

# The Reproduction of Efficiency Theory: The Construction of the AstraZeneca Merger in the Public Discourse

Bo Hellgren

Dept. of Management and Engineering, Linköping University  
Stockholm SE-581 83 Linköping, Sweden  
Tel: 46-13-281-535 E-mail: Bo.Hellgren@liu.se

Jan Löwstedt (Corresponding author)

School of Business, Stockholm University  
SE- 10691 Stockholm, Sweden  
Tel: 46-8-674-7438 E-mail: jlo@fek.su.se

Andreas Werr

Stockholm School of Economics  
PO Box 6501, SE- 113 83 Stockholm, Sweden  
Tel: 46-8-736-9742 E-mail: Andreas.werr@hhs.se

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## Abstract

Mergers have become a generally accepted solution to a broad set of managerial problems in practice. However, research on mergers and acquisitions provides a rather sceptical view as to the success of mergers in solving business problems. The current paper aims at investigating the public discourse on mergers and acquisitions and its relation to the scientific discourse. The public discourse is studied by an analysis of Swedish media reports on the Astra Zeneca merger. More specifically we study the actors given voice in the discourse, the temporal evolution of the discourse and the arguments voiced. We conclude that the discourse is dominated by journalists, managers and financial analysts who all generate arguments based on a rather narrow “efficiency theoretical” basis. This is in conflict with current insights in research on mergers and acquisitions that has proposed more valid and complex models for understanding mergers. The reasons and consequences of this discrepancy between the public and the scientific discourses are discussed.

**Keywords:** Mergers, Strategic change, Organizational growth, Business press, Public discourse

## 1. Introduction

Mergers are today a rather well used tool in the managerial toolbox, utilized to solve all kinds of problems such as reducing costs, entering new markets, accessing new technologies, etc. Based on an implicit assumption in the public discourse of “bigger is better”, mergers have become a key strategy to ensure success in an increasingly competitive business environment (Haspeslagh & Jamison, 1991, Choi et.al, 2011).

The popularity of mergers as managerial strategy has co-evolved with growing scholarly research and thinking about mergers and acquisitions. Today, merger research has developed into a voluminous subfield of strategic management. While the widespread use of mergers and acquisitions in practice indicates a strong belief in the power of this managerial intervention in solving organizational problems, research as well as consultancy reports on the success rate of mergers give reason to be more sceptical. Research shows that mergers often fail to create value (Tuch and O’Sullivan, 2007) as managers overestimate the potential synergies (Sirower, 1997) and underestimate the costs and issues involved in realizing them (Buono and Lewis, 1985).

The current paper focuses on this seeming discrepancy between the public discourse and understanding of mergers as a broad remedy to organizational problems and the scientific research, pointing at all kinds of challenges related to realizing potential positive effects of mergers. More specifically we aim at shedding light on the nature of the public discourse on mergers as reflected in the business press and how this relates to the scientific discourse on mergers as reflected in scholarly research. The business press today play an important role in legitimating mergers, especially trans-national mergers involving large companies which will often be intensely discussed in the press, bringing forth both different stakeholders views and arguments (Hellgren et al, 2002, Tienari et al, 2003). The business press's treatment of major mergers thus provides an easily accessible and influential representation of the public discourse. In the following, we will focus on a merger in the pharmaceutical industry – the merger of the Swedish company Astra and the British Zeneca (cf. Eriksson and Sundgren 2005). A merger considered to be of great importance for national interest in the industry and therefore also questioned and debated. Given the paper's exploratory purpose to shed light on the nature of the public merger discourse and how it relates to the scientific discourse the AstraZeneca merger provides an opportunity to contribute to our knowledge of the discrepancies between these discourses. In the following we ask four empirical questions:

- Which actors' voices are heard in the discourse on the AstraZeneca merger?
- Which legitimate arguments are held forward by these actors in favour or against the merger?
- How do specific arguments in this case relate to the scientific merger discourse. Which theoretical line of reasoning underlies the legitimate arguments used in this discourse?
- In what way does this public discourse mirror the more scholarly discourse on the transformation of organizations in general and mergers in particular.

By answering these questions in relation to the AstraZeneca merger we contribute to an increased understanding of the nature of the public merger discourse and its relation to the scientific merger discourse. The paper proceeds as follows. The next section presents a brief overview of the scientific merger discourse as reflected in three broad approaches to understanding mergers (Trautwein, 1990). This is followed by a description of the approach taken to study the public merger discourse in the AstraZeneca case. Following this we present our findings on the actors, the development and the main arguments applied in business media reports on the merger. In a final section of the paper we discuss the relationship between the public and scientific merger discourse and what conclusions can be drawn from this.

## 2. Why mergers? The scientific discourse

Most scholars agree upon that mergers and other strategic management decisions are driven by a complex pattern of motives and that no single theoretical approach can render full account (e.g. Steiner, 1975, Ravenshaft and Sherer, 1987, Melin and Hellgren, 1994). When classifying explanations for mergers, we will follow Trautwein's (1990) review of the literature. In total, he identifies seven different theoretical approaches and explanations to mergers in the scientific literature. These can be organised into three categories: mergers as rational choice, mergers as process outcome, and mergers as macroeconomic phenomenon.

### 2.1 Mergers as rational choice

In this category, a majority of theories focus on shareholders' interests (i.e. efficiency theory, monopoly theory, raider theory, and valuation theory) while a smaller group of theories focuses on managers' interests and their deviations from shareholders' interests in value maximisation (empire-building theory).

*Efficiency theory* views mergers as being planned and undertaken to achieve net gains through synergies. Financial synergies result in lower cost of capital while operational synergies are achieved from combining operations of separate units (e.g. sales force, R&D) or from knowledge transfer (Porter, 1985). Managerial synergies occur when the bidder's managers possess superior planning and monitoring abilities that will benefit the target's competitiveness.

*Monopoly theory* interprets mergers as planned strategic action to achieve market power that creates a wealth transfer from customers to the owners. This explanation holds for horizontal acquisitions and its advantages have been referred to as 'collusive synergies' (Chatterjee, 1986) or 'competitor interrelationship' (Porter, 1985). Advantages from horizontal (conglomerate) acquisition can be obtained by strategically cross-subsidising products (profits from one market used to sustain a fight for share in another market) or by simultaneously limiting competition in more than one market by e.g. building a foothold in a competitors main market who in turn offers the same in its main market (Porter, 1985). Finally, advantages can be obtained by threatening potential competitors by concentric acquisitions by the market leader.

Also *Valuation theory* regards mergers as planned and executed by managers. But the main argument is that the managers have better information about the target's value than the stock market – net gains are achieved through private information. The bidder's managers may have unique information about possible advantages from combining the target's business with their own or may have detected an undervalued company just waiting to be acquired.

*Empire-building theory* does not, as the other three rational choice theories, have the benefits of the bidder's shareholders in mind. On the contrary, empire-building theories describe mergers as planned and executed by managers trying to maximise their own utility instead of their shareholders'. In this approach, managerial goals are the explanatory factor behind a merger. Although, as Trautwein (1990) points out, it is not easy to find examples where managerial goals are cited to justify a merger, the empire-building theory enjoys popularity in the business press that seems to grow in proportion with the size of a merger.

Trautwein (1990) further uses the label *Raider theory* for a possible merger motive discussed especially in the business press. This motive focuses on wealth transfer from the target's shareholders. The transfer includes greenmail or excessive compensation to the raider after a successful take-over.

### 2.2 Mergers as process outcome

While in the above theories, mergers are assumed to be the outcome of rational decisions, a second set of theories conceptualizes mergers as the outcome of developmental processes. This, as Trautwein (1990) claims, rudimentary developed process theory has its background in the literature on strategic decision processes. It describes strategic decisions as outcomes of processes characterised by several 'non-rational' influences. Individual's limited information processing capabilities (Simon 1957) lead to abridged search for information and alternatives, incomplete evaluations, and use of cognitive simplifications. Another influence in this tradition is the use and importance of routines in organizational decision making (Allison, 1971, Cyert and March, 1963). Old solutions for similar situations are used on new problems and new solutions are only an alternative when the old ones fail. Routines can be seen as the outcome of what the organisation has learned over time to be appropriate steps to take to meet different problems. A final influence in process theory is the struggle for power inherent in strategic decisions processes captured in e.g. Allison's 'political process paradigm' and Pettigrew's (1977) analysis of strategy formulation. Strategic decisions, such as mergers, are seen as the outcome of political games between different internal and external stakeholders, their tactical considerations and the mutual adjustments they make throughout the process.

According to Trautwein (1990), the evidence on process theory can best be described as ambiguous. Some observations from recent Swedish mergers support the process theory. The decision to merge seems to be more rooted in 'rules of thumb' and 'gut feeling' than rational and comprehensive analysis (Berggren, 2003).

### 2.3 Mergers as macroeconomic phenomena

Trautwein (1990), distinguish a final set of motives linking mergers to macroeconomic phenomena, which is applied especially in relation to understanding waves of mergers. In Disturbance theory, merger waves are caused by economic disturbance on a macro level causing changes in individual expectations and increasing the level of uncertainty. Previous non-owners of assets, as a result of the uncertain situation, place higher value on these assets than their owners, and vice-versa, resulting in a merger-wave.

## 3. Methodology

In studying the public discourse on the merger between Astra and Zeneca, we focus on six newspapers chosen in order to represent daily morning papers, daily business papers as well as weekly business magazines. Dagens Nyheter and Svenska Dagbladet are the two largest daily news papers in Sweden. Dagens Industri and Finanstidningen are large daily papers focusing on business issues, and Affärsvärlden and Veckans Affärer are weekly business magazines.

These six newspapers and magazines were searched using the database "Affärsdata", which contains searchable full text versions of all the selected papers and magazines. The database was searched for articles containing the words "merger" and "Astra" in their introduction. The search was limited to a time range covering the 5 years prior to the final decision to merge (data range from March 1996 to March 2000).

This search procedure produced a total of 129 articles. By limiting the search to articles including "Astra" and "Merger" in the introduction, a number of more general articles on mergers, possibly mentioning the AstraZeneca merger might have been excluded from the sample. However, we judge this as a minor problem, as we have no reason to believe, that the arguments put forward in favour or against mergers in these types of

articles differ from those in the selected articles in any systematic way. We thus believe that the selection of articles underlying this paper is representative for the public discourse about the AstraZeneca merger in Sweden.

The 129 articles found treating the AstraZeneca merger were content analysed (Anell, 2006) using the N-Vivo software package. In a first step, all the articles were read through by the researchers in search for arguments related to the merger. All text passages related to the question “why should Astra Merge?” were marked and classified according to the actor holding forward the argument. If a specific argument could not be ascribed to a specific actor, it was classified as being a journalist’s argument. The list of actors evolved during classification, and new actors were added when existing categories of actors did not represent a new actor.

In a second step, the arguments were further analysed in relation to their specific content as well as whether it was in favour of or against the merger. The arguments were grouped according to similarity. When a new argument was found, that could not easily be fit into an existing category, a new category was created. In this way, twenty-seven categories, containing a total of about 200 arguments were created.

These 27 categories were in a third step of the analysis reduced into 10 categories. Again the criterion for this classification was similarity in respect of the arguments related to the merger.

#### **4. The public discourse on the AstraZeneca merger**

The AstraZeneca merger, involving one of Sweden’s largest and most successful companies at the time, attracted considerable media attention and thus serves as a rich representation of the public merger discourse. In the following we will analyze this discourse in terms of the actors involved, its temporal evolution and the arguments used.

##### *4.1 Actors involved*

The discourse on the AstraZeneca merger features a number of different actors (see figure 1) However a few types of actors are dominating, including the journalists and representatives of involved companies’ management. The dominance of the journalists is not surprising given the media studied – newspapers and magazines. All the arguments that lacked a specified origin were specified as journalists’ arguments.

Beyond the journalists, management also had an important role in providing arguments in relation to the merger. Other actors with some level of activity were financial analysts, who commented the merger, stock-owners of different size and “Aktiespararna” (the Swedish Shareholders’ Association) a Swedish association with the aim of defending the interests of private stock owners.

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Insert figure 1 about here  
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Other actors with a small level of involvement were consultants, especially A.T. Kearney, who published a report shortly before the AstraZeneca merger, stating that the winners in the pharmaceutical industry had been those companies, which had managed their growth organically. Also the employees and the union, politicians and environmentalists were involved in the debate, however only to a very limited extent.

As indicated by the majority of arguments were in favour of the merger. However, the distribution of positive in relation to negative arguments varied between the different groups of actors. Whereas the journalist and stockowners as a group were relatively balanced in their argumentation, the management was, not surprisingly, mostly in favour of the merger, as were the financial analysts and the employees of Astra. A mainly negative attitude to the merger was worded by “Aktiespararna”, who started a campaign against the merger, claiming that it would harm stock owner interests, and that Astra would be better off on its own. Also consultants, politicians and environmentalists were mostly negative to Astra’s merger with Zeneca.

This indicates that the public discourse on the AstraZeneca merger is mainly run by a limited number of actors, the dominating one’s being the journalists and the management of the merging companies. Also the financial analysts, especially those specialised on the pharmaceutical industry have an important role in the discourse. All of these actors were mainly positive to the merger.

##### *4.2 Temporal evolution*

The media discourse on Astra and its potential merger with another pharmaceutical company has quite a long history that dates back at least until the beginning of 1996. However, the main activity is concentrated to a two year period between 1998 and 2000 (see Figure 2).

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First speculations about Astra being involved in a large merger came already at the end of 1996, in connection with a number of other mergers in the industry. Then, the discussed partner for Astra was Roche, which was expected to lay a bid on Astra. However these speculations were ungrounded and speculations on Astra's involvement in a merger silenced. A year later, the discussion began again, this time fuelled by a statement of Astra's CEO Håkan Mogren in March 1998, indicating, that a merger with a company of equal size could be an appropriate solution for Astra's reduced growth rate. A second peak of activity is found in the summer of 1998, when the renegotiation of Astra's agreement with Merck is made public. This agreement, giving Merck 50% of Astra's sales on the US market, was regarded as a large barrier to a merger. The renegotiation of the deal was thus interpreted as an important step in the direction of an upcoming merger for Astra.

The absolute peak of the discourse was reached in January 1999 with a total of 59 arguments. This peak followed the official announcement of the merger between Astra and Zeneca. The discourse then remains fairly active until March. The 18th March was the deadline for the shareholders decision to support or reject the Merger. Thereafter the discourse fades. A small rise in August 1999 is triggered by the release of the first quarterly report of the merger AstraZeneca.

The above indicates that the discourse on the AstraZeneca merger is to a large extent triggered by the activities of the involved companies. The debate is to a large extent initiated by the CEO's statements about Astra's future plans, and peaks as a result of the official announcement of the Merger.

#### 4.3 The arguments brought forward

Which were then the arguments that were brought forward in favour as well as against the merger? Based on a content analysis, 9 main types of arguments were identified. In each category of arguments both positive and negative arguments could be found (see Figure).

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##### 4.3.1 Environment and institutional forces

The pharmaceutical industry is changing, and under pressure. The development costs for new products are increasing, at the same time as savings in the national health systems have set a limit on the growth of the industry. Under these circumstances, a consolidation of the industry is presented as inevitable:

*The pharmaceutical industry is under stress. The costs for developing new drugs and the growth are lower than earlier since many countries are reducing their budgets for the health sector. Structural changes can therefore be foreseen in a direction towards fewer and larger companies.*

*The international capital market is of the opinion that the pharmaceutical companies need to merge to survive.*

Against this background, Astra's merger with Zeneca is seen as something inevitable, historically determined. It is not so much the potential effects of the merger that are at the centre of these arguments, but rather a lack of alternatives.

*History was also arguing for an Astra merger. It was in some sense predetermined...*

*When patents on major products run out it used to be difficult to have new products that can cover potential reduction in sales. And if mistrust is spread in the market, pressure increases on management to do a structural deal. Still, the question is if there is any possible alternative to a merger...*

Whereas the developments in the industry are presented as an inevitable force towards a merger, other trends on a more societal level work against it. Environmental as well as nationalistic arguments are repeatedly presented against a merger with Zeneca.

##### 4.3.2 Product portfolio and R&D

The largest category of arguments, including about a third of all arguments, focuses on the problem of Astra's dependence on a few products, the patents of which are about to expire. Losec, which generates most of Astra's turnover, is about to lose its protection from patents, and no strong replacements exist in Astra's research portfolio. Against this background, a merger with another company is discussed as a solution to Astra's problem:

*To remain independent is preferable, but when there are not enough good products under development structural measures must be taken.*

*I interpret Mogren's statement as a surrender. Astra's growth has started to slow down and Håkan Mogren, who earlier has talked about industrial acquisitions, is now taking a step further and is talking about merging with another company, says Christina Heuer, analyst at Salomon Smith Barney.*

These arguments for a merger reflect a quite pessimistic view on Astra's possibilities to handle the potential loss from the expiring Losec patents. However, this view is not shared by all. A number of counter-arguments claim that Astra has a potential to compensate for the Losec-loss through its own internal product development.

*New drugs in pipeline being launched within the next 5-8 years make it possible for Astra to manage their own future organically.*

*"Affärsvärlden" has an optimistic view on Astra's research and development but is sceptical to mergers in the industry. That is why we distrust a merger. Historically, Astra has defended its major products successfully when losing their patent rights. This was the case both Xylocain and Seloken. The defence of Losec can become a repetition of this successful strategy.*

But the necessity of a merger is not the only thing questioned. Also the partner – Zeneca is questioned on the grounds that Zeneca will not solve Astra's problems, as Zeneca's product portfolio suffers from the same problems:

*Zeneca's research and development portfolio, which is much smaller than Astra's, is not sufficient to fill the possible loss of sales which will come when the patent rights of Losec will expire.*

These more reactive arguments are complemented by a set of more proactive arguments, presenting a merger as an opportunity for Astra both in relation to future R&D as well as Astra's possibilities to complement its own product development with the licensing of external products.

The advantages of a merged Astra in relation to R&D mainly rest on the large costs related to R&D activities, which create economies of scale. Recent developments in research methods (e.g. biotechnology) have further increased the size of investments necessary in R&D. Pure size is therefore argued as essential for future success in R&D:

*Size is important in this industry, a critical mass in research and development is the key for growth. It is very expensive to develop new drugs. We would gladly see an intelligent merger, says Rob Friedman at Frankling Mutual Advisors.*

*New technologies within pharmaceutical research require a large scale for the research to be profitable. The cost of these new technologies are independent either it is being done in a small or a large scale. The motives for the merger have strengthened compared to our initial calculations, said Mogren.*

R&D is also said to be able to benefit from a variety in the company's research portfolio. Complementing research areas are a major argument for the choice of Zeneca as a merger partner for Astra:

*An important driving force behind mergers is the possibility of quick access to new research areas. Zeneca have for example the cancer area.*

However, the above arguments are not uncontested. The economies of scale in R&D can be questioned based on the argument; most large innovations in the industry have been made by smaller companies, lacking bureaucratic inertia, and the argument of R&D related complementarities in the research portfolio does not seem to be acknowledged by all:

*For 80 percent of the turn-over in Astra Zeneca the concept of fit is an anomaly. Such a large share of the turn-over is due to Astra's stomach business, Zeneca's business area cancer therapy and the large agro-chemical division, three business areas where the other merging party has no business at all.*

Finally, an alternative approach to the internal development of products is introduced in the debate, suggesting the possibility of licensing new products from smaller innovative R&D organisations. However, this solution is most often presented as an argument in favour of the merger, as a large company is seen to be a more attractive licensing partner than a smaller one:

*Size - we will become third on the important and profitable American market – will also give us very good opportunities to manufacture on license from other companies. This will hardly be possible for Astra to do on its own because a large share, 30 percent, of sales must go to Merck in accordance with the new agreement. The merger will release us from this agreement, he explains.*

#### 4.3.3 Marketing and sales

Size, it is argued, is not only important in relation to R&D but also in relation to the market. Recent developments in the industry, e.g. increased direct marketing to consumers, have created market-related

economies of scale. Size is also important when it comes to the sales force. A larger sales force with access to a larger product range can sell more, it is argued. Size is finally also claimed to be important when it comes to influencing medical policies and practices:

*We believe that cross-sales, which means that the sales organisation will have access to considerably more drugs than earlier, will imply at least \$1 billion increase in sales per year, Percy Barnevik explains and continues to give a number of examples on how the two companies' specimens and therapeutical areas supplement each other.*

*Synergies in sales and strategic advantages are of equal value to the cost saving possibilities, says Håkan Mogren.*

These advantages are argued to create an increase in sales of 7,5 billion SKr during a 5 year period. However, the estimation of these numbers is said to be very difficult, and Astra has been very hesitant in formulating such expectations.

#### 4.3.4 Cost savings

Cost-savings are a recurring rationale for the AstraZeneca merger. Within 3 years, cost savings of annually 9 billion SKr should be realised. These savings will be generated partly in R&D, but mainly in administration and sales, where 6000 jobs should be saved.

*The planned merger between Astra and the British Zeneca is aiming at a reduction of the exploding cost of research. Within three years cost reductions will be made which will give a positive effect on results by SEK 8-9 billion per year. This should be compared to the SEK 30 billion the two companies together earned last year. 6,000 employees out of 47,000 shall disappear. The major savings will be made in the sales organisation while producing and research organisations should be left out.*

However, some scepticism can be found against the argumentation related to cost savings. Some claim, that a focus on cost-savings redirects interest away from what is really important – increasing revenues. Others argue, that the potential cost savings are balanced by the costs for carrying out a merger, or other activities required in order to keep up with competitors:

*There are some potential rationalisations to be made in productions and sales. But there will too easily be a focus on chasing costs instead of increasing revenues, which usually leads to that one merger is followed by another.*

#### 4.3.5 Financial aspects

Financial strength is important in the pharmaceutical industry in order to create the necessary resources for R&D as well as possibilities to licence products from external sources, it is argued. A merger is presented as a solution to these needs.

However, Astra has a considerably strong financial situation, with free funds summing up to 25 billion SKr. A recurring argument is thus, that a merger between Astra and another company should be viewed in the light of Astra's available resources. Astra has to find a suitable use for its money, and an acquisition or merger might provide this.

*Astra is valued at the second largest company on the Stockholm exchange and is sitting on major purse, unbelievably SEK 25 billion. Of course, it is tempting to go out shopping especially when you with that credit card can visit all the fanciest boutiques in the world.*

*In short, Astra does not need the money, but plan to go offensive and acquire companies just to spend them.*

#### 4.3.6 Stock value and terms of the merger

A background to the arguments in this category is that Astra's stock has developed badly in recent years. A merger is viewed as a possibility to reach a more equitable valuation of the stock:

*It seems like Håkan Mogren also has given up on the possibility of turning the negative evaluation of Astra by the market. Stock prices had maybe continued even more in the wrong direction, says Håkan Mogren....*

But even if some view the merger as a way to increase the valuation of Astra, others claim that this is a problematic way of reasoning, as the low valuation leads to a merger agreement giving Astra shareholders unfavourable terms in the merger. As the merger agreement is based on the valuation of the companies at a specific date before the merger is made public, many argue, that Astra was sold too cheaply:

*For the Astra shareholders the time of the merger was not very suitable since the price of the Astra share was discounted. Astra has a higher profitability and probably a brighter future than Zeneca and therefore ought to have a higher valuation.*

The terms of the merger were also strongly questioned based on the valuation of the companies research portfolios. While the merger agreement claimed the equal value of Astra's and Zeneca's portfolios, this assumption is challenged in a number of arguments.

#### 4.3.7 The Merck agreement

Astra's Agreement with Merck concerning the US market plays an important role in the argumentation related to the AstraZeneca merger. The agreement gives Astra access to Merck's sales organisation within the US in return for 50% of the revenues generated by Astra on the US market. This construction is in the argumentation viewed as an efficient obstacle to all kinds of mergers involving Astra.

However, in the summer of 1998, the contract is renegotiated, making it possible for Astra to cancel it under special circumstances. This renegotiation not only made a merger possible, but actually demanded one, as a merger was claimed to be the only way to terminate the agreement before its expiry in 2008.

*The conclusion is that Astra can break the agreement with Merck before year 2008 only by a merger or an acquisition of some kind.*

*The reason why Astra concluded a new agreement with Merck by midsummer last year was the possibility to merge with another company. Without a merger the new agreement is a bad construction for Astra.*

The Merck agreement thus played an important role in the argumentation related to the AstraZeneca merger. From being viewed as an obstacle to a merger it is reinterpreted as a strong force towards a merger.

#### 4.3.8 Implementation

While most of the categories of arguments discussed so far were mainly in favour of a merger, the arguments in the category "implementation" were dominated by negatives ones. Mergers in the pharmaceutical industry are regarded as defensive measures, which clearly signal, that the merging companies cannot survive on their own. Several reports, among others one published by the consulting company A.T. Kearney, are referred to, showing that the most profitable and successful firms in the industry have grown organically, and that most mergers in the industry did not lead to increased profitability. The realisation of mergers is presented as difficult, and the study of past mergers shows, that most mergers fail in realising the promised benefits:

*Several different reports have shown that companies that mainly have developed organically have had faster growth both in turn-over and profits than companies that had merged with others. Large problems seem to arise from mergers of equals where the search for balance between the two parties obstructs large and small decisions. This is a factor that probably is even more obvious when the companies come from different countries with different company cultures and different national interests to protect.*

A major problem area in realising the benefits of mergers is their implementation, i.e. the accomplishment of real change within the merging organisations without creating negative effects that outweigh the potential positive ones. Among the potential negative effects are e.g. the risk, that key personnel, especially within R&D leave the companies and that the pressure on the market is reduced, as energy is focused on the merger rather than the market. However, some also argue, that the AstraZeneca merger might be one of the few that really has potential of creating increased shareholder value:

*The AstraZeneca merger is according to the report one of the few mergers that has potential to create value for its shareholders. Many mergers during the recent years like Glaxo-Wellcome, CIBA-Sandoz and Pharmacia-Upjohn have on the contrary failed to create such a value.*

#### 4.3.9 Management's individual motives

Whereas the above arguments to a large extent have been based on a rational, economic reasoning, a small portion of arguments present a different kind of reasoning in relation to the merger. These arguments focus on the individual actors' personal motives and interests. One such interest concerns Mogren's desire to refocus interest from recent sex scandals within Astra US to something more positive – such as a possible merger.

*Maybe all this merger talk only is a way to direct the spotlight away from repercussions of the sex scandals.*

*In this way Håkan Moberg succeeded to redirect the interest and focus in Astra from the person Mogren to the company Astra, something that lies much closer to his and the market's heart.*

Other arguments of a more personal kind focus on the emerging slack resources of management, who, after some years of rapid growth now get some spare time, as growth slows.

It is also argued, that the merger between Astra and Zeneca could be understood in the light of the friendship relation between Astra's CEO Håkan Mogren and Zeneca's CEO David Barnes.

## 5. Discussion

As a common, but according to scientific evaluations, risky strategic intervention, mergers of large, public organizations are generally under public scrutiny. One of the major arenas for this scrutiny, with a strong influence on the public discourse is the business press. As argued by Vaara and Monin (2010) "the media, in their capacity as gatekeepers and editors of information flows, could exercise significant power in promoting (legitimizing) as well as downplaying (delegitimizing) arguments..."

Against this background, the focus of the current paper has been to investigate how the business press fulfils this scrutinizing role and to what extent it is based on and takes into account the results of the extensive scientific research on mergers and acquisitions. More specifically, three aspects of the discourse on the merger between Astra and Zeneca were discussed – the actors involved, the temporal development of the discourse and the arguments pursued in favour and against the merger.

The current case points at three key actors shaping the merger discourse – journalists, management of the merging firms and financial analysts which together generated over 75% of the arguments. Most dominating were the journalists. Slightly less than 50% of the arguments were put forward as editorial text or signed by individual journalists. While there was a general majority of arguments in favour of the merger, the relation of positive and negative arguments differed between these key actors, with managers, and analysts, not surprisingly, being mostly in favour and journalists displaying a more balanced view. Academics with expertise on mergers and acquisitions were not represented as independent voices in the discourse.

The importance of management in shaping the merger discourse is further illustrated in relation to the second interest of this study – the temporal evolution of the merger discourse. This was to a large extent driven by managerial actions, such as formal announcements and reports. These actions then triggered the journalists' activities and also led to the involvement of other actors, such as financial analysts and shareholders as commentators in the discourse. Independent initiatives by journalists uncovering new information were rare in the reporting on the AstraZeneca case.

The third interest of the current study concerned the arguments brought forward in the public discourse and its relation to the scientific discourse. The investigation into the discourse on the AstraZeneca merger illustrates a broad range of arguments focusing on a number of subject areas and issues ranging from environmental pressures via R&D capabilities to implementation issues. Despite this seeming variation of arguments, the large majority of them were cast in a narrow rational reasoning in what, based on Trautwein (1990), was label efficiency theory. The dominance of this perspective was strong not only among the arguments in favour of the merger, but also among those criticizing it. Negative arguments focused on potential problematic implementation, but the argument is still cast in terms of efficiency theory with its focus on the shareholders' interests. It is argued that the realisation of a merger is difficult and history shows that organic growth leads to higher growth in turnover and profits compared to mergers.

The only deviation from this dominance of efficiency theory anchored arguments was the limited number of arguments focusing on management's individual benefits and motives as argument for the merger between Astra and Zeneca. This indicates a more political and process oriented perspective as a complement to the dominating efficiency theory perspective. This perspective was, however, found to be more elaborate in the coverage of the merger by the British press which reported that Astra investors, in particular, were soothed by the merger as it would enable the replacement of the current CEO, Håkan Mogren. He had seemingly lost control over his North American division and the former head of operations there was accused of fraud. In the merged company, Mogren would be bounced upwards, away from daily responsibility for operations (Llewellyn, 2007).

Despite these efforts to diversify the discourse through additional perspectives, the dominance of efficiency theory anchored arguments is thus strong. This indicates a tension between the rather narrow public discourse and the broad, multifaceted scientific discourse. Turning to scientific knowledge, Trautwein (1990:283) concludes that "Those theories arguing with private information, managerial empire-building or process influences are better supported by evidence than those tracing mergers back to efficiency gains or monopoly." The public merger discourse thus neglects a lot of the past decades' developments in management and organization theory, which has moved our understanding of organizations as rational and purposively entities to

more complex understandings of organizations as complex and social phenomena with many facets. We may thus conclude that the public discourse on mergers is more influenced by and mirroring (simpler) theories with less empirical support while (more complex) theories with more empirical evidence are not on the agenda.

This gap between the scientific and the public discourse may not be surprising when it comes to managers or financial analysts and owners who by their positions are firmly embedded in narrow economic efficiency logic. Managers, owners and analysts are all expected to argue from an efficiency point of view. That kind of reasoning represents an understandable logic following the role they play and they are thus expected to forward arguments in line with this logic in order to be legitimate (Brunsson and Olsen 1993). Efficiency theory provides these voices with an efficient and convincing language for communicating the reason or logic in favour or against a merger. Merges need marketing just like products and effectively addressing the public or regulatory institutions in a merger may be critical to its success. In this context, simple arguments reflecting the generally accepted and expected efficiency theory will be more effective than more scientifically valid, but also complex and less obvious arguments based on a broader set of theoretical bases. With this explanation of the dominance of efficiency theory we thus relate to a process view of mergers highlighting e.g. the need for cognitive simplification in gaining support, motivation and understanding for a merger.

While this explains managers and financial analysts anchoring in efficiency theory, the firm anchoring of journalists in this perspective may however be more puzzling given their expected role as independent and critical scrutinizers of business and society. Based on this analysis of the media driven public discourse on the Astra Zeneca merger we may question such a role. Rather than opening up the discourse by introducing more complex (and potentially more “true”) conceptualizations of mergers and their potential effects they reproduce the narrow efficiency theoretical arguments favoured by their managerial audience thus making them part of the system producing merger activities rather than placing them outside it as neutral and critical commentators.

To conclude, our analysis of the public merger discourse shows that this has a rather monophonic character in contrast to the scientific discourse, which is becoming more and more polyphonic. Researches in the field may thus have an important role to play in introducing more polyphony in the public discourse. In that way the apparent risk of arguing in favour of mergers based on simplified models of thinking about a complex way of developing companies may be reduced.

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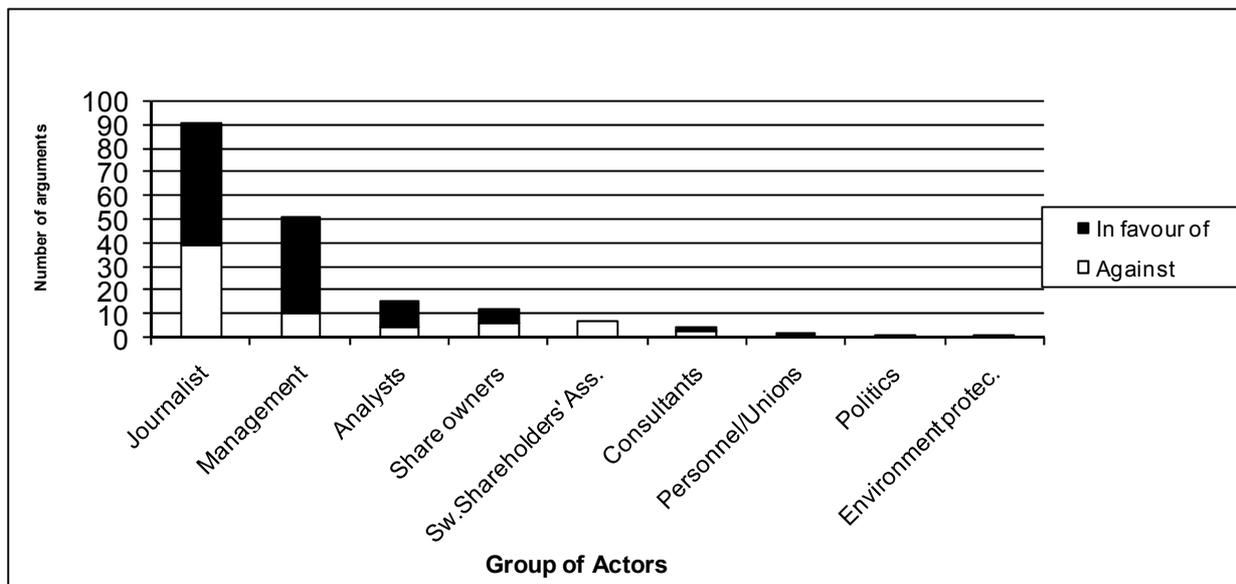


Figure 1. The actors involved in the discourse

