tive action may need to continue if women are to be hired for managerial positions they have not previously or have only infrequently held.

Another external factor found by Tharenou to affect the advancement of women was interpersonal support. Women, but not men, who received early encouragement from peers and supervisors were more likely to have moved into upper management two years later rather than to have fallen back into lower management. This gender difference suggests that women who want high management positions may need more encouragement and external support than men, perhaps because they have more obstacles to face in the first place.

Tharenou's results suggest that a climate of encouragement may help women to crack and break through the glass ceiling and achieve their full potential. Since education, training, and challenging work also seem to play an important role in advancement, particularly at higher levels, organizations should consider ways to encourage and assist women who might benefit from further development. For instance, supervisors might be better trained to assess management potential and encourage those subordinates with promise, especially women and minorities.

Clearly, making the most of these valuable assets is in the long-term best interest of organizations. If they are to do so, Tharenou's results suggest that organizations, especially those with male-dominated hierarchies, must help women advance into the lower and middle management ranks. Without that help, it's hard to build a critical mass of women who can benefit from a climate of encouragement and rise far enough to crack the glass ceiling separating them from upper management.


Yesterday's News or the Cream of the Crop? Choosing Which Managers to Keep After an Acquisition

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Too many corporate acquisitions fail. In fact, about half of all acquired firms are eventually shut down or sold by the acquirer. Such failures represent an alarming loss of shareholder wealth. Nevertheless, acquisition activity continues at a brisk pace, so acquiring firms should try to improve their odds of success.

Research has shown that the odds improve if the acquiring firm can retain the acquired firm's highest-ranking executives, such as the CEO or president. Doing so is not easy; losing up to sixty percent of an acquisition's top managers is not uncommon. Unfortunately, except for trying to retain the very top officers, we don't know what other executive characteristics acquiring firms should look for as they attempt to identify and retain the best management talent from their acquisitions.

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Within this context Donald Bergh of Pennsylvania State University investigated whether an acquisition is more likely to succeed if the acquiring firm retains long-tenured or short-tenured high-ranking managers. He judged an acquisition to be successful if it survived as a part of the acquiring firm for five years. To help resolve the question, Bergh put to the test two theoretical perspectives that offer us conflicting answers.

From one perspective, retaining executives who have been with the firm for a long time is more important to post-acquisition success than retaining executives who have only been on scene for a short period. This perspective argues that long-tenured executives are more likely to possess unique knowledge regarding the firm's culture and to have long-standing relationships with key customers, suppliers, employees, and other stakeholders. In other words, they should give the acquired firm's important stakeholders a sense of consistency and stability in the midst of major organizational change. By retaining long-tenured executives, the management of the acquiring firm demonstrates that it values stability as well as the acquisition's existing strategies. Consequently, this view predicts that acquisitions are more likely to succeed if long-tenured managers are retained.

A case can also be made for the opposite view: retaining long-tenured executives may actually hurt the chances for post-acquisition success. Because long-tenured executives are often committed to the status quo, they may inhibit the strategic flexibility that is so vital after an acquisition. In many cases, dramatic strategic and structural changes are often necessary to integrate an acquisition into existing operations. As a result, much of the firm-specific knowledge held by long-tenured executives may be irrelevant.

And that's where short-tenured executives, who may be more open to change and more willing to
experiment with innovative strategies, show their advantages. Since these executives are not as rooted in their firm’s culture or as committed to existing strategies, they are freer to embrace post-acquisition change. So this perspective predicts that post-acquisition success is most likely if short-tenured executives in the acquired firm are retained.

Bergh set out to pit these competing perspectives against each other by examining 104 large acquisitions involving U.S. public firms, all completed between 1986 and 1992. Included in the study were those acquired managers who had a rank of vice president or higher and any other managers who had served on the board of directors before the acquisition. Bergh measured the average organizational tenure of the managers who stayed on for three years after the acquisition (or until the acquisition was divested, if that occurred in less than three years). Consistent with prior research, fully half of the acquisitions in Bergh’s sample failed or were divested within five years.

But Bergh needed to be sure that firms which planned from the outset to divest their acquisitions within five years did not influence his results. Consequently, he held prior acquisition and divestment activity of acquiring firms constant in his analysis. Bergh’s reasoning was that high levels of such activity indicated a firm strategy of acquiring weak firms and then restructuring and divesting them for profit. Likewise, other factors that might influence divestiture rates were also held constant. These included the rank of executives retained in the acquired firm, financial performance of the acquiring firm, and the degree of similarity between the acquiring and acquired businesses.

So which managers should be kept? Bergh found that acquisitions were more likely to succeed, to survive as part of the acquiring firm for five years, when long-tenured executives were retained. Although the flexibility and openness of short-tenured executives may be important following an acquisition, Bergh’s results suggest that the pluses associated with long-tenured executives are even more critical. They possess important firm-specific knowledge and have demonstrated a long-term commitment to the company and its stakeholders. They are also an important source of continuity during the rapid and tumultuous changes that often follow an acquisition.

In the final analysis, the message of Bergh’s results is that managers in acquiring firms would be wise to focus their retention efforts on high-ranking executives with the longest organizational tenure. Indeed, if they leave too soon and are replaced with managers of shorter tenure or outside managers, then the odds of post-acquisition failure increase measurably.

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Because the measure of success in this study was acquisition survival, the findings don’t apply to situations where the acquiring firm wants to restructure a poorly performing business and divest it for profit. Nor would it be wise to keep long-tenured executives who were instrumental in designing and implementing failed strategies that made the firm an attractive acquisition target in the first place. In both of these cases, replacing long-tenured executives may be the best way to orchestrate a much-needed turnaround. That said, if the purpose of an acquisition is to build on the prior success of the acquired firm, then long-tenured executives might be best suited for the job.

Merger and acquisition activity will undoubtedly continue as a force in economic life. And given the generally dismal success rates for acquisitions, Bergh’s study is important. His results enhance our understanding about the role of management retention in acquisition success. In doing so, Bergh provides some cause for optimism about the future. If acquiring firms can learn how to ensure that seasoned managers stick around after the new owners step in, then better acquisition success rates shouldn’t be far behind.
