

The Dynamics of Related Acquisitions; Downsizing Magnitude, Timing, and Employee Engagement

extended abstract, work in progress

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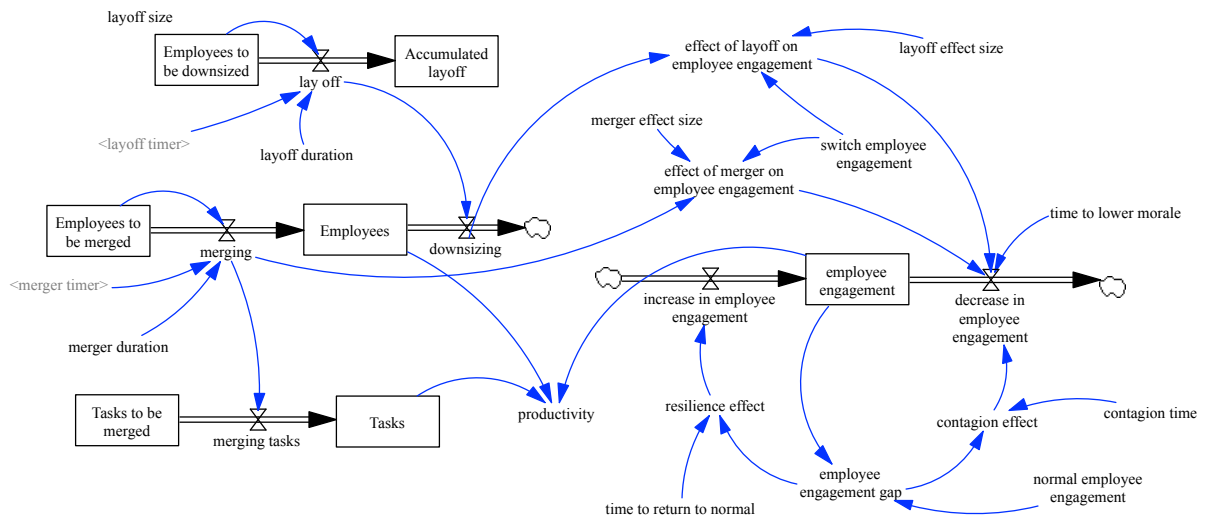
Problem & methodology

This study extends current understanding of the downsizing-employee engagement relationship in the dynamics of an M&A trajectory. We argue that the effectiveness of related acquisitions -- in terms of post-deal productivity benefits to be reaped -- is contingent on two major preparatory actions: the timing of downsizing in relation to the moment of acquisitions and the magnitude of such downsizing. We model an acquisition and downsizing event based on system dynamics with a non-linear effect of both acquisition and downsizing on employee engagement.

Preliminary results

Our findings indicate that while every organization has some resilience in dealing with exogenous shocks, the double blow of both acquisition and downsizing can be too much to take when it comes to safeguarding instant post-deal productivity. Additionally, and in advancement of further modeling on this matter, we theorize on the timing of downsizing in relation to acquiring. We suggest that acquiring firms that choose to implement downsizing actions prior to the deal have a higher likelihood of reaping efficiency benefits than firms that choose to conduct downsizing as part of the post deal trajectory.

Figure 1: Preliminary model on merging, downsizing, and employee engagement



Summary

Overall, our findings shed light on the importance of timing strategic actions in an M&A event, precluding to the potential of pre-acquisition downsizing to improve acquisition performance. Our study validates the relevance of employee engagement as a prime driver of post deal performance.

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