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## Relationship Engagement in Mergers and Acquisition through Collegial Leadership

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### Abstract

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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 environment. Existing researches did not clearly demonstrate the importance of the relationship among M&A players in the amalgamation processes between an acquirer and the acquired firm. Thus, this paper attempts to highlight the influence of collegial leadership in initiating relationship engagement in the post M&A integration. Result shows that collegial leadership significantly influence the relationship engagement in M&A.

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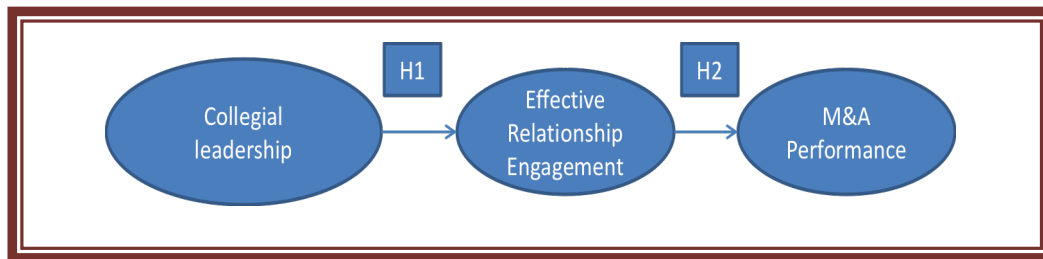
**Keywords:** Mergers and Acquisitions; Relationship engagement; Collegiality

### 1. Introduction

Mergers and acquisitions (M&A) is a business phenomenon that is very commonly used as corporate development strategies. This is not a new phenomenon but as an organizational growth approach which has been used extensively as a means to international expansion by many multinational corporations (MNCs).

M&A offers value-creation opportunities through combining complimentary assets and liabilities from firms with different backgrounds. M&A also has disadvantages that are attributed to hubris, managerial incompetency in achieving projected economies of scale and the firms being strategically mismatched (Sinkovics, Sinkovics, Lew, Jedin, & Zagelmeyer, 2015). Lack of communication between top management and other managerial positions is also believed to add more hurdles to the amalgamation process. In fact, previous studies have confirmed that almost 50-70% of M&A failed to





**Fig. 1.** Conceptual Framework of Collegial Leadership

### *2.2 Effectiveness in 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 rumours which could cause the collapse of the newly-built firm. 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. Therefore, we hypothesize:

H 5 (+): The greater the staff relationship engagement, the better the M&A performance.

### *2.3 M&A Performance*

Various studies that focus on M&A performance in the integration phase consider the perspectives of financial performance after the M&A (Homburg & Bucerius, 2006; Zollo & Meier, 2008). Another striking study by Colombo et al. (2007) highlights five components of M&A performance, namely market share, profitability, competitive positioning, market coverage and customer satisfaction. This study that looks at M&A performance. Hence, the present study attempts to highlight the role of collegiality leadership that could rejuvenate the relationship engagement in M&A integration thereby improving the M&A performance.

### 3. Research Methodologies

The survey was conducted in 2014. We look at M&A transactions undertaken by the Malaysian firms, within the period of seven 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.

Out of the 428 M&A cases listed in Bursa Malaysia from the period of January 2006 until Disember 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.

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). The measurement of the collegial leadership were adapted from Singh (Singh, 2013). Next, we introduce one further variable in the effectiveness of the relationship engagement between the staff in the acquired and acquiring firm. This measurement was taken from Jedin and Saad (2012). The final division is performance outcomes, which were adapted from (Sinkovics, et al., 2015).

#### 3.1 Results and Analysis

Majority of the firms were found to engage in Banking and financial institutions, telecommunications, software and other services. The data were analysed using the partial least squares method (PLS), applied using the SmartPLS 2.0 M3 software package (Ringle, Sven, & Alexander, 2005). Item reliabilities were assessed by examining the outer loadings of each item. Most of the outer loadings are above the recommended threshold of 0.7 (Henseler, Ringle, & Sinkovics, 2009). Figure 2 shows the path coefficient results.

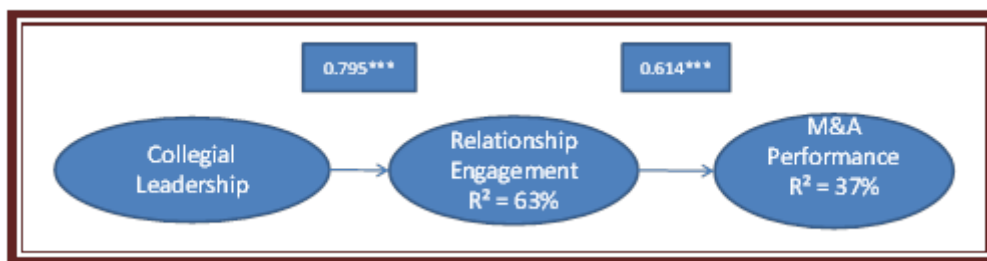


Fig. 2. Path Coefficient Results

Figure 2 confirms the relationship between the collegial leadership and the relationship engagement. Similarly, the relationship also supported between relationship engagement and M&A performance. Hence hypothesis H1 and H2 were supported. Collegial leadership was found to have positive and significant influence on the effective relationship engagement ( $b = 0.795$ ,  $p < 0.001$ ). Another path that found to be significant and positively influence is relationship engagement between M&A performance ( $b = 0.614$ ,  $p < 0.001$ ).

#### 4. Discussions

This study indicates that the collegial leadership has a highly significant, positive influence on the relationship engagement. In other words, it appears that, if both the acquirer and the target firm work together to improve their relationship by enabling 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 controlled by the leaders from the acquirer but some positions in the combined firm need the existing leaders from the acquired firm. 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. Thus, managers and leaders need to cultivate sharing and apply a rotation basis on their responsibilities in order to initiate healthy relationships which at the same time developing successful M&A integration. Furthermore, this could generate a fair agreement among the managers and highlight to those who have perform better in a particular position in improving 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 rotation basis on position 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, Kolenko, Sigtler, & Tudor, 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 the amalgamation processes needs to play a pivotal role to develop a collegial relationship among the managers to cultivate a sustainable integration environment.

#### 5. Conclusion

As predicted, the relationship engagement is significant and positively associated with the M&A performance. As mentioned earlier, relationship engagement is very important to all levels of staff in the combined firms as this is the one that manage the motivations and social supports at the workplace. Furthermore, a high motivated staff could perform their task at maximum levels. Relationship engagement in M&A is not only between the acquirer and the target firm but it also involves the customers, suppliers and stakeholders. Thus, relationship engagement is a must to ensure a better M&A performance. Thus, with these results we have achieved our main objective, demonstrating that the collegial leadership could cultivate better relationship engagement in M&A.

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