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Effective Relationship Engagement in the Post-integration of Mergers and Acquisitions

Mohd Haniff Jedin[1]*, Norsafinas Md Saad[2]

[1]School of International Studies, Universiti Utara Malaysia, Kedah, Malaysia, [2]School of International Studies, Universiti Utara Malaysia, Kedah, Malaysia. *Email: mdhaniff@uum.edu.my

ABSTRACT

Research on the relationship engagement in mergers and acquisitions (M&As) is still unclear although this phenomenon has been explored in the global multi-business environments. Furthermore, existing research does not clearly demonstrate the role of relationship among M&A players within the amalgamation processes between acquirer and the acquired firm. Hence, this paper addresses the factors that related to the relationship engagement among the M&A players particularly from the perspectives of Malaysian acquirers. This paper highlights four major indicators on effective relationship engagement: Collaboration, face to face interaction, on-line communication and collegial relationships between the acquirer and the acquired firms. Drawing from the extant literature, hypotheses are developed, elaborating success factors to improve the M&A integration performance through relationship engagement initiatives.

Keywords: Relationship Engagement, Mergers and Acquisitions, Integration Initiatives
JEL Classifications: C610, C623, I23

1. INTRODUCTION

Mergers and acquisitions (M&As) are business phenomena that are very commonly used as corporate development strategies (Cartwright and Schoenberg, 2006). This phenomenon is not new but as an organizational growth approach which has been used extensively as a means to international expansion by many multinational corporations (MNCs) (Ghauri and Buckley, 2002; Hopskin et al., 1999; Jedin and Sinkovics, 2009). This strategy is not only used by MNCs but also by small and medium-sized firms seeking to increase their operations abroad (Salvato et al., 2007).

Some firms also use them to acquire market power and to some extent become a monopoly in a certain product or service (Chatterjee, 1991) as well as for networking enhancement opportunities to assist their business development strategies (Oberg et al., 2007). In some cases, cross-border (M&As) offer value-creation opportunities through combining complimentary assets and liabilities from firms with different backgrounds (Aybar and Ficici, 2009). M&As also have disadvantages that are attributed to hubris, managerial incompetence in achieving projected economies of scale and the firms being strategically mismatched (Cartwright and Cooper, 1990). Difficulty also entails in the integration phase though, for example a lack of strategic fit, difficulties with human resource allocation and also, organizational issues (Jisun et al., 2005; Schweiger and Weber, 1989).

Lacking of communication between top management and other managerial positions is also believed to add more hurdles to the amalgamation process (Papadakis, 2005). In fact, previous studies have confirmed that almost 50-70% of M&A fail to create value for the acquiring firm's shareholders, although at first glance the strategy would seems to be perfect way to improve a firm's value and enhance its capabilities through better access to resources (Cording, 2004; Tetenbaum, 1999). This may be due to the nature of M&As that is likely to bring about complex events and many drawbacks compared to the advantage in organizational environments, especially post-integration (Larsson and Finkelstein, 1999).