Lappeenranta School of Business

International Marketing Management

Management of Cross Border Mergers and Acquisitions

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ABSTRACT

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Keywords: Cross-Borders Mergers and Acquisitions, Pre-M&A management, Post-M&A Management, Cultural Issues, Different Management Styles, Due Diligence, Human Resource Management (HRM), Integration, Implementation.

This research thesis analyses the motivation behind the cross-border mergers and acquisitions deals. How mergers and acquisitions of new knowledge and assets, enhance business with expansion into new streams and international markets. Also, how mega deals help them to gain a power in the international markets. The research focuses on understanding the interrelation between motivations which are contributing to M&A activities and how issues like cultural differences and different management styles are overcome by these firms in cross-border settings. Chapter 1, gives a background knowledge on cross-border M&A as popular internationalization strategy choice, continuing with describing the process in Finnish and Japanese cultural context, and how these deals are proceeding in particular cases. Chapter 2, reviews the important findings and touches the common gaps or aspects those are not studied extensively, does play a key role in the success and failure of M&A deals. A methodology is presented in chapter 3, presenting the hurdles faced by many in this research field. Chapter 4, present the case study is presented to show how M&A can play an important role in structuring the entire economy of Japan. At last chapter 5, presents the evidence, if cultural, HRM and
geographical aspects really contribute to the success of M&A, based on which managerial implications are suggested and propositions are built for future research references.
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“Give credit where credit is due”

Every time I have gone through tough times or finding clueless myself on the bustling roads of Tokyo, I always look up to one person, is my dad, who motivates me to move forward and believe in my ideology and experiment all the ideas I have. The credit of this research goes to him. He was there standing next to me knocking my head to feed practicality in my thoughts.

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1 INTRODUCTION

This master thesis will highlight some of the important properties related to the culture, managerial and Human Resource Management (HRM) issues in cross-border Mergers and Acquisitions (M&A) settings. Described goal will be achieved by reviewing some of the important contributions in M&A literature made by the researchers and frameworks they built in the past few decades, which guides to the key management concepts of M&A, play a crucial role in the success of cross-border mergers and acquisitions. The success of any M&A deal has depended on how these concepts handled or managed during the different phases M&A process. Most common mistakes made by acquiring and acquired firms will also be discussed.

Cross-border deals have witnessed very first push in 1990s, more and more international M&A events is happening in this decade (e.g. Vodafone bought Mannesmann in 1999 for USD 180 billion). Mega deals were very rare before 1990s, as most of the targets of M&As were SMEs. In early 1990s, companies become more and more courageous to invest bigger cash reserves of theirs in mega deals. Also, many key markets started opening up their markets for foreign companies’ to invest, as a result, these activities boosted the inward investments to many host countries.

With the objective to simplify and narrow the research approach the concepts of M&A management process, the M&A concept is divided into two parts; before and after the deal and examine the managerial perspective of these concepts on their occurrence, and how the proper management at each stage adds more value to the success of these deals. Another purpose of this research is to come up with the simplest framework on when an acquiring or merging firm should integrate or give autonomy to the target firm, and can easily be implemented by the managers and practitioners, regardless the type or industries in which these deals are occurring. Rather constructing on finding the new concepts or emphasizing on specific concept promises to bring more value to the success of M&A deals, this paper is written with the core objective of underlining the importance of concepts like managing the cultural and organizational differences, HRM participation,
and integration vs. autonomy, and how these concepts can contribute to increasing the value of M&A deals and may contribute to the success of the deal.

Last three decades Merger and Acquisitions (M&A) topic is being researched intensively, by the development of international markets numbers of new content of M&A has been developed and studied intensively. Past 30 years numbers of Cross border M&A deals have increased tremendously, also it has become a first choice strategy for MNC and managers those are looking to expend their businesses across the borders. The process of M&As especially acquisitions is very complicated and lengthy, made it difficult to measure the level success or failure and become a challenging and expensive research field.

Robert Sher (2012), made a statement in his article on forbes.com, “Would you risk your life savings on a coin toss? Of course, you wouldn’t. But many leaders of mid-market companies will risk all of their business”. Article by Robert Sher analysis on some of the key decisions made by management of big firms, pointing out Mergers and Acquisitions (M&A) a good alternative/strategic choice for many firms from different industries. (Robert Sher 2012) By “coin toss,” he indicates the ratio of success (similar to many other researchers) which is very low in success and higher in risk involvement. The success ratio of M&A deals, according to many studies is 1:1 and some studies even find higher failure rate. Even by the standards from findings and the point of money invested in deals, success rate of 50 % can be considered as a quite low for calling M&A a successful strategic choice. Since 1970s until the year 2014, more than 900,000 global M&A transaction has happened and 1:1 ratio of success and failure suggest how difficult it is for the firm to turn this investment to be fruitful. (Thomas Reuters 2014a)

1.1 Background of The Study

In year 2014, cross-border activities represent the 36 percent of Global M&As (See figure 1). (Summerfield, R. 2014) since the crisis the foreign direct investment (FDI) has seen some decline. Also, not surprising that during the economic crisis (2008-13) the value of global M&A was 60 percent of total global FDI see (figure 2). (OECD, 2014)
Mergers and Acquisitions (M&A) research topic are written with the objective to find a solution which may help to eliminate the cultural, geographical and human resources relates barriers those are faced in many cross-border deals. Reducing these barriers increases the performance of the individual, i.e., Ability, Motivation and Opportunity (A,M,O), a framework built on base of studies by Blomberg and Pringle, 1982; Campbell, McCloy, Oppler and Sager, 1993; Boxall, P. and Purcell, J. 2011. AMO framework explains...
how Human Resource Management (HRM) influence these three variables of individual performance (P) and how it can enhance the mergers and acquisition results. (Boxall, P. and Purcell, J. 2011) Mathematical representation will be AMO framework:

$$P = f(A,M,O)$$

Source: Adapted from Boxall, P. and Purcell, J. 2011

Where the performance of the individual (P) is measured by the function (f) of three variables, his/her Ability, Motivation and Opportunities those they sense in projects of present and future. In many cases, these personal variables drive the decisions of multinational firms to merge or acquire firms across the borders.

Building an understanding about what really trigger these issues in deals across the borders. It is necessary to understand the motivation behind cross-border M&A deals “what really motivates a firm to go outside of their own market and merge with or acquire a firm from the markets they are not familiar with?” and the difference between the purpose of domestic and Cross-border M&A deals?” There are various reasons for one company to buy another company. Markets which loosen the entry barriers experiences the immense inward capital flow in the form of Foreign Direct Investment (FDI) by mostly by the multinational firms to optimize the local markets, as result business world has witnessed an increase in the green field (such plant or facility establishment) or brownfield investments (such as cross-border mergers and acquisitions). (QIU and WANG, 2011) Most common reasons are well explained in the report published by the “Tower, Watson- professional service company”, also, the majorities of different objectives that drives the M&A deals can be found in the figure 3. (Towers Watson, 2009)
Figure 3 Objectives by Percentage and Drivers of M&A


Report by TowerWatson and many other studies describes numerous common purposes for domestic and cross-border M&As events. Also, research by Kang, N. and S. Johansson (2000) mentions the progress of industrial globalization increases the cross-border M&As activities to 6 times in the 90s and account 85% of total foreign direct investment.

Regardless the increase numbers and similarities in objectives of M&As, there are many differences can be found in all the deals which causes the negative results for most of these deals. It is very important to understand that despite the commonness of the industries they are operating in, all the deals are different in its nature and processes. Cross-border and domestic M&A deals are different from the geographical area they are engaged in, cross-border faces more challenges as compared to domestic i.e. Cultural differences, management styles, human behavior, in some cases vision and mission of acquired firm clashes with the acquiring firm. From the researcher point of view and the evidence of an increase in the number of deals, suggested by many studies (Datta, D. K., Narayanan V. K. & Pinches G. E., 1992; Haleblian, Devers, McNamara, Carpenter & Davison, 2009; Jensen & Ruback, 1983: Sirower, 1997) in past 30 years, and despite the high rate of failure, M&A still the most favorable strategy for managers in search of opportunity to
grow their business operations; when the market is growing or recovering from the shocks of economic crises. (Zaheer, A., Castañer, X., Souder, D. 2013)

This thesis is conducted with the ambition to simplify the framework of M&A and touch the aspect those are not researched widely or missed and relate these together with some of the key aspects discussed and argued in previous studies. Point out different studies, this research will attempt to bring some important literature and build the understanding around the key objectives, are: to bring the awareness why HRM cannot be ignored during the different phases of M&A, explaining how HRM can contribute among other aspects to the success of M&A deals and when a firm should integrate and when to give autonomy to target firm.

With the objective to simplify and explain the importance of practicing the key aspects along with the traditional phases of M&A process that mostly followed by the firms in cross-border M&As. Several theories have been brought up to show why Culture difference, management style, human behavior, and innovative business models of firms are unavoidable and will jeopardize the M&A deals due to neglecting these factors.

After the crisis, companies are active again, trying to take the leverage of any small window they find to be competitive over their competitors. M&A strategy adopted by some of the big firm sounds like “War of Red Ocean” some of the objectives (mentioned later in the literature review) like acquiring and merging are all about killing young and small, fast growing firms which can be competitive in the near future due their knowledge niche over more establish firms in the same markets.

The U.S. mortgage crisis of 2008 and its spread to all around the world have affected the pace of mergers and acquisitions (M&A) deals since it had reached the highest level in 2007. Year 2014, is turning to be the turnaround for mergers and acquisitions deals. According to Thomas Reuters report (2014a), worldwide mergers and acquisitions deals are up by 73% with total volume of 2.6 trillion, Appendix. 1, illustrate the cross border M&A deals since 2005 - 2014 (Q1 & Q2), register 39% of the total of those M&A deals which are double in volume than the previous year account of across the border deals. (Thomas Reuters 2014b) above mentioned figures give a promising signs of recovery and
confident shown by big firms in M&A strategies. Cross border M&A grown 7 times by 2000 to $1,080 billion, compared to $150 billion in 1990. (Edwards and Rees 2006; Latukha and Panibratov, 2013)

In comparison, cross border M&A are not much different than the domestic M&A deals, but in addition there is involvement of target firm government and imposed trade barriers. The acquiring firm has to put efforts into adapting to the system, values and culture of the market in which of target operates, in addition to organizational and cultural values for the success of mergers and acquisitions activities across the border. Ignorance of any of these unfamiliar drivers, will lead to interruptions all the phases of the deal, most importantly, will interrupt the integration and implementation processes which will halt the process of creating the value to shareholders’ investment. These interruptions delay the process of acquisitions and will develop misunderstanding between two firms engaged in the deal. Therefore, Ignorance, interruption, delay and misunderstandings during different faces are a few of the main reasons M&A deals failures.

Findings in many studies suggested that the shareholders of acquired firm earn more in comparison of shareholders of acquiring firms (Burner R.F., 2002), on other hand Ravenscraft and Scherer (1989), come up with findings that oppose the favor to acquire firm, they found on average the profitability of acquired firm decline after they have been acquired. Also more studies find evidence which opposes the merger and acquisitions activities, According to McManus and Hergert (1988) after the mergers or acquisitions completed firm usually lose 1-10% market value. Another study by them on McKinsey and Co., find the evidence about companies would have gained more better rate by putting investment in bank than M&A. (Hunt, 1988; McManus and Hergert, 1988; Latukha and Panibratov, 2013)

Since this research thesis focuses on management of M&A, it is important to find the effects of M&A on human resource management, strategic decision making, and managing the M&A process from the time two different cultures decided to engage in merging or do an acquisition, until the completion of the deal. Many studies found the negative effects of M&A i.e., productivity of personal goes down, the increase in strikes,
people are not willing to work under the changed management (Acquiring firm’s management team), increase the accident rates. (Meek, 1977; Sinetar, 1981; Jagersma, 2005; Latukha and Panibratov, 2013)

### 1.2 Domination of Mega Deals and Chinese Transformation

Appendix 2., by Bloomberg stats (2014), purpose more evident; the numbers of M&A deals have closed in the gap of its highest peak since 2007 (Jeremy, H. 2014) and confidence shown by the companies and bidding-in for mega deals, Almost half of the deal is above 5 billion USD mark (Sophie, S. and Anjuli, D., 2014), more stats show a positive reaction by firms on M&A, as one of their high spending strategies. There are several factors incorporate into the increase in investment on deals; Transformation in outbound investments by Chinese firms and investing heavily in the EU due to availability of cheap assets. The investments by Chinese in EU have increased 4 times in 2012 to 6.1 billion by 2010. (Anderlini, J., 2014) Also, the availability of cheaper financial resources because low interest rates and decrease of U.S. and European yields, existence of tax haven countries and some big firms having access to bigger cash flow, and their assessment of less risk of a downturn in global economies in the near future, leading to a showdown of aggression by big corporations. (Jeremy, H. 2014)

### 1.3 Research Objectives and Questions

The first reason to conduct this study is because most of the studies have been done on pre-acquisition stage and less attention has given to post-acquisition stage (J. Child, D.Faulkner and R.Pitkethly, 2001). It is quite interesting to understand the result of post-acquisition performance and how different factors contribute during integration and implementation process contribute to the success of M&A. Second, the purpose is to analysis the impact of cultural difference on acquisition performance.

Mergers and Acquisitions have been studied from different aspects; cultural, financial and markets (Economy of scale and scope) are most extensively studied areas over last three decades. Cultural difference is difficult to manage as its’ lies in the root of a specific group of people, it consists people and each has different characteristics such individual values and norms, and character that is driven by a culture of origins and organizational
structure. (Adair and Brett, 2005; Brett, 2001; Lytle et al. 1995) Human contribution and psychological and number of other aspects is also included from last decade in the M&A research field. It is correct that studying M&A from different aspects has created a holistic atmosphere in this field of research. This master research is developed with the objective to build the understanding around the following questions;

**Main Question**

How to manage mergers and acquisitions in cross-border settings? Understanding the process of Japanese M&A activities?

**Sub Questions**

*First*, what are the main drivers and factors in choosing the Merger and Acquisitions as an impact strategic by many firms?

*Second*, Critical cultural issues that Finnish and Japanese business, societies face in pre-acquisitions and post-acquisition phases?

*Third*, what are the different scenarios of M&A and how does these scenarios being incorporated or manage in real situations?

Table 1. Collects the data of success or failure rates of M&A deals found in survey conducted in different studies. The following table will help to see the average of success and failure rate of M&A deals.

Previous studies prove, that the success rate of M&As are not very convincing (see Table 1), most of these deals fail to survive before getting any positive outcome, therefore it is impossible to maintain the longitudinal studies to find a real level of impact of different factors contributing to the success of M&As. Also, many studies do not explain the key concepts related to their findings; makes it hard for the potential audience to build an understanding of sophisticated frameworks builds on those studies.
Table 1 M&A Success and Failure Rate in Different Studies

<table>
<thead>
<tr>
<th>Authors/Year</th>
<th>Failure Rate</th>
<th>Success Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Porter, (1987); Young (1981)</td>
<td>40%</td>
<td>60%</td>
</tr>
<tr>
<td>Weber, Y., Oberg, C., Tarba, S., 2014</td>
<td>50% (83% Mergers fail to achieve the expected goals)</td>
<td>50%</td>
</tr>
<tr>
<td>Christensen, C. M. Alton, R., Rising, C., Waldeck, A., 2011</td>
<td>70-90% (Harvard Business Review)</td>
<td>30%-10%</td>
</tr>
<tr>
<td>Robert Sher (2012)</td>
<td>50%</td>
<td>50%</td>
</tr>
<tr>
<td>Marks &amp; Mirvis (1998)</td>
<td>50% (-)</td>
<td>50% (+)</td>
</tr>
</tbody>
</table>

The objective of this research thesis is to review the important evidence found in different studies and present relatedness of those findings with the human contribution and together with the success of deals, structuring and concluding them in chapter 5 of this research. Qualitative approach may help to create common understanding and a framework for the prosperous audience to understand the effects of cultural, geographical and human resource related issues those are very essential on different stages process in cross-border M&A and can be applied at the basic level of M&A activities, despite the difference in industries.

1.4 Research Gap

There are two factors driving the focus of this research on cross-border acquisitions. First, the global M&A trend shows that the number of cross-border acquisitions has increased dramatically over the past two decades. Second, previous research results suggest that cross-border acquisitions would be associated with higher rates of employee turnover.
over time compared to purely domestic acquisitions. The upward trend of cross-border M&As and high employee turnover rate makes it interesting and suitable topic for this research.

Based on the literature review there is a clear gap in the understanding of how to make key persons in cross-border acquisition commit to the new parent company. It is very important to understand that cultural difference in cross-border M&A may affect persons level of commitment and decision making those who are involved with the deal.

1.5 Key Definitions

Key definition will be covered in this section to develop the understanding of important aspects before covering them deeply in this research paper.

“Mergers and Acquisitions”

Merging is an effort where two firms merge with equal distribution of stocks, this is the effort to combine their know-how, and allow both firms to have a competitive edge over their competitors. As define by Peng (2006) merger is “combination of assets, operations, and management of two firms to establish a new legal entity”. Mergers expand product portfolio, combine technologies to innovate, finding new customer segments or markets for their products. Whereas acquisitions, an activity involves; one firm buy the other firms, business and assets with the purpose to acquire knowledge (Patents, employees and R&D department), operations (can be in different markets), and Customers (customers in new markets). Peng (2006) defines acquisition as a “transfer of control of assets, operations, and management from one firm (target) to another (acquired), the former becoming a unit of the latter”. Nakamura, (2005) gives the best possible definition found during this research, which covers both the narrow and broad concepts of M&A, See Figure 4.
Figure 4 The Narrow and Broader Concept of Mergers and Acquisitions

Source: Nakamura (2005, p. 18)

This thesis will concentrate not any particular theory, e.g. presented by Nakamura (2005) but to find the problem (e.g. Avoidance to including of HRM, level of integration needed, how to overcome of cultural difference) and solution which corporate managers may face both in broad or the narrow concept of M&As. Nakamura (2005) presented the M&A process in two different concepts, i.e. narrow and broader concept. In Narrower concept the mergers are divided into two forms ‘absorption’ buying whole operation of target firm and ‘equal’ both firms merge together with equal numbers of shares. Also, acquisition in narrow concept is looked in two different forms ‘stock acquisition’, either acquiring firm buy complete stocks or majority stocks (to keep decision power) or buy minority stocks of the target firm.

“Cross-Border M&As”
Activity where one firm of different origin buys the whole operation or part of the business of another firm operates in different origin than the buying firm. M&A is mean to acquire firm-specific assets in the host country. (Blonigen, 1997) Reason behind doing cross-border investment is when exporting or licensing transaction cost become higher than setting up an operation in the host country.
“Tacit knowledge”
Knowledge, which is with the specific person or hard to share in writing or oral form with the other persons of the organization, is known as “tacit knowledge”. Tacit knowledge is a “Know-how that is developed by the experience of the person or form of new knowledge he developed by practicing, and this know-how and knowledge cannot easily be codified and reproduced”. (Tidd. J & Bessant. J, 2009 p. 171)

“Human Resource Management”
Human resource management is description of personal working for firm and seen as a unique resource, by firm exploit the full use of these personal brings competitive advantage to them. (Walton, R., 1985; Guest, D. E., 1990) HRM is a process of building ‘human capital’ (what and will hire people to do that will bring value to the organization) and ‘social capital’ (building relationship and networks among people and teams that create value for the organization). (Ghoshal and Nahapiet, 1998; Leana and Van Burren, 1999; Snell and Wright, 1999; Boxall & Purcell p.7, 2011)

“Acquisition performance”
The acquisition performance depends on if the acquiring and acquired firms both are from related industry; the related acquisition creates a better environment for transferring the core knowledge and skills from one to another. Studies by Weinhold (1979) and Lubatkin (1983) have argued that organizational and strategic relatedness in firms should demonstrate superior performance. Other studies argue that the economic synergies between the buying and target firms are high when there is relatedness among them. (Ansoff, H. I., 1965; Lubatkin, M.H., 1983) researchers also agree, that organization or strategic fit are a few of the advantages which enables to bring the synergy in these firms even when there are cultural difference due to cross border deals.

“Organizational fit”
Organizational fit in M&A context is the degree of compatibility in the styles of both acquiring and acquired firm management. Describes the management style or culture of an organization. (Bhagat and Mcquaid, 1982; Sathe, 1985; Datta, 1991) In cross-border M&As the management style of both firms does differ from each other, finding the
similarities are big challenges for firm looking to expand their business across the borders. Extreme difference in management style or culture can bring to ambiguity’ means with the dominance of one in the acquisition (Buono, Bowditch, and Lewis 1985; Datta, 1991)

“Value creation”

Value maximization is achieved when firm generates, evaluate and selects a business strategy which help to increase the value of the company. (Morin and Jarrell, 2001) The authors suggested, the value can only be created when the return investment surpasses the cost of capital. J. Child, D. Faulkner, and R. Pitkethly, 2001 argues that value creation from this deal are depends on how well the process is managed at post acquisition stage. Post-acquisition performance can be measure by only actual value is created.

1.6 Process of Mergers and Acquisitions

Before moving further with this research, it is important to see the in-depth flow of M&A deals. Following figure. 3 will illustrate the different phases of M&A which may apply to both domestic and cross-border M&A. These are the most common functions many firm has followed to proceed conclude their deals. Mainly there is two phase in which M&A process can be divided, first, “Pre-Merger and acquisition phase” stage includes the two main processes, i.e. planning, implementation. The planning process includes accessing, the operation, managerial aspects of the target firm and legal requirements to be done to seal the deal and planning of how to optimize resources of targeting firm. The implementation process is more of legal formation of deals which includes issuance of confidentiality, letter of intent and concluding the deal. Second “Post-Merger and acquisition phase” Known as integration, this is the last phase in M&A process. All the plans are executed at the post - M&A stage, the level of integration between two firms depends on the nature of the deal (high or low). Pre M&A process ‘planning’ is related to this phase.

Further, this research will investigate and concentrated on phases and process occurred during and after merger and acquisition deals are finalized (see figure 3), it is important to understand that all the processes are interrelated. The process of M&A is somewhat adapted from the study conducted by the Galpin and Herndon (2000) i.e. Strategy ->
Screening -> Due Diligence -> Negotiation -> Integration (See appendix 5). The process shown in the figure includes all the processes, but divided into three different stages; Pre-Merger and Acquisitions, Mergers and Acquisitions, Post-M&A of M&A. Each of these three stages is later divided by the main functions occurred to proceed further. Some of the processes are post-merger and acquisition management, integration, value creation or shareholders (acquiring and acquired firm).
Figure 5 M&A Process in Finnish and Japanese Cultural and Organizational Context
1.7 Case Study Approach

A case study of Finnish firm VTI Oy acquired by Japanese pioneers in semiconductor industry Murata Electronics is introduced with the purpose to show the uniqueness of this collaboration due to the difference in cultures of both firms (Finnish and Japanese) and management styles (Eastern and Western). Also, some more example acquisition is highlighted to bring more evident to cover how human resource and industrial difference can manage. Delta Airline acquisition of oil refinery and change strategies with the influence of HRM shows the how horizontal acquisition can be useful for the firms differentiate yourself from the competitors. Case study is done with purpose to see if the acquisition was successful or failed to achieve its primary objectives and on what level aspects such as Human Resource Management (HRM), Culture, Management style and key employees contribute to the success of Mergers and Acquisitions (M&As). Integrating these aspects can prove to be challenging for both firms due to the difference they have.

1.8 Research Development

This research study is conducted with purpose to specify the broad topic of M&A and sort the information on how M&A management has been handled mainly at post acquisition stage and narrowing the research to most important content of M&A, try to build refine the theoretical framework for further studies. To understand the aspect impact this study will try to important factor those have a positive influence if they were introduced in time and implemented accurately and have negative influence if being ignored, the dividing whole M&A process into the Pre-mergers and acquisitions and post- mergers and acquisitions do simplifies the see the results of choice made by different firms. Pre-mergers and acquisitions describe the blue print how firms are going to manage the deal and post-acquisition shows the overall performance of the chosen M&A strategy can be measured and justify the investment of shareholder in terms the value created against it. Knowledge sharing/transfer is key to get the results out of technology based M&As. Technology based markets or industries need continuous enhancement in their knowledge of new products, international markets or capability to be competitive. To do so, companies are adopting M&A as a strategy to deliver quick access to resources those are not available in their own markets. (Ensign, Lin, Chreim, and Persaud, 2014)
Knowledge transfer can be critical for New Product Development (NPD), companies need to do continuous innovation or improvements in their products or services or operations. Case study on Cisco systems by Ferrary (2003) indicate a positive relationship between M&A and innovation. Also, the case study presented in this research also shows the determination of Murata Electronics to acquire knowledge on MEMS technology by acquiring VTI Oy. (See chapter 3)

In last two decades internationalization has rapid-up and this has become the trend and strategies for the firms to be competitive and being ahead of their rivals in the markets they are competing. Competitiveness can be achieved by expansion of operations in new markets, getting access to new technologies or processes. Acquisition of advance knowledge or satisfying the need of foreign customers by having accesses to domestic resources of serving markets is becoming more and more common business practice of high-tech firms and Multinationals Enterprises (MNCs). There is variety of strategy firm can choose to enter into new markets; Direct is exporting, licensing, franchising, partnering, Joint ventures, Merge and acquisitions (Brown field investments) and green field investment are some of those strategic choices. Choice of M&A strategy can be justified by managers by creating the potential value promised to shareholders of acquiring firms. (J. Child, D. Faulkner, and R.Pitkethly, 2001) There is a huge gap between the value which has promised at pre-acquisition to the shareholders of acquiring companies and value in real has generated. This gap occurs because of the difficulty to find best strategic fit at the pre-acquisition stage and miss-management in implementing these strategies. (J. Child, D. Faulkner, and R. Pitkethly, 2001)

Question 1: How to find the best strategic fit at pre-acquisition stage to reduce the gap between the potential value claimed and real value created at post-acquisition stage?

To identify the best strategic fit we have to first understand the definition of key concept; Value creation, acquisition performance, organizational fit. These concepts are elaborated as follows.
1.9 Type of M&A Deals

There are many different types and term of M&A deals, various types of cross-border M&A was well covered in book “Global Strategy” by Peng (2006). The figure below was adapted from this research paper.

“Horizontal M&A”

Most acquisitions are reported to be horizontal acquisitions in nature, integration between two different cultures become easier if the companies are from the similar industries. “Horizontal acquisition refers to deals involving competing firms in the same industry”. (Peng, 2006; Lubatkin, 2001) Usually these types of deals occur due to one firm (Acquiring) tries to enter into new market and expanding their economic scope. Where we can assume that acquiring firm willing to sell due several reasons; insufficient resources to expand business, besides being a victim of big firm they try to be part of it or standing alone may not be the best strategy for firms anymore and acquiring firm tries to reach international markets through a network of the main player in the market. (Investopedia a, 2015) Peng (2006) mentioned that about 70% of cross-border M&As are horizontal deals.

“Vertical M&A”

Two firms producing different component of finishing product or services merge or acquisition of one by one or another. (Investopedia b, 2015) these firms are working at different levels in the same industry supply chain. Vertical M&As account around 10% of cross-border M&As. (Peng, 2006)

“Conglomerate M&A”

Firms with entirely different activities merge or acquired by one. There are two types of conglomerate deals; pure and mixed. Pure, when both firms involved in M&A, have nothing in common. On other hand mixed conglomerate deals where firm ties up with the firm to extend their product portfolio or extend their market. (Investopedia c, 2015) around 20% of total cross-border M&As are conglomerate M&As. (Peng, 2006) Dealt (airline industry) acquisition of Monroe Energy (oil refinery industry) is a great example of Conglomerate acquisition. (Anderson, 2014) Dealt spend USD 150 million on oil refinery
with the purpose to reduce it’s jet fuel cost, which is considered to be the biggest cost of the airline business. (Zhang, 2014)

The M&A literature does describe how integration problems may decrease organizational commitment, but little research focuses on how organizational commitment actually evolves during the post-acquisition phase and how to increase the commitment of personnel, or how to make key persons commit to the acquiring company following a cross-border acquisition. Consequently, the retention of key persons can be very important for the success of an acquisition.

1.10 Drivers of M&A Deals and Its' Influence on Results

M&A deal prices rising shows bigger companies are trying to grab the opportunity before their competitor, therefore, amount cash flowing and intense competition are rising the concern of risk involved with over evaluation of deals, improper due diligence and may drive by managers’ personal motivation. Also, some analysis following different markets observes the cause of the increase in mega deals relates to markets are opening up and companies getting access to excessive cash, this flow of money by deals has changed over the time in many different ways than its past, keeps academic world and practitioners interested to investigate these changes and create advanced learning in M&A field. It is Important to have update and build new knowledge for references for managerial implication and further researches.

Interesting fact was covered in the article by Robert, S., (2012) i.e., Due to less managerial experience and financial resources most of the mid-market companies suffer huge losses as compared to big corporate those have enough resources to overcome the hurdles in pre-acquisition phase to post acquisition phase of M&As. Study, suggested a structure of the most important questions that mid-market firm managers should have on their checklist before deciding on M&A deals: According to the article, most of the cases, these key questions are helpful to overcome the hurdles and these all have synergies between them mentioned in figure 1. The study also specifies, if there is mismatch in any of these fields, deals will unlikely to reach its’ objective or potential. (Robert, S., 2012)
Management
Do you have sufficient management Capacity for integration process?

Culture
Have you thoroughly assessed the culture of your target company?

Relatedness
Is the deal in line with your corporate strategy?

Resources
Do you have enough financial resources to reach to the success integration Process?

Analysis
Is M&A still the better alternative after analyzing the costs and risks associated with it?

Figure 6 SMEs Mergers and Acquisition Follow Through


Hence, Due diligence is very important step for all types of firms when they are thought to engage in M&A, one can identify the possibility to gain the opportunity from the mergers and acquisitions of businesses (Robert, S., 2012)

Advancement in technologies and immense improvement in production processes had brought the corporate world to the era where have no choice but to make “competitive strategies” to cooperate with the turbulence in the environment of markets they are competing. Saturation of demands in their domestic markets and intense competition in their own industry has left MNCs with no choice but to look for economy of scales and economy of scope to stay ahead of their competitors. Many researches showed the potential in cross border M&A strategies to expand business into other markets than domestic M&A, gained by capturing economy of scale and scope. Cross-border mergers and Acquisitions (M&A) provides a unique opportunity for the acquired firm to grow rapidly, to gain new capabilities and skills, or to gain access to new markets and new customers, and access to new assets which an organization might otherwise find difficult and not very cost efficient to develop on its own. Since the early 21st century, many MNCs have chosen cross border M&A for expansion of their operation, numbers of these deals are staggering.

M&A deals can justify its worth by the value it creates to shareholders. (Child, J., Faulkner, D., & Pitkethly, R., 2001, p. 20) reaching to the per assumed motives of the acquisitions,
i.e., securing economies of scales and scope. By combining the assets of both firms complement each other can help the integration process, transferring knowledge or skills between both organizations. There few other motives behind acquisitions beside satisfying shareholders like; reduce the competition or other external environmental threat to business. These threats can be reduced by the increase in the size of firms or by buying out the competitors before they become a potential threat. This eventually increases firms’ power of presence in host markets. (Child, J., Faulkner, D., & Pitkethly, R., 2001, p.20)

Even the numbers of deals are increasing, many of these deals fail to create value it has promised at pre acquisition phase, estimation failure of both mergers and acquisition is more than half of total numbers of deals by the medium term. (Child, J., Faulkner, D., & Pitkethly, R., 2001, p.20) According to reports of the European commission, the value of cross border M&As was USD 720 billion in the year 1999. All of the studies on which explain the reasons of those failures have commonly concluded as following, Acquiring firms are the one who is on losing side in case of deals fails to deliver value it promises at pre-acquisitions phase.

When a firm decided to expand their business by using cross border M&As, market uncertainty, cultural barriers, unrelatedness in businesses, governmental policies, economic structure (Japanese case study) is fewer of that has real influence in choosing which entry mode will be good for the firm to use in a particular market. Factors like size of market, geographical condition, organizational cultural patterns, trade barriers is crucial for firm for decision making on the entry strategy. Exporting is always the first step for firms in internationalization process, but to have more control in international markets FDIs become promising strategy. Companies can chose between greenfield investments or cross-border mergers and acquisitions or joint ventures. Due to two different cultures come together in mergers and acquisitions and joint venture process of both are very complicated as compared to greenfield investments, makes M&A as interesting field of studies.
1.11 Structures of Research

The following is a chapter by chapter explanation of how this thesis is structured and what are the key concept covered in each chapter, are:

Chapter 2: Cross border Mergers and Acquisitions, highlight the pre and post-acquisition process and management, i.e. due diligence, implementation, integration, process, integration decision design, some of the managerial characteristics which have influence on success and failure of M&A deals.

Chapter 3: Methodology, this chapter discusses the research method chosen in this paper, i.e., qualitative approach to find the real event theories and case study to find the solutions to the problem raised in hypothesis.

Chapter 4: Case Study, Presents the Japanese economic structure based on outward investment and how government regulated policies impact the inward and outward flow of investments. Also shows the acquisition by Murata Electronics and what each acquisition contributes to the firms compatibility.

Chapter 5: Discussion and Conclusion, this chapter cover, the summary of previous key findings. Discuss what acquirer has to do in order to increase value for shareholder investment perspective
The question remains unanswered that why firm go for cross-border mergers and acquisitions? The answer is can be given from many aspects, but biggest factor that influence lies somewhere in ‘dominant design’. It is true that “Winner-Take-All Markets”, when a specific firm, technologies become the norm of design that rest follows they not only hold the monopoly but also bring the evolution to markets. These firms acquire new technologies or personal before their competitors and by bundling in house technological development and technologies they bought to fill the gaps may find in products or services.

The reduction in tariffs and trade barriers, introduction of Free Trade Agreements (FTA) among countries and regions, improvements in transportation systems, and internet revolution has open up several markets and big firms to start to look for new opportunities to maximize their capabilities. These key incidences associate with the globalization of the world and stretch the mergers and acquisitions across the borders. (Boxall & Purcell p.141, 2011) The labor cost in emerging and under developing markets is also other reasons for firms to set up their manufacturing facilities or do Brownfield FDI. Brownfield FDI is referring to cross-border M&As (UNCTAD, 2000, 05; Qiu and Wang, 2011) Meyer and Estrin (2001) brownfield investments where foreign investor buys a firm in domestic market of entry and replace all the plants, equipments, labor and product line. Authors studies the brownfield investments in emerging markets, suggested the exact situation where brownfield investment can be useful, this situation can be when a firm is looking for quick entry to the local markets or access to the resources. Cross-border M&As are influenced by the low marginal cost of production of domestic markets. (Qiu and Wang, 2011)

Cross-border M&As are considered as brownfield FDIs, there are two modes of cross border investments one form is greenfield investment and another form is brown field investments. (Qiu and Wang, 2011) Some research argued on cross-border mergers and acquisitions (brownfield FDIs) make a lower profit as compared to greenfield FDIs. Horn...
and Persson (2001) and Norbäck and Persson (2004) argued that how greenfield investments make more profit than acquisitions due to competition, they face from their international competitors which may increase the price of acquisition. Whereas Qiu and Wang, (2011) argued that cross-border mergers in comparison to greenfield makes a lower profit because of restriction on FDI by government policies. This chapter will review some of the important literature those related to motivation and pre and post management of the cross-border M&A, in an attempt to build understanding around research questions and finding a research gap for further research. Reviewing important research contributed in literature of post M&A processes, i.e. Integration design, human resource management, decisions, culture, political and organizational task are some of the main content of post M&A management and highlighted in this chapter.

Zaheer, Castañer and Souder (2013) mentioned two different aspects of M&A deals; “Structural Integration” where merger or acquire, integrate the merged or acquired firm into its management, and “Target Autonomy” where target firm managers have freedom to manage the business, they assumed in their research that both Structural Integration and Target Autonomy is interrelated to each other. They purpose integration and autonomy both are necessary at a certain level to find the real value of M&A deals. Integration and autonomy both have some connection, (Haseslasher and Jemison, 1991) emphasizes on possibility of how these both can be achieved in a situation where they both needed to achieve best result the deal. From autonomy, purpose, if the acquiring firm does not give autonomy to the managers of an acquired firm to handle the day-to-day operations, it is very likely that those executives will leave the firm after the acquisition. (Hambrick, and Cannella, 1993; Zaheer, Castañer, and Souder, 2013) By Key executives leaving the firm, acquiring firm may find themselves in problem to operate in the local market due to limited knowledge and cultural difference (Weber, Shenkar, and Raveh, 1996; Zaheer, Castañer and Souder, 2013)

M&A deals move forward due to the similarities, when two firms have a similar technology, operations, products or distribution channel (Chatterjee, 1986; Singh & Montgomery, 1987; Seth, 1990; Homburg & Bucerius, 2005; Zaheer, Castañer and Souder, 2013) or Occurs because of complementary, where both firm competitive advantages
complement each other component. (Penrose, 1959; Milgrom & Roberts, 1995; Kim & Finkelstein, 2009; Zaheer, Castañer and Souder, 2013) Researchers found some of the common factors behind fail attempts of mergers and acquisitions. These studies describe few common reasons for M&As to fail and why acquirer and mergers face challenges to reach to the primary objectives set or expected from the deals. Failure can be due to difference in management style and culture issues, not able to reach the synergies among both organizations, restructuring the organizational system of the merged or acquired firm, fail to integrate the technologies, concentrate highly to achieve financial success (cutting the operational cost to increase the market shares), unable to implement the strategies effectively even when both firms are from the same industry or higher in value. (Smith and Hershman, 1998)

Cross-border M&A activities vary by the markets, it is being driven by the situation in these markets. The long growth of some developed markets provides the availabilities to the capital and opening of developing markets make cheaper to invest in those markets. Another reason that many developed markets are coming to their maturing point lead-in the fall in demand and big firms due to excess capacity looking for opportunities to utilize their capacity. On the other hand developing markets (especially emerging markets) opening their markets for FDIs to get access to resources and do infrastructure; by privatization, inviting foreign firms to set their businesses and reforming their market structure. Above mention scenario leading to the globalization of markets and technological advancements is pushing restructuring of markets. Not often M&A deals are successful, but when successful pre and post process are done, it renews the economies, firms, technologies, and open up the space for growth.

2.1 Greenfield vs. Brownfield Investments

Before diving into a broad understanding of different topics we have to understand that cross border M&As are part FDIs both in and by developed and developing countries. As mentioned previously there is two ways one firm can enter in different markets, first, by setting up whole new operations and assets from scratch know as a greenfield investment or Second, buying and merging (M&As) or joint venture with domestic firms which called as brownfield investments. A company must choose one of these two modalities when
they decided to enter or have grip in new markets. The value each of these entry modes delivers over cost and government policies are the two main factors those contributing to choose between greenfield or brownfield investment. Another factor such as competitors those are also entering into the same markets by brownfield investments cause a rise in acquisition price and which may cost lower profit from such investment as compared to greenfield investments. (Horn and Persson, 2001; Norbäck and Persson, 2004; Qiu and Wang, 2011)

Understanding of M&A process is not enough, it need to look at the external model of the real world where these deals take place and in what order market really works. Qiu and Wang (2011), call it as a “game structure of the model” (external model) (see figure 5) which consist of three stages. On the first stage, governments of host country set the FDI policies. At the second stage, the foreign firm chooses the entry mode either greenfield investment or cross-border M&A and domestic firm accept or refuse the offer. If the domestic firm refuses the offer foreign firm makes no further offers. In final stage all remaining firms engage in cournot competition. This game structure is explained in following figure,
Figure 7 The Game Structure Model

Source: Qiu and Wang, 2011
2.2 Social and Cultural Influences

Domestic markets, social welfare also have influence on entry mode decisions of foreign firms and has an impact on government policies on the domestic market. Government being influenced by the condition and demands of domestic markets; if social needs are high and domestic firm have lack of know-how to build the infrastructure, the government may invite foreign firm to invest in greenfield projects or brownfield investments. (Mattoo et al., 2004) Case study on Japanese outwards vs inward FDI flows (see chapter 3) shows, how country chose to structure its economy on doing more outward investment and how the government had a total grip not allowing any inward FDIs to protect their aggressive approach. It can not be the case that only domestic government influences the cross-border FDIs. Japanese economy shows how the out flow direct investment from one country is influenced by the home government rather than domestic government where they were investing.

Even, when the number of successes from M&As are low, still corporate world spend huge amount of their fortune on M&A deals. What does the prospective outcome they see and how do those outcomes get them motivated? To understand what really a motivation behind deciding on these big investments, there is need to find/develop understanding about the relationship between human experience aspect and strategies chose to manage integration process. Understanding the human behavior and differences in culture (organizational and geographical) is necessary, as these are the most common reasons to bring organizational conflict among to two firms from different origins.

Many studies suggested personal reasons and cultural differences are the most common factors in failure of M&As. (Lodorfos & Boateng, 2006) when the M&A deals are driven by the managers or executives personal motives, there are chances that there is less pre planning and due diligence is done and cultural difference is not considered as big factor, which end as a merger and acquirer investing in firms that may not promise any future contribution to the organization. (Morphy, 1999; Creasy et al., 2009; Latukha and Panibratov, 2013) As the executive of the firm do not see HRM factor connected to the success of M&A, many studies follow the same cult of neglecting the Human aspect over financial and technical issues (DeVoge and Shiraki, 2000; Latukha and Panibratov, 2013).
Executive is mostly driven with the financial result in term of success of the firm and does not consider about how the particular decision (Similar to acquiring or merging decisions) may affect their and acquired firm employees. (Love, 2000; Wassmer, 2010; Teerikangas, 2012; Latukha and Panibratov, 2013) Study by Bohls (1989) brings the evidence by surveying 109 companies, support the effect of absence of the HR function of pre-merging stage. They found more than two-third firm face the problem at post stage due to not including the HR in planning prior to M&A deals.

2.3 Integration

Integration is done with the purpose of taking the control over acquired or merged firms by acquiring or merging firms. Control can be achieved by the bidding firm by profit centers, hierarchy or centralization, and socialization. (Hennart, 1993) Success of merger and acquisitions is depending on the level of integration between two firms, integration is a process by which coordination and system control between two firms been maximized to create value out of the deals. The integration improve firms chances to achieve the common sets of goals of two firms more effectively and efficiently. (Pablo, A. L., 1994) Integration is much harder and complex process as in many cases it is mismanaged and result in loss of essential human resources whose tacit knowledge could be useful resource for value creation. Studies on relatedness between two acquisition firms find the empirical evidence of better integration results.

Integration among firms with differences in culture and managerial thinking can take several years of efforts, especially for acquiring firm to adopt or blend in acquiring firms’ management style and culture and for acquiring firm it become hard to bypass the their vision in the blood stream of newly acquired or merged firm. The integration between acquiring and acquired is most common practice in many M&A deals with the objectives of expanding business to new market and geographical expansion, competing with economy of scale and scope strategy, new customer acquisition, or looking for better opportunities. Integration of resources, assets, departments and importantly, human resource need teams of experts and the huge contribution of human resource management. On the other hand, there are mergers and acquisitions, which occurred with the sole purpose of knowledge acquisition. HRM becomes crucial for the success of
deals because most of the knowledge is tacit contain within specific persons or in the form of complex patents understood only by developers, these people can prove to be crucial for the success. It is very important to take care of these personal (executive and employees of acquired firm) carefully during the M&A process because the integration of control and power can become the reason for key people to leave the firm after acquisition. HRM is full of expertise in human aspects operates in different teams at different level, they know how to build the innovative environment for creative people. Many studies evident that industrial non-relatedness has negative result in terms of managing integration between firms in mergers and acquisition deals.

The properly designed integration process can help to overcome other obstacles; cultural differences to understand the strategic design of acquisitions there are three primary characteristics influences the functions of integration; control and coordination function. (Pablo, 1994) First, task characteristics to understand the intent of acquisitions means understanding the core synergy among firms, there are two main tasks; Strategic task and organizational task, that should be done to achieve efficient coordination among the two firms engaged in M&A deals. (Pablo, 1994)

**Strategic task:** Sharing or exchanging the critical knowledge, skills and important resources to build an appropriate base for value creation.

**Organizational task:** to protect the key characteristics of firms that can become essential capabilities.

The motivation behind the acquisition divided the level of synergies among the acquirer and acquired firms. If acquisition is being motivated by operational synergies among two firms the interaction level if high in such case. On the other hand, if motivation is to get financial synergy, both parties do not need a high level of interaction between them.

Second, culture, characteristics of two firms Studies analyzing the concept of culture linked to organization's settings, studies examine the culture as an important variable in the organization especially those are bigger in size. (Smircich, 1983; Pablo, 1994) In Cross-Border acquisitions two firms with different cultural backgrounds integrated into one big organization, cultural synergy become a critical concept to bring more efficiency into this
newly formed organization's operations, commitment to new personnel, become united identity for stakeholders (Siehl & Martin, 1981; Deal & Kennedy, 1982; Pablo, 1994) Multi-culture is an important driver to measure the need of integration between firms engaged in M&A deals. When acquired is high multicultural firm, the need of integration is low because of in many cases the acquisition by them is done with the purpose of gaining/sharing some resources and skills between the organizations. Whereas low multicultural firms needs high level of integrations due to acquirer tolerance against its values, philosophies and method is very low as compared to high multicultural firms. Multicultural firms encourage the cultural diversity allow acquired firms to follow its original values and vision (Chatterjee et al., 1992; Nahavandi and Malekzadeh, 1988; Pablo, 1994). Thus, cultural difference can be overcome by a well managed integration process.

Management of merger and acquisitions also has to jump over the hurdle of political characteristics, shows the control function of integration. Relationship building among these types of firms is hard because both firms try to practice their power. (Hambrick & Cannella, 1993; Pablo, 1994) In such case the environment becomes inevitably tense that acquirer and acquired firm do not understand or devalue the values of individual organizations. (Shanley, 1987; Pablo, 1994) When an acquisition happens between firms with ethically strong hierarchy, the acquirer may exercise its’ power to implement their system into the acquired firm's system to achieve their’ objective of acquisition. (Shanley, 1987; Pablo, 1994) Reason of practicing of power relates to the pressure managers of an acquired firm for getting the desired result in a short period of time, they cannot implement the strategy of sending the personal for passing the values, beliefs and behavior towards the objectives set pre-stage of merger and acquisition. (Haspeslagh & Jemison, 1991; Pablo, 1994) There are several other internal characteristics that can influence the integration design decisions, those are explained as following.

**Manager Influence:** manager experience is a key to success or failure of M&A deals, during the integration design decision managers, expertise in the acquiring gives better management of the integration process.
**High level of integration:** High level of integration has a negative impact on the success of mergers and acquisitions.

Several studies show a link between inexperience of managers and power exercising with high level of integration to transfer the acquirer culture, vision and values into acquired firm.

![Diagram](image)

**Figure 8 Effects of Power and Organization size on integration**

Based on studies by Porter (1980) firms internal strategic decisions have an influence of industry in which it competes and by Kusewitt (1985) on the size difference between firms engaged in acquisition, can have negative influence especially when M&A deals are done in non-related industry. Also, size of deals also has an effect on the return on investment explain the exactly how the deals small in size produce more return than big size deals. (Accenture, 2013) Inexperience managers tend to implement the same strategic design to solve problems they are not familiar with. (Cohen, March, & Olsen, 1972) Connecting these studies help to see the results of extreme level integration due to firm practicing power to control over acquired firm and inexperience of managers fail to analysis the situation and find best strategic fit for problems occurs during integration. Due to lack of managers’ experience, finding the quick solution to problems they are
familiar with (Haseslagh and Jemison, 1991; Cohen, March, and Olsen, 1972) and limited knowledge because of less diversity in culture (Chatterjee et al., 1992; Nahavandi & Malekzadeh, 1998), acquirer tries to transfer its own organization culture to acquired firm by using its power to reach the objective set for mergers and acquisition.

2.4 Relatedness

With the goal of to be competitive and being ahead of their competitors, companies look at mergers and acquisition opportunities to create value more quickly. These types of opportunities are less in numbers and even if there are such opportunities available it is a tough task for firms to compensate for it and maximize the value creation. Barriers like cultural differences, different operational and management styles are in the way of creating actual value for getting to the objectives, pre assumed at the pre - acquisition stage by mergers and acquirer. (Priyanka, and Parvinder, 2014) Industrial or product relatedness are seen as a source of value creation in M&A. (Lubatkin, 1983; Singh & Montgomery, 1987; Zaheer, Castañer, and Souder, 2013) The relatedness has two dimensions Similarity and Complementarity, similarity simply explains the similarities of technology, operation, and service, whereas complementarity is a dimension where the two firm's technology, know-how, product or services complement each other, complementarity relatedness has the value creating essence in it. (Ansoff, 1965; Lewellen, 1971; Penrose, 1959; Zaheer, Castañer, and Souder, 2013).

For strategic choice whether to integrate or give the full autonomy to the target firm depend on the level of Business similarities and the unfamiliar elements target firm bring via M&A. The following figure 1 summarized the decision making criteria. Based on two Hypothesis developed by the Zaheer, Castañer, and Souder, 2013, H.1, “The higher the perceived similarity between acquirer and target, the higher the degree of post-acquisition” and H.2, “The higher the perceived similarity between acquirer and target, the lower the autonomy granted to the target”, Advance understanding is tried to developed on business similarities among the acquirer and acquired firms and elements brought by the acquired firm those are acquirer are not familiar with.
Creating value from the complementary product or technology or operating systems, it is hard for managers realize value from unfamiliar components that acquired firm has to offer through their products and services in offering. Value can be drawn from unfamiliar components of the acquired firm, can only be achieved by collaborating and coordinating many operations and resources of acquired firms with the acquiring firm. Also, it is harder for acquiring top management to give autonomy to top executives of acquired firms, which in case of high complementary product and technology is the best strategy to adapt according to the literature and finding of researches (Zeheer et.al. 2013)

Figure 9 Value Creation in High-Tech Industry

Figure 9, Explains when an acquired firm has a technology or the operation system that acquired firm does not have, better strategy in such case is to give the autonomy to the management of an acquired firm, as they are more familiar with the elements of operating in a particular environment or to satisfy the need of designated market, that can be unfamiliar for the acquiring firm.

2.5 Acquiring and Acquired Firms' Abnormal Announcement Return

Return on investment is a very important measurement for finding how value any M&A deal has created. A popular study on the return on investment by Burner (2002), reviews that different levels of return, i.e., Value conserved, Value created and Value Destroyed. Each level describes different satisfaction level of shareholders' investment. Success or
failure depends on which level of return on investment the results fall. Burner R.F., 2002 concludes if return on investment falls in 'Value Conserved' or 'Value created' it will be a successful investment. If return drops to 'value destroyed' then the investment fails to create any positive value for shareholders and it risk the failure of deals. (Burner R.F., 2002)

**Value Conserved:** It is a breakeven point (net present value of zero) where the investor gets what he thought he would get out of M&A operations. The investor should be satisfied here with his investment. (Burner R.F., 2002)

**Value Created:** When return exceeds the return required by shareholders, it creates the positive net present value. (Burner R.F., 2002)

**Value Destroyed:** This happens when the investment return does not reach the level required by shareholders. (Burner R.F., 2002)

Different studies have concluded, the better industrial match between acquirer and acquired firms will generate a better return on investment in comparison to merging or acquiring a firm from non-related markets. (Priyanka and Pavinder, 2014 e.l., Child, Faulkner and Pitkethly, 2001, p. 20) Mergers and acquisitions of non-related firms are harder because it brings uncertainty for both parties to work on mutual goals; it happens because of different industrial background and differences in management or operational styles.

Few studies raise the questions on net economic gains from M&A deals. The size of acquirer plays important role in total gain earned from merging with other firms, in many cases the buyers are bigger in size than the target firm and equal distribution of gain between them from the merger will decrease the percentage of return for buyers’ shareholders in comparison to shareholders earning of the target company. (Burner R.F., 2002)

According to study by Bayazitova et al. (2012), drawn logical assumption if acquirers gains from the Merger deals the value generation and purpose of those deals is transparent to shareholders. The opposite of it, if careers are on losing side, the purpose of M&A deals is
hidden from the shareholders and motivated by mostly managers' own interests or overconfident. They also advocate the difference between those motives creates a framework of conclusive suggestions on value creation and can be advised to managers, shareholders and board of directors of acquiring firms. (Bayazitova, D., Kahl, M., & Valkanov, R., 2012) Cultural difference is positively related to the abnormal return for the shareholders of acquiring firms. (Stahl and Voight, 2004, p. I 1)

2.6 Value Creation

This section, will cover the answer to the question of value creation, which is being addressed as the most important indicator of success in M&A deals by many studies, if mergers and acquisitions deals bring any gains or losses to shareholders. Concentrating on shareholders gain or loss uncover the reasons and motivation of why M&A deals happen despite their success possibilities are lower than most of the other alternatives. Reviewing the contribution in literature by some of the important researchers, Jensen & Ruback (1983) and Jarrell, Brickley, & Netter (1988) on acquisitions value creation, they used the financial indicators such as market model and stock market to assess the positive effect on value creation on shareholders’ investment. Study on wealth creation by from M&A Datta, Narayanan and Pinches, (1992), presents the evidence of gain to the target firm (22%) from the announcement of deal in comparison to low gain to the merger firm near to half of 1 percentage.

The literature samples collected from different studies on value generation and acquirer or acquired returns from different forms of M&A deals to bring evidence to the research questions. The latest research on “M&A Announcements and Their Effect on Return to Shareholders” by Priyanka, and Parvinder, (2014), explain the expectation of high return on investment has boosted the numbers of mergers and acquisitions deals in last two decades. Their study tries to highlight the important impact of inward M&A deals on the development of Asian economics.

2.7 Culture Difference

The costs and risk related to the increase in cultural difference between two individual, group or organization, when there is a huge difference in cultural values of collaborating
parties. (Hofstede, 1980; Stahl and Voight, 2004, p. 1) Studies do support and bring the evidence the HRM importance and involvement at different stages of M&A activities; Planning, Integration and implementation stages. Latukha and Panibratov, (2013) result of their study show the involvement of HR departments in due diligence is the norm for companies to have successes in their deals. Organizational culture issue are some of the key issues that Human Resource Management (HRM) has to face during the due diligence process. (Latukha and Andrei, 2013) cultural difference between the merging or acquisition firm and target firm are the main hurdle interrupt the integration process. (Lodorfos and Boteng, 2006) Leaving or missing the culture prospect out of planning at pre-merging or pre-acquisition stage bring unexpected delay to all process after merging and acquiring a target firm. For some firm motivation behind M&A are; capturing the market or knowledge before their competitors, delay in processing is mostly caused by overlooking culture difference increase more head-aces for managers, more issues they have to handle at integration phase and deal may lose the value of the time pass.

At pre-acquisition and merging phase, managers do ignore going through the selection norms and they do not really analysis if the culture of two parties complimenting each other’s. Managers underestimate the time culture difference consume during the integration. (Stephen, 2005; Latukha and Panibratov, 2013)

Culture have somewhat indirect link with the style of decision making? Interesting study by Keil et al. (2000) culture which has a high uncertainty feature, people from these cultures are comfortable with the risk which they are familiar with and not able to cooperate with the ambiguous situations. Where as a low uncertainty avoidance culture are mostly feeling comfortable around the uncertainties and unfamiliar situations. In other word people from low uncertainty avoidance cultures tend to take more risks in comparison to high uncertainty avoidance groups.

2.8 Human Resource Management (HRM)

Since early 2000s, many studies explained how important it is to include Human Resource Management (HRM) aspect of the pre-planning stage. Still company top management is driven by the financial and technological aspect for the success while performing the
process of merging or doing acquisitions. We can find the rising awareness of missing HRM factors in many new studies, finds the positive relation with neglecting the HRM factor with the failure of many M&A deals. (Love, 2000; Wassmer, 2010; Teerikangas, 2012; Latukha and Panibratov, 2013)

Work by Christiansem and Higgs (2008), how the HRM is related to the effectiveness of the firm in terms of different countries, industries, size of firms and other perspectives, cultural issues, management styles and demographic difference and have a positive impact on the financial performance on firms (the study was conducted on small firms) Sels et al. (2006). Management has to implement the human aspect from the start of the pre-planning stage, as it is clearly explained that tacit knowledge (in the form of experience, know-how of a particular technology or process) is hard to implement by any other mode than personal him/herself.

HRM, Gaps can be found among the well define a M&A process framework built by by many researchers and implementation of it by the practitioner (Latukha and Panibratov, 2013); also, Burrows (2000) findings support the above statement, in his study, he mentions people issue, the important neglected in pre-merging and acquisition phase, and increase the chances of jeopardizing the whole transaction. Formulation of the most important resource ‘people’ is probably the most important strategic tactics, management can deploy, because a team of people is the source which is going to take the objectives across the line. (Tanure and Gonzalez-Duarte 2007) “Just like an oval shape, ball (American football) is advanced by the team in four downs, 10 yards each down at least, to reach the objective of touchdown of 6-7 points, several tactics are deployed by the management but been achieved by the team of professional footballers (Referring to the expert personal)”.

Due diligence is the act where many things and aspects of target firms are accessed by the acquiring or merging firms, HRM inclusion in this process is important as people, culture and internal (Organizational) or external (different stakeholders) communication issues will be accessed. (Mulay, 2007) Leonard (1999) come up with the conclusion, first, that company’s top management should be educated about deploying HRM issues into M&A as early as possible. Second, to have a checklist of important things need to be done
related to HRM at due diligence stage. The HR manager's involvement in due diligence is useful only if they are well aware of value drivers, availability of knowledge can really bring the environment where HR manager can bring their know-how upfront and use the technical skills of HRM functions, leads to successful due diligence process. Pike (2002) this research paper also supports the finding of studies by Latukha and Panibratov, (2013) they argue many studies have suggested a relationship between HRM and firm performance, but in the absence of empirical evidence, collecting evidence is hard because of most of the deals does not even make it final phase to be observed for collecting empirical evidence. Survey by Towers Watson, that the successful M&A deal reached, when acquirer are capable of keeping key the people from target firm, HRM functions, assists by continues communicating, develop and implement strategies to keep them after the acquisition. Also, they found that companies those reports successful, 42% of the companies rated HRM a key performer by helping top management to handle the deal more effectively.

Latukha and Panibratov, (2013) conducted a study of Russian (121) and foreign companies (295), their study found that the goal of doing M&A was to expand product and services (59%), Scale of business (26%), Synergies (7%), Diversification (4%), and cost optimization (4%). Similar to lower M&A success rate, found in many other studies, they claimed only 2 % of the firm they surveyed, report unable to achieve any of the primary objectives, expected from deals, 52% were capable to achieve almost all the goals, 48% were not that successful. Examination of two groups by Latukha and Panibratov, (2013) (Apeendix 2), shown that the firms those who emphasize the HR department to participate actively (Full partner in development and implementation is 37%) are the one with a high rate of success. Culture do have a big impact on the success of M&A deals, unsuccessful alliances of cultures in cross border deals, leads the results not achieved (Latukha and Panibratov, 2013). Results of finding in study by Latukha and Panibratov, 2013 explain the HRM mainly working on issues related to corporate culture (13%), personnel assessment (9%), training and development (9%) and personnel search and selection (9%) firms’ those who succeeded to achieve their expected objectives.
Latukha and Panibratov, (2013) concluded, HRM has a big impact on the strategic fit in the success of M&A deals. Active participations of the HRM department at the earlier stage of deals help firm to succeed the decision of merging and acquisitions of target firms. These studies justify the inclusion of HRM at due diligence phase, increase the chances of success of M&A deals and creates more value by maximizing the resources. Studies trying to work on covering the gaps, one of these gaps are in the literature of HRM; Not many studies are conducted on HRM topic from due diligence prospective and absence is judged due to less awareness among the practitioners and managers about the importance of HRM roles in an earlier stage of M&A deals. Thus, Absence of HRM from a due diligence perspective in the literature, causes the unawareness among the managers and practitioner about the importance of including HRM at due diligence phase. Human resource management is description of personal working for firm and seen as a unique resource, by firm exploit the full use of these personal brings competitive advantage to the firm. (Walton, 1985; Guest, 1990) it is one of the most important strategic decisions for all the managers of the firm how they can achieve maximum out of available human resources located in different department of one firm. HRM works for the growth of human, improve the opportunities for the people working in the organization, and to build a better leadership it tries to maintain the balance between the autonomy and organization culture. HRM creates work method such as teams, specific project groups and even virtual teams; to make possible for personal to coordinate with each other with different mean of communication: Internet and internal systems. (Boxall & Purcell p. 6, 2011) According to Theory ‘Y’ by McGregor’s, the workers working for firms have a unique set of talents, but in many cases firms are unable to fully utilize this to incorporate with the objectives of firms. Also, it is very important for the management with the power in M&A case the acquirer, to show the trust on the worker and giving them autonomy, challenging projects, this trust will in return brings a positive attitude and high motivation, high commitment and improves the overall productivity of the whole team. (Guest, 1990) Study by author reviewed several important studies in his study and suggested HRM policies does incorporate with high commitment, high quality, flexibility and strategic integration. These policies also need the support from the business strategies those are suited for these policies and
integrated well to reach high productivity and the best possible result towards prospective objectives. Business strategic support only is achieved if the value of those managers who handle the individual team and all HRM policies fuse integrate. Unfortunately the managers waste to utilize the talent pool of their access by having wrong assumption of their workforce.

2.9 Importance of HRM

Harvard business article on Chief Human Resources officers (CHROs) covered the new research result which shows the potential of HR chiefs in decision making roles; becoming the key advisers for CEO’s, are now gaining popularity for leadership roles in the business world. (HBR, 2014) Filler, E. (Senior Client Partner in Korn Ferry) and Ulrich, worked together to study conducted in order to understand the importance of CHROs, they have looked several sets of data: Salaries, compensation of executive class (C-suite). Their findings show that CHROs are highly paid after the CEOs and COOs. Ulrich mentioned the reason why CHRO is a key personal to the firm, they found due to it is hard to find good CHROs. (HRB, 2014; Gorman, C. 2014) Figures 11, show that there is not much difference in thinking and leadership styles of CEOs and CHROs, infact CHROs are closer to CEOs than COOs, CFOs, CIOs or CMOs. Gorman, C. (2014) said it CEOs and CHROs are the different cuts of the same cloth.

This finding clearly shows that HR chiefs are in reality very close to the CEOs and very compulsory during the strategic thinking. Companies are discovering the importance of HR executives, and they are becoming the one of the best suited for leadership roles. HR leaders scored higher or similar to the CEOs level in all 14 aspects studied by Filler (See Figure 12), E. and Ulrich, D. 2014, they have skills of leadership (task focused, social, intellectual and participative), Thinking (Action-focused, flexible, complex, creative), and emotional competencies (ambiguity tolerance, composure, empathy, humility and confidence)
HR specialist is the important part of all firms (global or local), in big firms, there is always specialist in the team who task is to design the selection process, knowing the different talent the firm needs, and training needed to reach the objectives set by the organization. (Boxall, P. and Purcell, J. 2011) Today, there are many HR specialists are working for different firms, according to Boxall, P. and Purcell, (J. 2011) in alone UK by the year 2010, 90000 HR Specialists were working for 13000 different firms. The numbers show the importance that Human researchers are getting in big markets.
Study by Peter and Waterman’s (1982) highlight the different themes, i.e. importance of the human side of enterprises, productivity (specifically American firms), a model of success (limited to American firms) and the importance of culture and leadership in the success of the firm. Guest (1990) mentioned in his study the identification of four different approaches to the management of human resources Traditional, Radical, Pluralist and Unitarist. Due to the focus is what should firm do get better result out of the deal where different geographical culture, managerial style and people from different background going to integrate at some level, in this researcher we chose to look only on Unitarist approach, which assume management of firm and workers has same interest. This approach defines the HRM as theme where it tries to maximum use of the talents available inside the firm.

So the question arises, does HRM really help to solve the problems, e.g. Cultural difference, difference in management styles, executives leaving after the acquisition, what level of integration or autonomy should be done and etc. Evidence of study by the Guest (1991) suggests that HRM has failed to deliver the positive results. On the base of
his finding he blames more on inappropriate application of HRM than blaming the theory of HRM.

2.10 Due Diligence

Due diligence is an assessment of financial and business risks associated with a M&A. Due diligence is processed both parties should follow before moving further to sign or make contracts on deals. The timing to perform due diligence is very important, when to conduct, what should be reviewed and use the findings to make deal fruitful. Usually acquirer do the due diligence, when they find potential firm for M&A. Acquirer has to assess the potential candidates in every step until the deal is done, they have to assess if the deal is going to bring financial and market gain or expected set of goals from M&A. This assessment can only be made the firm has exchanged the financial and operating information, this information is needed to determine the financial and operating benefits both firms can earn from each other when they collaborate. It is also important to see if those gains can earn without collaborating with each other in case to see if any particular deal is going to create any value for shareholders for both firms especially acquiring firms.

Firms do M&A mostly due to economy of scale and scope but most of the M&A are driven by the motivation to get the access to the customer base of the acquired firm. The due diligence process is a time consuming process, improper due diligence can lead a firm wasting their time, Firm have to wait to until they know if investing in merging or acquisition if worth and then proceed to due diligence phase. In due diligence one review the financial and legal risk is involved with the deal, a party (Acquirer) is interested to optimize the value from M&A. The following checklist if created by taking some of the important studies suggested things that need to be reviewed in due diligence.

Due diligence is described as an important step in the pre-planning stage in many M&A literatures, but firms still do not know what are the important things they have to do at this phase, still many important aspects are missing in many cases. (Clemente and Greenspan, 1998; Duncan and Mtar, 2006) Mistake in the gathering and mismanagement of any information mentioned in the table, will increase the risk involving in M&A deals, usually business do ignore many important information and unaware of the risk in terms
of negative results or getting unexpected results. To avoid this situation firm have to lay down the assumption they expect from merging and acquiring the business on their due diligence blue-print and see it fit with the present and future organizational goals.

**Figure 12 Flow of Information from Due Diligence to Integration Process**

In order to save time and have detail oriented due diligence process, both firm can follow the breakdown of process in three categories' suggested in study on M&A of accounting firms by Joel, and Terrence, (2014).

The 50:50 success rate tells allot about most of the firms do not follow the structured framework, Bhatia (2007) presents the facts about how important it is in Information System (IS) due diligence to follow the structured framework. Based on these studies, we can also assume the same goes for the other industries. This thesis study also follows the breakdown of information and things suggested in studies, in an attempt to make the extensive core framework of due diligence applicable to many industries at a basic level.
Figure 13 Process of Due Diligence

Acquiring or merging Firms should not wait for an office visit to collect information, which can be collected by other means of information sharing, than the physical presence, i.e., emails, telephone and internet conference, secondary data collection via published financial report, target firm website, all can be done without the physical presence of experts on target site. In case of cross-border M&A can be cost effective and help to be prepared before engaging in due diligence phase. M&A by accounting firms is mostly successful due to simply follow of procedure categories as above and information upfront enhances the chances of firm, capable to lay down the whole M&A strategy, better understanding and faith among employees and existing customers are developed.

Due diligence is the phase where firms can really find that whether they should continue to deal or walk away from it, the firm also can see what they need to do in order to omit the risk involved with continuing the deal. Due diligence is very information sensitive process which needs allot of expertise. Due diligence process time is part which cannot be predicted as this depends on the size of organization, locations and documents. Delak, B. and Bajec, M., 2013 advocate, in the existence of a proper framework (Appendix.1) lead time can be reduced to a minimum. They come up with four phases (Preparation, On-site, Analysis and Decision) due diligence framework related to information system industry and a rough idea on how much time each phase consume. At each of these stages different activities are performed in numerical order, pre phase is also preparing for the
next phase. Preparation at pre phases increases the chances to run effectively and speed up the process of deals and reduce the lead time in finalize the deals.

Detailed study on On-Site phase cover the fact that a successful due diligence only can be done by different expert visiting the site of firm potential for acquisition. Visit by different expert observe different part of the organization (People, Management, and compliance) and uncovers the truth related to compatibility of M&A of potential opportunities was shown in the document presented before going to visit and first phase of Due diligence. Firms can identify the current value of operations and assets (tangible or intangible), where and how much they will need for investment in the near future after the call, it is a deal (assumption is that many firms may neglect to collect this information), knowing the weakness and strength of potential buy help acquiring or merging firm to calculate the real value they will get from M&A. Analyzing the data collected via emails, phone calls, personal meeting and on-site visits can find the similarities between two firms and things which need to improve in future to maximizing the value creation for shareholders of both firms.

Recent M&A researches are focusing on Human Resource Management (HRM) aspect (Love, 2000; Rafferty and Restubog, 2010; Teerikangas, 2012). Further Latukha and Panibratov (2013), investigate the positive correlation between HRM due diligence and success of M&A deal and present the empirical evidence.

Technology due diligence is not much researched topic, very few studies which approach tells the technological leverage can be achieved only by having a better understanding of technology due diligence. (Andriole, 2007; Delak, and Bajec, 2013) In many industries prior to finalizing the deal, due diligence assist to reduce the risk and create more value for technology investing shareholders. (Andriole, 2007; Delak and Bajec, 2013).

This paper advocates the need of basic due diligence framework, applicable universally in any business mergers and acquisitions activities. Highlighting the industry and field specific framework and its usefulness, how the availability of framework on critical stages of due-diligence adds the value of firms. Information provided by proper due diligence (Delak and Bajec, 2013) (See appendix 3.) becomes a guideline for the acquirer proceed or
not proceed for the deal. Due diligence process unable the firm to see the problem that they going to face after the merger and acquisition of their potential buyers. Seeing the problem prior to finalizing the deal help the firm to come up with the solution to improve the situation or omit the problem in future. By solving this problem may help firm to stratify the existing customer segment; create a sustainable business environment and value of investment of shareholders. Positive manager feedback, finding of a study in Framework Information System Due Diligence (FISDD) prove framework can become the reference to perform the Due Diligence not only information systems fields. (Delak and Bajec, 2013)
3  METHODOLOGY / EMPIRICAL RESEARCH

This chapter explains the empirical findings to the research questions and those methods are chosen to conduct this research, the qualitative research method is chosen for this research and build a case study on the Japanese market, know for its’ unique culture and for essential contributor in the world economy. Also, presents the supportive propositions possible to research in the future, In relation to the research questions and the prepositions, also, the inefficiency of previous research conducted on the effect of human resource, cultural issues and geographical aspects those have great influence on cross-border M&As. Explain how this case being studied and what form of data is collected. The research examines the M&A investments and aspects those are very essential to the success of cross-border M&A. Due to the nature of this research the case study approach was selected, allowing to have a fuller understanding of the context and process (Yin, 1994). Rather, testing any specific hypothesis, research will fully concentrate on one case study, allowing an in-depth insight into the M&A process in cross-border setting. Adopting the use of case study also provides dynamic events, and how different factors can influence the process over the time.

3.1 Concepts Analysis

This study consists the systematic analysis of the effect of cultural and geographical differences in the process of M&A on the cross-border environment, content analysis advance to start the analysis in qualitative content based research (Hsiu-Fang and Shannon, 2005). Research contain two aims, first, to find if there is any positive contribution by managing culture difference and different management styles. Secondly, to discover the relation between the inclusion of HRM and better synergy between both firms. Therefore, content based analysis is implemented in this research to use the guidance from the theory and relevant research findings to give theoretical justification to the concepts, advocated as emerging value-adding factors in cross-border M&A settings.
In order to narrow the research, the cross-border M&A concept is divided into two different parts, i.e. before and after the deal reached to a conclusion. Narrowing the M&A concept into two main parts assist to understand the essential duties and participation of people contribute to the success of M&A.

Comparing the two different management styles and cultures of two different regions, in this case Japanese against the western world, this research found a positive relation between the proper management of concepts (i.e. Cultural and geographical difference issues, human resources related issues, governmental barriers and organizational differences) and value creation from the cross-border mergers and acquisitions. In addition, approach of early inclusions of HRM in the process of deals, permits the companies to extract more positive value creation from the deals, especially in cross-border M&A.

The research is approached further with the objective to find a practical example relevant to the cross-border M&A process (see figure 5) and theoretical background introduced in chapter 1 and chapter 2. Thus, case study approach is chosen due to its’ relevance to the findings from theoretical analysis. Analyzing the literature in relation to aspects of cross-border M&A, shows a positive influence in increasing the abilities of workers, if both firms’ efforts to eliminate the cultural, organizational and geographical barriers.

### 3.2 Design of Research Methodology

This research thesis raises the question of how the cultural difference in cross-border context contributes to its success and failure. To examine issues related to the cultural and operational difference, the finding of studies on these issues and its effect of both pre and post M&A performance is taken into the consideration. In Chapter 2, the finding of these studies is introduced, with the theoretical viewpoint of the M&A process in across the border settings. The research was aimed at the difficulties that may cause by the difference in business cultures and in managing the key concepts to overcome the barriers to cross-border deals faces. Multiple theoretical perspectives provide different, contradictory finding but a useful guideline for the future research. Existing studies do
provide a good background information on the effects of M&As on management of cultural and operational management.

In order to analysis the research questions, a case study strategy is adapted to the purpose to bring an example to support the contents presented in this research, i.e., managing cultural conflicts, outward FDIs, governmental policies, technological knowledge takeovers (Murata M&As). There are various reasons for choosing these particular contents: first, to find more relevant theories and data to justify the aim of this study, second, to analyze the relationship of cultural difference in context to the success of M&A deals. To conduct the more significant study, first, the strategy was to conduct a survey on Finnish company, lately been acquired by the Japanese multinational firm, in order to collect information on changes that may have occurred due to collaboration two different management approaches and cultures and one to one interview to get more relevant information. Due to lack of time and collaboration from the firm it was impossible to collect primary data, reason to be dependent on on secondary data.

3.3 Difficulties Faced During The Research

Due to the confidentiality level and involvement of top management, make it harder to collect sufficient data, which is very common in Japanese culture as firms do not reveal the information to outside parties. Also collecting data from the top management are difficult and time consuming process. The research to see the effect of all the aspects it is a lengthy process as researchers need to follow the particular deal for years, which needs a larger amount of resources to able to conduct successful research. The HR personnel at Murata Electronics was very hard to find any contact with the HRM department of the company, only contact was possible due to personal visit to the company with the purpose to get their involvement in surveys. Further, it has become impossible to get them to participate in this research. As a result research was purely based on the information available from secondary resources; Internet, financial reports and journals.

Due to lack of availability of fisibility of data, we rely on very limited information available on internet sources. Therefore, the Japanese economic structure was chosen due to Japanese built their economy mostly by relying on outward investments (both green investments and cross-border investments) from economic based view, the case study
strategy support to investigate Japanese economy and increase chances to find the positive evidence for M&A. It is becoming hard to collect data on aspect, such as participation of human resource in M&A process due to lack of fundings and corporation from firms. The uncovered content was covered by the extensive literature review and concluded, based on evidence found in past researches and the latest event of markets.

Information for this research is collected from the secondary resources, i.e., internet, articles and books. Based on most common problems occurs during cross-border mergers and acquisitions, the hypothesis have been developed and empirical evidence is collected from some of the most important studies on different problems mentioned in chapter 1 and 2. To collect the evidence to evaluate hypothesis and finding the most possible solution or suggestions in order to answer the problems, this study tries to relate both literature and case study. Collection of evidence and observing the latest research findings will lead to get to the future research suggestions as well.

This research is conducted with a meta - analysis method to find the research gap in the M&A field of research. According to Petitti (1999), “Meta-Analysis is a quantitative approach to systematically assessing the results of previous research in order to conclusion about the body of research”. Meta-analysis study conducted on “cultural difference on mergers and acquisitions performance” by Stahl and Voight, 2004, p. 14), suggests the existence of many unexplained gaps such as how cultural difference in cross border M&As affects the performance of deals. The objective of this research thesis is to investigate theoretically the factors that affecting multinational firms choice of choosing between two modes of entering markets cross-border mergers and acquisitions.

The managerial implication aims to build a strong understanding of aspects, which possibly can contribute to the better result from M&A strategy and increase the success rate of cross-border M&As which by far not very impressive until this moment. Also, a modified the tool is included in this study, explain the levels of integration and autonomy should be done or given to acquire firms, presented in the study by Zaheer, A., Castañer, X., Souder, D., (2013) and how it can benefit to build the strategy that can help acquirer or merger to get the most out of their investment. Integration and autonomy tool forms
an understanding of different scenarios and what (Integration and autonomy) is best practice for acquiring firms in different scenarios.
4 MERGERS AND ACQUISITIONS IN JAPANESE CONTEXT

The role of brown-investments has a big impact on the global FDI changes compared to the Greenfield investment. Cross-border mergers and acquisitions are the results of deregulation, low production cost opportunities in developed and developing markets. Many countries open their markets in some of the key her economy success built on.

4.1 Broader Look to Japanese Economy

Industries, technological, manufacturing and service sectors have seen a big flow of outward investments. Outward FDI (Cross-border M&As) happens when the domestic market of investors becomes mature and increase in production cost declines the export. Another factor that has a huge contribution to the economic reform is when one country tries to catch up with the economies of other big players. Japan in late 90s tried to catch with the US and European Union and Japanese neighbors, especially Chinese and Vietnam also responds by opening up their economies.

An FDI outflow from Japan was a dominant strategy for the Japanese domestic market economy, until the early 90s for two decades. To prevent trade friction with other developing countries and because of other reasons; increase in labor, land and environment regulatory costs, Japan start investing abroad. (Francis, S. 2003) Outward investments were done with the purpose to produce the products in countries where production cost was low and easy to export those products back to Japan. (Francis, S. 2003) Japan becomes the leading outward investor with capturing the 23% of global outflow FDI, surpasses the US (year 1986) and UK (1989). (Francis, S. 2003)

Japanese outflow FDI movement during the period of 80s and early 90s dominate the inward movement FDIs (see figure 12). By the year 1993 the outward FDI at USD 422.5 billion from Japan reach to fifteen folds of inward FDI at USD 29.9 billion. (Working paper of the International Monetary fund, 1997)
Japanese outward investment has immense influence of their culture, many cross-M&A are not being integrated and rather been given autonomy by providing ‘advisers’ from home country to advice in key decision making and to gain overseas experience. (Child, Faulkner, & Pitkethly, 2001) authors also observed how Japanese firms proceed in initiating phase, they control the budget and financial transactions and use specific way of keeping them informed.

![FDI INFLOWS AND OUTFLOWS](image)

**Figure 14 Foreign Direct Investment from Japan, 1982-95**

**Source:** (Working paper of the International Monetary fund, 1997)

Communication is a key when two different nationalities engage in M&A deals, since both might have different communication styles or business ethics or even have to overcome to the language barrier which is quite often the case of Japanese cross-border M&A activities. Japanese often have an unspoken communication style, even when companies are dealing with companies from the same industries thinks they understand the language of their industry and avoid the cultural difference. Edward Hall, This can lead to the disastrous end of the deal. Companies can face great difficulty to do business with the Japanese companies which might arise from the different cultural values and
assumptions, business ethics and language. Japanese do not express the negative emotions which also adopted in their business ethics, the way to find out the exact meaning of particular message communication should be done in private not in public.

The Japanese hierarchical system is very complicated. The management is ordered in vertical order, and collective relationship oriented culture of Japan, where each person has an expectation of their coworkers’. In Japanese firm’s manager do take care of subordinates’ even help them in their private life. In return subordinates’ show their respect by trusting in his or her judgment and follow his lead. In many cases foreigners do feel difficult to get the input or opinion from Japanese. There are only certain places, people and relationships where information is shared in Japanese business culture.

4.2 Murata Manufacturing Acquisition Events

Soon after the deal completed the VTI Technology Oy become Murata Electronic Oy. Bringing the MEMS technology into Murata arsenal, fits with the strategy of bringing the unfamiliar element to boost the value creation and product portfolio.

The VTI acquisition by Murata Electronics Europe B.V. with transaction value USD 260 million, is a good example to have as a case study for this thesis research due to two different working cultures came together to enhance the advantages of opportunities. As Tsuneo Murata, President of Murata Manufacturing, mentioned, acquisition of sophisticated knowledge of VTI in sensor product and synergies between both companies will help to lay the foundation for future growth. (Murata, 2012)

First, there is detail of Murata manufacturing and brief look on history of company involvement in cross-border mergers and acquisitions (M&As) and try to explain from these activities and from collecting secondary resources, what was the reasons behind M&A choices.
Table 2 Mergers and Acquisition of Murata Group

<table>
<thead>
<tr>
<th>Year</th>
<th>Buyer</th>
<th>Seller</th>
<th>Deal Amount</th>
<th>Key Component Acquisition</th>
</tr>
</thead>
<tbody>
<tr>
<td>October, 2011</td>
<td>Murata Electronics Europe B.V.</td>
<td>VTI Technologies Systems)Oy.</td>
<td>USD 260 Million</td>
<td>MEMS (Micro Electro Mechanical</td>
</tr>
<tr>
<td>August 22, 2014</td>
<td>Murata Electronics North America, Inc.</td>
<td>Peregrine Semiconductor Corporation</td>
<td>USD 471 Million</td>
<td>Advanced Radio Frequency Front-end capabilities and the world’s best Silicon on Insulator (SOI) process technology</td>
</tr>
</tbody>
</table>
5 DISCUSSION AND CONCLUSION

The aim of this study was to understand the indicators like HRM, geographical and social difference affects the results in cross-border M&As. This chapter presents the summary of evidence collected through review some of the previous studies conducted in this field, can be seen in the figure. 15. After summarizing the important findings will continue chapter to the discussion. Last the limitation of the this research will be presented with the proposition of the future scope of research with the same viewpoint.

5.1 Key Findings

After reviewing several important contributions by many authors, tried to find the basic framework for the firms involved in M&A activities. Key evidence is collected and try to implement beside the simple M&A process drawn in the figure. 16 in an attempt to find HRM and some other aspects, relations with the success of M&A deals. By avoiding these aspects, especially HRM, can relentless for any M&A deals. Appendix 4, shows the results of study conducted by Latukha and Panibratov, (2013) describe the importance of HRM involvement in the M&A process from the very first stage. Common framework and feedback about personal of both companies by the human resource department makes it easier for managers and company executives understand the importance of common aspect they have to consider seriously while planning, integrating and implication of strategies for the success of deals they are making for any objective they are trying to achieve. Figure 16. is drawn on the key findings found after careful study of different research, explain the importance and activities HRM involved at different stages.

Key findings of Latukha, and Panibratov, (2013) research evident the positive impact of HRM on the success, especially when it is involved in due diligence. There were no strong evidence found in relation of introducing the HRM at the pre - M&A stage, but they believe this will have a positive impact on overall results. Review some of the important contribution and literature, assist to understand the how important it is to include some of important aspects as early as it can possible, in many cases till now these aspects been ignored by the firm during the M&A deals.
As Mairna and Panibratov also suggested in the implication of the findings, the presence of HR manager earlier in M&A process makes him familiar about the details of the deal and utilizing the resources efficiently and maximize the output of these resources. HR department can help to create the checklist, critical issue need to be addressed during the due diligence process, these can extend to the preference that fits with firms need. Personnel assessment, training, development, personnel and selection are the few issues that HRM handles and contribute big part in the success of M&A deals. Other issues like Policies, benefit plans, Client categories, Owner and employee details, Historical financial data, Service Methodologies, Procedures are some of the common issues that analysis of these can be useful for any firm from different industries. Previous studies have shown inclusive of HR personals in pre-M&A phase was not popular until recently and avoiding it can lead acquiring firm the one which losses the most among both parties engage in M&A deals. This leads to the first proposition “Acquiring firms are the one who is on losing side in case of deals fails to deliver value it promises at pre-acquisitions phase”.

![Diagram](image-url)

**Figure 15 Evidence of HRM Participation at All Stages of M&A Process**
Case of Delta (HBR, 2014), shows the attempt to revive their organizational culture and structure, bring more innovative thinking and culture. Strengthen the culture and innovative thinking like introducing the employee profit sharing program (sharing 10% before tax with employees) and giving 15 % of Delta equities to their employees by stock ownership plan. Delta also adopted M&A strategies to catch up with competitors and to scale and expand geographical reach. Restructuring and M&A approach of Delta is a recipe for innovative thinking with human ingredient, which differentiates them from their peers in the airline industry, leads to the success.

The companies those are actively involved in the mergers and acquisitions activities, recognizes that the success or failure of any mergers and acquisition deal is really depend on how well the management implementation of critical decision process. (Grant, J. H. 1988; Datta, D. K., & Grant, J. H. 1990) As deal progresses further, managing each activity of M&A process become very crucial for the management, and any miss management at during the process stages of M&A can become a cause in the entire process. The studies on performance has been trying to see the impact of different strategies in the success of M&A; Autonomy decisions, involvement of human resource management related decisions, M&A topic has been studied from many different prospective (i.e, financial, strategic behavioral, operational and cross-cultural). Even though many researches have come with different arguments to explain these concepts, still there are new and better findings found every day. From the literature review and case study second propositions arise, “different cultural background of two firms hinders the process of M&A deals”. Not taking cultural difference into consideration during the process of M&A may hinder the deal this research come with the third propositions, “Neglecting the culture difference may lead M&A deal to lose its perspective objective/Value, may be fail strategic move by one.” The importance of organizational fit between the two firms is key for the success of deals. In cross border deals is very often the case the both acquiring and acquired firm management style do not match with each others. Hence forth the proposition, “It is very important to find the similarities in management styles of both firms.”

Another understanding that has been developed from this research is the importance of business similarities and unfamiliar elements. Figure 16, explains Different level of
business similarities and unfamiliar elements makes it easier to understand the situation and deciding whether to give full autonomy to target company or to fully integrate the target firm in the mergers or acquirer business operation. (Zaheer, Castañer, and Souder, 2013)

![Integration and Autonomy Levels in Different Scenarios](image)

Figure 16 Integration and Autonomy Levels in Different Scenarios

Adapted from Zaheer, Castañer, and Souder, 2013

5.2 Managerial Implication

There are many researchers who doubt on the learning outcomes, inexperienced firms are trying to achieve from the M&A agreements. Because, M&A activities are not a continuous activity for many firms, they really cannot learn much from these activities. (Nikandrou, I. and Papalexandris, N. 2007; Very and Schweiger, 2001) Implementation of M&A activities is highly complicated as it requires the knowledge of different aspects, if mergers and acquirer want to achieve any amount of success from this activity.
Prior experience of managers from the acquiring firm with M&A, does have a positive impact on the success of deals (Stylianou et al., 1996) It is very important for acquirer to learn from their own and from the competitor M&A experience (Hitt et al., 2001) Implementation of these learnings into the acquirer HR system and practices is must for firms to attain a success in future deals. (Nikandrou, and Papalexandris, 2007) As it has been proven that many cases of M&A deals the acquirer or mergers does consider themselves greater than the acquired or merged firm, many key executives from acquired or merged firm tend to leave after the deal. (Hambrick; Cannella, 1993) HR practice and contribution in important phases of deals is crucial to prevent departure of key personnel.

Success full integration stage can be reached by the manager when the sufficient amount and quality of information flow from the due diligence phase (See Figure 1). Cultural difference can be overcome by the understanding the abilities of both firms engaged in deal, prevent one particular culture takes power and tries to integrate their culture with other. An aspect of human experience (Gathering information, Communicate along different parties and Integrating the collected information into the core of acquired business) is very important to reach the expected objectives of M&A, goal of M&A can only achieve with the proper information gathering or investigation of acquiring business also known as due diligence and using gathered information to maximum for implementing the strategies successfully.

5.3 Limitations and Future Research

Numerous hypothesis are being generated and tested by researchers and scholars in past three decades. It is important to have looked on key finding to

Due to lack of financial aid and time, this research mostly targeted the qualitative side of research; still we cannot neglect the quantitative side of research as it is necessary to measure the performance of M&A as a strategic choice for most of the firm in recent years.

Based on key finding this paper has tried to collect the important content can be applied in questioner for future M&A research. As M&A deal information is hard to gather
because of confidentiality level, Researchers have to find out another way to gather data to find answers to their hypothesis. First thing asking the number of meeting done by the consider companies; can be found the relationship with meetings and success of deals. Numbering of HRM people involved in the pre-mergers and acquisition stage support to find the value of HRM in the success of M&A deals.

By conducting a longitudinal study, it is possible to uncover many questions in relation to the level of contribution of each factor made in a M&A process and success; especially knowing the influence of cultural difference, Experience of managers and organizational needs (Objectives). Due to the inabilities of deals to survive long enough, it is hard to track and get effective data and results; as most of the data or samples collected in different studies become invalid after a few years of time or new revolution change the way market thinks and a new set of data needed to keep the research to cope with these changes, this requires an eminence amount of resources, in most cases become the reason for noncontinuity of research.
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Appendix 1 Worldwide Cross Border Acquisitions Period - 2005-2014

Appendix 2 Number and Volume of Global M&A Deals from 2009 to 2014 (Q2)

Global M&A Quarterly Volume

Appendix 3 Framework of Due Diligence

Source: Delak, B. and Bajec, M., 2013.
Appendix 4 Human Resource Management Involvement in M&A.

Integration implementation 34%
Integration planning 21%
Due diligence 19%
Pre-deal 6% 6%

Figure 4: HRM high-level involvement in M&A

Appendix 5 Approach to Mergers and Acquisitions (M&A) Process

Pre – Mergers and Acquisitions

- Set M&A strategy
- Define M&A objectives
- M&A Value realization

Due diligence

- Target Identification
- Investigation
- Data
- Outline
- Set integration planning
- Find the key talent

Planning

- Identify Potential
- Select Target
- Issue Letter of intent

Negotiation

- Set Deals terms
- Secure key human resource

- Deal Sign
- Close deal

Mergers and Acquisitions

- Integration
- Execute integration plan

Post-M&A