

CHAPTER 7 – CONCLUSION

7.1 Introduction

The purpose of this chapter is to present a comprehensive conclusion of all areas covered in the research. The next section provides succinct revision of the research objectives and how they are accomplished through research process. The next section revises the findings of study in relation to research questions that were initially designed in first chapter. Furthermore, this chapter also discussed contributions of this study to the theory and practice. Furthermore, this chapter also discusses limitations in the methodological design and how they affect reliability and validity as well as generalisability of this study. The last section of this chapter provides recommendations for further research avenues in this area.

7.2 Research Aim and Objectives

The aim of the research was to propose a framework that can be adopted on banking and public sectors to support and manage the decision regarding merging in strategic context. To manage the achievement of aims a number of objectives were set, the accomplishment of which would support achievement of the aim. Following table summarises how each of the objectives were achieved in different chapters.

Objective 1: To examine and evaluate comprehensively the decisions regards merging in the area of managing merges, strategy behind merging, challenges, and barriers.

In this regard the research found that the strategy must consider the drivers, risks and benefits. The research found that main drivers for M&A include, synergies, growth and diversification, and economies of scale for cost efficiency (section 5.3.8). This research focused on synergies as driver of M&A and found that synergies can be achieved through economies of scope, by producing more, with the same resources, through the efficient use of those that were available. In case of diversification as driver of M&A, this study found that diversification refers to the decision of a company to leave its main markets, lines of business, and geographic and products, to enter other. The faster the rate of income, the higher the rate of return, and the higher the value generated from the transaction.

The results showed that various benefits are obtained from M&A activities which include diversification, strategic realignment, economies of scale, increase in market power (section 5.4.1). This study concludes that strategic realignment is an important aspect. Business

environments have rapid changes in many aspects, but technological and legal aspects are particularly important. Furthermore, this study identified that risks are also important strategic issue of M&. The results showed that the main risks identified by research participants are conflicts between merging workforce leading to demotivation and disappointment causing loss of human resources (section 5.4.2). A much comprehensive list of risks associated with M&A activities were found through secondary research and the study found that less than half of the mergers are successful in accordance with the opinions of shareholders, customers and employees, the three groups to which the author gives greater value.

The results found that main barriers and challenges faced by the M&A activities in banking industry include lack of communication, employee retention and cultural challenges as some of the major factors (see section 5.4.4). The empirical investigation showed that conflict of interest between merging parties is particularly important. It often combines with lack of agreement between merging parties and becomes a significant threat to merger success. As per the results reported in section 5.4.5 the main success factors identified by the banking sectors employees include trust between managements of merging organisations, resistance towards the change, and experience with previous mergers. Due diligence has also been identified as one of the most important factor.

The study also emphasised failure factors, as reported in the results in section 5.4.6 which showed that main failure factors include lack of involvement of the owners, ambiguity or lack of clarity, difference between theoretical and practical valuation, issues of cultural integration and errors of negotiation errors. The study also concludes that these factors can be considered as the other side of the coin of critical success factors. Majority of the factors are caused by lack of integration in way or another.

Objective 2: To identify supporting theories for building a conceptual framework.

The section 6.5 provides a detailed description of theories that were explored to develop the conceptual framework. The framework has been arranged in various blocks. These blocks consist of important factors that affect M&A process and its outcomes. The study conducted a detailed investigation for each factor of the framework and provided supporting evidence. The foremost block in the framework is key attributes of M&A. The key attributes of M&A consist of seven

sub-factors, namely, strategic actions, drivers, barriers and challenges, benefits, risks, and critical success factor.

The main key attribute is the drivers, among which the most important is value creation. The ultimate purpose of M&A transaction is to gain financial benefits for the firm and provide value to its stakeholders. The results and discussion in section 6.2.1 indicate that value creation through M&A are based on the synergies, diversification and growth, and economies of scale achieved through union of two organisations.

Objective 3: To investigate empirically the influential factors that can support the decisions regards merging in banking organizations.

The framework developed provides and summarises all the factors in M&A transactions. There are seven main features of M&A, namely, drivers, strategic actions, challenges and barriers, risks, benefits, and critical success and failure factors. This study concludes that M&A between financial institutions represent significant opportunities and risks, both for the entities involved and for the financial system worldwide.

The benefits of M&A are important attribute. Financial institutions proceeds with M&A transactions if the management predicts that all stakeholders benefit from M&A for both organisations. Various benefits were identified from the empirical evidence gathered in this study. These include strategic realignment, diversification, increase in market power, and economies of scale. This study also concludes that these results are consistent with past studies. The secondary research revealed that fast paced changes in the commercial environment require the businesses to manage changes which include technological changes and realign the business in the market. The strategic realignment of the firm provides new lucrative opportunities for business.

Furthermore, the study concludes that risks of M&A should be included in the strategic framework. The results of interviews conflicts between merging workforce cause disappointment and demotivation in the human resources and loss of talent and experienced employees. It can be concluded that if there is conflict of interest, there is an increase in the uncertainty and anxiety among employees which in turn leads to high turnover. The study also found similar evidence regarding factors that can be categorised as barriers and challenges. The study concludes that

main barriers or challenges in M&A transactions include lack of communication, cultural challenges and employee retention.

The study also found that critical success factors must be identified in the M&A strategic framework. The interview results in this study showed that the main critical success factors are due diligence, financial integration, strategic product-market integration, cultural integration, and operational integration. Lastly, this study found that failure factors are also key attributes of M&A framework as they cause hindrances in the implementation and execution of M&A and therefore hinder the accomplishment of M&A aims and objectives. Within this context, this study found that failure factors in the strategic framework should focus on low involvement of the owners or lack thereof, gap between expected and real valuation, ambiguity and uncertainty, issues of cultural integration and negotiation errors.

In the second block of the strategic framework there are M&A process stages, that are classified as pre-M&A, during M&A and post M&A. This study indicates that a number of pre-M&A activities also called the good practices can be useful to achieve critical success factors in the framework. The main sub-factor in the pre-phase is strategic planning. It refers to strategic actions of the managers. It was observed that the initial activity in M&A strategies is the preparation of due diligence reports. The diligence report results help the higher management to justify their strategy and plans for M&A and coordinate with all stakeholders to demonstrate its benefits and to encourage them for active involvement. Furthermore, the study concludes that communication of benefits, objectives, and roles of each stakeholders, during the M&A process implementation should be counted as a good practice and therefore it is an essential element in the strategic framework. Furthermore, the study concludes that communication should be considered a high priority practice to ensure that leaders of M&A must communicate with all stakeholders such as firms' employees and justify them about the rationale and advantages of M&A decision. In addition, another pre-M&A practice is preserving value of existing assets of the firm. Finally the most important factor for the pre-implementation phase is the technological review of both firms as per the interview results. These results have support from past literature because many researchers such as conducting due diligence analysis before implementation of M&A.

This study also concludes that within the case of practices during M&A phase, communication and interaction at all levels of the two firms are critical. The study also found importance of

governance framework for M&A process to manage the behaviour and prevent rash and risky decisions. Along with evidence from interviews conducted in this study, the researcher also found significant level of support from past studies. The study concludes that good practices for post-M&A practices include realisation of value amongst firms, reassessments of assets, the transition of operations and departments, vision and mission statement revision, and progress monitoring system must be counted as good practices in M&A development framework.

The study also found the impact and importance of the external factors, internal factors, and change management that are relevant in all phases of the M&A implementation. This study concludes that numerous internal factors of firms affect M&A process such as synergies in terms of culture, operations, product and market synergies, and effective communication media and methods. For external factors this study concludes that firms must prioritise legal compliance and gain support all stakeholders to achieve critical success factors identified in the framework. The importance of change management has been highlighted by this study which is also consistent with all past studies reviewed during secondary research phase.

7.3 Research Findings

RQ1: How are decisions made to adopt and implement merging in banking organisations?

Since this study is focused on specific content of UAE, there it concludes that the study of mergers and their implementation in the banking sector of the UAE. This study was aimed to develop a strategic framework for the banking sector to govern their M&A activities so that they can overcome the problems they face and enhance their success and to fill in the gap to having a proper decision-making framework. The study conducted a comprehensive review of literature and found that in case of mergers and acquisitions in banking industry there is a large number of factors that affect the success and effectiveness of mergers and acquisitions and thus there is a need to have a proper development framework that can guide the management to undertake such an importance and influential decision.

The study concludes that despite high awareness among UAE's government and bank sector about the advantages of mergers, the implementation still is a lackluster and M&A are not exploited to the fullest. One of the factors that can be categorised as cause is the lack of an effective and comprehensive decision-making framework. Thus the challenges and barriers to M&A in banking sector are escalated. The materialisation of M&A plans require not only careful

planning and due diligence but also very effective implementation addressing all the risks and threats and meeting all the requirements. Thus, this research study developed and put forth an analytical framework that can be used by the banking institutions and public sectors to get support for managing merger-related decisions in the banking sector of the UAE.

RQ2: How are the consequences behind merging?

This study found that the impacts and consequences of M&A in banking sector are diverse and wide arrayed. The M&A primarily affect firm performance and the study confirmed that M&A of firms may yield positive outcomes for all stakeholders provided that the management of both firms undertake the entire endeavour carefully under the guidance of established decision making framework. The framework developed in this study is based on empirical evidence that not only refuted the claim, but also proposed that lack of M&As or ineffective implementation are one of the root causes of declining profitability of merged firms. This is because M&A may also have negative impacts on firms if it is not managed properly. One of the negative impacts of M&A is loss of probability due to lack of synergies, loss of important human talent and experience due to lack of cultural and operational synergies and due to lack of production market synergies. Therefore it can be inferred that the decision of M&A is not alone sufficient to have positive impact but it must be implemented properly through an implementation framework so that it can provide positive outcomes and prevent negative outcomes.

This study found that there is extensive literature on the subject of M&As. This study argues that it is not possible to draw exact conclusions and assertions about the possible impacts of M&A on the performance and profitability of involved firms. Furthermore, this study also found that when impacts are examined separately (from the side of the bidder and from the perspective of target firm) a pattern can be observed in the empirical evidence which is consistent with past studies. The study explored the impact of M&As on employees and found that there are diverse factors that affect employees. There are both positive and negative factors and employees at different levels of the organisation are involved with different roles and responsibilities. It is important that there is smooth and error free exchange of information between employees and other shareholders. In addition, employees are more motivated in M&A provided that the firms share the benefits of M&A with employees and appreciate their role and contribution. Typically uncertainty about job and role after the merger in the new organisation causes distress and mistrust among employees. The M&A team or organisational leadership need to make sure that employees are involved and

their communication and other needs are fulfilled minimising the uncertainty and possible fear of employees in relation to his career and growth prospects in post M&A phase. This must be done in the planning phase so that employees are kept motivated and actively involved in effective implementation of M&A.

This study showed that organizations tend to fall short when it comes to planning for the workforce in pre-M&A and post-M&A scenarios. Furthermore, there is also significant evidence to indicate that the employees have a critical role in the entire M&A process at all stages identified in the framework developed in this study. This study concludes that the employee motivation levels can be enhanced by instating program management which included initiatives such as honing communication between management and all levels in the organization, and espousal of activities of integration. Finally this study concludes that using an effective framework is a factor that will not only enhance the exploitation of M&A in banking industry but it will also remove barriers and encourage more M&A activities in the banking sector of the UAE

RQ3: How merging will help on supporting strategy planning and future accelerations?

This study also concluded that the growth in M&As in the banking sector depends on the different interest and prospects of the two organizations involved, and how the merger would affect the levels of competitiveness in the industry. The study acknowledges the role and impact of competition authority and stresses that such bodies affect the decision and realisation of M&A in the banking sector. These actors are responsible for monitoring market competition levels and concentration levels. This study also explained that competition authority control are aimed to ensure that market dominance remains in line with positive competition. At this juncture, this study also mentions that the market dominance is not reflected on the basis of market share of the newly-formed business entity, it is also calculated in terms of creation of market barriers and bargaining power. For this reason, this study seconds past studies and advocate the proper role and participation of competition authority in monitoring and controlling M&A transactions in the banking industry of the UAE.

It can be concluded from the research in this study that M&A has definite support for organizations' growth in current market and expansions into new and developing markets

(diversification). Based on the continuous transformation of business environments and actions of competitors in industries, this study confirms that banking organisations can adapt to respond to the constantly changing scenarios and implement new strategies such M&A to support their growth and expansion.

This study also concludes that M&As have to provide dual benefits for organizations. On one hand, M&As are useful as a source of growth for organizations and increase the value generation for the stakeholders. On the other hand, this study confirms that M&As are an option for businesses to allow them to implement sector-level expansion while preventing concentration. It allows for external growth to occur and using M&As, organizations can easily consolidate their market position, boosting company shares, regardless of shares-demand falling at sector level.

7.4 Theoretical Contribution

- The main theoretical contribution of this study is the development of strategic framework that can be used by banking sector in the UAE to undertake M&A strategy.
- Although it can be argued that there is a need for further research and provide more evidence supporting the framework, yet the evidence gathered and analysed in current study provides significant guidance with reasonable reliability and validity
- Although past studies have determined and developed various frameworks to undertake M&A, however, past studies were more focused on other countries and therefore there was a lack of theoretical framework for specific content of the UAE and its banking sector
- The framework developed adds to theoretical arguments based on empirical evidence regarding the drivers, benefits, risks, barriers, and critical success and failure factors for the UAE banking sector.

7.5 Practical Contribution

- This study used past theories and tested them in case of banking sector and found that there is high level of consistency and therefore the framework developed in this thesis can be used by the banks while tailoring it to meet their needs and solving their problems in potential M&A activities in future.

- Furthermore, this study stresses upon the good practices that can be adopted by banking managers in pre-, peri-, and post-implementation M&A phases to make sure that the process is undertaken smoothly. Adoption of good practices that are also supported by empirical evidence are likely to contribute towards successful implementation of M&A in banking sector.
- Furthermore, this study provides a comprehensive evidence base for banking sector leadership to realise the importance of stakeholders, their contribution, role and responsibilities during the M&A transaction. Leadership has the central role to justify the M&A and motivate all stakeholders to actively participate in making the M&A a success. Communication and coordination is key responsibility of the leadership in banking sector
- Furthermore, this study also provides evidence regarding internal and external factors that affect the banking sector and banks can identify possible impacts of these factors and develop relevant strategies to exploit the opportunities and address the risks and threats in the internal and external environment during the M&A process
- Finally this study highlights the use and implementation of change management to make sure that M&A success factors are achieved and failure factors are addressed. The key argument for change management during M&A is that this activity has huge impact on profitability, operations, and synergies of both companies involved and therefore a proper change management methodology that minimises the resistance and increases the motivation is critical for the success of M&A.

7.6 Research Limitations

It is a good practice in social research community to discuss limitations of the study and therefore this section discusses the same.

- The framework that has been developed in this research is focused on banking and public sectors to help them manage the M&A decisions and transactions. The framework is comprehensive in the sense that it highlights all aspects of M&A activity, however, this framework is limited to be used as a guidance and specific practices have not been identified. For example, the framework highlights the importance of due diligence as a critical success factor but the framework does not indicate which due diligence method is

most effective. Similarly, the conceptual framework and results showed various failure factors of M&A, but the framework does not elaborate on strategies to prevent failure factors or risks that threaten the success of M&A activity.

- Furthermore, this study is based on qualitative data only and lacks support from quantitative evidence. The entire primary research process has been completed using qualitative data collected through interviews. Therefore, it is one of the methodological limitations. Although, qualitative evidence provides detailed and rich data about research phenomenon yet it is considered to be vulnerable to personal bias.
- Furthermore, this study also used non-probability based sampling technique due to which reliability and validity in the results has been compromised. Generalisability of the results is relatively low for samples based on convenience sampling as compared to probability sampling techniques.
- Furthermore, the results are based on data collected from banking and public sector of UAE only and thus results are also based on UAE banking and public sector only. The researcher would like to emphasise that certain changes may be required to adjust the framework to be applicable on private sector due to unique characteristics.
- Despite the limitations discussed above, reasonable reliability and validity are assumed due to the detailed and in-depth analysis performed in this study along with use of NVivo software that minimises personal bias.

7.7 Future Research

Based on the limitations discussed in previous section, a number of research opportunities can be highlighted for future researchers which are as followed.

- For future researchers there is opportunity to assess the effectiveness of this model through collection of quantitative evidence such as using surveys. The focus of survey could be to confirm whether factors identified in the conceptual model are acknowledged by larger number of professionals in the banking industry. In addition, future researchers may also endeavour to apply the framework in M&A activities and monitor how the framework facilitates the M&A process.

- Furthermore, there is also opportunity for further research to use the model developed in this study and conduct comparative study with similar frameworks developed for private sector organisations.
- In addition, it is important to note that this study collected data from one stakeholder only and since M&A activities involves diverse stakeholders therefore it is important to collect data from them and include their perspective to enhance the comprehensiveness.
- The entire study has been conducted within specific environment of UAE and therefore it can be inferred that the generalisability of the results is relatively low if compared to other countries. Further research can be conducted by applying the same methodology to conceive frameworks for banking sectors in their own country specific circumstances