitäten?*

Which are your objectives when you are advising in M&A?

2. *Können Sie mir bitte den Prozess beschreiben, wie strategische Investitionsentscheidungen für M&A in den Unternehmen die Sie beraten getroffen werden, und welches die involvierten Personen sind?*

Can you please describe the process of how strategic investment decisions as regards mergers are typically carried out in the companies you advise, and who are the persons involved?

*Für die folgenden Fragen möchte ich Sie bitte an einen speziellen vergangenen oder aktuellen M&A Deal zu denken, den Sie für exemplarisch halten in Bezug auf strategische Entscheidungen in Ihrem Haus und vor dem Hintergrund des Ziels der Studie zu besonderen Verhaltensweisen. Wie zuvor kurz angesprochen, fokussiert dieses Interview auf Information Ihrer ganz persönlichen Erfahrungen in Ihrer Führungsposition und Verantwortlichkeit für Corporate M&A. Versetzen Sie sich nun bitte in diese Situation nur aus Ihrer Perspektive.*

For the next questions, I would like you to focus one specific M&A deal/situation that you consider exemplary for your strategic M&A decision-making in your company. As laid out before, the interview focuses on your personal practices in your executive position and responsibility for corporate M&A. Now, please think of an exemplary situation from your point of view when strategically deciding for a merger and executing the particular acquisition.

3. *Können Sie mir die M&A Transaktion sowie die Situation/Umstände unter denen diese stattfand, bitte so detailliert wie möglich beschreiben?*

Can you please describe – as detailed as possible - the specific situation(s) of a strategic M&A decision that you experienced and you are thinking about.

4. a) *Wenn Sie zurückblicken auf den strategischen Entscheidungsprozess und die richtungsweisenden Momente/Gründe – wie sind Sie persönlich zu der Entscheidung gelangt, von der initialen Auswahl des Targets bis zum Closing?*

When you look back at your strategic decision process and the decisive process in this situation – how did you personally reach your decision/choice, from inception until final closing?

- b) *Wie haben Sie als Berater diese Entscheidungsfindung und -umsetzung im Unternehmen wahrgenommen?*

Inwieweit ist Ihre Durchsetzbarkeit von Entscheidungen? Wie viel Macht ist dir persönlich gewidmet?

- c) *Inwieweit setzen Sie sich als Berater durch?*

How far is your care of decisions? How much power is dedicated to you personally?

5. *a) In Bezug auf Ihr persönliches Engagement und Ihre eigenen Ziele bei dieser Entscheidung: Was waren Ihre Gedanken, Gefühle und Eindrücke, die Sie während dieser Entscheidungsfindung am meisten beschäftigt und beeinflusst haben?*

As regards your personal involvement in the decision-making: Can you describe your thoughts, feelings, and perceptions that concerned and influenced you most during your strategic decision-making in this merger?

- b) Wie haben Sie als Berater die Motivation, Gedanken und Gefühle bei den Entscheidern im Unternehmen wahrgenommen?*

How did you as a consultant perceive the motivation, thoughts and feelings of the decision-makers in the company?

6. *Wenn Sie jetzt an die spezifischen Umstände dieser M&A Entscheidung denken, wie haben diese zur Entscheidungsfindung und -einbindung, die Sie eben beschrieben haben, beigetragen bzw. beeinflusst?*

If you now think of the specific circumstances of this M&A decision, how have they contributed or influenced the decision-making and involvement that you have just described?

7. *Ganz direkt gefragt: in Ihren zahlreichen Transaktionen, die Sie gemanaged haben, welche besonderen Verhaltensweisen in Bezug auf nicht rationale Aspekte haben Sie bei anderen Teilnehmern (Kollegen/Verkäufern/Board) wahrgenommen? Und bei sich selbst?*

Directly speaking: in the manifold transactions that you have been dealing with, which specific behaviours as pertaining non-rational aspects of the participants (seller, colleagues, board) did you perceive? And what about yourself?

8. *Bezogen auf Ihre langjährigen Erfahrungen im M&A Geschäft: wenn Sie sich vorstellen, Sie sind mit anderen M&A Entscheidern oder Beratern im Gespräch, welche Lessons Learned würden Sie mit diesen teilen, und warum?*

Based on your longstanding experience in M&A: imagine you are talking with other leaders in M&A what would you share with them as lessons learned, and why? Did M&A decision behaviour change over time?

**Abschließende Worte /Closing**

*D. Gibt es aus Ihrer Sicht noch weitere Aspekte aus Ihrer Erfahrung in M&A Entscheidungen, die Sie für wichtig für diese Studie halten und wir nicht besprechen konnte, oder weitere Punkte die Sie hinzufügen möchten?*

Is there anything else about your experience as an M&A decision-maker that you feel would be important to this study or you would like to add while not yet fully covered from your side?

*Vielen Dank für Ihre Teilnahme und die offene Kommunikation.*

Thanks for your participation and contribution!

\* \* \*

## APPENDIX 6

## Significant statements from transcripts (convenience translation)

Original statement from transcript	Convenience translation of statement
<b>Section 4.2.1</b>	
<p>„Aber ich glaube das ist einfach eher eine eher eine Lebensalter-Frage als eine Frage wie lange bin ich im M&amp;A-Geschäft. Weil am Ende des Tages geht es darum, mit welchen Leuten haben wir auf welchen Ebenen welche Art von Erfahrung gemacht, bis hin zu irgendwelchen Finanzierungs-verhandlungen oder ähnlichem, wo Sie irgendwie ein bisschen Gespür dafür entwickeln und da stelle ich fest, das Alter an der Stelle wenigstens mal hilft.“ <i>Adam</i> #00:36:57-00:39:46#</p>	<p>“But I think it’s just more of a question of age than how long I’ve been in the M&amp;A business. Because at the end of the day it’s about with whom we’ve had what kind of experience at what levels, up to and including financing negotiations or something like that, where you somehow develop a bit of intuition for it and I find that age helps at least once in a while.”</p>
<b>Section 4.2.2.1</b>	
<p>„Weil am Ende des Tages geht es darum, mit welchen Leuten haben wir auf welchen Ebenen welche Art von Erfahrung gemacht, [...] wo Sie irgendwie ein bisschen Gespür dafür entwickeln und da stelle ich fest, das Alter an der Stelle wenigstens mal hilft.“ <i>Adam</i> #00:36:57-00:39:46#</p>	<p>“Because at the end of the day it’s about who we’ve had what kind of experience with at what levels, [...] where you somehow develop a bit of intuition for it and at that point, I notice that age helps at least once in a while.”</p>
<p>„...auch Lebenserfahrung, Menschenerfahrung die da eine riesen Rolle bei spielt.“ <i>Harry</i> #00:23:06-00:23:43#</p>	<p>“...also life experience, human experience that play a huge role here.”</p>
<p>„... alles mit ein, die rationalen als auch die irrationalen, ... und bei den irrationalen bin ich der Überzeugung, kann man stripen in den rationalen Teil verwenden wir und den emotionale Teil, da wissen wir auch wie wir damit umgehen können.“ <i>Nick</i> #00:32:26-00:34:47#</p>	<p>“everything flows into it, the rational as well as the irrational, ... and with the irrational I am convinced that one can strip into the rational part we use, and the emotional part we know how to deal with it.”</p>
<p>“...grundsolides Handwerk. Das heißt eine grundsolide Due Diligence, Verstehen, was dort präsentiert wird.“ <i>Adam</i> #00:56:27-00:58:43#</p>	<p>“...solid craftsmanship. This means a rock-solid due diligence, understanding what is presented there”</p>
<p>„...unglaublich viel über die Jahre gelernt...“ <i>Tom</i> #00:42:45-00:45:22#</p>	<p>“...learned an incredible lot over the years...”</p>
<p>„...versucht natürlich die Erkenntnisse in den nächsten Projekten dann entsprechend dann auch wieder zu reflektieren, besser seine Arbeit zu machen.“ <i>James</i> #00:12:39-00:13:39#</p>	<p>“...tries of course to reflect on the insights in the next projects and to do ones work better.”</p>



Original statement from transcript	Convenience translation of statement
„...dass wir sie erkennen und dass wir, dass wir denen dann nachgehen um auch sicherzustellen dass wir gelernt haben oder lernen können aus den Fehlern.“ <i>Ben #00:42:18-00:42:41#</i>	“...that we recognise them and that we follow them up to ensure that we have learned or can learn from our mistakes.”
„...sind vielleicht nicht so M&A-erfahren und -affin, und die können so einen Prozess dann auch kaputt gehen.“ <i>Ross #00:18:22-00:19:16#</i>	“...maybe have not so much M&A experience and affinity, and those can even break down such a process.”
„...da ist sehr viel persönliches Judgement mit dabei und das glaube ich kann man nur durch Erfahrung mitbringen.“ <i>James #00:35:01-00:35:41#</i>	“...there`s a lot of personal judgment involved and I think that`s only possible through experience.”
„...das ist dann der Vorteil der Ausbildung, dass man einem zumindest nicht das A vorm O vormachen kann und das man doch eine gewisse Erfahrung hat in den ganzen Dingen...“ <i>Jack #00:33:42-00:34:47#</i>	“...that`s the advantage of the education, that others at least can`t pretend you an A for an O and that you have a certain experience in all these things...”
„...aber wenn es nicht zahlenorientiert ist, das heißt ja nicht, dass es emotional dann sein muss, sondern es gibt ja dann qualitative und quantitative Faktoren und die wollen wir natürlich alle hören und das ist ja dann auch von Erfahrungen geprägt, ...“ <i>Nick #00:11:51-00:12:17#</i>	“...but if it is not number-oriented, that doesn`t mean that it has to be emotional then, but there are qualitative and quantitative factors and of course we all want to hear them and that is also influenced by experiences, ...”
„...als relativ rational war, weil ich glaube, dass ich einfach durch genug Erfahrung Dinge dann ganz gut Einordnen kann.“ <i>Charlie #00:23:27-00:25:54#</i>	“...to be relatively rational because I think that I can simply classify things quite well with enough experience.”
„...einfach dieses Gefühl nicht haben, ok wo worauf stürze ich mich jetzt, auch in der Verhandlung, das ist einfach, das ist echt, das ist Erfahrung, das kann man einfach wirklich gar nicht anders sagen. Das hätte ich vor 10 Jahren wahrscheinlich auch nicht gedacht.“ <i>Jack #00:35:02-00:36:18#</i>	“...just don`t have that feeling, ok, where do I plunge into now, even in negotiations, that`s easy, that`s real, that`s experience, you can`t really say otherwise. I probably wouldn`t have thought that 10 years ago either.”
„...Frauen sind einfach, sind einfach deutlich besser, die sind genauer, die sind zuverlässiger ...“ <i>Tom #00:45:48-00:50:05#</i>	“...women are simply, they`re just much better, they`re more accurate, they`re more reliable...”
„...die alte grauhaarige Männerfreundschaft so ein bisschen aufgekündigt wurde und heute auch in Unternehmen die Organe weitaus professioneller agieren.“ <i>Tom #00:07:28-00:12:31#</i>	“...the old grey-haired male friendship has been a bit broken off and today also in companies the organs act much more professionally.”
„Großer Wille Lösungen zu finden und Dinge möglich zu machen, wenn es geschäftlich und strategisch sinnvoll ist.“ <i>Olivia #</i>	“Great will to find solutions and make things possible when it makes business and strategic sense.”

Original statement from transcript	Convenience translation of statement
„...aber gut für mich selber.“ <i>Michael</i> #01:00:20-01:03:46#	“...good for myself.”
„...das ebay-Prinzip, man möchte unbedingt gewinnen.“ <i>Nick</i> #00:22:54-00:23:51#	“...the eBay principle, you unconditionally want to win.”
„...und irgendwann kann das kippen, weil Sie sich zu sehr involvieren, also auch persönlich, mit gedanklich, das Sie denken, Mensch, irgendwie, toll kann das alles sich entwickeln usw., was wäre das für ein schönes Projekt und endlich mal wieder ein Projekt machen.“ <i>James</i> #00:28:48-00:30:58#	“...and at some point, that can tip over because you get involved too much, also personally, with thoughts, that you think, boy, well, great this can all evolve etc., what a nice project it would be and at last do a project again.”
„...versuch dich dadurch zu distanzieren von so einer Welle die plötzlich über dich herüber schwappt mit einer Gewalt und mit Masse.“ <i>Ben</i> #00:49:48-00:51:30#	“...try to distance yourself from such a wave that suddenly sloshes over you with force and mass.”
„...am Schluss in einer Telco unglaublich lange ... bereit fast das Doppelte zu zahlen.“ <i>Marc</i> #00:38:21-00:41:21#	“...at the end in a call incredibly long time ... ready to pay almost twice as much.”
„...ist halt schon ganz wichtig, dass man da eine gewisse Flexibilität hat, Hartnäckigkeit und dann determined sein muss, um ein M&A Projekt das sehr riskant ist zum Erfolg zu bringen.“ <i>Michael</i> #01:10:49-01:12:23#	“...it is very important, that you have a certain flexibility, persistence and then determination to bring an M&A project that is very risky to success.”
„...bisher haben wir Argumentationen immer noch gefunden, die die halt auch die Gesellschafter überzeugt haben...“ <i>Jack</i> #00:19:47-00:20:13#	“...so far we have still found arguments that have convinced the shareholders as well...”
„...und ja, argumentieren den Case manchmal auch gegen einen Berg an und hinterher sind sie dann doch überzeugt...“ <i>Adam</i> #00:22:36-00:23:41#	“...and yes, you sometimes argue the case against a mountain and afterwards they are then convinced after all...”
„...wenn du spürst, dass da jemand anderer Auffassung ist musst du entsprechend Überzeugungsarbeit leisten...“ <i>Ben</i> #00:18:12-00:19:05#	“...if you feel that someone is of a different opinion, you have to do respective persuasion work...”
„Rational können Sie das nicht mehr begründen, es geht nur darum, ... ich muss das unbedingt kriegen.“ <i>Marc</i> #01:29:06-01:22:46#	“Rationally you can't justify it anymore, it's just that ... I absolutely have to get this.”
„...sich die Blöße holen, oder die die Ohrfeige abholen, ej, hast Du wieder nicht geschafft“ <i>Matthew</i> #01:08:04-01:12:30#	“...open one's necks, or get the slap in the face, boy, you didn't make it again.”
„...das Falsche kaufen, die falsche Entscheidung treffen...“ <i>Harry</i> #00:18:40-00:19:11#	“...buy the wrong thing, make the wrong decision...”

Original statement from transcript	Convenience translation of statement
„... fand's einfach extrem sinnvoll, eine, genau diese Transaktionen zusammen zu machen, selbst wenn man dort vielleicht etwas mehr als den eigentlichen Marktpreis bezahlt hat...“ <i>Jack</i> #00:22:54-00:24:32#	“...simply found it extremely sensible to make one, exactly these transactions together, even if one has to eventually pay somewhat more than the actual market price...”
„...kriegen sie die Phantasie nach vorne...“ <i>Adam</i> #00:56:27-00:58:43#	“...you get an imagination forward...”
„...mit nichts begründete Steigerungen...“ <i>Marc</i> #01:08:40-01:11:21#	“...unjustified increases...”
„...mal zeigen was für ein toller Typ ich bin.“ <i>Michael</i> #00:32:13-00:34:31#	“...show what a great guy I am.”
„...dieser Wunsch wer hat den Größten, ja, der kann durchaus ganz maßgeblich für M&A Transaktionen sein ... die pure Geilheit...“ <i>Matthew</i> #01:15:07-01:19:14#	“...this desire who has the greatest, yes, that can be quite decisive for M&A transactions ... the pure lust...”
„...vergessen aber, ... dass das neue Geschäftsmodell mit einem großen Fragezeichen versehen ist.“ <i>Adam</i> #00:56:27-00:58:43#	“...but forget ... that the new business model is marked with a big question mark.”
“Man muss sich ja fragen, wieso wieso wieso kommt jemand auf Preise, die meine Excel Spreadsheet nicht hergibt?” <i>Matthew</i> #01:15:07-01:19:14#	“You have to ask yourself, why does someone come up with prices my Excel spreadsheet doesn't support?”
„...Unternehmer sich dann überschätzen...“ <i>Michael</i> #00:58:38-01:00:02#	“...entrepreneurs then overestimate themselves...”
„...die an sich denken und den nächsten Fonds raisen wollen, und dafür dann einen Abschluss brauchen, von mir aus auch erst einmal viel zu teuer einkaufen, was schlecht für die Investoren ist, aber gut für mich selber.“ <i>Michael</i> #01:00:20-01:03:46#	“...who think of themselves and want to raise the next fund, and then need a deal to do so, buy far too expensive for my sake, which is bad for the investors, but good for myself.”
„...die alte grauhaarige Männerfreundschaft so ein bisschen aufgekündigt wurde...“ <i>Tom</i> #00:07:28-00:12:31#	“...the old grey-haired male friendship has been a bit broken off...”
„...irgendwie uns haben verleiten lassen, oder die haben uns schöne Augen gemacht oder sonst was versprochen, und dann haben wir gesagt, komm so schlimm wird's nicht werden ... sehr stark geführten Verantwortung gegenüber unseren Shareholdern.“ <i>Adam</i> #00:40:19-00:45:27#	“...then somehow let us be misled, or they ogled us or promised us anything and then we said, come on it won't get that bad ... very strongly managed responsibility towards our shareholders.”
„...auch einen Mehrwert für das Unternehmen schafft.“ <i>Jack</i> #00:27:23-00:28:44#	“...also creates added value for the company.”

Original statement from transcript	Convenience translation of statement
<b>Section 4.2.2.2</b>	
„...geschäftsmäßig herangeholtes Knowhow, das eigentlich aber ein völlig, völlig emotionsloses Verhältnis zur Sache hat. ... Das gibt einen seltsamen Bruch in der emotionalen Lage.“ <i>Marc #00:42:33-00:44:15#</i>	“...business-like know-how, which actually has a completely, completely emotionless relationship to the matter. ... This gives a strange break in the emotional situation.”
„...der Verkauf eines Familienunternehmens ist das Emotionalste was man sich vorstellen kann.“ <i>Matthew #01:05:09-01:05:57#</i>	“...the sale of a family business is the most emotional thing you can imagine.”
„Es ist schon gelungen Deals zu machen, weil der Verkäufer das Gefühl hatte, er gibt es in gute Hände.“ <i>Olivia ##</i>	“It has yet been possible to make deals because the seller had the feeling that he was putting it in good hands.”
„...starke Bindung zu ihren Mitarbeitern“ <i>Michael #01:16:58-01:20:05#</i>	“...strong relationship to their employees.”
„...Herzblut...“ <i>Ed #00:41:31-00:42:52#</i>	“...it's got heart and soul in it.”
„...weil wir glaub ich als gesamtes Team über ein halbes Jahr an dem Projekt gearbeitet haben und unterschiedlichste, jeder hatte unterschiedlichste Workstreams zu verantworten und mit unterschiedlichen Partnern zu verhandeln, und Analysen usw. rauf und runter, aber irgendwann wollen sie dann eben auch nen Abschluss haben.“ <i>James #00:28:48-00:30:58#</i>	“...because I think we have worked on the project as a whole team for half a year and different, everyone had different workstreams to take responsibility for and to negotiate with different partners, and analyses etc., up and down, but at some point, you just want to close.”
„...ab einem gewissen Punkt, man sozusagen von der Transaktion nicht mehr abrücken will.“ <i>Marc #00:44:25-00:48:17</i>	“...at a certain point, you don't want to move away from the transaction, so to speak.”
„...dazu neigen auch gewisse persönliche Ziele, soll heißen, man hat einfach die Vorstellung, dass eine bestimmte Strategie genau die richtige ist und das Unternehmen braucht die jetzt unbedingt.“ <i>Marc #01:28:19-01:31:52#</i>	“...tend to have certain personal goals, meaning that you simply have the idea that a certain strategy is exactly the right one and the company absolutely needs it now.”
„...der wollte immer das ganze Unternehmen inklusive Gesellschafter irgendwie in die Richtung trimmen, die er dacht die Richtige wäre...“ <i>Adam #00:50:46-00:52:59#</i>	“...he wanted to trim the whole company, including shareholders, in the direction he thought was right.”
„Glauben wir daran, dass der Laden sich einfach gut entwickelt?“ (Ross 00:09:03-00:09:18)	“Do we believe that this place will develop well?”
„...Mensch vertraut auch immer ein bisschen, dass es so bleibt wie es ist, einfach um Sicherheit zu haben.“ <i>Michael #00:54:01-00:58:37#</i>	“...people also always trust a little that things will stay the way they are, just to have security.”
„...wollen die sich auch nicht vergegenwärtigen ... es ewig nicht so weiter geht“ <i>Ed #00:20:31-00:21:30#</i>	“...they don't want to think about it either ... it won't go on like this forever.”

Original statement from transcript	Convenience translation of statement
„...ein Wechselbad der Gefühle...” <i>James</i> #00:32:27-00:33:04#	“...an emotional roller coaster...”
„Man hat ja glaub ich immer so ein Gefühl von am liebsten, aber das schwankt auch von dem einen zum anderen. Das hängt ja auch immer von der tagesaktuellen Situation in der Verhandlung dann auch ab.“ <i>Bob</i> #00:15:55-00:16:40#	“I think you always have such a feeling of what you like best, but that also varies from one to the other. That always depends on the current situation during the negotiation.”
„Das mag ja sein, dass einer emotionaler reagiert, weil er in der Vergangenheit Erfahrungen gemacht negative Erfahrungen gemacht hat und deshalb etwas mit höherem Blutdruck Themen verfiicht.“ <i>Nick</i> #00:32:26-00:34:47#	“That`s possible, that one reacts more emotionally, because he has had negative experiences in the past and therefore champions issues with somewhat higher blood pressure.”
„...aus dieser Euphorie-Situation ist dann eine gewisse Frustration gekommen, mit der Anspannung, was passiert denn eigentlich, wenn ich mit diesem Feedback dann auf den Partner zu gehe, und sage, da und da müssen wir nochmal drüber diskutieren?“ <i>James</i> #00:33:04-00:34:48#	“...out of this euphoria developed a certain frustration, with the tension, what actually happens if I take this feedback to the partner, and say, here and there we have to discuss it again?”
„...wir haben uns eigentlich, eher dann davon leiten lassen emotional, die waren alle drei sehr attraktiv...” <i>Bob</i> #00:16:43-00:17:24#	“...we actually let ourselves be emotionally guided by it, all three were very attractive...”
„...da spielen so Bauch und Kopf miteinander ihr Spielchen und am Ende des Tages wirft das was raus.“ <i>Ben</i> #00:48:57-00:49:29#	“...so belly and head play their little game together and at the end of the day something throws out.”
„...dass diese Bauchschmerzen stärker wiegen als die Glücksgefühle der Kollegen die mit am Tisch sitzen.“ <i>Harry</i> 00:16:54-00:18:09#	“...that this stomach ache outweighs the sense of happiness of colleagues sitting at the table.”
„...ganz stark das Gefühl...” <i>George</i> #00:13:58-00:15:44#	“...very strongly the feeling...”
„...ein Entscheidungskriterium das heißt ,look and feel““ <i>Olivia</i> ##	“...a decision criterion called ‘look and feel’”
„...intuitiv ein gutes Gefühl eigentlich ... fühlte sich dann eben auch gut an, und das ist dann eben auch am Ende des Tages für mich auch ehrlich gesagt das das Ausschlaggebende.“ <i>Adam</i> #00:29:19-00:33:27#	“...intuitively a good feeling actually ... also felt good, and that`s the decisive thing for me at the end of the day, to be honest.”
„...auch junge Unternehmer die so etwas gut machen können, weil sie da viel Intuition haben ... ist es sehr wichtig auch eine gewisse Lebenserfahrung einfach mitbringen zu können.“ <i>Harry</i> #00:21:58-00:22:34#	“...also young entrepreneurs who can do something like this well, because they have a lot of intuition ... it is very important to be able to bring along a certain life experience.”

Original statement from transcript	Convenience translation of statement
„...wo Sie irgendwie ein bisschen Gespür dafür entwickeln und da stelle ich fest, das Alter an der Stelle wenigstens mal hilft.“ <i>Adam</i> #00:29:19-00:33:27#	“...where you somehow develop a little sense for it and I notice that age at that point helps at least.”
„...irgendwie, toll kann das alles sich entwickeln usw., was wäre das für ein schönes Projekt und endlich mal wieder ein Projekt machen.“ <i>James</i> #00:28:48-00:30:58#	“...well, great this can all evolve etc., what a nice project it would be and at last do a project again.”
„Da mag auch mal Begeisterung mit reinspielen, keine Frage...“ <i>Ben</i> #00:48:16-00:48:53#	“There may be some enthusiasm involved, no question...”
„...macht es unheimlich schwer diese Diskussion dann zu führen und sie dann zu packen, über die Risikoaversion hinaus.“ <i>Charlie</i> #00:51:54-00:54:17#	“...makes it incredibly difficult to then lead this discussion and then encourage them beyond risk aversion.”
„...Sie erhalten dann irgendeine Email mit diesen Informationen und dann lesen Sie das natürlich auch mit einer gewissen Anspannung und Euphorie. Und dann sind Sie selber ganz euphorisch und denken, super, das sieht ja alles ganz toll aus...“ <i>James</i> #00:33:04-00:34:48#	“...you will then receive any email with this information and of course you will read it with a certain euphoria and tension. And then you yourself are very euphoric and think, super, everything looks great...”
„...ganz heiß auf diese Idee, wow, da kommt jetzt nochmal ein weiterer Partner mit rein, da wollen wir aber noch mitspielen.“ <i>Ben</i> #00:20:25-00:27:18#	“...really hot on this idea, wow, there's another partner coming in now, but we want to play along.”
„Am Ende des Tages freue ich mich aber erst wenn der, wenn der Haken drunter ist, wenn die Tinte trocken ist, weil ansonsten behindern würde es mich auch behindern in meiner Arbeit, in Führungsstrichen ,immer noch den den besten Deal' fürs Unternehmen auch rauszuholen.“ <i>Jack</i> #00:24:32-00:25:15#	“At the end of the day I'm only happy when the hook is finally on, when the ink is dry, because otherwise it would also hinder me in my work to 'still get the best deal' for the company out of it.”
„Große Leidenschaft für Deals, wenn erkannt wird, dass es gut passen würde...“ <i>Olivia</i> ##	“Great passion for deals when it's realised that it would fit well...”
„...muss natürlich dafür brennen und sagen, ja das mach Sinn...“ <i>Bob</i> #00:09:11-00:10:14#	“...must of course be passionate about it and say, yes this makes sense...”
„...dann natürlich schon keen hinterher zu sagen, nein das passt auf jeden Fall, wir müssen das auf jeden Fall haben.“ <i>Jack</i> #00:10:42-00:11:08#	“...then of course keen to say afterwards, no that fits in any case, we must have that in any case.”
„...das Unternehmen ist aber so spannend und hat mich dann nicht losgelassen...“ <i>Adam</i> #00:29:19-00:33:27#	“...but the company is however so exciting and it didn't let me go...”

Original statement from transcript	Convenience translation of statement
„Also ich bin dann wirklich zu, wahrscheinlich hier und da, mehr als 100% für dieses Thema unterwegs und geb` dann wirklich alles dafür, dass das funktioniert.“ <i>Ben #00:27:38-00:31:37#</i>	“So, I`m really too much, probably here and there, more than 100% on the road for this subject, and I`m really going to do everything I can to make it work.”
„...spannendes Unternehmen, richtig was für große Jungs, richtig tolles Geschäft.“ <i>Adam #00:40:19-00:45:27#</i>	“...exciting company, really something for big boys, really great business.”
„...ist natürlich chicer als sich heute mit dem klein-klein des Tagesgeschäfts abzugeben.“ <i>Marc #01:28:19-01:31:52#</i>	“...is of course more chic than dealing with the small-and-small of the day-to-day business today.”
„...viel zu viel geboten hat um Exklusivität zu bekommen“ <i>Charlie #00:19:39-00:23:26#</i>	“...has bid far too much to get exclusivity.”
„...irgendwann wollen sie dann eben auch `nen Abschluss haben.“ <i>James #00:28:48-00:30:58#</i>	“...at some point they want to get it done.”
„...das Deal Team sieht das nicht...“ <i>Adam #00:50:46-00:52:59#</i>	“...the deal team doesn`t see that...”
„...damals war das so interessant, dass man meinte, das rechtfertigt eine Ausnahme.“ <i>Tony #00:23:04-00:23:14#</i>	“...it was so interesting back then you`d think it justified an exception.”
„...eine tolle Chance ein neues Geschäft mit zu entwickeln.“ <i>Charlie #00:42:30-00:43:28#</i>	“...a great opportunity to develop a new business together.”
„...ein großer Deal mehr oder weniger macht schon einen Unterschied auch auf dem CV und dementsprechend haben die vielleicht auch eher den Impetus dann es durchziehen zu wollen...“ <i>Charlie #00:45:55-00:47:48#</i>	“... a big deal more or less makes a difference on the CV as well, and accordingly they might have the impetus to want to go through with it...”
„...interessante Folgeaufgaben, Folge-mandate...“ <i>Harry #00:19:19-00:19:36#</i>	“...interesting follow-up tasks, follow-up mandates...”
„Gier frisst Hirn, das gilt auch bei solchen Prozessen. Und durch Gier frisst Hirn führt bei denen dazu, dass sie total irrational werden.“ <i>Matthew #01:04:10-01:04:53#</i>	“Greed devours brains, this also applies to such processes. And through greed devours brain this leads them to become totally irrational.”
„...der Vorstand hatte ein persönliches Bonusinteresse, dass ein bestimmter Deal fliegt.“ <i>Tom #00:28:43-00:30:44#</i>	“...the board had a personal bonus interest in getting a certain deal through.”
„...solche Typen treibt wirklich nur die Kohle, ausschließlich.“ <i>Michael #01:13:59-01:14:44#</i>	“...these guys are really just making money, exclusively.”
„...das sollte kein eigener Treiber jetzt werden, dass ich nicht mehr objektiv bin.“ <i>Charlie #00:54:27-00:56:11#</i>	“...that shouldn`t become a driver of its own, that I`m not objective anymore.”

Original statement from transcript	Convenience translation of statement
„...das wurde als Prestige, als Ego-relevantes Projekt wahrgenommen. Und das hat dann bestimmte Deal-Logiken und Synergien auch überlagert. Also man wollte da einfach, man wollte mit diesem Deal ja Macht und Einfluss demonstrieren.“ <i>Tom #00:28:43-00:30:44#</i>	“...that was perceived as prestige, as an ego-relevant project. And that also superimposed certain deal logics and synergies. So you just wanted it, you wanted to demonstrate power and influence with this deal.”
„...Risiken einzugehen, sei es völlig egal welcher Natur, gerade auch wenn man im Ausland ist, wo man wo man dann wegschaut...“ <i>Jack #00:28:48-00:29:37#</i>	“...to take risks, no matter of what kind, especially when acting abroad, where one shut one's eyes to that...”
„...als Negativbeispiel viele Regionalfürsten die eigentlich nichts zu melden haben aber so tun als wären sie die großen Champions...“ <i>Michael #00:28:58-00:32:11#</i>	“...as a negative example many regional princes who actually have nothing to say but pretend to be the great champions...”
„Viele sehen dadrin ihr persönliches eine persönliche Sache und finden M&A ist hipp, derzeit ist M&A besonders hipp, und wollen sich halt dadrüber identifizieren...“ <i>Jack #00:31:20-00:31:55#</i>	“Many see this as their personal, a personal thing and think M&A is hip, currently M&A is particularly hip, and just want to identify themselves by it...”
„...aus meiner Sicht ne eine eigene Agenda nur dahinter gab, ... klar kann man sich immer an irgendwas bereichern, es ist es ist der Status. ... ich habe dann was auf meinem Revers kleben, auch ich habe eine M&A Transaktion gemacht.“ <i>Jack 00:36:32-00:40:20#</i>	“...from my point of view there was an own agenda only behind it, ... of course you can always enrich yourself with something, it's the status. ... I then have something stuck on my lapel, I also made an M&A transaction.”
„...ohne beschädigt, sich beschädigt zu fühlen“ <i>Charlie #00:19:39-00:23:26#</i>	“...without damage, feeling damaged.”
„Weder der Vorstand gibt sich uns gegenüber die Blöße zu sagen ‚äh ich habe das falsch eingeschätzt‘, noch sagt natürlich der Aufsichtsrat...“ <i>Matthew #00:18:46-00:19:17#</i>	“Neither the board of directors opens us one's neck to say ‘I have misjudged that’, nor does the supervisory board, of course...”
„...dann werden Probleme glaub ich durchaus auch etwas beiseitegeschoben. Und gerade Probleme, was sie, was ich meine was das wirklich Größte ist, nämlich, was tue ich denn anschließend damit. Das Ding zu kaufen ist prima. Da kommt man in die Zeitung und alles, alles wunderbar.“ <i>Marc# 01:28:19-01:31:32#</i>	“...then I think problems certainly will be put aside. And particularly problems, what they, what I mean, what the really greatest thing is, namely, what I do with it afterwards, then. To buy the thing is great. You get into the newspaper and everything, all amazing.”
„Sehr neutral damit auseinandersetzen, und daraus dann die Entscheidung ableiten...“ <i>Bob #00:15:55-00:16:40#</i>	“Deal with it very neutrally and then derive the decision...”
„...würde mich nicht hinreißen lassen Emotionen, eine Entscheidung allein aufgrund der Emotionen zu treffen, sondern ich treffe sie dann, wenn ich die Ratio gegriffen habe.“ <i>Ben 00:48:16-00:48:53#</i>	“...would not enrapture me with emotions, to make a decision solely on the basis of emotions, but I make them when I have grasped the ratio.”



Original statement from transcript	Convenience translation of statement
„Nach meinem Dafürhalten sind wir sehr rational unterwegs.“ <i>Marc</i> 01:07:14-01:08:32#	“In my opinion we’re on a very rational course.”
„...noch als relativ rational...“ <i>Charlie</i> #00:38:17-00:39:26#	“...still as relatively rational...”
„Ein Versuch ist es wert, der gelingt nicht immer.“ <i>Ed</i> #00:10:07-00:10:44#	“It’s worth a try, that doesn’t always work.”
<b>Section 4.2.2.3</b>	
„...häufig erlebe und was definitiv nicht rational geprägt ist, ich, meine Wahrnehmung ist, dass Sie im M&A Geschäft übermäßig viele vermeintliche bis reale Alphatiere kennenlernen. Und das sind hauptsächlich Männer.“ <i>Tom</i> #00:45:48-00:50:05#	“...frequently experience and what is definitely not rationally, I, my perception is that in the M&A business you get to know excessively many supposed to real alpha animals. And these are mainly men.”
„...Entscheidungen sind dann wirklich meistens einstimmig.“ <i>George</i> #00:30:16-00:30:26#	“...decisions are then really mostly unanimous.”
„...sich üblicherweise ziemlich einig sind.“ <i>Ross</i> #00:08:31-00:08:38#	“...are usually pretty much in agreement.”
„...extrem harmonisch...“ <i>Marc</i> #00:30:51-00:32:44#	“...extremely harmonious...”
„...Einschätzung von Leuten, von Geschäftsmodellen...“ <i>Adam</i> #00:58:50-01:00:46#	“...assessment of people, of business models...”
„...sehr lebhafte Diskussionen.“ <i>James</i> #00:11:44-00:11:52#	“...very lively discussions”
„...das wird in alle Richtungen diskutiert, aber am Ende die Entscheidungen sind dann wirklich meistens einstimmig.“ <i>Tony</i> #00:30:16-00:30:26#	“...it’s discussed in all directions, but in the end the decisions are really unanimous most of the time.”
„...die Summe der unterschiedlichen Perspektiven führt dann halt in der Regel zum ausgewogenen, zu einer ausgewogenen Einschätzung und manchmal kommen aus diesen Diskussionen dann eben auch hilfreiche Hinweise, was man noch vielleicht nicht so richtig im Fokus hatte und wo man noch hingucken könnte.“ <i>Adam</i> #00:22:36-00:23:41#	“...the sum of the different perspectives usually leads to a balanced, to a balanced assessment and sometimes helpful hints come out of these discussions, what you might not yet have really focused on and where you yet still look at.”
„...die drei wesentlichen Positionen.“ <i>Marc</i> #00:30:51-00:32:44#	“...the three essential positions.”
„...gemixte Teams, zwischen einmal der Division und Corporate“ <i>Charlie</i> #00:07:59-00:11:59#	“...mixed teams between one side the division and corporate.”

Original statement from transcript	Convenience translation of statement
„...dieser Wettbewerb, dieser Wunsch wer hat den Größten, ja, der kann durchaus ganz maßgeblich für M&A Transaktionen sein.“ <i>Matthew #01:15:07-01:19:14#</i>	“...this competition, this desire who has the greatest, yes, that can be quite decisive for M&A transactions.”
„...dann kommt dann eben der örtliche Landeschef, der natürlich mit ihnen in einem Konkurrenzverhältnis steht, das macht das immer schwer.“ <i>Marc #00:19:40-00:21:05#</i>	“...then the local head of the country comes along, who of course is in competition with you, that always makes it difficult.”
„...und wenn dann mehrere sich darum streiten, dann guckt man dann auch mal nicht so genau hin.“ <i>Ed #00:25:58-00:26:25#</i>	“...and then when several people argue about it, well, then you don't look very closely.”
„...der CEO hat dann ganz klar gesagt, wo es lang geht.“ <i>Ed #00:32:18-00:33:14#</i>	“...the CEO then made it very clear which way to go.”
„...zweiköpfigen Vorstand haben, bei dem einer relativ schwach ist, und der andere kippt um, dann hat der Landesgeschäftsführer gewonnen.“ <i>Marc #00:54:00-00:55:13#</i>	“...have a two-strong board, one relatively weak and the other topples over, then the country manager has won.”
„...viele klare Strategievorgaben...“ <i>Charlie #00:01:50-00:02:58#</i>	“...a lot of clear strategy guidelines...”
„...ein Verhandlungsmandat, so dass man ohne nochmal freigeben zu lassen, solange sie in den Rahmenparametern bleiben...“ <i>Bob #00:07:34-00:09:04#</i>	“...a negotiating mandate, so that without another approval, as long as they remain within the framework parameters...”
„Wenn der natürlich nein sagt, ist klar, dann wird es schwer.“ <i>Bob #00:09:11-00:10:14#</i>	“Of course, if he says no, that's clear, it'll be hard.”
„...und dann hat man dann wieder einen ganzen anderen wieder ne anderen ganz andere Zielgerade dann.“ <i>James #00:31:04-00:31:43#</i>	“...and then you have then again another, again another, completely different final straight then.”
„...ja das ist ja alles schön was ihr da verhandelt habt, ich sehe das aber ganz anders.“ <i>Ed #00:43:02-00:43:59#</i>	“...yes, that's all nicely negotiated, but I don't see it that way.”
„...der war sehr Meinungsgetriebenen. ... extrem opinionated und der wollte immer das ganze Unternehmen inklusive Gesellschafter irgendwie in die Richtung trimmen, die er dacht die Richtige wäre und das das funktionierte nicht.“ <i>Adam #00:50:46-00:52:59#</i>	“...he was very opinion-driven. ... extremely opinionated and he always wanted to somehow trim the whole company, including shareholders, in the direction he thought was right and that didn't work.”
„...der Vorstand hat dann wieder Rückfragen, und hat dann wieder vielleicht doch ne andere Meinung dazu, sowohl preislich oder auch strategisch.“ <i>Ed #00:21:36-00:22:18#</i>	“...the board will have questions again, and then again perhaps has a different opinion about it, both price-wise and strategically.”

Original statement from transcript	Convenience translation of statement
„...bei denen der Prozess dann liegt, die stielen das schon rechtzeitig ein und binden ihrer Gremien auch so mit ein, dass die nur noch abnicken müssen.“ <i>Matthew #00:15:33-00:16:28#</i>	“...who are in charge of the process, they initiate it in time and involve their committees in such a way that they only have to nod off.”
„...zu entlasten...“ <i>Michael #00:15:36-00:19:33#</i>	“...to exonerate...”
„...ergänzen uns dann perfekt.“ <i>Ben #00:27:38-00:31:37#</i>	“...then complement each other perfectly.”
„...jetzt nicht nur die Empfehlung irgendeiner Anwaltskanzlei“ <i>Bob #00:18:46-00:19:59#</i>	“...not just the recommendation of some law firm”
„...wir emanzipieren uns eigentlich relativ stark von unseren Beratern, so dass wir eigentlich sie mehr als die verlängerte Werkbank benutzen...“ <i>Charlie #00:45:55-00:47:48#</i>	“...we actually emancipate ourselves relatively strongly from our consultants, so that we actually use them more like an extended workbench...”
„Man kennt sich auch schon ziemlich lange und deswegen herrscht da glaube ich auch großes Vertrauen in die Mannschaft.“ <i>Ross #00:13:42-00:14:05#</i>	“They’ve known each other for a long time and that’s why I think there’s a lot of confidence in the team.”
„Natürlich überfliege ich die auch noch, aber habe ich die Zeit jetzt da drei Stunden drüber zu brüten, habe ich nicht. Habe auch keine Lust dazu. Aber wenn Sie sich dann hier nicht auf die Leute verlassen können, dann sind Sie auch gekniffen.“ <i>Adam #00:58:50-01:00:44#</i>	“Of course, I also scan them, but do I have the time to dive deep into them for three hours now, I don’t have it. I don’t feel like it either. But then, if you cannot rely on the people here then you are also pinched.”
„...das bedarf dann schon der richtigen Verhandlungsperson auch, der die anderen vertrauen.“ <i>Marc #00:33:30-0034:42#</i>	“...that requires the right negotiator, too, who the others trust.”
„Wir leben vom Vertrauen.“ <i>Michael #00:19:44-00:23:51#</i>	“We live by trust.”
„...weil man sich kannte“ <i>Jack #00:02:14-00:03:21#</i>	“...because people knew each other”
„...selber über das bestehende Netzwerk an Kontakten in die Industrie, geht man auf Messen usw. ...“ <i>James #00:07:15-00:09:24#</i>	“...yourself via the existing network of contacts to the industry, you can go to trade fairs, etc. ...”
„...die Inhaber kannten sich aus vielen vielen Jahren gemeinsamer Marktbearbeitung ... Das haben wir dann halt übernommen, aber im Prinzip ... hätten wir es eigentlich auch selbst machen können.“ <i>George #00:08:33-00:11:39#</i>	“... the owners knew each other from many many years of joint market cultivation ... That’s what we took over, but in principle ... we could have done it ourselves.”

Original statement from transcript	Convenience translation of statement
<b>Section 4.2.2.4</b>	
„...stolz auf so ein Unternehmen“ ... „sich identifizieren...“ <i>Adam</i> #00:45:49-00:49:14#	“...proud about such a company“ ... “which they identify with”
„...hab auch irgendwie eine Affinität dazu und fühlte mich da sehr wohl...“ <i>Adam</i> #00:29:19-00:33:27#	“...I also have an affinity for it and felt very comfortable there.”
„...gewissen Faible für Märkte...“ <i>Harry</i> #00:24:01-00:24:20#	“...certain fondness for markets...”
„...trophy asset ... eine so tolle Marke, die hat so viel Strahlkraft da sind mir die Zahlen jetzt auch nicht so wichtig.“ <i>Ross</i> #00:11:63-00:12:59#	“...trophy asset ... such a great brand, that has so much radiance, the numbers are not so important to me now either.”
„...wollte in den Markt rein...“ <i>Ed</i> #00:23:41-00:25:21#	“...wanted to enter the market...”
„...als wäre es jetzt das Lieblingsstück von Gucci, was man unbedingt immer schon haben wollte...“ <i>Charlie</i> #00:23:27-00:25:54#	“...like it’s the favourite piece from Gucci, something you’ve always wanted to have...”
„...find’s cool.“ <i>Jack</i> #00:24:32-00:25:15#	“...think it’s cool.”
„...eine wunderbare Geschäftsidee“ <i>Marc</i> #00:29:59-00:30:31#	“...a wonderful business idea”
„...spannendes Unternehmen, richtig was für große Jungs, richtig tolles Geschäft.“ <i>Adam</i> #00:40:19-00:45:27#	“...exciting company, really something for big boys, really great business.”
„Die verstanden sich sehr gut und dann ging das quasi so im Handschlag.“ <i>Marc</i> #00:50:07-00:53:56#	“They understood each other very well and then it was merely done with only a handshake.”
„...eine gewisse Sympathie für das Unternehmen, aus ... der Vergangenheit...“ <i>George</i> #00:40:40-00:40:49#	“...a certain sympathy for the company from ... the past...”
„Ohne optimistische Prognosen fängt man gar nicht erst an.“ <i>Olivia</i> ##	“You don’t start without optimistic forecasts.”
„...ein gewisser Optimismus auch mal da sein muss...“ <i>Harry</i> #00:26:21-00:26:43#	“...a certain optimism must also be there at times...”
„...dann kriegen sie die Phantasie nach vorne...“ <i>Adam</i> #00:56:27-00:58:43#	“...then, they get the fantasy moving forward...”
“Manches wird dann einfach auch zu optimistisch einfach auch gesehen.“ <i>Jack</i> 00:13:27-00:14:16#.	“Some things are simply seen as too optimistic.”
„...aber davon habe ich mich völlig verabschiedet ... Da kann man wahnsinnig viel beeinflussen, also das ist schon so.“ <i>Michael</i> #00:47:02-00:48:13#	“...but I said goodbye to it completely ... There’s so much you can influence, so that’s the way it is.”
„...glauben wir daran oder nicht.“ <i>James</i> 00:12:00-00:12:34#	“...do we believe in it or not”

Original statement from transcript	Convenience translation of statement
“...natürlich in der Regel eine sehr ambitionierte Planung.“ <i>Jeremy #00:34:04-00:36:37#</i>	“...of course, usually a very ambitious planning.”
„...es ist ja sowohl die Historie beeinflussbar als auch die Planung“ <i>Michael #00:44:24-00:47:00#</i>	“...it is possible to influence both history and planning”
„...wird auch teilweise logischerweise, natürlich mehr aus der Geschäftseinheit, natürlich auch schöner dargestellt, als es manchmal vielleicht ist.“ <i>Jack #00:11:37-00:13:18#</i>	“...is also partly, logically, of course more from the business unit, of course also presented more beautifully, than it actually is sometimes.”
„...die Probleme so ein bisschen wegwischt und nicht wirklich wahrhaben will.“ <i>Marc #00:44:25-00:48:17#</i>	“...wipe away the problems a little bit and don't really want it to be true.”
„Wenn man ein Thema will, dann werden Themen entsprechend herausgearbeitet und nach Argumenten und Vorteilen gesucht.“ <i>Olivia #00:07:06-00:13:27#</i>	“If you want a subject, then topics are worked out accordingly and searched for arguments and advantages.”
„...die Stärken natürlich nach vorne stellen.“ <i>Matthew #00:07:06-00:13:27#</i>	“...to put the strengths to the fore, of course.”
„...da haben emotionale Aspekte die reine Rechenarbeit überwogen.“ <i>George #00:12:04-00:12:31#</i>	“...here emotional aspects outweighed pure arithmetic work.”
„...wir kaufen nicht ... wo wir nicht die Katze im Sack kennen.“ <i>George #00:30:48-00:31:24#</i>	“...we don't buy [...] where we don't know the pig in a poke.”
„...keine vorschnellen Entscheidungen treffen...“ <i>James #00:39:16-00:40:14#</i>	“...not make hasty decisions...”
„...die wesentlichen Herausforderungen des Geschäftsmodells...“ <i>Ben #00:20:25-00:27:18#</i>	“...the main challenges of the business model...”
„...Synergieeffekte, die man zusätzlich bekommt, wo man eigentlich auch den Kaufpreis dann mit rechtfertigen muss.“ <i>George #00:21:29-00:23:04#</i>	“...synergy effects, which you get additionally, where you actually have to justify the purchase price.”
„...einfach der Wettbewerb im Prozess zu groß war“ <i>Nick #00:20:11-00:21:36#</i>	“...simply the competition in the process was too huge”
„...noch höhere Preise bezahlen, wenn wir über FK das Ganze leveragen“ <i>Jack #00:49:31-00:50:10#</i>	“...pay even higher prices if we leveraged the whole thing with debt”
„...der Wert nachher, ob der 5% drüber oder drunter liegt über dem kopfmäßig vielleicht Ankerwert der vorhanden ist...“ <i>Jack #00:07:45-00:08:29#</i>	“... the value later, whether this is 5% above or below the potential head-wise existing anchor value...”
„...dass sagen wir mal auch, sagen wir mal 20% weniger es auch getan hätten...“ <i>Charlie #00:23:27-00:25:54#</i>	“...let's say, let's say 20% less had done it, too...”

Original statement from transcript	Convenience translation of statement
„...nochmal 20% drauf um sicher zu gehen, dass ich das bekomme.“ <i>#Michael 01:00:20-01:03:46#</i>	“...another 20% on top to make sure I get it.”
„...idealerweise nur 1 Euro mehr zahlen, als mein zweiter Bieter, und nicht übertrieben.“ <i>Charlie #00:19:39-00:23:26#</i>	“...ideally only pay 1 euro more than my second bidder, and don't exaggerate.”
„...unsere Story ... glaubhaft machen ... dass dieses Target so gut zu uns passt, zu unserer Strategie passt...“ <i>Harry #00:27:31-00:28:08#</i>	“... our story ... make it credible ... that this target fits so well with us, fits our strategy...”
„...unsere Gesellschafterfamilie dann mit nen Bauchschmerz hätte...“ <i>Adam #00:45:49-00:49:14#</i>	“...our shareholder family would have a stomach ache...”
„...die eine Frage nach dem Menschen...“ <i>Adam #00:40:19-00:45:27#</i>	“...the one question about man...”
„...das Mindset muss schon passen...“ <i>Harry #00:01:22-00:02:51#</i>	“...the mindset must fit...”
„...menschliche Chemie...“ <i>George #00:41:18-00:42:27#; Ed #00:09:19-00:10:05#; Harry #00:16:54-00:18:09#</i>	“...human chemistry...”
„...weil das Management uns begeistert hat, damals zu diesem Zeitpunkt, meinen Vater auf jeden Fall.“ <i>George #00:03:09-00:06:11#</i>	“...because the management inspired us, at that time my father, without doubt.”
„...und mal gucken muss, jetzt auch mal abstrahiert von den eigentlichen Finanzdaten die da sind...“ <i>Harry #00:15:54-0:16:48#</i>	“...you have to look, now also abstracted from the pure financials that are there...”
„...bei mir auf einmal relativ schnell Klick gemacht, das ist genau ein Teil, ein Bestandteil, der halt hier drinne noch fehlt.“ <i>Jack #00:21:32-00:22:45#</i>	“...with me all at once I relatively fast recognised, that is exactly a part, a component, which is still missing for us here.”
„...die ein oder andere Pille schlucken mussten“ <i>James #00:26:03-00:27:45#</i>	“...had to swallow one or the other pill.”
„...und die anderen rückten dann so ein bisschen auch aus dem Fokus heraus, weil es passte so gut...“ <i>Ed #00:33:30-00:39:42#</i>	“...and the others moved a bit out of focus because it fitted so well...”
„...die Vorstellung, dass eine bestimmte Strategie genau die richtige ist und das Unternehmen braucht die jetzt unbedingt.“ <i>Marc #01:28:19-01:31:52#</i>	“...the idea that a certain strategy is exactly the right one and the company needs it now.”
<b>Section 4.2.3.1</b>	
„...ob dieses Geschäftsmodell, ob diese Produkte die Technologie auf Markt Zukunft hat das ist auch eine langjährige Erfahrung.“ <i>Sophia #01:09:47-01:12:35#</i>	“...whether this business model, whether these products, the technology have a market future that is also based on a long experience.”

Original statement from transcript	Convenience translation of statement
<p>„...die quereinsteigen, weil sie nicht wissen wie hart das Geschäft ist - mit so viel Investitionen kann man nie zurückverdienen.“ <i>Sophia</i> #01:06:20-01:09:35#</p> <p>„Aber wer da auf diesem Basis, aus diesem Ausgangspunkt, noch sehr hoch Preise anbieten da ist ja auch selber nicht glaubwürdig.“ <i>Sophia</i> #01:06:20-01:09:35#</p> <p>„Wir kaufen nicht nur was existiert als Geschäft, wir kaufen auch die Zukunft. Die Zukunft bauen wir in China auf.“ <i>Sophia</i> #00:35:19-00:39:31#</p>	<p>“...who cross into, because they don't know how hard the business is - you can never make a profit on that kind of investment.”</p> <p>“But who still offers very high prices on this basis, from this starting point, this is also not credible.”</p> <p>“We not only buy what exists as a business, we also buy the future. We are building the future in China.”</p>
<b>Section 4.2.3.2</b>	
<p>„...doch ein Bauchgefühl soll dabei unterstützt werden.“ <i>Sophia</i> #01:00:37-01:02:02#</p> <p>„Für uns war wieder eine Chance da...“ <i>Sophia</i> #00:21:26-00:35:00#</p> <p>„...froh und auch stolz, vorallem auch in so Bidding-Prozessen, dass wir Verkäufer und auch das Team überzeugen können.“ <i>Sophia</i> #00:50:27-00:55:16#</p>	<p>“...but a gut feeling should be supported.”</p> <p>“There was again another chance for us...”</p> <p>“...happy and also proud, especially in such bidding processes, that we can convince both the seller and the team.”</p>
<b>Section 4.2.3.3</b>	
<p>„...ein zusammengespieltes Team, und deswegen war unser Auftritt bei solch einem Bidding-Prozess auch ziemlich professionell.“ <i>Sophia</i> #00:21:26-00:35:00#</p> <p>„...jeder sieht zu einer Sache nur eine Perspektive. Wenn es alle 360 Grad beobachtet betrachtet, das ist doch gut.“ <i>Sophia</i> #00:39:52-00:41:22#</p> <p>„Das wird nicht mehr von oben gesteuert. Weil das ist auch Vertrauen...“ <i>#Sophia</i> 00:21:25-00:35:00#</p> <p>„Und die Produkte die die Firma produziert war für chinesische Autoindustrie noch was ganz cool, ganz edel ... ganz edle Produkte.“ <i>Sophia</i> #00:11:58-00:16:44#</p> <p>“...das ist genau was wir brauchen...“ <i>Sophia</i> #00:47:31-00:40:40#</p> <p>„Weil die chinesische Philosophie, das ist ein ganzes Stück Filet. Wir müssen komplett betrachten. Am Anfang als ganzes Stück, am Ende auch als ganzes Stück. Weil das sind so Verflechtungen untereinander.“ <i>Sophia</i> #01:17:50-01:19:52#</p>	<p>“...a well-rehearsed team, and that's why our performance in such a bidding process was quite professional.”</p> <p>“...everyone sees only one perspective on one thing. If one looks at every 360 degrees, that's good.”</p> <p>“This is no longer controlled from above. Because that's also trust...”</p> <p>“And the products produced by the company for the Chinese car industry were still quite cool, quite noble ... quite noble products.”</p> <p>“...that's exactly what we need...”</p> <p>“Because Chinese philosophy, that's a whole piece of fillet. We have to consider completely. At the beginning as a whole piece, at the end also as a whole piece. Because these are interdependencies with each other.”</p>

Original statement from transcript	Convenience translation of statement
„Aber für die Entscheidung, ich glaube, wichtigste ist das Team, die Menschen, die dort arbeiten, von oben bis unten ... Da, wir werden da ein Gefühl gewinnen wir passen miteinander gut zusammen. Das ist ein Team die langfristig zusammenarbeiten. Und ich glaube das ist entscheidend.“ <i>Sophia #00:45:21-00:46:54#</i>	“But for the decision, I think the most important is the team, the people who work there, from top to bottom ... There, we will gain a feeling there if we fit together well. This is a team that will work together for a long time. And I think that’s crucial.”
<b>Section 4.3.2.1</b>	
„Sind sehr stark marktbezogen.“ <i>George #00:16:08-00:17:39#</i>	“They are very market-driven.”
„...aber diese Investitionen werden als sehr, sehr stark auseinandergenommen, und auch immer mit einer Brille angeschaut, die sich sehr, sehr schnell in zwei bis drei Jahren rentiert. Also da wird jetzt nichts mehr gemacht, wo irgendwie irgendwas noch 10 Jahre Zeit braucht um sich zu rentieren, weil der Markt dann wahrscheinlich einfach gar nicht mehr da ist, für diese Kapazität.“ <i>Charlie #00:03:00-00:05:34#</i>	“...but these investments are analysed in very, very detail, and also always evaluated as to whether they pay for itself very, very quickly, in two to three years. So nothing is done now, where something needs another 10 years to pay off, because the market is probably just not there anymore, for this capacity.”
„Der Markt ist schlecht, ich so, nein, der Markt ist total gut. Also, da ist das sehr unterschiedlich.“ <i>Michael #00:07:06-00:10:46#</i>	“The market’s bad, I’m like, no, the market’s totally good. Well, it’s very different there.”
„...die generelle Marktentwicklung ... hat uns nicht geholfen, sondern hat uns eher in der in der Beurteilung der Situation bestätigt, den Prozess schnell und konsequent auch durchzuführen, und nicht zu lange mit einer Entscheidung zu warten“ <i>James #00:26:03-00:27:45#</i>	“...the general market development ... has not helped us, but has rather confirmed us in our assessment of the situation to carry out the process quickly and consistently, and not to wait too long with a decision.”
„Aber das ist halt die alte Generation, die hat keine Firmen aufgebaut um sie immer zu verkaufen sondern die bauen die Firmen auf um um Geld zu verdienen und Mitarbeitern in Lohn und Brot zu bringen und sie dann idealerweise noch, obwohl es meistens nicht der Beste Nachfolger ist, an den Sohn oder die Tochter weiterzugeben.“ <i>Michael #00:03:17-00:06:46#</i>	“But that’s just the old generation that hasn’t built companies to sell them all the time, but they are building companies to earn money and allow their employees to work and then ideally, although it’s usually not the best successor, pass them on to their son or daughter.”
„...auch wirklich frei agieren können.“ <i>Ross #00:16:34-00:18:06#</i>	“...can really act freely.”
„Das verändert Deals in beide Richtungen, also einige geben Gas, andere lassen es erst mal pending sein.“ <i>Tom #00:31:22-00:32:25#</i>	“This changes deals in both directions, some push ahead, some let it go for now.”



Original statement from transcript	Convenience translation of statement
„...man mehr Zeit aufgewendet für einen LOI und Termsheet. Die sind teilweise auch länger und inhaltsreicher geworden. Aber selbst wenn sie nicht gehaltvoller geworden sind so wird doch intensiver über Punkte gestritten, weil die Parteien sagen, wenn wir uns hier schon nicht einig werden, dann müssen wir auch gar nicht in den Prozess gehen.“ <i>Tom #00:02:08-00:07:10#</i>	“...you spend more time on an LOI and termsheet. Some of them are longer and have more content. But even if they haven't become more substantial, there is still more controversy about points, because the parties say that if we don't agree here, then we don't have to go into the process at all.”
„...zum Glück frühzeitig erkannt und solche Unternehmen gekauft und nicht organisch aufgebaut.“ <i>Ross #00:00:17-00:03:24#</i>	“...fortunately recognised early and acquired such companies and did not built them organically.”
„...Unternehmen, die die digitale Transformation bereits erfahren haben oder bereits oder voll drin sind, weil wir sehen, das wird das langfristige Endgame in allen auch Consumer-Facing Bereichen sein, ist für uns sehr wichtig.“ <i>James# 00:03:09-00:03:52#</i>	“...companies that have already experienced the digital transformation or are already or fully in it, because we see that this will be the long-term end game in all consumer-facing areas, too, is very important for us...”
„...ein regulatorisches Umfeld...“ <i>Ed #00:48:19-00:49:15#</i>	“...a regulatory environment...”
„...ist aber sehr stark reglementiert, da haben wir nen ganz kleinen Luftballon mal versucht.“ <i>Bob #00:11:02-00:12:58#</i>	“...but is very strongly regulated, there, we gave it a shot.”
„...dann müssen wir uns mit dem konfrontieren und dem stellen wir uns auch.“ <i>Ben #00:20:25-00:27:18#</i>	“...then we must confront it and we will face it.”
„...ganzes Geschäft ist Kernregulatorik, durch Regulatorik getrieben.“ <i>Jeremy #00:08:55-00:12:02#</i>	“...the whole business is core regulation, driven by regulation.”
„...was mache ich mit meinem Geld. Anlegen kann ich es ohnehin nicht, also mache ich am besten mal eine Akquisition.“ <i>Ed #00:23:41-00:25:21#</i>	“...what do I do with my money. I can't invest it anyway, so it's best to make an acquisition.”
„Das Geld ist billig.“ <i>Matthew #00:04:57-00:06:34#</i>	“The money is cheap.”
„...einen hohen Leverage nutzen und dementsprechend natürlich auch auf der Bewertungsseite höhere Multiples bereit sind.“ <i>James #00:07:15-00:09:24#</i>	“...make use of a high leverage and accordingly, of course, willingness to also use higher multiples on the valuation side.”
„...eigentlich nicht erklärbar, aber ... fast kontinuierlich ein Aufwärtstrend in Deutschland“ (Michael 00:07:06-00:10:46)	“...actually, not explainable, but ... almost continuously an upward trend in Germany.”
„Hohe Dynamik in den Geschäftsmodellen...“ <i>James #00:03:09-00:03:52#</i>	“High dynamics in business models...”

Original statement from transcript	Convenience translation of statement
„Weil wenn ich da nicht schnell genug bin, dann falle ich hinten runter.“ <i>Matthew</i> #00:19:29-00:23:05#	“Because if I’m not fast enough, I’m gonna fall down the back.”
„...die uns jetzt in einem Markt eine Stellung geben, die die keiner unserer Mitwettbewerber hat derzeit ... hat uns vorallem viel, also Geld gekostet ... ob da immer alles rational ist, weiß ich nicht.“ (Jack 00:11:37-00:13:18)	“...which now give us a position in a market that none of our competitors currently has, ... has cost us a lot, so money, ... whether everything is always rational, I don’t know.”
„...generationengeprägtes Phänomen“ <i>Marc</i> #00:07:48-00:08:38#	“...generationally-influenced phenomenon”
„...stehen natürlich unter dem Erwartungsdruck des Kapitalmarkt, die wollen Wachstumszahlen zeigen“ <i>Adam</i> #00:55:11-00:56:04#	“...are naturally under the pressure of expectations from the capital market, they want to show growth figures.”
„Und wenn ich, wenn ich halt für meinen Bereich keine Equity-Story oder keine Umsatz-Story erzählen kann, die ich vielleicht auch durch M&A umsetzen kann, habe ich halt ein Problem.“ <i>Nick</i> #00:47:30-00:49:16#	“And if I, if I can’t tell an equity story or a turnover story for my area, which I might also be able to implement through M&A, then I have a problem.”
„...börsennotierte Unternehmen sind gezwungen eigentlich auch Firmen zu kaufen und zu wachsen um die Investoren zu befriedigen und die treiben das am Markt eher an.“ <i>Michael</i> #00:07:06-00:10:46#	“...listed companies are actually forced to buy companies and to grow to satisfy investors and they tend to drive the market.”
„...das ist eine globale Welt, die Deutschen haben die globale Welt akzeptiert auch als globale Welt und insofern lassen sie sich kaufen und sie kaufen gerne.“ <i>Matthew</i> #00:04:57-00:06:34#	“...this is a global world, the Germans have accepted the global world even as a global world and so they let themselves be bought and they like to buy.”
„Da ist unser Problem eher, dass es nicht genug Unternehmen auf dem Markt gibt die wir kaufen können.“ <i>Ross</i> #00:04:25-00:06:26#	“Here our problem is rather that there are not enough companies on the market that we can buy.”
<b>Section 4.3.2.2</b>	
„...die sind da eher neutraler, die haben ja eher einen Auftrag.“ <i>Michael</i> #00:38:05-00:44:07#	“...they’re more neutral, they have more of a mission to fulfil.”
„...im Vergleich beispielsweise in in Börsennotierten, die vielleicht von von Vierteljahr auf Halbjahr gucken, und ne Equity-Story erzählen müssen.“ <i>Jack</i> #00:47:30-00:49:16#	“...in comparison, for example, with listed companies that might look from quarter to half-year and have to tell an equity story.”
„...da gibt es schon noch den klassischen Unternehmer. Und das ist natürlich eine absolut emotionale Klasse Mensch. Und der steuert seinen Laden, so wie er es immer gemacht hat.“ <i>Marc</i> #01:18:07-01:18:45#	“...there is still the classic entrepreneur. And that, of course, is an absolutely emotional human class. And he controls his organisation the way he always did.”

Original statement from transcript	Convenience translation of statement
„...ist halt sehr emotional.“ <i>Michael</i> #00:03:17-00:06:46#	“...is just very emotional.”
„...noch in verantwortlicher Stelle in 20 Jahren sein wird und es ist sein Geld. Insofern würde ich schon danach schauen, dass es Faktoren sind, dass wir alles prüfen was relevant ist, weil ich eben davon ausgehen kann das sowohl ich als auch die Verantwortlichen das noch weiter verantworten müssen.“ <i>Nick</i> #00:29:17-00:29:57#	“...will still be in charge in 20 years and it's his money. In this respect I would look after the fact that there are factors, that we examine everything which is relevant because I can assume evenly that both I and the responsible persons must still further be responsible for that.”
„...dass wir aufgrund dessen dass wir dieses M&A Geschäft schon echt lange machen und sehr intensiv, glaube ich insgesamt auf allen Ebenen eine ganz ordentlich geölte Deal-Maschine sind.“ <i>Ross</i> #00:11:53-00:12:59#	“...that due to the fact that we've been doing this M&A business for a really long time and very intensively, I think overall we're a pretty good oiled deal machine at all levels.”
„...weil das so dieses alte 'Buddy'-System zwischen Vorstand und Aufsichtsrat nicht mehr gibt weil im Rahmen der Finanzkrise die alte grauhaarige Männerfreundschaft so ein bisschen aufgekündigt wurde und heute auch in Unternehmen die Organe weitaus professioneller agieren.“ <i>Tom</i> #00:07:28-00:12:31#	“...because the old 'buddy' system between the board of directors and the supervisory board no longer exists because the old grey-haired friendship between men was somewhat broken off in the course of the financial crisis and today the company's organs act much more professionally.”
„Also es ist ja nicht schlecht jemanden zu haben, der das antreibt aus Eigeninitiative, aber es muss dann Checks and Balances geben, halt die immer noch mit da drauf gucken.“ <i>Charlie</i> #00:42:30-00:43:28#	“Well, it's not bad to have someone who drives it on his own personal initiative, but there have to be checks and balances, that still look at it as well.”
„Strukturen helfen am Ende eben eine Balance zwischen Behaviour und Rationale zu bringen“ <i>Jeremy</i> #00:45:18-00:47:39#	“In the end, structures help to balance between behaviour and rationality.”
„...strikteste Orientierung an Management-Grundsätzen.“ <i>Marc</i> #00:48:22-00:49:05#	“...strictest adherence to management principles.”
„...managen des Ökosystems intern dann eben mit all diesen Leuten ... da entsteht auch unheimlich viel Frustration draus, weil die Kollegen dann sagen, wieso verhalten die sich jetzt nicht so, wie wir das wollen halt.“ <i>Charlie</i> #00:48:05-00:51:42#	“...the management of the ecosystem internally ... there emerges also a lot of frustration because the colleagues then say, why don't they behave the way we want them to.”
<b>Section 4.3.2.3</b>	
„...frontrunner in dem Bereich.“ (Ross 00:10:17-00:03:24)	“...frontrunner in this field.”
„...wenigstens den den den Fuß in der Tür.“ <i>George</i> #00:23:14-00:23:34#	“...at least the foot in the door.”

Original statement from transcript	Convenience translation of statement
„...der Wettbewerb hat einen großen Deal gemacht, jetzt muss ich auch“ <i>Olivia</i> #	“...competitors made a big deal, now I also have to.”
„Ist es eine durchdachte Akquisition oder ist es weil ich da auch mitspielen will?“ <i>Olivia</i> #	“Is it a well-thought-out acquisition or is it because I want to be a part of it?”
„...damals gingen viele Leute dahin ... alle möglichen Leute sind dahin gegangen.“ <i>Marc</i> #00:09:27-00:10:57#	“...then a lot of people went there ... all kinds of people went there.”
„...da tun sich ja einige Große auf und ab dann sollte man lieber aktiver daran teilnehmen, als der Letzte zu sein.“ <i>Michael</i> #01:03:46-01:10:28#	“...and from then on, you'd rather be more active than last.”
„Das war einfach nur auch, weil der Name war schon bekannt...“ <i>George</i> #00:11:48-00:12:04#	“That was just because the name was already known...”
„Das ist einfach so eine so tolle Marke, die hat so viel Strahlkraft da sind mir die Zahlen jetzt auch nicht so wichtig.“ <i>Ross</i> #00:11:53-00:12:59#	“It's just such a great brand, it's got so much radiance, the numbers aren't that important to me now either.”
„...man wollte ja mal wieder was von sich hören lassen, kaufen halt.“ <i>George</i> #00:11:48-00:12:04#	“...you wanted to be heard from again, just buy.”
„...was groß durch die Presse ging...“ <i>Jack</i> #00:40:31-00:41:15#	“...which was big in the press...”
„...endlich mal wieder ein Projekt machen.“ <i>James</i> #00:28:48-00:30:58#	“...finally do another project.”
„...wir haben hier jetzt nen nen Hype-Thema, ein Tech-Hype-Thema“ <i>Jack</i> #00:36:52-00:38:16#	“...we have a hype theme here now, a tech hype theme.”
„...genau mit diesem Partner ... wo wir die ein oder andere Pille schlucken mussten“ <i>James</i> #00:26:03-00:28:18#	“...with exactly this partner ... we had to swallow a pill or two.”
„...über die Jahre immer unterschiedlich.“ <i>Jeremy</i> #00:03:26-00:06:34#	“...always different over the years.”
„...die zentrale Funktion des externen Wachstums. Und das interne Wachstum fällt uns zunehmend schwer.“ <i>Marc</i> #00:11:49-00:12:19#	“...the central function of external growth. And internal growth is becoming increasingly difficult for us.”
„...wir brauchen eine größere Wachstumsdynamik und wir müssen mehr in Zukunftsthemen investieren...“ <i>Adam</i> #00:09:58-00:10:40#	“...we need greater growth momentum and we need to invest more in future issues...”
„Er sah komplett das über die Zahl ... und dass er aufschließt zu den großen.“ <i>Marc</i> #01:32:04-01:35:21#	“He fully considers this in the numbers ... and that he would unlock to the big ones.”

Original statement from transcript	Convenience translation of statement
„...wenn es schneller gehen soll, akquiriere ich“ <i>Ed #00:23:41-00:25:21#</i>	“...if you want it to go faster, I'll acquire.”
„...die Beurteilung des strategischen Potentials aber auch des Synergiepotentials extrem wichtig. Also wie passen die beiden Unternehmen zusammen.“ <i>James #00:05:16-00:05:49#</i>	“...the assessment of the strategic potential as well as the synergy potential is extremely important. So how do the two companies fit together.”
„Das war, aus meiner Sicht, null rational, außer dass man nachher sagen konnte, ok wir haben hier jetzt nen Hype-Thema, ein Tech-Hype-Thema, was wir uns jetzt dazu gekauft haben.“ <i>Jack #00:36:52-00:38:16#</i>	“That was, from my point of view, zero rational, except that you could say afterwards, ok we now have a hype topic here, a tech hype topic, what we have bought into now.”
“...sehr viel mit dem ganzen Thema Innovation beschäftigen, Digitalisierung.” <i>Jeremy #00:12:02-00:14:46#</i>	“...we are very much concerned with the whole issue of innovation, digitisation.”
„Und jetzt sind wir dort eingetreten. In der Hoffnung, eben dies Enablement quasi dort zusätzlich zu lernen.“ <i>Marc #00:55:31-01:01:31#</i>	“And now we have entered there. Hoping to learn this enablement there in addition.”
„Hauptsache es kommt Geld rein.“ <i>Adam #00:10:55-00:14:52#</i>	“As long as it makes money.”
„...und wenn die deutsche Einheit ... nicht profitabel wächst, manchmal versuchen sie das Problem zu lösen, in dem sie eine profitable Firmen kaufen wollen damit sie selber im Durchschnitt eine höhere Marge machen dann.“ <i>Michael #00:32:13-00:34:31#</i>	“and if ... the German unit is not growing profitably, sometimes they try to solve the problem by buying a profitable company so that they themselves make a higher margin on average.”
„...die sich sehr, sehr schnell in zwei bis drei Jahren rentiert ... irgendwas noch 10 Jahre Zeit braucht um sich zu rentieren...“ <i>Charlie #00:03:00-00:05:34#</i>	“...pay for itself very, very quickly, in two to three years ... where something needs another 10 years to pay off...”
„Gerade börsennotierte, da ist ja ganz extrem.“ <i>Michael #01:00:20-01:03:46#</i>	“Especially listed ones, that's extreme.”
„...in familiengeführten Unternehmen eher die Nachhaltigkeit...“ <i>Jack #00:47:30-00:49:16#</i>	“...in family-run businesses, it's more sustainability...”
„Da ist glaube ich auch der Anlagedruck ein bisschen bisschen höher. Dadurch dass wir keine externen Investoren haben, sondern nur das Vermögen der Familie verwalten, haben wir auch andere Return Requirements und einen anderen Investmenthorizont.“ <i>James #00:03:58-00:04:57#</i>	“I think the investment pressure is a little higher there, too. Because we don't have any external investors but only manage the family's assets, we also have different return requirements and a different investment horizon.”
„Der Aufsichtsrat ... überprüft immer die Auswirkungen auf den Shareholder Value...“ <i>Marc #00:30:51-00:32:44#</i>	“The supervisory board ... always reviews the impact on shareholder value...”

Original statement from transcript	Convenience translation of statement
<b>Section 4.3.2.4</b>	
„Businesspläne sind ja nie voll objektiv...“ <i>Olivia ##</i>	“Business plans are never fully objective...”
„...mit nichts begründete Steigerungen...“ <i>Marc #01:08:40-01-01:11:21#</i>	“...unjustified increases...”
„...es ist ja sowohl die Historie beeinflussbar als auch die Planung ... ein bisschen grenzwertig bereinigen...“ <i>Michael 00:44:24-00:47:00#</i>	“...it is possible to influence the history as well as the forecast ... to clean up, rather borderline...”
„Man muss sich ja fragen, wieso wieso wieso kommt jemand auf Preise, die meine Excel Spreadsheet nicht hergibt?“ <i>Matthew #01:19:19-01:20:09#</i>	“You have to ask yourself, why does someone come up with prices that my Excel spreadsheet doesn't support?”
„Das also Top-Management solche Interpretationen quasi auf den Tisch legt und dann die Mannschaft in eine bestimmte Richtung bringt.“ <i>Marc #00:15:06-00:18:26#</i>	“That top management puts such interpretations on the table and then takes the team in a certain direction.”
„...dann gibt es Vordiskussionen, und wenn es Probleme gibt und da ein Widerstand bei Vorständen gibt, dann kann man den überwinden oder ne harte 3:2 Diskussion stattfinden lassen.“ <i>Bob #00:09:11-00:10:14#</i>	“...then there are preliminary discussions, and if there are problems and there is resistance from board members, then you can overcome that or let a hard 3:2 discussion take place.”
„...dann klopfen wir an die Tür und dann dann ist dann ist Interesse da, das zu diskutieren.“ <i>James #00:10:42-00:11:40#</i>	“...then we knock on the door and then then there is, then there is interest to discuss it.”
„...das sind dann ja auch erfahrene Vorstandsvorsitzende bei denen es, oder CFOs bei denen der Prozess dann liegt, die stielen das schon rechtzeitig ein und binden ihrer Gremien auch so mit ein, dass die nur noch abnicken müssen.“ <i>Matthew #00:15:33-00:16:28#</i>	“...these are then also experienced chairmen of the board of directors with whom is, or CFOs who are in charge of the process, they stalk it in time and also involve their committees in such a way that they only have to nod off.”
„...natürlich auch dem Vorstand die Gewissheit zu geben, ja wir machen das schon richtig.“ <i>Bob #00:14:18-00:14:57#</i>	“...of course, also to give the board the certainty that we're doing the right thing.”
„...finale Entscheidung trifft der Gesellschafter, aber bis wir dahin kommen, nehmen wir sehr viel weg, vorweg.“ <i>James #00:09:30-00:10:33#</i>	“...final decision will be made by the shareholder, but by the time we get there, we'll take a lot away from it, anticipating.”
„...versucht darzulegen, wie rational so eine Entscheidung eigentlich sein könnte, nach den Kriterien, die wir eingangs abgestimmt haben“ <i>Ed #00:09:19-00:10:05#</i>	“...tries to explain how rational such a decision could actually be, according to the criteria we voted on at the beginning.”
„...ein Verhandlungsmandat, so dass man ohne nochmal freigeben zu lassen, solange sie in den Rahmenparametern bleiben - mache ich das normalerweise dann mit dem Finanzvorstand“ <i>Bob #00:07:34-00:09:04#</i>	“...a negotiation mandate, so that one can go without additional approval, as long as they remain within the framework parameters - I usually do that then with the CFO”

Original statement from transcript	Convenience translation of statement
<p>„...ich versuch da schon die Entscheidung so zu treffen, als würde ich sie für mich treffen, als wäre das mein Unternehmen...“ <i>Adam</i> #00:40:19-00:45:27#</p>	<p>“...I’m well trying to make the decision as if I’m making it for myself, as if it were my business...”</p>
<p>„...eine Lösung gefunden, mit der ich hätte leben können...“ <i>Charlie</i> #00:29:33-00:32:49#</p>	<p>“...found a solution that I could have lived with...”</p>
<p>„...man eben dann einen Gesellschafter hat, der nicht im täglichen Doing, so invol oder überhaupt nicht involviert ist, sondern die Informationen, die er von uns aufbereitet bekommt, nochmal aus einem ganz anderen Blickwinkel liest und dann für sich die Schlüsse zieht.“ <i>James</i> #00:31:04-00:31:43#</p>	<p>“...then you have a shareholder, who is not involved in the daily doing, so involve or not at all involved, but who reads the information, which he gets from us, again from a completely different point of view and then draws the conclusions for himself.”</p>
<p>„...weil wirklich der Gesellschafter Geschäftsführer mit weitreichenden Vollmachten zur Not am Tisch sitzt.“ <i>Tony</i> #00:26:34-00:27:12#</p>	<p>“...because it is really the shareholder as managing director with far-reaching powers really who sits at the table at a time of need.”</p>
<p>„...nicht selber blockieren durch durch Formalia.“ <i>Ben</i> #00:10:51-00:15:32#</p>	<p>“...do not block yourself by formalising.”</p>
<p>„...hochkomplexe Deals weiterhin, und sehr schwierige Transaktionen.“ <i>Tom</i> #00:33:35-00:37:39#</p>	<p>“...highly complex deals continue, and very difficult transactions.”</p>
<p>„...dann manchmal auch Besitzgesellschaften, die da irgendwo zweite, dritte Generation sind, das wird dann manchmal ein bisschen schwieriger, weil die Gesellschafterstruktur sehr komplex ist.“ <i>Ed</i> #00:13:45-00:15:08#</p>	<p>“...then sometimes even holding companies that are somewhere second, third generation, where it sometimes gets a bit more difficult, because the shareholder structure is very complex.”</p>
<p>„...den Vorstand auch nicht zu verlieren. Dass er weiß, wo man steht, was man gerade tut.“ <i>Bob</i> #00:13:17-00:14:16#</p>	<p>“...not to lose the board either. That he knows where you stand, what you’re doing right now.”</p>
<p>„...nichts zu übersehen ... bewusst sein, dass auch Sachen kommen, die eben nicht vorteilhaft sind.“ <i>Nick</i> #00:14:05-00:16:06#</p>	<p>“...overlook nothing ... be aware that even things come up that are not advantageous.”</p>
<p>„...ganz ganz schwierige Prozesse, die quer durch alle Bereiche gehen. Wie integrieren wir das, wie machen wir es rechtlich, wie machen wir es steuerlich“ <i>Tony</i> #00:20:25-00:21:29#</p>	<p>“...very difficult processes that go right across the board. How do we integrate this, how do we do it legally, how do we do it tax-wise.”</p>
<p>„...Sie drei parallel verhandeln müssen, drei bei der Stange halten müssen“ <i>Bob</i> #00:15:02-00:15:19#</p>	<p>“...you have to negotiate with three in parallel, keep three up with the game.”</p>

Original statement from transcript	Convenience translation of statement
„Weil was bleibt einem Bieter in so einer Situation, wo er das Wirtschaftsgut, was er kaufen will, unbedingt haben will, unbedingt, und das war eben 2005, das war also wirklich die heißeste Zeit, die wir auch heute noch nicht erreicht haben von der Stimmung her, von der Aggressivität her, was bleibt ihm anderes übrig als abs., den aus seiner Sicht absoluten Grenzpreis zu nennen.“ <i>Matthew #00:27:00-00:40:51#</i>	“Because what remains for a bidder in such a situation, where he absolutely wants to have the asset, he wants to buy, absolutely, and that was just 2005, so that was really the hottest time we have not yet reached today in terms of mood, aggressiveness, what remains for him other than abs., to call the absolute limit price in his view.”
„...Bietergefecht...“ <i>Ed #00:10:07-00:10:44#</i>	“...bidding war...”
„...auch eine unserer Kernkompetenzen damit umzugehen...“ <i>Nick #00:06:22-00:06:44#</i>	“...also one of our core competencies to deal with...”
„Wir nehmen auch kritische Sachverhalte mit. Aber wir nehmen sie erst dann mit, wenn wir sie verstanden haben.“ <i>Ben #00:43:31-00:48:12#</i>	“We also take critical facts with us. But we only take them with us when we have understood them.”
„...wenn die Division jetzt nur, die Division nicht Teil des Konzerns wäre hätten die das Risiko sicherlich genommen.“ <i>Charlie #00:29:33-00:32:49#</i>	“...if only the division, the division had not been part of the group, they would have certainly taken the risk.”
„...sehen dann Risiken die einfach nicht da sind.“ <i>Ross #00:18:22-00:19:16#</i>	“...then see risks that just aren't there.”
„...was für Schiebereien im Hintergrund stattfinden.“ <i>Matthew #00:42:21-00:44:16</i>	“...what kind of wheeling and dealing is going on in the background.”
„...sehr limitierte Informationen, aber ich weiß genau nach was ich fragen muss...“ <i>Jeremy #00:31:37-00:33:48#</i>	“...very limited information, but I know exactly what to ask for...”
„Aber ganz typisch also, Prozess verletzt, furchtbar viel Emotionen, Geschreie usw. und es muss jetzt unbedingt sein...“ <i>Marc #00:50:07-00:53:56#</i>	“But typically, process hurt, terribly much emotion, screaming, etc., and it has to be now...”
„...vor Weihnachten einen Abschluss zu zu treffen, auch auch mit dem Hintergrund, dass wir die eine oder andere Pille schlucken mussten.“ <i>James #00:26:03-00:27:45#</i>	“... to make the deal before Christmas, also with the background that we had to swallow one or the other pill.”
„...wo es zwingend notwendig war dass wir sehr sehr schnell agieren...“ <i>Ben #00:10:51-00:15:32#</i>	“...where it was imperative that we act very quickly...”
„...immer sehr zeitkritisch“ <i>Tony #00:27:43-00:28:19#</i>	“...always very time-critical”
„...gut Ding hat Weil“ <i>George #00:52:20-00:53:16#</i>	“...haste makes waste”
„...keine vorschnellen Entscheidungen treffen...“ <i>James #00:32:27-00:33:04#</i>	“...do not make hasty decisions...”



Original statement from transcript	Convenience translation of statement
<p>„...sei nicht zu schnell, nimm dir vielleicht selber auch mal die Zeit, lehn Dich kurz zurück. Lass es mal sacken und antworte vielleicht erst morgen oder übermorgen, weil es gerade sehr kritisch und sehr relevant ist für dich selbst und vielleicht auch für den Erfolg des Projekts.“ <i>Ben</i> #00:36:19-00:37:57#</p>	<p>“...don't be too fast, maybe take your time yourself, sit back for a moment. Let it drop and perhaps answer tomorrow or the day after tomorrow because it is very critical and very relevant for yourself and maybe also for the success of the project.”</p>
<p>„...zu schnell darf ein Prozess auch nicht sein.“ <i>Matthew</i> #00:56:55-00:57:40#</p>	<p>“...a process must not be too fast either.”</p>
<p>„...ich glaube das Risiko ist manchmal höher es einzugehen als nicht einzugehen...“ <i>Nick</i> #00:31:31-00:31:54#</p>	<p>“...I think the risk is sometimes higher than not taking it...”</p>
<p>„...selbstverständlich entschieden, das machen wir, das kann man nehmen das Risiko, während im Grunde dann eben andere Entscheidungsträger am Ende dann doch gesagt haben, nee wollen wir nicht...“ <i>Charlie</i> #00:39:33-00:41:45#</p>	<p>“...of course, decided, that's what we do, you can take the risk, while in the end other decision-makers just said in the end, no we don't want...”</p>
<p>„...wir können über die Beteiligung an sich, die wir hier erwerben, nicht argumentieren, dass es eine attraktive Transaktion ist ... eine rein defensive Maßnahme, um sozusagen eine maximale Chance zu entwickeln.“ <i>Marc</i> #01:11:50-01:14:30#</p>	<p>“...we cannot argue that the investment in itself that we are acquiring here is an attractive transaction ... a purely defensive measure to develop a maximum opportunity, so to speak.”</p>
<p>„...diese Verhandlung mit Multiples, hängt sehr stark ab, wie viele Alternativen man hat.“ <i>Michael</i> 00:44:24-00:47:00#</p>	<p>“...this negotiation about multiples, depends very much on how many alternatives you have.”</p>
<p>„...im Businessplan Zahlen berücksichtigt oder ja Zukunftsperspektive oder -prognosen abgegeben worden sind, die einfach nicht eingehalten worden sind.“ <i>Jack</i> #00:13:27-00:14:16#</p>	<p>“...figures taken into account in the business plan or future perspectives or forecasts have been given which have simply not been adhered to.”</p>
<p>„...haben wir irgendwann mal eingekauft und nie die Strukturen eingezogen“ <i>Bob</i> #00:21:36-00:22:22#</p>	<p>“...we have bought at some point and have never drawn in the structures”</p>
<p>„M&amp;A geht richtig ernsthaft los, wenn signed/geclosed ist mit der Integration, da kann noch alles schief gehen.“ <i>Olivia</i>##</p>	<p>“M&amp;A really starts seriously, after signing/closing with the integration, then still everything can go wrong.”</p>
<p>„...diese Integration das heißt vor allem das Zusammenführen der Menschen, der Rollen, der Aufgaben, der Prozesse.“ <i>Harry</i> #00:04:54-00:06:28#</p>	<p>“...this integration means above all the bringing together of people, roles, tasks, processes.”</p>
<p>„...auch unheimlich schwer für jemanden, den den komplett richtigen, also wo gibt man dann nach, wo wo geht man dann am Ende des Tages mit?“ <i>Jack</i> #00:14:43-00:16:15#</p>	<p>“...also incredibly difficult for someone, the completely right, meaning, where do you give way, what do you accept at the end of the day?”</p>

Original statement from transcript	Convenience translation of statement
„...das sind manchmal nur wenige Augen die sich da zusammenfinden.“ <i>Nick #00:08:38-00:09:01#</i>	“...sometimes these are only a few eyes that come together.”
„...entscheiden wo wir uns weiter engagieren wollen und was wir abschließen wollen, zu dem Zeitpunkt.“ <i>Adam #00:15:10-00:20:47#</i>	“...decide where we want to continue and what we want to finish at that point.”
„...da haben wir halt eine Due Diligence Liste, da wird alles genau erarbeitet...“ <i>George #00:23:46-00:25:09#</i>	“...there we have a due diligence list everything is worked out exactly...”
„...M&A Grundsatzpapier...“ <i>Marc #00:19:40-00:21:05#</i>	“...M&A policy paper...”
„...recht klar definierte M&A Guidelines, auch verschriftlicht...“ <i>Ben #00:10:51-00:15:32#</i>	“...quite clearly defined M&A guidelines, also in written...”
„...so zehn ungefähr abstrakte Investitionsfilterkriterien verordnet...“ <i>Adam #00:10:55-00:14:52#</i>	“...about ten abstract investment filter criteria prescribed...”
„Solche Strukturen helfen am Ende eben eine Balance zwischen Behaviour und Rationale zu bringen.“ <i>Jeremy #00:45:18-00:47:39#</i>	“In the end, such structures help to balance between behaviour and rationality.”
„...je größer es ist, desto kleiner ist der Kreis ... Es gibt den strukturierten Prozess und dann gibt es noch einmal eine fast track.“ <i>Nick #00:09:48-00:10:54#</i>	“... the bigger it is, the smaller is the circle ... There is the structured process and then there is another fast track.”
„...wir haben da wie gesagt keinen formalisierten Prozess.“ <i>James 00:10:42-00:11:40#</i>	“...as said, we have no formalised process.”
<b>Section 4.3.3.3</b>	
„Da gibt es auch schon klare Zuständigkeit, “ <i>Sophia #00:18:58-00:20:59#</i>	“There are already clear responsibilities, ...”
<b>Section 4.3.3.4</b>	
„...und das quasi jedes Mal was anderes.“ <i>Sophia #00:55:38-00:58:25#</i>	“...and it's different virtually every time.”

Original statement from transcript	Convenience translation of statement
<b>Section 4.4.1</b>	
<p>„So, und das Unternehmen ist aber so spannend und hat mich dann nicht losgelassen, und dann sind wir nochmal hochgefahren, teilweise in einer anderen Besetzung, teilweise gleichen Besetzung, und haben nochmal eine Runde gedreht. ... und die haben halt einen ganz anderen Bezugsrahmen, als wir und ich komme ja nun aus Norddeutschland und bin meine Jugend unendlich viel in Skandinavien rumgereist, hab auch irgendwie eine Affinität dazu und fühlte mich da sehr wohl, und hatte auch intuitiv ein gutes Gefühl eigentlich, und kamen mit den Eindrücken zurück, die waren auch deutlich besser.” <i>Adam #00:29:19-00:33:27#</i></p>	<p>“Well, and the company is so exciting and didn’t let go of me, and then we went back up again, partly with a different line-up, partly with the same line-up, and did another round. [...] and they have a completely different frame of reference than we have, and I come from Northern Germany and my youth travelled extensively in Skandinavia, have somehow also an affinity to it and felt very comfortable there, and intuitively had a good feeling actually, and came back with the impressions, they were also distinctly better.”</p>
<b>Section 4.4.2.1</b>	
<p>„Und da fließen bei der Informationsfindung alles mit ein, die rationalen als auch die irrationalen, und wie gesagt, und bei den irrationalen bin ich der Überzeugung, kann man stripfen in den rationalen Teil verwenden wir, und den emotionale Teil, da wissen wir auch wie wir damit umgehen können.” <i>Nick #00:32:26-00:34:46#</i></p>	<p>“And here everything flows in for information retrieval, the rational as well as the irrational, and as said before, and with the irrational I am convinced, one can strip into the rational part we use, and the emotional part for which we also know how we can deal with it.”</p>
<p>„...und Unternehmen kauften und fahren das Ding gleich gegen die Wand, dann sind sie verbrannt als Investor, das dürfte ich überhaupt nicht riskieren.” <i>Adam #00:40:19-00:45:27#</i></p>	<p>“...and bought companies and run the thing right into the ground, then you are ruined as investor, I couldn’t risk that at all.”</p>
<p>„...in der Bandbreite, die Fairness am unteren Ende.” <i>Michael #01:00:20-01:03:46#</i></p>	<p>“...in the range, the fairness at the bottom.”</p>
<p>„...das ist dann der Vorteil der Ausbildung, dass man einem zumindest nicht das A vorm O vormachen kann...” <i>Jack #00:32:07-00:33:31#</i></p>	<p>“...that’s the advantage of education, they can’t pretend you an A for an O...”</p>
<p>„Aber so lange Menschen involviert sind, die eigene Agendas haben und moral hazard sozusagen ... es wird immer Private Equity Leute geben, die an sich denken...” <i>Michael #01:00:20-01:03:46#</i></p>	<p>“But as long as people are involved who have their own agendas and moral hazard, so to speak ... there will always be private equity people who think about themselves...”</p>
<p>„...die alte grauhaarige Männerfreundschaft ... in Unternehmen die Organe weitaus professioneller agieren.” <i>Tom #00:07:28-00:12:31#</i></p>	<p>“...the old grey-haired male friendship ... in companies the organs act much more professionally.”</p>

Original statement from transcript	Convenience translation of statement
<p>„...nicht sagen kann, das wir also irgendwo mal mit einem Prozess ans Ende gekommen sind und dann irgendwie uns haben verleiten lassen, oder die haben uns schöne Augen gemacht oder sonst was versprochen und dann haben wir gesagt, komm so schlimm wird's nicht werden, ... da stehen wir auch ehrlich gesagt, vielleicht ein bisschen mehr als in anderen Unternehmen, schon in einer sehr stark geführten Verantwortung gegenüber unseren Shareholdern.“ <i>Adam #00:40:19-00:45:27#</i></p>	<p>“...can't say that we have come to the end somewhere with a process and then somehow let us be misled, or they ogled us or promised us anything and then we said, come on it won't get that bad ... there we are, to be honest, maybe a bit more than in other companies, already in a very strongly managed responsibility towards our shareholders.”</p>
<p>„...da ist jemand der will halt auch weiter Karriere im Konzern machen, dann steht neben der strategischen Sinnhaftigkeit natürlich auch auf einmal, wie stehe ich denn jetzt auf einmal da, wenn 4 Wochen später das Ding wieder abgeblasen wird.“ <i>#Charlie 00:19:39-00:23:26#</i></p>	<p>“...there's someone who wants to continue his career in the group, then besides the strategic sense there's of course also suddenly, how am I standing all of a sudden, when 4 weeks later the thing is called off.”</p>
<p>„...will ich mal zeigen was für ein toller Typ ich bin. Und da ist nicht die Agenda, das ist eine strategische Vorgaben von oben, dass wir eine Firma kaufen, sondern das ist eher so mein persönliches Interesse...“ <i>Michael #00:32:13-00:34:31#</i></p>	<p>“...let me show you what a great guy I am. And this is not the agenda, that's a strategic guideline top-down, that we acquire a company, but rather that's my personal interest...”</p>
<p>„...Wettbewerb, dieser Wunsch wer hat den Größten, ja, der kann durchaus ganz maßgeblich für M&amp;A Transaktionen sein. ... Und dann mit im Jet herumzufliegen und die Meetings im Job, Jet abzuhalten. Überhaupt keine Logik dahinter. Mit ordentlicher Arbeit hätte man erkannt, dass das Unternehmen pleite ist und man hätte die Finger davongelassen. ... Nur die pure Geilheit irgendwas Großes zu machen.“ <i>Matthew #01:15:07-01:19:14#</i></p>	<p>“...competition, this desire who has the greatest, yes, that can be quite decisive for M&amp;A transactions. ... And then flying around in the jet and holding meetings on the job, jet. No logic at all. With proper work one would have recognised that the company is insolvent and one would have left the fingers of it. ... Just the pure lust to do something big.”</p>
<b>Section 4.4.2.2</b>	
<p>„...das Unternehmen ist aber so spannend und hat mich dann nicht losgelassen ... eine Affinität dazu und fühlte mich da sehr wohl, und hatte auch intuitiv ein gutes Gefühl ... die waren auch deutlich besser.“ <i>Adam #00:29:19-00:33:27#</i></p>	<p>“...but the company is so however exciting and it didn't let me go ... an affinity for it and felt very comfortable there, and intuitively had a good feeling ... they were also much better.”</p>
<p>„...eine wunderbare Geschäftsidee. Ich muss diese Firma kaufen, wir machen daraus das und das.“ <i>Marc #00:29:59-00:30:31#</i></p>	<p>“...a wonderful business idea. I have to acquire this company, we'll make it that and that.”</p>
<p>„Wenn man ein Thema will, dann werden Themen entsprechend herausgearbeitet und nach Argumenten gesucht.“ <i>Olivia##</i></p>	<p>“If you want a topic, topics are worked out accordingly and arguments are searched for.”</p>

Original statement from transcript	Convenience translation of statement
„...natürlich auch schöner dargestellt, als es manchmal vielleicht ist.“ <i>Jack #00:11:37-00:13:18#</i>	“...of course, represented more beautifully than it may sometimes be.”
„...sozusagen die Probleme so ein bisschen wegwischt und nicht wirklich wahrhaben will.“ <i>Marc #00:44:25-00:48:17#</i>	“...so to speak wipes away the problems a little and doesn't really want to accept it.”
„...zur Seite zu schieben und dann entscheiden, was ist eigentlich wesentlich.“ <i>James #00:28:48-00:30:58#</i>	“...push aside and then decide what is actually essential.”
„...die Bewertung, und schlage nochmal 20% drauf um sicher zu gehen, dass ich das bekomme.“ <i>Michael #01:03:46-01:10:28#</i>	“...the rating, and add another 20% on top to make sure I get that.”
„...sagen wir mal 20% weniger es auch getan hätten, weil das Grundmissverständnis von Anfang an war, das ist zwar ein tolles Asset für uns.“ <i>Charlie #00:23:27-00:25:54#</i>	“...let's say 20% less had done it, because the basic misunderstanding was from the beginning, this is a great asset for us.”
„...Prestige, als Ego-relevantes Projekt wahrgenommen. Und das hat dann bestimmte Deal-Logiken und Synergien auch überlagert.“ <i>Tom #00:28:34-00:30:44#</i>	“...perceived as prestige, as an ego-relevant project. And that also superimposed certain deal logic and synergies.”
„...als Statussymbol...“ ... “...Risiken einzugehen, sei es völlig egal welcher Natur...” <i>Jack #00:28:48-00:29:37#</i>	“...as a status symbol...” ... “...to take risks, no matter of what nature...”
„Also, es wird immer Private Equity Leute geben, die an sich denken und den nächsten Fonds raisen wollen, und dafür dann einen Abschluss brauchen von mir aus auch erst einmal viel zu teuer einkaufen, was schlecht für die Investoren ist, aber gut für mich selber.“ <i>Michael #01:00:20-01:03:46#</i>	“Well, there will always be private equity people who think about themselves and want to raise the next fund, and then need a deal for me to buy far too expensive, which is bad for the investors, but good for myself.”
<b>Section 4.4.2.3</b>	
„...mit welchen Leuten haben wir auf welchen Ebenen welche Art von Erfahrung gemacht, bis hin zu irgendwelchen Finanzierungsverhandlungen oder ähnlichem...“ <i>Adam #00:29:19-00:33:27#</i>	“...with which people and on which levels have we had what kind of experience, up to any kind of financing negotiations or similar...”
„...einer emotionaler reagiert, weil er in der Vergangenheit Erfahrungen gemacht negative Erfahrungen gemacht hat und deshalb etwas mit höherem Blutdruck Themen verfißt. Aber da gibt es ja eine Erfahrung daraus und Werte die er hat.“ <i>Nick #00:32:26-00:34:47#</i>	“...one reacts more emotionally because he has had negative experiences in the past and therefore champions issues with somewhat higher blood pressure. But there is an experience out of it, and values he has.”

Original statement from transcript	Convenience translation of statement
„...da ist sehr viel persönliches Judgement mit dabei und das glaube ich kann man nur durch Erfahrung mitbringen.“ <i>James</i> #00:35:01-00:35:41#	“...there’s a lot of personal judgement involved and I think you can only bring it through experience.”
„Ich muss es ja dann auch erfolgreich sein im Prozess um verschiedene Faktoren die sehr auch, ich sag mal, die Softskills ansprechen. Man muss man beides beherrschen eigentlich diese fachliche Seite, die handwerkliche Seite, als auch soft Seite. Und die Juniors fangen natürlich eher auf der Hard Skills an und wachsen dann in andere Bereiche hinein. Das ist eine persönliche Entwicklung auch.“ <i>Nick</i> #00:27:52-00:28:42	“I have to be successful in the process about different factors which also, I’d say, appeal to soft skills. You have to master both the technical side, the technical side and the soft side. And of course, the Juniors start on the hard skills and then grow into other areas. That’s a personal development, too.”
„So mehr ich mich vom Bauch leiten lassen, umso schlechtere Entscheidungen kommen eigentlich bei rum. Sehr neutral damit auseinandersetzen, und daraus dann die Entscheidung ableiten, hilft wirklich sehr ein bisschen zu versuchen, alles herauszubekommen.“ <i>Bob</i> #00:15:55-00:16:40#	“The more I let myself be guided by my gut, the worse the decisions get. Dealing with it in a very neutral way, and then deriving the decision from it, really helps a lot to try to get everything out of it.”
„...ich kann mir nicht jedes Dokument angucken. Ich muss mir genau überlegen was gucke ich mir an. Dafür brauche ich natürlich auch eine gewisse Erfahrung.“ <i>Ben</i> #00:27:28-00:31:37#	“...I can’t look at every document. I have to think carefully about what I’m looking at. Of course, I also need some experience for that.”
<b>Section 4.4.3.1</b>	
„...die die quereinsteigen, weil sie nicht wissen wie hart das Geschäft ist – mit so viel Investitionen kann man nie zurückverdienen...“ <i>Sophia</i> #01:06:20-01:09:35#	“...who cross into, because they don’t know how hard the business is – you can never make a profit on that kind of investment...”

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