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Integration of nonmarket and market activities in cross-border mergers and acquisitions

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Abstract

Drawing on the resource dependence theory and the resource-based view, this paper investigates the interactions between market and nonmarket activities of firms in the context of the post-merger integration phase in cross-border mergers and acquisitions (M&As). Based on a cross-country survey of 111 M&A practitioners who were personally involved in cross-border M&As around the world, we test seven hypotheses on various market and nonmarket aspects of post-merger integration. We find a positive correlation between buffering strategies and adaptive capabilities in the nonmarket environment, and between bridging and adaptive capabilities in the market environment. However, we could not find any significant correlation between buffering and adaptive capabilities in the market environment, and bridging and adaptive capabilities in the nonmarket environment. We also find that adaptability in the nonmarket environment is positively correlated with adaptability in the market environment, and in turn adaptability in the market environment leads to positive organizational performance of a cross border M&A. These results provide further support for the value of the alignment between market and nonmarket activities and help to fill a gap in the literature on the market-nonmarket interactions in post-merger integration.

Keywords: Mergers, acquisitions, nonmarket strategy

Introduction

The interdependence between market and nonmarket environments and the organizational value of integrating market and nonmarket activities have been explored in the business literature since the work of David Baron (1995, 2001, 2012), even though the market and nonmarket elements of company strategies are still largely studied in isolation (Mellahi et al., 2016). Baron (1995, pp.47-48) defined market strategy as "a concerted pattern of actions taken in the market environment to create value by improving its overall performance" and explained that "the market environment includes those interactions between the firm and other parties that are intermediated by markets of private agreements". Baron defined nonmarket strategy as "a concerted pattern of actions taken in the nonmarket environment to create value by improving its overall performance", whereas "the nonmarket environment consists of the social, political, and legal arrangements that structure the firm's interactions outside of, and in conjunction with, markets".

However, while scholarly studies have largely focused on the integration between market and nonmarket strategies, some more recent empirical research has pointed to some tensions between market and nonmarket strategies, demonstrating inter alia that managerial political connections may be a liability rather than an asset (e.g. Li, Zhou and Shao, 2009; Sun, Mellahi and Thun, 2010; Sun, Hu and Hillman, 2015) and it has been suggested that "developing a capability to generate influence rents [related to nonmarket strategies] may well imply a weakening in the development of some other productive capabilities [related to efficiency improvements or innovation]" (Ahuja and Yayavaram, 2011, pp.1648-1649). Consequently, a recent review of the field suggested that "our understanding of the role of complementarity and tension between market and nonmarket strategies remains limited" (Mellahi et al., 2016, p.158). Simultaneously, the two principal components of nonmarket strategy – corporate social responsibility (CSR) and corporate political activity (CPA) – have largely been studied in isolation despite repeated calls for their integration (Baron, 2001; McWilliams, van Fleet and Cory, 2002; Rodriguez et al., 2006) and, only recently, researchers have started to investigate the interactions between the social and political aspects of nonmarket strategies (den Hond et al., 2014; Dentchev, van Balen and Haezendonck, 2015; Frynas and Stephens, 2015). Recent reviews suggest that we still have limited knowledge of the circumstances under which firms may purposefully manage CSR and CPA to benefit from their complementarities, or treat CSR and CPA as substitutes, or view CSR and CPA as distinct arenas and thus ignore their interactions (Frynas and Stephens, 2015; Mellahi et al., 2016).

The resource-based view (RBV) has emerged as the main theoretical perspective for illuminating the integration of market and nonmarket strategies, as scholars have postulated that valuable firm-specific resources for integrating activities across the market and the nonmarket arenas (Clougherty, 2005; McWilliams et al., 2002) and for integrating CSR and CPA activities (den Hond et al., 2014; Rehbein and Schuler, 2015) can lead to valuable complementarities and competitive advantages for the firm (cf. Mellahi et al., 2016). While this scholarship has provided us with a strategic perspective on the integration of market and nonmarket strategies, research from other, environment-focused, theoretical lenses has suggested that positive performance effects from such integration depend on the nature of a firm's external relationships. In particular, the positive effects of integration are said to arise in environmental contexts when governments control critical resources on which the firm is dependent and there is considerable value in aligning the firm's interests with those of government (Kostka and Zhou, 2013; Marquis and Qian, 2014; Wang and Qian, 2011). Reviews of the dominant paradigms in nonmarket research specifically suggested that the integration of environmental and strategic theoretical lenses provides a logical path for the continued future development of nonmarket strategy research (Doh, Lawton and Rajwani, 2012; Mellahi et al., 2016), and specifically "the integration between RDT [resource dependence theory] and RBV perspectives can result in a more nuanced understanding of when and how firm-specific [nonmarket] resources impact on organizational outcomes" (Mellahi et al., 2016, p.156). While the RBV can explain the creation and nurturing of resources and capabilities in relation to a firm's social and political environments, the RDT can explain how the value of these resources will be

contingent on the power relationships and resource interdependences between focal firms and nonmarket actors, hence the RBV and RDT provide complementary insights that can extend our understanding of how a firm's ability to develop nonmarket capabilities is limited by nonmarket actors, or conversely how firms can develop and deploy nonmarket capabilities to counteract stakeholder pressures or even proactively influence nonmarket actors (cf. Mellahi et al., 2016).

Therefore, there is ample need for more rigorous empirical research that investigates the organizational value of interactions between market and nonmarket strategies, taking the role of environmental context into account and combining the RDT and the RBV lenses. We specifically build on the currently state-of-the-art integrative model of the nonmarket strategy–performance relationship by Mellahi et al. (2016). Consistent with Hillman's (2002) argument that advancement of nonmarket strategy scholarship is more likely by accepting a common dependent variable – performance outcomes, this model focuses on the organizational performance outcomes of nonmarket strategies, underlying the importance of studying more closely the mediators between nonmarket strategy and performance. Following this model, our paper specifically investigates the relationships between boundary spanning bridging and buffering mechanisms (related to the external drivers of nonmarket strategy) and the mediating mechanisms related to the internal integration of market and nonmarket strategies (related to the internal drivers), and the related impact on performance. This paper investigates these relationships in the context of the post-merger integration phase in cross-border mergers and acquisitions (M&As) based on a cross-country survey of M&A practitioners. The role of nonmarket strategies in M&As has received increasing attention from both CSR and CPA scholars, and M&As provide an interesting setting for analysing nonmarket strategies because they involve both political and social concerns. Research has suggested that the ethical/social conduct of firms affects the selection of the acquisition target firm and improves M&A performance (e.g. Edwards and Edwards, 2013; Berchicci, Dowell and King, 2012). Conversely, research has suggested that CPAs help towards the regulatory approval of proposed M&As and also improve M&A organizational performance (e.g. Brockman, Rui and Zou, 2013; Holburn and Vanden Bergh, 2014). Governments were closely involved in promoting or preventing merger activity with the intention of protecting their domestic industries, creating national champions that could withstand competition from new international entrants, and preventing major job losses and regional economic decline as a result of the consequent merger restructuration processes (Gomes et al., 2009, 2010). Angwin et al. (Forthcoming) and Gomes et. (2012) provided insightful examples on how firms engage in M&A activity as a way of dealing with government regulations, as notably exemplified by a mega merger wave in the Nigerian banking industry in 2005 during which 70 banks merged to form 19 banks in one year.

However, past studies on nonmarket strategy in M&As have scarcely considered interactions between market and nonmarket strategies in post-merger integration in M&As, and have not considered both social and political aspects in their study design. This is to our knowledge the first study on integrated strategy in the post-merger integration phase that considers both political and social aspects in M&As and hence our first contribution is to help towards a better understanding of integrative strategies in M&As. Our second contribution is to employ a combination of the RBV and the RDT to explore how a firm's market and nonmarket capabilities are related to the mechanisms by which firms address environmental pressures, and how they impact on organizational outcomes.

M&A process and post-acquisition integration

There is no corroborative evidence that M&A strategy has a significant positive impact on the financial performance of the acquiring company since the findings of the research studies are often inconsistent, mixed, and even contradictory (Haleblian et al., 2009; Papadakis and Thanos, 2010). Since tacit knowledge is difficult to transfer, a high level of post-acquisition integration may be required to realize the much-anticipated benefits of the acquisitions (Almor, Tarba and Benjamini,

2009; Puranam, Singh and Zollo, 2003, 2006; Puranam and Srikanth, 2007; Ranft, 2006). However, a high level of integration may eventually engender cultural clashes (Weber and Tarba, 2011), destruction of the knowledge-based resources of the acquired firm due to senior management and key employee turnover (Krug, Wright and Kroll, 2013; Ranft and Lord, 2000), and disruption of organizational routines (Spedale, van Den Bosch and Volberda, 2007; Tarba, Almor and Benyamini, 2012). Building on a model that includes organizational culture differences, and the synergy potential between the amalgamating companies, Weber et al. (2009, 2011) suggested that the negative performance track record of acquiring companies may stem from their unwillingness or inability to apply the tailor-made post-acquisition integration approach actually needed in each specific M&A deal. Furthermore, in a detailed analysis of the merger between the Israeli Lannet and British Madge in the high-tech industry, Weber et al. (2012) highlight the importance of the post-merger integration approach implemented by the acquiring entity on the overall success of the M&A deal. Likewise, a study of the German company Fast's acquisition by the Israeli high-tech company Aladdin sheds light on post-acquisition-related problems that arise from the culture clash between combining firms (Weber and Tarba, 2011). Studies have specifically pointed to the importance of individuals in the success of post-acquisition integration, including skills, motivation and perceptions of individuals (Vaara, 2001, 2003; Brueller, Carmeli and Markman, in press), but curiously they have largely failed to investigate the role of individuals' nonmarket skills and ties, social and political factors that may influence individual motivation or the role of ethical perceptions in the success of post-acquisition integration.

As outlined above, although prior researchers focused on several critical factors influencing the post-acquisition integration (e.g. cultural differences or disruption of organizational routines), scant research exists examining the impact of political and social aspects on cross border M&As. However, anecdotal evidence suggests that social and political factors can significantly affect cross border M&As. For example, Kraft Food's takeover of Cadbury in 2010 resulted in social protests and UK government hostility over the closure of a factory, resulting in low motivation among its employees and reputational losses. Pfizer's planned acquisition of AstraZeneca in 2014 was abandoned following US government opposition and public opposition to Pfizer's planned move of its tax residence to the UK and the envisaged losses to the US Treasury. Hence, nonmarket factors appear to have substantial influence on cross border M&As and further research is required on both political and social aspects in cross border M&As.

Market and nonmarket adaptive capabilities

The RDT suggests that companies must adapt to their market and nonmarket environments, since their survival within these environments requires the flow of critical resources (e.g. knowledge, personal ties or legitimacy). Therefore, companies must address the demands of those actors in their environment who feed critical resources for their continued existence (Pfeffer and Salancik, 1978; Frooman, 1999; cf. Hillman et al., 2009).

Nonmarket scholarship from the RDT lens has focused on the adaptation of firms' nonmarket initiatives to the demands of those actors who hold critical resources. For example, high dependence on female staff can explain a firm's focus on work-life balance issues (Ingram and Simons, 1995), while the dependence of extractive firms on rural communities can explain their substantial local development initiatives (Hess and Warren, 2008).

The literature specifically points to key interdependencies between market and nonmarket resources in the M&A process. With regards to critical political resources, scholars suggest that proposed M&A deals require regulatory approval and hence nonmarket (political) activities of firms are essential in helping towards the regulatory approval of proposed M&As. The CPA scholarship suggests inter alia that particularly firms in highly regulated industries increase their CPAs in the run-up to a regulatory review of a proposed merger (Clougherty, 2003; Holburn and Vanden Bergh, 2014). From an RDT lens, the success of M&As depends on the critical resources

provided by employees (Aguilera, Dencker and Yalabik, 2008), which is related to avoiding or at least reducing the turnover of executives and key talents of the target company (Krug and Aguilera, 2005; Krug, Right and Kroll, 2014; Zhang et al., 2015). The CSR scholarship shows that these critical resources can be procured thanks to ethical or responsible conduct in M&As, which helps to ensure employee identification and commitment (Lin and Wei, 2006; Edwards and Edwards, 2012; 2013; Gomes et al., in press). Notably the study by Ellis, Lamont and Reus (2009), exploring the post-deal value creation in large related acquisitions, shows that procedural justice is critical in realizing market position improvements following the integration process, while informational justice is essential in achieving market position gains during integration and financial return gains both during and post-integration.

While the RDT explains the importance of specific actors and critical resources to the firm, the RBV shifts attention toward the development of internal resources and capabilities in enabling the firm to successfully adapt. The RDT assumes that firms should develop certain resources to help them obtain critical resources, whereas the RBV assumes that internal resources are not evenly distributed and the development of valuable, rare and inimitable resources can lead to firm-specific competitive advantages (Wernerfelt, 1984; Barney, 1991; cf. Kraaijenbrink et al., 2010).

Nonmarket scholarship from the RBV lens suggests that specialised skills or capabilities related to investment in CSR (e.g. Hart, 1995; Russo and Fouts, 1997) and CPA (e.g. Frynas, Mellahi and Pigman, 2006; Oliver and Holzinger, 2008) can lead to firm-specific economic benefits for firms. Most crucially, this scholarship points out that integrative combinations of market and nonmarket capabilities can lead to such benefits (e.g. Frynas, Mellahi and Pigman, 2006; McWilliams, van Fleet and Cory, 2002; cf. Mellahi et al., 2016). Some M&A studies have suggested that social/environmental capabilities of the taken over organization are linked to market strategy. This scholarship suggests that such capabilities may occasionally influence the acquisition choice in M&As in that superior nonmarket resources are sought from the acquired target firms to improve market performance (Austin and Leonard, 2008; Mirvis, 2008; Berchicci, Dowell and King, 2012). Most notably, Holburn and Vanden Bergh (2014) have demonstrated that firms strategically employ integrative combinations of financial contributions to politicians and commercial M&A activities.

Cross border M&As are used as a corporate strategy in international markets. In order to persist, any strategy such as corporate strategy should have some degree of predictability (Kazt and Kahn, 1978), which is threatened by uncertainty in the foreign market environment. Adaptive capabilities in the market environment concern the ability to recognise and exploit on evolving market opportunities (Hooley, Lynch and Jobber, 1992) as well as the ability to perceive and explain market changes, and react accordingly (Chakravarthy, 1982). Consequently, adaptive capability in the market environment reduces uncertainty in the foreign market environment. Thus, an adaptive capability in the market environment is critical for firms competing for resources, revenues and profits in foreign markets during post-M&A integration.

We argue that adaptive capabilities in the nonmarket environment are also critical in improving firms' adaptive capabilities in the market environment. The strategies developed by firms in the nonmarket environment are a means to affect outcomes such as superior profits (Baron, 1995; Baron and Diermeier, 2007). Therefore, we expect that adaptive capabilities in the nonmarket environment to have a positive influence on the adaptive capabilities in the market environment. This argument leads to the following hypothesis:

> H1: Adaptive capabilities in the nonmarket environment are positively related to adaptive capabilities in the market environment.

Bridging and buffering activities

The mechanisms by which firms address environmental pressures are typically categorized as either buffering or bridging (cf. Fennell and Alexander, 1987) and this fundamental classification has proven particularly useful for developing hypotheses on how firms manage resource dependencies in nonmarket environments (Meznar and Nigh, 1995; Blumentritt, 2003; Dieleman and Boddewyn, 2012; cf. Mellahi et al., 2016). According to this typology, firms adapt to environmental pressures either by adapting "organizational activities so that they conform with external expectations" (bridging), or by "trying to keep the environment from interfering with internal operations and trying to influence the external environment" (buffering) (Meznar and Nigh, 1995, p.976).

The RDT highlights several mechanisms that can help to ensure the flow of critical resources to the firm and hence represent bridging and buffering activities. These crucial mechanisms include the board of directors and political connections (Hillman, Withers and Collins, 2009). Accordingly, RDT scholarship in the market context demonstrates inter alia that the inclusion of particular types of business experts on the board of directors helps to secure critical resources and improves performance (Jones, Makri and Gomez-Mejia, 2008; Kroll, Walters and Le, 2007), while in the nonmarket context, for example, the inclusion of ex-politicians on the board generates similar positive effects (Hillman, 2005; Lester et al., 2008). Therefore, procuring knowledge, personal ties or legitimacy through engaging specific individuals can help enhance bridging and buffering activities.

Bridging activities in the market environment may help firms adapt internal operations to connect more effectively with partner organizations, rivals or customers (e.g. Fennell and Alexander, 1987; Hensmans, van den Bosch and Volberda, 2001). Bridging activities in the nonmarket environment may help firms to reduce environmental uncertainties in dealing with the government and other actors such as activist groups (Meznar and Nigh, 1995; Blumentritt, 2003). This literature further suggests that specific resources – related inter alia to organizational size, management orientation or collaboration propensity – affect the choice of bridging and buffering activities (Fennell and Alexander, 1987; Meznar and Nigh, 1995; Blumentritt, 2003).

However, the RDT lens is unable to explain the heterogeneity of resource availability among firms. RBV scholarship suggests that the resources and capabilities required for effective bridging activities are unevenly distributed among organizations. Nonmarket resources and capabilities may include reputation for ethical behaviour as an intangible resource that helps improve external relations (Branco and Rodrigues, 2006) or the ability to realign or reconfigure the process infrastructure, such as improved data processing systems for evaluating regulatory compliance or process improvements to help reduce adaptation costs (Oliver and Holzinger, 2008). From an RBV perspective, these firm-specific resources and capabilities can help the effective implementation of bridging activities (e.g. Ambrosini, Bowman and Burton-Taylor, 2007 on market resources; Hart, 1995 on nonmarket resources), while in turn the adoption of specific bridging activities can help the firm to extend beyond its boundaries to develop new adaptive capabilities through better collaboration with external actors (e.g. Hart, 1995 on nonmarket resources; Lowik et al., 2012 on market resources). Therefore:

> H2a: Bridging activities are positively related to adaptive capabilities in the market environment.
>
> H2b: Bridging activities are positively related to adaptive capabilities in the nonmarket environment.

In contrast to bridging, buffering activities go beyond environmental adaptation by attempting to predict and gain influence over the environment. From the RDT perspective, buffering activities can help the firm derive organizational benefits from anticipating environmental changes and shaping a more benign environment that helps to guarantee the flow of critical resources (e.g. Hillman, Withers and Collins, 2009; Pfeffer and Salancik, 1978).

M&As have specifically been listed by Gomes et al. (2011, 2013) as one of the most crucial mechanisms for ensuring the flow of critical resources to the organization. The RDT scholarship strongly suggests that reducing resource dependence between organizations (e.g. with suppliers or rivals) is a key reason for M&As (Finkelstein, 1997; Casciaro and Piskorski, 2005). From the RDT perspective, an M&A can influence the environment by reducing competition, absorbing buyers/suppliers and by lessening dependence through obtaining critical resources from an acquired firm, and hence represents a buffering activity in the market environment (Hillman, Withers and Collins, 2009), while we also find at least some evidence in the CSR literature that an M&A can also represent a buffering activity in the nonmarket environment (Austin & Leonard, 2008; Mirvis, 2008; Berchicci, Dowell & King, 2012).

RBV scholarship suggests that the firm-specific resources and capabilities required for effective buffering activities may include inter alia technological capabilities (Mowery, Oxley and Silverman, 1998), environmental scanning and predictive capabilities (Aragón-Correa and Sharma, 2003) or political ties that can influence government regulation (Frynas, Mellahi and Pigman, 2006). From an RBV perspective, such firm-specific resources and capabilities can help the effective implementation of buffering activities (e.g. Mowery, Oxley and Silverman, 1998 on market resources; McWilliams, van Fleet and Cory, 2002 on nonmarket resources), while in turn the adoption of specific buffering activities can help the firm to improve learning processes and to further develop new capabilities to help control their environment (e.g. Sharma and Vredenburg, 1998 on nonmarket resources; e.g. Hitt et al., 2000 on market resources). Therefore:

> H3a: Buffering activities are positively related to adaptive capabilities in the market environment.
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> H3b: Buffering activities are positively related to adaptive capabilities in the nonmarket environment.

Performance impact of market and nonmarket capabilities

Adaptive capabilities may be a source of improved organizational performance and possibly sustainable competitive advantage (Bourgeois, 1980; Hooley et al., 1992; Powell, 1992). Specifically, RDT scholarship provides much evidence that different types of market and nonmarket adaptive capabilities enhance performance (e.g. Hillman, 2005; Peng, 2004). Most notably, RDT studies on the composition of the board of directors suggest that different types of directors can bring critical resources to the firm such as information (Haunschild and Beckman, 1998) and political connections (Hillman, 2005). For example, outside directors may contribute personal network ties to strategically related firms, which in turn may enhance the strategy formulation process (Carpenter and Westphal, 2001), while ex-politicians may contribute privileged information on public policy making and emerging regulations, which in turn may enhance nonmarket strategies (Hillman, 2005). Hence there are many different mechanisms through which adaptive capabilities can enhance performance.

The RDT suggests that "the environment is not dependable" (Pfeffer and Salancik, 1978, p.3). As the environment changes over time, the firm's dependence on certain actors and resources changes and, hence, the firm may alter the board composition to adapt to this environmental change (Boeker and Goodstein, 1991; Lang and Lockhart, 1990), which gives rise to considerable contingencies in the relationship between different critical resources and firm performance. M&A scholarship specifically demonstrated that the nature of the environment (e.g. strong legal systems versus weak ones, see Brockman, Rui and Zou, 2013) or the type of actor (e.g. state-owned companies versus other companies, Liu, Wang and Zhang, 2013) significantly impact performance. Most pertinent to our study, the timing of M&A-related strategic actions (such as gradualist versus speedy post-merger restructuring) may affect performance (Quah and Young, 2005). By extension to our study,

the insights from the RDT help to illuminate that, given that the firm's dependence on certain actors and resources arguably evolves during the M&A process, the critical resources required for M&A success may greatly differ between different M&A phases.

However, RDT studies focus on the process of co-optation of specific actors who may possess specific skills – individual members of the board or collaborative partner organizations – but fail to conceptualize how resources and capabilities are conceptualized and developed within organizations in response to environmental conditions. As already indicated earlier, RBV scholarship provides rich evidence that firm-specific organizational adaptive capabilities – particularly dynamic capabilities – enhance organizational performance (Barreto, 2010; Mellahi et al., 2016), thanks to both market resources and capabilities such as marketing and technological capabilities, and adaptive dynamic capability (Song et al., 2005; Lu et al., 2010) and nonmarket resources and capabilities such as green innovations and sustainability reputation (e.g. Chen et al., 2006; Lourenço et al., 2014).

In sum, RDT and RBV studies provide complementary insights on the performance value of adaptive capabilities. While RDT scholarship suggests that adaptive capabilities are derived from co-opting external actors and their value is contingent upon environmental conditions and resource interdependences between the firm and other actors, RBV scholarship points to a strong positive association between internally created adaptive capabilities and firm performance.

M&A scholarship demonstrated that nonmarket factors significantly affect M&A performance. Ethical or responsible conduct in M&As, as expressed through perceived conformity with corporate values or perceived fairness, affects employee identification and commitment and, in turn, affects M&A success (Lin and Wei, 2006; Edwards and Edwards, 2013; Gomes et al., in press), while political connections can help towards privileged access to information in advance of competitors or more favourable treatment by regulators and, in turn, improve M&A performance (Brockman, Rui and Zou, 2013; Liu, Wang and Zhang, 2013). However, while scholarship on the pre-merger deal phase has provided rich evidence that market resources and capabilities (e.g. Lubatkin et al., 2001) and nonmarket/political resources and capabilities (e.g. Holburn and Vanden Bergh, 2014) significantly impact M&A performance, scholarship on the post-merger acquisition phase largely focuses on the conduct of firms in market and nonmarket environments (i.e. bridging and buffering) and has failed to explore the value of capabilities in market and nonmarket environments for organizational performance. We argue that the acquiring firm may enhance performance of a cross border M&A through addressing the nonmarket environment, pursuing opportunities in the market environment and responding more quickly than competitors. These arguments lead to the following hypotheses:

> H4a: Adaptive capabilities in the market environment are positively related to M&A performance.
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> H4b: Adaptive capabilities in the nonmarket environment are positively related to M&A performance.

Method

Data collection

We developed an online questionnaire and sent the link to practitioners who were personally involved in cross-border M&As around the world. The questionnaire was pretested with three M&A consultants at a UK based consultancy firm. The name of practitioners was identified using LinkedIn, a professional network website with 400 million members. As emphasized by Quinton and Wilson (2016) the use of technology, and in particular digital communications technologies, has reshaped the working practices of multiple industries. Recent scholarship specifically suggests

that LinkedIn provides more accurate career histories and skills data than some alternative information sources (Tambe, 2014; Ge et al., 2016). Likewise, we believe the dispersed nature of the M&A activity and the multiple stakeholders involved in the process channel partners would indicate that LinkedIn would be a relevant social media network for data collection for our research study.

The profiles of M&A practitioners were checked on the LinkedIn website with the intension of identifying the person responsible for managing and/or advising cross border M&A deals. Based on the LinkedIn website search, a list of key informants and potential survey participants was assembled. The final list included 790 practitioners that had managed at least one cross border M&A deal between 2005 and 2015.

An e-mail was sent to these 790 M&A practitioners via LinkedIn in July 2015, followed by a reminder e-mail four weeks later. To enhance the response rate, we offered to provide an executive summary of the survey's findings to respondents. The two waves of survey administration resulted in a total of 129 responses, for an overall response rate of 16.32%. Of the 129 responses received, we discarded 18 of them due to excessive missing information, which resulted in a final usable sample of 111 (14.05% response rate).

A response rate of 14.05% can be considered satisfactory given the well-documented obstacles of obtaining questionnaire responses from executives/practitioners (Harzing, 1997) and the declining rate of response from practitioners (Cycyota and Harrison, 2006). This response rate is similar to that reported in other academic studies of executives (e.g. Junni et al., 2015; Mukherjee, Kiymaz and Baker, 2004; Capron, 1999). Survey respondents were directly involved in managing the cross border M&A deal as an integration lead, deal maker, advisor, executive and non-executive director, managing director, or another. Table 1 presents the industry and regional distributions of sample acquired firms.

Table 1. Industry and regional distribution of sample acquired firms

Industry / Region	SIC 0	SIC 1	SIC 2 & 3	SIC 4	SIC 5	SIC 6	SIC 7 & 8	**Total**
UK	0	0	1	1	2	3	1	**8**
European Union (EU)	0	14	11	6	12	3	7	**53**
Non- EU	1	0	2	2	0	0	4	**9**
USA & Canada	0	3	7	1	1	1	5	**18**
South America	0	3	0	0	2	0	1	**6**
BRIC	0	2	0	0	0	1	4	**7**
Middle East	0	1	0	0	0	0	1	**2**
Australia	0	0	1	0	0	0	2	**3**
Other Asian	0	0	3	0	0	0	2	**5**
Total	**1**	**23**	**25**	**10**	**17**	**8**	**27**	**111**

Note: SIC 0 = Agriculture Forestry Fishing; SIC 1 = Mining & Construction; SIC 2 & 3 = Manufacturing; SIC 4 = Transportation Communication Utilities; SIC 5 = Wholesale & Retail; SIC 6 = Finance Insurance Real estate; SIC 7 & 8 = Business Personal Other services; BRIC = Brazil Russia India China.

Non-response bias was assessed by comparing data from early and late respondents (Armstrong and Overton, 1977). Independent sample t-tests revealed no significant differences between the two groups on any of the explanatory variables. Additionally, because the use of a single survey for data collection creates the potential for common method bias (CMB), we took procedural steps to reduce the risk of bias (Podsakoff et al., 2003). We used pre-validated measures for each variable and we emphasized complete confidentiality. Moreover, each variable was measured by a large number of questionnaire items, and the contents of these constructs were dissimilar. We also used

both subjective (e.g. bridging) and objective (e.g. national cultural distance) measures in the study. In addition, we checked for CMB by conducting Harman's single-factor test. A substantial amount of CMB does not exist since more than one factor emerged and the largest factor explained less than 50% of the variance (Podsakoff et al., 2003). Finally, the PLS (Partial least squares) analyses revealed high discriminant validity (e.g. Fornell-Larcker Criterion Analysis), which further reduced concerns of CMB. Taken together, we concluded that CMB is not a serious problem with our data.

Measures

Cross Border M&A performance. Based on previous studies (Very et al., 1997; Larsson and Finkelstein, 1999; Reus and Lamont, 2009; Weber, Rachman-Moore and Tarba, 2012), eight performance appraisal items were used to elicit responses on a Likert scale: cost reduction via synergies, sales growth, growth in market share, customer retention, product/service diversification, talent acquisition and retention, return on capital, company share price/valuation. The weight of each performance measure was determined by asking respondents to rate its importance. We multiplied 'importance' with degree of 'success' for each of the eight performance measures, and used these eight performance measures in PLS test. The M&A performance measure (dependent variable) has been selected based on the recommendations of Thanos and Papadakis (2012a; 2012b) and Zollo and Meier (2008) that explicitly highlight that advantages of assessing performance based on both financial and non-financial indicators as opposed to CARs and accounting based measures of performance which evaluate only financial aspects of performance. In addition, another advantage relates to the fact that they can be used for both public and private companies.

Bridging. Measurement of bridging was done through an adaptation of Meznar and Nigh (1995) and Blumentritt (2003). Respondents were asked to indicate the extent to which the company considered the following issues during cross-border M&A integration (1 = not at all, 5 = high extent): a) strategic goal was integrated (considering market goals such as profit and social expectations), b) product design was integrated (considering market need and social expectations), c) integration of promotion (considering both product characteristics and social expectations, d) integration of suppliers (considering both market considerations and nonmarket forces).

Buffering. Buffering was measured using four indicators that relied on a Likert-type scale and were developed based on work by Douglas and Judge (1995). Respondents were asked to indicate the extent to which the company considered the following issues during the integration of (1 = not at all, 5 = high extent): a) influencing government policy and decisions; b) company actively engaged in public relations campaigns; c) company actively engaged in environment protection d) company actively participated in philanthropy.

Adaptive capability: market environment. In developing the measurement scale for adaptive capability in the market environment, we relied on Chakravarthy (1982) and Hooley, Lynch and Jobber (1992). Respondents were asked to rate how well the newly integrated company adapted to doing business in the 'foreign' business environment (1 = No adaptation, 5 = Highly adapted): a) the integrated company was able to predict market demand trends; b) the integrated company adapted to market demand; c) the integrated company could predict competitors' actions; d) the integrated company could adapt to competitors' actions.

Adaptive capability: Nonmarket environment. The measurement of adaptive capability in the nonmarket environment was done through an adaptation of Luo (2003) and Peng (2002). Respondents were asked to rate how well the newly integrated company adapted to doing business in the 'foreign' business environment on a Likert scale (1 = No adaptation, 5 = Highly adapted): a) the integrated company could predict public policy trends; b) the integrated company could adapt

to public policy pressures quickly c) the integrated company could predict social expectations; d) the integrated company could adapt to social expectations quickly.

Control variables

Size of the firm. A prior researcher (Bower, 2001) indicated that the integration of larger target firms affects M&A performance. We asked the respondents to indicate the size of the firm in the most recent cross-border deal (1 = Small business <$250M; 2 = Mid-market $250M - $1B; 3 = Large > $1B).

National cultural distance. We measured national cultural distance as the extent of the distance between the acquiring firm and the acquired firm's country in terms of GLOBE's (House et al., 2004) institutional collectivism, in-group collectivism, uncertainty avoidance and power distance. Similar to Kogut and Singh's (1988) approach, the measure of cultural distance using the uncertainty avoidance dimension was calculated as follows. The measure of cultural distance using the institutional collectivism, in-group collectivism and power distance dimension was also calculated in a similar fashion.

$$CD(UA) = \frac{(\mathrm{UA_{UK}} - \mathrm{UA}_j)^2}{V\mathrm{ua}}$$

where UA_{UK} is the uncertainty avoidance index for an acquiring firm, UA_j is the uncertainty avoidance index for the acquired firm country j, and V_{ua} is the variance of the uncertainty avoidance index. Greater values on the cultural distance measures indicate greater differences or distance between the acquiring and the acquired firm's country with respect to the cultural dimension. We use these four national cultural distance measures rather than Kogut and Singh's (1988) index because the ''assumption of equivalence'' across the four cultural dimensions in the aggregated index has been characterized as highly problematic (Shenkar, 2001, p. 525).

Results

The survey data was screened to check for outliers, out-of-range values, and missing data. To examine the relationships in the conceptual model, partial least squares (PLS) analysis was conducted using SmartPLS 3.0 program. PLS, a variance based structural equation modelling, is a powerful multivariate analysis technique (Fornell and Bookstein, 1982). The principal goal of PLS is to maximize the variance explained in latent and endogenous variables. PLS is widely used in analysing data for the estimation of complex relationships between constructs in business and management (e.g. Gudergan et al., 2008), in M&A research (e.g. Cording, Christmann and King, 2008; Junni et al., 2015), and international marketing (e.g. Hair et al., 2012; Henseler, Ringle and Sinkovics, 2009). Descriptive statistics and correlations are presented in Table 2.

Assessing Measurement model. We checked the reliability and validity of the measures used in our PLS path model. Table 3 reports the Cronbach's alpha, Composite reliability, and AVE (Average variance explained). The traditional criterion for internal consistency is Cronbach's alpha. However, Cronbach's alpha is sensitive to the number of items in the scale and generally tends to underestimate the internal consistency reliability (Henseler, Ringle and Sinkovics, 2009). In the context of PLS-SEM, composite reliability is more appropriate which takes into account the different outer loadings of their indicator variables (Hair et al., 2014). Composite reliability values below 0.60 indicate a lack of internal consistency reliability (Hair et al., 2014). According to Table 3, composite reliability values exceeded the minimum threshold of 0.60 (Nunnally and Bernstein, 1994).

Table 2. Descriptive statistics and correlations

	Mean	SD	1	2	3	4	5	6	7	8	9	10
Adaptive Capability - Market environment	2.71	1.17	1									
Adaptive capability - Nonmarket environment	1.98	1.21	0.59	1								
Bridging	2.92	0.67	0.20	0.27	1							
Buffering	1.74	0.78	0.13	0.36	0.19	1						
Cross border M&A Performance	2.26	0.79	0.35	0.12	0.05	-0.11	1					
In-group Collectivism	0.65	0.94	-0.01	0.05	-0.06	-0.09	-0.12	1				
Institutional collectivism	1.77	2.27	0.08	-0.11	-0.02	-0.14	0.13	0.07	1			
Power Distance	1.25	2.19	-0.03	-0.13	0.00	-0.04	0.13	0.10	0.07	1		
Size of acquiring firm	2.0	0.91	0.12	0.11	0.05	0.03	-0.08	-0.04	-0.01	0.07	1	
Uncertainty avoidance	1.29	1.89	0.00	-0.04	-0.02	-0.05	0.07	0.35	0.17	0.29	0.01	1

Table 3. Assessing measurement models

Variables	Composite Reliability	Cronbach's Alpha	Average Variance Extracted (AVE)
Adaptive Capability - Market environment	0.94	0.92	0.81
Adaptive capability - Nonmarket environment	0.90	0.84	0.68
Bridging	0.75	0.37	0.61
Buffering	0.81	0.70	0.52
Cross border M&A Performance	0.85	0.79	0.50
In-group Collectivism	1.00	1.00	1.00
Institutional collectivism	1.00	1.00	1.00
Power Distance	1.00	1.00	1.00
Size of acquiring firm	1.00	1.00	1.00
Uncertainty avoidance	1.00	1.00	1.00

To establish convergent validity, we considered outer loadings of the indicators and the average variance explained (AVE). In general, indicators with outer loadings between 0.40 and 0.70 should be considered for removal from the scale deleting the indicator leads to an increase in the composite reliability. However, indicators with weaker outer loadings are sometimes retained based on their contribution to content validity (Hair et al., 2014, p.102). Following these criteria, we have removed two indicators of bridging and two indicators of cross border M&A performance. We found that all variables have indicators with factor loadings greater than or close to 0.70.

Another method to establish convergent validity on the construct level is the AVE. An AVE value of greater than 0.50 indicates that, on average, the construct explains more than half of the variance of its indicators. According to Table 3, all variables have an AVE of greater than or equal to 0.50. For single item construct, the AVE is not appropriate measure (the outer loadings are fixed at 1.00).

To establish discriminant validity, the square root of each construct's AVE should be greater than its highest correlation with any other constructs (Hair et al., 2014, p.106). As indicated in Table 4, square root of AVEs for each constructs are higher than the correlations of each constructs with other latent variables in the path model.

Table 4. Fornell-Larcker Criterion Analysis

	1	2	3	4	5	6	7	8	9	10
Adaptive Capability - Market environment	**0.899**									
Adaptive capability - Nonmarket environment	0.592	**0.827**								
Bridging	0.205	0.279	0.781							
Buffering	0.135	0.364	0.199	**0.722**						
Cross border M&A Performance	0.355	0.127	0.053	-0.115	**0.705**					
In-group Collectivism	-0.017	0.051	-0.069	-0.094	-0.122	1.000				
Institutional collectivism	0.083	-0.110	-0.020	-0.147	0.132	0.077	1.000			
Power Distance	-0.031	-0.139	0.008	-0.043	0.137	0.102	0.071	1.000		
Size of acquiring firm	0.127	0.117	0.050	0.031	-0.088	-0.048	-0.019	0.075	1.000	
Uncertainty avoidance	0.002	-0.042	-0.022	-0.058	0.079	0.359	0.178	0.293	0.013	1.000

Note: Diagonal values are square root of AVE of each construct.

Assessing structural model. In the context of PLS, a Variance inflation factor (VIF) value of 5 and higher indicates a potential collinearity problem (Hair, Ringle and Sarstedt, 2011). The PLS analysis revealed that the VIF values for each construct are less than 5. Therefore, collinearity does not present a problem in our model.

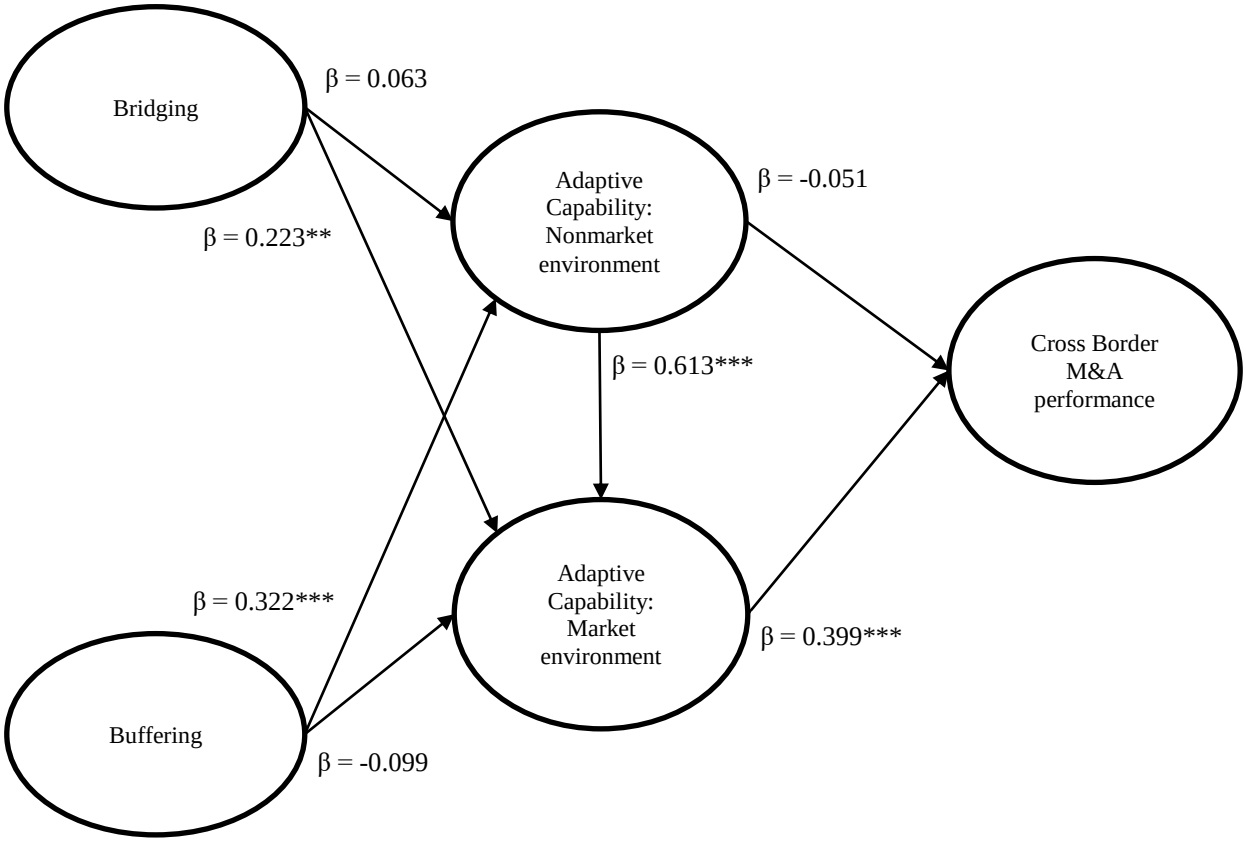
The level of variance explained (R^2) by each construct is used to evaluate the overall fit of the structural model (Gefen, Straub and Boudreau, 2000). It is difficult to provide rules of thumb for acceptable R^2 values as this depends on the model complexity and the research discipline such as R^2 values of 0.20 are considered higher in consumer behaviour and in success driver studies (Hair et al., 2014, p.175). In our model, the R^2 score of cross border M&A performance was acceptable (0.21) (Henseler, Ringle and Sinkovics, 2009). R^2 scores for the adaptive capability – market environment (0.37) and adaptive capability – nonmarket environment (0.18) constructs were also acceptable. Taken together, these values suggest a good overall fit of the structural model.

After running the PLS-SEM algorithm, estimates are obtained for the structural model relationships (i.e. the path coefficients), which represent the hypothesized relationship among the constructs. Whether a coefficient is significant ultimately depends on its standard error that is obtained by means of bootstrapping. The bootstrap standard error allows computing the empirical t value and p value. SmartPLS 3.0 calculated the path coefficient estimates. Each path corresponds to one hypothesis. Diagram 1 shows the path coefficients along p values for each path.

Hypothesis 1 suggested that adaptive capability in nonmarket environment will enhance the adaptive capability in market environment. The coefficient is positive ($\beta = 0.613$) and the path is statistically significant ($p < 0.01$). Therefore, the finding provides strong support for hypothesis 1.

Hypothesis 2a, arguing that bridging will positively influence adaptive capabilities in market environment, is supported: the coefficient is positive ($\beta = 0.223$) and statistically significant ($p < 0.05$). Thus, we found significant association between bridging activities and adaptive capabilities in market environment. However, hypothesis 2b is not supported: the coefficient is positive ($\beta = 0.063$) but statistically insignificant ($p > 0.10$). Therefore, we were unable to find any significant relationship between bridging activities and adaptive capabilities in nonmarket environment.

Figure 1 - Results of the PLS analysis



*p < 0.1, **p < 0.05, ***p < 0.01, N = 111; p-values for 1-tailed test

Hypothesis 3a, arguing that buffering will positively influence adaptive capabilities in market environment, is not supported: the coefficient is negative (β = -0.098), but statistically insignificant (p > 0.10). Therefore, we could not find any significant relationship between buffering and adaptive capabilities in market environment.
Hypothesis 3b, arguing that buffering will positively influence adaptive capabilities in nonmarket environment, is supported. The coefficient is positive (β = 0.322), and the path is statistically significant (p < 0.01). Therefore, we found strong relationship between buffering activities and adaptive capabilities in nonmarket environment.
Hypothesis 4a, arguing that adaptive capabilities in market environment will positively influence cross border M&A performance, is supported. The coefficient is positive (β = 0.399) and the path is statistically significant (p < 0.01). Therefore, the finding provides strong support for hypothesis 4a. In contrast, hypothesis 4b is not supported: the coefficient is negative (β = - 0.051) but statistically insignificant (p > 0.10). Thus, we could not find any significant relationship between adaptive capabilities in nonmarket environment and cross border M&A performance.
Regarding the control variable, the size of the target firm was related to acquisition performance (β = -0.152; p < 0.05). Out of four dimensions of national culture, in-group collectivism has a negative relationship with cross border M&A performance (β = -0.171; p < 0.05).

Discussion

This paper set out to explore the interactions between market and nonmarket strategies during post-merger integration. Prior studies (e.g. Baron, 2001; Rodriguez et al., 2006) repeatedly called for an

integration of the social and political components of nonmarket strategies. By encompassing both political and social components in our research design, our paper contributes to a small, but growing literature (den Hond et al., 2014; Dentchev et al., 2015; Frynas & Stephens, 2015) on the interactions between social and political aspects of nonmarket strategy.

Previous studies examined either social aspects (e.g. Edwards and Edwards, 2013) or political aspects (e.g. Holburn & Vanden Bergh, 2014) in the M&A context. Our paper provides a novel contribution by simultaneously examining social and political aspects, on the one hand, and by considering the interactions between market and nonmarket strategies during post-merger integration in cross border M&As, on the other. Furthermore, our paper answers the call by Doh et al. (2012) and Mellahi et al. (2016) for integrating environmental and strategic theoretical lenses in the development of nonmarket strategy research; accordingly, we contribute to nonmarket research by combining an environmental lens (i.e. RDT) and a strategic lens (RBV) to examine the interactions between market and nonmarket strategies.

Our study provides evidence regarding the positive impact of adaptive capabilities in the nonmarket environment on adaptive capabilities in the market environment in cross border M&As. There are arguably strong interdependencies between market and nonmarket environments (Baron, 1995, 2001, 2012; cf. Mellahi et al., 2016) but these interdependencies are subject to considerable contingencies in M&As (Brockman, Rui and Zou, 2013; Liu, Wang & Zhang, 2013). Just as scholarship has suggested that nonmarket capabilities may be more valuable during the early stages of industry formation and are less valuable in a mature industry (Aldrich and Fiol, 1994) and hence nonmarket resources may be particularly valuable in terms of providing first mover advantages (Frynas, Mellahi and Pigman, 2006), it is likewise possible that the relevance of nonmarket resources may differ between different stages of an M&A. In this context, nonmarket scholarship on M&As has focused on the pre-merger acquisition phase when the acquiring firms are highly dependent on governments and regulatory authorities for obtaining regulatory approval for the M&A deal, whereas this dependence arguably declines sharply during the post-M&A phase when the M&A deal is already formally approved (Holburn and Vanden Bergh, 2014). Our findings are hence significant in that adaptive capabilities in the nonmarket environment also enhance the adaptive capabilities in the market environment during post-merger integration.

Our findings suggest that bridging and buffering play diverse roles in cross border M&As. Bridging activities positively influence adaptive capabilities in the market environment during post-merger integration, however, this is not the case for buffering activities. At first sight, this may be puzzling given that post-merger integration arguably requires new strategies, considerable restructuring as well as reorganized business models (Brueller, Carmeli and Markman, in press). However, given the acquiring firm's sharply increased dependence on employees during post-merger integration and the demonstrated importance of preventing senior management and key employee turnover (e.g. Krug, Wright and Kroll, 2013) and preventing disruption of organizational routines (e.g. Tarba, Almor and Benyamini, 2012), it is possible that, during post-merger integration, firms may initially prioritize more passive bridging activities in the market environment which may help them to take time to learn about the acquired company before initiating new strategies (e.g. Quah and Young, 2005) and adapt internal operations to connect more effectively with employees (e.g. Aguilera, Dencker and Yalabik, 2008), and partner organizations, rivals or customers (e.g. Hensmans, van den Bosch and Volberda, 2001), and this more cautious approach is arguably even more important in cross-border M&As when the acquiring firm and acquired firms come from different institutional and cultural contexts (Greenberg, Lane and Bahde, 2005; Quah and Young, 2005; Weber and Tarba, 2011). Thus, the appropriate deployment of bridging activities may be expected to assist the acquiring firm in developing adaptive capabilities in the market environment such as adapting to the new employee base, partner relationships or market demand.

We also find that buffering activities are positively related with adaptive capabilities in the nonmarket environment, but this is not the case for bridging activities. Our finding that firms use buffering activities in the nonmarket environment may not be surprising, given that sealing an

M&A deal may generate considerable public controversy and may potentially undermine the legitimacy of the merged organization, and bridging activities may be insufficient in tackling such dynamic changes in the nonmarket environment. On the one hand, various nonmarket actors including government officials, political parties and trade unions may critique an M&A over issues such as job losses or re-location of activities to another country, and they can employ various nonmarket influence strategies and generate negative publicity (Wheeler, 1989; Tienari, Vaara and Björkman, 2003). On the other hand, the media can play a role in legitimising or delegitimising an M&A through positive or negative interpretations of the economic and social impact of the merger (Hellgren et al., 2002; Riad, Vaara and Zhang, 2012). In order to adapt to these nonmarket influences and to diffuse such potentially negative publicity in the nonmarket environment following an M&A, scholarship shows that companies use pro-active communication strategies (Tienari, Vaara and Björkman, 2003; Vaara and Monin, 2010). From the point of view of RDT, the importance of buffering activities during post-merger integration can be explained on the basis that the merged firm continues to be highly dependent on nonmarket actors such as politicians and the media for providing legitimacy, while the RBV lens can explain the role that buffering activities play in helping to develop adaptive capabilities in addressing this continuing dependence. Thus, by increasing buffering activities during post-acquisition integration, the acquiring firm may influence or control changes in the nonmarket environment, thereby, enhancing the acquiring firm's adaptive capabilities in the nonmarket environment.

Finally, while prior studies considered nonmarket strategies to have important implications for organizational performance (Baron, 1997; Shaffer et al., 2000; cf. Mellahi et al., 2016), our study extends the literature by empirically examining the impact of adaptive capabilities in market and nonmarket environments on performance of cross border M&As. Our findings indicate that adaptive capabilities in the market environment can explain a substantial portion of cross border M&A performance, which is consistent with evidence that firm-specific adaptive capabilities and resources such as learning capabilities and absorptive capacity increase performance in M&As (Zollo & Singh, 2004; Bergh & Lim, 2008). However, our findings indicate that adaptive capabilities in the nonmarket environment have no direct impact on M&A performance. Rather, we find that adaptive capabilities in the nonmarket environment directly impact adaptive capabilities in market environment which, in turn, influence cross border M&A market performance more indirectly. Our findings would appear to suggest that adaptive capabilities in the nonmarket environment actually benefit the acquiring firm by shaping a beneficial business environment (e.g. enhancing adaptive capabilities in the market environment) instead of leading to financial and other organizational performance benefits directly. This finding is consistent with Baron (1997) who argued that nonmarket strategy would benefit a firm by shaping an advantageous business environment rather than leading to economic revenue directly. During post-merger integration, nonmarket strategies such as predicting and adapting to public policy trends or social expectations may assist in developing a good relationship with nonmarket stakeholders.

Conclusions

In parallel to the growth in cross border M&A activity, there has been increasing recognition of the poor performance of many cross-border M&As (e.g. Datta & Puia, 1995; Reus & Lamont, 2009; Weber, Tarba, & Oberg, 2014). While some researchers have attempted to identify the key drivers of M&A performance (King et al., 2004; Haleblian et al. 2009), limited research investigated nonmarket strategies and adaptive capabilities in explaining the performance of cross border M&As. We argue that a critical step in the success of a cross border M&A is the integration of market and nonmarket strategies. Hence, an important contribution of the paper is the examination of the linkages between bridging and buffering (two boundary spanning strategy types), adaptive capabilities and organizational performance in the market and nonmarket environment in cross border M&As. By classifying nonmarket strategies into bridging and buffering and by employing

a combination of RDT and RBV as theoretical lenses, our study adds to the literature by illuminating the diverse roles of nonmarket strategies during post-merger integration in cross border M&As.

Our findings have practical implications. First, managers may want to consider to what extent certain boundary spanning strategies are appropriate in post-M&A integration, because the critical resources required for M&A success may greatly differ between different phases of the M&A process. During post-merger integration, for instance, buffering has a direct influence on adaptive capabilities in the nonmarket environment and bridging has a direct influence on adaptive capabilities in the market environment. Second, it is important to understand the performance implications of a nonmarket strategy. A nonmarket strategy can be used to obtain support from stakeholders and decrease the uncertainty of the environment so as to create a favourable environment, rather than improving cross border M& performance directly. Besides bridging, buffering may be an important choice for managers involved in post-M&A integration in a foreign market. Managers may adopt legitimate practices and actively take part in influencing public policies to create favourable environments during post-M&A integration.

The following limitations should be considered when interpreting our results and they can help to guide future research. Firstly, although a recent study in this journal shows that subjective measures can be successfully employed to assess organizational performance (Singh, Darwish and Potočnik, 2016), and although they have frequently been used in previous M&A studies (e.g. Zollo and Meier, 2008; Reus and Lamont, 2009) and correlate with accounting measures of performance in M&A research (Papadakis and Thanos, 2010), it is possible that our results may vary if financial or accounting measures were used. Secondly, the survey participants expressed their opinions from the point of view of the acquiring firm, not the acquired firm. While administering surveys with both the target and the acquiring firms is arguably a challenging and costly task, future research would benefit from understanding the interdependence between market and nonmarket strategies from the point of view of respondents in target firms, given that these respondents may experience post-merger integration differently. Thirdly, given that the time horizon may arguably influence findings on organizational performance in post-merger integration (e.g. Quah and Young, 2005), future studies might use our framework on a larger sample obtained from different socio-economic backgrounds with longitudinal research designs. Fourthly, given that the role of nonmarket strategies in the M&A process is demonstrably influenced by considerable contingencies (e.g. Brockman, Rui and Zou, 2013), future studies could also investigate the impact of nonmarket strategies in M&As by including additional variables in the model such as political risk or governance quality. Despite these limitations, our study contributes to the literature by shedding light on the hitherto neglected role of the interdependence between market and nonmarket strategies in post-merger integration and by simultaneously considering the social and political aspects of nonmarket strategy.

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