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E: ISSN NO.: 2455-0817 Remarking An Analisation

Mergers and Acquisitions: A Review of Related Literature

Abstract

Mergers are one of the most researched areas in finance, yet some basic issues still remain unresolved. The main purpose of this paper is to offer a reader a guided tour through the literature written about the mergers and acquisitions (M&As). This is an exploratory study through the field where number of articles is written, often with mixed results. The goal of many successful writers in M&As field of interest is to contribute to understanding of M&As and ultimately understand how mergers and acquisitions can be (more) successful. Number of different sub-area is discussed and the most relevant and interesting articles – according to the author's opinion - are presented.

Keywords: Mergers, Acquisitions, Announcement effect, Market Efficiency, Strong, Semi-strong, Weak, Emerging market, event study, price pressure.

Nidhi Argade
Faculty Member
Faculty of Commerce
The Maharaja Sayajirao University of Baroda,
Vadodara, Gujrat, India

Introduction

A critical feature spurring the pace of global expansion by multinational corporations in emerging economies has been the adoption of mergers and acquisitions as a means to quickly tap into new markets and assets. India is perhaps the best illustration of this concept. While discussions regarding Asian M&A have traditionally focused on China, the increasing economic power of India in the global context has led to an exponential increase in M&A activity among Indian companies. **(**Times of India, December 22, 2009).

Last year was a disappointment for dealmakers. Global mergers and acquisition activity for 2009 fell 22 percent from 2008's already depressed level. As the world economy recovers, what is becoming clear is that developed Western economies and developing economies are on two markedly different trajectories. It is therefore no surprise that M&A activities have shifted in favour of the developing economies. Global M&A deals in 2010 closed at USD2.4 trillion, a 23% increase from 2009 after two consecutive years of 31% decline. Deal volume also increased, but only by 3%, suggesting that bigger deals were being concluded. Asia Pacific deal value jumped 31%, reflecting global interest in the fastest growing region in the world. (KPMG February 2011).

So, what are really mergers and acquisitions after we talked about? In essence, mergers are union of two or more corporations by the transfer of all assets to a single company; acquisitions are capture of one company (target) by another company (acquirer) by transferring all assets to the acquiring company. Often due to complexities of ownership and other interest it is not sure who is acquiring whom and is it a merger of acquisitions. To avoid potential unproductive traps we are addressing whole field as M&As.

With the growing M&As in different sectors and countries it is important that M&A should be successful. The purpose of this paper is to synthesize and analyze prior literature of mergers and acquisitions (M&A) and so as to help the researchers to identify the areas where further research is needed.

Background

Mergers and acquisitions also referred to as M&A, involve the buying, selling, and combining of companies. The acquiring and target companies feel that by joining they can somehow aid, finance, or help each other within their industry, or sometimes between industries, without having to spend the time and capital to create another unit. Sometimes a company may acquire another company against their will through what is known as a hostile takeover, where they will purchase the majority of outstanding shares of a target company. Firms, after merging, may take the name of the acquiring company, the target company, or just create a new name. Some companies will merge at the corporate level, but for all other purposes allow the two individuals to continue business as if they were still separate entities. This

decision is based on what the managers feel will allow them to be the most successful in branding themselves in their respective industry. (Yahoo finance, n.d.)

M&As aim at optimum utilization of all available resources, exploitation of unutilized and under-utilized assets and resources including human resources, eliminating or limiting the competition, achieving synergies, achieving economies of scale, forming a strong human base, installing an integrated research platform, removing sickness, achieving savings in administrative costs, reducing tax burden and ultimately improving the profits.

Mergers may be horizontal, vertical or conglomerate. Horizontal merger is a combination of two or more firms in similar type of production, distribution or area of business. Vertical merger is a combination of two or more firms involved in different stages of production or distribution. Conglomerate merger is a combination of firms engaged in unrelated lines of business activity. Further, they may be friendly or hostile. Generally, mergers are friendly whereas tender offer takeovers are hostile. Merger activities have been classified by various authors into so called waves by clustering activities of US business during various periods.

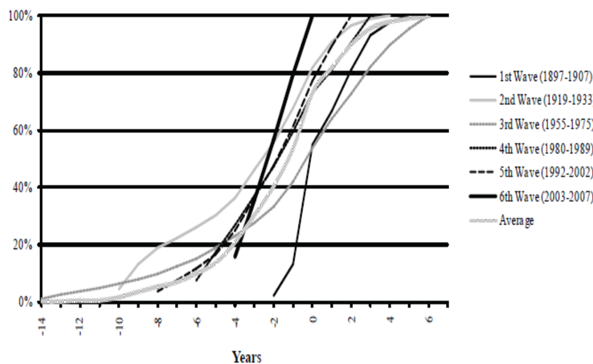


Figure 2: The Life Cycle of Merger and Acquisition Waves[2]

(C. Kummer & U. Steger 2008)

How was the literature review conducted?

Tariq H. Ismail,Abdulati A. Abdou,Radwa M. Annis (2011) synthesizing and analyzing prior literature of mergers and acquisitions and its effects on the financial performance in an attempt to determine factors that might influence post-mergers and acquisitions performance.

This paper encompasses more than fourty (40) research oriented – mostly academic - articles in the M&As field. The main research oriented publications that are reviewed are: The journal of finance, International Research Journal of Finance and Economics, The Review of Financial Studies, Journal of finance and strategic decisions, Journal of Applied Corporate Finance, The Review of Financial Studies, Journal of financial management, Strategic management journal, Journal of Money, Credit and Banking, Journal of finance and accountancy, International business & economics research journal, International Review of Business Research Papers, The Journal of Industrial Economics.; more popular articles are reviewed from: Business standard, Business Week, Business, Economic times, Financial Times, Economist and several books on mergers and acquisitions were reviewed but not used for this paper. Three Ph.D. theses and one dissertation are also taken in to consideration for this paper. The research was conducted during period between January to May 2011, and represents the author's take on the M&A literature, that can possibly benefit others.

Based on the author's take on literature in the M&A field, a division into five major branches in this filed was established. Each of these branches is discussed in following chapters.

There are major branches of body of research work in the M&A area:

- Effect of M&A on Short term and Long term Performance of the firm
- Success or Failure
- Form of financing
- Cross border M&A and Corporate Governance
- People in M&A;

Effect of M&A on Short term and Long term Performance of the firm

There are two types of empirical studies on M&A performance. One is "Event Studies", by comparing share prices before and after the merger. Even though there are numerous studies but there results are consistent. The target firm's shareholders benefit and the bidder firm's shareholders generally break even. The combined gain is mostly positive. Another type of empirical studies includes those which compare individual firm's profit few years before and after the merger. Results from these studies are more complex due to difference in methodology.

There are certain studies which only take into consideration the short term performance of the firm and test Efficient market hypothesis and there are other studies which concentrate only on long term performance and some have taken in to consideration both. Author has categorizes the studies into two Event studies i.e. short term and Post performance studies i.e. long term performance

Effect on Short Term Performance of the Firm: Event Studies

Mergers and Acquisitions are so difficult to complete, it is usually unsure how many attempted mergers there actually are a year, especially since they are usually kept secret, even from their own employees. When M&As are successful and they are announced to the public, it is generally a good thing for shareholders. By joining efforts the company should be able to lower the costs of the company while maintaining revenue, therefore yielding more profit. Also, if a company is joined with a competitor, the two together will now have more market power and an increased market share. There are three forms of Market Efficiency: Weak, Semi-Strong, and Strong, that explain how quickly the Market will react to publicly announced information, such as a merger. The Efficient Market Hypothesis states that investors should not be able to earn above normal returns in the Market, due to the fact that the Market operates with all pertinent information taken into account.

The study undertaken by Nick von Gersdorff and Dr. Frank Bacon (2007) includes fifteen recent mergers in U.S., as of December 2007, as provided by Yahoo Finance (2008). Specifically, this work focuses on the semi-strong form test in an effort to test the efficiency of merger announcement public information. The findings show that there definitely is action in the stock price around Day 0, but the analysis displays that the merger may not be significant in determining the reason for the particular action. The Semi-Strong Efficiency theory begins to show signs in the 30 days after the announcement. So here I suggest that if larger sample is taken by them then these signs would probably be more obvious. The similar kind of study has been undertaken by Michael j. Seiler and Walter Rom (1997) to do historical analysis of Market Efficiency. But their main concentration was on base of EMH i.e. Random walk. They examine the degree of random walk in daily stock prices for all stocks listed on the NYSE from 1885 to 1962. Although monthly and weekly return patterns were found to be significant, they were still unable to predict future stock price movements. So we can say that this conclusion is consistent with modern efficient market studies.

Paul Asquith and E. Han Kim (1982) investigates whether merger bids have an impact on the wealth of the participating firms' bondholders and stockholders. Monthly and daily bond and stock returns are calculated relative to the announcement date of a merger bid for a sample of conglomerate mergers. The results show that while the stockholders of target firms gain from a merger bid, no other security holders either gain or lose.-To provide direct evidence on the existence of "diversification effects" and "incentive effects," In the similar area of conglomerate merger Pieter T.Elgers and John J.Clark (1980) have also done their study to link merger types and shareholders returns. They use Capital Asset pricing theory to study returns. They observed moderate gains to buyer firms and substantial gains to seller firms over the pre-merger period. They also suggest that results are more favorable to conglomerate mergers than are the results of previous studies.

LeRoy D. Brooks,Doothee J.Feils and Bijoy K. Sahoo (2000) have undertaken very interesting study the impact of shifts in forecasted earnings and systematic risk on acquiring firm shareholder wealth in domestic and international acquisitions. The results suggest that acquiring firm shareholders experience significant wealth losses in domestic acquisitions, but not in international acquisition. The reason for domestic losses is either managerial self-interest or hubris and acquiring firm unique synergy benefits manifest themselves in larger future expected cash flows.

There are some researchers who have studied the short term performance by taking case of particular region or country. Carl B. McGowan, Zunaidah Sulong (2008) examines the effect of M&A completion announcements on the stock price behavior for two anchor banks in Malaysia: Hong Leong Bank Berhad and Arab Malaysian Bank Berhad. They use the event study technique, to compute the abnormal returns. They found out that the M&A completion announcements are treated as positive information. Anson Wong (2009) studied the effects of acquisition announcements on the pricing behavior of the Asian bidding and target firms using the data of Hong Kong, China, Taiwan, Singapore, South Korea and Japan over the period from 2000 to 2007. The result indicates that information concerning a forthcoming corporate takeover is considered good news for the shareholders of bidding firms but not regarded as good news for the shareholders of the target firms.

Many authors have only checked Efficient market Hypothesis but J.C Thompson in 1995 has studied shareholders reactions to the announcement of merger of two bank holding companies and found consistent result i.e. gain to shareholders of acquired firm. But in 2000 by taking variables like asset size, geographical diversification, balance sheet composition, managerial efficiency has analyse the reasons for abnormal returns. He suggested that for acquired firm only capital asset ratio is significant and for acquiring firm no variable is significant. Apart from Efficient market Hypothesis testing and study information effect the research has also occur to find out other reasons for price changes near announcement dates. The Study conducted by PenChengZhu and Shavin Malhotra (2008) examines the short run stock performance of a sample of Indian firms acquiring U.S. firms in the period of 1999-2005.Event study show that Indian Stock market reacts positively to the acquisition announcement. However they find that the positive abnormal return lasts for only three days. After which, the returns become negative. They concluded that this is because announcement returns are mainly driven by the price pressure effect rather that the information effect.

Anand M. Vijh (1994) His article shows that some of the wealth gains from financial decisions involving changes in security form occur on predictable ex dates. For a sample of 113 spinoffs during 1964 to 90, we document an average excess return of 3.0 percent on ex dates, roughly the same magnitude as the average announcement-date return. He conjectures that the spinoff ex-date return arises because the parent and subsidiary stocks attract different investors who prefer to buy the separated shares after the ex-date.

Long Term Performance of Individual Companies

Theoretically it is assumed that Mergers improves the performance of the company due to increased efficient management, economies of scale, more profitable use of assets, exploitation of market power, and the use of complementary resources. In the field of merger and acquisition maximum number of studies has taken place to measure effect of M&A on Long term performance of the companies by taking into consideration various parameters, still there is no unanimous opinion about the companies' performance in long run.

There are certain authors who have suggested that M&A effect negatively on the long term performance of the company. Mahesh Kumar Tambi (2004) evaluate the impact of Mergers on Indian companies through a database of 40 Indian Companies, using paired t-test for mean difference for four parameters; Total performance improvement, Economies of scale, Operating Synergy and Financial Synergy. This study proves that Merges have failed to

contribute positively in the performance of the company. Anup Agrawal, Jeffrey & Mandelkar (1992) found the same results while using the sample of NYSE acquirers and NYSE/AMEX targets. They find that stockholders of acquiring firm suffer a significant loss of 10% over the five year post-merger period.

Based on Value Line forecasts, Erik Devos, Palani-Rajan Kadapakkam, and Srinivasan Krishnamurthy (2008) estimate the average synergy gains in a broad sample of 264 large mergers. They estimate that tax savings contribute only 1.64% in additional value, while operating synergies account for the remaining 8.38%and are generated primarily by cutbacks in investment expenditures rather than by increased operating profits. Operating synergies are higher in focused mergers, while tax savings constitute a large fraction of the gains in diversifying mergers. The evidence suggests that mergers generate gains by improving resource allocation rather than by reducing tax payments or increasing the market power of the combined firm. On the other hand Karen L. Fowler & Dennis R. Schmidt (1989) by taking sample of 42 industrial manufacturing firms found out that on the average, post-acquisition financial performance improved significantly for organizations that had previous acquisition experience, acquired a higher percentage of a target, or were older. Post-acquisition performance decreased significantly for acquiring firms when target firms contested an acquisition. Going in the same line Pramod Mantravadi, A Vidyadhar Reddy 2008 study the impact of mergers on the operating performance of acquiring corporates in different industries during 1991 & 2003 by using financial ratios. There are mixed results of the study, mergers seem to have had a slightly positive impact on profitability of firms in the banking and finance industry, the pharmaceuticals, textiles and electrical equipment sectors saw a marginal negative impact on operating performance (in terms of profitability and returns on investment). For the Chemicals and Agri-products sectors, mergers had caused a significant decline, both in terms of profitability margins and returns on investment and assets.

Some authors have studied the performance by selecting particular case study or sector. Donald R.Fraser & Hao Zhang (2009) have studied U.S. banking sector during 1980-2001 to compare pre and post-acquisition performance of target companies and found that M&A improves the performance of target firms. Similarly Dr. P. Chellasamy & J.Udhayakumar (2007) have studied the case of Centurion bank – Bank of Punjab merger. By using several financial tools like ratios they concluded that there is an increase in financial performance of the Centurion bank of Punjab after the merger compared to pre-merger period. Using the BNP Paribas – TEB deal as a case study, Halil Bader Arslan (2007) focuses on value creation analysis and managerial issues of cross-border bank acquisitions. He found out that the stock market responded very positively to this acquisition and TEB shares outperformed the index performance. Operating performance has improved after the acquisition with new products and services. Michail Pazarskis, Manthos Vogiatzogloy, Petros Christodoulou, George Drogalas (2006) have studied operating performance of M&A-involved firms in Greece by using financial and nonfinancial characteristics. They found out that the profitability of a firm that performed an M&A is decreased due to the merger/acquisition event.

Mark Kroll,Peter Wright,Leslie Toombs & Hadley Leavelli (1997) have developed very interesting relationship between acquiring firms' form of control and excess returns. The findings indicate that for manager-controlled firms acquisition announcements result in negative excess returns to shareholders. For owner-controlled and owner-manager-controlled firms such announcements result in positive excess returns. Latha Chari (2008) has selected a sample list of 12 cases of acquisitions over the period from 1999 to 2005 in India. She have adopted both event based method and accounting based method to evaluate the success or failure of the merger. The abnormal returns have been calculated using the Capital asset pricing model (CAPM). Using the Cash Profit margin % (CPM) and profit margin before interest and taxes % (PBITM). Vanitha and Selvam (2007) by studying M&As in Indian manufacturing sector during 2000-2007 found that merging companies are taken over by companies with good reputation and management. Therefore it was possible for merged firms to turnaround successfully in due course.

Success or Failure of M&A Deals

The American Management Association examined 54 big mergers in the late 1980s and found that roughly one-half of them led to fall in productivity or profits or both. At least one in three employees will, during the course of their working life undergoes an acquisition or merger. Yet statistics show that roughly half of acquisitions are not successful. The recent Pan-European **KPMG study** held in the year 1997 found that contrary to their objectives, acquisitions systematically destroyed rather than created shareholder value. A **Mckinsey study** found that over a ten year period, only 23 per cent of acquisitions ended up recovering the cost incurred during the acquisition). A **Mercer Management Consulting Study** shows that less than 50 per cent of acquirers outperform industry average and nearly 50 per cent of senior executives in acquired firms leave in the first year. There are so many contradictions about success of M&A deals but on the other hand the truth is that also M&A deals are still happening in the global market.

T. Mallikarjunappa, Panduranga Nayak (2007) has given some of the important reasons for failures of mergers:

1. Size Issues,2. Diversification ,3. Previous Acquisition Experience,4. Unwieldy and Inefficient,
5. Poor Organization Fit,6. Poor Strategic Fit ,7. Striving for Bigness,8. Paying Too Much (Over paying) ,9. Poor Cultural Fit ,10. Poorly Managed Integration,11. The Hubris Hypothesis or Behaviour,12. Incomplete and Inadequate Due Diligence ,13. Limited Focus,14. Failure to Examine the Financial Position,15. Failure to Evaluate the Target Company' Condition in Detail16. Failure to Take Immediate Control,17. Failure to Set the Pace for Integration. ,18. Failure of Top Management to

Follow Up,19. Incompatibility of Partners,20. Lack of Proper Communication,21. Failure of Leadership Role He concluded that apart from financial aspects due care should be taken for integration of different cultural aspect for success of M&A. Jarrod McDonald, Max Coulthard, and Paul de Lange (2005) have found that there was a clear alignment between corporate and M&A strategic objectives but that each organisation had a different emphasis on individual criterion. Due diligence was also critical to success; its particular value was removing managerial ego and justifying the business case. Finally, there was mixed evidence on the value of experience, with improved results from using a flexible framework of assessment. Daniel Rottig 2007 identifies key difficulties that may cause the high failure rates of cross-border mergers and acquisitions, and develops a typology of strategies to facilitate the management of these problems. A descriptive framework is advanced which suggests that the performance of international mergers and acquisitions is a function of successful cultural combination during the post-acquisition integration process. Cultural due diligence, cross-cultural communication, connection, and control are discussed as major determinants of successful cultural combination. Alexander N. Cuntz (2008) addresses the key determinants of merger failure, in particular the role of innovation (post-merger performance) and technology (ex-ante selection).

While making the merger deals, it is necessary not only to look into the financial aspects of the deal but also to analyse the cultural and people issues of both the concerns for proper post-acquisition integration and for making the deal successful. But it is unfortunate that in many deals only financial and economic benefits are considered while neglecting the cultural and people issues. Meticulous pre-merger planning including conducting proper due diligence, effective communication during the integration, committed and competent leadership, and speed with which the integration plan is integrated, together will pave for the success of M&As.

Form of Financing of M&A

Mara Faccio Ronald W. Masulis (2003) studied the financing choices in a broad sample of 3864 mergers and acquisitions (M&A) by European bidders of publicly and privately held targets and over the period 1997-2000. They suggested that the tradeoff between corporate governance concerns and debt financing constraints is found to have a large bearing on the bidder's financing choice and other bidder characteristics such as deal and target characteristics significantly affect the choice of M&A payment method. Developing other relationship Paul Asquith, Robert F. Bruner, David W. Mullins, Jr. (1990) investigates the effects of form of financing and size on bidder and target stock return in mergers. The results demonstrate that the form of merger financing affects the market's reaction to a merger announcement. The bidding firm's returns are positive for cash bids and negative and significantly smaller for equity financed bids. Darius Palia (1993) analyzes the managerial, regulatory, and financial determinants of US bank merger premiums. He defines bank merger premiums as the ratio of the price paid for the target bank to the (accounting) book value of the target bank's equity. The study finds merger premiums to be related to the regulatory environments in both acquirer and target bank states and the separation of ownership and control in acquirer and target banks has a significant effect on merger premiums.

In some countries form of financing gives motivation to M&As. In China's state-dominated financial system, stock market listing becomes a channel to help state-owned enterprises to raise external finance. Many enterprises, especially non-state-owned or private ones, face serious restrictions in getting access to bank and equity market financing. This kind of highly discriminative financial repression policy nurtures financing-motivated mergers and acquisitions where the non-listed companies, especially those private ones, make use of acquisitions of block shares in listed companies as a means to get access to equity market. Julan Du, Oliver M. Rui, and Sonia M.L. Wong (2008).

Cristian Ianca (2008) has given his comments on taxation aspect saying that the structuring and financing of mergers and acquisitions has substantial tax consequences. The decision to acquire the assets or the shares of the target company should take into consideration, on one hand, the capital gains taxation at the transaction time and, on the other hand, the tax planning opportunities for the future. The tax burden can also be minimized by an optimum selection of the acquisition vehicle. The choice of a financing alternative should take into account the interest deductibility and the specific tax regulations of each jurisdiction concerned. The another survey is carried out by International Federation of scholarly Association of management (2006) to test the two main kinds of hypotheses that have been developed in finance literature to explain the choice of the payment method in mergers and acquisitions: on the one hand, the informational asymmetries hypothesis and on the other hand the taxation hypothesis.

Cross Border M&A and Corporate Governance

The ownership and management of large corporation are almost always separated. Shareholders elect the board of directors who act as their agents in choosing and monitoring the managers of the firm. The separation of ownership and management creates potential agency problem where managers are tempted to take actions that are adverse to shareholders' interests may be ever-present. Board of directors take their responsibilities seriously as they may face litigation if they do not, and therefore are reluctant to rubber-stamp obviously bad financial decisions. A cross-border merger may lead to severe problems with respect to the integration of two corporate governance systems and two cultures. Concerning corporate governance systems, the problems arising from a cross-border merger have not been investigated much. These problems become especially challenging and interesting if the two corporate governance systems are based upon different legal frameworks of the countries of the partners concerned.

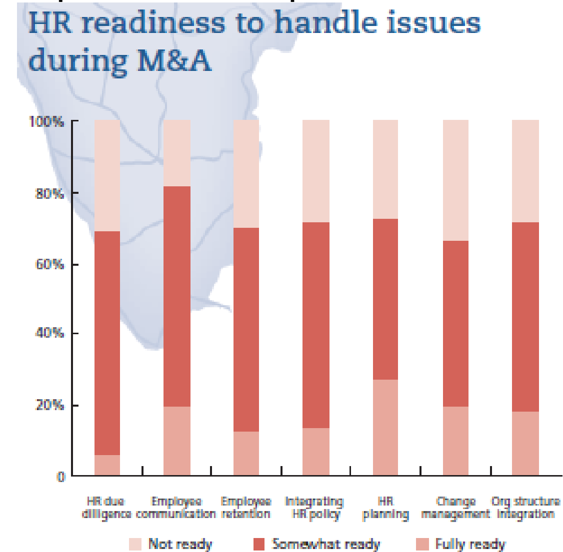
The liberalised economic policies have exposed Indian industry to several challenges. The study by P.L.Beena (2000) suggests that acceleration of the merger movement in the early 1990s is accompanied by the dominance of mergers between firms belonging to same business group or house with similar product lines. But, there are signs that mergers between unrelated firms, though numerically less significant, have been gaining ground. This is especially true of mergers involving foreign-owned firms. So there is an immediate need to concentrate on Indian corporate Governance system in order to make these mergers successful in long run. R. Chakrabarti, W. Megginson, P. Yadav (2007) outlines the salient features of the Indian corporate governance system. While on paper the Indian legal system provides one of the highest levels of investor protection in the world, the reality is different with slow, over-burdened courts and significant corruption. Despite the above corporate governance shortcomings, the Indian economy and its financial markets have started attaining impressive growth rates in recent years, and display an exceptionally high level of optimism. The reason is that India is now clearly and strongly committed to sustaining and rapidly furthering the major economic reforms and the liberalization started in the early nineties. Specifically, the *Securities and Exchanges Board of India* established as a part of these reforms, has a rigorous regulatory regime to ensure fairness, transparency and good practice, and the *National Stock Exchange of India*, also established as part of the reforms, functions efficiently and transparently to now trade among the highest number of trades in the world, just behind NASDAQ and NYSE. *Jayanth Rama Varma (1997)* has argued that the corporate governance problem in India is very different from US and UK. The problem of corporate governance abuses by the dominant shareholder can be solved only by forces outside the company itself. The author discusses the role of two such forces - the regulator and the capital market. The newly unleashed forces of deregulation, disintermediation, institutionalization, globalization and tax reforms are making the minority shareholder more powerful and are forcing the companies to adopt healthier governance practices.

Ishola Rufus Akintoye, R.O.C Somoye (2008) made an attempt to draw lessons from the US experience in merger activity to the Nigerian banking industry by establishing the linkage between the current dominance of shareholder value as a corporate objective to permanent improvements in corporate governance. Corporate governance may affect not only domestic M&A activity but also cross-border M&A activity. Joseph D. Alba, Donghyun Park, and Peiming Wang (2009) in their research found that an improvement in overall corporate governance may have a negative effect on M&A activity. Since M&A foreign direct investment (FDI) is a cross-border variant of M&A, stronger corporate governance may also reduce M&A FDI.

Arturo Bris & Christos Cabolis (2004) in their paper illustrate the role of cross-border mergers in the process or corporate governance convergence. They explore the corporate governance provisions in Rhône-Poulenc, a French company, and Hoechst, a German firm, and the resulting structure after the two firms merged in 1999 to create Aventis, legally a French corporation. They found that, despite the nationality of the firm, the corporate governance structure of Aventis is a combination of the corporate governance systems of Hoechst and Rhône-Poulenc, where the newly merged firm adopted the most protective provisions of the two merging firms. Aventis, however, rather than combining the two structures, introduced improved provisions that were not present in the merging companies. Elijah Brewear, William E. Jackson, Julapa A. Jagtiani (2000) have studied mergers in the U.S. banking industry. They found that changes in the regulatory environment had a significant impact on bank merger activities in general, and bank merger prices in particular. Their results provide strong support for the value of independent boards in increasing the wealth of shareholders of target banks.

Beena Saraswathy (2010)in her paper to study cross border presented the fact that the top ten purchasers and sellers in the world contributed more than 75 percent of the cross-border transactions. India was the 6th purchaser and 5th seller among the Asian countries. Even though India had dealings with more than fifty countries, USA, UK and Germany were prominent among them. In many cases, firms started with less regulated form of consolidation such as joint ventures and at the later stage they resulted into mergers, which marked the successful integration during the post alliance period.

People and M&A: HR Aspects



Source: Mercer Human Resource Consulting 2007

Mergers and acquisitions M&As are the front line strategic option for organizations attempting to have competitive advantage over its competitors. Organizations word-wide spend billions of dollars in pursuit of this strategy. However, the success rate is Less than estimable. This is mainly due to the clashes of corporate cultures and ignoring human capital.

Although international mergers and acquisitions constitute the most frequently used means through which multinational corporations undertake foreign direct investment, the majority of

these transactions are not successful. Daniel Rottig (2007) in his paper identifies key difficulties that may cause the high failure rates of cross-border mergers and acquisitions, and develops a typology of strategies to facilitate the management of these problems. A descriptive framework is advanced which suggests that the performance of international mergers and acquisitions is a function of successful cultural combination during the post-acquisition integration process. Cultural due diligence, cross-cultural communication, connection, and control are discussed as major determinants of successful cultural combination.

Four main issues related to the culture clashes are highlighted in this paper, ambiguity and communication problems within the merged entity, properly management of cultural integration, the acquisitions and organizational culture, and improper acculturation process among the merged organizations. Organizations need to develop a system before integration, which must encourage proper communication among employees from top to down wards. This approach will lead to decrease the severity of ambiguities found among the employees during the integration process. The proper communication system also has to understand culture backgrounds of the employees and need to be acknowledged, which can avoided some of the ambiguities if they occurred because of misunderstanding in the communication. The second most important factor identified here is how to properly manage the cultural integration process? This can be possible if the employees feel secure and start trusting on their top management. If they are not secure about their future, trust on top management will be less. Mohibullah (2009).

Using the BNP Paribas – TEB deal as a case study, Halil Bader Arslan (2007) focuses on value creation analysis and managerial issues of cross-border bank acquisitions. The Results showed that former employees faced adaptation problems throughout the bank's repositioning towards the new strategy. They also had professional conflicts with the newly hired employees as the bank passes through a process of organizational change. Rajesh Chakrabarti, Narayanan Jayaraman, Swastika Mukherjee (2007) studied several deal-specific variables, as well as country-level economic and cultural variables and find that acquisitions perform relatively better in the long-run if the acquirer and the target come from countries that are culturally more disparate. Poonam Mehra (2007) also suggests that an increase in asymmetry across firms reduces the possibility of conflict between jurisdictions over merger review decisions. She also shows that possibility of conflict increase with the increase in market asymmetries across countries. She also discusses interaction of asymmetry in firm and market size with the distribution of firms across countries and its effect on the possibilities of conflict.

Conclusion

The research and interest in M&A did not start recently. However, as the number and size of the M&A increased the importance of the research in this arena grew. I would see that there is necessity for competent integrative, as well as longitudinal, studies in this arena; there is a lot of repetition of already concluded facts. This type of study would summarize already accomplished findings in M&A and could be a stepping stone that would benefit practitioners but also academics. Historically, I expect less research devote to pure financial aspects of the research performance. It would be very interesting if advances in valuation of the companies and form of financing should be studied could help in assessing true success of M&A. Concerning corporate governance systems, the problems arising from a cross-border merger have not been investigated much. These problems become especially challenging and interesting if the two corporate governance systems are based upon different legal frameworks of the countries of the partners concerned.

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APPENDIX

Sr.No.	M&A Topics	Authors
1.	Effect of M&A on Short term performance of the company Effect of M&A on Long term performance of the company	Nick von Gersdorff and Dr. Frank Bacon (2007), Michael j. Seiler and Walter Rom (1997),Paul Asquith and E. Han Kim (1982), Pieter T.Elgers and John J.Clark (1980), LeRoy D. Brooks,Doothee J.Feils and Bijoy K. Sahoo (2000), Carl B. McGowan, Zunaidah Sulong (2008), Anson Wong (2009), J.C Thompson (1995). PenChengZhu and Shavin Malhotra (2008), Anand M. Vijh (1994) Mahesh Kumar Tambi (2004), Anup Agrawal, Jeffrey & Mandelkar (1992), Erik Devos, Palani-Rajan Kadapakkam, and Srinivasan Krishnamurthy (2008), Karen L. Fowler & Dennis R. Schmidt (1989), Pramod Mantravadi, A Vidyadhar Reddy 2008, Donald R.Fraser & Hao Zhang (2009), Dr. P. Chellasamy & J.Udhayakumar (2007), Halil Bader Arslan (2007),Michail Pazarskis, Manthos Vogiatzogloy, Petros Christodoulou, George Drogalas (2006), Mark Kroll,Peter Wright,Leslie Toombs & Hadley Leavelli (1997), Latha Chari (2008), Vanitha and Selvam (2007)
2.	Success & Failure	T. Mallikarjunappa, Panduranga Nayak (2007), Jarrod McDonald, Max Coulthard, and Paul de Lange (2005), Daniel Rottig 2007,Alexander N. Cuntz (2008)
3.	Form of Financing	Mara Faccio Ronald W. Masulis (2003), Paul Asquith, Robert F. Bruner, David W Mullins, Jr. (1990),. Darius Palia (1993), Julan Du, Oliver M. Rui, and Sonia M.L Wong (2008),Cristian Ianca (2008)
4.	Cross border M&A & corporate Governance	P.L.Beena (2000), R. Chakrabarti, W. Megginson, P. Yadav (2007), *Jayanth Rama Varma (1997),* Ishola Rufus Akintoye, R.O.C Somoye (2008), Joseph D. Alba, Donghyun Park, and Peiming Wang (2009), Arturo Bris & Christos Cabolis (2004), Elijah Brewear, William E. Jackson, Julapa A. Jagtiani (2000)
5.	People in M&A	Daniel Rottig 2007, Mohibullah 2009, Halil Bader Arslan (2007), Rajesh Chakrabarti, Narayanan Jayaraman, Swastika Mukherjee (2007), Poonam Mehra (2007)