CHAPTER 2 - LITERATURE REVIEW

2.1 Introduction

Over the past two decades, the subject of mergers and acquisitions (M&As) has been thematically researched in many literatures. The emergence of the piqued interest is in reciprocity to the increased numbers of mergers and acquisitions that are taking place across industries – banking mainly – and the intricacies these aforesaid processes entail. Scholars as well as the general public have been rather attentive towards mergers and acquisitions happening in the corporate sector. Christophers (2015) states mergers and acquisitions popularity is unsurprising given how well they support the purpose of cost interaction versus factors such as pricing wars, market competition, asset concentration, and product mix loopholes. Similarly, Bailey (2014) in his research found that mergers and acquisitions are responsible for infusing the existing dynamism of the business landscape. They have come be recognized and utilized as an external growth tactic in the wake of liberalization, globalization, privatization, and augmented deregulation in many world countries.

The UAE's banking framework and capital markets systems is well-established. More than 50 domestic and international banks have their operations in the UAE. The idea of implementing M&As in the banking sector crossed minds of GCC nations many times in the 90s decade. But the plans could materialize as GCC countries could not cater to banks' expansion and diversification needs at the time. In the recent years though, things have changed. UAE's reliance on its banking sector has been headlined by Islamic banking as well as mergers and acquisitions in the sector. Earlier though M&A's occurred in the sector in the event of bank failures, however the national economy's return to growth combined with national efforts to lead economic diversification in the country and in the region has given the much-needed boost to UAE banks. Since the 2009 meltdown, analysts have noticed a marked change in banks' behavior; banks have resumed lending to and borrowing from other banks, bank deposits liquidity is stronger than before, and value of loans and advances has also grown exponentially. The aforesaid positives of the banking sector and that UAE ranks as one of the most merger-friendly and acquisitive nations in the MENA region have done little to augment M&A scenario in the UAE. The risks and lack of funding, combined with valuation disparities of target firms has made it rather difficult for the UAE's banking sector to witness M&As.

M&A deals are scarce in the UAE also because foreign ownership and involvement is restricted in most sectors – banking included. In the UAE, most of the national companies have the UAE's ruling families as its shareholders, and they have maximum stakes in the firms. As a result, these companies are not very forthcoming about selling their stakes or giving away their representation and voting rights to foreign stakeholders. Therefore, whatever little M&A activity transpires is dominated by domestic regulation and control. At the same time, foreign M&A's in the UAE are overseen by mainland actors, and so foreign shareholders have their way in M&As through joint ventures, and the stakes they own in companies earn them credit as "minority shareholders.

As far as mainland M&A transactions are concerned, recent transactions have materialized from investments that came from countries such as China, India, United Kingdom, and Canada. In the last few years, despite the predominant constraints, the UAE's M&A activities have seen a hike – particularly in sectors of finance (banking), telecommunications, and healthcare. UAE's first-ever historic M&A deal materialized in 2010 when Abu Dhabi Commercial Bank (ADCB) bought the retail banking business vertical of RBS. Never before had a UAE bank ventured to acquire an international bank's local franchise. In the existing market climate, the banking sector of the UAE is its most important asset – both in terms of value and volume.

The growth of the mergers stands in direct contrast with the high rate of merger failure in the recent years. A number of studies have investigated the role of the strategic and financial variables in the performance of mergers (Krug, Wright and Kroll, 2014). However, there has no evidence that the supposed relationships actually exist. Sher and Kane(2014), along the same line, advanced the idea that extra knowledge on the cross-cultural differences in mergers are plagued with findings that are both inconsistent and perplexing . It is important to note that the work has focused on conflicts arising from the cultural differences between firms. A review by Brueller, Carmelli and Drori (2014) indicates that the cultural differences are at times taken for granted within the merger settings or made complementary in terms of routine, practices and knowledge which often lends it to diminish conflict. Contrary to evidence provided in other studies, the cultural differences tend to increase the conflicts in the merger given the arising of several problems that includes differences in the identity, the stigmatization intergroup, the ambiguity of the practice and values, lack of cooperation and mistrust which often hindered the merger process and lead to stress, detachment, anger, low commitment and alienation (Kling et

al., 2014). Evidence from prior research epitomizes the fact that cultural differences often influence the decision making process and more likely have a negative effect on the performance of the merger(Buckley et al., 2016). Other research has explicitly indicated that these differences represent an oxymoron, which is polarized, and thus influence the merger performance both positively and negatively. The findings often pose a complex challenge to the researchers in the field and underscore the need for in-depth research on the parameters by which decisions affect the overall success of mergers.

Moeller and Brady (2014) in their work on this subject identified several methods that helps the processes of knowledge transfer and decision-making in mergers. Primarily, the methods Moeller and Brady (2014) listed were socialization and culture adaptation. These methods can foster learning, logical thinking ability and social and community awareness. These factors have surfaced despite the fact that the research on the topic of decision making and its role in merger success factors is rather limited. The literature that preexists in this regard does not point out any remedies for conflicts in mergers.

2.2 Mergers and Acquisitions in the Banking Sector: An Overview

Banking industry is one of the primary indicators of economic growth and well-being. Banks' ability to lend freely as well as borrow liberally from other banks nationally and internationally, and lend to businesses influences the economic growth curve to a great extent. Diversification of banks was a trend initiated by the US banking system and since then banks of developing nations have espoused similar steps so as to make markets more competitive. The trend of diversification gave birth to mergers and acquisitions in the banking sector. 20th century's last decade witnessed onset and subsequent surge in financial reforms worldwide. It thus caused banking systems to incorporate comprehensive changes in structure and activities. Furthermore, cycles of deposits and credit have prospered rapidly due to economy gaining pace, incremented disposable income and fast-paced corporate functions; banks have also become involved in service and product innovation.

Most developing nations including the UAE have encouraged the trend of M&As across industries. In the banking sector, this trend has gained momentum in light of the strategic benefits elicited by M&As. Aside from financial advantages, M&As help banks to expand their customer reach. In the case of M&As success and implementation, a host of factors play a

critical role in determining the end-result. Among other facets, size of banks can impact the extent and strength of M&A possibilities and subsequent growth prospects. Scholars described growth goals achieved via bank mergers and acquisitions as a type of 'inorganic growth.' Worldwide, private banks as well as government banks are respectively looking to espousing strategies and policies in order to make M&As happen and work successfully.

2.2.1 Definitions of Merger and Acquisition

Seemingly common and often used interchangeably, the terms "merger" and "acquisition" have distinct connotations. Hannah (2013) characterizes a merger to be an "amalgamation of two business organizations in which one business setup takes over the reins completely and the merged business company ceases to exist". Barrett (2013) views a merger to be a "transactional process that effectively interlinks the objectives and resources of two business corporations to help them achieve common goals". In the modern-day paradigm, a merger, according to Mehta and Hirschheim (2007) is a strategic revolutionary step adopted at the best of enhancing operational capabilities through synergizing competitive strengths of the merging parties. Another significant explanation of what mergers stand for is proposed by Waldman and Javidan (2009) suggesting that it refers to "assimilation of one firm into another." Across the spectrum all of the definitions allude in the same direction; in the broader sense a merger represents the united endeavor of two corporations to convert themselves into one entity having one identity in order to achieve organizational performance-oriented success in a marketplace which is extremely competitive and unorganized. The term 'acquisition', on the other hand, is underlined by Jo and Henry (2015) as a procedure wherein a business organization buys another corporation and

assumes full or partial control of some or all of its profits, assets, and labor. This is also known as a takeover – it could be friendly or hostile. Motives governing a corporate acquisition, according to Cateora (2007), Gaughan (2010), Hannan and Pilloff (2009) could range from growth acceleration, market expansion, to rebuff any attempts of being taken over.

Interestingly, despite having distinct definitions and theories, the terms 'merger' and 'acquisition' are often preferably referred together as 'M&A' or used interchangeably is because it has become a norm for acquirer corporations to call it as such.

2.2.2 Mergers and Acquisitions: Schools of Thought

Given the diversity the topic of mergers and acquisitions holds, over the years thus, scholars developed different classified approaches which shed light on different kinds of implementations which surrounded mergers and acquisitions. Numerous scholars pitched in with their perspectives which lead to different schools of thought becoming formulated.

The **capital markets school of thought** focuses on mergers being evaluated based on stock market (Moeller and Brady, 2014). In their review of mergers, Dutordoir, Roosenboom and Vasconcelos (2014) focus on studies dealing with performance issues in mergers. The review of pertinent literature revealed that the studies had dual-focus. On one hand, the studies shed light on financial economics, on the other, they concentrated on the performance from the perspective of accrued gains to the shareholders. Haleblian et al. (2009) in his works cited that the gains from previous researches are important as they provide insight into the factors that are responsible the failure of mergers from achieving desired results.

The **strategic management school of thought** views mergers as a means of diversification with focus on the motives behind a variety of mergers and the performance effects (Ahammad et al. 2017). The school of thought focuses on the idea of synergy advanced through two main avenues. First is the theory of differential managerial efficiency that focuses on merger as being due to the increased efficiency in the organization facilitated by the pooling of complementary resources. Second is the replacement of inefficient management during a merger (Uhlenbruck et al. 2017). The merger synergies can be identified as operational synergies which focus on the achievement of economies of scale in production, staff functions and marketing, for instance, collusive synergies which focus on the increase of market and bargaining power, managerial synergies which focus on the establishment of efficiencies gained from the market to facilitate corporate control and financial synergies focused on the measure of the ability to generate great benefits (Mellahi et al., 2016).

While the capital market school concentrates on the effect of wealth and the strategic management schools focused on the levels of the firm, the **organization behaviour school of thought** focuses on the resources which in this case the people aspects of the merger process that are often neglected(Goranova et al., 2017). The schools of thought focus on the importance of

communication and how the mergers influence careers. Literature on the impact of the cultural difference on performance in mergers generally offers mixed results. Mellahi et al.(2016) and Uhlenbruck et al. (2017) argue that the cultural difference often disrupts any benefits from integration sought in mergers. While most theoretical models in research focus on the role of culture in the mergers as a hindrance to cultural diversity. Muralidharan et al. (2017),Frynas, Child and Tarba (2017), Reddy et al. (2016) and Nyberg et al. (2014) in contrast indicate that under certain conditions, these difference become an asset as opposed to a liability in mergers. The **process perspective school** focused on the value creation in the active management of the merger and the role of the top management in the determining go success in the value creation process. Within the context of the merger, value is identified to be depended on the skill by which the problem of integration is managed (Reddy et al., 2016; Nyberg et al., 2014). The schools of thought facilitates on the inability to the strategic management school to focus on the significance of the process of mergers where the school argues that the merger process is an important determinant of a variety of the outcomes in mergers. However, rather than mitigate the importance of the organizational and strategic fit, the research draws on it with focus mainly on the post-merger integration process.

Table 1: Summary of Research Theories, focus and Arguments

Research Theories	Focus	Main Arguments	References
Capital Markets	Focus on the effects of mergers in the profits, firm performance and shareholder value	The mergers arise from efficient controls in the market. the actions focuses on the efficient markets hypothesis, agency theory	Moeller and Brady, 2014; Dutordoir, Roosenboom and Vasconcelos,2014; Haleblian et al., 2009
Strategic management	Mergers as aspects of diversification through focus on the motives for the	Synergies influence the performance of the merged firms.	Ahammad et al., 2017; Uhlenbruck et al., 2017;

	types of merger and he performance effects	Focuses on issues which is directly relevant to understand mergers from a governance point of view	Mellahi et al., 2016
Organizational behavior	Focuses on people as an important aspect of implementation of mergers	Combining of two cultures facilitate the satisfaction of employees with focus on the organizational and softer perspectives in merger processes	Goranova et al., 2014; Mellahi et al., 2016; Uhlenbruck et al., 2017; Muralidharan et al., 2017; Frynas, Child and Tarba, 2017;
Process perspective	Focuses on the integration process post-merger. Identifies the role of change management as sources of improvement in competitive advantage	Mergers do not lead to the creation of appropriate links between resources in merging firms.	Reddy et al., 2016; Nyberg et al., 2014

2.2.3 Integration in Mergers and Acquisitions

Meyer and Peng (2016) identified that organizational integration was the extent to which the interdependent and distinctive components of an organization which constitutes a unified whole. Integration involves the quality of the collaboration that is already existing the departments, which are required in the achievement of a unity of effort by the demand from the environment (Ahamaad et al., 2017). The integration involves a strategy by which the resources are

advantagesthrough the sharing of the resources (Xie, Reddy and Liang, 2017). In the paper, the research applies the definition by Ahamaad et al. (2017) of blending of components within the organization. One way of viewing integration involves is focused on the process, strategy and structure and through a description of the features in these three dimensions[as illustrated in fig. 1], the research is able to capture the decisions during the integration process.

2.2.3.1 Structural Dimension

This comprises not only of the internal structure but also the relations between the external environment and the organization. The internal structure includes aspects of how the work is distributed between the units in the organizational and how the decision-making is divided between different levels of the organization. These characteristics also focus on the people aspects of the mergers and the impact it has on the individuals which is shared by the organizationalbehaviors school.

2.2.3.2 Processual Dimension

The dimension focuses on the dynamic nature of integration and therefore it can be maintain that the dimension focuses on the appropriateness, stability, sustainability of the structure in maintaining the integration (Haleblian et al., 2009). The function of the dimensions can be on the attainment of parity in the dimension and the process school that is focused on the role of change argues which a merger does not automatically leads to the creation of appropriate links between the resources of the merging companies.

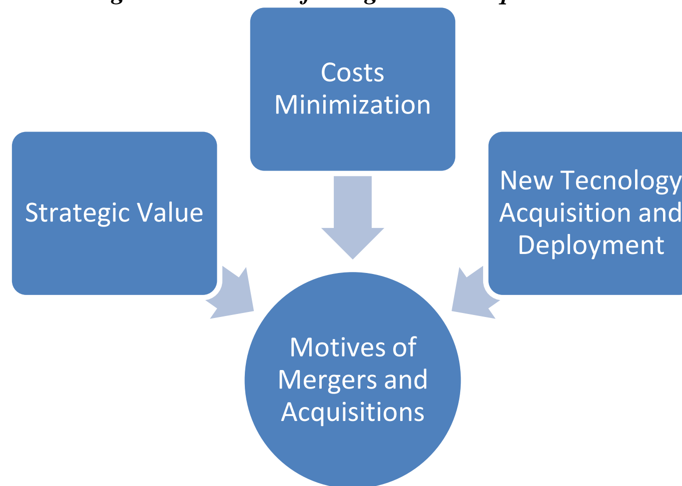
2.2.3.3 Strategic dimension

It refers to the description of how it plans to proceed to realize the integration needed to be achieved. It focuses on the strategic dimension where the focus is on issues, which are directly relevant mergers from a governance pint of view. Despite the dimensions of integration outline in post-merger literature, the information is appropriate for the study because it provides insight on the process of integration from the operating synergies ad knowledge of the companies, which take part in the merger.

2.4 Motives Governing Mergers and Acquisitions

Globalization of businesses and markets has made it necessary for companies to consider mergers and acquisitions thus. As things stand in the existing business landscape, Porter (2008) cites intensive competition has made market survival a possibility that is restricted to low-cost producers only. Among other byproducts of the globalization trend is that businesses are deploying manpower cutbacks (at all levels of the corporate hierarchy) in order to sustain low costs and high-level productivity (Palepu, and Healy, 2007). Porter (2008) highlights medium-sized companies are making foray into global markets, it is a positive reflex motivated by domestic currency’s easy exchangeability. Looking at the entire development cycle from a broader lens, it appears mergers and acquisitions are encouraged by an array of reasons. By and large though Mehta and Hirschheim (2007) reckon the primary reason for businesses to combine or mergers to happen is to accomplish quicker business growth. Below listed (Fig 2.3) are some of the core reasons that facilitate for mergers and acquisitions to materialize.

Figure 1: Motives of Mergers and Acquisition



2.4.1 Strategic Value

Mergers and acquisitions, according to Marks and Mirvis (2001) increase the likelihood of companies realizing their business strategies and objectives. Marks and Mirvis (2001) add businesses based on the strategic outcomes they are aspiring to accomplish can opt to combine in a variety of ways – horizontal, vertical, product extension, market extension, market expansion etc. In addition, Cartright and Cooper (2012) construe that mergers allow companies to reap

benefits collectively in competitive markets especially when certain market events take place, or in the generic sense, to improve business flexibility and management in context of the company's prospects in future.

2.4.2 Costs Minimization

When firms get combined, Schuler and Jackson (2001) state that the activity inherently promotes increased operational efficiency versus when firms function as separate entities. Further to that Schuler and Jackson (2001) also claim that mergers and acquisitions can encourage a firm to accomplish better and more operational efficiency goals by deploying an array of methods. DePamphilis (2009) writes that economies of scale stand to gain maximum benefit as a merger and acquisition effectively causes a decline in production costs. Falling production costs implies improved productivity, and such a scenario motivates economy of scale to happen (DePamphilis, 2009). Schoar (2002) notes company mergers reduce overhead costs and rate of operational efficiency increases as there is shared use of company amenities such as business offices, management, employees, and IT functions. In vertical integration economies, vertical mergers simplify the coordination processes between operational activities that are interrelated with one and another (Wu, 2017).

2.4.3 New Technology Acquisition and Deployment

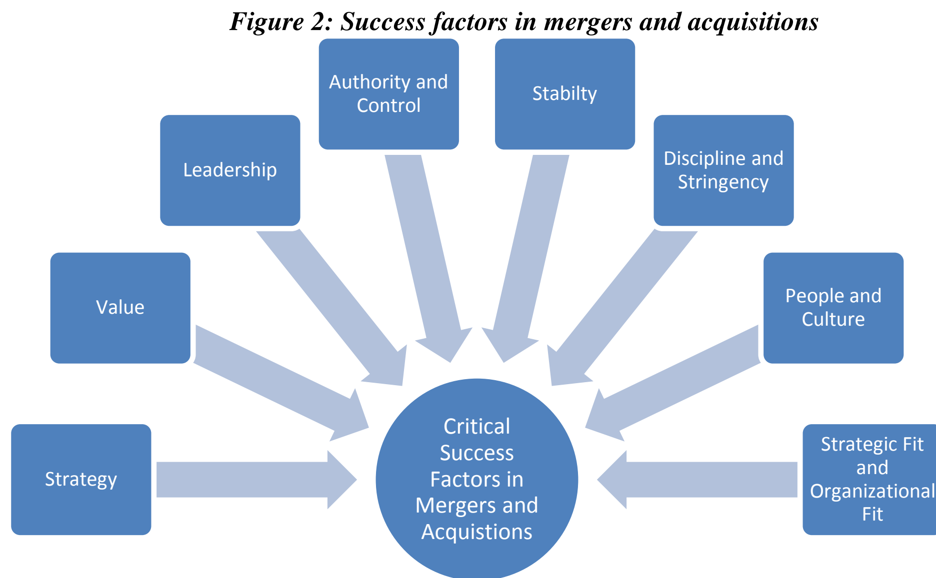
Rezaee (2004) stresses that mergers and acquisitions elevate companies' competitiveness. In order to stay competitive and stay ahead, Rezaee (2004) finds it is required and necessary that businesses stay abreast with technological developments and utilize the same to improve their business functions. Merging with a firm that has state-of-art technologies at its disposal allows a larger enterprise to maintain as well as develop its credibility as a competitor in markets (Gomes, et al, 2011).

2.5 Critical Success Factors

M&As have a lifecycle and there are multiple factors that drive them and determine their success. Marks and Mirvis (2001) through their studies and analyses have identified different aspects that play an important role in making a merger happen as well as its success. According to Gates and Very (2003) success of M&As is not just based on financial outcomes, it is a byproduct of attitudes and actions.

Fig. 2 below represents a summarized diagram of the success factors which have been elaborated upon thereafter.

Figure 2: Success factors in mergers and acquisitions



2.5.1 Strategy

Prior to implementing any action in merger process, it is important and ideal that a strategic action framework be prepared before execution. In order for tactical execution of mergers and acquisitions to take place, Lind and Stevens (2014) advise that companies involved need to draft a thorough and precise strategic context. In the past as well as recently, scholars (Harding and Riovit, 2004; Ameels, et al, 2002; Ray, 2010) in their research have cited numerous instances where companies have immediately set out to establish integration plans and deploy functional teams without even specifying the logic was behind a company's decision to merge with another and what were the outlined integration goals. Másdóttir and Spoljarik (2016) while studying team development establish that the outcome of such disorganization is that company teams are unaware about what basics are to be followed, and what integration goals are to be accomplished. Instead, company teams are engrossed in integrating different areas of functions. For a merger and acquisition to be successful, companies should fundamentally ensure that there is a cohesive rationale governing the acquisition, and its objectives are conveyed and understood thoroughly (Davenport and Barrow, 2009).

2.5.2 Value

Tende and Chinedu (2017) state that there is a general consensus on the fact that success of a merger and acquisition is to be adjudged on the basis of how much the shareholders were able to gain from it. Andrade, et al (2001) explain in the pre-integration stages, the primary focal point of companies' management is to ensure that the merger and acquisition is firstly able to preserve the current value of the existing assets of both companies, secondly, after integration, the focus needs to be on realization of the value of the merger and acquisition as they steadily transition to utilizing the merger for better value-creation (Alexandridis, et al, 2010).

2.5.2.1 Value Preservation

Bruner (2002) affirms that the actual announcement of a merger and acquisition is popularly and academically referred to as the riskiest period in its lifecycle. Value preservation is perceived as a critical success factor because at the time the first introductory announcement is made, it is also the first time shareholders of both companies are informed that a merger/acquisition is being worked out (Schweiger and Very, 2003). At the same time, Schweiger, and Lippert (2005) caution that if proper pre-planning and pre-activities are not implemented before the actual launch, there is high likelihood that companies' value to be negatively affected, sales plummet, loss of productivity, delays in decision-making etc. In contrast, Lam (2006) offers an example of businesses that are classified as "best practice companies" ensure that all the necessary planning and preparation is underway in time to initiate the activities and actions that keep the companies' stability intact and value of assets is safeguarded between pre-integration and post-integration.

2.5.2.2 Value Realization

After the merger transaction is officially settled, efforts now need to be directed to ensure that the deal's value is fully realized and synergies are achieved. For this, Epstein (2005) suggests planned actionable initiatives need to be implemented in an organized manner. At this juncture, McDonald, et al (2005) also add that companies simultaneously endure to ensure that transitioning as well as integration of operations, departments, mutual mission and vision etc materializes completely. Besides, Bruner (2005) indicates it is a norm for 'best practice" businesses to competently manage business operations in the transition phase (from being two

separate businesses to converging into one corporate entity) alongside also making so the value of the deal is obtained to the maximum.

2.5.2.3 Creating Value

The golden rule of M&As is quite simple and straightforward: integration is followed by optimization (Galpin and Herndon, 2014). After two business entities have combined and come under one umbrella – in terms of management, operations and infrastructure (regardless of how the entities describe the end-goals) then assets reassessment needs to be carried out. Assets need to be re-examined and merged in order to derive maximum value from the merger (Shukla and Gekara, 2010). Besides this, Joshi and Sharma (2014) refer that companies that are identified as "best of the breed" conduct a two-step procedure. At first, they are focused on integration of the two firms. The second step entails the transformation of the merged businesses into an entity that holds superior value compared to when the companies were independent enterprises.

2.5.3 Leadership

Hiles (2010) leadership has been identified as the foremost influential success factor in M&As. Be it the business owner or an executive from the top management is responsible for seeing the M&A through, then their leadership and commitment are imperative drivers in the process (Hiles, 2010). Sound leadership skills lend direction to M&As (Junni and Sarala, 2014), consequently many researchers (Guiot and Parra Gomez, 2006; Whitaker, 2012) have repeatedly remarked that M&As success or failure is determined by the kind of alignment exists between business owners' leadership and the companies' management personnel's commitment in making the M&A a reality. On the other hand, Absence of top-down leadership in an M&A can disrupt achievement of desired strategies and objectives, and triggering the creation of challenges and barriers instead (Hauser, 2015).

2.5.4 Authority and Control

Barmash (1995) asserts that it may seem quite simple to command and exercise authority before, during, and after M&As, but it is hardly so. In most cases, Barmash (1995) clarifies that the success estimates of M&As are adversely affected due to lack of good authority in the deal, or that it wasn't executed correctly. In the context of mergers, Hall, et al (2004) underline correct

and thorough governance is crucial. It implies numerous things (Desrochers and Fishcher, 2003) such as clearly defining and communicating how the two businesses are going to operate together in the interim phase – from the date of announcement to the closing date – (Whitaker, 2012) what are the legal know-how that people on both the sides should be informed of (Whitaker, 2012); and how decision-making processes will be carried out and implemented in the short-term and phase of transition (Whitaker, 2012). In addition, authority also needs to be applied in the case of describing how the two merging sides – senior management, mostly – will interact with each other, also oversight needs to exist on the collective workings of the integration teams, and the subordinates' tasks and duties of the business organization (Davenport and Prusak, 1998). Adequate authority also ensures that untoward issues do not arise (Borys and Jemsion, 1989), problems are resolved before they can escalate (Daly, 1991), and the overall aim must be to work in coherence amidst a n environment that fosters sincerity and trust (Windt and Falkenberg, 2016).

2.5.5 Stability

As planning and implementation activities take place as M&As materialize, De Angelis (2000) states it is equally important for existing business operations of both organizations to continue, undisturbed and far more improved. In this regard, many scholars have opined that even as a set of individuals are assigned to handle activities related to integration, the main core of both organizations should not waver its focus away from the daily business functions (Kumar, 2009). Cartwright and Schoenberg (2006), Weber, et al, (2012), and Louis (2004) have claimed that 90 percent of the company's stuff must be 90 percent committed to overseeing the day-to-day operations, and only 10 percent of their time must be spent on integration, whereas 10 percent of the company staff should devote 90 percent of their time looking after integration activities and 10 percent to the day-to-day events in business.

2.5.6 Discipline and Stringency

McLean and Moffat (2012) hold the view that managing M&As is akin to hyperactive and hypersensitive project management. Due to the to two attributes being associated with M&As, there is consensus that companies involved need be extremely disciplined and strict in their actions from start to finish of the process (Cartwright and Schoenberg, 2006). Ulijn, et al, (2010)

in their book "*Strategic alliances, mergers and acquisitions: The influence of culture on successful cooperation*" claim that M&As are underlined by diverse activities and tasks, thus in order to ensure that they are managed well, organizations and their staff - executives, managers – have to be rigorous, and need to exhibit immediacy when accomplish tasks, making decisions, and in teamwork and its empowerment (Cartwright and Schoenberg, 2006).. Most importantly, Prouty (2013) quotes that organizations' teams need to ensure that situations of analysis-paralysis and group-grope are avoided at all costs. All of these tasks require manpower that excels in project management. However, Lubatkin (1983) found most companies do not have such a team readily available, and despite that each M&A undertaking is different, it is a skill-set that it important to the success of the project nonetheless. Galpin and Herndon (2014) remark that as things unfold rather quickly in M&As, companies need to think and plan ahead. Tasks delegation should be performed to lowest-level (Adolph, 2009), and effort must be made to make sure that teams in-charge have clarity regarding corporate framework and project framework respectively (Nguyen and Kleiner, 2003). Furthermore, organizations and teams ought to realize and accommodate that despite discipline and strictness, mistakes will occur and risk-taking is a necessity (Coles, et al, 2006).

2.5.7 People and Organization Culture

M&As are a sign of change and change can be intimidating but not adopting the change and not adapting to the changes that accompany M&As is not a matter of choice (Marks and Mirvis, 2011). Therefore, in order to attain the prescribed goals and objectives of M&As, Mendenhall (2005) deems management of people through the change process as crucial – transitioning from where they currently stand to going to the intended place they need to be after the merger. This cycle of change affects not just companies' employees but also the stakeholders, customers and other strategic partners involved (Cartwright and Cooper, 2014). Two pointers need to be kept in mind though. Daniel and Metcalf (2001) advocate that on the day of announcement, companies must focus on clearly communicating to the shareholders, and also resolving any issues they may have thus. Secondly, addressing all the aforesaid actors and their issues must have precedence over integration-related concerns. In terms of organization culture, subsistence of cultural differences is expected. The primary task is to establish a common ground, understand the differences and make adjustments accordingly. Daniel and Metcalf (2001) further propose that

cultural disparities should not be allowed to cause disruption or obliteration of business value and functions. In many instances, management often mistake these to be mere soft issues. But theorists claim that these so-called 'soft issues' are the most difficult and critical to tackle.

2.5.8 Strategic Fit and Organizational Fit

Even as the popularity and frequency of mergers and acquisitions has surged like never before (Farschtschian, 2011), several studies have claimed that M&A deals are both famous and infamous for not getting realized as per expectations (Hooke, 1997). Quite clearly, an obvious difference exists between making an announcement that an M&A is in the works and actually making it work (Marks and Mirvis, 2003). Cartwright and Cooper (1990) opine that two kinds of approaches need to be adopted in order to make M&A work. The strategic approach (Bauer and Matzler, 2014) highlights that the M&A should take place between companies that are strategically fit for each other. The second approach lays emphasis on the existence of an organizational alignment between the companies (Schmidt, 2002). In varying but appropriate degrees, M&As require both organizations to be a strategic fit as well as an organizational fit so that success is guaranteed (Schmidt, 2002).

2.6 Challenges and Barriers

Poorly-handled M&As can cause losses in terms of people and value (Dunn, 2002). A study by KMPG revealed that nearly 83 percent mergers fail annually (Bradt, 2015). It is mostly due to mergers failing to meet expectations of shareholders and not boosting their returns as estimated. Historic evidence suggests that two-thirds suffer value losses in the stock market (Bradt, 2015). There are numerous challenges and barriers that have been identified to hinder mergers from taking place or failing after realization (Deutsch & West, 2010). In most cases, Deutsch & West (2010) cite the motivations governing M&As are faulty. Moreover, Berger (2005) notes that the trend of globalization, technological developments, and mounting financial pressures has coerced firms to take decisions to merge or acquire other businesses. Typically M&As are market-driven or product-driven or both, however limitations and challenges also exist which act as roadblocks in the process (Hoare, and Cartwright, 1997).

2.6.1 Perspective Differences

Harding and Rovit (2004) categorically state that successful M&As are headlined by managers and senior executives who have the required special skills to make deals happen. Broadly speaking, Lees (2002) adds that due to the technical prowess needed and the complexities that underline the overall process, companies looking to merge or acquire other firms are unable to achieve their end-goals because the expertise and skills at hand are not adequate. Consequently Côté, et al, (1999) argue that, the teams in-charge, despite their awareness of strategy, are unable to keep their grip on the transaction, causing it fail thus. Besides, even if top management executives possess basic knowledge and skill required, the differences in views and perspectives on the deal causes confusion and dilemma (Finkelstein, et al, 2009). In many research studies (Thite, 2004; Czarniawska, 1997) company CEOs have narrated how the involvement of too many specialized individuals can ruin negotiations, and create chaos instead. A company CEO cited his own example to explain what unfolds when fragmented perspectives run an M&A process. He recalled how he put together a team of more than 150 specialists – consultants, management specialists, investment bankers, and employees from his own firm – in less than 48 hours and had them examine a potential merger deal (Foley, 2014). Only a handful of people on the team had worked together previously, and the whole activity took six days to complete (Foley, 2014). The CEO noticed that the process had become hugely problematic. As most of the people on the team – despite their specializations – did not know each other, and they were able to only discern and convey only the most fundamental details effectively (Foley, 2014). Jaruzelski, et al (2011) remarked most M&As have large specialized teams operating on them. Due to the diversity of specialties involved in the process, decision making and speed of decision making becomes difficult when there are numerous analyses and perspectives to consider. Jaruzelski, et al (2011) unarguably agreed that specialized opinion is an innate aspect of decision making in many business environments, the consequent seclusion of specialists in M&As makes integration of analytical views and perspectives difficult to achieve. As a result, Jaruzelski, et al (2011) reasoned that managers develop a tendency to convey issues that are strategy-centric versus organization-centric.

__2.6.2 Communication Failure__

In their research, Schwenker and Müller-Dofel (2013) cited that PwC in 2010 had performed a survey of companies that had successfully realized M&As. In the survey, CEOs and managers identified communication challenges the toughest and most effective factor to cause imbalance in company synergies. Cameron and Quinn (2011) too have quoted that communication with employees, in addition to their empowerment and giving them a suitable company culture to develop in are all key aspects to successful integration. In most cases, Schwenker and Müller-Dofel (2013) explained that when M&As happen, employees and managers are often unaware and uninformed about the developments. Among reasons Cartwright and Cooper (2012) identified, fear and not having adequate answers at their disposal emerged as the top deterrents that caused top management officials not to divulge information to employees; and that they need to readdress their energies into the merged enterprise. This also triggers rumors to circulate hard and fast, and therefore prompting employees to pose queries such as what is the reason behind company's decision to merge with another, how will it impact employees' work, what kind of benefits do employees stand to gain from the merging process. Cartwright and Cooper (2012) also noted that absence of open and correct communication across firms' hierarchical pyramid (top-down bureaucracy) gives rise to an atmosphere of insecurity and doubt in workplace, thus causing reduced employee productivity and engagement. Although the skill of communication is understood to be an inherent trait, nonetheless learning the skill can be laborious (Bhatnagar, 2011). When a merger or acquisition is in the works, it is imperative that all the actors from sides are thoroughly informed throughout the process. Take the case of BenQ for example. The company announced its intent to merge with Siemens in 2005. Cheng and Seeger (2012) elaborate on the incident and particular build their discussion on the communication aspect, the merger was supposed to bring about product integration. Cheng and Seeger (2012) explain that the product line was to be developed using a combination of Asian perceptual design and German aesthetics. But the plan could not fall through due to communication and cultural problems between both sides (Cheng and Seeger, 2012). Consequently, the company suffered losses worth 800 million Euros (Cheng and Seeger, 2012).

On its part, BenQ lacked experience and expertise in the mobile business domain and so was not equipped to spearhead the business at a global level. Combining an enterprise such as Siemens

with such a business organization caused mass disappointment to employees of both sides. The merger thus was termed as an economic failure. Cheng and Seeger (2012) talk of the employees who were working in the newly merged enterprise felt enormously betrayed and stated that they could not longer cultivate feelings of trust for each other. Cheng and Seeger (2012) also point out that if the employees had been pre-informed of the merger decision, they would have prepared themselves to adapt to the new situation. Due to the predominant cultural differences between both sides, Cheng and Seeger (2012) conjecture that BenQ should have drafted a competent communication strategy before the deal came through.

Right from the initial phases, Cheng and Seeger (2012) report that conflicts had been ongoing between the German headquarters and Taipei management. There were huge disagreements related to the development process of the new products. After the deal closed, BenQ enforced a set of strategic overhauls and expected that the Germans would understand on their own. BenQ 's assumption was that the employees would be cooperative in light of the changes made, however, with the ongoing conflicts led to further misunderstanding therefore causing chaos and distrust on both sides. As soon as BenQ realized that Germans were not complying with their implementations and instructions as expected, BenQ consequently withdrew monetary support from Siemens (Cheng and Seeger, 2012). While the Germans perceived BenQ's actions as cruel and inappropriate, nonetheless the Taiwanese board reckoned it to be sensible course of action (Cheng and Seeger, 2012).

The aforementioned example (Cheng and Seeger, 2012) illustrates that had communication plans been drafted before the merger was finalized, the merger would have unfolded differently, and outcomes could have been achieved as estimated. Absence of an actionable communication strategy causes losses. In this example, the employee turnover rate skyrocketed.

2.6.3 Employee Retention Issues

Researches by Cartwright et al (2000) establish that employee retention issues invariably come up during M&As. It has been identified as a big challenge as well as an even bigger threat (Kusstatscher and Cooper, 2005). In M&A's processes, employee retention problems are considered as inherent, and they mostly tend to arise due to the insecurities, fears, and pessimism experienced by employees (Kusstatscher and Cooper, 2005). Klehe, et al (2012) explain that

majority number of times, the predominant concerns is mainly about the company's future, job security, and how company leadership and credibility will get affected after an M&A gets finalized. Taylor (2005) remarks that lack of communication between top management and employees often put employee dilemmas in a state of overdrive. Fundamentally, it causes employees to start feel distrustful towards the firm, as well as feel let down by the firm's leadership (Taylor, 2005). These sentiments are considered to bloat into a situation where employees quit and leave the organization. It is therefore important, that during M&A processes, firms ensure that employee retention is maximized and employee turnover remains as low as possible (Kusstatscher and Cooper, 2005). Otherwise, increased employee turnover adversely affects business continuity – and it is one of the driving factors of a merger's value realization. Moreover, lack of employee retention also set off financial losses, knowledge losses, and customer losses.

Overall, when M&As take place, the event usually brings about mass organizational overhauls, which as a result draws out diverse responses and reactions from employees (Holbeche, 2007). It could trigger an array of emotions such as anxiety, stress, role dilemma or conflict, uncertainty about job/company future etc (Buono and Bowditch, 2003). These sentiments are bound to reflect on employees' behavior and work productively (Buono and Bowditch, 2003). Thus Seo and Hill (2005) highly recommend that companies must invest efforts in ensuring that they uphold employee happiness, trust, and satisfaction so that employees also feel the motivated to remain associated as an employee as well as a representative of the company's existing intellectual talent pool (Holbeche, 2007). For an M&A to be implemented correctly and entirely, role of replacement and reduction strategies is important (Kusstatscher and Cooper, 2005). It is the management's responsibility to ensure that employees are communicated to in a continuous manner so that it allows a culture of openness and sincerity to foster between top management and employees (Kusstatscher and Cooper, 2005).

Consider the example of PepsiCo and Kentucky Fried Chicken (KFC). The former had acquired the latter in the 80s decade. Kumar (2012) cites that the acquisition resulted in pressure being mounted on KFC management and personnel – across the company's pyramid. It resulted in the management and employees feeling gravely anxious regarding the company's future and their own in terms of growth and development under the new leadership. In relation to this

development, Kumar (2012) refers to the Harvard Business Review ran an article in which it carried views and remarks of the KFC employees about the new acquisition. Kumar (2012) notes that managers cited that PepsiCo perceived the KFC staffers to be replaceable. Kumar (2012) adds that in a short span of time, reports surfaced that majority of employees in KFC's top management had quit their jobs as soon as the acquisition came into effect. The remaining employees who were still working in KFC cited that they experienced discomfort in the new company culture (Kumar, 2012).

Post-acquisition, loss of employees is obvious to hurt a business's operations and continuity to a large extent (Olofsson and Nilsson, 2006). Simanov's (2017) research in this domain found that such a scenario has a domino effect across the company's hierarchical structure; it causes others employees – in an already deflated workforce – to feel undermined and dejected. Therefore, suffice to say that firms considering M&As should pay heed to and aim to deploy initiatives that hone existing managers and other employees and inspire them to stay put for long-term in the organization (Olofsson and Nilsson, 2006). Failing to retain old employees can cause an organization to feel fragile, and it is scenario no company can afford to be in (Olofsson and Nilsson, 2006).

2.6.4 Cultural Concerns

According to Horwitz, et al (2002) mergers and acquisitions take place because companies' financial and business mindsets are aligned, and there are mutual outcomes to be achieved. Nonetheless, Sciriha and Debono (2018) argue that many times, despite sameness of approach and rationale existing across factors, M&As do not succeed because the firms may have overlooked the possibility of cultural consequences. Wide-ranging scholarly literature exists wherein researchers have studiously ensured to explore reasons behind M&A failures. Research findings of Appelbaum, et al (2013) revealed that almost 30 percent of M&As failed within three years, and mostly cause of failure was attributed to cultural differences in the organization. It's a norm to overlook the human aspect in business transactions; mostly businesses focus on the technicalities of the process (Pautler, 2003). But, fact is people are a key component in determining whether M&As will be successful or otherwise (Pautler, 2003). Cultural alignment in merging companies is seen as a factor of reassurance that the M&A has some rationale and potential supporting its implementation (Marks and Mirvis, 2003).

Various studies and experiments have been conducted in past (Hofstede, 2003) and present (Marks and Mirvis, 2003) that underscore the important role culture plays in an organization's survival and success. Fundamentally the term "culture" Hofstede (2003) describes refers to the mutual values, attitudes and beliefs that collectively lend significance to an organization. Hofstede (2003) highlights that with workplace culture, organizational actions cannot be implemented. As a result, in the context of M&As, culture of merged companies is a critical aspect, and often that culture is difficult to adapt to for employees from both sides (Sciriha and Debono, 2018). The difficulty exists due to the fact that employees find it tough to replace the old company values in long term (Marks and Mirvis, 2003). Moreover, Ficery, et al (2007) mention it is a well-known fact that when M&As materialize, management strategies and practices go in transition, and the abruptness of the event can easily trigger disruption, and also negatively affect people across the organizational pyramid.

Across sectors Vuorenmaa (2006) advocates for premerger diligence to be exercised. It will not only ensure avoidance of cultural conflicts in the newly merged setup but also it will remove any unnecessary scenarios and processes that may hamper the M&A outcomes (Vuorenmaa, 2006). Besides, it also advised that cultural challenges be suppressed beforehand by performing premerger cultural surveys so as to develop awareness and understanding of cultures omnipresent in both firms. The influence of culture runs deep and wide in an organization (Vuorenmaa, 2006). For example, strategy and decision making style in one firm may be the complete opposite of what the other organization may practice, styles of leadership could be different as well – authoritative versus transformational, and employee relationships could be informal in one firm whereas formal in the other (Vuorenmaa, 2006).

Consider the merger between Daimler and Chrysler (Badrtalei and Bates, 2007) as an example. Touted as the merger between equals, when Daimler went public with its decision to merge with Chrysler, there was positivity as both companies operated in the same sector and had their product-selling specialty was the same (Badrtalei and Bates, 2007). But culturally, both companies were poles apart. On one hand, Daimler practiced a culture seeped in conservatism and endorsed safe business actions. Chrysler, on the other hand, promoted creativity and diversity among its employees (Badrtalei and Bates, 2007). Months after the merger came into effect, cultural friction became apparent and thus the merger was called a failure. Both firms

were diametrically opposite to one and another in every aspect – including company philosophy, functioning, and operational behavior and ethics (Badrtalei and Bates, 2007). Stringent discipline overtook Chrysler's relaxed and easy-going work culture. The cultural takeover impacted negatively on employees' satisfaction, and the company soon suffered huge losses as a result (Badrtalei and Bates, 2007).

Aside from disparities stemming from culture, trust issues is also recognized as a major barrier that has influence on success and outcome of M&As (Badrtalei and Bates, 2007). Due to lack of awareness, employees tend to show reluctance in working with each other. After the Daimler-Chrysler merger, number of Chrysler's executive staff quit their jobs or were replaced by their German contemporaries (Badrtalei and Bates, 2007). The two developments were instrumental in causing goal-related conflicts across departments in the firm (Badrtalei and Bates, 2007). The values and ethics of managers' on both sides were dissimilar and that consequently also drove a wedge between their working styles and behaviors (Badrtalei and Bates, 2007). From the onset, the contradictory beliefs and behaviors harmed the newly merged enterprise. Daimler complied with a hierarchy-centric approach and such a scenario seemed unfavorable for Chrysler employees to work in, and raised severe communication-related issues too (Badrtalei and Bates, 2007).

Faced by severe blowbacks in the wake of cultural conflicts, the new company suffered losses in terms of human capital and shares-value (Badrtalei and Bates, 2007). As the predicted synergies were not achieved, and financial losses continued to mount, Daimler decided to sell Chrysler for $6 billion dollars in 2007 (Badrtalei and Bates, 2007).

2.7 Impact of M&As on Firms' Performance

Schweiger and Goulet (2000) conducted research studies in the direction of M&A's impact on firms' performance and confirmed that combination of firms yields positive results on the firms involved in the M&A. The same hypothesis is supported by various others (Hayakawa, et al, 2012; Hagedoorn and Schakenraad, 1994). They also remarked that their findings also showed that firms' performance significantly improves once it enters into a combination with another entity.

On the other hand, there are also studies (Tuch and O'Sullivan, 2007; Dickerson, et al 1997) with their own set of empirical evidence that openly refute the aforesaid claim, and propose that M&As are the root cause behind falling profitability of many combined business enterprises. Majority of the literature sources that advocate this perspective suggest that declining profitability occurred due to organizational structures becoming more intricate post-merger (Agrawal, et al, 1992; Dickerson, et al 1997). The complexities thus led to managements losing their grip on company functions due to lackluster motivation and competence. This explication causes researchers (Kiymaz aand Baker, 2008; Tuch and O'Sullivan, 2007) to be tad more cynical about the prior claim that states that M&As stimulate operational efficiency. As consequence of mergers or acquisitions having negative impact on the firms, there is probability that the influence could cascade into the industry as well and thus triggering a contraction in the sector (Gleason, et al, 2014). Further to this conclusion, Gleason, et al, (2014) also add that M&As alone are not capable of causing firms' performance to positively escalate; in fact they have the potential to cause a breakdown amongst other mergers and acquisitions or the industry, overall.

As the literature on the subject of M&As is rather widespread, Brockman, et al (2013) reason that it is not exactly possible to draw decisive conclusions as to whether M&A's shed positive or negative impacts on firms' performance and profitability. Moreover, it is equally imperative to analyze the post-integration effects, when discussing about M&As in relation to firms' performance , to take into consideration the responses of stock markets when M&As get announced (Brockman, et al, 2013). The reactions give a clue into the overhauls that are estimated to happen in future of companies' cash flow and how much the involved firms shareholders' will accumulate and can be seen as a substitute of the estimate value the companies will grow after the merger or acquisition is realized (Weber, 2013).

On the other hand, when the effects are separately examined – from the bidder's side and target firm's perspective – a pattern is found emerging in the research studies conducted in the past. Dodd and Ruback (1977) came to conclude that within the same month that the M&A announcement is made, abnormal returns are accumulated in large sums by the stakeholders of the candidate firm, whereas the acquirer firm's shareholders, their gains ate lesser but still positive.

Another study helmed by Franks and Harris (1989) also sees a similar vein of conclusion coming through. The scholars state that target firms (in a merger or acquisition) stand to gain benefits from the date the deal is announced. In context of acquiring firms though, Franks and Harris (1989) claim that they acquire zero to minimal gains. Going further, Andrade et al. (2001) investigation led them to find that aside from the positive effects which the combined firm experiences, post-announcement the acquiring firm's gains are mostly abnormal. A more recent study (Netter et al., 2011) in the orbit of the same topic emphasized the same hypothesis. Netter et al. (2011) found that abnormal returns of acquiring firms in the aforesaid scenario amount up to just a little over 1 percent while target firms gain abnormal returns that are slightly above 20 percent. Netter et al. (2011) further explained that there is no obvious explanation that holds enough merit to justify the phenomenon. Another set of studies also support the same claim and also add that there are multiple factors that influence the trend. Andrade et al. (2001) proposes that the motives behind M&As are not always well-intentioned. As an example, the empire-building theory is manager-focused and although a manager may support a merger, but it may not always be favorable for acquirer's stakeholders involved.

Escalation in takeover prices is also triggered due to bidding competitors (Lipton, 1979). It is another one of the reasons that has been identified in this particular context. Among other probable explications offered are the atmosphere (friendly or hostile) in which the deal occurred and got implemented, and the size of the firm that the acquirer operated in (larger the firm better the outcomes from the deal.) Besides, another slightly contradictory trend that emerged from researchers' investigation is that an acquisition of merger's ability to generate profitability also depends on timing (Ariely and Simonson, 2003). For example, Singh (2009) while discussing the historicity of M&As brings up that M&As that were announced in the 90s decade incurred profits for firms till 1997, however, in the years that followed, until 2001, M&As yielded great losses, so much so that the gains made earlier disappeared under the losses pile-up. Then again, this particular literature is centric to negative outcomes because they are cause-and-effect of M&A announcements made at the time.

There is also abundant literature developed that studied M&A impacts on industry-basis. This is important because it reflects that M&As impacts on firms performance and profitability cannot be generalized (Jang and Park, 2011). For example, Gregoriou and Renneboog (2007) carried out

studies that analyzed mergers and acquisitions in the post-2000 timeline. In terms of the pre-2000 research, on one hand it showed that M&As in the banking sector yielded positive and profitable outcomes but on the hand there was no empirical evidence found that conveyed that the positive effects extended to shareholders' wealth too. The research gaps motivated scholars to delve further into finding other credible evidence that suggest that M&As improved operational efficiency of firms.

Reviews carried out of more than 150 M&A deals in the post-2000 time period showed that firms efficiency were clearly showing signs of improvement – particularly banks (Chakrabarti, et al, 2009). Studies of the European markets (Mittal and Jain, 2012) clearly illustrated that mergers and acquisitions had imparted positive effects on stakeholders' wealth in the financial services industry. Majority of the M&A studies that investigated trends in the financial sector produced the same conclusion – M&As were good news and yielded positive outcomes in terms of firms' performance and profitability (Kolaric and Schiereck, 2014). Nonetheless, the same researchers also warn that M&As have the potential to adversely influence market pricing trends, market power, and credit availability.

2.8 Impact of M&As on Employees

Teerikangas and Very (2006) explores the impact of M&As on employees – across different factors – offers contrasting accounts. M&As set about changes at various organization levels – there is a transfer of wealth, information from employees to shareholders (Child, et al, 2001). As a result of these massive shifts, M&As have varying yet definite impact on the mindset, loyalty and productivity of employees operating in organizations involved in M&As.

2.8.1 Job Security

Lenin and Utechin (1963) note that when an acquisition or merger is announced, chances are that employees will be the first to either cringe or rejoice – depending on which side of the fence they are sitting at. For those whose jobs are not going to come under scrutiny, M&As are bearers of good news (Sherman, 2010). However, such a scenario is a hard-get as the collective consensus amongst scholars is that many employees reckon that materialization of M&A deals (before and after) endangers their job security in the existing firm as well as in the newly-formed organization (Sherman, 2010). Employees working in M&A environments may strongly feel that

they possess the required skill-sets and talent that could be useful in other job opportunities but their existing job (Bhal,et al, 2009). In many of the empirical studies (Parker, et al, 2014) that have been conducted in this context, it has surfaced that massive organizational overhauls can cause greater sense of job insecurity and that in turn also impacts employees' levels of job satisfaction, organizational commitment , faith in organization, and finally job productivity and performance. As a result, Parker, et al, (2014) have also developed the opinion that perhaps M&As act as a booster for employees who willingly want to quit and look for apt work opportunities elsewhere. Hubbard (1999) explains when an existing employee decides to quit an acquired or merged firm, it inherently prompts the organization look for a better candidate as a replacement. The turnover rate becomes an opportunity to find better matches in the labor market.

Arguably, Hubbard (1999) agrees that M&As allow disconcerting situations to emerge for employees, but at the same time, implementation of mergers and acquisitions acts as an enabler for managers to take tough decisional calls so that targets of growth and development can be achieved. Some of the decisions may be harder than others – such as firing employees and recruiting new ones (Pikula, 1999). In order to ensure that employees' discomfort and discontent does not spill downward the organization, Huang and Kleiner (2004) propose that it is crucial that managers run a 'talent audit' before the M&A materializes, to determine the managerial and personnel manpower the acquiring firm requires to or should hold on to for future growth and success . In addition to this, given that majority of employee reactions are negative to M&A decisions, Rajan (2007) puts forward that firms therefore must also strive to identify the sources of employees' stress beforehand and then devise a method to keep employee resistance in check so that highest-level corporate synergies can be gained.

2.8.2 Employee Motivation

According to Baumeister and Leary (1995) "motive" implies needs, wants, and desires. Employee motivation is expected to get affected – albeit varyingly – after a M&A deal comes through (Schweiger and Denisi, 1991). Business owners of the newly-formed entity utilize M&A as an opportunity to sieve through company's workforce and sort them according to skill and competency (Shrivastava, 1986). Joyce Covin, et al (1997) establish that top management uses M&A as means to fire unproductive employees and hire new skilled talents as replacements.

Joyce Covin, et al (1997) further indicate that existing employees are made to take up training and development program so that they get a skills-upgrade that can make them more useful as human capital for the new organization.

Managers strive to overcome employee mismatches (Houghton, et al, 2003). A bad match occurs when employees are overpaid versus to other employees with similar skills in the same sector. If employees and their jobs are well-sorted and well-matched to each other, then the employees would be compensated based on their productivity (Houghton, et al, 2003). In case of a bad match, despite being unproductive, the employee would be paid as per industry standards (Houghton, et al, 2003). In a bid to keep post-M&A attrition in check, managers are accountable for taking steps that in the long term would assist in increasing levels of employee retention and employee commitment (Houghton, et al, 2003).

These types of measures come in handy especially to help retain talented employees and also strengthen customer loyalty (Kennedy and King, 2004). Actions of due diligence such as developing an appropriate employment framework (Ruggie, 2008), recognizing and rewarding best-performing employees and the important roles they execute (Ray, 2010), drafting a retention strategy and consequently building an employee retention initiative and budget increments and approvals, all of these measures can keep employee morale and motivation in good shape (Simanov, 2017).

One of the foremost reasons that have been identified to negatively impact on employee motivation levels is: lack of top-down communication (Damanpour, and Schneider, 2006). Time and again, (Damanpour, and Schneider, 2006) have emphasized that for a successful deal to occur, communication between all parties is important. Therefore, managers must ensure that steps pre-M&A and post-M&A are correctly and precisely communicated to employees of both organizations (Deutsch and West, 2010). Soloman and Flores (2003) promote the notion that transparency in business facilitates a strong sense of trust, and besides well-informed employees are assets to organizations (Soloman and Flores, 2003). Other than this, managers should encourage employees to pose their queries and questions about the deals. This will enhance their understanding about the deal and the outcomes, which will assist them in reshaping their work behavior, productivity, and morale in favor of the new company (Soloman and Flores, 2003).

Mergers and acquisitions are a team effort (DiGeorgio, 2002). For companies to make sure the deal is realized in the desired manner, establishing team cohesion is imperative (Schraeder and Self, 2003). This can only occur when managers ensure that employees share strong working dynamics with each other, and that they are in favor of the impending overhaul in the organization (Schraeder and Self, 2003). In order for the aforesaid actions to be realized, and employee motivation continues to improve, organization need to implement strategic plans (Schraeder and Self, 2003).

Research studies conducted by Houghton, et al (2003) have shown that organizations tend to fall short when it comes to planning for the workforce in pre-M&A and post-M&A scenarios. Because the planning in this context is lackluster, employee retention issues crop up. As a result, there is a need for due diligence procedure to be activated so that employees and their employment concerns can be tackled before integration takes effect. Also, Schweiger and Denisi (1991) recommended that employee-related matters are tackled by setting up a integration advisory (Tetenbaum, 1999). It is a body that is put in-charge to devise an apt communications model, propose performance management initiatives, training programs, deploy leadership guidance, creation of employee round-table discussions and focus groups, and drafting employee engagement questionnaires and surveys (Tetenbaum, 1999).

Besides, Buckley and Ghauri (2002) assert further that employee motivation levels can be enhanced by instating program management which included initiatives such as honing communication between management and all levels in the organization, and espousal of activities of integration. If the combination of two companies does not lead to proper rearrangement of business operations, then there is every possibility that employee morale can plummet, and productivity and profitability will subsequently suffer (Weber and Yedidia Tarba, 2012). Also related to employee motivation is the concept of organization culture (Weber and Yedidia Tarba, 2012). The latter plays an important role in inspiring employees to perform in favor of the company, and continue their association for a long period of time (Weber and Yedidia Tarba, 2012). When two companies enter in an acquisition or merger, cultures will differ and therefore they may collide. Therefore, it is very important that cultural differences existing between the two companies need to be adapted to so that cultural friction can be avoided at all costs (Weber and Yedidia Tarba, 2012). Agreed that learning and adjusting to a new company

culture is an uphill task, but Schraeder and Self (2003) believe considering that a set of future goals and outcomes are at stake, the combined firms need to make sure that their employees make the necessary effort and feel at home in the new workplace culture.

2.9 M&As Impact on Market Competition

Based on the volatile nature of business and markets, Berger, et al (2007) concurs that business environment is perennially shifting. Such a dynamic market setting poses multiple challenges and sets off increased competition. Barney and Hesterly (2006) explain that in order to gain market dominance and competitive advantage thus, business entities often aspire to retain or exceed power-grabs through mergers and acquisitions. Business decisions of this scale have an impact on the markets. Primarily there are two types of market effects: competitive and anti-competitive (Aghion,, et al, 2005). Horizontal mergers are often suspected of being anticompetitive as they strive to eradicate one or more competitors from the market. Subsequently, the market aftermath of horizontal mergers is classified as unilateral effects and coordinated affects (Aghion,, et al, 2005). Horizontal mergers staged to pose anticompetitive unilateral impact do so by creating a single business enterprise that has significant market share. In worst-case scenario, the merger may establish a monopoly (Aghion,, et al, 2005). Even if a monopoly does not occur, the merger can cause a firm to strengthen its market power, and thus influence prices against and above the existing competition standards, thereby disrupting customers. Contrastingly, horizontal mergers accomplished for coordinated effects focus on eliminating one competitor, and therefore facilitating other companies within the category to coordinate the market behavior, but price uniformity may not be achieved (Aghion,, et al, 2005). Still, profits are earned through implicit and explicit agreements between the coordinating firms (Aghion,, et al, 2005).

At the other end of the spectrum, scholars have argued that mergers and acquisitions inject good effects in market competition. Based on empirical evidence compiled by Wang and Wong (2009), mergers and acquisitions were the focal point of the competition law which even today stipulates that organizations' M&A should act as a catalyst for a marketplace that is stable and competition levels are well-balanced. However, Wang and Wong (2009) also concede that most mergers and acquisitions that got realized at the time did not follow that basic rule and thus, mergers and acquisitions come to be specially scrutinized under the law. The existing situation,

some researchers (Ahern and Weston, 2007; Yano, 2008) strongly believe, has changed significantly and become rather encouraging and positive, if one believes the claims put out by recent researches.

Despite mounting evidence that M&As are bad for markets, Martynova and Renneboog (2008) have collected considerable evidence that clearly shows improvements acquired and merged firms have experienced after realization. Ali-Yrkkö (2006) adds that while most merged or acquired companies may have recorded positives in some aspects, another side of this claim purports a different scenario altogether. Ali-Yrkkö (2006) points that mergers and acquisitions trigger price rise, and it upset consumers' buying power. Consider the following example. Thoma (2016) reports that towards 2016-end, analysts discussed the pros and cons of M&As in relation to the markets and economy, and cited that despite the fact that deals worth $490 billion were announced, companies did not incur gains as expected. The reason was: price increases. As buying power of customers was affected, profitability of merged and acquired firms took a hit. Moreover, Thoma (2016) explained that mergers and acquisitions in theory imply that companies have grown in size, and gained a larger footprint in the target markets. The increase in power obviously empowers firms to raise price points of products, and their quality remains the same (Thoma, 2016). As a result, this causes analysts and market watchers to wonder whether mergers and acquisitions are aimed at increasing firms' productivity or market power (Thoma, 2016). There has not been much literature investigating this query, however, a recent empirical research at University of Oregon divulged that M&As mostly increase their market markup versus productivity markup (Thoma, 2016). This disclosure makes it rather easy to conclude that firms that are motivated to earn higher profitability with improving productivity are perilous to for market survival and competition (Thoma, 2016).

2.10 M&As: Means for Strategic Planning and future Accelerations

For growth goals to be achieved in any industry, Schoemaker (1992) believes strategic planning is attainable through M&A deals. Strategic planning is described as a process wherein decisions are established pertaining to the initiatives an organization will adopt and implement to achieve the aforesaid strategies and goals in foreseeable future (Schoemaker, 1992). The process also entails study and allocation of resources for the same. An array of analytical tools (SWOT, PESTLE, or STEER) can be used for strategic planning (Schoemaker, 1992). M&As

strategically empower companies to consolidate their businesses in an effort to increase company revenue and shares' prices and ratings in the stock market (Krishnamurti and Vishwanath, 2008).

Owing to the increasingly competitive business settings developing globally, Park and Jang (2011) observe that companies across industries are working towards building profitable strategic plans and growth objectives to take the companies ahead in competition. M&As therefore have now become the most preferred option.. Historically Park and Jang (2011) note that, M&As value in the financial services sector was limited. Flom (1999) in his research came to find that M&As simply implied gaining control and regulation of businesses that had undervalued assets. The target companies were functioning in a different industry or sector. The main aim of deals was to acquire cash flows of target companies and repay debts. In the existing business environment, M&As significance has gotten transformed entirely (Flom, 1999). There is immense strategic value attached now. It means that companies and their managers are no longer working out deals to buy undervalued assets, rather now they are buying target companies' customers, distribution channels, organizational advantages, geographical value, and a talent pool (Hitt, et al, 2001). Harding and Rovit (2004) conducted a study in which they investigated the role of strategy in M&A, and how strategic alignment is important and necessary to strategic planning in this context. After reviewing almost 1700 mergers and acquisitions, and conducting interviews with over 200 CEOs, the authors discovered that hardly one out of three CEOs had awareness about the strategy which governed companies' M&A, or had any clear idea about how M&A would link to organizations' growth strategy in terms of finance and operations. The study (Harding and Rovit, 2004) also found that over 50 percent of the CEOs who were clued in about the strategic rationale of M&A's, post-merger remarked that the strategic planning and application had been incorrect. Harding and Rovit (2004) have time and again discussed and analyzed growth strategies at CEOs' disposal, and cited that M&As are considered as the ideal course of action that companies take to achieve organizational goals.

The rationale that endorses use of M&As as a strategic growth strategy is that companies' are now focused on consolidating their businesses to grow than indulge in implementing cost-saving tactics (Hitt, et al, 2001). However, Gates and Very (2003) argue that in order for M&As to be utilized as a strategic tool for planning and growth, organizations need to ensure there is

adequate oversight. More importantly, objectives of entering M&A deals should be aligned to organizations' strategic plans.

2.10.1 Right Team for the Right Merger

Three core factors need to be examined and assembled in order to set out strategic planning and execution that lends credence to M&A (Tetenbaum, 1999). Firstly, proficient managers and other staffers need to be deployed at target companies so that work culture and manpower operating there can be duly examined, evaluated alongside assessment of HR functions and policies (Harding and Rovit, 2004). Secondly, strategic planning in M&A also involves planned and objective analysis of organizational activities and process so that the ideal integration approach can be designed and implemented once the deal is underway and also after it has been realized (Harding and Rovit, 2004). In case the M&A involves a firm that belongs to another industry, then the acquirer needs to make sure that target organization's factors (culture, business methods etc) are discerned completely (Harding and Rovit, 2004). Lastly, strategic planning also requires technological review of both firms so that amalgamation of technological setups can aid combined data generation and management (Harding and Rovit, 2004).

In order for the right people to do their job right in M&As, Bower, (2006) feels that organizations need to be able to recognize the right deals to accomplish their M&A goals. Strategic planning cannot be accomplished unless acquirers ascertain specific know-how about the target organization (Bower, 2006). This includes: strength and credence of organizational management, market value, geographical and customer demographics – are they overlapping or complementary –, target company's product mix – do the products and services add value to acquirer's business –, IT proficiency of target firm, possibilities to convert into economies of scale, consolidation prospects, and regulation risks or benefits. If the knowledge outcomes of the aforesaid pointers are catering to acquirer's M&A goals, then the next step is obtain a buy-in from the shareholders (Bower, 2006).

2.10.2 New Business Model

Gupta (2014) directs that M&As expose companies to the opportunity of creating a new model or revamping the existing one. Gomes et al, (2011) elucidate that many organizations that merged with businesses or acquired firms developed a new model to aid in elevating strategic

planning. Gupta (2014) explains that adopting a new way of doing business leads to improvement in operations of the companies involved in the deal, helps them to exploit economies of scale in workforce and logistics, incrementing product development and product portfolio and instating common systems of infrastructure. Christensen, et al (2011) support the theory that the integrative business model and approach achieved through M&As helps reduce costs and increase revenues and profits.

2.10.3 Due Diligence

It refers to thorough screening of potential target companies' before M&As are announced and implemented. Perry and Herd (2004) have alluded that due diligence enables acquirer firms to conduct thorough analysis of target firm's business dealings – across the spectrum – and not just focus on financial stability and cash-flow situation as had been the case historically. In the current business landscape though Caiazza, and Volpe (2015) explicate that the complexities surrounding M&As has increased significantly and so scope and competence of due diligence has also expanded thus. The same view is backed by various Schweiger, Csiszar, and Napier (1993). Historical literature (Gaughan, 2010) on the other hand stressed that in the 60s decade M&As mostly took place through referrals from individuals in the financial sector – banking and investment mainly. In the 70s, a screening process was instated and it was used to identify and verify the credence of the interested parties (Gaughan, 2010). The screening processes posed many challenges such as increased exposure between target companies and multiple buyers. So as to avoid bidding wars, it was decided that M&A regulations be overhauled again (Gaughan, 2010). Suggestions floated from Zhao (2006) citing that buyers lay down set criteria when deliberating on a prospective merger or acquisition. All aspects (strengths and weaknesses across the organizational spectrum) of potential target ought to be assessed and examined before final decision is taken (Zhao, 2006).

2.10.4 Relationship Building

For maximum utilization of M&A to plan strategically, Cartwright and Cooper (2014) recommend that the acquirer organization carry out the target company's evaluation by building a rapport with its management and staff. Marks and Mirvis (2000); Walsh and Ellewood (1991) have explored this aspect and confirmed that by building relationships with target companies,

strategic planning becomes better, and there is a great possibility for both firms involved to establish a strategic common ground for actions and initiatives that they'd like to mutually implement in future.

2.11 M&As as a Future Growth Strategy

Mergers and acquisitions grow businesses better and faster than compared to any other marketing or sales strategy or tactic (Sherman, 2010). For organizations – across industries – seeking to consolidate and achieve immediate market growth, choosing M&As as a growth strategy is more than just optimal (Marks and Mirvis, 2001; Porter, 2008). Regardless of popular literature contesting between the success and failure ratio of M&A's, it cannot denied that they supply organizations with growth possibilities at multiple fronts – market expansion, customer base expansion, workforce expansion, product portfolio development etc. A combination of all these factors amongst many others serve as motivation and reason that justifies M&As as a choice to obtain future growth and accelerations of businesses.

2.11.1 Elevates Negotiation Capacity

M&As enable growth of an organization by lending it increased power and room in negotiating deals with target companies (Hooke, 1997). Aiza (1999) reckons that it also implies that conditions which are favorable encompass the activities before integration and after integration. Boateng, et al (2008) in their findings while studying the Chinese markets, have identified that organizational growth via M&As occurs through increased market share, establishment of barriers for new competition to enter target markets, and product differentiation. In particular, Boateng, et al (2008) remark that horizontal mergers and consolidation mergers are believed to promote maximum prospects of market share growth.

Having said that, Berger, et al (2004) warn it is very important to bear in mind that even if market growth is achieved, absence of product differentiation or existence of market barriers hampering new market entry may still cause problems. As a result, Berger, et al (2004) explains that acquirer firms may not be able to control prices. If market barriers are lacking, then it encourages an acquirer to hike prices and thus prompt new competitors to explore options to gain profits (Cording, et al, 2002). Thereon, increased market competitiveness will trigger prices to fall subsequently (Cording, et al, 2002). If market prices and profits are on the up, it will

motivate other companies to foray into markets thus accelerating competition (Cording, et al, 2002). Consistent price increases facilitates the acquirer to gain a position of monopoly in the market. This is an extreme market scenario which, if established, facilitates the organization to have maximum control on market trends thus it could choose between growing by imposing higher prices or by raising quality standards (Cording, et al, 2002).

2.11.2 Increased Competitive Control

Gaughan 's (2010) studies have shown that market growth in M&As accelerates depending on the dimensions of the two organizations involved, and the levels of competitiveness in the industry. Fridolfsson, (2007) introduces competition authority control and stresses that it has a role to execute in such a scenario. These outlets are responsible for monitoring market competition levels and concentration levels respectively. Fridolfsson (2007) explains competition authority control ensures that market dominance through M&As occurs correctly. At this juncture, Slade (2004) mentions that market dominance is not reflected on the basis of market share of the newly-formed business entity, it is also calculated in terms of creation of market barriers and bargaining power. For this reason, Fridolfsson (2007) advocates the role and participation of Competition authority control as critical to M&A growth and development strategy.

2.11.3 Entry into Developing Sectors

George et al (2005) concur that M&A definitely aids organizations intent of growth by expanding into new and developing sectors. Based on the continuous transformation of business environments and actions of competitors in industries, it can determine organizations to respond and adjust to the scenario by implementing new measures in a bid to stay put in their market position, and so thus they decide to opt for M&A to tackle the situation (Kotler, et al, 2002). As a result of this development, Christensen, et al, (2011) have grown attracted to understanding the role developing sectors play in the M&A deals and subsequent growth.

On one end of the spectrum, the steady rise in the frequency of M&As in the developing sectors illustrates a portrait that suggests that businesses tend to shift towards exploring growth options in mature sectors or undervalued companies investing their rationale and resources in sectors that are still developing and taking shape, which may indicate better chances of survival in markets

(Andriolo, 2014). On the other end, however, Bodolica and Spraggon (2015) in their research writings depicted situation of firms based in industries that are slow-paced or highly concentrated. Such environments, researchers claim, motivate enterprises to consider consolidation. This argument therefore causes Tarasovich (2015) to conclude that firms operating among less growth opportunities utilize M&As and become more market-engaged.

2.11.4 Internal and External Growth

Ahern and Weston (2007) assert that M&As have to execute dual roles for organizations. On one hand, Ahern and Weston (2007) argue that M&As are useful answer as a growth strategy for organizations to boost capital in terms of expansion. On the other hand, Ahern and Weston (2007) also concur that M&As are an option that allows companies to implement sector-level contraction. It allows for external growth to occur and using M&As, organizations can easily consolidate their market position, boosting company shares, regardless of shares-demand falling at sector level.

In relation to this pointer, Hollensen (2007) has quoted that many organizations' decision-making about M&As is based on industry maturity. For an organization that is looking to adopt a thorough growth strategy Mehta and Hirschheim (2007), vertical and horizontal mergers are the answer. Whereas for enterprises interested in growing internally, acquiring other growing businesses is appropriate choice.

2.11.5 Internationalization

The need for M&As to be deployed as means for growing business has gotten urgent due to market globalization. It is a trend that Yeung et al, (2011) underline has escalated the value and versatility of mergers and acquisitions, also become the ideal pretext to think beyond national boundaries and enter the global competition. Taking this discussion further Prasad, et al, (2007) add that as globalization continues to gain increasing prominence in the business environments, corporations are now underlining the need to use and execute the internationalization concept as the headlining factor of company growth strategy. Mergers and acquisitions are understandably the best option there available (Penrose, 2009), through which companies can internationalize and gain the growth objectives they aim to.

2.12 Conclusion

To conclude, in-depth analysis of variety of credible literature sources provides more than adequate understanding about the various motives, theories, and factors that govern the rationale and implementation of mergers and acquisitions in modern business settings. Hinged on the concept of globalization and various different business theories, phenomenon of mergers and acquisitions ought to be encouraged across different sectors and industries. There are obviously contrasting views and perceptions about M&As scattered across all sections, however, the emerging common thread from all the narratives and explanations ultimately is that mergers and acquisitions – despite their ever-evolving nature and flaws – carry greater relevance as means that can be considered and applied to organizations which are aiming to achieve goals of market growth, market expansion, and firm profitability.