

Propositions to Marketers' Relationship Effectiveness in Cross-Border Mergers and Acquisitions Integration Contexts

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ABSTRACT

Research on marketing integration related to mergers and acquisitions (M&As) has paid little attention to the combination of similar resources between two similar departments, particularly in the cross-border M&A context. Furthermore, existing research does not clearly demonstrate the role of relationship among marketers' within the amalgamation process between acquirer and target firm. Hence, this paper addresses few propositions that related to strengthening the relationship effectiveness among the marketers in both firms, which at the same time uphold the M&A performance. Collaboration and interaction are proposed as drivers to increase optimistic relationship among the marketers. Drawing from the extant literature, propositions are developed, elaborating success factors to improve M&A integration performance.

1 INTRODUCTION

Despite the substantial development of this mergers and acquisitions (M&As) phenomenon, much of the cross-border M&A literature is generally fragmented (Larsson & Finkelstein, 1999; Shimizu, Hitt, Vaidyanath, & Pisano, 2004), scattered (Kish & Vasconcellos, 1993) and industry-dependent (Hopkins, Chaganti, & Kotabe, 1999) and primarily has neglected the marketing perspective (Homburg & Bucerius, 2005). Furthermore, many studies concentrate on the phenomenon of M&As in the manufacturing industry in particular (Datta, 1991; Hakkinen, 2005; Harzing, 2002; Schweizer, 2005; Sorescu, Chandy, & Prabhu, 2007). Some studies are mixed looking at the manufacturing and service industries (Homburg & Bucerius, 2005; Larsson & Finkelstein, 1999) and others are cross-industrial sectors (Papadakis, 2005). Hence, this paper will contribute to the literature on M&As.

In terms of theory contribution, this discussion attempts to contribute to social capital theory, which introduce interaction and collaboration that will enhance the marketers' relationship and the coordination required in order to achieve a smooth organizational amalgamation (Weiss & Hughes, 2005). By collaborating and interacting with an M&A integration, partners can gain benefits by exchanging knowledge and access that might otherwise be unobtainable or extremely costly to obtain, such as knowledge of economies, politics, culture and business customs. These exchanges allow both the acquirer and acquired firm to put down strong foundations which could later be crucial to their growth in foreign markets. Moreover, interaction and collaboration are employed as mechanisms that influence interdepartmental integration, particularly when integrating marketing departments with other departments, such as manufacturing and research and development (R&D) (Kahn & Mentzer, 1998). This is also emphasized by Duysters et al. (1999), who look at how to establish combination capabilities through building business communities and how to improve partner selection, both of which improve the interorganizational relationships.

This study then, attempts to investigate particularly the connection between the marketing perspective and the M&A or what are the implications to marketing development in M&As. Few researchers have explored this area previously, namely Homburg and Bucerius (2005) and Capron and Hulland (1999). This study primarily intends to look at the perspective of marketing, particularly at the marketing integration process in cross-border M&As. Here, the main contribution is to propose factors that could facilitate and smooth the process of developing relationship among the marketers by underlining relevant antecedent factors that influence the success or failure of the marketing integration process in cross-border M&As, which suggest an interesting and promising field for academic researchers to go into.

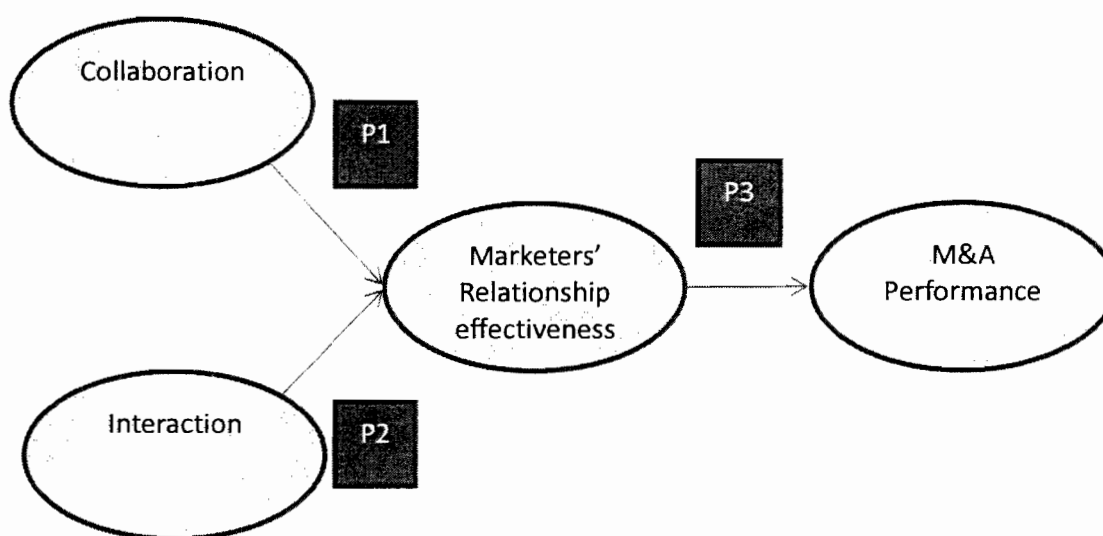
A recent study by Homburg and Bucerius (2005) shows that within the marketing discipline, M&A-related research is almost totally absent. The marketing-related issues of post-merger integration, such as whether or not these two firms' marketing activities are integrated or how they affect the performance of the firms after the merger, have not been dealt with or studied before. However, their study was conducted only in the European countries. Nonetheless, this study is an inspiration to us to continue in contributing to the literature on M&As and their relationships to the marketing function. The study will attempt to suggest antecedents to cross-border M&As, which extends the research of Homburg and Bucerius (2005). Furthermore, we also introduce another construct in the theoretical framework which contributes to the aspect of relationship outcomes after the integration process has taken place, which is also believed to affect M&A performance. The aspect of relationships in marketing integration was introduced by Guenzi and Troilo (2007). In the M&A literature, relationship effectiveness was proposed by Richey et al. (2008). Indirectly, this study will also

contribute to the research on international business through M&As which is seen as likely to be neglected, especially in developing countries.

Finally, the most important contribution of this study is the geographical area in which it has been conducted. M&A studies in South East Asia are difficult to find due to several reasons: there is a lack of objective data. M&A is still a new concept in the area: difficulties especially during the Asian financial crisis 1997: and it is difficult to obtain cooperation as M&A issues are still sensitive. In fact, most of the studies and literature about M&As are mostly from Western countries.

2 CONCEPTUAL FRAMEWORK

Figure 1.1: Conceptual Framework for Marketers' Relationship Effectiveness



3 PROPOSITIONS DEVELOPMENT

Collaboration

Generally, collaboration is associated with strategic alliances, and is also used by many organizations in international joint ventures to access rare tangible resources. However, it is becoming increasingly popular specifically in the context of M&A, as a way of gaining access to know-how and other forms of knowledge-based resources (Ring, 2007). Furthermore, collaboration with foreign partners can provide firms with knowledge and strategies that might be extremely costly and difficult to obtain via other cross-border entry modes such as joint ventures and other non-equity alliances (Shrader, 2001).

On the one hand, collaboration through M&As will be much easier in terms of control issues, particularly in acquisitions as the acquiring firm will have more say in the making of important and final decisions. However, this does not mean that the acquiring firm will have absolute power to

manage the firms as there are other factors to consider, such as the willingness, motivation and attitudes of the acquired employees to collaborate in the integration process (Faulkner, Pitkethly, & Child, 2002). In integration, collaboration is always described as a process which involves 'teams' that work together by sharing resources through interdepartmental connections (Weiss & Hughes, 2005).

Meanwhile, in the context of a marketing integration, Kahn and Mentzer (1998) define collaboration as an effective and volitional process where departments focus on working together, having mutual understanding, having common vision, sharing resources and achieving collective goals. Similarly, a study conducted by Stank et al. (1999) that looked into the integration of marketing and logistics departments found that the more frequently collaborative behaviours took place, the better the performance. Moreover, subsequently, this led to the enforcing of improvements in the effectiveness of interdepartmental relationships. Therefore:

Proposition 1(+): The greater the collaboration, the greater the marketer's relationship effectiveness

Interaction

In terms of interaction between departments, Kahn and Mentzer (1998) emphasize that interaction between two departments creates synergy by emphasizing the use of communication in the form of meetings and information flows (Kahn & Mentzer, 1998). This not only facilitates communication but also improves collaboration and coordination in intense environments especially in integrations. In other words, performance improves when people communicate with each other see also Ellinger et al. (2000).

Interaction refers to any contact or relationship that is directly implemented, be it with customers, staff, and employees under a particular manager's supervision or those outside his supervision. As noted by Ruekert and Walker Jr (1987), interactions are implemented in the marketing environment through the relationship of a marketing manager with his subordinates and how they play a coordinating role in dealing with the demands of customers and linking with other departments in the firm that are capable of satisfying those demands. All of these transactions and communications must be applied during the integration process in order to develop staff relationships and to avoid potential conflicts between: the acquiring and acquired firm. In fact, most of the interactions come from information exchanging activities including meetings, memoranda and the exchange of any standard documentation (Kahn & Mentzer, 1998). Interestingly, Kahn and Mentzer (1998) study interactions in the integration of a marketing department with another type of department such as R&D or manufacturing. In this study we focus only on the interaction of two marketing departments.

However, in this situation the acquirer's marketing department will be more dominant than the acquired firm's marketing department. Thus, this piece of work will attempt to address this issue by looking at the type of marketing integration that is involved in a M&A. Besides this, there are only a limited number of studies that have discussed interactions within a marketing integration specifically in the M&A situation. Therefore, this leads to the research hypothesis below.

Proposition 2 (+): The greater the level of interaction, the greater the marketers' relationship effectiveness

Marketers' relationship effectiveness

Another important outcome of the marketing integration process is close relationships between the marketers of both firms (acquiring and acquired). The relationships between the marketers are essential to avoid misunderstandings in communications and above all to ensure that the marketing activities are kept on track in order to allow an outstanding M&A performance. Additionally, this outcome would hopefully retain staff rather than encouraging marketers to move to other organizations. Losing marketing experts is not the only concern: there is also the potential risk of losing key customers attached to those marketing experts. The issue of relationships between marketing managers in the post-integration phase of M&As has been tested empirically in a study by Richey et al. (2008). They emphasize that the relationship marketing managers have a role to play in establishing, maintaining and growing inter-organizational exchange relationships, particularly in the marketing environment.

Even though the acquirer and the target firm have combined, relationship gaps between them will still exist. Staff attached to the target firm will always be vulnerable to any decisions made by the new owner of the combined firm. Therefore, quick action is needed to bridge this gap by enhancing good relationships in order to avoid the loss of dedicated staff and, more importantly, to eradicate feelings of discrimination amongst the staff. The acquirer needs to develop good flows of communication by having a lot of informal discussions and disseminating new information to all staff including those from the acquired firm. This is important to avoid irrational rumours which could cause the collapse of the newly-built firm.

According to a report by Boston Consulting Group (2008), dealing with post merger integration in developing countries not only encompasses dealing with firm's valuation but also emotional elements. When employees' emotions are unstable, the relationships between them may be jeopardised. This can be addressed by improving the commitment to business relationships so that associates are ultimately made to feel important. Here, we follow a study that was conducted by Guenzi and Troilo (2007) on how the effectiveness of relationships between the marketing department and the sales department increases customer value and consequently boosts market performance. Relationship gaps among the marketers, particularly in M&As are not tangible, but need long term attention as relationships take time to develop (Richey et al., 2008). Therefore, we hypothesize:

Proposition 3 (+): The more effective the marketers' relationship effectiveness, the better the M&A performance

4 Limitations and Suggestions for Future Research

Most cross-border M&A studies are conducted in developed countries where there are a large number of cases involved. In Malaysia, however, the number of cross-border M&A cases was reduced. In fact, the data are limited to certain agencies such as stock exchange agencies, for instance, Bursa Malaysia, Securities Commission (Malaysia), which monitor listed companies. Future research should extend the scope of the study to other South East Asian countries, for example, Singapore and Thailand. This will potentially improve the number of cases of cross-border M&As.

There could perhaps even be a regional study across South East Asia. Furthermore, this extension of the geographical area will enable the study to focus on certain industries that have many cases of cross-border M&As. Specific industry studies will provide more in-depth findings and a better understanding of certain business phenomena which will ultimately lead to improved business

strategies and allow us to learn from previous lessons as has been done, for example, in the case of certain phenomena of M&As in the banking industry see example Kim and Finkelstein (2009), Lambkin and Muzellec (2008). A cross-country comparison is also a prospective study which could lead to interesting comparison results. For example, the study conducted by Harris and Carr (2008), revealed that national values influence business directions and explain management behaviour which signals the true behaviour of international managers. Although most firms today are owned by local stakeholders nevertheless the people who manage them mostly come from other countries. Therefore, an in-depth study is needed to unveil this phenomenon, particularly in the context of cross-border M&As.

Secondly, the scope of the marketing integration process in M&As is limited to the marketing environment, which cannot be used to generalize to other departments such as manufacturing, logistic, human resources or R&D. This investigation is focuses on how the marketing departments of two firms combine to improve and to utilize the marketing resources from two different countries. Thirdly, all of the instruments that were used in this study were adapted from previous studies. Future research should explore the use of new instruments in order to look through many lenses deep into marketing integration perspectives, following the procedure for developing better measures for marketing research suggested by Churchill Jr (1979). This is important as it will potentially contribute to the development of marketing research in M&As.

There would be a greater contribution if the factors were pursued in a more in-depth study, especially in terms of human factors related to the marketers involved in the M&A integration. In fact, many researchers have found that the interaction of human factors is vital to the success of M&A integrations (Buono & Bowditch, 1990; Cartwright & Cooper, 1990; Schweiger & Weber, 1989). In this particular study, the focus would be on the marketers' interactions. For instance, in the integration of the marketing and sales departments, Rouzies et al. (2005) proposed integrating mechanisms that encompass organizational structure, process, culture and people. On the other hand, Garrett et al. (2006) proposed four mechanisms: formalization, centralization, role flexibility and interfunctional climate which boost the integration of a marketing department with a R&D department, which eventually improving new product development.

Finally, our focus on limitations shifts to the dependent variable, which are the M&A performance. In our study, the M&A performance measures were all basically described in terms of general performance such as customer services level, return on investment and others, which mainly from the perspective of perceptual measures. Further research should explore two levels of dependent variables: financial performance and non-financial performance. Instead of focusing solely on M&A performance, future studies could look at financial performance, for example acquirer performance (Laamanen & Keil, 2008), operating performance (Cornett, McNutt, & Tehranian, 2006) and financial performance: accounting returns and investor returns (Fowler & Schmidt, 1988). On the other hand, in terms of non-financial performance, we would suggest that the future studies look at the marketing performance in the M&A context. Marketing performance will provide more insights into the marketing discipline and, moreover, this study initially explored the marketing field particularly marketing integration. By employing marketing performance, future studies will be able to identify specific marketing aspects that prevail in the M&A context. Further details about marketing performance can be explored through articles by Ambler and Roberts (2008) and Craig and Aron (2002).

5 Concluding Remarks

The integration process in cross-border M&As is a very crucial podium, as it determines whether the combined firms will improve their organizations' sustainability and growth, particularly at the international level, as most of the cases studied failed to prevail. Most importantly, the development of the combined firms will not only be targeting generating more profits or penetrating better market shares but also helping to establish reputable bilateral relationships between two countries, which eventually creates a strong base for structured and organized corporate governance, which stabilizes the combined firms in the long run.

The marketing integration process is the first hurdle that managers must face, particularly in organizing marketing resources in cross-border M&As, as it is likely to guarantee better outcomes, be it through the firm's performance or new product development. This hurdle must be supported by using appropriate stimulating factors to ensure smoothness integration and to avoid conflict among the staff, especially the marketers. In fact, the marketers are the ones who generate sales and income through various ways of selling products and services. They are the team that is directly engaged to convince either the existing customers or future customers, who will eventually drive the liquidity of both: the acquirer and the acquired firm. Hence, maintaining the right marketing people is the best way to sustain the future of the combined firms.

Finally, we sincerely hope that the propositions of this paper offer a clearer understanding of how the marketing integration supplements the M&A integration process, particularly in terms of achieving a better marketing strategy that will enhance the corporate sales and revenues of the combined firm through comprehensive close relationships between marketers, all of which will stimulate the integration process and thereby boost the M&A performance.

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PUBLIC PERCEPTION TOWARDS THE IMPLEMENTATION OF GST IN MALAYSIA – STUDY IN KOTA SAMARAHAN

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The Malaysian government announced that it has intended to implement a good and services tax (GST). It was proposed to have a rate 4% and to be implemented in mid 2011 but is postponed again. This study has been conducted to find out the public perception and awareness towards the implementation of GST. Using the survey method, 130 surveys were collected in Kota Samarahan area. Only 101 are useable for this research. From the result, majority public has negative perception towards the implementation of GST. It can be summarized that the government need more time to implement GST in Malaysia perhaps by putting more efforts in educating the public.

PROPOSITIONS TO MARKETERS' RELATIONSHIP EFFECTIVENESS IN CROSS-BORDER MERGERS AND ACQUISITIONS INTEGRATION CONTEXTS

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Research on marketing integration related to mergers and acquisitions (M&As) has paid little attention to the combination of similar resources between two similar departments, particularly in the cross-border M&A context. Furthermore, existing research does not clearly demonstrate the role of relationship among marketers' within the amalgamation process between acquirer and target firm. Hence, this paper addresses few propositions that related to strengthening the relationship effectiveness among the marketers' in both firms, which at the same time uphold the M&A performance. Collaboration and interaction are proposed as drivers to increase optimistic relationship among the marketers'. Drawing from the extant literature, propositions are developed, elaborating success factors to improve M&A integration performance.