Chapter-2

Literature Review

Research has showed that merger waves tend to be caused by a combination of economic, regulatory, and technological shocks. There have been many interesting trends in recent Mergers and Acquisitions history. These include the fact that Mergers and Acquisitions have become a worldwide phenomena as opposed to being mainly centred in United States (Gaughan, 2007).

Why Companies Merger

In view of Globalization is a potential driver for mergers and acquisitions activity. Among several motives of mergers, expansion can be seen as one of the key base for mergers and acquisitions.

Impact of Globalization

Globalization has played a pivotal role in driving mergers and acquisitions. The opening of market allowed international mergers and acquisitions.

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value in US ($)bn</td>
<td>1999</td>
<td>2430</td>
<td>2520</td>
<td>2542</td>
<td>2310</td>
</tr>
</tbody>
</table>


The cross border mergers and acquisition is down by 19 % in 2013 compared to year in 2012. Energy and power sector witnessed 26 % decline in 2013 compared to the year 2012 as regard mergers and acquisitions activities.

---

2. Mergers and Acquisitions

According to Lajoux (1997), in a narrow view, merger and acquisitions are not different. On the one hand acquisitions is transfer of any ownership whereas merger is transfer of ownership loosing own identity into other or creating a third entity by losing both the entity (P-4).

An acquisition, a combination of two or more companies in which the assets and liabilities of the selling firms are absorbed by the buying firm. Although the buying firm may be considerably different organization after the merger, it retains its original identity. The merger of equals between XM and Sirius to form Sirium XM is an example. Acquisition is the purchase of asset such as a plant, a division, or even an entire company. For example, Oracle acquisitions of Sun Microsystems were a significant technology transaction in 2009.

Mergers are the most effective and efficient way to enter a new market, add a new market, add a new product line or increase distribution reach, such as Disney's late 2009 acquisition of Marvel, which gave it access to new contact channels and product development (Scott).

According to studies that have been conducted and the merger monitoring, though growth through acquisitions is a very risky business (Neuhauser).

According to Income Tax Act, 1961 [Section 2 (1A)], defines amalgamation as merger of one or more companies with another or the merger of two or more companies to form a new company, in such a way that all the assets and liabilities of amalgamating companies become assets and liabilities of amalgamated companies and shareholders not less then ninth tenth of in value of the shares in the amalgamating companies or companies become shareholders of the amalgamated company.³

1. Mergers through Absorption
When a firm transfers its entire property to absorbing firm, this kind of mergers is called merger by absorption. In this there is transfer of stocks of one into another.

2. Merger through Consolidation
A consolidation is merger of two companies and creation of a new company. In this kind of merger both the companies are dissolved legally and a new entity is being formed.

2.1 Types of Merger

Horizontal Merger
According to Shinde (1995), a horizontal takeover or merger takes place between two companies which essentially operates in the same market. Their products may or may not be same in nature. Merger of TOMCO with HLL may be seen as a horizontal merger. If a company operating in consumer goods is taking over a company which is also in consumer goods may be said as horizontal merger. For example the company manufacturing TV may acquire company manufacturing washing machines. Such mergers are termed as horizontal mergers.

Vertical Merger
According to Banerjee, the if a company takes over or merge with a company which is supply the raw materials to it, such takeover or mergers may be called as vertical takeover or merger. In fact, there is merging of companies which are involved in productions in various stages. The example of Relinace Petrochemicals and Relinace Industries can be taken. Here, also if a civil construction firm is being acquired by a cement company, the merger is called a vertical one.
Conglomerate Merger
In a conglomerate takeover or merger, the concerned companies are in totally unrelated lines of business for example Mohta Steel Industries Limited merged with Vardhman Spinning Mills Limited. Conglomerate mergers /takeover are expected to bring about stability of income and profits, since the two units belong to different industries (Shinde, 1995).

Takeover
Takeover is being considered as type of acquisitions. However some of the researchers like Machiraju(2003:2) perceives it as a way to acquire firms which do not agrees to acquisitions directly. Takeover is being done through buying shares directly from market and later the acquisitions is done.

2.2. Motives of Merger

1. Differential Efficiency
There is relation between the management of the Rustidnd its market price of shares. If there is mismanagement the share falls and there is underlying assumption that those who are better managers may manage such company efficiently. This company having falling market share are being seen as acquisition target by well performing companies.

2. Inefficient Management
This is based on differential efficiency. When a company fails to perform and make profit, the shareholders of acquired Rustidt large act in the direction of transferring the management to efficient managers. This happens because despite poor performance managers do not change their modus operandi. Through allowing acquisition the control is being passed to efficient management.
3. Operating Synergy

Operating synergy can be achieved through horizontal, vertical and conglomerate mergers. This theory assumes that economies of scale exist in the industry and prior to a merger; the firms are operating at levels of activity that fall short of achieving the potentials for economies of scale. There are four kinds of synergies: cost, revenue and market power and intangibles. Cost synergies are gain broken into fixed cost and variable cost synergies. Fixed cost synergies like sharing central services such as accounting and finance, the office, executive and higher management, legal, sales promotion and advertisement etc can substantially reduce overhead costs. Variable cost reduction is associated with increased purchasing power and productivity. Revenue synergies are associated with cross selling products or services through complementary sales organizations or distribution channels that sell different geographic regions, customer groups or technologies. Intangibles include brand name extensions and sharing of know how. This kind of synergy is realized by transferring of these intangible capabilities from one firm to another (Bajaj, 2010)

4. Agency Problem

According to Gitman, the role of a financial manager is to maximize wealth. If a financial manager having less than 100% share in the company is like a manager to other owners of the company. In fact, he works as an agent of the owner for the maximization of wealth. But in reality managers do have their own ambitions also and they also try to maximize their personal wealth. This particular contradiction gives origin to agency problem.

There are two ways to minimize agency problem, one market forces and other agency cost. Market forces involve insurance companies, mutual-funds, pension funds and shareholders. They peek emphasizing the management to perform and in case of underperformance they may change the managers also.
The other way is agency cost in which owners incur agency costs. Agency costs consist of cost like financial incentive to managers, monitoring behaviour of managers and having an eagle eye against the dishonest acts of management.

5. Market Power
Usually horizontal mergers happen to finish competition from market. Such move may increase the power of bargaining of customers and suppliers with company. The Rustid also gains economy of scale with such kind of initiatives. The case of HP Compaq merger is of paramount importance since HP could become a major power and became a serious concern for other competitors.

6. Market Expansion
Organizations willing to start operation in other region or country may have to undergo several regulatory and other infrastructure processes. Acquisitions help in saving time to start business of the complimentary products or services in desired region.

7. Tax Benefits
Many companies undertake acquisitions to save tax. Tax strategy also plays an important role mergers and acquisitions. Income Tax exemption has been provided fewer under 72-A in cases of acquisition of a sick unit by any company. Companies gain infrastructure also in addition to tax benefit.
2.3. Policy Frameworks on Mergers and Acquisitions in India

| **Regulatory and Legal Framework** |
|------------------|------------------|------------------|
| **Indian Rustidct** | 1956 | 391 to 396 |
| Competition Commission of India | 2003 | Regulates competition and protect consumer interest under competition act. |
| SEBI | 1992 | Regulates securities and protects interest of investors. |
| Income Tax Act | 1961 | Relates to Tax benefit in M&A. |
| SEBI (Substantial acquisitions of shares and takeover regulations) | 1994 | Regulates substantial acquisitions of shares and takeover. |

Each state has its own law on approval on acquisitions. For India, there is Competition Commission of India which takes care of Mergers and Acquisitions of companies. As per Competition Commission of India, the process of mergers and acquisitions in India is driven by various procedures which requires time and qualifying various stages to give it a legal form. Indian Rustidct 1956 provides provision and guidelines for mergers and acquisitions of companies. In India the central government also plays a role through Official Liquidator or Regional Director of Ministry of Rustidfairs. The process must be up to the satisfaction of the court then only it can be approved. Due to these complexities sometimes the process of M&A gets delayed despite the agreement in principle from both the parties.

As per Companies Act 1956, following conditions have been laid down for amalgamations,

- Permission for Merger
- Information to Stock Exchange
- Approval of Board of Directors
- Application in the Honble High Court
- Shareholders and Creators Meeting
- Sanction by the High Court
- Filing of the Court Order
- Transfer of Assets and Liabilities
- Payment by Cash or Securities

SEBI (Substantial Acquisition of Shares and Takeovers) Regulation, 1997, in addition to that mergers and acquisitions in India is also guided by the competition act 2002, section 5 & section 6, which refers the issue of combination and regulations related to combination.

<table>
<thead>
<tr>
<th>Date and Year</th>
<th>Number of Merger deals announced</th>
<th>Date and Year</th>
<th>Number of Acquisition deals announced</th>
</tr>
</thead>
<tbody>
<tr>
<td>31/03/00</td>
<td>200</td>
<td>31/03/00</td>
<td>869</td>
</tr>
<tr>
<td>31/03/01</td>
<td>350</td>
<td>31/03/01</td>
<td>863</td>
</tr>
<tr>
<td>31/03/02</td>
<td>330</td>
<td>31/03/02</td>
<td>823</td>
</tr>
<tr>
<td>31/03/03</td>
<td>384</td>
<td>31/03/03</td>
<td>690</td>
</tr>
<tr>
<td>31/03/04</td>
<td>316</td>
<td>31/03/04</td>
<td>660</td>
</tr>
<tr>
<td>31/03/05</td>
<td>266</td>
<td>31/03/05</td>
<td>665</td>
</tr>
<tr>
<td>31/03/06</td>
<td>414</td>
<td>31/03/06</td>
<td>811</td>
</tr>
<tr>
<td>31/03/07</td>
<td>400</td>
<td>31/03/07</td>
<td>1079</td>
</tr>
<tr>
<td>31/03/08</td>
<td>279</td>
<td>31/03/08</td>
<td>1100</td>
</tr>
<tr>
<td>31/03/09</td>
<td>187</td>
<td>31/03/09</td>
<td>680</td>
</tr>
<tr>
<td>31/03/10</td>
<td>282</td>
<td>31/03/10</td>
<td>600</td>
</tr>
<tr>
<td>31/03/11</td>
<td>256</td>
<td>31/03/11</td>
<td>648</td>
</tr>
<tr>
<td>Toatl</td>
<td>3664</td>
<td></td>
<td>13276</td>
</tr>
</tbody>
</table>

*Source-CMIE IIM Ahmedabad*
Strategic Management Perspective of Mergers and Acquisitions

Resource Based View (RBV) Theory in economics plays an important role in market consolidation. Mergers and Acquisitions may be seen as one of the offshoot of RBV theory. It in fact discusses about the competitive advance firms gains through their resources.

In case of India, the activities of M&A went up since 1991 and more in frequency after 2000 as the exposure to international market; deregulations etc were the edifice of M&A activities in Indian economy.

Cultural clash is a term that appears frequently in the world’s financial and business press, usually in explaining why, the intended merger, acquisition or alliance failed or was abandoned at last minute by one or both parties.\(^4\)

Price Water House Cooper report 2010 refers that the attention to integration process helps in minimizing the odds of success to mergers. Pre deal strategies for integration plays a pivotal role in optimizing synergies in terms of cost or another goal. The report emphasizes the alignment of culture with its speed as key to successful merger. In this survey it was also found that alignment of company culture was most challenging aspect followed by securing and expanding client base and motivation of employees. The key cultural issues that came during survey

Mergers and acquisitions are perceived as strategic move to enhance the market share of firms. Firms also use the merger gimmick to come out of woes. The merger with this perspective happened in banking industry, aviation industry, telecommunication etc. M&A is more in number in India since 1991. Mergers and Acquisitions have played a variety of roles in corporate history, ranging from the “greed is good” corporate raiders buying companies in a hostile

manner and breaking them apart, to today's trend to use mergers and acquisitions for external growth and industry consolidation. (Shermon and Hart 2006),

The failure rate of mergers and acquisitions is unreasonable, unacceptable and unnecessary. Clearly mergers and acquisitions will be the growth strategies of the choice, as they were in 1990s, which with some notable exceptions flies in the face of the marked lack of success of such deals to date. In a 1995 review of thirty years of activity, Business week came to the conclusion that most of the time the acquirers actually lose money on acquisitions.

Though the motive of M&A is financial but it is beset with several integration issues. Mergers and acquisitions happen in form of offering a company to buy followed by an effective due diligence. Mergers and Acquisitions have undergone sea change in form of buying. Acquisitions are done through PE fund (Private Equity Fund), LBOs (Leverage Buy Out) and MBOs (Management Buy Out). The liberalization in economic policies has encouraged mergers and acquisitions in various industries in India and other countries also.

According to Giles (2000), Mergers and Acquisitions have indeed become one of the fascinating means for the growth of a corporate and enterprise. Finance is primary factor in most of the mergers and acquisitions. Mergers and acquisitions are mainly in vogue because firms wishes to use economy of scale and also tries to expand its market share in any economy. Globally M&A is being used for growth. In-fact, some transactions are taking a new twist to an old page in the M&A playbook. Years ago, IBM transformed itself into consulting driven, value added services business. In 2009, three similarly situated companies followed the same path, with Xerox merging with ACS, HP buying EDS and Dell computer purchasing Perot systems, all in an attempt to diversify and refocus on higher margin and value added revenue streams (Shermon). Recently the rate of M&A has increased dramatically across the world. In India the total M&A deal since 1990 to 2001 is 1386. Pharma sector has the highest number (201) of the deal during the period. According to CMIE data since 31.3.2001 to 31.3.2011, the total number of announced mergers and acquisitions deal was 12207.
Some of the studies show failure rate of mergers and acquisitions. As per a study of Business Week, stock prices of organizations underwent M&A has gone down by 4% on average. In case of General Electric, 95% of acquisitions gave disappointing data. University of Chicago found in a survey in 1992 that half of the acquired firms were sold back. According to a report of McKinsey consulting, out of 115 large acquisitions, 60% were considered failure.

Though M&A has been failing in large number its increasing importance cannot be brushed aside. The most challenging stage in M&A process is integration. The rate of failure due to mismatch of culture has been very high. Thus organization culture has got tremendous importance so far as post mergers and acquisitions integration process is concerned.

Firms culture interact and come in conflict if not fit while integration process. Thus, absence of culture fit creates stumbling block for integration process of firms. Besides the financial motive of merger, there are apparent indications of failure of mergers due to misfit of organizational culture. In view of Fralicx and Bolster (1997), the role of organizational culture in mergers is like a maker or breaker. Organizational culture plays a pivotal role in success of mergers and acquisitions. Organizational culture of two organizations in fact interacts and integrates while process of acquisitions. According to Buch, Kimberly and Wetzel, David K (2001), when there is a gap between the two organizational cultures, a misalignment exists and that is very harmful to the organization and its employees. Nahavandi and Malekzadeh (1993) views that the difference in organizational culture may fail the merger in worst case.

The case of Air India and Indian Airlines may be cited in terms of cultural differences and failure of mergers and acquisitions. The Indian Airlines was merged with Air India and a new entity in the name of Air India was created in 2007. Both the firms had cultural difference in terms of dressing, treatment to guest, communication, leadership. The failure of HP and Compaq mergers (2002) is also an eye opening case. There were difference in culture of both the organizations.

Understanding of the cultural difference can pave the way for smooth post mergers and acquisitions cultural integration. According to “Cashing in on Culture” The risk involved in
any deal should be identified during due diligence and a strategy should be worked out to take care of combined culture. Bad deals can be avoided and there can be improvement in those which are not performing. According to Gadiesh and Ormiston (2002) the mismatch of culture is one of the five causes for failure of mergers. Culture mismatch has capacity to mar the integration effort. Therefore initial understanding of the culture fit is imperative for a successful merger. However, irrespective of cultural difference, there are organizations that impose cultural integration process smoothly. Hence the factors or the process which facilitates such integrations are extremely important.

M&A Integration
The term M&A integration refers primarily to the art of combining two or more companies—not just on paper, but in reality—after they have come under common ownership: M&A refers to the merger or acquisition transaction that leads to the combination, and integration refers to a combination of elements that results in wholeness (Lajoux, 1997).

2.4. Cultural Integration
The complexity of mergers and acquisitions certainly increases with the size of the companies involved, but large or small, most mergers and acquisitions fail for the same two basic reasons: 1. Failure to assess the potential impact of attempting to merge and integrate the cultures of the companies involved and failure to plan systematic and efficient integration of those cultures (Carleton and Lineberry, 2004).

the sooner managers identify cultural snags, the more informed they can be about whether to proceed with the acquisition and at what price. They will also be better equipped to address any cultural issues that come up in the wake of the acquisition. Even deals that involve apparently clashing culture can create value in some cases if the difficulties are identified early and resolved with diplomacy, wisdom and urgency. (Harding and Rovit, 2004)
Cultural integration eliminates conflicts arising from cultural differences by organizing and amalgamating the values, psychological states and behaviour modes of different communities (Zhang, 2010).

Cultural integration is not simply merging different cultures into one, but it is a process to establish a new company model by selecting, absorbing, and integrates culture (ibid).

According to a survey of Aon Hewit (2011), cultural integration was the second most common direct factor cited for deal failure by companies and is one of the top concerns in M&A. In this survey 58% of the companies reported that they had no specific approach for assessment and integration of culture.

Once a company offers to buy or acquire any firm, the first and foremost action is Due Diligence. Due diligence involves financial, cultural and other information of the firms to be acquired. Cultural Due diligence is being conducted to understand the organizaational culture of the acquiring firms. Culture audit is being conducted to understand the organizational culture of firms undergoing M&A.

Cultural Integration is not simply merging different culture into one but is a process to establish a new company model by selecting, absorbing and integrate cultures (Zhang, 2010).

We cant see an organizations cultural assumptions, values, and beliefs directly. Organizational culture is is deciphered indirectly through artifacts. Artifacts are the observable symbols and signs of an organizational culture, such as the way visitors are greeted, the physical lay out, and how employees are rewarded.

No two integrations are similar. To counter high instances of mergers and acquisitions, companies had HR Interventions in form of communication, training, cultural change initiatives,
compensation etc, but they were based on overall integration strategy of the company (Bajaj, 2010)

According Pandey and Krishnan,(2009),The organizational culture plays an important role during mergers and acquisitions as the organizational practices, managerial styles and structure to a large extent are determined by organizational culture.

In the case of both cross border and within country M&A, where two organizations are expected to merge structurally, the most favourable strategy is argue to be a robust cultural integration process thereby ensuring the alignment delivers the required result ( Frankema 2001 & Lineberry,2004).

According to Habek, Kroger and Tram (2000), The proclivity to brush aside cultural differences and rebuffing inevitability of change leads to dereliction of issues related to integration.

The people involved in mergers and acquisitions are often strangers, thrown together in a joint enterprise, sometimes against their will. Besides keeping the day to day business going employees at both companies need to build new relationship, which often involves bridging language and culture gaps. The integration manager can clear paths between the two cultures by facilitating the social connections among people on both sides (Ashkenas and Francis, 2000) organizational culture manifests itself through and critically impacts the employee behaviour. It hence needs to be measured at multiple levels of behaviours starting from the impact of infrastructure, artifacts and logos on employee behaviour

In case of merger of Daimler Benz and Chrysler, Differences in management styles, processes, cultures and work styles fuelled a growing chasm between the two (Boeh and Beamish, 2008). According to Schweiger and Goulet (2005), in cases of acquisitions, cultural differences are liable to give Philip to ego defenses which maintain the existing identities of acquirer and target indeed.
Appelbaum et al (2007) has found that the evaluation of culture fit among organizations is of paramount importance to increase the rate of success of merger. The way culture of two organizations gets combined play an important role.

Estanol and Achts, (2004) writes “A majority of mergers fail. Managers blame mainly cultural differences and poor integration efforts. Researchers have come not further than explaining a failure because of bad luck of managers being over optimistic”

According to Habek, Kroger and Tram (2000), the proclivity to brush aside cultural differences and rebuffing inevitability of change leads to dereliction of issues related to integration. The making of corporate culture is more important than a list of value and ethics posted on internal website; it is how the employees and leaders live the brand. It impacts the individual and team performance and retaining the image and reputation of brand executives who do not give proper attention to cultural compatibility of a post merger ambience have risk of losing staff and business momentum (Jacqueline,2006)

Chun (2009) has discussed about an American firm which has been into manufacturing of securities systems acquired a Germany based form. Both the companies had previous experience of having their operations in UK. There was difference in organizational culture of both the companies and senior management was worried about the cultural issues since high employee turnover was noticed along with losing clients.

According to Bert et al (2003), the culture should be satisfying and challenging to fascinate top people. It is difficult to integrate in a closed culture if employees of acquired company have worked outside their company even for some time. Strictness in culture is a boon but it has limitation in fact. The example of Wal-Mart may be taken here as it used acquisition to grow in Germany. In the year 1998, it purchased 21 wertkauf stores whereas in 1999 it added 74 interspar units. The contrast in culture was found. As a result, a large number of employees from Germany
left the Rustidnd company was in trouble because it had no idea how to operate since the people who had knowledge of local culture left the company.

Cultural integration is indeed a process of integration of two organizational cultures. Therefore to understand the cultural integration, the understanding of organizational culture is imperative and according to Miller organizational culture is the pattern of various norms, values, beliefs and attributes that impacts behaviour of an individual and group.

According to Appelbaum et al (2000), for a new team the stage of post merger is one very difficult. Organizational culture and the way they are combined throughout merger are also crucial to its outcome. It is suggested that more efforts and attention be spent to properly evaluate the organizational culture fit before going ahead with the merger in order to increase its rate of success (Appelbaum et al, 2007).

Cultural Integration also contributes to the manner in which people are assimilated into new organization (Bajaj, 2010).

According to Weber and Menipaz (2003), a survey was done among merging firms and it was found that those companies which have culture fit have shown better financial performance.

Consistent with the cultural distance hypothesis, extant theory on M&A integration indicates that the organizational and/or national culture of merging firms have to be similar or at least complementary in order to integrate successfully (Stahl and Voigt, 2003).

Buono and Bowditch (1989) have suggested that there are two ways of introducing post merger cultural change. In first by first of study of behaviour and attitude of employees a new set of beliefs and values are made accepted. Explicit cultural messages like memo, letter etc are being used and also implicit cultural messages like rituals, ceremonies, stories, metaphors, heroes,
logos etc are used to modify underlying beliefs through communication. Second way suggests the recruitment and retention of employees.

According to Singh (2011), *Organizational culture is entire set of behaviours or decision making rules and the way things are done which is not written. In the case of one of our acquisitions, was predominantly driven by one doctor, where you have strong personality, processor takes a backseat. We had to change the culture. Cultural diffusion mechanism was applied”*

According to Kripal (2010), *there are cultural issues which are very difficult to handle. The people aspiration rises and you have to look after those with limited resources”*

Company is involved in several integration activities like interaction, party, sports, tours, and one to one discussion.

According to Osta (2010), “*There are difficulty due to culture, there are deviances also, you have to harmonize and handling may be different for people of different culture” So, norms may vary or we may say the method of following the norms may be different”*

Many mergers and acquisitions fail, or develop often avoidable problems from the outset because one of the parties does not recognize, share , or accept the others perceptions of the marriage terms.Consequently, the cultural dynamics and direction of any subsequent culture change is misinterpreted.The position may be clear at the top of the organization, but not clearly communicated to those at middle management and below-the employees responsible for implementing change.Ambiguity and uncertainty inevitably fuel culture collisions and battles for cultural supremacy divisionally and interdepartmentally (Cartwright and Cooper, 1993).

**Air India and Indian Airlines**

Air India was founded by JRD Tata in the year 1932.Indian Airlines later was introduced for domestic carrier and Air India was specifically used for foreign destinations.Air India has been facing consistent loss in recent past and government of India decided to merge both the entity and created a new entity called Air India in 2007.The post merger scenerio has been really
woorying as there were apparent culture difference. The compensation, leave, benefits, dress, etc were different. Even after merger company had problem. In fact cultural adaptation is important. The failure of merger of Air India and Indian Airlines is due to poor cultural integrations. The employees of Air India felt that employees of India Airlines are getting better deal whereas the later thought that Air India people are getting better treatment.

**HP and Compaq**
According to Stanusch and Slaska, (2009). In case of merger of HP and Compaq, with the announcement of merger, there were responses from opponents. There were feelings that the two companies had different culture. There was perceptible difference in their roots, leadership, management style and employees attitudes.

**SmithKline and Beecham Group**
The parent company studies the compatibility of culture of two organizations before the merger. Hundreds of managers were interviewed from both the organizations to understand the compatibility. During the merger, around 2000 people were divided among 200 teams to devise ways to integrate the organizations. SmithKline and Beecham Group merger is one of the examples in which companies look at cultural fit and corporate culture perspectives.

**Airways and Airlines**
In year 2007, there was acquisition of Airlines by Airways. Airways introduced Airways Lite as its new low cost airlines. The acquisition had cultural issues. Airways was for the premium guest whereas Airways Lite was introduced to get lower middle class guests. There was difference in behaviour, attitude and communication system. Inside the organization also there were problem like fear of losing resources and salary related issues etc. Airways faced employee relation problems as there were protest by its employees who were laid off. The management had to change its decision though employees were retained but with substantial cut in their salary.
In general, According to Mama, The three airlines which underwent mergers and acquisitions had different corporate culture. Difference in corporate culture makes the merger a difficult exercise. In his view introduction of Airways Lite saved the killing of Airways.

**Daimler and Chrysler**

Chrysler corporation was the most profitable as automotive producer during middle of 1990s. It had alone a market share at 23% in its produced vehicles in the year 1997 in US market. Daimler and Chrysler decided to combine together in 1998. The combination was called merger of equals.

It was assumed that Daimler Chrysler would be among the three largest automotive producers in the world in five years down the line. But the result after passing of the three years was quite disappointing. The market capitalization was roughly equal to that of Daimler Benz before merger. It was observed in this merger that there was dislike and distrust among workers. The feeling that American workers are earning more. Companies had different wage structure, corporate functions and hierarchy as well. So there was cultural difference and that could not bear its sharpness. Retail and distribution were largely separate for both. It was also expressed by CEO of Daimler Chrysler in 2000 that Chrysler should have been a subsidiary of Daimler Chrysler. But it was said as merger of equals was used to get the support of workers who were from America.

**British Airways and Caledonian Airways**

British Airways has been working on strategies to ally with various competitors in the continent and across the world for enhancing its growth. The cultural clash badly impacted the fate of acquisitions as there had been cultural difference at Gatwick airport which badly exerted the business. In fact the business operations improved at airport. In this case, it took around six months in resolution of cultural clash. The problem emerged because of the stark contrast in working culture of the two.
General Electric is one of examples of conglomerate. GE has done differently and many other have not done in the same way. This company has shown its worth by managing companies of diverse portfolio which supported the shareholders value.

When a company decides it wo professionals. These professionals usually include investment bankers, attorneys, accountants, and valuation experts. Investment bankers may provide a variety of services, including helping to select appropriate target, valuing the target, advising on strategy, and raising the requisite financing to complete the transaction by using the services of outside ants to acquire or merge with another firm, it typically doe

<table>
<thead>
<tr>
<th>Name of the Firm</th>
<th>Cultural Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>HP and Compaq (2002)</td>
<td>Difference in their leadership, management style and attitude of employees.</td>
</tr>
<tr>
<td>Airways and Air Noxas (2007)</td>
<td>There were feeling of losing resources, feeling of not being cared and salary related issues were matter of concern for the both side, difference in behaviour and attitude.</td>
</tr>
<tr>
<td>Tata Chorus</td>
<td>The biggest challenge for Tatas to work with a new type of management and how to behave in a matured market rather than in a developing market like India.</td>
</tr>
<tr>
<td>Daimler and Chrysler</td>
<td>Contrasting culture and management style, traditional respect for hierarchy and centralized decisions in Daimler and value to efficiency and equal empowerment in Chrysler.</td>
</tr>
<tr>
<td>Nations Bank and Bank of America</td>
<td>Nations Bank has an aggressive culture, whereas Bank of America has a bureaucratic culture. Difference in method of decision making.</td>
</tr>
<tr>
<td>BP and Amoco</td>
<td>Arco had community minded culture, donating millions of dollar for</td>
</tr>
</tbody>
</table>
charity in local areas, BP is having an aggressive style of leadership and they took top position after merger. Amoco had tradition of try to avoid mistakes. Also to reward those who are contemplative and cautious.

| Taylor Corp and Current Inn | Family like culture and generous benefit for employees in Current Inn whereas Taylor is a corporate culture after acquisition, the employees of Current Inn had to undergo aptitude test and drug test. Many of their cherished benefits were taken away. |