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Processes Adopted to Integrate Intangible Resources in Global Acquisitions among Container Lines: Perceptions of Acquirer and Acquired

Indika SIGERA[a], Stephen CAHOON[b]

[a] *Senior Lecturer, Department of Transport and Logistics Management, Sri Lanka, E-mail:sigerai17@gmail.com (Corresponding Author)*
[b] *Associate Profesor, Department of Maritime and Logistics Management, Australian Maritime College, E-mail: scahoon@amc.edu.au*

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ABSTRACT

The spectrum of strategic co-operations among container lines varies from loose-knitted slot charters, liner conferences, shipping alliances, joint services and consortia, through to mergers and acquisitions (M&As). However, these forms of strategic co-operations have not always been able to achieve the intended synergetic growth resulting from the integration of resources. The Resource Based View (RBV) suggests that integrating intangible resources, which are valuable, rare, inimitable and non-substitutable (VRIN), can make a significant contribution to the performance of post strategic co-operations. This research paper investigates the contribution of intangible resources to the post acquisition success six global acquisitions among container lines. The nine senior managers attached to global container lines were the main participants of this study. Five of them represented acquired container lines, four represented acquirer container lines. The paper explains their personnel experience on the processes adopts to integrate intangible resources in acquisitions.

1. Introduction

Firms view Mergers or acquisitions as a window of opportunity to access their partner's key capabilities and resources (Hamel,Doz and Prahalad 1989). As a transfer of resources may occur during integration, the resource based view (RBV) is a useful means of identifying the resource interactions in strategic co-operations (Chatterjee and Wernerfelt 1991; Das and Teng 2000; Kogut 1988). Of interest however, is that few research studies have focused on processes adopt to integrate intangible resource in mergers and acquisitions (M&A). The theory of RBV, developed by Wernerfelt (1984), explains how the resource heterogeneity of firms determines the more intangible-related service differentiation among them. As a result, intangible resources, rather than tangible resources, are recognised as contributing to resource heterogeneity due to them being valuable, rare, inimitable and non-substitutable (VRIN) (Amit and Schoemaker 1993; Hall 1992; Itami and Roel 1987; Michalisin,Smith and Kline 1997). Whereas the acquisition of tangible resources is clearly evident, intangible resources such as know-how, culture, or networks,

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which are people dependent, are not so easy to integrate (Dierickx and Cool 1989). Therefore researchers like Firstbrook (2007), Birkinshaw, Bresman and Hakanson(2000) explains the importance of adopting different processes to successful integration of intangible resources.

2. Literature Review

Purpose of this paper is to explore the post-merger and acquisition performance of container lines from a perspective of integration of intangible resources. Therefore, at the beginning, the paper identifies the contribution of different types of intangible resources to market performance. Then the discussion focuses on processes, which have been used to integrate these intangible resources. Finally, the paper explains post M & A performance from the perspective of organisation and economic perspective.

2.1. *Mergers and Acquisitions*

During last two decades, M&As among container lines have increased on a global scale (Brooks and Ritchie 2006). Although, the majority of the container lines acquired are regional operators by global lines, some significant carriers, including APL and DSR-Senator Line, were taken over by NOL and Hanjin lines respectively (Fossey. 2007; Tupper 2008). P&O and Nedlloyd lines merged in 1997 to create P&O Nedlloyd line, which later acquired Blue Star and Tasman Express Line (Fossey. 2007; Tupper 2008). Evergreen became the second largest carrier in the world, in terms of TEU slots under its control, through the takeover of LLOYD Triestion in 1998. In 1999, Maersk Line acquired the international shipping operations of Sea–Land line to form a company controlling 9.2 per cent of world container shipping fleet. After a decrease in M&As in early 2000s' a renewed interest was led by 2.8 billion US$ takeover of P&ONedlloyd by Maersk Line to reach fleet capacity of approximately 1.8 million TEU (Fossey 2007). The main motives for M&As are to access new markets, reduce competition by sharing resources, enter into new trade routes and provide frequent services (Sigera,Cahoon and Fei 2010b). However, most mergers and acquisitions have failed to create synergy through integration (Birkinshaw et al 2000). The differences in managerial or corporate culture (Nahavandi and Malekzadeh 1988), resistance by the members of both firms to change (Nahavandi and Malekzadeh 1988), have been the main issues for lack of synergetic growth in M&As. Therefore, integration of intangible resources have been identified as vital for the post successful performance of M&As (Das and Teng 2000).

2.2. *Merger and Acquisitions and Intangible Resources*

The resource based view develops the idea that "a firms competitive position is defined by a bundle of unique resources and relationships" (Das and Teng 2000). The resource based view suggests that valuable firm resources are usually scarce, imperfectly imitable, and lacking in direct substitutes (Barney 1991). Thus, trading and accumulation of resources become a strategic necessity (Das and Teng 2000). When efficient market exchanges of these resources are possible (Das and Teng 2000,p.12), "firms are more likely to continue alone, but market transactions of resources are imperfect or default mode". Further, efficient exchanges of resources are not possible on the spot market because certain resources are not perfectly tradable, as they are either mingled with other resources or embedded in organisations (Dierickx and Cool 1989). Hence, M&As are adopted by firms to access, these intangible resources from partnering organisations. M&AS are the most integrated form of strategic co-operations, where the integration of intangible resources is intense.

2.3. *Intangible Resources*

As defined by Blair and Wallman (2001, p.3), intangible resources are 'non-physical factors that contribute to or are used in producing goods or providing services, or that are expected to generate future productive benefits for the individuals or firms that control the use of those factors'. Galbreath (2004, p.109) similarly defines intangible resources as 'those factors held for both short-term and long-term value creation that are nonphysical and intangible'. Another significant feature of intangible resources is the difficulty in measuring them, an issue made more challenging to understand by some of their omissions from financial statements (Blair and Wallman 2001). There are some features such as the difficulties to develop and duplicate that makes intangible resources more unique or heterogeneous when compared to tangible resources. Considering the above features of intangible resources, the firms will be in a better position to differentiate their services to be more competitive through understanding and better management of intangible resources rather than competing on the similar factors such as financial and physical resources which are commonly available for all the firms in the industry. These intangible resources can be further categorised into intangible assets and capabilities (skills) (Table 1). Intangible assets are comprised of intellectual property assets, organisational assets, and reputational assets (Fahy 2002; Galbreath 2004; Hall 1992).

Table 1
Intangible resources in firms

Intellectual property resources	Authors
Copyrights	Hall (1992), Brooking (1996),Galbreath (2004)
Patents	Hall (1992),Galbreath (2004)
Trademarks	Hall (1992), Brooking (1996),Galbreath (2004)
Organisational Assets	
Contracts	Hall (1992), Brooking (1996), Galbreath (2004)
Culture	Chatman and Jehn (1994), Itami and Roel (1987), Galbreath (2004),Robinson and Pearce (1998)
Human resource management policies	Lado and Wilson (1994), Galbreath (2004),
Organisational structure	Barney (1991), Galbreath (2004),Boulton et al(2000)
Reputational assets	
Brand reputation	Park, et al.,(1986) Brooking,(1996) Capron and Hulland(1999), Galbreath (2004)
Company reputation	Fombrun and Shanley (1990),Hall(1993)and Michalisin et al. (1997), Galbreath (2004)
Service reputation	Hall (1993) Galbreath (2004),
Capabilities	
Employee know-how	Nelson and Winter (1982),Itami and Roehl (1987),Galbreath (2004)
Managerial know-how	Day (1994),Teece (1998), Galbreath (2004)
Relational abilities	Charan(1991), Hall (1992),Dwyer et ell.(1987),Morgan and Hunt (1994),Webster (1992), Galbreath (2004),
Routines	Nelson and Winter (1982),Srivastava et,al.,(1999), Grant (1996), Galbreath (2004)

Source: Hall(1992), Galbreath(2004)

2.4. *Importance of Integrating Intangible Resources*

Researchers like Firstbrook (2007) has recognised the importance of integration of intangible resources such as skill of people (most capabilities are based on this), local market knowledge, customer and supplier relationships and reputation of management to success of M&As. Further it is vital to find out during the due diligence process (pre study done to prior to M&As) the level of co-operation between the two firms in the areas of the top management style (organisation processes), administrative systems (organisation processes), and decision–making practices (Pablo,Sitkin and Jemison 1996). This knowledge would help to understand whether merging firms culturally and strategically fit each other (Cartwright and Cooper 1993; Zhu 2006),as the culture differences affects the post M&A performance (Weber,Shenker and Raveh 2001) and they are also negatively associated with all other attitudinal and behavioural variables such as commitment, attitude towards co-operation (Buono and Bowditch 1989; Weber,Shenker and Raveh 2001). Further high cultural differences result in lower top management commitment and co-operation with the acquiring top management teams in M&As, and thus can be a major barrier to the harnessing of synergy through successful integration (Shirvastava 1986).

Cartwright & Cooper (1993) explain that M&As differ from any other process of major organisational change because of rate of change, scale of change and critical mass of the unknown they present to the employees. These changes create major stress to employees due to loss of identity, job security, changes in personnel and work practice and these transactions are more stressful for employees who have not self-selected themselves for change (Cartwright and Cooper 1993) or earmarked to leave. Acquiring managers are often ill-equipped to deal with these subsurface issues of people and culture (Mallette and Karen 2003). Therefore, processes have to be developed to identify these intangible resources and to integrate them (Birkinshaw,Bresman and Hakanson 2000).

2.5. *Processes adopted to integrate intangible resources*

The process to integrate intangible resources can be broadly categorised into two sub processes (Birkinshaw,Bresman and Hakanson 2000). They are task integration and human integration. The task integration focuses on value creation of M&As by integrating intangible resources such as capabilities, intellectual property, reputational and organisation processes. The human integration is concerned primarily with generating satisfaction, and ultimately a shared identity, among the employees from both firms mainly integrating cultures of the partnering firms (Birkinshaw,Bresman and Hakanson 2000). According to Blake and Moutan (1985), although the processes of 'task integration' and 'human integration' are conceptually distinct, they are not independent of one another, as aspects of human integration, such as enhanced employee satisfaction, are likely to make capability transfer and other intangible resources sharing easier; and task integration, in turn, is likely to enhance the employee satisfaction and shared identity.

Given that task integration and human integration require predominantly different management actions (combining and eliminating operations versus building an atmosphere of mutual respect and trust), and focus on different objectives (operational synergies versus employee satisfaction). It is identified that one sub process cannot be executed with relatively little concern for the other. Therefore, the individuals responsible for the management of the entire merger or acquisition are expected to reconcile the management of the two sub processes. As Birkinshaw, Bresman and Hakanson (2000) explain merger or acquisition success is a function of the two parallel sub processes (Figure 1).

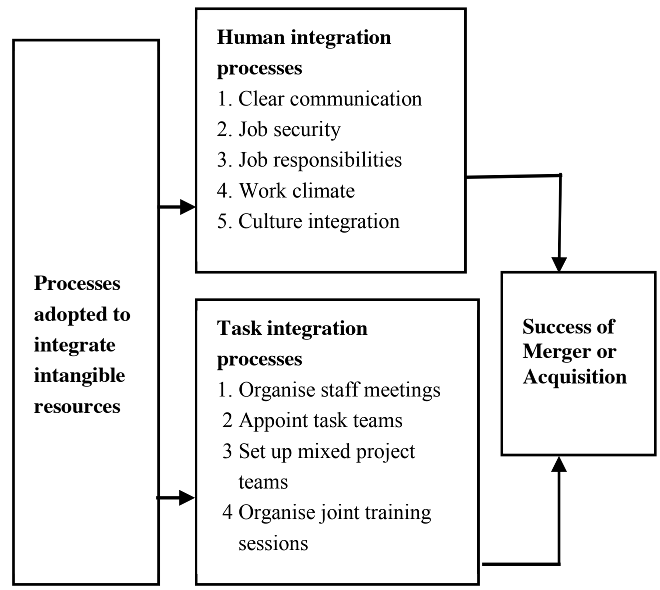

Fig. 1. Processes Adopted to Integrate Intangible Resources

3. Methodology

3.1. *Conceptual Framework and Measures*

Even though this paper focuses only M&As, the empirical study conducted focused on processes adopted to integrate the intangible resources among four types of strategic co-operations (shipping alliances, pooling agreements, consortia and M&As).The study further evaluated the economic and organisation performance of these post strategic co-operations . The questionnaire included following question types shown in Table 2, to evaluate these factors.

Table 2
Question dimensions

Question dimensions	No of items	Types of questions				
			Dichotomous	Force choice	Likert	Open
Process adopted to integrate intangible resources	16		6	3		7
Economic performance	14				13	1
Organisational success	8		2		5	
Totals	**38**		**8**		**18**	**8**

Thirty six of the respondents from the first stage of study were selected to be interviewed based on the stratified sampling method. A 100 per cent response rate was achieved with an average of 45 minutes per interview. In order to equally proportion the respondents, a limit of nine respondents was determined (see Table 3).

Table 3
Number of respondents for each type of strategic co-operation

Shipping alliance	9
Pooling agreement/Joint service	9
Consortia	9
M&A	**9**

Table 4, shows respondents' characteristics with respect to job title, years of working experience in the container liner shipping industry and size of the firm (number of employees). Results showed that all participants in the survey were senior managers including chairmen, managing directors, directors, and general managers thus ensuring involvement in the decision making process of container lines. In order to further ascertain whether respondents understood the container liner industry, they were asked how long they had worked in the industry. Table 6, shows nearly 84 percent of respondents had worked in the container liner industry for more than ten years, and some of them even had many years of working experience in regional offices of the container lines, suggesting that respondents had sufficient industry knowledge to answer questions and thus increase the reliability of the study. As 73 percent of agencies had more than 20 staff, the senior managers were also aware of people-related issues (an important intangible resource) during a strategic co-operation. All these senior managers represent leading global container lines in the world and the cumulative market share of these container lines is more than 80 per cent.

Table 4
Profile of respondents

Job title	Frequency	Per cent
Chairman	5	14
Managing Director	15	42
Director	2	6
General Manager	10	28
Senior Manager	4	11
Working experience (years)		
1-5	0	0
6-10	2	6
11-15	20	56
16-20	9	25
<20	5	14
Number of employees		
20 or less	6	17
21-50	25	69
51-100	5	14

4. Analysis and Findings

The finding of the empirical study categorised into three main areas. The processes adopted by container lines to integrate intangible resources in M&As and post economic and organisation performance of them. The interview of nine respondents on M&As were involved in six major global acquisitions occurred among container lines. Five of them represented acquired container line and other four respondents represented acquirer container line.

4.1. *Processes Adopted to Identify Intangible Resources*

As indicated in Table 5, the most common methods used to identify intangible resources were discussions and market surveys (comes under other methods).As explained by the respondents (Acquired 1 and Acquirer 2):

"They (acquirer container line) have conducted market surveys to find out about our customers, our work culture, and they have evaluated our strengths at macro level also".

Acquired #1

"Both lines checked the core strengths of each other on worldwide basis".

Acquirer #2

Resource mapping, running two parallel organisations after acquisition for some period and recruiting few employees from acquired container line for short period were among the other methods used to identify intangible resources. The knowledge tests and interviews had been used to select the suitable staff for the new organisation but these processes were not common with all the acquisitions (66.7 and 77.7 per cent respectively).

Table 5
Processes adopted to identify intangible resources

	Interviews	Discussions	Knowledge tests	Other methods
Acquired 1	x	x	x	x
Acquirer 2		x	x	x
Acquirer 3	x	x	x	x
Acquired 4	x	x	x	x
Acquired		x		x
Acquired 6	x	x	x	x
Acquirer 7		x		x
Acquired 8	x	x	x	x
Acquirer 9	x	x	x	x
Frequency	06	09	07	09
Per cent	66.7	100	77.7	100

After the broad understanding of the resource profile of the container line to be integrated, the detail studies had been conducted to understand the strengths and weakness of each container line from the perspective of resources. Two respondents revealed that resource mapping (included in other methods) was done with the objective of identifying gaps and overlapping areas in resource profiles of both container lines.

"The mapping was done to understand the strengths of current structure of resources (aquirer's) and the current structure of resources of the container line to be acquired. A large integration team was set up, they did the mapping. But, prior to that, mapping had been done on global level. But we found dissimilarities, so local team also got involved in this mapping process".

Acquirer #9

"It was like this; the head of the local organisation had mapped out the organisation plan fresh, and then had defined the characteristics of people needed for each job. Then the best suitable employee was selected from either organisation (acquired /acquirer), who possessed the characteristics, defined under each job to fill in the new organisation chart".

Acquired #6

After the mapping had been done, to identify the human skills needed to fill in the job positions in new organisation, test and interviews had been conducted. Two types of tests have been conducted; they were psychometric tests and standard aptitude tests. As explained by senior manager (Acquirer 9) the employees had to face a psychometric test to get selected to new organisation, which included two components.

"*All the employees recruited from acquirer container line had to pass either of the two tests: PI test (predictive index test) helps to identify motivations and drives of people, LI test (logical index test)(50 questions in 12 minutes), to identify the reasoning speed of employee*".

Acquirer #9

In some acquisitions the aptitude tests were based on standard industrial questions. The objective of this instance was to assess the knowledge and attitude of employees. In this instance, only middle and junior managers from acquired and acquirer container lines were supposed to sit for the tests.

"*The mapping was done, aptitude tests were conducted for both set of staff, the objective was to select the best of the talented*".

Acquirer #2

During the interview, when the interviewer asked, whether the staff was given any training before the test? The following response was given.

"*The tests were checking standard industrial knowledge, so they were spot checks to find out, what they knew up to then. These aptitude tests were conducted mostly for middle and junior level managers*".

Acquirer #2

As explained by the senior manager (Acquirer 3), the learning processes used to identify the intangible resources of the acquired container line had been different from other acquisitions. Even after the acquisitions, two container lines had run parallel as two separate container lines for two years and during this period the acquired container line had studied the work routines (capabilities), other business processes (organisational resources) and culture of acquired container line. In the mean time staff of both container lines had to sit for the tests to get selected to the new entity.

"*During the two year period, container lines have run parallel operations. During this period acquirer identified all the important intangible resources in detail. Acquired container line staff work together with the acquirer line staff. It helps acquirer line to understand the hidden work practices of acquired line*".

Acquirer #3

The selection tests were given after providing the training for both groups of staff.

"*During this two year period training sessions were conducted to both staff. Based on that evaluation, suitable people were selected for the new organisation*".

Acquirer #3

4.2 *Processes Used to Integrate Intangible Resources*

Three types of processes had been used to integrate intangible resources. They were staff meetings, mixed project teams and joint training sessions (see Table 6).

Table 6
Processes used to integrate intangible resources

	Staff meetings	Mixed project teams	Joint training sessions
Acquired 1	x		x
Acquirer 2	x	x	x
Acquirer 3	x	x	x
Acquired 4	x		x
Acquired 5	x		
Acquired 6	x		x
Acquirer 7	x	x	x
Acquired 8	x		x
Acquirer 9	x	x	x
Frequency	09	04	08
Per cent	100	44.4	88.8

4.2.1 Staff meetings

As indicated in the Table 6, in all the acquisitions (100 per cent), staff meetings had been organised. The meetings had been chaired by very senior members (country head, regional head) of the container lines. Generally these meetings had been used to educate employees on the developing processes of acquisitions.

"*The meetings provided information on job responsibilities, work security, career advancement; even in Colombo they were given specific information and guidance about their future*".

Acquirer # 3

However, as explained by the senior manager (Acquired 1), the information dissemination on the acquired container line side had been less detailed.

"*We were not informed of how the micro level acquisition will happened prior to the effective date of acquisition, so we were informed very late about this micro level integration. The future and job security were not disclosed to us in detail until just before the effective date came to existence. Therefore, employees were very anxious about their future*".

Acquired #1

However in the same acquisition the acquirer container line had a better understanding about the acquisition processes in real time, as explained by senior manager (Acquirer 2) and these meetings had been used to strengthen the bonds between two container lines.

"*The meetings were locally held in a common place to discuss the integration developments and issues. If they come to our office this time we will go to their (acquired container line) office next time. Gradually, developing a sense of relationship without creating animosity. No staff of acquirer line had the right to say we bought over you. Basically both sides were not allowed to make threatening statements to harm the cordial relationship*".

Acquirer #2

As mentioned above the level of information coming out of these meetings has varied from case to case. In some acquisitions, the information has been specific and detailed from the beginning, but, in some occasions the information has not been specific and not detailed from the beginning. The lack of information dissemination had affected the post-acquisition performance of these container lines.

4.2.2 Mixed project teams

Mixed project teams have been set up in some acquisitions; the objective of setting up them had been for learning from working together, but this has not been common among all the acquisitions (44.4 per cent).

"*The mixed teams were setup for vessel operation, marketing and customer relationship*".

Acquirer #3

In some instances the mixed global teams had travelled together to show the work forces of the local offices, the importance of co-operation and working together, in order to demonstrate the willingness from both parties to make the acquisition happened as planned and no infighting among global managers.

"*Acquirer container line IT team will travel with acquired container line IT, same time acquirer container line process people will travel with acquired container line process people*".

Acquirer #2

Further, when selected staff of the acquired container line joined the acquirer line, a "buddy" had been appointed to each of acquired container line staff member. He had been the guide on technical and cultural aspect of the new organisation.

"*To assimilate acquired container lines staff members to new culture and technical processes, a buddy was appointed for each staff member*".

Acquired #8

Mixed teams also had been encouraged in the sense of family outings, especially to integrate the cultures of the two container lines.

"*They had team events, family outing frequently to get us into their culture*".

Acquired #6

4.2.3 Joint training programs

Joint training (see Table 7) in most acquisitions had conducted only after the acquisition (88.8 per cent). The training has been provided to achieve two aspects; to train the staff members on the new systems process and to get assimilated into work culture of the new entity.

"*After the acquisition, the acquirer retained the computer technology, work practises, systems, even brand name of the acquired container line. Therefore, the staff of the acquirer container line had to learn all these. The joint training sessions were conducted to train staff of acquirer container line*".

Acquired #1

"*The work forces of the two container lines were sent to Singapore and were given joint training sessions mainly focusing on customer service, operations and marketing*".

Acquirer #3

4.2.4 Task team to facilitate the integration

In all acquisitions a task team had been appointed (see Table 9). The task teams had been compiled from the very senior members (corporate) of the container line. They started initial discussion of the assimilation processes and other departments were introduced afterwards. The objective of setting up task teams from very senior members of the container line was to give clear leadership to acquisition processes from the beginning. Therefore, in some instances the regional head was the head of the team.

"*All departments were included in the global level, at very senior level. At local level country manager, chief financial officer, HR were included, later in the process operations and marketing head, documentation were included to the team. They looked into all aspects of the integration process. Resources mapping, developing programs for different tasks*".

Acquirer #9

"*The team was set up at corporate level, not from departments. The special staff team monitored the plan for two years, They had a two year plan, so staff team had monitored the process of integration and they had prepared this integration process*".

Acquirer #3

In one occasion, the local country manger had not been involved in the task team, which had curtailed the speedy dissemination of information and created anxiety among staff about whole processes of the acquisition due to his negative comments.

"*Only the top managers included for this team, example regional managing director, and regional directors were included in the team. They belonged to corporate level management. The local country manager was not involved in the team, he told me that he was not sure of his own job*".

Acquired #1

Table 7
Task teams

	Task team	Composition of staff team (Managers)			Composition of staff team (Department)		
		Senior	Middle	Jun ior	Opera tion	Marke ting	Human Resources
Acquired 1	x	x					
Acquired 2	x	x	x		x	x	x
Acquired 3	x	x					

Acquired 4	x	x					
Acquired 5	x	x	x		x	x	x
Acquired 6	x	x					
Acquired 7	x	x					
Acquired 8	x	x	x		x	x	x
Acquired 9	x	x	x		x	x	x
Frequency	9	9	4		4	4	4
Per cent	100	100	44.4		44.4	44.4	44.4

5. Conclusion

5.1. *Organisation Performance*

As indicated in the Table 8, the respondents' observation on performance of organisation after the acquisition has not been positive. In the questionnaire, respondents were asked to indicate whether the staffs of the container line were satisfied after the acquisition. In general, mainly the acquired container line staff has been unhappy about the career advancement and the job security. They felt insecure about their future. Therefore, these two components have got very low mean values (see Table 10). In some instances, in the post-acquisition period, the staff from acquired container lines felt that acquirer line staff was given preference in career advancement.

"*The principle was to retain the best person for the job, all jobs below the country head were advertised and the best person was taken in. Then most of jobs were advertised, the incumbent and the guy from the acquired line had to apply. At the beginning it did not look that it was tilted towards acquirer line people, but with time the whole acquired line staff weeded off*".

Acquired # 5

In some instances the staff of the acquired container line was recruited since they had better skills for the job and placed on top of acquirer line staff member. So he (Acquirer 4) felt that this forced him to leave the container line.

"*Some time they put a new person from acquired line on top of a acquirer container line person. They used PI test as basis and tried to fix acquired line people in the container line. So they could say that these attributes were needed for this job, and this person from acquired line has these attributes and fix them for the job. Specially to get rid of the people whom they think unwanted, they will place a person on top of you to make you leave. However, they may pay a good compensation to you*".

Acquirer #4

Further, the career advancements for the employees in the new entity were curtailed due to competition between employees of both lines.

"*The career advancement got slowed due to competition*".

Acquired #8

As indicated in the Table. 8, the respondents were relatively happy about employees' job responsibility, work climate and salary in post acquired container line, but, in some cases, the acquired container line staff had a lesser job responsibility than what they used to have before.

"*Some of the staff from acquired container line felt that their job responsibilities were reduced, it affected them mentally*".

Acquired #8

Table 8

Organisation performance of acquisitions

Organisation performance	Mean	SD	Rank
Job responsibilities	2.875	0.563	1
Work climate	2.625	0.313	2
Salary	2.625	0.313	2
Career advancement opportunities	2.500	0.250	3
Job security	2.250	0.125	4

Note: Mean scores are based on five-point Likert scale (1=Not satisfied 5=Very satisfied)

Due to these reasons overall satisfaction of the staff on acquisition has been very low, as indicated in the Table 9 very high staff turnover (100 per cent) had occurred during post acquisition period. The staff turnover had most occurred among middle managers and senior managers. Among the two groups, middle managers' (88.9 per cent) turn over are higher than senior managers' (66.7) as at the beginning more middle and junior manager category staff had joined from acquired lines. Senior managers have opted to stay back from joining the new organisation.

Table 9

Staff turnover after acquisitions

	Staff turnover	The category of employees		
		Senior managers	Middle managers	Junior managers
Acquired 1	x		x	
Acquired 2	x	x	x	x
Acquired 3	x	x	x	x
Acquired 4	x		x	x
Acquired 5	x	x	x	
Acquired 6	x	x	x	x
Acquired 7	x	x		
Acquired 8	x		x	
Acquired 9	x	x	x	x
Frequency	9	6	8	5
Per cent	100	66.7	88.9	55.6

The most of the employees who left the new entity have been from the acquired container line.

"*Within the two years 98 per cent of acquired line staff vacated the post, acquirer line wanted to keep all their top management people, but, acquired line people did not like that*".

Acquirer #3

"*They did absorbed every one. Now about 90 per cent who were taken are not there. That is the story all over the world. There are few, who have moved forward in the acquirer line, the cultural mismatch, bleak future in the career were the main reasons to this high turnover*".

Acquired #5

The container lines have offered voluntary redundancy schemes (VRS) as indicated in Table 10. The schemes have been offered mainly to reduce the excess staff after the integration processes.

Table 10
Voluntary redundancy schemes (VRS)

	Voluntary redundancy scheme	The category of employees		
		Senior managers	Middle managers	Junior managers
Acquired 1	x	x	x	
Acquired 2	x	x	x	x
Acquired 3	x	x	x	x
Acquired 4	x		x	x
Acquired 5	x	x	x	
Acquired 6	x	x	x	x
Acquired 7	x	x		
Acquired 8	x		x	x
Acquired 9	x	x	x	x
Frequency	9	7	8	6
Per cent	100	77.8	88.9	67

All the acquisitions have offered VRS schemes; the middle managers have accepted the VRS schemes in most occasions (88.9 per cent). Further, these findings indicate that junior manager category employees show more resilient to adaptation to new entity than senior and middle managers (turnover 67 percent).

In some occasions, VRS schemes had been offered only for chosen staff members or the management has kept the last say to decide who should leave from VRS. This scheme was mainly offered to prevent valuable employees leaving the line.

"*The volunteer retirement scheme was offered, but people who had more marks in aptitude test were kept back, when they wanted to leave. The company had their own reservation about who should leave and who should stay. This selection was made based on the skill and attitude of the employees. They paid them three years salary upfront. In the first round of VRS two years salary was paid up front, in second round it became three years upfront. There were no force retrenchment, but head of the division in that particular area had the chance to hand pick the ones to stay*".

Acquirer #2

"The redundancy scheme was offered to people who were identified. This was to minimise the loss of good employees. Thus, very few remained because of very strong culture and the change of management style of the acquirer line".

Acquired #9

As the observation shows the acquisitions had made effort to integrate task and human integration but due to major differences in culture, management style the integration has not been very successful. The main reason for these cultural differences is the rich history of these container lines. Most lines have been in operations more than 50 years, some are close to nearly 100 yrs. The culture has been related to country where the container line had originated. When the container line originated from an Asian country take over line from USA, even among local members of staff this cultural difference had been observed. In the same manner when a European line acquires an American line similar cultural differences can be observed. This has curtailed the synergetic growth of new line. This is mainly because of complex city and the differences identified in above discussion. Even though there is still high turnover among acquired container line staff and high dominance acquirer line culture and other intangibles, there is sophistication in processes adopt to integrate intangibles. The sophistication has occurred due to experience these container lines had gain from many previous mergers and acquisitions and identification of intangible resources contribution to post acquisition success.

Even among other M&As in other industries, managers from the acquiring firm will often colonize the acquired firm by providing it with their own management tools and controlling the implementation of these tools (Walsh 1998). The working culture, routines, know-how of mangers, know–how of employees are some of the intangible resources identified as significant to the growth of a firm that can be neglected or ignored in this process. As a result, employees of the acquired firm will feel threatened in this endeavour. They will try to leave the organisation (Walsh 1988). As per Krug and Hegarty (1997), top management turnover rates following a merger or acquisition are significantly higher than 'normal' top management turnover rates, which is twelve times more than normal rate. Walsh (1989) and Krug and Hegarty (1997) further observed that full effect of the acquisitions did not become evident until several years following the acquisition. The studies done by Cannella and Hambrick (1993) and Krishnan, Miller, and Judge (1997), have revealed that acquired companies, which retain their top executives tend to have more successful outcomes than those that do not. However, it is difficult to retain all acquired company top executives, as most are lost within a few years of the acquisition (Krug and Hegarty 1997; Walsh 1998 and Walsh and Ellwood, 1991).

5.2. *Economic Performance*

As indicated in above literature there is direct relationship with human integration and task integration and economic performance. The economic performance indicators show that specially, personnel loss in staff had negative effect on the growth of market share (See table 11). After the acquisitions the customers have been confused about the new situation.

"*Market share fell, the customers were confused. So that acquirer line marketing was taken, but this helped the container line to move into niche markets such as Europe, South America*".

Acquirer #2

"*The acquirer line had a market share of 11 to 12 per cent globally. Acquired line had about 4 to 5 per cent. The game was to achieve a carrier with 20 per cent. There are obvious reasons why it did not happen. The critical areas they should have looked were customers, people, the hard systems, operating systems, IT systems, actual operating systems, the trade lanes, and who is dominant where, port side costs, vessel operating costs and cost side rationalising the costs were all not taken into consideration acquisition process*".

Acquired #6

"*One plus one did not become two, pretty quickly 1.1, they lost people in Rotterdam and USA things were disrupted. There were series issues;*

the work was disrupted for months. With that customer went away. Maersk could not recover. Some key people whom they should have kept left. They went for assets, not for people and intangible resources".

Acquired #7

"*We lost some business since we lost quality people, who joined from acquired line, however we used bigger ships we got from acquired line to enhance teu capacity of main loops*".

Acquirer #9

Table 11:
Economic performance

Economic performance	Mean	SD	Rank
Achieved economies of scale	4.33	0.50	1
Gained the ability to provide more frequent services	4.22	0.44	2
Entered into new trade routes	4.11	0.33	3
Increased the use of the terminal facility	3.78	0.67	4
Increased the utilisation of containers	3.78	0.67	5
Reduced external competition	3.78	0.67	6
Accessed general management skills	3.78	0.67	7
Achieved a more efficient work force	3.67	1.00	8
Increased cash flow	3.56	1.24	9
Increase market share	3.33	1.32	10
Reduced capital costs of purchasing or supplying ships	3.33	1.00	11
Gained the ability to access specific niche markets	3.00	1.23	12
Stabilised freight rates	2.11	1.45	13

Note: Mean scores are based on five-point Likert scale (1=Not satisfied 5=Very satisfied)

However using mainly tangible resources received from the acquisition container lines was able to enhance service frequency, enter into new trade routes, achieve economies of scale. Also in some markets lines were able to reduce the external competition by acquiring the competing line.

5.3. *Conclusion, Limitations, and Future Research*

The results of this study reveal that intangible resources make a significant contribution to market success of container lines. Therefore, the senior managers of the container lines should ensure that processes are implemented for effective integration of these intangible resources to achieve the intended synergetic growth when strategic co-operations are being developed. In addition, when forming closely integrated strategic co-operations (M&As), the senior managers should consider the compatibility of the corporate cultures of the merging container lines and the measures should be identified to integrate these different corporate cultures at the pre-planning stage. The measures to retain intangible resources of the acquired container line should be implemented, specially, due to the major impact of losing acquired container line sales and marketing staff has on the new entity.

As container lines find it challenging to integrate these VRIN resources in strategic co-operations, future research may be focused on mitigating these challenges and gaining a further understanding of effectively integrating the resources. Another possibility for future research is to investigate whether integration processes have helped the container lines to integrate the intangible resources through a longitudinal study. Such an in-depth study could be conducted using a selection of container lines, and applying a different methodology such as a case study approach. The effect of integration of intangible resources on performance of strategic co-operations can be quantitatively analysed through a mathematical model. This would explain in more specifically the cause and effect of independent variables (intangible and tangible resources) on dependent variables (strategic co-operation performance).

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