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

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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).

One of the difficulties during the post-integration stage of an M&A strategy is conducting a smooth and comprehensive integration process between the acquirer and the acquired firm, through harmonious interactions and efficient in redeployment of resources (Birkinshaw et al., 2000; Marks and Mirvis, 2000). This is most complex when it involves the operational level, particularly when combining two firms in such a way as to optimize the existing marketing resources of the two firms (Capron and Hulland, 1999; Homburg and Bucerius, 2005). One of the major challenges of the M&As integration process is the coordination and information flow in the merged difficulty involved in developing and exploiting skills and acquiring knowledge (Meschi and Metais, 2006). Aguilera and Dencker (2004) note that a lack of compelling strategic rationale and unrealistic expectations of the possible synergies also create significant challenges. One of the ways to generate a better communication bridge is developing an integration infrastructure that have clear roles, responsibilities and expectations (Galpin and Herndon, 2007).

Thus, this paper attempts to raise this issue on how to develop better relationship engagement among the acquirer and the acquired firms. Very little empirical research has been conducted to examine on how firms with two different backgrounds could have integrated with comprehensive and organized integration tools by making sound coordination and communication as critical link between the two firm's managers. Hence, this research seeks to initiate this line of enquiry by investigating how the managers of the acquirer and the acquired firms can work together in harmonies. At the same time, to suggest factors that could build the integration infrastructure particularly in relationship building which thereby make the amalgamation sustain and improve the M&A performance.

The main theoretical foundation applied in this research is the resource-based view (RBV), which has been used in many M&A studies (Capron and Hulland, 1999; Vanitha et al., 2008). RBV is an appropriate base theory for studying the M&A since it plays an important role in firm's strategy, particularly in transferring resources and potential capabilities between the acquiring and acquired firm (James, 2002). The theory also explains how immobile and embedded resources should be combined to provide competitive advantage when attempting to consolidate businesses in M&A's context (Capron and Hulland, 1999; Homburg and Bucerius, 2005). In particular, this study looks at the relationship indicators namely: Collaboration, face to face interaction, collegial relationships and on-line communication that clearly enrich the efforts in developing good governance and relationship among the staff in the amalgamation environments.

In addition, this research is also emphasized in the literature of social capital theory, which introduce collaboration that will enhance the relationship engagement and the interaction required in order to achieve a smooth organizational amalgamation (Weiss and Hughes, 2005). By 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 (Kahn and 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.

Finally, this study contributed in M&A literatures 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&A are mostly from Western countries.

2. CONCEPTUAL FRAMEWORK

Figure 1 shows the conceptual framework that guides to this study. This model suggests that effective relationship engagement in M&A is assisted by numerous factors that enhance firms to bind the M&A integration, which in turn accelerate the M&A performance. The identified factors are collaboration, face to face interaction, on-line communication and collegial leadership. Encouraging collaboration and interaction between the staff involved in the relationship engagement will possibly create a better environment for the integration. Next, we propose effective relationship engagement that would support the M&A performance, as the final dependent variable.

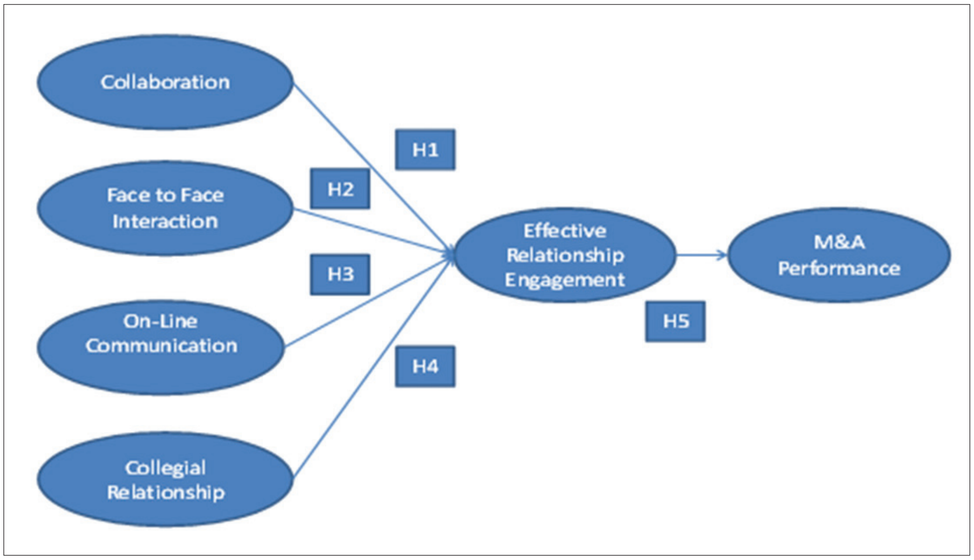
3. LITERATURE REVIEW

3.1. 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 is strong, 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 et al. 2002). In integration, collaboration is always described as a process which involves "teams" that work together by sharing resources through interdepartmental connections (Weiss and Hughes, 2005).

Figure 1: The conceptual framework for effective relationship engagement in M&A



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 behaviors took place, the better the performance. Moreover, subsequently, this led to the enforcing of improvements in the effectiveness of interdepartmental relationships. Therefore we hypothesized:

H1 (+): The greater the collaboration, the better the relationship engagement between acquirer and the acquired firm.

3.2. Face to Face 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 and Mentzer, 1998). This not only facilitates communication but also improves collaboration and coordination in intense environments especially in M&A integrations. In other words, performance improves when people communicate face to face with each other see also Ellinger et al. (2000).

Face to face interaction refers to any direct 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. According to Jedin and Saad (2012), interaction in M&As require various of medium especially when both acquirer and the acquired firm in a process of integration of their human resources and assets. One of the ways is through of face to face discussions such as meetings, informal discussions and morning prayers (Flaherty et al., 1998). As noted by Ruekert and Walker (1987), communication through face to face are implemented through the relationship of a 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, workshops, ceremonial events and the exchange of any standard documentation.

Thus, this piece of work will attempt to address this issue by looking at the peer interaction that is involved in M&A integration. Therefore, this leads to the research hypothesis below:

H2 (+): The greater the peer interaction, the better the relationship engagement between acquirer and the acquired firm.

3.3. On-line Communication

Speed is a key in the M&A integration (Angwin, 2004). This is a factor to achieve quick cash flows from the acquisition. Not only to generate more cash in a short time of period but also to generate effective ways in communication which using high technology in communication. Similarly, in M&A information must be dissiminate as clearly as possible to avoid clashes and misinterpretation among the staff especially staff from the acquired firm.

One of the drivers in facilitating the speed of communication in M&A integration is through digital communication tools such as email, video conferencing, electronic and social network (Flaherty et al., 1998; Homburg and Bucerius, 2006). In a world that highly connected with digital technology, on-line communication is vital in M&A integration. As noted by Timothy (2008), in order to create a long lasting combined firm, top management must be able to develop a clear operation systems and complete procedures of the newly formed companies. Therefore, a solid communication tools are needed to ensure that all staff from the top management until the lower level staff receive all important messages with regards to the M&A integration objectives and directions.

Thus, this argument will attempt to address this issue by looking at the on-line communication that is involved in M&A integration. Therefore, this leads to the research hypothesis below:

H3 (+): The greater the on-line communication, the better the relationship engagement between acquirer and the acquired firm.

3.4. Collegial Relationship

Although, collegiality concept is familiar in academic world but there are unknown interpretations in applying this concept in an organization. In organization, collegiality approach seems to be co-existing but more in competition wise which is rather different from the academic world. However, the competitive environments is controllable if the organization is equip with strong believe in a particular vision and objective. According to Freedman (2009), collegiality approach works in many ways from cooperative to governance committee activities which highlight a concept of shared power and authority among colleagues.

Furthermore, through collegial relationships, it creates a harmony in staff relationship in organization through cultivating a syndrome which helping each other to improve the organization's performance. Basically, collegiality is a commitment in a particular process that entails the devolution of power to workers and other stakeholders in order for them to become an integral part of the leadership process of the organization that is guided that organization's shared vision (Singh, 2013). The process behind the concept of collegiality is considered to encourage individual visions to become part of a shared vision built on synergy in an organization. Therefore, this concept gives more opportunity to all staff in an organization to play their participatory roles in the leadership of their organizations.

In fact, collegiality in M&A is an ideal initiative in order to develop sense of engagement among the staff and superior of the acquired firm and the acquirer. Most likely, the acquirer will appoint their managers to head the position in the acquired firm. In this situation, a role of collegiate and empathy would be advantage in order for both staff to improve their relationships and at the same time enhance the productivity of the combined firms. By applying the concept of collegiality engagement in M&A integration, the staff would be able to be more lateral rather than high in hierarchical which improve in the decision making process in an organization. In addition, this concept could avoid conflict and the feeling of foreignness among the staff that attached with acquired and acquirer firms. Therefore we propose the following hypothesis which considers collegiality as one of the factors that could facilitate relationship effectiveness among the staff in the M&A integration initiatives:

H4 (+): The higher the initiative of collegial relationship, the better the relationship engagement between acquirer and the acquired firm.

3.5. Effective Relationship Engagement

Another important outcome is the close relationships between the staff and managers of both firms (acquiring and acquired). The relationships between the managers are essential to avoid misunderstandings in communications and above all to ensure that the M&A integration activities are kept on track in order to allow an outstanding M&A performance. Additionally, this outcome would hopefully retain staff rather than encouraging them to move to other organizations. Losing these valuable managers are not the only a main concern but to lose the thinkers and hardworking managers would be a potential risk of losing key customers attached to those managers.

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 rumors 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 jeopardized. This can be addressed by improving the commitment to business relationships so that associates are ultimately made to feel important. Relationship gaps among the managers of the acquired and the acquirer firm, 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:

H5 (+): The greater the staff relationship engagement, the better the M&A performance.

4. METHODOLOGY

4.1. Introduction

In this research we used the survey methodology. We begin by discussing the overview of methodology and research design, then the scales of the measurement and then followed by the questionnaire design. Next, we discuss the reliability and validity of the measurement instruments. Lastly, we draw some response bias results and summary for the chapter.

4.2. Overview of Methodology

In this study, we apply the quantitative methods of using self-completion surveys (mail and internet surveys). Survey methods by mail are always used as the first data collection technique and are frequently used for social research before the researcher conducts a telephone and interview-completed survey (Dillman, 1991). In fact, the mail survey is the chief method of obtaining data from respondents (Blankenship et al., 1949). However, due to the rapid development of on-line technology, it is also possible nowadays to deploy surveys using on-line methods where the respondent can access the questionnaire using the internet and deliver the completed questionnaire directly by e-mail (Hair et al., 2007; Sekaran, 2000). Another reason, why we choose survey methods is that the cost is fairly low and it is an effective method of covering large geographical areas especially in a piece of research involving a large number of respondents. In fact, much of the previous research that has been carried out on M&As also used survey methods as their main technique for collecting the data.

4.3. Sample and Survey Procedure

The survey was conducted in 2014. We look at M&A transactions undertaken by the Malaysian firms, within the period of 7 years (2006-2013). This period was also applied by (Sinkovics et al., 2015) in the M&A studies. However, the scope of this study was limited to Malaysian contexts. The M&A cases were gathered from the Bursa Malaysia database. In terms of M&A transaction cases, this study uses completed cases although a firm may have more than one cases.

The minimum value for a cross border transaction was taken to be US$ 1 million, which is lower than the range proposed by Kogut and Singh (1988) of US$10 million. The rationale behind this was that the currency of countries such as Malaysia, and the size of firms involved in M&As in those countries, and thus most of the transaction values, tend to be lower than those in developed countries. This is also in line with information reported by the Bursa Malaysia, which stated that cases with a value less than US$1 million are usually acquisitions by internal shareholders and are not likely to involve departmental integration, particularly in M&As. Furthermore, if we had adopted a minimum value of US$ 10 million, the number of M&A cases in Malaysia would be less and we would also be less likely to obtain a good response rate. We only choose firms acting as acquirers in M&As. We do not restrict the sample to any specific sector or industry.

Out of the 428 M&A cases listed in Bursa Malaysia from the period of January 2006 until December 2013, we identified 385 cases of Malaysian firms involved in M&As with a transaction value of above US$1 million. From this sample, we managed to collect 72 responses.

4.4. Measurement Scales

The measurement scales are fitted to each specific dimension in the conceptual framework (Figure 1). These dimensions are categorized into three main divisions, namely: (1) Factors of relationship effectiveness in M&A, (2) relationship engagement perspectives and (3) performance outcomes. Within each division, we then derive our variables and the scale categories. All of these components are clearly illustrated in Table 1.

All of the items in the questionnaire were measured using seven-point Likert scales (1 = Strongly disagree/very infrequent/very low, 7 = strongly agree/very frequent/very high, respectively. In addition, the measurement of the collaboration, face to face interaction, and on-line communication were adapted from the studies of Kahn and Mentzer (1998) and (Sinkovics et al., 2015). Their measurement scales were thought suitable because the objectives of their studies were similar to our objective of looking at how variables such as collaboration and interaction affect attempts to achieve success in departmental integration. Thereon, we employed another measurement which is collegial leadership from (Singh, 2013). Singh conducted a study related to collegial approach to understanding leadership. Although his study did not directly discuss about M&As, but the role of leadership must be accompanied with close friendship in colleagues approach which we argue could possibly improve the relationship effective among the staff in both acquired and the acquiring firm. Hence, six scales were adapted to the collegial leadership variable such as trust, communication, empathy, conflict management and relationship. In addition we added two more scales: Willing to share ideas and skills.

Next, we introduce one further variable in the effectiveness of the relationships between the staff in the acquired and acquiring firm. This measurement was taken from Jedin and Saad (2012). We adapted their measurement scale that specifically measures the relationship outcomes in marketing integration in M&As. We also argue that, while the firms are deploying the process of integration, the most vulnerable factor which will be affected is human relationships. These relationships are vital to ensure that the M&A successful. However, in the present study, we rename this variable to the effectiveness of the relationships between the marketers of the acquiring firm and the acquired firm.

The final division is performance outcomes, which we adapted from (Sinkovics et al., 2015). They wrote an article entitled marketing integration in M&as. Their study is congruent to this study, probing into two common study areas: Cross-border M&As and integration perspectives. Thus, we have adapted their performance variables that encompass 5-items: Market share, intrinsic profitability from the acquisition (ROI), firms' competitive positions, market coverage and customer satisfaction.

4.5. Reliability Test

The reliability test was used as it is necessary to determine whether the scale accurately measures the construct and to validate its consistency (Peterson 1994). Even though there are several methods of assessing the reliability of scales, Cronbach's coefficient alpha is regarded as the most prominent test to estimate

Table 1: Measurement scales

Division	Variable	Measurement scale	Source
Relationship engagement initiatives	Collaboration	Scale CO	Jedin and Saad, 2012; Sinkovics et al., 2015
	Face to face interaction	Scale FA	Jedin and Saad, 2012; Sinkovics et al., 2015
	On-line interaction	Scale ON	Jedin and Saad, 2012; Sinkovics et al., 2015
	Collegial relationships	Scale CL	Singh, 2013
Relationship effectiveness	Relationship effectiveness	Scale RL	Guenzi and Troilo, 2007; Sinkovics et al., 2015
Performance outcomes	M&A performance	Scale MA	Colombo et al., 2007; Sinkovics et al., 2015

the internal consistency of a measurement scale (Churchill and Peter, 1984; Wilson, 1995). In addition, Peterson (1994) noted in his article that Cronbach's coefficient alpha is able to indicate the proportion of variance in scale scores attributable to the true score of the latent variable. Hence, we employed Cronbach's coefficient alpha to measure the reliability of the multi-item scales which we applied in this study. Based on the recommendation for minimal acceptable reliability, the range of 0.6 and above is acceptable (Churchill and Peter, 1984; Nunnally, 1978). The result shows a positive response as all of the six variables yielded scores higher than the minimal scores (Appendix 1).

4.6. Industry Profile

Overall, 16 groups were identified in the questionnaire along with a separate group titled "other industry." "Other industry" is crucial as quite a few of the respondents who were not related to the above 15 named groups used this option. The industries involved in the survey, including those marked "other industry" are presented in Table 2. Out of 385 selected responses, we received 72 useable questionnaires. Majority of these firms are believed to engage in Banking and financial institutions, telecommunications, software and other services.

4.7. Respondent Background

Table 3 indicate majority of the respondents (70%) were at the level of top management: Director and senior management levels. Meanwhile, 29% represented at the middle range of managers. In terms of number of years for the establishment, most of the firms were in the category of "30 years and above." This was followed by firms established for "21-30 years" (22%). The remaining firms were in the category "21-30 years" (21.1%) and "less than 10 years" (14.7%). Hence, it can be concluded that most of the Malaysian firms that were involved in this study were established and matured to penetrate local and overseas markets through the cross-border M&A penetration strategy. As for the number of employees, on average the sample firms employ 1500 staff. Half of the firms were in the range of "1,001-10,000" staff.

4.8. Data Analysis Procedure

The data were analyzed using the partial least squares method (PLS), applied using the SmartPLS 2.0 M3 software package (Ringle and Sven, 2005). PLS was employed to analyze the path coefficient by looking at the multiple correlation coefficients (R^2 statistics) for all endogenous constructs (Henseler et al., 2009). PLS has been designed to cope with problems in data analysis related to small data samples and missing values (Hoyle, 1999). PLS path modeling methods have not only been applied previously in marketing and management but also recently to M&A (please see Cording et al. (Cording et al., 2008). Item reliabilities were assessed by examining the outer loadings of each item (Table 4). Most of the outer loadings are above the recommended threshold of 0.7 (Henseler et al., 2009). However, some of the outer loadings are lower than the threshold. In PLS, convergent validity is assessed through internal consistency and discriminant validity (Fornell and Larcker, 1981). In terms of discriminant validity, Fornell and Larcker (1981) suggest the use of average variance extracted (AVE), which should be greater than each of the variances shared between the constructs from the correlation matrix. Appendix 2 shows that all the diagonal elements in the correlation matrix (AVE) are greater than the off-diagonal elements in the corresponding rows and columns (variances shared).

Table 2: Industry profile

Industry	Frequency (%)
Clothing	1 (1.4)
Electronics	1 (1.4)
Automotive	1 (1.4)
Telecommunication	4 (5.6)
Software	4 (5.6)
Engineering	2 (2.8)
Household and consumers	2 (2.8)
Retail banking	8 (11.1)
Investment banking	2 (2.8)
Construction	3 (4.2)
Food/Beverages	4 (5.6)
Chemicals	1 (1.4)
Oil and gas	1 (1.4)
Transport and logistics	1 (1.4)
Plantation and agribusiness	1 (1.4)
Utilities and infrastructure	2 (2.8)
Other industry	34 (47.2)
Total	72 (100)

Table 3: Respondent's profile

Characteristics of respondents	Frequency (%)
Designation	
CEO/director level	26 (36.1)
Senior general manager/head of division	25 (34.7)
Middle-level manager/senior executive	21 (29.2)
Industry experiences in M&A	
<10 years	11 (15.3)
11-20 years	18 (25)
21-30 years	21 (29.2)
31 years and above	22 (30.5)
Number of employees	
<100 employees	5 (6.9)
101-1000 employees	21 (29.2)
1001-10000 employees	36 (50)
10001 employees and more	10 (13.9)

N=72 (Number of respondent)

4.9. Discriminant Validity

Discriminant validity is another statistical component in which it is required to look at how the different measures of a construct differ from the measures of other constructs in a particular model (Hulland, 1999). He further noted that in order to obtain sufficient discriminant validity, a construct should share more variance with its measures than with other constructs in a particular model. As suggested by Fornell and Larcker (1981), the discriminant validity test was assessed by using AVE which should be greater than the variances between the constructed. Appendix 2 shows the correlation matrix of all constructs in which the highlighted diagonal elements show the square root of the AVE for each of the construct. All of these are in line with the suggestion made by Fornell and Larcker (1981).

5. FINDINGS AND ANALYSIS

As the results of the reliability and convergent validity tests of the model's measurement scales met the required threshold. We

Table 4: Construct reliability

Result and items	Outer loading
Construct: Collaboration	
Composite reliability: 0.777600	
Cronbach's alpha: 0.7606	
AVE: 0.638032	
We informally work together	0.723118
We integrate by sharing ideas, Information and/or resources	0.867850
Construct: Face to face interaction	
Composite reliability: 0.947608	
Cronbach's alpha: 0.6777	
AVE: 0.900432	
Attending business meetings	0.948943
Attending committee discussions	0.948880
Construct: Collegial relationship	
Composite reliability: 0.979670	
Cronbach's alpha: 0.970	
AVE: 0.857700	
Communicating to each other	0.943469
Responsive to each other	0.923444
Concern for colleagues	0.937260
Dynamic relationships	0.965504
Motivating to each other	0.914749
Passionate about your colleagues	0.884830
Willing to share ideas	0.935568
Willing to share skills	0.901715
Construct: On-line communication	
Composite reliability: 0.748986	
Cronbach's alpha: 0.601	
AVE: 0.603197	
Email	0.875230
Email Subgroup	0.663601
Construct: Relationship effectiveness	
Composite reliability: 0.930466	
Cronbach's alpha: 0.927	
AVE: 0.770366	
We have spent our time and effort in developing and maintaining our relationship	0.912799
We have productively develop our relationship	0.928472
We have been satisfied with our relationship	0.850867
We have carried out our responsibilities and commitments	0.813773
Construct: M&A performance	
Composite reliability: 0.928835	
Cronbach's alpha: 0.904	
AVE: 0.725675	
Market share	0.838345
Profitability (return on investment)	0.872657
Competitive position	0.916657
Market coverage	0.940020
Customer satisfaction	0.663421

were able to examine the main hypotheses using PLS analysis. The tests included the estimation of the path coefficient effects and the R^2 values. The estimation of the path coefficient effects indicates the strengths of the relationships between the dependent and independent variables (Sheng-Hsun et al., 2006).

The R^2 (squared multiple correlation) values show the amount of variance explained by the independent variables (Chin et al., 2003). We also assessed the path significance level by employing the bootstrapping methods of SmartPLS 2.0 (M3) (Ringle and Sven, 2005). Figure 2 shows the results of the hypothesis testing.

5.1. Path Coefficient Results

Figure 2 shows the results of the path coefficient and also the paths that confirm the relationship between the relationship engagement initiatives and the marketing integration process. Four latent variables were proposed, namely, collaboration, face to face interaction, on-line communication and collegial relationship. Three out of the five of the proposed hypotheses were supported.

Face to face interaction was found to have a positive effect and significantly influence the effective relationship engagement ($b = 0.164$, $P < 0.005$). Hence hypothesis H2 was supported. Similarly to hypothesis H4 was supported: Collegial relationship was found to have positive and significant influence on the effective relationship engagement ($b = 0.644$, $P < 0.001$). Another path that found to be significant and positively influence the M&A performance is effective relationship engagement ($b = 0.614$, $P < 0.001$).

In contrast, both of the collaboration constructs were found not to be significant in predicting the effective relationship engagement, that is; H1 ($b = 0.046$, P = n.s) were not supported. Followed by on-line communication construct: Hypothesis H3 ($b = -0.009$, n.s) were negatively but not significant related to the effective relationship engagement.

5.2. R^2 Value

As suggested by Chin (1998), the R^2 was assessed at three thresholds level: 0.67 (strong), 0.33 (moderate) and 0.19 (weak). All of the R^2 values are illustrated in Table 5. The overall model is found to explain about 40% of the variance in M&A performance. Similarly, effective relationship engagement is at the level of moderate with values of nearly 65% of the variance.

6. DISCUSSION AND IMPLICATION

This study indicates that the collegial relationship has a highly significant, positive influence on the relationship engagement (hypothesis, H4). In other words, it appears that, if both the acquirer and the target firm work together to improve their relationship by abling to share important position and decision making processes in the combined firms, they will be able to enhance M&A performance. It is not necessarily that important position is monopoly by the leaders from the acquirer but some positions in organization need the existing leaders. This is due to the nature of the position and additionally the leaders who managed that position have huge knowledge and experiences in that particular position. This statement indicates that, when firms combine, particularly in M&As, managers and leaders need to cultivate sharing and rotation-based on their responsibilities in order to initiate healthy relationships. Furthermore, this could generate a fair agreement among the managers and highlight

Figure 2: Results of the path coefficient

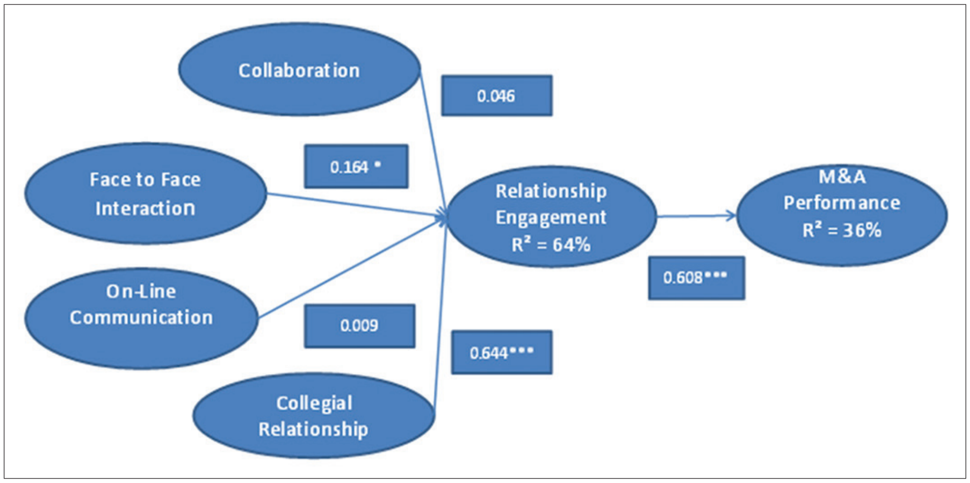


Table 5: R^2 values table

Path	PLS result
Collaboration	Relationship engagement 0.046
Face – To - Interaction	Relationship engagement: 0.169*
Online communication	Relationship engagement: 0.009
Collegial relationship	Relationship engagement: 0.644***
Relationship engagement	M&A performance: 0.608***
Construct R^2	
Relationship engagement	0.642 (moderate)
M&A performance	0.367 (moderate)

*P<0.05; ***P<0.001. PLS: Partial least squares

to those who have perform better in a particular position in the developing the new combined firm.

A strong relationship among the leaders enables the combined firms to rejuvenate quick liquidity. More importantly both of the combined firms could develop sustain business environment with dynamic and passionate colleagues. In addition, the rotate-based approaches give more opportunity to both acquirer and acquired staff to maintain their personal developments and reduce feeling of retrenchment and uncertainty in the amalgamation (Covin et al., 1997). In fact, according to Meyer (2001) both firms need to develop sharing environment and fostering relationships through balance power among the decision makers. Thus, clearly, a leader in M&A needs to play a pivotal role to develop a collegial relationship among the managers to cultivate a sustainable integration environment. Another significant result is through face to face interaction. It is confirm to positively associated with the relationship engagement (hypothesis, H2), suggesting that both the acquirer and the target firm prefer to use direct conversation rather than via on-line or digital methods. This is obvious as M&A always refer to prestige discussion that involved top management which requires a very personal interaction. Additionally, negotiations and bidding progress need a very swift and wise decision making. A direct communication not only a must between acquirer and the target firm but also to the shareholders (Sirower and Lipin, 2003). Another view would refer to classified information always need to avoid leakage to reduce rumors and as a result could generate irrational dissatisfaction about possibilities such as cost cutting and staff reduction initiatives (Sirower and Sahni, 2006).

7. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Most M&A studies are conducted in developed countries where there are a large number of cases involved. In Malaysia, however, the number of 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 behavior which signals the true behavior 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, 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 (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 and Bowditch, 1990; Cartwright and Cooper, 1990; Schweiger and Weber, 1989).

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 and Keil, 2008), operating performance (Cornett et al., 2006) and financial performance: Accounting returns and investor returns (Fowler and Schmidt, 1988).

8. 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 relationship engagement 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 factors of this paper offer a clearer understanding of how the relationship engagement supplements the M&A performance, particularly in terms of achieving a effective communication strategy that will enhance the corporate sales and revenues of the combined firm through comprehensive close relationships between the managers, all of which will stimulate the integration process and thereby boost the M&A performance.

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APPENDIX

Appendix 1: Results of reliability test

Construct	Item	Measure	Mean±SD	N (109)	Cronbach's alpha
Collaboration (7-item)	CO	We integrate together by achieving similar goals	5.2778±1.06443	72	0.760
		We integrate together by having a mutual understanding	4.9028±1.23516	72	
		We informally work together	5.1389±1.28157	72	
		We integrate by sharing ideas, information and/or resources	5.0139±1.19262	72	
		We integrate by sharing the same vision for the company	5.5972±1.42077	72	
		We work together as a team	5.7778±1.07758	72	
		We make joint decisions about ways to improve overall cost efficiency	5.0278±1.03423	72	
Face to face interaction (7-item)	FA	Attending business meetings	5.7246±1.37075	72	0.677
		Attending committee discussions	5.4348±1.07756	72	
		Attending workshops/conferences/symposiums	3.2029±1.05133	72	
		Attending ceremonial events	3.3623±1.07061	72	
		Attending exchange of MOU	3.7391±1.18386	72	
		Attending luncheon/party	2.5797±1.03477	72	
		Attending morning prayer discussions	2.5507±1.20704	72	
On-line communication (4-item)	ON	Email	6.1515±1.04134	72	0.601
		Email subgroup	2.5000±1.17996	72	
		Electronic social network	2.6515±1.29487	72	
		Blogs	2.5758±1.26565	72	
Collegial relationships (6-item)	CL	Communicating to each other	5.8194±1.32502	72	0.970
		Responsive to each other	5.7222±1.34502	72	
		Concern for colleagues	5.4444±1.35198	72	
		Dynamic relationships	5.5278±1.22155	72	
		Motivating to each other	5.2361±1.35826	72	
		Passionate about your colleagues	5.0139±1.44858	72	
		Willing to share ideas	5.5417±1.36286	72	
		Willing to share skills	5.6111±1.28431	72	

MOU: Memorandum, SD: Standard deviation

Appendix 2: Correlations and discriminant validity

Latent variables	1	2	3	4	5	6
1. Collaboration	**0.798769**					
2. Collegial relationships	0.524665	**0.926121**				
3. Face to face interaction	0.465919	0.803998	**0.948911**			
4. M&A performance	0.247721	0.559829	0.650114	**0.851866**		
5. On-line communication	0.467452	0.646943	0.492243	0.317968	**0.776658**	
6. Relationship engagement	0.456291	0.793989	0.698709	0.613631	0.509588	**0.877705**

*Bold diagonal figures represent the square root of AVE. AVE: Average variance extracted, M&A: Mergers and acquisition