INSEAD Insights: June 2024
Research Picks

New findings on factors for successful post-merger integrations, investor behaviour, the benefits of learning from others, how to communicate with investors in tough times and milking brand rivalry.

Recent research by INSEAD faculty examines how tech companies can foster successful post-merger integrations and the conditions under which investors deviate from rational behaviour in financial markets.

One study unpacks the benefits of vicarious learning – an important way for individuals to learn from each other within organisations. Others examine how a firm's communication during uncertain periods affects the amount of funding they can obtain from investors and how brands can leverage rivalry to their advantage.

1. Achieving successful post-merger integrations

Tech acquisitions are becoming more prevalent. However, their failure rate is notoriously high. Although previous studies have suggested that
collaboration may improve the success of these acquisitions, little is known about how firms can cultivate collaboration in the post-merger integration phase. To address this gap, INSEAD's Philipp Meyer-Doyle and his co-authors* reveal three key factors that could help overcome barriers related to geography, motivation, culture and power perception.

*Christopher B. Bingham, University of North Carolina at Chapel Hill, and Koen H. Heimeriks, Warwick Business School.

Read the full paper

2. What affects behaviour in financial markets?

Individuals derive utility from their beliefs about future events. According to INSEAD's Naveen Gondhi and his co-authors*, these expectations translate into financial markets. When objective information on price is low, or the forecast is unreliable, each investor dismisses the private signals of others and ignores price information. But when prices are sufficiently informative, most investors ignore prices, while the rest start to condition their decisions on them. Their analysis sheds light on how deviations from rational expectations, such as dismissiveness and overconfidence, arise organically and vary with economic conditions.

*Snehal Banerjee, University of California, San Diego, and Jesse Davis, University of North Carolina at Chapel Hill.

Read the full paper

3. The benefits of vicarious learning

Learning from the experience of others – also known as vicarious learning – is a way for individuals to gain knowledge they don't already possess. INSEAD's Phanish Puranam and Sanghyun Park propose that it is a useful form of organisational learning because it corrects for certain limitations that arise when people learn by doing. Using computational models, they show that vicarious learning can be beneficial even when the difference in the level of knowledge is not significant.

Read the full paper

4. Communicating confidently under uncertainty
In a new study on SPACs (special purpose acquisition companies), INSEAD's Ivana Naumovska and Derek Harmon from the University of Michigan explore how a firm's communication style under uncertainty affects how much money they can raise. They propose that when founders have a knowledge advantage over investors, their firms will raise more funds if they downplay any uncertainties and project confidence. But when both sides are unsure about the future and founders do not have a significant knowledge advantage over investors, firms that express uncertainty will be in a more favourable position where funding is concerned.

Read the full paper

5. Leveraging brand rivalries in public communication

We've seen how brands make references to competitors in their public brand messaging. Yet, not all competitors are equal. Over time, certain brands may develop special rival relationships – think Coke vs. Pepsi and McDonald's vs. Burger King. Research by INSEAD's Abhishek Borah and his co-authors* draws on rivalry theory to distinguish competition from rivalry and illustrate how and under what conditions brands can use rivalry to their advantage.

*Johannes Berendt, Hannover University of Applied Sciences and Arts, Sebastian Uhrich, German Sport University Cologne, and Gavin J. Kilduff, New York University.

Read the full paper

Find article at
https://knowledge.insead.edu/strategy/insead-insights-june-2024-research-picks

About the author(s)

Lily Fang is the Dean of Research and Innovation, the AXA Chaired Professor in Financial Market Risk and a Professor of Finance at INSEAD. In addition, she directs the Finance for Executives course and the INSEAD Fintech Programme.