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# **Global Post-Merger Agility, Transactive Memory System and Human Resource Management Practices**

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## **Abstract**

In this article, a conceptual model is developed in the context of global mergers and acquisitions (M&As). The model integrates ability, motivation and opportunity (AMO)-enhancing human resource management (HRM) practices framework and transactive memory system (TMS). To date, AMO-enhancing HRM practices and TMS have not been brought together in a global context; in particular, their influence on post-merger agility (PMA) is neither well-known nor theorized in the extant literature on M&As. In this article, we theorize TMS as key mediator between AMO-enhancing HRM practices and PMA in the context of global M&As. In doing so, we bring AMO-enhancing HRM practices and TMS together and explicate their impact on PMA in the global M&As context.

Key words: Human resource management, Transactive memory system, Agility, Global mergers and acquisitions

## **Introduction**

Companies from various industrial settings have widely used mergers and acquisitions (M&As) as one of the key corporate level strategies aimed at growth and market expansion (Larsson & Finkelstein, 1999; Rao-Nicholson, Khan & Stokes, 2015; Zollo, 2009). Such corporate level strategies provide important sources of competitive advantage to the merging entities, including the ability to better deal with external changes, and to restructure operations and rapidly enter into foreign markets (Rao-Nicholson et al., 2015; Swaminathan, Murshed & Hulland, 2008; Vermeulen & Barkema, 2001; Zollo & Singh, 2004). Despite M&As being a widely utilized strategy for corporate growth, existing studies point at the poor performance of merging companies and at the eventual high failure rate of mergers (Cartwright & Schoenberg, 2006; Christensen, Alton, Rising & Waldeck, 2011; Dyer, Kale & Singh, 2003; Haleblan, Devers, McNamara, Carpenter & Davison, 2009; King, Dalton, Daily & Covin, 2004). In particular, post M&A integration related issues have been frequently highlighted as being important drivers of such poor performance (Cartwright & Schoenberg, 2006; Gomes, Angwin, Weber & Tarba, 2013; Gomes, Weber, Brown & Tarba, 2011; Schoenberg, 2006; Zollo & Singh, 2004).

Global M&As are challenging due to cultural and institutional differences (Berry, Guillén & Zhou, 2010; Gomes et al., 2013; Shenkar, 2001; Stahl et al., 2013; Choi, Lee & Shoham, 2016), which create misalignment in terms of beliefs, values, and practices, thus creating conditions of animosity and anxiety. Consequently, such emotions manifest themselves in the everyday practices of managers and employees, especially during the post-merger integration (PMI) stage, when they are still the process of negotiating their own spaces.

Research has shown that those merging companies that develop post-merger agility (PMA) find themselves in a better position to deal effectively with such differences and

improve their post-M&A performance (Buckley, 2010; Stahl et al., 2013). Agility is the ability to continuously adjust and adapt the core business strategic direction as a function of strategic ambitions and changing circumstances (Doz & Kosonen 2008a). Agility has been referred to as one of the key capabilities companies have to change quickly and adjust to changing business environments (Doz & Kosonen, 2010; Wilson & Doz, 2011; Heisterberg & Verma, 2014; Tallon & Pinsonneault, 2011; Weber & Tarba, 2014; Alon, Madanoglu & Shoham, 2017). It is also the capability a company has to remain flexible when facing new developments, to regularly adjust its strategic orientation, and to develop new ways to create value (Fourné, Jansen & Mom, 2014; Heisterberg & Verma, 2014; Weber & Tarba, 2014). Due to the role it plays in dealing with rapidly evolving business environments, agility has been noted to be an important core competency and meta-capability of a firm in general (Fourné et al., 2014; McCann, 2004; Weill, Subramani & Broadbent, 2002; Volberda, 1996, 1997), and particularly for inter-firm partnerships and alliances (Brueller, Carmeli & Drori, 2014; Junni, Sarala, Tarba & Weber, 2015; Weber & Tarba, 2014).

Despite agility having been identified as an important dynamic capability to deal with uncertain situations, relatively few studies have examined it in the context of global M&As (Brueller et al., 2014; Junni et al., 2015; Weber & Tarba, 2014), and surprisingly little is known about the ways in which agility can be enhanced in contexts such as those involving global M&As. Specifically, we have an insufficient understanding of how PMA can be developed, and of what key antecedents and mediating variables influence PMA (Brueller et al., 2014; Brueller, Carmeli & Markman, 2016; Doz & Kosonen, 2008b, 2010; Fourné et al., 2014; Junni et al., 2015; Weber & Tarba, 2014).

Bearing in mind the gaps mentioned above and in view of the paucity of research on the key underlying processes and antecedents that enhance PMA, the aim of this article is to propose a conceptual model that shows that global M&A PMA can be developed by

combining HRM practices geared to enhance ability, motivation, and opportunity (AMO) and transactive memory system (TMS). Ability-enhancing HRM practices include recruitment, selection, training, and development (Akhtar, Ding & Ge, 2008; Armstrong et al., 2010). Motivation-enhancing HRM practices include retention, compensation, career development, and performance enhancement (Batt & Colvin, 2011; Yang & Lin, 2009). Opportunity-enhancing HRM practices include empowerment, engagement, networking, and commitment (Cabello-Medina, López-Cabrales & Valle-Cabrera, 2011; Katou & Budhwar, 2006). TMS involve knowledge among organizational actors: who knows what and who is best at doing what (Argote, 2015; Lewis & Herndon, 2011). We argue that TMS can act as important mediators between AMO-enhancing HRM practices and the enhancement of PMA. We explain how PMA, as a meta-capability, can be enhanced and leveraged during the PMI phase (Fourné et al., 2014; Junni et al., 2015) through AMO-enhancing HRM practices (Gardner, Wright & Moynihan, 2011) and TMS (Argote & Ren, 2012; Wegner, 1987).

This article contributes to the understanding of the mediating role played by TMS between AMO-enhancing HRM practices and PMA in the context of global M&As. Despite several studies having suggested that HRM practices play a vital role in improving company performance (Huselid, 1995; MacDuffie, 1995; Subramony, 2009), generally little research has integrated different sets of HRM practices, especially AMO-enhancing ones, in explaining the success or failure of M&As—especially during the PMI phase. Furthermore, the mediating mechanisms through which HRM practices impact performance and agility are not well-known (Aguilera & Dencker, 2004; Batt, 2002; Boxall & Macky, 2009; Brueller et al., 2014; Brueller et al., 2016; Dyer & Shafer, 1999; Gong et al., 2009; Junni et al., 2015; Weber, Rachman-Moore & Tarba, 2012). This article further suggests that AMO-enhancing HRM practices and TMS may shed light on how PMA can be developed and enhanced in the global M&As context. We argue that PMA constitutes a valuable dynamic capability not only

to deal with environmental shocks, but also to adapt to the changing requirements of global competition. Overall, this article contributes to the general literature on M&As by enhancing our understanding of global M&A performance during the PMI phase. This is one of the few studies to have integrated AMO-enhancing HRM practices and TMS in explaining PMA. So far, research on TMS has predominately focussed upon the team level of analysis; in this article, we bring the notion of TMS to the global M&A agility context (Argote, 2015).

This paper is structured as follows: In the next section, we discuss the key arguments that make up the development of the conceptual framework—namely PMA, AMO-enhancing HRM practices and TMS. Following this, the discussion and conclusions are presented with both the theoretical and managerial implications, and attention is drawn towards future research.

## **Development of the Conceptual Framework**

### **Post-Merger Agility**

M&As play a key role in the swift creation of further market opportunities and of synergies in terms of size and geography, combining key competencies and thus creating more value for the merging entities (Epstein, 2005; Gomes et al., 2011, 2013; Stahl et al., 2013). An important, yet complex, stage into which companies get after signing off their contracts is PMI. A company's flexibility and agility is of the utmost importance in complex situations such as the changing environments and crisis conditions (Grewal & Tansuhaj, 2001) that are mirrored in the M&A PMI stage, which involves the integration not only of the merging companies' strategic aspects but also of their operational, technological, cultural, and structural ones. During PMI, the integration of such aspects poses challenges that, in turn, can influence the development of PMA.

Creating synergies and dealing with complex, uncertain, and evolving business environments drive the need for the development of PMA as a vital capability of mergers (Brueller et al., 2014; Doz & Kosonen, 2008b, 2010; Junni et al., 2015; Weber & Tarba, 2014). Although the current studies on M&As and on the factors related to successful PMI expose us to a number of issues faced by merging companies in the PMI stage (Gomes et al., 2011, 2013; Stahl et al., 2013), limited research has been conducted to understand how PMA can be developed and enhanced in the PMI phase, particularly in global M&As (Brueller et al., 2014; Junni et al., 2015; Weber & Tarba, 2014). In particular, there is limited understanding of the factors and specific mechanisms that enable or hinder the development and enhancement of PMA, which is perhaps among the most critical, yet difficult, aspects in the PMI phase.

It has been suggested that a strategic agility framework can potentially be applied to different stages of M&As, such as the initial screening and evaluation of potential acquired companies, the deal making, and the PMI (Brueller et al., 2014). Developing PMA is of vital importance for the merging entities to improve post-merger integration, as they may have to give up their old ways of doing things and focus on transforming and renewing themselves (Weber & Tarba, 2014). It is in this context that recent studies have begun to focus upon applying the strategic agility framework to the M&A deal making and integration phases (Brueller et al., 2014; Weber & Tarba, 2014; Junni et al., 2015). However, research in this area—and particularly on PMA—is still in its infancy and fragmented (Weber & Tarba, 2014; Junni et al., 2015).

PMA is one of the key dynamic capabilities needed to deal with complex situations; through it, merging companies can quickly respond to changing customer requirements and create more value, while simultaneously balancing the contrasting requirements for speed, stability, and flexibility (Brueller et al., 2014; Doz & Kosonen, 2008b; Fourné et al., 2014).



Despite the increasing importance of PMA, the existing research has been less attentive to soft factors and mechanisms, including the role played by organizational practices, such as HRM related issues and practices (e.g., Dyer & Shafer, 1999), and other team related ones, such as TMS, in the development and enhancement of PMA in the global M&A context. These factors enable global M&As to perform better in the face of the significant challenges imposed by greater cultural and institutional barriers. The utilization of HRM practices, particularly AMO-enhancing ones, and TMS can aid the development and enhancement of PMA in global M&As and further contribute towards the enhancement of value creation and performance improvement of M&As. Figure 1 shows the conceptual framework that indicates that AMO-enhancing HRM practices play an important role in the development and enhancement of PMA. We also argue that TMS is a key mediator between AMO-enhancing HRM practices and the development and enhancement of PMA.

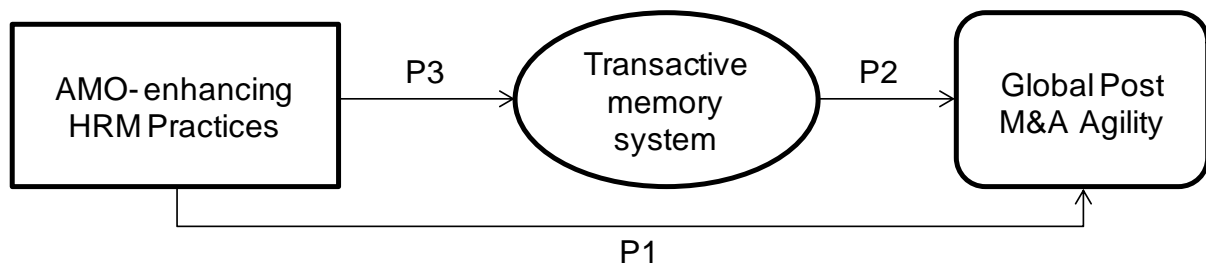


Figure 1. A Transactive Memory System as a mediator between Ability, Motivation and Opportunity- enhancing HRM Practices and Global Post Merger and Acquisition Agility

### **AMO-enhancing HRM practices and PMA**

Decades of scholarship have highlighted the contribution of HRM to organizational performance (Jiang, Takeuchi & Lepak, 2013). Despite the widely held claims and subsequent empirical support that HRM practices in general (Huselid, 1995; McClean & Collins, 2011), and agile HRM practices in particular (Dyer & Shafer, 1999; Dyer & Ericksen, 2005), play a vital role in improving company performance, so far, research is

lagging in explicating the contributions made by HRM practices—particularly AMO-enhancing ones—to the development and enhancement of organizational agility, especially during the PMI stage. This is partly due to the fact that the development of organizational level agility has not been an explicit objective for many HRM departments. However, an understanding of the role played by HRM practices in enhancing and leveraging a company's capability for agility is consistent with HRM's increasing responsibility for managing the overall company human capital, which, in essence, contributes towards establishing its competitive advantage and dealing with the evolving business environment.

The research shows that AMO-enhancing HRM practices are important for organizational performance (Becker & Huselid, 1998; Huselid, 1995; Jiang, Lepak, Hu & Baer, 2012; MacDuffie, 1995; Subramony, 2009) and for gaining a competitive advantage (Gardner et al., 2011; Kehoe & Wright, 2013; Prieto & Pilar Pérez Santana, 2012). The existing studies examining the role played by HRM practices suggest that those companies that enact AMO-enhancing ones improve their performance, particularly those operating in global markets (Stroh & Caligiuri, 1998). AMO-enhancing HRM practices are core motivation enablers for employees and help them to develop key skills and opportunities for job growth (Gardner et al., 2011; Guest, 1997; Kehoe & Wright, 2013). For instance, Chuang & Liao (2010) indicated that AMO-enhancing HRM practices are important for employee motivation to improve value creation and customer service in a service industry context. Gittell, Seidner & Wimbush (2010) provided support for the hypotheses that well-thought out AMO-enhancing HRM practices can improve the quality of services in patient care facilities. Similarly, Huang & Kim (2013) suggested the importance of the frequently adjustment of HRM practices to improve AMO in order to best position a company in a volatile business environment.

A related line of research in the context of organizational ambidexterity also highlighted the important enabling role played by AMO-enhancing HRM practices. Chang (2015) noted that company-level human capital—in the form of employees—mediates the relationship between the HRM practices adopted and organizational ambidexterity. Kostopoulos, Bozionelos & Syrigos (2015) indicated that high-performance AMO-oriented HRM practices positively contribute to company-level ambidexterity and performance, thus indicating that those companies that adopt AMO-enhancing HR practices perform better (Gardner et al., 2011; Kostopoulos et al., 2015). Ahammad, Lee, Malul & Shoham (2015) found that motivation-enhancing HR practices are key for improving employee productivity, motivation, and performance and for enhancing the contextual ambidexterity of commercial banks. All these arguments indicate that the role played by HRM practices, particularly AMO-enhancing HRM ones, becomes vital to attain PMA in global M&A contexts (Dyer & Shafer, 1999). Thus, it should come as no surprise that ambidexterity and agility are complementary and contingent. In particular, leadership unity plays a key role in achieving ambidexterity (Laukkanen & Doz, 2012).

The adoption of AMO-enhancing HRM practices can be important for the development of global M&A PMA (Brueller et al., 2016). Yet, the impact of AMO-enhancing HRM practices on organizational agility in general (Fourné et al., 2014), and in the global M&A context in particular, has neither been explored nor fully theorized (Brueller et al., 2014, 2016; Carmeli, Jones & Binyamin, 2016; Doz & Kosonen, 2010; Guest, 2011; Dyer & Shafer, 1999; Junni et al., 2015; Weber & Tarba, 2014). This gap is particularly surprising given the potential of AMO-enhancing HRM practices to address complex social, economic, and operational issues during global M&A PMI and improve PMA. In this article, we argue that understanding the impact of AMO-enhancing HRM practices on PMA in the context of global M&As is important because, through the implementation of such practices, merging

companies can develop a competitive advantage and the flexibility, adaptability, and agility needed to deal with the high levels of uncertainty arising during the PMI stage (Brueller et al., 2016; McCann, 2004).

Extending these arguments to the global M&A PMA would suggest that AMO-enhancing HRM practices are important to deal with the underlying uncertainty involving global M&A PMI activities and enable PMA. M&A activities are complex and the integration of the employees and organizational processes and systems of two different merging organizations poses significant challenges to the overall M&A performance, including PMA. Thus, AMO-enhancing HRM practices could play an important enabling role for the development of PMA in the context of global M&As, especially during the PMI stage; through them, employee capabilities can be developed, which is increasingly important for companies operating in global contexts to renew and transform their business models and become agile (Bock, Opsahl, George & Gann, 2012; Brueller et al., 2016; Shimizu & Hitt, 2004). Further, it has been suggested that AMO-enhancing HRM practices are important for the development of employee resilience (Lengnick-Hall et al., 2011), which is significant in terms of the ability of a company to go through the turbulent PMI stage and develop PMA to create value and improve M&A performance.

Therefore, we argue that the PMA developed through AMO-enhancing HRM practices should reflect on the underlying HR capabilities that are necessary to survive and succeed in highly dynamic environments such as those observed in the global M&A context. Additionally, we emphasize that AMO-enhancing HRM practices will have a stronger impact on global M&A PMA than the implementation of a set of independent and individualized HRM practices (Brueller et al., 2014, 2016; Chuang & Liao, 2010; Lawler, Chen, Wu, Bae & Bai, 2011). Bundles of HRM practices—such as high-performance work systems, commitment-oriented HR systems, high-involvement systems, and innovative HR practices—

have been noted to be more valuable in enhancing company performance than the enactment of individual sets (Becker & Huselid, 1998; Huselid, 1995; MacDuffie, 1995; Arthur, 1994; Batt, 2002; Ichniowski et al., 1997). Based on the preceding discussion, we propose the following:

**Proposition 1:** AMO-enhancing HRM practices have a positive impact on PMA in the context of global M&As.

### **Transactive Memory System and PMA**

TMS has been noted to be important collective memory system for the encoding, storage, and retrieval of information (Argote, 2015:198; Lewis & Herndon, 2011). TMS is defined as group and individual-oriented cooperative processes for the acquisition and application of specialized expertise and knowledge in organizations (Lewis & Herndon, 2011; Wegner, 1987). Wegner, Giuliano & Hertel (1985) suggested that a TMS has two key components: the specialized knowledge and expertise held by each individual team member and the set of underlying transactive processes that take place among the entirety of group members and enable them to coordinate the application of the specialized knowledge and expertise they possess.

Such knowledge and expertise are noted to be important for the improvement of team level performance on diverse sets of tasks (Argote, 2015; Liang, Moreland & Argote, 1995; Ren & Argote, 2011). In this context, it has been suggested that the collective memory of an organization (Argote, 2015; Wegner, 1987) is one of the key ingredients of competitive advantage (Argote & Ren, 2012). Argote (2015:199) noted that “knowledge of each other’s expertise enables ... to envision new combinations of knowledge that can lead to the development of new products or services”, thus leading to competitive advantage. This advantage is particularly valuable for global M&As—which must deal with a tremendous

information and knowledge in-flow at the PMI phase—and can enable the development of strong PMA to effectively deal with uncertainty.

Early experimental studies conducted on individuals noted that both married couples who had developed TMS and couples of strangers who had been trained to develop artificial TMS were not only able to learn but also recall more words than untrained couples of strangers (Hollingshead, 1998; Wegner, 1987). Building on these earlier studies, TMS has so far been examined in diverse group and collective organizational settings (Lewis & Herndon, 2011). For instance, it has been examined in new product development teams and found to be important drivers of team learning and speed to market, as well as new product success (Akgün, Byrne, Keskin, Lynn & Imamoglu, 2005), global sales team expertise retrieval (Yuan, Carboni & Ehrlich, 2010), and laboratory settings (Liang et al., 1995), among others. Liang et al. (1995) noted that those teams with well-developed TMS performed better compared to those with less developed ones, thus suggesting the importance of TMS for team performance. The existing research provides support for the notion that TMS helps in the reduction of errors and improve speed in operational related tasks; on average, sample groups that had strong TMS made fewer errors and took less time to complete tasks than those lacking TMS (Faraj & Sproull, 2000; Liang et al., 1995). Studies also indicated that having a strong TMS contributes to organizational innovation and creativity (Argote & Ren, 2012; Gino, Argote, Miron-Spektor & Todorova, 2010).

Extending these arguments to the global M&A PMA context, we argue that those M&As that have developed strong TMS will be in a better position to enhance their PMA than those that lack such memory systems, as the combination of the specialized knowledge of the merging companies can lead to the enhancement of their PMA (Lewis & Herndon, 2011; Liang et al., 1995). TMS is important not only in stable environments; it is also beneficial in highly dynamic environments, such as those of global M&A related activities

(Argote, 2015; Argote & Ren, 2012; Ren & Argote, 2011). Global M&As typically involve companies divided by social, economic, and operational boundaries; also, their employees may be mutually unaware of who is better at doing what, which could hinder the development of their PMA. Such knowledge is more readily available in small closed teams and intra-organizational networks than in inter-organizational ones such as global M&As, which involve coordination between diverse interests. TMS enable the mapping of diverse knowledge across the merging companies, making them more productive and effectively coordinated, especially during the delicate PMI phase. They enable the merging companies' organizational members to collectively solve problems through effective participation and consultation. The quality of the interactions and the time taken to solve problems can be improved by developing a TMS among merging companies. A TMS enables the recombination of the knowledge that is essential for the merging companies to perform better during the PMI stage. The combination of expertise and specialized knowledge created by a TMS is particularly vital to address the challenges arising during the PMI phase and for the enhancement of PMA in the context of global M&As.

These arguments are in line with the existing studies that indicate that TMS are quite valuable in dynamic environments and in large complex group settings (Ren, Carley & Argote, 2006). Since global M&As operate in dynamic and complex—as opposed to stable—environments, TMS will be useful to the development and enhancement of the merging companies' PMA, and can thus create a sustainable competitive advantage for them due to the difficulty of imitation by competitors (Barney, 1991; Lippman & Rumelt, 1982). Through TMS, the key strategic and operational knowledge of the merging entities can be combined and coordinated both effectively and efficiently in order to quickly respond to changing market conditions and customer demands, thus enabling the development of the sustainable competitive advantage of the M&A. Based on the above discussion, we propose:

**Proposition 2:** The effective management of transactive memory system among merging companies is positively related to post-merger agility in the context of global M&As.

### **Transactive Memory System as Key Mediator**

With respect to PMA in a global M&A, as presented in Figure 1, the mediating effect needs to be addressed. The figure describes the more subtle process that we expect to lie at the root of the causal relationship between AMO-enhancing HRM practices and PMA in the context of global M&As. We explain this relationship in two ways. First, we argue that a TMS enables the merging entities to leverage their AMO-enhancing HRM practices by sharing and coordinating their specialized knowledge (Argote, 2015; Lewis & Herndon, 2011; Ren & Argote, 2011; Wegner, 1987). Studies have shown that AMO-enhancing HRM practices—including carefully identifying and recruiting personnel, training, developing, retaining the right ones, eliminating redundancies, controlling overcapacities, eliminating excess assets, and modifying incongruent practices—play a crucial role in the integration between two global companies (Jiang et al., 2012, 2013; Weber, Rachman-Moore et al., 2012; Weber & Tarba, 2010).

Nevertheless, this is not a direct relationship. Without the effective coordination of knowledge among merging entities, companies suffer heavily during the PMI stage even in the presence of AMO-enhancing HRM practices. Independently developed HRM practices in less coordinated merging entities result in increased personnel management complexities during the PMI stage, eventually leading to low levels of PMA and to the future failure of the integration process. We argue that AMO-enhancing HRM practices must be directed at improving company TMS, which is vital for the development of PMA and for the mergers' performance and survival. This argument is consistent with the results of recent studies that



examined the role played by HRM practices in organizational performance and noted a large degree of unexplained variance, thus suggesting the need to understand other contingency variables and mediating mechanisms (Batt, 2002; Combs, Liu, Hall & Ketchen, 2006; Jiang et al., 2012) such as situational and contextual factors (Jackson & Schuler, 1995; Kim & Wright, 2011). TMS can be one of the contingency variables that can provide important insights into the underlying mechanisms that connect AMO-enhancing HRM practices and PMA. To the best of our understanding, the existing studies failed to examine the possible potential contingencies of the relationship between AMO-enhancing HRM practices and the enhancement of PMA in the context of global M&As.

Further, we describe the related notion of how companies can develop TMS by proposing that AMO-enhancing HRM practices provide an essential input to the latter (Gardner et al., 2011; Kehoe & Wright, 2013). AMO-enhancing HRM practices influence the TMS of global M&As, as the groups and individuals in the merging organizations will effectively share and transform the knowledge required to develop PMA in global M&As (Argote, 2015; Argote & Ren, 2012; Lewis & Herndon, 2011; Ren & Argote, 2011; Wegner, 1987).

TMS can be improved by the existence of three important factors (Liang et al., 1995) that can be enabled by AMO-enhancing HRM practices. The first is the knowledge differentiation or memory specialization of the personnel in the merging companies. AMO-enhancing HRM practices, especially ability-enhancing ones—including careful selection based on specific qualifications, programmes for skill enhancement, and the removal of redundant skills and capabilities—would develop the required knowledge differentiation in the merging companies. During the integration process, TMS evolve and the organizational members across the merging entities co-develop specialized complementary assets that fit

each other. The personnel across the merging entities are aware of who knows what and of how to access such knowledge.

The second is the task credibility of the personnel in the merging companies. AMO-enhancing HRM practices, especially motivation- and opportunity-enhancing ones—including performance and development programmes, network activities, cause-related programmes, and volunteering—increase the interaction between the organizational members of the merging entities, creating the conditions under which the organizational members trust each other's knowledge and specialization.

The third factor is the coordination among the members of the merging entities. With the right kind of personnel and highly motivating and opportunity creating HRM practices, the members of the merging entities create an awareness of who knows what and of how and when to access such knowledge. This results in the efficient, effective, and seamless coordination among the members of the merging entities. In brief, we expect the simultaneous utilization of AMO-enhancing HRM practices and TMS to facilitate the improvement of PMA among the merging companies (Argote, 2015; Lewis & Herndon, 2011). These two conditions imply that AMO-enhancing HR practices are expected to positively influence PMA in global M&As via their positive impact on TMS (TMS as key mediators). Based on the arguments presented above, we suggest the following:

**Proposition 3:** The transactive memory system of merging companies mediates the relationship between AMO-enhancing HRM practices and post-merger agility in the context of global M&As; i.e., AMO-enhancing HRM practices enable the effective management of the transactive memory system of the merging companies and the latter, in turn, enhance the contribution of AMO-enhancing HRM practices to post-merger agility.

## **Discussion and Conclusions**

Many mergers fail to achieve their set objectives and are terminated early on during their PMI stages (Dyer et al., 2003; Gomes et al., 2013; Stahl et al., 2013). In this context, agility has been suggested to be one of the important capabilities needed to deal with uncertainty and develop a competitive advantage (Junni et al., 2015). M&As are characterised by great uncertainty due to the different systems, structures, and cultures of the merging companies (Gomes et al., 2011, 2013); researchers have indicated the need to identify theoretical frameworks that can explain the successful PMI and development of a competitive advantage for the merging entities (Weber, Tarba & Reichel, 2011; Weber, Tarba & Rozen Bachar, 2012).

The aim of this article was the development of a conceptual model suited to explain how global M&As develop and enhance their post-merger agility, which is suggested to be an important dynamic and meta-capability needed by companies to deal with evolving and uncertain business environments (Brueller et al., 2014; Fourné et al., 2014; Junni et al., 2015; McCann, 2004). To develop our model, we combine two important areas of research that had so far not been brought together in the general research on agility, and particularly in the context of global M&As. One, we argue that AMO-enhancing HRM practices (Gardner et al., 2011; Kehoe & Wright, 2013) are one of the key underlying antecedents for the development and enhancement of PMA in the context of global M&As. Two, we identify the transactive memory system of global merging companies, a collective form of specialized knowledge, as playing an important role in the development and enhancement of PMA in global M&As. This paper, therefore, makes the important contribution of providing a better understanding of the relationship between AMO-enhancing HRM practices, TMS and the enhancement of PMA in the context of global M&As (Doz & Kosonen, 2010; Fourné et al., 2014; Junni et al., 2015).

## **Theoretical Implications**

Previous research pointed at the failure of many M&As, especially during their PMI stages, and mentioned numerous human related factors as contributing significantly to such high failure rates. In this article, we build on this argument and contribute to the literature on M&As, agility, TMS, and high performance HRM systems in at least three important ways. First, recent research pointed at agility, specifically PMA, as one of the important dynamic capabilities linked to M&A success. We argue that paying insufficient attention to PMA leads to the failure of the integration process and of the survival of M&As. Yet, the antecedents and underlying processes that shape the development and enhancement of PMA in M&As, particularly global M&As, are insufficiently understood (Brueller et al., 2014; Fourné et al., 2014; Junni et al., 2015; Weber & Tarba, 2014). We contribute to this line of research by integrating AMO-enhancing HRM practices, which can play an important role in the enhancement of PMA in the context of global M&As.

Second, this article brings novel insights to the agility literature by conceptualizing TMS as one of the important variables that can play a vital role in the development and enhancement of PMA in the context of global M&As; through them, the merging companies can systematically collaborate by sharing their unique collective knowledge and develop a sustainable competitive advantage (Argote & Fahrenkopf, 2016; Argote & Ren, 2012). The research highlighted that, in order to achieve agility, it is important for global companies to develop the key human capabilities that can facilitate the renewal and transformation of the prevailing business models and deal successfully with rapidly changing competitive business requirements (Bock et al., 2012; Shimizu & Hitt, 2004). Against this background, we argue that TMS can be one such important human capability. Further, the literature on M&A integration highlighted the core value of the efficient and effective management of HRM practices, especially AMO-enhancing ones, for the integration process (e.g., Brueller et al.,

2016). Nevertheless, the process through which such HRM practices can influence the integration process and the ways in which their contribution can be elevated require more focussed attention. We fill this gap by emphasising the importance of bringing together knowledge and expertise across merging companies through TMS. Additionally, we highlight the mediating role played by TMS in ways that, when combined with AMO-enhancing HRM practices, could improve PMA, eventually reducing the incidence of PMI stage failures.

Third, the article further contributes to the literature on TMS, which had been mainly examined in the team level context, by proposing that TMS can be important in the global and organizational level contexts; i.e., in organizational agility and global M&As (Argote, 2015; Ren & Argote, 2011). Furthermore, the article contributes to the TMS debate by highlighting the important role played by AMO-enhancing HRM practices as important enablers that can strengthen inter-organizational level TMS (Lepak, Liao, Chung & Harden, 2006; Ren & Argote, 2011). Through the adoption of AMO-enhancing HRM practices (Lepak, Marrone & Takeuchi, 2004; McClean & Collins, 2011; Weber, Rachman-Moore et al., 2012), inter-organizational level TMS can be enhanced, which subsequently contributes to the development and enhancement of PMA in the context of global M&As. Overall, our conceptual model provides a more micro-level humanistic view of some of the factors that could contribute to reducing PMI stage M&A failures. This is a gradually emerging direction in M&A integration process studies, which predominately focus on macro-level factors and processes.

### **Implications for Practice**

This article has several implications for practitioners. First, it highlights the importance of a coherent set of HRM practices for the development and enhancement of organizational agility, particularly in the global M&As context, which encounters high failure rates due to

human-related factors. While the impact of institutional, legal and operational differences on the integration process is well established and seriously considered by companies, employees and their voices are not given importance. Engaging employees and investing in human capital can significantly contribute to the development of the strategic agility of merging companies and contribute to the latter's competitive advantage.

Second, this article suggests that PMA, in the context of global M&As, can be enhanced to deal with uncertainty and improve integration speed by developing a strong TMS able not only to leverage but also to coordinate the specialized knowledge of individuals and groups between the merging organizations. Especially under the conditions of uncertainty created by M&As, organizations need to be aware of the existence of any specific and required knowledge and of the ways to access it. This would improve the integration process and associated PMA.

Lastly, our model also suggests that, to develop strong TMS, managers should invest in the development and utilization of high commitment HRM work systems based on AMO-enhancing HRM practices. Beyond contributing to PMA and to the integration process, such investment would improve employee commitment and engagement, which are essential to the dynamic capabilities required to gain a strategic advantage in an industry.

### **Future Research Directions**

Despite offering important insights with respect to the enhancement of post-merger agility in the context of global M&As, this article is only a first step towards a deeper understanding of the key underlying processes and antecedents of PMA. More research is needed to understand the nuances of the factors and processes influencing PMA. First, future studies would need to empirically test the identified relationships by conducting qualitative case studies as well as large scale survey-based research. Although it has been suggested that agility is one of the

key dynamic capabilities needed to deal with the challenges arising from dynamic environments, the particular processes and antecedents (such as the specific role played by HRM practices and transactive memory system) have not been investigated empirically, particularly in the context of global M&As.

Second, future studies may need to examine additional processes and mechanisms, such as deliberate learning and socialization processes (Heimeriks, Schijven & Gates, 2012; Khan, Shenkar & Lew, 2015; Zollo & Singh, 2004), the role played by leadership, by those routines that may interact with AMO-enhancing HRM practices (Jiang et al., 2013; Junni & Sarala, 2014; Nemanich & Vera, 2009), and by TMS in enhancing PMA. For example, deliberate learning has been identified as being important in the post-acquisition integration phase (Barkema & Schijven, 2008; Zollo & Singh, 2004). Therefore, there is scope to expand our model by exploring the influence of more novel developments in HRM and organizational behaviour research.

Third, future studies need to compare companies from various industrial settings (Judge & Miller, 1991) and with different degrees of dynamism, and examine the impact of AMO-enhancing HRM practices and TMS on their rate of survival and growth. For instance, studies have shown that bundles of HRM practices are important for company performance and that TMS play a vital role in innovation and the reduction of errors in teams. Yet, these two streams of research have evolved separately and with little integration, and we know little about the environmental conditions (e.g., high versus low degrees of environmental dynamism) under which AMO-enhancing HRM practices and TMS become important. The integration of this perspective could deepen our knowledge of the association between AMO-enhancing HRM practices and TMS, and strategic management and related areas, including strategic HRM.

Fourth, although we suggest that AMO-enhancing HRM practices, as a bundle, play an influential role in enabling PMA through TMS, future research should look into the individual influences, which may differ, of different HRM practices on TMS and, consequently, PMA. By doing so, future studies could enhance our understanding of the influence of AMO-enhancing HRM practices on post-merger agility (Jiang et al., 2013). For example, Gardner et al. (2011) suggested that these practices have somewhat different influences; they noted that, whereas motivating and empowering-oriented HRM practices played a positive role in employee retention, however, skill-enhancing ones did not.

Finally, additional knowledge management related variables, such as effective knowledge management systems (Alavi & Leidner, 2001; Hedlund, 1994), knowledge absorption (Zahra & George, 2002), and depth, breadth, and speed of learning (Zahra, Ireland & Hitt, 2000), may interact with HRM practices and TMS in explaining the development and enhancement of PMA in the context of global M&As. Uncovering such variables would further enhance our understanding of PMI phase success and failure and of the development and enhancement of PMA.



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