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Do the Customers Matter in Mergers and Acquisitions?

A Case Survey Study about Financial Performance and Customer Reactions on M&A

by

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Purpose: The purpose of this study is to examine the relationship between post merger financial performance and customer reactions on M&As, as well as how the issues of strategic relationships, integration, marketing, and human resources influence these customer reactions.

Method: One of the main reasons why M&A research lacks so much of customer reactions is that the methodological mainstream of M&A research in finance, economics, and strategy areas consist of quantitative surveys based on existing stock market and accounting data, which do not include more detailed customer, employee, and process data. The chosen methodology for this research is the case survey methodology which is a "quantitative analysis of patterns across case studies" (Larsson, 1993, p.1). The study contained of 70 M&A case studies, with corss-sectional data that was examined through regression analysis.

Theoretical framework: The study was based upon the integrative M&A framework from Larsson and Finkelstein (1999) which examines M&A performance through a holistic view. The customer and marketing dimensions of this study was mainly based upon Öberg's (2008) studies about customers' role in M&As

Conclusion: The main finding of this study is the clear and very positive relationship between M&A performance and customer reactions, measured mainly by financial performance but also through synergy realization. Even though this relationship should be obvious and self-evident, the role of the customer in the M&A literature has been poorly examined (Öberg, 2008). This study gives new perspective that the customer reaction matters in the specific M&A situation, compared to previous (Hallowel, 1996) findings that customer satisfaction determine profitability in general. Hence, our findings support the idea that the role of the customer in an M&A is important and should be accounted for when examining determinants and reasons for M&A performance.

Key words: Merger and Acquisition, Customer, Financial Performance, Customer Reactions, Ordinary Least Square, Case Survey study, marketing

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1. Introduction

1.1 Background

Mergers and acquisitions (M&As) are popular tools for firms to obtain growth externally (Oh, Peter, & Johnston, 2014). Ernest and Young (2015) reported that value of mergers and acquisitions in 2014 amounted to $ 3.2 trillion, an increase by 30% from the year before. This indicates the extensiveness of these types of transaction. However, these transaction are subjected to high failure rate (Schoenberg, 2006; Buono, Bowditch & Lewis III, 1985), which leads many of the merging companies to fail. It is argued that managerial focus is shifted to internal issues which may result in deprioritize customer-related tasks in an M&A (Hitt, Hoskisson & Ireland, 1990).

A study by Öberg (2008) finds that the customers dictate the degree of organizational integration in M&As. On the other hand, Larsson and Finkelsten (1999) argue that the higher the degree of integration, the higher will be the M&As' performance. From this it can be inferred that the customers have a central role in determining the performance of M&As . Supporting this argument, a journal by The Economist (2013) reports that 89% of top performing companies are striving to enhance the customer experience. They also state that "[t]he biggest motivator is their desire to increase customer loyalty (27%)" (The Economist 2013, p. 4). This fact shows that among the high performing companies, the customers are central to their performance objectives. Taking above facts into consideration, it is highly possible that the customers have a significant influence in determining the companies' financial performance after an M&A. Thus in this thesis, the interest lies in studying how customer reactions relate to the financial performance of merging companies.

1.2 Problem Discussion

Öberg (2008) argues that the customers have the ability to determine the success of integration realization. Therefore, she argues that it is very imperative for the companies to concentrate their efforts on responding effectively to the customer reactions. Failure to adjust to the customer reactions might worsen companies performance, and may cause the M&A to fail.

Furthermore, global excess production capacity has forced many firms to consolidate through M&As, to combat the price pressure as well as to obtain increased efficiency (Weber & Dholakia, 2000). However, many of those firms undertaking the M&As have experienced failures in the process (Epstein, 2004).

"Many of today's mergers are driven primarily by strategic goals such as the quest for market access, new technologies, critical mass, and growth" (Weber & Dholakia, 2000, p. 174). The increase in the importance of strategic goals in M&AS have led the marketing-integration to become more imperative in determining the success or failure of M&As (Weber & Dholakia, 2000). Anderson, Havila and Salmi (2001) support the idea that the customer and supplier relationships are fundamental in an M&As. According to them, good M&A outcomes largely depends on how well managements can identify external relationships and also the possibility of the acquirer taking over the business relationships of the target company.

However, Homburg and Bucerius (2005) state that marketing integration has a negative relationship with financial performance, their reason is that the positive effect of cost savings is outweighed by the negative impact of market-related performance. They also argue that market-related performance is more imperative rather than cost-saving in determining the financial performance of firms after the merger. Complementing marketing-integration, they claim that the speed of the integration is also important because faster integration will minimize customers' uncertainty. Therefore the firms might enjoy greater market-performance. In summary, it can be concluded that the marketing perspective plays a pivotal role in determining the success of M&AS while the speed of marketing integration will help enhance the firms' market-related performance by minimizing the customer uncertainty.

Taking together the results of the relevant studies, it can be concluded that organizational, human-resource, and marketing perspectives have a significant impact on determining the success and failure of M&As. However, little effort has been put into how the customer reactions relate to the financial performance in the M&As, therefore leaving a gap for this research. Furthermore, many of the previous studies are employing event studies or accounting measures to assess the financial performance. King, Dalton, Daily and Covin (2003) argue that the event studies and accounting measurements are substantially neglecting other potential relevant dimensions that might explain the companies' financial performance.

Thus, this study adopts a case-survey analysis method, in order to include the potential relevant dimension, in assessing the financial performance of the merging companies. Finally, "[p]revious M&As-related research has largely neglected marketing issues despite their immense importance" (Homburg & Bucerius, 2005, p. 107). Therefore this thesis is devoted to examining how the customer reactions might relate to the financial performance, as well as assessing how different M&A aspects relates the customer reactions on M&A.

1.3 Purpose & Research Question

The purpose of this study is to examine the relationship between financial performance and customer reactions in M&As, as well as how the issues of strategic relationships, integration, marketing, and human resources influence these customer reactions. Given the purpose of this thesis, the research questions which will be addressed are:

1. How does customer reactions on the M&A relate to post-merger financial performance?

2. What M&A factors relate positively and negatively to customer reactions to M&As?

1.4 Thesis outline

The next chapter, chapter two, gives an overview of the studies made within this field, a profound presentation of the central theories, and lastly the hypothesis development. Chapter three examines the methodological framework and the research design for this study, and chapter four presents the empirical results. In chapter five, the academically and practical contribution and implications of the study are presented.

2. Theory and previous empirical findings

Chapter two provides the reader with a concise depiction of the general M&A theories, M&As' performance, and other relevant theoretical reviews. A recapitulation about the relevant previous findings are present and followed by a hypothesise developement.

2.1 Merger and acquisition

Gaughan (2007) defines a merger as the combination of two separate business entities into a single business institution, in which only one company will survive and the merged firm will cease to exist. For instance, if there are two companies, namely company A (the dominant one) and company B, going into a merger, company A will keep on existing after the merger process. Subsequently, company B is expected to become a part of company A and thus the joint firm will exist under the name of company A. Furthermore, Gregorious and Neuhauser (2007) explain that merger a comes into an existence due to the firms' needs to exploit economies of scale or to generate synergies. They also find that merger will help the firms to gain market power through consolidation thus creating oligopoly benefits.

2.1.1 Type of M&A

M&A can be classified into three different types which are: (1) horizontal (2) vertical and (3) conglomerate (Gaughan, 2007). These types of M&A are used by firms as a strategic tool to gain external growth, market power, a medium to switch the core businesses, and so forth.

2.1.1.1 Horizontal M&A

Gaughan (2007) explained that horizontal M&A occurs when two different companies combine into a single entity. In his instance, he describes horizontal M&As using the merger of Exxon and Mobil, in which the two companies combined into a new single entity, namely ExxonMobile. Furthering the explanation of Gaughan (2007) defines horizontal M&A as combining two different companies that compete in the same market into a single firm. Buono and James, (1990) discovered that horizontal M&As has been successfully bringing growth and improving the performance of the firms involve in M&A. However, they argue that this success is particularly to horizontal M&As where acquirers merge with smaller targets. It is also noted that increasing market power, horizontal M&A is subject to a heavy inspection of antitrust-acts by governments (Gaughan, 2007).

2.1.1.2 Vertical M&A

A vertical M&A is defined as the combination of two different companies that have a buyer and seller relationship (Anthony et al, 1989; Gaughan, 2007). Anthony et al (1989) argue that the motive for a vertical acquisition is mainly driven by the need of acquiring firms to minimize uncertainty in their environment as well as to obtain more control over their operations. This type of M&A can be undertaken by acquiring their suppliers or other firms that distribute their products (Anthony et al, 1989). Gaughan (2007) states that the anticipated result of this activity will be lower prices as well as increase competition. He goes further to argues that this transaction is exempted from antitrust regulation because it does not increase the monopoly power of the merging firms (Gaughan , 2007).

2.1.1.3 Conglomerate M&A

Conglomerate M&As are defined as "simply mergers that are neither horizontal nor vertical" (Gregorious & Neuhauser, 2007, p. 156). Gaughan (2007) views conglomerate M&As as merger activities that do not involve firms that are directly competing with one another as well as those that do not have a seller-buyer relationship. He also states that the major motive for this type of merger is the diversification of the firms' portfolio (Gaughan, 2007). This strategy will allow firms to switch their businesses into more lucrative industries. In relation

to this statement, Anthony et al (1989) support Gaughan's argument that conglomerate M&As pursues the goal of financial integration rather than operational integration. However, The Federal Trade Commission of the USA (FTC) is furthering the definition of the conglomerate M&A by dividing it into two sub-categories, these are (1) market extension and (2) product extension. For the first category, the FTC defines it as merging of different companies that have the same products, but operate in different geographical markets. The sub-category of product extension is defined as the combination of companies that are operate in the same geographical market, but produce different products.

2.1.2 Common Reasons for M&A

Gaughan (2007) argues that there are four common reasons why companies undertake M&A, which are: (1) growth (2) operating synergy (3) financial synergy and (4) diversification. With regards to growth, they claim that M&A provides firms with faster growth with a lower cost compared to internal development (Gaughan et al, 2007). It can be inferred that by acquiring the targeted firms, the acquirers could expand their market share, therefore raising the probability of increasing revenue. Alternatively, both firms could do cross-selling of their products which might also increase the probability of both companies' products ending up with increased sales. Operating synergy provides the firms with competitive advantages, which might be achieved through cost-saving and/or revenue enhancement. His reason for the financial synergy is to reduce cash-flow volatility, hence lessening the overall risk for the firm. This synergy can be achieved by merging two firms that have uncorrelated cash-flow streams. However, for the firms that experience slow or negative growth due to a declining-phase of the business life cycle, he suggests the acquiring firms to pursue conglomerate M&A. His reason for this is that a conglomerate M&A will provide a window-opportunity for the firms to switch their declining businesses to more lucrative ones. Complementing these four major motives, Trautwein (1990) explains that M&As also could be motivated by the needs of management for empire-building, whereas better information of the acquirer management, relative to the stock market may induce a firm to acquire the targets for gaining the arbitrage opportunity.

2.2 Merger and acquisition performance

The increasing needs of M&A have boosted its value of transaction. However, the fact is that many firms that undertake M&A have experienced a high degree of failure during the process (Epstein, 2004). Researchers reveal that the rate of failure in M&A is around 50% (Schoenberg, 2006; Buono, Bowditch & Lewis III, 1985), which might lead to detrimental effects in

the economy. Despite these studies which conclude a high failure rate in M&As, a previous study by Healy, Palepu and Ruback (1992) find that M&As have helped many firms to improve their financial performance. Furthermore, Larsson et al (1999) complement these findings by suggesting that most of the discrepancy in the findings of M&A performance stems from the differences between dependence on accounting-based measures and event studies. Therefore they propose a new approach to study the M&A performance using a more holistic approach to eliminate the problem.

2.3 Larsson and Finkelstein's integrative M&A framework

Larsson and Finkelstein's (1999) integrative model expresses synergy realization as the function of the following variables: (1) combination potential, (2) organization integration, and (3) employee resistance. They claim that the model is best fit for a holistic study because the model focuses on the consequences of acquirer-target interactions. Synergy realization is used as a method to measure M&A performance, which is defined as the synergy realization as the actual net benefits that the joint firm gains, as a result of the participant interaction.

Combination potential is explained as a source of synergy and is considered to be a crucial factor in determining the degree to which synergies in M&A will be realized. Organization integration is defined as the extent to which the M&As participants coordinate and interact with one another. Furthermore, Haspeslagh and Jemison (1991) explain the importance of organizational integration by arguing that firms need to have extensive interaction and coordination to be able to well-exploit synergy interdependence between the parties. Complementing their view, Larsson and Finkelstein (1999) divide organization integration factor into two components, which are (1) degree of interaction and (2) the extent of coordinative effort to improve the quality of interaction. They explain that one could expect minimum joint benefit if the firms are unable to execute interaction and coordination properly. Finally, "employee resistance, is defined as the individual and collective opposition of employees to the combination… is associated negatively with M&A performance" (Larsson and Finkelstein, 1999, p. 7). In relation to this problem, Larsson and Finkelstein (1999) argue that for acquired firms responding negatively to M&A, the unfavourable reaction is mainly driven by three factors which are (1) "we versus they" antagonism, (2) the impact of M&A on career plans of employees, and (3) culture clashes. In conclusion, this model allows researchers to measure firms' M&A performance from multiple aspects simultaneously.

Larsson and Finkelstein's approach also explores the inter-relationship of these variables. Their model explains that the firms with greater synergy potential will have a higher tendency

to interact and coordinate their actions, compared to those that have a lower synergy potential. In other words, one could anticipate that firms with a greater synergy potential will have greater organizational integration. Furthermore, they argue that employee perception about their future role in the new firm plays an important part in determining the degree of cooperation. They also expect that the greater the combination potential, the more negative will the employees react to an M&A. Hence, in their model they hypothesize that there is a positive relationship between combination potential and employee resistance. Lastly, the final possible inter-relation is between organizational integration and employee resistance. The organizational integration is the major stressor for employees because it increases uncertainty, reduces job security, and causes job change (Goyal & Joshi, 2012; Larsson and Finkelstein, 1999). In other words, this activity will encourage employees to be more resistant to M&As (Larsson and Finkelstein, 1999) thereby reducing the ability of firms to realize the actual benefits of M&A.

Larsson and Finkelstein (1999) further explain that synergy realization can be achieved through both strategic similarity and strategic complementary. However, the strategic complimentary has a more significant impact on the synergy realization, compared to strategic similarity. Synergies through strategic similarity can be obtained by accumulating similar operations, while for strategic complimentary it can be obtained by "… combining different, but complementary, operations" (1999, p. 6).

Larsson & Finkelstein (1999) were able to integrate much of the fragmented M&A research by using the case survey method that aggregates many existing case studies with their unique detailed human and process data. This case survey method can also be used for integration of the neglected customer and marketing perspectives on M&A. It enables to measure how much customer reactions influences M&A performance and how these customer reactions can in turn be improved.

2.4 Customer reactions

Customers are one of the most important stakeholders that determines firms' profitability. Firms will achieve a higher profitability if they could secure and improve their customer satisfaction (Anderson, Fornell & Lehmann, 2006; Hallowell. 1996). Hallowell (1996) argues that the relationship between profitability and customer satisfaction is mainly bridged by customer loyalty. In other words, customer satisfaction will impact profitability indirectly through customer loyalty. In consideration of this linkage, it can be inferred that customers play a pivotal role in determining the future and survival of firms.

Many previous studies have concluded that integration has an important part in defining M&A performance. Shirvastava (1986) argues that lack of integration has led many past M&A transactions into failure. She also states the factors that lead integration to M&A failure are (1) coordination problems, (2) problems of monitoring and controlling quality and output, and (3) conflict and fragmented interest of organization members. Hence, it can be concluded that the inability of the firms to properly integrate the companies might arouse these problems, which in turn causes the M&A to fail.

Moreover, Öberg (2008) finds that customers are able to influence the integration realization by: (1) limiting integration intention, (2) being the reason for pre-integration reconsideration, (3) being used as an argument against integration, (4) not acting according to integration intentions, and (5) actively working against integration. However, Öberg's (2008) focus was not on assessing the performance of the M&A. Putting Öberg's (2008) and Shirvastava's findings together it can be inferred that there is a relationship between M&A outcome and customers.

2.4.1 Customer Reactions

From the customer perspective, Öberg (2008) fins that customers reacts to the M&A in one of three different ways which are (1) non-reaction (2) incremental reaction or (3) radical reaction. She states that non-reaction means that customers will not change their business relationship. In other words, the customers will keep doing transactions with the firm with which they already have relationship with. Furthermore, for the latter type of reactions, she explains that M&As will have a direct impact by changing the relationship between customers and the merging companies. She argues that M&As which aim to have incremental reactions, the firms will exert an effort to provide additional products through existing sales relationships. Her dissertation depicts the radical-reaction as a circumstance where business relationships are either established or dissolved. From her arguments, it is expected that the creation of business relationships might be the result of when a company acquires another firm due to its customer relationships. However, she also expects that this radical reaction might result in the dissolution of relationship as well.

Furthermore, Öberg (2008) states that the non-reactions are constituted of two different motives which are speculation and action-readiness. These two motivations lead customers to preserve their previous business relationship (Öberg, 2008), from which it can be inferred that the customers will keep purchasing the same products from the previous company with which they already have a relationship with. The speculation motive occurs because the customers do not know what to expect from the M&A, therefore leaving the customers to preserve their

previous business relationships. For the action readiness, she explains that this is the situation where the customers might prepare for a change due to the M&A.

Finally, Öberg (2008) states the incremental reactions are the result of biding time. She explains biding time as a situation where firms drive attention away from the customers-interaction. This will lead the customers to confusion and standstill, thereby affecting sales activities negatively.

2.5 Previous empirical studies

Anderson et al (2001) argue that M&A have two major concerns, namely (1) business related concerns and (2) financial concerns. With regards to the business related concern, they explain that it could be broken down into four different types which are: (1) Vertical (2) Horizontal (3) Product extension and (4) Market extension. For the second concern they define it as conglomerate, so-called portfolio investment. The purpose of portfolio investment is to reduce the financial risk while at the same time improving the return through financial strategy (Anderson et al, 2001).

A recent study by Epstein (2004) shows that there are five drivers that contribute to the success of post-merger integration which are: (1) integration strategy (2) integration team (3) communication (4) speed and (5) aligned measures. He states that the incapability of firms in achieving any of those drivers will hinder the firms from obtaining their merger goals (2004). Furthermore, he also argues that though the firms are successful in the post-merger integration (PMI), it does not guarantee that they are going to be successful in the merger (2004). He claims that the merger has a slim possibility of success if the PMI is not complemented by a high level of management competency in execution (2004).

Continuing Epstein's study about the factors contributing to the M&A success, Oh, Peter and Johnston (2014) examine the factors that might lead M&A to failure. Their study shows that the size differences of the two firms involved in M&A have a negative impact on the merger performance. However, their study suggests that this impact only exists temporarily because the employee collaboration will offset this effect. Furthermore, according to their study, acquiring a large target might slow down the PMI, in which this delay is mainly caused by friction in the organizational cultures (2014).

Larsson and Finkelstein (1999) have done a research on the factors that contribute to synergy realization and their findings conclude that market-relatedness and organizational integration are positively correlated with synergy realization. They also discover that employee resistance

affects synergy realization negatively. However, their research is limiting the integration only to the organizational and human side without considering customer reaction.

Anderson et al (2001) find that supplier and customer relationships have more impact on the M&A when the two companies are highly related. This might suggest that the firms should consider their market-relatedness in order to obtain more enhanced market-related performances.

Furthermore, Homburg and Bucerius (2005) state that many previous studies on M&As have neglected the importance of marketing perspective at large. With this large research gap regarding the impact of marketing on M&As, they examine the impacts of marketing integration on M&A performance. They find that marketing integration has a negative impact on the financial performance because of the negative effect of the market-related performance. Moreover, they argue that management should speed up the integration process of the market-related performance because this will help firms to reduce their customers' uncertainty. Lastly, their findings mention that under PMI, market-related performance has more impact on the financial performance compared to cost-savings.

Recent study, by Swaminathan, Groening, Mittal and Thomaz (2014) indicate that merger firms will produce greater value creation than the non-merger ones if they could achieve customer satisfaction and efficiency simultaneously. They argue achieving customer satisfaction and efficiency during the merger process is crucial to enhancing long-term value creation.

Anderson and Schmittlein (1984) "develops and tests a model of integration of a marketing function, personal selling" (p. 385). They discovered that vertical integration is the major factor contributing to asset specificity. Their study also concludes that the use of direct forces is the major cause of internal uncertainty. Finally, under M&A, asset specificity and uncertainty have no significant incremental interaction.

Micheal, Rochford and Wortruba (2003) conduct a study on how the introduction of new products impacts the sales management strategy. They discovered that the type of product newness does not bring about a change to the sales management strategy. Moreover, introducing a product that is new-to-the-firms but not new-to-the-market gives more impact to the sales management strategy, rather than introducing a product that is new to both the firms and market. Therefore, they suggest that for firms that are going to lunch a new product should exercise a sufficient scrutiny on their sales strategy to obtain potentially beneficial changes.

2.4 Hypothesis development

2.4.1 Financial Performance & Customer reactions

Since the customer is one of central parties determining the success of a business, it is believed that there is a positive relationship between positive customer reactions and the successful financial outcome of the M&A.

H1: There is a positive relationship between financial performance of the joint firm and the customer reactions.

Larsson & Finkelstein (1999) summarize that there is basically two traditional performance measures to assess M&A outcome. Stock market abnormal returns through event studies and accounting measures. As mentioned previously they introduced a new measurement, synergy realization. Since this study got unique access to the database of Larsson & Finkelstein (1999), this study includes synergy realization as a second performance measurement, to compare and test the robustness in the financial performance measurement in H1.

H2: There is a positive relationship between synergy realization and the customer reactions.

2.4.2 Customer Reactions on M&A

The following hypotheses are based upon the assumption that the pre-merger customers have not decided the merger/acquisition that they are exposed to. Given that they orignially have decided to buy from one of the merging companies and typically not the other, the customers are in general likely to react negatively to having unchosen products, brands, sales people etc imposed on them.

Rahman and Lambkin (2015) concludes that horizontal M&A, that is, between competitors producing similar products and marketing them in the same markets, face difficulties enhancing revenues and cutting costs. Further, it can be expected that when similar businesses merge that will imply decreased number of possible suppliers for the customers, and that market concentration result in increased prices.

H3: There is negative relationship between customers reactions, and a merger with or acquisition of party with high degree of strategic similarity,

Lahiri and Narayanan (2013) concludes that vertical integration , that is combining long-linked suppliers and customers where the output of one can become the input to the other,

enhance alliance portfolio size and hence improves financial performance. This means that the other M&A types of vertical, market extension, and product extension represent combinations of companies that are complementary instead of overlapping/similar companies. It can be expected that the consequences that the customer may suffer if similar businesses merge is absent when complementary businesses merge (Larsson & Finkelstein, 1999).

H4: There is a positive relationship between customer reactions and merger or acquisition of party with high degree of strategic complementarity.

Since previous findings (Larsson & Finkelstein 1999) confirms that there is a negative relationship between M&A outcome and employee resistance, it can be expected that the resistance of the employees will spill over to affect the customer reactions to the merger/acquisition. Likewise, Goyan and Joshi (2012) have suggested that the employees will react negatively to the M&A because it creates uncertainty, reduce job security, and also cause job changes. These will create resentment among the employees thus may impacting their working quality and productivity, which in turn will stimulate a negative reaction from the customers. Supporting the Goyan and Joshi (2012) suggeestion, Liao and Chuang's find that the employees affects customer loyalty, which can further be associated with that employee resistance in an M&A relates to customer reactions.

H5: There is a negative relationship between customer reactions and employee resistance.

Schweiger and DeNisi (1991) argue that communication about the merger to the emoloyees reduced negative outcomes of the merger. Further, Thornton (2004) conclude that 50% of the customers were less satisfied two years after the merger compared with satisfaction before the merger. Even though advertising should be beneficial to raise customers awareness, we hypothesize that raising awareness about the merger/acquisition to the customers has a negative impact on the customer reactions.

H6: There is a negative relationship between customer reactions and advertising the merger to the customer.

Öberg (2008) recognize that customers may respond to the integration of the organizations in seven different ways in her study of 8 mergers, where four of the actions (disappointment, active objection to the integration, dissolution, non-action) could be interpreted as negative

from the perspective of the joining parties. Two are clearly positive (relief, and customer buys cross-selled products) and one is mixed between positive and negative (connecting to the other party). Further, the integration could be expected to imply a higher degree of changes for the customers and consequently make the customer react negatively.

H7: There is a negative relationship between customer reactions and organizational integration.

In addition to the overall organizational integration, this thesis also aims to examine the relationship between customer reactions and sales force integration. Hence, salesforce integration is expected to have the most intensive customer contact. In one of the case studies in Öberg (2008), the customer Ikea reveals that it would change supplier if their contact persons at Vermiation would be phased out by the acquirer. Futher, Homburg and Becerius (2005) finds that marketing-integrations may affect financial performance negatively. This makes us hypothesize that even the sales-force integration may be negatively related customer reactions.

H8: There is a negative relationship between customer reactions and sales force integration.

Customers may react to changes that occur because of the integration and merging of the pre-merger organizations. But, they may also react on dimensions that the new entity creates together. For example, merged companies may choose to re-brand themselves. Those, new created changes may also occur on a product and salesman level. Hence we hypothesize:

H9: There is a negative relationship between customer reactions and creation of new joint products, brands and hiring of salespeople.

Larsson (1990) examines the toy company Brio's acquisition of the competitor Alga, where Brio faced difficulties selling Alga's products since they were not used to them and had to learn how to sell more. Larsson also found that when the acquiring glue company Casco bought the small paint company Höganäs Färg, before they acquired the bigger paint company Nordsjö, Casco mismanaged the paint products due to lack of knowledge about the new products which differed from their own glue products. Thus, in both these cases the initial lack of knowledge about acquired products resulted in initial sales drops before the acquirers' sales forces had learned the acquired products well enough to regain lost sales and even in-

crease them greatly over time. If sales people are given new products in M&A, it can be expected that it will initially result in negative customer reactions until the sales people have learned to sell them well.

H10: There is a negative relationship between customer reactions and salespeople need to learn to sell new products.

3 Method: Case Survey Methodology

3.1 Research approach

The chosen methodology for this research is the case survey methodology (Larsson 1993; Yin & Heald 1975) also called meta-analysis (Jackson & Schuler 1985), secondary analysis and integrative research review (Cooper 1984). Throughout this research the chosen name for this methodology is case survey methodology, which simply could be described as a "quantitative analysis of patterns across case studies" (Larsson, 1993, p.1).

The intuitive approach of the case survey methodology is to analyse and review existing research to "bridge the gap between nomothetic surveys and idiographic case studies" (Larsson 1993, p1). The gap is created because the nomothetic surveys, also known as quantitative surveys, lacks the ability to get an in-depth insight and pick up processual phenomena (Bryman, 2008). On the other hand the idiographic survey, commonly known as qualitative survey, finds it hard to accomplish cross-sectional generalization (Bryman, 2008). The case survey method which analyzes several previous qualitative case studies by using a close ended questionnaire overcomes these generalization weaknesses (Rourke 2007; Larsson 1993).

One of the main reasons why M&A research lacks so much of customer reactions is that the methodological mainstream of M&A research in finance, economics, and strategy areas consist of quantitative surveys based on existing stock market and accounting data, which do not include more detailed customer, employee, and process data. The only other common method of studying M&A is qualitative case studies, which are great for examining human side and process issues, but is typically only used in the organizational and HR areas of M&A research. The main drawback of case studies is that you only do one or few companies, from which it is hard to draw any more general conclusions about M&A performance and how to improve it (Bryman, 2008).

The case survey procedure of this study could be summarized in four steps (Larsson 1993) (1) choose a sample of previous qualitative case studies appropriate to the chosen research field,

(2) create a rating scheme to convert the qualitative information from the cases into quantified variables, (3) use multiple raters to rate the information in the cases and measure their interrater reliability and lastly (4) statistically examine the quantitative data.

3.2 Sample

To accomplish a case-survey study it is necessary to have sufficient number of qualitative case-studies that includes information relevant to the chosen research question (Larsson 1993). This study was possible to execute within the limited time frame because of the access to the settled database of M&A cases provided by Professor Rikard Larsson (Lunds University), a database that was used in his publication "A Case Survey of Synergy Realization" (1991) and further his publication about the same issue together with Professor Sydney Finkelstein (1999). Consequently, the sample of this study is nearly identical with the case samples of Larsson and Finkelstein's work (1999). The total number of cases were 70, whereof 61 cases where taken from Larsson and Finkelstein (1999), a detailed case list is found in appendix 3.

The argument that a new sample is preferable instead of using a previous studied sample to enhance the academic contribution is absolutely a relevant argument, especially when 44 of the cases were authored between 1980 and 1990. The answer is that, firstly, even though the sample is almost identical to Larsson and Finkelstein (1999), new variables for the cases (marketing variables) have been added, a perspective that Larsson and Finkelstein (1999) did not include, a detailed description of the variables is found under the section 3.4. Secondly, it is intended to compare the relationship between the new derived variables with the previous variables in Larsson and Finkelstein (1999). Thirdly, to accomplish a case-survey research it should be taken into consideration that it's time consuming and complex to find the high number of qualitative cases relevant to the research question, something that would not be possible for a two month research study. Fourthly and last, Larsson's & Finkelstein's (1999) way to examine successful M&A's can be considered to be one of the central M&A studies since its quoted 900 times on Google Scholar today (09-05-2015), to utilize their database to expand the model through examining the customer and marketing perspective are benefits that outweighs the argument of repeated use database.

3.2.1 New cases and new variables

In addition to Larsson and Finkelsteins (1999) database of 61 cases we added 9 new cases. 8 of the 9 cases were mainly added because of their high relevance to the research question, and were taken from the doctor dissertation "The Importance of Customer in Mergers and Acqui-

sitions" by Christina Öberg (2008). Her study consists of 8 M&A case studies that examine customer's actions and reactions in an M&A process. The ninth case was a calibration case, and will be further explained in the Raters section.

Adding the 9 new cases to the sample meant that we needed to rate the cases not only for new marketing and customer variables but also for the old variables. By old variables we mean those variables that were included in Larsson's & Finkelstein's (1999) study.

A visualization of the sample and an overview of the variables are given in Figure 1. A1 the blue area show the cases and the variables that were accessed from Professor Rikard Larsson. A2 is the new added cases to the database with data similar to Larsson & Finkelsteins (1999) study. A3 is Larsson's & Finkelstein's cases but with new variables derived, and A4 represents the area for new added cases and new rated variables.

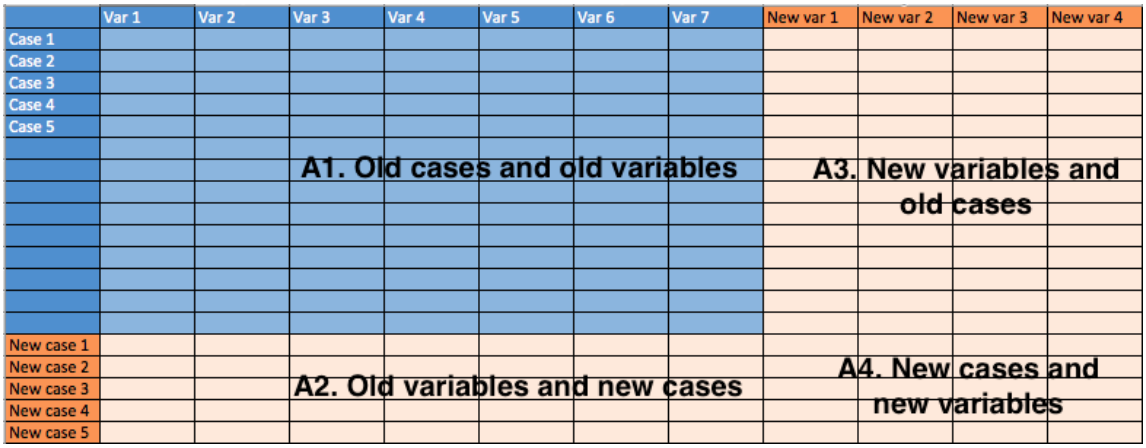


Figure 1: Dataset visualization.

3.3 Validity and Reliability

3.3.1 Coding Description

To convert the qualitative information in the cases into quantitative data a rating scheme (also known as coding scheme, see appendix 1 and 2) is necessary (Larsson 1989). The scheme consists of questions or statements that the rater (the one that reads the case) needs to answer on a pre-determined scale.

One of the challenges when designing a coding scheme is to choose between an extensive information-rich scale or a narrow scale with fewer possibilities (Larsson, 1993). The variables for this study were designed on a five-point Likert scale, with an additional alternative stating "insufficient information". This was chosen in order to extract as much of the qualitative information as possible. Furthermore, with a five-point Likert Scale, the possibility to collapse the scale to a three point scale available if the rating results are unreliable.

Out of the two coding schemes chosen, the first scheme Appendix 1 contained identical variables of the Larsson & Finkelstein (1999), which represents field A2 in figure 1 above. This scheme was necessary to derive data from the new cases which is comparable to the data in field A1, in figure 1. The second scheme (Appendix 2) was created to extract data for the new marketing and customer variables from both the old and the new cases, field A3 and A4 in figure 1. The first scheme (Appendix 1) contain 32 variables and the second scheme 11 variables.

3.3.2 Raters

The coding started by appointing two raters to each case, which is preferable (Larsson, 1993) to be able to measure interrater reliability.[1]The total number of raters involved during the data collection was 4 persons, whereof the two main raters was the authors of this thesis Alam Omarsyah and Zuher Kiswani. The total number of raters involved in the data collection was 4 persons, whereby the two main raters were the authors of this thesis, Alam Omarsyah and Zuher Kiswani. The other two raters were Professor Rikard Larsson (Lunds University) and Professor Christina Öberg (Örebro University). Both were invited to participate in the rating since the data in the study included cases which they have authored. Authors rating is considered to be appreciated (Larsson, 1993), as explained further below.

This study mainly adopted the consensus rating approach and the expert rating approach. The consensus approach refers to the process that several raters rate the same cases independently, and meets afterwards to discuss any differences in their rating estimations (Larsson 1993). The goal of the discussion is too agree on the most correct ratings in terms of best representativeness. It was decided that the authors of this thesis would be the two persons rating each case independently and then rating the cases on consensus.

The expert rating approach is characterized by the fact that the author of the qualitative case-study rates his/her particular case. This method is preferable because the author of the case has a superior insight into the case and has therefore a better ability to rate the case (Larsson, 1993). For example, an author of a qualitative case that visited and interviewed the particular parties that made a merger, has a better ability to estimate the customer reactions than an

[1] *Interrater reliability "IRR" is a measure that shows the degree the multiple raters appointed the same rating for each variable in each case, IRR= variables with identical values from the independent ratings /total number of variables*.

external rater who rates based on the written case report. This study has 14 author rated cases (8 cases from Professor Öberg and 6 cases from Professor Larsson).

Even though these two approaches could be considered to be the most time consuming approaches relative to the average coding approach and the modal score approach where one take the average of the raters ratings without a consensus activity, these approaches were adopted for this study as they are considered to be the most superior approaches in terms of validity and reliability (Larsson 1993).

Before the collection of data and the rating of the cases, a pilot case was undertaken in which the raters rated together (except Professor Christina Öberg since her participation was at the end of the data collection period and due to limitations of geographical distance), this rating was done to have a benchmark to avoid subjectivity.

The interrater reliability (IRR) was 59.8%. Considering that Larsson & Finkelstein (1999) had an IRR of 65% in their case survey study, the 59.8% in this study could be considered sufficient. Multiple raters, consensus approach, author participations/expert rating and IRR calculation are all efforts undertaken to avoid subjectivity and bias data extractions.

3.4 Regression

3.4.1 Dependent variables

This study contains three main dependent variables, financial performance, synergy realization and customer reaction. Financial performance and synergy realization is measures for the degree of the M&A success. Two performance variables where chosen to confirm the relationship between customer reaction and M&A outcome.

3.4.1.1 Financial performance

Financial performance was the main dependent variable as a measure for the degree of success in the M&A. Financial performance was chosen as the main dependent variable as opposed to Larsson & Finkelstein (1999) who chose synergy realization as a performance measure. The motivation for this is that synergy realization may not fully translate into actual improved financial performance.

Financial performance was measured as an average degree of how well the joint firm performed at the middle and at the end of the studied integration period of the case. A five point Likert scale was used where 1: very negative joint financial performance, 3: joint post-merger financial performance is equal to the sum of the two firm's performance pre-merger, 5: joint financial performance is very positive. As for the definition of the financial performance, it was required to construct a broad finance variable, mainly because the different cases describe

the financial performance of the M&A in different ways. If a strict definition of financial performance had been used, there would have been lost observations due to the wide differences in reporting financial outcome of the merger or acquisition. It can be argued that such a broad definition of financial performance can undermine the validity of the dependent variable and therefore, a second performance variable Synergy Realization was included and is explained further in the next section.

It was necessary to derive the financial outcomes through the case survey method because of several reasons. Firstly, in 18 of the cases the names of the M&A parties were anonymous, and their real names could not be explored. Secondly, among the cases with real corporate names, Larsson & Finkelstein (1999) could only obtain accounting data for five cases and derived abnormal financial returns through an event study for 13 of the M&A cases. Hence, leaving the case survey method as the only applicable research method to derive the financial data.

3.4.1.2 Synergy Realization

Synergy realization was an index derived through 11 variables in an identical way as Larsson & Finkelstein (1999) did. This is necessary for the comparison reasons as mentioned above under the Rating Scheme section. The 11 variables capture the synergy realization from:

1. Purchasing benefits
2. Production benefits
3. Marketing benefits
4. Market power benefits
5. Administration benefits
6. Vertical economies benefits
7. New market (geographical) access
8. Cross-selling benefits
9. Transfer of know how benefits
10. Creation of new know how benefits
11. Others synergy sources described in the case.

The 11 items start from question 8 to question 29 in Rating Scheme 1 in Appendix 1. Larsson & Finkelstein (1999) argues that this performance measure capture all the possible synergy

sources that previous research have discovered. The synergy realization index had a Cronbach Alpha[2] value of 66.5%.

3.4.1.2 Customer Reactions

Customer reaction acted as an independent variable when examining the first research question, while acting as dependent variable in the second research question. Customer reaction was derived through an index of five variables, how the customer reaction was in the (1) beginning, the (2) middle and the (3) end of the studied integration period in terms of threats and opportunities and uncertainty, which are represented by question 43-45 in appendix 2. Additionally, how the (4) sales performance was in the middle and in the (5) end of the studied integration period, which are represented by question 46-47 in appendix 2. The motivation for this index is that the customer reactions could be expressed through non-action, incremental or radical action (Öberg, 2008) as mentioned in the theory section. The customer reactions index resulted in a Cronbach Alpha value of 90.6%.

Further, this study defines customers as the customers that existed before the merger/acquisitions. Likewise no differentiations are made between the customer of the acquirer and the target company.

3.4.2 Independent variables

This section specifies and presents the independent variables of the study. The first three variables, employee resistance, integration and combination potential are derived in an identical way as Larsson & Finkelstein (1999) for comparison reasons over cases and variables.

3.4.2.1 Employee Resistance

Employee Resistance was derived as an index from question 36 and 37 in appendix 1. The variable is defined as the resistance against the integration process of the joint firm, and is measured during the first half and second half of the integration period. More specifically, resistance was defined as both passive and active resistance, where an example of passive resistance is performance passivity and an example of active could be verbal opposition or exits. The employee resistance index resulted in a Cronbach Alpha value of 73.6%.

3.4.2.2 Integration

Organizational integration was computed as the average of the degree of operational interaction between the joining firms during the integration phase and the degree of coordinative efforts among the joining firms. Interaction is defined as the amount of interaction relative to

[2] The Cronbach Alpha value measure the internal reliability of the index (Bryman, 2008). It ranges from 0 as no coherence between the items in the index and 1 as complete coherence.

the total amount of activities in the acquired firm. An example of interaction could be cash-flows between the firms and/or restructurings to transfer products, facilities and other resources. Coordinative efforts were defined as the number of mechanisms that were devoted to integrate the firms, for example, special integrators, transition teams and senior management involvement. See Appendix 1 question 34 and 35 for details about the questions. The integration index resulted in a Cronbach Alpha value of 83.7%.

3.4.2.3 Combination potential

Combination potential was derived as an average index from four items:(1) similarity in production operations, as in similarity in inputs and processes (question 30 in Appendix 1), (2) similarity of marketing operations, as in common geographic markets and customer groups (question 32 in Appendix 1), (3) complementarity of marketing operations, as in transfer of marketing capabilities to new markets or new products and (question 33 in Appendix 1) (4) complementarity in production operations, as in benefits from vertical economies by utilizing production capabilities in a better way (question 31 in Appendix 1). The combination potential index had a Cronbach Alpha value of 71.6%.

3.4.2.4 Strategic Similarity

Strategic similarity is an index derived through two of the four items included in the combination potential presented above. Item (1) and (2) above, which are variable 30 and 32 in appendix 1. Specifically, the index was calculated through the equation: Strategic Similarity= (question 30 + question 32)/2. The variable excludes the strategic complementarity part which is included in the strategic complementarity. The variable captures the degree of similarity between firms. The strategic similarity-index had a Cronbach Alpha value of 74.1%.

3.4.2.5 Strategic complementarity

Strategic complementarity is derived through items (3) and (4) which are included in the combination potential index. This variable captures the magnitude of the complementarity among the two joining parties, both in production and marketing, and excludes the similarity phenomena. Example of production complementarity is when one of the parties' products is input for the other. See variable 33 and 34 in Appendix 1. The strategic complimentary index had a Cronbach Alpha value of 67.4%.

3.4.2.6 Salesforce integration

The salespeople are the workers with probably the most customer contact, and hence the category of employees that have the biggest impact on the customers. This integration variable

was created to exclude the integration part which has no customer contact. Question 39 was created in appendix 2 to measure the degree of integration of the sales force. A very high degree of integration of sales force means that the sales forces were coordinated jointly and sells joint products which are different from before.

3.4.2.7 Learning

The need for the sales-force to learn new products was derived through question 40 in Appendix 2. A very high need for learning was exemplified as selling mostly new products, and very low was exemplified as no need for learning since the salespeople sold mostly the same products.

3.4.2.8 New creation of brands, products and hiring salespeople

To examine the customer reactions to new products, brands and hiring sales people question 40 and 41 in Appendix 2 was created. It was decided to join the three aspects of brand, products and salespeople in one variable to capture as much of the new dimensions that the customer is exposed to after a merger.

3.4.3 Control Variables

This study includes two types of control variables, methodological controls and theoretical controls. Methodological controls refer to variables that represent the characteristics of the individual case study, for example, how many pages the case description contained. Larger case descriptions may explain more about certain phenomena than shorter cases. Control variables help to protect the analysis from systematic influence because of the nature of the case descriptions.

3.4.3.1 Theoretical Control

As a theoretical control relative size was used, defined as the annual sales of the acquirer (or biggest company) divided by the size of the acquired company (smallest company). If the case description did not provide information about the sales volume, then the relative size was estimated through the amount of assets.Except that relative size was used by previous M&A studies (Larsson & Finkelstein 1999), this study includes this control when having customer reactions as the dependent variable.

The size of the joining parties could change the market concentration and hence affect the customer's reactions. For example, equally large companies that merge may affect the customer more through bargaining power, than if a large company acquire a much smaller one. See variable 5 in appendix 1 for details about the interval.

3.4.3.2 Methodological control

'Extensiveness of the data collection to the case study' is used as a control variable in equation 3-7. This control is used in previous case survey research within the M&A field (Larsson & Finkelstein 2008). On a scale 1-5, very low extensiveness equals 1-3 interviews and almost no written documentation, medium equals 30 - 50 pages written documents and very high meant +100 pages written documentation.

The reason behind the inclusion of this variable is to protect the explanation of the model to be affected by how large the case is. For instance cases with large number of documentation could explain more dimensions of the customer reaction than cases with low number of documentation. See variable 4 in appendix 1 for details.

3.4.4 Regression Equations: M&A and Customers Reactions

3.4.4.1 Financial performance

The first equitation examined the relationship between financial performance and customer reactions. We have customer reactions as one of four independent variables, the other three (integration, employee resistance, combination potential) are included as control variables. The reason for that was that previous research (Larsson & Finkelstein 1999) finds that these three variables have a substantial impact on M&A performance. The intention was to "isolate the causal effect of a particular variable" (Wooldridge, 2012, p. 98) in all the models, to minimize the possibility of biasness on the coefficient estimates.

Financial Performance = a_0 + a_1 Customer Reactions + a_2 Integration + a_3 Employee Resistance +a_4 Combination Potential + u_1.

3.4.4.2 Synergy Realization

The second equation was for the relationship between synergy realization and customers reactions. Hence, synergy realization is our second performance measure of M&As, it was included as previously mentioned, to retest the relationship between M&A outcome and customer reactions. We test customer reaction on two performance measures to confirm the relationship between customer reactions and the outcome of the M&A. Like the first equation, combination potential, integration, and employee resistance were included as control variables.

Synergy realization = b_0+ b_1 Customer Reactions + b_2 Integration + b_3 Employee Resistance + b_4 Combination Potential + u_2

3.4.5 Regression Equations: What makes the Customer react

For the second research question, the customer reactions was the dependent variable and employee resistance, strategic similarity, strategic complimentary, integration, new creation, sales integration, learning new products, strategic similarity, advertisement, size, and the extensiveness of the data collection as the independent variables. However, all those variables were not regressed in a single regression. Instead, they were divided into five different equations, where size and extensiveness of the data extensiveness acted as control variables in all following equations. The division was made to save the degree of freedom since this study has a limited number of observations. Dividing the customer reactions regression into several equations also helped to avoid multicollinearity problem in this study.

Equation 1

For the first equation, the intention was to examine the impact of employee resistance and strategic similarity. Additionally, size and data extensiveness served as the control variable in all equations on the customer reactions.

Customer Reactions = f (employee resistance, strategic similarity, size, and the extensiveness of the data collection)

Customer Reactions = c0 + c1 Employee Resistance + c2 Strategic Similarity + c3 Size + c4 the extensiveness of data collection + v1

Equation 2

The second equation was created to purely examine the impact of the strategic dimensions on customer reactions. Hence, strategic similarity and strategic complimentary acted as explanatory variables, while size and the extensiveness of the data collection was control variables.

Customer Reactions 1 = f (strategic similarity, strategic complementarity, size, and the extensiveness of the data collection)

Customer Reactions 2 = d0 + d1 Strategic Similarity + d2 Strategic Complimentary + d3 Size + d4 the extensiveness of data collection + v2

Equation 3

For the third equation, the intention was to examine the relationship between customer reactions and integration and new joint creation of brands, products and hiring of salespeople.

Customer Reactions = f (integration, new creation, size, and the extensiveness of the data collection on the customer reactions)

Customer Reactions 3 = e0 + e1 integration + e2 new creation + e3 Size + e4 the extensiveness of data collection + v3

Equation 4

The fourth equation, examined the relationship between sales integration and the need to learn new products by the sales personnel on the customer reactions.

Customer Reactions = f (sales integration, learning new products by the sales personnel, size, and the extensiveness of the data collection on the customer reactions)

Customer Reactions 4 = f0 + f1 Sales Integration + f2 Learning New Products by The Sales Personnel + f4 New Creation + f5 Size + f4 the extensiveness of data collection + v4

Equation 5

Lastly, the fifth equation was created to study the relationship between advertisement about the merger and the strategic similarity between the two firms and the customer reactions.

Customer Reaction = f (strategic similarity, advertisement, size, and the extensiveness of the data collection on the customer reactions)

Customer Reactions 4 = g0 + g1 strategic similarity + g2 advertisement + g3 Size + f4 the extensiveness of data collection + v5

3.4.6 Classical Linear Regression Model Assumptions

In this study, there are several multiple-regression equations will be run using E-views 8 software. The function of running the regressions is to examine how the proposed models could be used to explain the variations on the dependent variables. Supporting our explanation, Brook (2008) states that the function of regression analysis is to describe and estimate the statistical relationships between a dependent variable and a single/multiple independent variable(s). Furthermore, in this study, we use the ordinary-least square method (OLS) in the regressions. The function of OLS is to estimate the variables' coefficient of the regression, in order to establish the relationship between the dependent variables and their explanatory variables. Moreover, for the regressions to function properly, there are several assumptions need to be fulfilled. These assumptions are best, linear, unbiased, estimator (BLUE), in which any violation on these properties will lead to unreliable estimates. Therefore, we will test these assumptions on our regressions. Moreover, the detail of the BLUE properties will be described as the following sections.

3.4.6.1 Homoscedasticity

Under this assumption, the regressions should have constant variance on their error terms. If this assumption is violated, the consequence will be incorrect standard error. This wrong standard error will lead to incorrect test statistic, therefore causing improper inference. Moreover, to control this problem, we will run white test and Breusch-Pagan/Godfrey test (BPG) to detect the present of this problem. If the problem is present in our regression, the available means to solve it are (1) fixing the equation specification, (2) transforming variables i.e. using log function, and (3) using robust white's standard error.

3.4.6.2 Multicollinearity

Multicollinearity is the problem where two independent variables are correlated to one another. Under this problem, our main concern is to detect the near multicollinearity. Porter (2008) explains the rule of thumb to detect this multicollinear problem. He states that if there are two explanatory variables have a correlation coefficient greater than 0.8, the problem is present in the regression equation. Furthermore, the consequences of this problem are the goodness of fit test (R^2) will be very high, but many of the coefficients are insignificant. Secondly, a multicollinear problem will cause the model to be more sensitive to a small change. In other words, a small alteration on the specification will cause a significant change on the coefficients. Finally, to solve this problem, there are three available choices we could use. Firstly, we could just drop the variable that has multicollinearity problem. However, this choice is not recommended because it might cause omitted variable. If we have omitted variable problem, this might cause bias coefficients as well as inconsistent estimators. This problem is mainly because the error term will be correlated with independent variables. Secondly, we could transform it into a ratio. Thirdly, we could leave the specification unchanged but increase the number of observation.

3.4.6.3 Autocorrelation

This problem is the product of violating the assumption of Cov (ui,uj)=0, in which the error terms are not correlated with one another. However, since this study is using cross-sectional data, the autocorrelation problem is not an issue. However, to assure a robust analysis, autocorrelation problem will also be examined. To detect this problem, we will run Durbin-Wattson test, serial-correlation LM test, and correlogram Q-statistic to detect the present of this problem. The consequences of this problem are incorrect standard error as well as inflated R^2. If this problem exists in the regressions, we could solve it by (1) correcting the specification, (2) use dynamic or first differences, and (3) use general least square method.

3.4.6.4 Endogeneity

Endogeneity is the problem where the explanatory variables are correlated with the error terms. This problem is mainly caused by the simultaneity, omitted variable, and measurement errors (Brook, 2008). However, under our analysis, the endogeneity is not our primary concern. It is because the purpose of our study is to examine the relationship between dependent variables and independent variables, and not for studying their causality relationship. Therefore, we do not intend to control it.

3.4.6.5 Normally distributed error term

The last assumption of OLS method is the normal distribution of error term. The violation of this assumption is normally due to the present of outliers. To examine this property is by using Jarque-Bera test. The null hypothesis of this test is the error term is normally distributed. If we reject the null means that the data is not normally distributed, the possible solution to this problem is by removing the outliers or increasing the observation.

4. Empirical results

4.1 Descriptive Results

Firstly, referring to the table 1, we find that the customer reactions, synergy realization, and strategic similarities have the highest mean, which are above the value of 3. For the customer reactions, it indicates that on average the customers are reacting ambivalently to the M&As. The consequence of having ambivalent reactions is it has caused the companies to have medium synergy realizations. Supporting these findings, high standard deviation and dispersion are also found in the synergy realization. This can be interpreted that the outcome of the M&As is highly varying from their mean values. Moreover, hiring new sales people and the creation of new brand and products are very low in the M&As activities.

Furthermore, the integrations show that, on average, the companies do not intend to pursue a complete integration. These might be because most of the companies in our cases are pursuing conglomerate acquisitions. Under the conglomerate M&As, the companies are pursuing portfolio diversification, instead of aiming to achieve the revenue enhancements or cost savings. Therefore, it is reasonable to expect low degree of integrations in this study. Moreover, the standard deviation of this variable also supports the argument that most of the companies in this study intend to diversify their portfolios. It is because low variance indicates that most of the firms' integration outcomes are closely dense to their mean values, which have value. The

low standard deviation can be interpreted that most of the companies intend to keep their current relationships with their customers or aim for financial diversification.

Overall, our data has low degree of deviations and dispersions. This indicates that our data do not have a significant number of outliers, which will make our sample less representative of the total population. Therefore with this insignificant number of outliers, we expect a reasonable measurements' precision in our estimations.

Supporting the argument above, most of our data also have skewnesses centred around 0 (table 2). This indicates that our data are normally distributed. Therefore, achieving this property is crucial to have reasonable precision in our estimations. However, for the new-creation variable, it has skewness above 1. It indicates that the data on the variable of new-creation is not normally distributed. However, we expect this variable to have a skewness of non-zero. This is because we have many insufficient-information, about recruitment of new sales people as well as the new creation of brand and products, on the cases we coded. Thus, this insufficient information has caused the sample distribution to be right skewed. Furthermore, the possible solution for this problem might be increasing the sample. However, due to time constraint and highly time consuming in coding a case, it is impossible to increase the size of our sample. Therefore, we leave the sample of the new creation variable is unchanged.

Table 1: Mean, Standard deviation, and dispersion

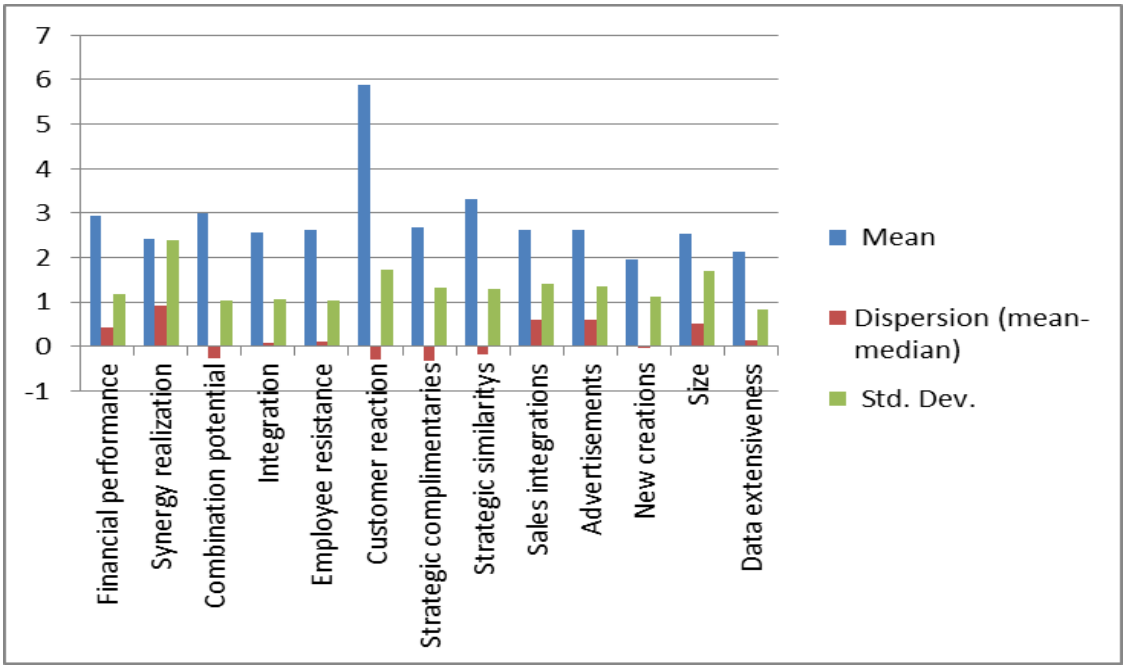
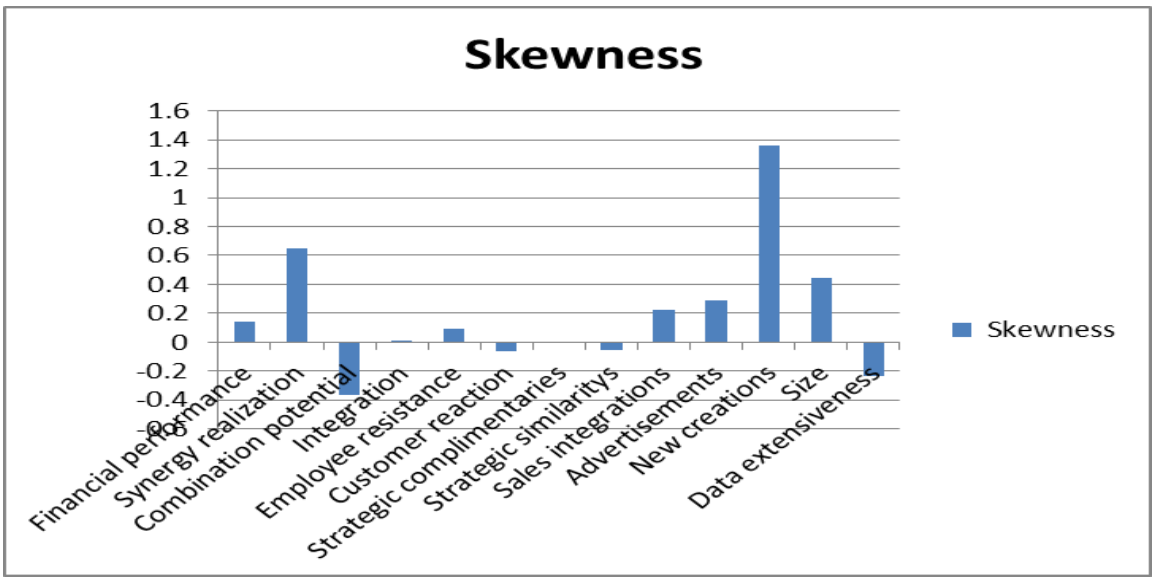
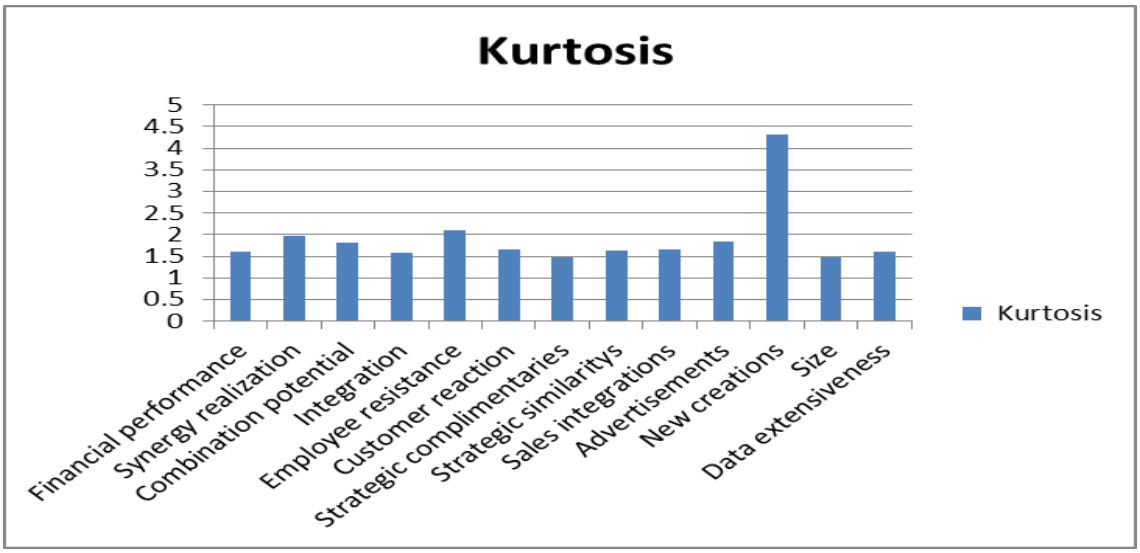


Table 2: Skewness



Most of our samples have a kurtosis below 3. This kurtosis value indicates that the distribution shape of our samples is mostly platykurtic, except for the new creation variable which have the shape of leptokurtic. This non bell-shape distribution is most probably due to the sample size. However, this non-normal shape of distribution is not our major concern. It is because the property of normality is mainly intended for the error terms. Nevertheless, normally distributed samples are still important because it might help to increase the precision of our estimations.

Table 3: Kurtosis



4.2 OLS Assumptions

For the heteroskedasticiy test, we find that all of our equations do not have the heteroskedasticiy problem. It is indicated by the white test and BPG test. As shown by the appendix 5 to appendix 11, all of our equations are unable to reject the null hypotheses of both tests, which are the variance of error terms is homoscedastic. It is because the p-value of the F-statistic and Chi-square of the both test are greater than 5%. Therefore, we could conclude that the error terms of our entire models have consistence variance.

Furthermore, since our data are cross-sectional, the models would not have the problem of serial correlation. However, to have a robust measurement, we examine the serial correlation problem by using BG-LM test. Referring to the appendix 5 to appendix 11, it shows that all of our models do not have the problem of serial correlation. It is because the p-value of the F-statistic and Chi-square of the BG-LM test are greater than 5%. Therefore, we could conclude that the error terms of our entire models are not correlated to one another.

Finally, to examine the normality, we employ the Jarque-Bera test. Referring to the appendix 5 to appendix 11, the tests indicate normally distributed error terms in all of our models. Our entire Jarque-Bera tests show that all the error terms have P-value greater than 5%. This indicates that we cannot reject the null hypothesis of the Jarque-Bera tests, which are the error term is normally distributed.

4.2.1 Correlations

We derived the Pearsons-bivariate correlations between all the variables through the statistical program IBM SPSS Statistics. In this section, we present the magnitude of the correlations and degree of significance for the correlations. We divide the section by first examining the M&A performance - Customer reactions relationship, to then further examine customer reactions with the different M&A aspects.

4.2.2 Correlations: Financial Performance & Customer Reactions

Looking at the appendix 4, we see that the Financial Performance is positively correlated and significant (at 1% level) to the independent variable, Customer reactions. The same holds for the correlation between Synergy Realization and Customer reactions. Furthermore, looking at the control variables, there is no correlation that is above 0.80. Which assure that this study does not suffer from multicollinearity issues.

4.2.3 Correlations: Customer Reactions & M&A Aspects

The dependent variable Customer reactions are significantly and positively correlated to six out of 11 variables. Appendix 4 includes all the variables for all equations and shows that none of the correlations is above 0.8, which means that there are no signs of multicollinearity issues.

4.2.2 Regression Results

Under this section, we will explain the results of our regressions. Moreover, this section will be divided into two sub-sections. The first sub-section will present the regression's result on the financial performance. Complementing this regression, we also present the results of synergy realization. The function of this second regression is to examine what variables are consistently significant giving an impact to the M&As' performance. Moreover, the last subsection is devoted to present the regressions' results on the customer reactions.

4.2.2.1 Financial Performance & Customer Reactions

Table 4 below, it shows that the regression on financial performance has the R^2 value around 0.70. This indicates that this model is able to describe approximately 70% of the variance in the dependent variable. Furthermore, the F-statistic shows a highly significant result. This result indicates that all coefficients, except for the intercept, are jointly significant from zero. Taking these two results together, they provide the information that our model has reasonable good results on the goodness of fit test, which indicates that our model is reasonably well-fit our observations.

Moreover, at the variable level, the regression shows that the combination potentials and customer reaction are the only variables significant. These variables are significant at 1%, which is indicating highly statistical significant. From these results we can conclude that the combination potential and customer reactions give a positive impact to the financial performance. Nevertheless, to have a robust analysis, we also regresses all the explanatory variables in the first model to the synergy realization, which is another alternative for M&As' performance measurements. This second regression has a function to examine what are the variables that are consistently significant in measuring the M&As performance. Referring to the table 4, the second regression indicates reasonable good result on the goodness of fit. This shows that the second model is well-fit our samples. Additionally, almost all of the explanatory variables are significant under the second model, except for the combination potentials. However, the only variable that is consistently significant on both regressions is our main independent variable

which is customer reactions. This variable steadily give a positive impact on both M&As' performance measures, which are financial performance and synergy realization.

Table 4: Regression Result 1

	Dependent Variables	
Independent variables	**Financial Performance**	**Synergy Realization**
Combination Potentials	0.600913***	0.234569
Integrations	-0.075829	1.22624***
Employee Resistance	-0.081798	-0.789649***
Customers' Reactions	0.293026***	0.392455**
Size	0.006582	0.342276**
Constant	-0.124399	-2.681333***
Included Observation	32 after adjustments	32 after adjustments
R^2	0.70918	0.772653
Adj (R^2)	0.653253	0.728933
F-statistic	12.68046***	17.67257***

***, **, and *: denote statistically significant at 1%, 5%, and 10% respectively.

4.2.3 Customer reactions and the M&As' aspects

In this sub-section we present the results of regressing the customer reactions on different sets of independent variables. Moreover, this sub-sections is devoted to study what are the M&As aspects that have a significant impact on the customer reactions.

Referring to the table 5, it is expected that all the five models have a statistically significant result on the F-test and all of them are also able to explain at least 20% the variation in the dependent variable. However, for the regression 3 and 4, none of the explanatory variables is statistically significant. This might be because of the limited number of samples. Another reason might be because the models are not reasonably well-fitting the observations, which is indicated by the low degree of significant level of the F-test. Moreover, the only independent variables that are statistically significant are employee resistance, strategic complimentary, learning, and strategic similarity. However, the strategic similarity variable is only significant if it is paired with the employee resistance. Moreover, among all the significant independent variables are only employee resistance that is negatively related to the customer reactions.

Table 5: Regression Result 2

	Dependent Variables				
Independent variables	**Customers' Reactions 1**	**Customer_Reaction_2**	**Customer_Reaction_3**	**Customer_Reaction_4**	**Customer_Reaction_5**
Employee Resistance	-0.43929**				
Strategic Complimentarity		0.560782**			
Strategic Similarity	0.423116*	0.25732			0.285955
Integrations			0.476324		
New Creations			-0.174215		
Sales Integration				0.076026	
Learning				-0.272033	
Advertisements					0.382749**
Size	-0.055785	0.06883	-0.103238	0.02614	-0.031883
Extensiveness of The Data	0.478009	0.149433	0.753077	0.806352	0.469643
Constant	4.636629***	3.18745***	3.859502	4.489795	2.997005***
Included Observations	37 after adjustments	44 after adjustments	34 after adjustments	41 after adjustments	39 after adjustments
R^2	0.262954	0.31981	0.242904	0.219829	0.252818
Adj (R^2)	0.170824	0.250047	0.138477	0.133143	0.164914
F-statistic	2.854144**	4.584234***	2.326063*	2.535926*	2.87607**

*, **, and ***: denote statistically significant at 10%, 5%, and 1% respectively.

5. Discussion & Conclusion

5.1 Discussion

Under this section, a discussion about the empirical findings will follow by relating the empirical results to the theoretical foundations. The section is divided into two parts, the first part will discuss the findings about the M&A's performance, the first research question, whereas the second will be devoted to discuss the findings on customer reactions.

5.1.1 M&A Performance

The study has identified a positive relationship between financial performance and customer reactions since both the bivariate correlation analysis and the regression analysis from regression 1 shows statistically significant results. This implies that there is support for hypothesis 1, i.e. there is a positive relationship between financial performance and customer reactions.

Additionally, this positive relationship can be reconfirmed by the statistical analysis between synergy realization, as an additional performance measure and customer reactions. As with previous analysis, both the bivariate analysis and the regression analysis resulted in a significance and positive relationship. Consequently, support for hypothesis 2 is found in this study, which raises the importance question of how to promote customers' reactions to raise the probability of success in M&As.

From a theoretical point of view, those findings are consistent with the Hallowel's conclusion (1996) that the customer satisfaction affects the profitability positively. This finding is also in line with Swaminathan et al, (2014) that customer satisfaction will increase value creation between the merging firms. This significant relationship also makes Previous research (Öberg 2008) found that customers determine the degree of integration between the joining parties and that there is a relationship between integration and customers. This study finds that the argument can be taken one step further, that there is a significant relationship between customers reactions and the joint financial performance not only the integration.

As the customers react positively to the M&A, it might stimulate to increase the volume of transactions, which will lead to the revenue enhancement for the merging companies. Likewise, this increase in the volume transaction might induce the bandwagon effect by attracting more consumers to purchase their products, which in turn will also enhance the companies' revenue. However, these findings also pave the way for the further study on how the customer reactions might determine the M&A performance.

5.1.2 Customer reactions

This study also makes several meaningful contributions in assessing which M&A aspects are related to customer reactions. The investigation has shown that there are several implications that relate to the customer reactions significantly.

5.1.2.1 Strategical factors

It was argued at the beginning of this study that strategic complementarity between the joining parties will have a positive relationship on customer reactions while strategic similarity will relate negatively. The statistical analysis reveals that the strategic similarity is significant in the bivariate analysis, but only weakly significant in one out of three regression analysis. The weak significance showed a positive relationship although a negative one was hypothesized. Since the significance is weak and is absent in two of three regressions, it is concluded that empirical support for the relationship between customer reactions and the combination of strategically similar parties was not found. This finding implies that the relationship is not as evident as it was hypothesized in hypothesis 3. Hence, there could be other factors determining customer reactions in these type of M&As.

On the other hand, strategic complementarity had a clear significance on customer reactions in all of the statistical analysis. The relationship also appeared to be positive, hence giving support for hypothesis 4. This result confirms the association that two complementary parties combining makes the customers react positively. previous researchers' (Lahiri & Narayanan 2013) findings that vertical integration has a positive impact on financial performance can now be developed to show that two complementary firms combining is appreciated by the customers. This also supports the idea that customers view this type of mergers or acquisitions as less threatening, which is similar to Larsson & Finkelstein's (1999) findings that employees view the combination of complementary firms as less threatening than similar firms. These findings must be interpreted with caution because they did not differentiate between complementary businesses if they merge backward or forward in the value-chain. Henceforth, it might be the case that backward combination is less threatening to the customers than a forward combination. As an example, if a supplier acquires a customer, then the competitors of the target company, which were also supplied by the particular acquirer may react negatively, while in a backward combination this issue may not occur.

5.1.2.2 Employee resistance

One of the most interesting findings is that the employee resistance indicated a significant and negative association to customers' reactions. Although the bivariate correlation analysis does

not indicate significance, the result from the multiple regression analysis supports hypothesis 5. Hypothesis 5 stated that there is a negative relationship between customers' reactions and employee resistance and elaborated that employees resistance to the M&A would spill over to the customers' reactions. Larsson & Finkelstein (1999) argued that employee resistance will determine the degree of synergy realization, and the findings of this study indicate that the resistance from the employees will also affect other stakeholders' reactions and may through their channels affect the M&A outcome further.

5.1.2.3 Advertisement

The predicitions in the beginning of this study was that the customers would be negatively surprised by the merger/acquisitions in hypothesis 6 could not be supported in our findings. We rather find indications that the relationship is significantly positive. This positive relationship strengthen the argument of Schweiger and DeNisi (1991) that enhanced communication about the merger is beneficial for the outcome.

5.1.2.4 Integration

It was hypothesized that the integration, both general integration and specific salesforce integration, means change for the customer and hence have a negative relationship to customer reactions. Öberg (2008) concluded that the customer plays an important role in determining the degree of realized integration. The independence (non-integration) of the two firms can be argued through the customers, because they may limiting the integration intends and may work against the integration (Öberg 2008).

The bivariate correlation analysis revealed a significant relationship between customer reactions and the degree of integration. However, the regression analysis does not confirm this significant relationship. Worth mentioning is that the correlation analysis and the regression analysis showed positive values indicating a positive relationship between integration and customer reactions. Hence, no support is found to hypothesis 7 that the relationship should be negative.

Furthermore, the specific salesforce integration did not indicate any significant relationship either. Even if there is no significance between the customer reactions and salesforce integration, the insignificant relationship was as surprisingly positive in this case as well. Hence, no support was found for hypotheses 8 that there is negative relationship between customer reactions and the integration of the salesforce that has close customer contact.

The prediction that higher degree of integration would relate negatively to customer reactions was in line with Öbergs (2008) finding that higher degree of integration can result in customer losses. It was also in line with Homburg and Becerius (2005) finding that marketing integration is negatively related to financial performance. This study has been unable to capture that negative relationship, but rather finds positive significant relationship (in the correlation analysis) between customer reactions and

organizational integration. The reason for the positivity is not clear, but since it disappeared in the other analysis we find it important that this relationship is undertaken future research, to see if the integration phenomena is appreciated in some occasions and disliked in other from the customer.

Additionally, Oh, Peter and Johnston (2014) finds that the size differences in an M&A will have a negative impact to the M&A performance. In correlation to their finding, it seems that this study does not consider the size differences into the analysis. Therefore, this study suggests for the future research to include the size differences to count in its negative impact to the financial performance.

5.1.2.5 New creation

It was hypothesized, in hypothesis 9, that new dimensions, i.e new creation, that the customer is exposed to will make him react negatively. Since this study was unable to find any significant relationship no support is found for hypothesis 9. For further research it could be beneficial if a segregation is made between new brands, new products, and new salespeople, and further a separation the customer of the acquired and acquiring company.

5.1.2.6 Learning

In the hypothesis development section, it was presented how crucial the knowledge about the other parties' products is for a successful merger. We hypothesized in hypothesis 10 that the need of learning and customer reaction are negatively related to each other. This study was unable to find any support for that relationship. A possible explanation is that the need of learning or lack of knowledge about the new products does not spill over on the customer reactions. But it is important to bear in mind that this could be different for different industries, for example the knowledge may become more important in industries that sells complex products than other more simple sales.

6. Conclusion

The purpose of this study was to examine the relationship between M&A performance and customer reactions. The first main finding of this study is the clear and very positive relationship between M&A performance and customer reactions, measured mainly by financial performance but also through synergy realization. Even though this relationship should be obvious and self-evident, the role of the customer in the M&A literature has been poorly examined (Öberg, 2008). This study gives new perspective that the customer reaction matters in the specific M&A situation, compared to previous (Hallowel, 1996) findings that customer satisfaction determine profitability in general. Hence, our findings support the idea that the role of the customer in an M&A is important and should be accounted for when examining determinants and reasons for M&A performance.

The method used to examine this poorly studied relationship, has demonstrated that it's possible to bridge the gap between traditional quantitative M&A studies that measures financial performance (King, 2004) and qualitative studies that study customers perspectives (Öberg, 2008). The methodological framework may serve as way to further bridge gaps between financial research and marketing related research in the field of M&A.

The strategic characteristic of the combining firms was also a factor that related empirically in this study to the customer reactions. Two firms that have a high strategic complementarity was showed to relate positively to the customer reactions, this can be contrasted by the finding of Larsson & Finkelstein (1999) that strategic complementarity related negatively to employee resistance. This indicates that it's not only the employees that appreciate that complementary businesses merge, but also the customers. A possible reason for this could be that when complementary businesses merge that equals certain benefits for the customer such as price reductions, higher innovation or quality.

Larsson and Finkelstein's (1999) that employee resistance is negatively related to the synergy realization, is studied through an internal perspective. As what has been explained before, employee resistance will give a negative impact to the customer reactions. Goyan and Joshi (2012) have suggested that the employees will react negatively to the M&A because it creates uncertainty, reduce job security, and also cause job changes. Their suggestions seem relevant to our finding where the employees will react unfavourably to the corporate combinations. Likewise this negative reaction will stimulate the employees to reduce the quality of their works, which in turn will impact the product quality and customer service. This finding is also in line with the Liao and Chuang's (2004) finding that the employee resistance is negatively correlated with the customer satisfaction and customer loyalty, therefore causing the customers to react negatively. Additionally, this finding gives a further support to Larsson and Finkelstein's finding (1999) that employee resistance is negatively related to the synergy realization through negative customer reactions.

Previous research (Schweiger & DeNisi, 1991) found that the enhanced communication was beneficial for the outcome of the merger, but their study was limited by communication to employees. This study gave perspective about that communication also should be accounted for with external stakeholders, since it's positively related to customer reactions. Internally communication is considered to be beneficial to decrease rumours and uncertainty among the employees (Schweiger & DeNisi, 1991). Similar causal relationship may exist with external stakeholders as the customer. The customer may also be concerned about the changing circumstances and therefore have a urge for transparent communication.

Despite that previous research (Öberg, 2008) finds that there is a relationship between integration and customer reactions. The empirical analysis of this could not find any relationships between integration and customer reactions. The reason for this could be that integration is harmful for the customer in some occasions and beneficial in other. This study could not iden-

tify any systematic pattern for the relationship. But, future research should separate between different forms of integration in different merging situations to identify patterns that matters or harms the customer.

6.1 Limitations & Future Research

Even though this study contributes to the current research in several ways, there are clear opportunities for further research to utilize.

Firstly, the intention with this study was to examine the relationship between the post-merger financial performance and customer reactions to the M&A, a relationship that have been rarely studied, consequently, this study excluded the causality issue. It's hard to imagine that the financial performance may influence customer reactions and that the customer reaction may affect the degree of strategic similarity or complementarity. But there is still important casual aspects, if it's the customer that affects the employee's resistance or if the customer gets affected by the employee's resistance. Further, it could be a reverse relationship between new creation and customer reaction, the same may apply for integration. Taking the above facts together, there is abundant room for valuable further research.

Secondly, this study included only 8 cases with mergers that occurred after year 2000. We are very grateful that these 8 cases was included and coded by its author Professor Christina Öberg. Future research, may study a larger portion of recent mergers and compare if there is time differences between M&As that occurred before the 2000 and after the 2000.

Thirdly, further research could distinguish between customer of the acquirer and the acquired target something that was excluded in this study, since differences may occur. May the customer of the target company be more affected by the merger than the acquiring company?

Fourthly, the differentiation of customers could be valuable in situations of vertical mergers, since vertical mergers could be backward and forward, a forward integration may challenge the relationship with other customers that position themselves as competitors of the target.

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8. Appendices

Appendix 1: Rating Scheme 1

Number		Your rating	Options:
1	The Name of smallest firm:		
2	The Name of the acquirer/largest firm:		
3	The combination started in:		
4	The observation of the combination ended in:		
5	Estimate relative size defined as: [annual sales of bigger firm/ annual sales of smaller firm] the year of or prior to the legal combination (if sales not available use total assets, if also not available use total number of employees).		[1 if 1.0 < x < 1.5], [2 if 1.5 < x < 3.0], [3 if 3.0 < x < 6.0], [4 if 6.0 < x < 10.0], [5 if 10.0 < x], 9 if insufficient info
6	Estimate the production relationship between the joining firms. Their closest related* major production is mainly		1. Unrelated (ie. neither long linked, similar, nor identical as defined nor below). 2. Long-linked (ie. the output of one firm correspond to the input of the other). "3. Similar (ie. one or two of the categories input/suppliers, process, and output are similar) 4. Identical (ie. same input and same process and same output). 9. Insufficient info
7	How similar are the firms' industry types?		1: Very different, 2, 3: Moderately similar, 3, 4: Very Similar, 9: Insufficient info
	Synergy realization: Before rating the questions statements please read the text about synergies in the end of this rating scheme.		
8	Consolidating purchase of input in order to reduce purchase price/cost per unit (like through volume rebates). Estimate the amount of benefits that were realized		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
9	Consolidating the purchase of input in order to reduce purchase price/cost per unit (like through volume rebates). Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
10	Consolidating production in order to reduce production cost per unit (like utilization of excess capacity). Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
11	Consolidating production in order to reduce production cost per unit (like utilization of excess capacity) . Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.

12	Consolidating marketing in order to reduce marketing cost per unit (like integrated sales force with fewer employees). Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
13	Consolidating marketing in order to reduce marketing cost per unit (like integrated sales force with fewer employees). Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
14	Consolidating competitor in order to increase market power by reducing competition and thereby being able to command higher prices (without losing corresponding volume). Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
15	Consolidating competitor in order to increase market power by reducing competition and thereby being able to command higher prices (without losing corresponding volume) Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
16	Consolidating administration (incl. Finance) in order to reduce adm. overhead per unit (like elimination of duplicated head-offices).		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
17	Consolidating administration (incl. Finance) in order to reduce adm. overhead per unit (like elimination of duplicated head-offices). Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
18	Consolidating possible suppliers or customers in order to reduce transaction cost per unit (like elimination of intermediate storage, marketing, and purchasing). Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
19	Consolidating possible suppliers or customers in order to reduce transaction cost per unit (like elimination of intermediate storage, marketing, and purchasing). Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
20	Access to new geographic market(s) through the other firm's established local sales organization in order to increase joint sales. Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.

21	Access to new geographic market(s) through the other firm's established local sales organization in order to increase joint sales. Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
22	Cross-selling of complementary products to joint customers in order to increase joint sales. Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
23	Cross-selling of complementary products to joint customers in order to increase joint sales. Estimate the realized amount of benefits:		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
24	Transfer of existing know-how to one firm from the other(s) in order for the first firm to manage its operations more effectively. If more than one firm learn useful know-how from the other(s), code the firm that learn the most. Adjust its code one position (numerically) higher if the other firm(s) also learn significantly (around medium or more). *(like resulting in a major change in how operations are performed)		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
25	Transfer of existing know-how to one firm from the other(s) in order for the first firm to manage its operations more effectively. If more than one firm learn useful know-how from the other(s), code the firm that learn the most. Adjust its code one position (numerically) higher if the other firm(s) also learn significantly (around medium or more). *(like resulting in a major change in how operations are performed)		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
26	Creation of new know-how from the interaction between the joining firms that one firm can use in order to manage its operations more effectively. If more than one firm could/did learn new useful know-how, code according previous source's instruction.		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.

27	Creation of new know-how from the interaction between the joining firms that one firm can use in order to manage its operations more effectively. If more than one firm could/did learn new useful know-how, code according to the previous source's instruction.		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
28	Other substantial source of synergy between the joining firms that is of significance to the estimation of the total amount of the synergy realization of the combination.		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
29	Other substantial source of synergy between the joining firms that is of significance to the estimation of the total amount of synergy and realization of the combination.		1: Very low = around 0 %. 2: Low = around + 1 %. 3: Medium = around + 2 %. 4: High = around + 3 %. 5: Very high = around + 4 %. 9: Insufficient info.
30	Estimate the similarity of production operations between the joining firms based primarily on their input, process, and product types		1: Very low (like different inputs, processes & products). 2.Low. 3: Moderate (like some same inputs, proc. a/or prod.). 4. High 5: Very high (like same inputs, processes & products). 9: Insufficient info.
31	Estimate the complementarity of production operations between the joining firms in terms of the extent to which their different production capabilities fit each other and can thereby be transferred between them, e.g. vertical economies between firms with long-linked technologies		1: Very low (like very little output of one could become the input of the other). 2: Low. 3: Moderate (like some output could become input). 4: High. 5: Very high (like much output could become input). 9: Insufficient info.
32	Estimate the similarity of marketing operations between the joining firms based primarily on their geographic markets, customer groups, and main products.		1: Very low (like different markets, cust. groups & prod.). 2: Low. 3: Moderate (like either same markets or cust. & prods). 4: High. 5:Very high (like same markets, cust.groups & prod.). 9: Insufficient info.

33	Estimate the complementarity of marketing operations between the joining firms in terms of the extent to which their different marketing capabilities fit each other and can thereby be transferred between the different markets and products of the two firms.		1: Very low (like very little potential cross- and new market access) selling. 2: Low. 3: Moderate (like some potential cross-sell & new access). 4: High. 5: Very high (like much potential cross-sell & new access). 9: Insufficient info.
34	Estimate the amount of operational interaction between the joining firms during the integration period in relation to the total amount of activity in the acquired firm (like the creation of everyday material- (in services also information-), and cash-flows between the firms and/or restructuring resulting in more permanent transfers of products, facilities, personnel and other resources between the firms).		1: Very low relative to total activity in acquired firm. 2: Low. 3: Medium relative to total activity in acquired firm. 4: High. 5: Very high relative to total activity in acquired firm. 9: Insufficient info.
35	Estimate the amount of coordinative effort expended to enhance synergy realization by adjusting the operational interaction between the joining firms. This can be interfered from the amount of utilization of coordination mechanisms across the joining like special integrators, transition teams, management info systems, integration plans, senior management involvement.		1: Very low (like few mechanisms little used). 2: Low. 3: Medium (like few mechanisms-much used, some mechanisms - some used, many mechanisms - little used). 4: High. 5: Very high relative to total activity in acquired firm. 9: Insufficient info.

36	Estimate average acquired employee resistance against the integration process with the acquiring firm during the first half of the studied integration period.		1: Very low (like almost no opposition by most employees). 2: Low.3: Medium (like some opposition by most employees). 4: Very high (like very strong opposition by most employees). 9: Insufficient info.
37	Estimate average acquired employee resistance against the continued integration process with the acquiring firm during the second half of the studied integration period.		1.Very low (like almost no opposition by most employees).2: Low. 3: Medium (like some opposition by most employees). 4: High. 5: Very high (like very strong opposition by most employees). 9: Insufficient info
38	How extensive was the data collection?		1: Very low. 2: Low. 3: Medium. 4: High. 5: Very high. 9: Insufficient info

Synergy potential is defined as the potential benefits (here in terms of reduced cost per unit, enabled price increases, joint sales increases, and learned know-how) from interaction between the joining firms given optimal integration of them. Observe that the synergy potential variables refer to the actual potential and not false beliefs that later turn out to be surprising underestimations or overestimations impossible to realize no matter how good integration.

Synergy realization is defined as the actual benefits (reduced cost per unit, etc) created by the interaction between the joining firms. Observe that the synergy realization variables are not estimations of how many % synergy potentials that were realized – full realization (ie. 100%) of a low amount of synergy potential is still considered as low (amount of) synergy realization. The total amount of synergy realization can be inferred from improvements of the joint performance that is not explained by other factors than the interaction between the joining firms (strong overall growth of the economy would be one such "other factor"). Thus, maintained performance in a situation of deteriorating market conditions and industry decline can indicate significant synergy realization if it is not explained by still other factors. Furthermore, very low synergy potential can be used to infer very low synergy realization (like if it is obvious that there was no synergy to be realized).

The probably most important indications of synergy potentials and realization is when the same amount of work could be, respectively was done jointly by less number of employees compared with separately before the combination.
The magnitude of potential and realized benefits in terms of positive changes in costs per unit,
prices, and joint sales can be distinguished according to the list to the right. It is only a loose guideline to give an idea of different magnitudes, since these percentages are seldom given.

1. Very low = around 0 %
2. Low = around + 1 %
3.Medium = around + 2 %
4. High = around + 3 %
5. Very high = around + 4 %

Appendix 2: Rating scheme 2

39	To what extent were the joining sales forces integrated during the studied integration period?□		1: Very little (e.g. kept completely separate from one another). 2: Little. 3: Moderate (e.g. some combinations of sales people). 4: Much. 5: Very much (e.g. complete consolidation into one sales organi. 9: Insufficient info
40	To what extent had the average sales people learn new products during the first half of the stud.int.period?		1: Very little (e.g. almost all kept selling known products). 2: Little. 3: Moderate (e.g. some had to learn and sell some new products). 4: Much. 5: Very much (e.g. many had to learn and sell mostly new products). 9: Insufficient info
41	To what extent were new joint brand(s) & products created and new sales people hired that were different from either of the joining firms during the (a) -first half- of the studied integr.period		1 - □ery littlee.g. almost no ew 2 - Little. 3- Moderate (e.g. some new). 4 - Much. 5 - Very much (e.g. almost all new). 9 - Insufficient info
42	To what extent were new joint brand(s) & products created and new sales people hired that were different from either of the joining firms during the (b) -last halves- of the studied integration period?		1 - □ery littlee.g. almost no ew). - Little. 3 - Moderate (e.g. some new). 4 - Much. 5 - Very much (e.g. almost all new). 9 - Insufficient info
43	How did the customers react to the combination in terms of uncertainty, threats vs opportunities, and satisfaction during the (a) time of legal combination.		1 - Very Negatively. 2- Negative. 3 - Ambivalent. 4 - Positive. 5 - Very Positive. 9 - Insufficient Info
44	How did the customers react to the combination in terms of uncertainty, threats vs opportunities, and satisfaction during the (b) middle		1 - Very Negative. 2- Negative. 3 - Ambivalent. 4 - Positive. 5 - Very Positive. 9 - Insufficient Info
45	How did the customers react to the combination in terms of uncertainty, threats vs opportunities, and satisfaction during the (c) end of the studied integration period?		1 - Very Negative. 2- Negative. 3 - Ambivalent. 4 - Positive. 5 - Very Positive. 9 - Insufficient Info
46	How was the sales performance of the joint firm affected by the combination around the (a) middle (relative to the sum of the separate sales before comb)?		1 - □trong decrese in sales. 2 - Decrease in sales. 3 - About the same as before.4 - Increase in sales. 5 - Strong increase in sales. 9 - Insufficient info
47	How was the sales performance of the joint firm affected by the combination around the (b) end (relative to the joint sales of the first half) of the studied int.period?		1 - □trong decrese in sales. 2 - Decrease in sales. 3 - About the same as before.4 - Increase in sales. 5 - Strong increase in sales. 9 - Insufficient info

48	How was the financial performance of the joint firm affected by the combination around the (a) **middle** (relative to the sum of the separate profits before comb)		1 - Strong decrase in profits. 2 - Decrease in profits. 3 - About the same as before.4 - Increase in profits. 5 -Strong increase in profits. 9 - Insufficient info
49	How was the financial performance of the joint firm affected by the combination around the (b) **end** (relative to the joint profit of the first half) of the studied int.period?		1 - Strong decrase in profits. 2 - Decrease in profits. 3 - About the same as before.4 - Increase in profits. 5 -Strong increase in profits. 9 - Insufficient info
50	To what extent where the merger advertised to the customers 1= very little 5= very much		1- Very Little. 2 - Little. 3 - Moderate. 4 - Much. 5 - Very Much. 9 - Insufficient Info

Appendix 3: Case List

No	Case Title	Primary Reference	Number of Pages	Publication Status	Combinationa Year
1	A - 1 a	Lindgren 1982	17	Doc. diss.	1975-1980
2	A - 2 a	Lindgren 1982	17	Doc. diss.	1975-1980
3	A-B Consumer Goods^	Gaertner 1986	19	Conf. pap.	1980
4	AMF-Harley Davidson	Ravenscraft and Scherer 1987"	23	Res. book	1968
5	B-3 a	Lindgren 1982	17	Doc. diss.	1975-1980
6	B-4 a	Lindgren 1982	17	Doc. diss.	1975-1980
7	B-5 a	Lindgren 1982	17	Doc. diss.	1975
8	Bank A-Bank B*	Buono etai. 1985"	65	Res, article	1981
9	Beatrice Foods-Harman International	Ravenscraft and Scherer 1987"	22	Res. book	1977
10	Bendix-Boise Home System	Ravenscraft and Scherer 1987"	20	Res. book	1972
11	Bendix-Caradco	Ravenscraft and Scherer 1987"	20	Res. book	1979
12	Bilsped-Scansped	Klintman and Modell 1992	65	Unpublished	1985
13	Boverket (Bostadstyrelsen-Planverket)	Idland and Petersson 1991''	119	Unpublished	1988
14	BRIO-Alga	Larsson 1990	44	Doc. diss.	1982
15	C-6 a	Lindgren 1982	17	Doc. diss.	1975-1980
16	C-7 a	Lindgren 1982	17	Doc. diss.	1975-1980
17	C-8 a	Lindgren 1982	17	Doc. diss.	1975-1980
18	C-9 a	Lindgren 1982	17	Doc. diss.	1975-1980
19	Casco-NordsjO	Larsson 1990	34	Doc. diss.	1983
20	Chromalloy Am. Corp.-Sintercast	Ravenscraft and Scherer 1987	18	Res. book	1959
21	Consolidated Foods-Robert Bruce	Ravenscraft and Scherer 1987	17	Res. book	1973
22	D-10 a	Lindgren 1982	17	Doc. diss.	1975-1980
23	Drake-Cecil	Graves 1981	25	Res. article	1974
24	EEE a	Marjasola 1989	17	Unpublished	1985
25	Eiectrolux-Zanussi	Goshal and Haspeslagh 1990"	84	Teaching	1984
26	Ericsson Info System	Dahlgren and Witt 1988	264	Doc. diss.	1981
27	Futeco Textile^	Alarik and Edstrom 1983"	133	Doc. diss.	1976
28	GrandCo-DC^	Sales and Mirvis 1984"	47	Res. article	1978
29	Granges-SAPA	Johannisson 1981	104	Doc. diss.	1976
30	Gulf&Western-Marquette Cement	Ravenscraft and Scherer 1987"	20	Res. book	1976
31	Int. Nickel of Canada-ESB	Ravenscraft and Scherer 1987	20	Res. book	1974
32	Kronanverken	Johannisson 1981	105	Doc. diss.	1975
33	Leisure Groups	Alarik and EdstrOm 1983"	133	Doc. diss.	1976
34	LEM-Prime Motors"	Schwarz and Sathe 1982	19	Teaching	1975
35	LTV Corp-Lykes Corp	Ravenscrad and Scherer 1987"	22	Res. book	1978
36	Lykes-Youngstown Sheet & Tube	Ravenscraft and Scherer 1987"	20	Res. book	1969
37	Marcor (Monlgomery Ward-Container)	McNichols 1983	20	Teaching	1968
38	McCord-Davidson^	Gilmore and Austin 1972''	112	Teaching	1964
39	Milk cooperative Arla 67	Nystrftmand UtterstrOm 1983"	94	Doc. diss.	1971
40	Milk cooperative NNP 77	NystrOm and UtterstrOm 1983"	94	Doc. diss.	1970
41	Miik cooperative Värmland	NystrOm and UtterstrOm 1983"	94	Doc. diss.	1967
42	Navigator-Swedese	Johannisson 1981. Swedish	92	Doc. diss.	1974
43	Pennwalt Chemical-S.S, White	Ravenscraft and Scherer 1987	20	Res. book	1966
44	Philip Morris-ASR	Ravenscraft and Scherer 1987	18	Res. book	1960
45	Roth borou gh-Transcom"	Sonnenfeld and Dowd 1982	14	Teaching	1981
46	SKF-ATB	Larsson eta). 1994"	49	Unpublished	1988
47	SKF-Jacob	Larsson etal. 1994"	19	Unpublished	1987
48	SKF-Prototyp	Larsson etal. 1994"	53	Unpublished	1986
49	Slater-Walker-Crittall-Hope	Hope 1976	17	Res. article	1968
50	Stansaab-Datasaab	Dahlgren and Witt 1988	165	Doc. diss.	1978
51	Svensk Apparatur-Varme&Tryck^	Allen and Lorsoh 1974	26	Teaching	1962
52	Texaco-Getty	Altendorf 1986^	214	Doc, diss.	1984
53	Texas Instr-Metals & Controls	Anonymous HBS case 1960	22	Teaching	1959
54	Textile Corporation (3 firms)	Dechampsetal. 1983	17	Teaching	1967
55	Textron-Talon	Ravenscraft and Scherer 1987	21	Res. book	1968
56	Transway/Sero--Intertrans°	Blake and Moulon 1985	16	Res. article	1981
57	Trucking A-B"	Larsson 1990	6	Doc. diss.	1982
58	United Tech-Mostek	Anderson etal. 1982	11	Res. article	1979
59	US Industries-Great Lakes Screw	Ravenscraft and Scherer 1987	18	Res, book	1967
60	W.R. Grace--Letisse	Ravenscraft and Scherer 1987"	24	Res. book	1969
61	WM Data--Edebe	Klintman and Modell 1992	205	Unpublished	1989
62	BT Industry - Raymond	Oberg 2008	14	Doc. diss.	1997
63	BT Industry - Cesab	Oberg 2008	14	Doc. diss.	1999
64	Toyota - BT Industry	Oberg 2008	14	Doc. diss.	2000
65	Structurit - Momentum	Oberg 2008	14	Doc. diss.	1999
66	Momentum - Basware	Oberg 2008	14	Doc. diss.	2002
67	Verimation - ADB Gruppen Mandator	Oberg 2008	14	Doc. diss.	1991
68	Verimation - NetSys	Oberg 2008	14	Doc. diss.	1998
69	Verimation - Nexus	Oberg 2008	14	Doc. diss.	2000
70	Pennsylvania - New York Central Railroads	Bruner 2005	28	Teaching	1968

Appendix 4: Correlation matrix

Correlations

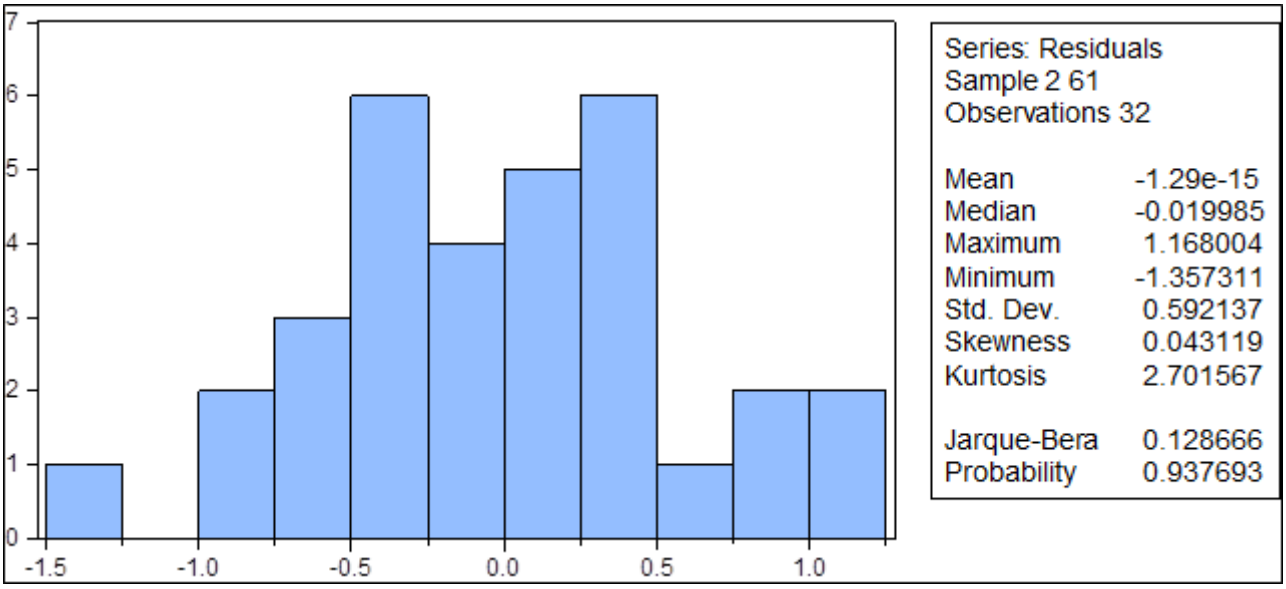
	Financial performance	Synergy realization	Combination potential	Integration	Employee resistance	Customer reaction	Strategic complimentaries	Strategic similarities	Sales integrations	Advertisements	New creations	Size	Data extensiveness
Financial performance	1	.600**	.650**	.374**	-.197	.795**	.647**	.360**	.181	.186	.351**	.243	.644**
Synergy realization	.600**	1	.576**	.651**	-.191	.453**	.459**	.457**	.458**	-.076	.156	.304*	.342**
Combination potential	.650**	.576**	1	.589**	.225	.522**	.813**	.787**	.502**	.153	.417**	.293*	.564**
Integration	.374**	.651**	.589**	1	.161	.374*	.391**	.546**	.618**	.183	.239	.237	.365**
Employee resistance	-.197	-.191	.225	.161	1	-.259	.058	.306*	.298*	.001	.090	.067	.245
Customer reaction	.795**	.453**	.522**	.374*	-.259	1	.534**	.298*	.144	.364*	.283	.202	.436**
Strategic complimentaries	.647**	.459**	.813**	.391**	.058	.534**	1	.280*	.320*	.274	.270	.070	.426**
Strategic similarities	.360**	.457**	.787**	.546**	.306*	.298*	.280*	1	.463**	-.032	.380**	.412**	.484**
Sales integrations	.181	.458**	.502**	.618**	.298*	.144	.320*	.463**	1	.136	.341*	.100	.298*
Advertisements	.186	-.076	.153	.183	.001	.364*	.274	-.032	.136	1	.144	.086	.042
New creations	.351**	.156	.417**	.239	.090	.283	.270	.380**	.341*	.144	1	.395**	.455**
Size	.243	.304*	.293*	.237	.067	.202	.070	.412**	.100	.086	.395**	1	.378**
Data extensiveness	.644**	.342**	.564**	.365**	.245	.436**	.426**	.484**	.298*	.042	.455**	.378**	1

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

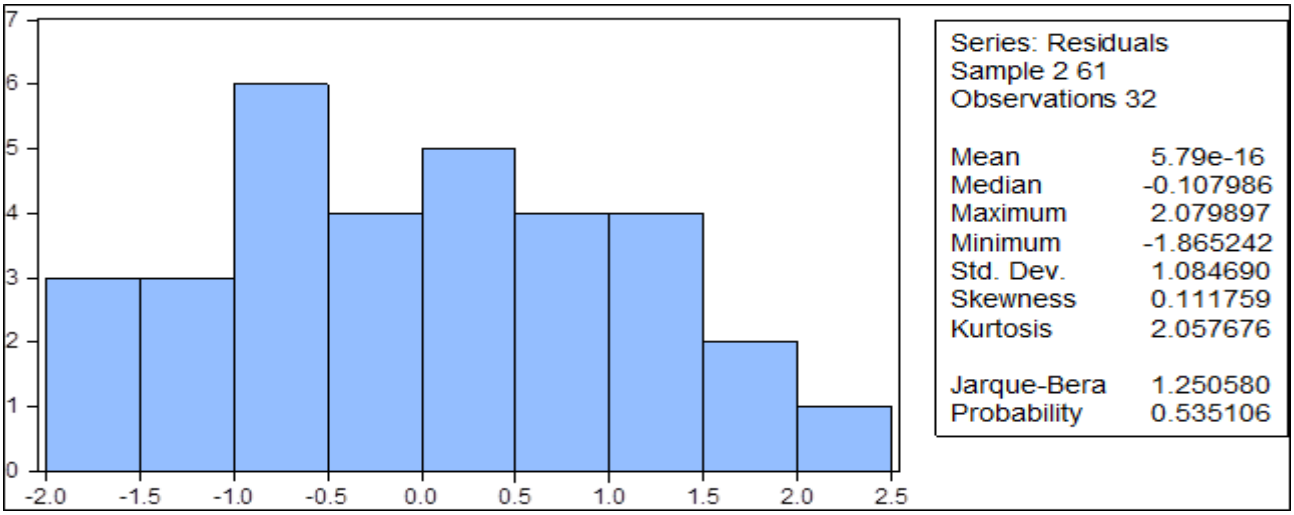
Appendix 5: Heteroskedasticity, serial Correlation, and normality test on Financial Performance model

Financial Performance			
OLS Assumptions that are tested	**Tests**	**Statistical Results**	**P-Value**
Heteroskedasticity Test: Breusch-Pagan-Godfrey	F-test	0.399451	0.8447
	Chi-square	2.282802	0.8088
Heteroskedasticity Test: White	F-test	0.841546	0.6458
	Chi-square	19.35219	0.4991
Breusch-Godfrey Serial Correlation LM Test:	F-test	1.490822	0.2453
	Chi-square	3.536204	0.1707



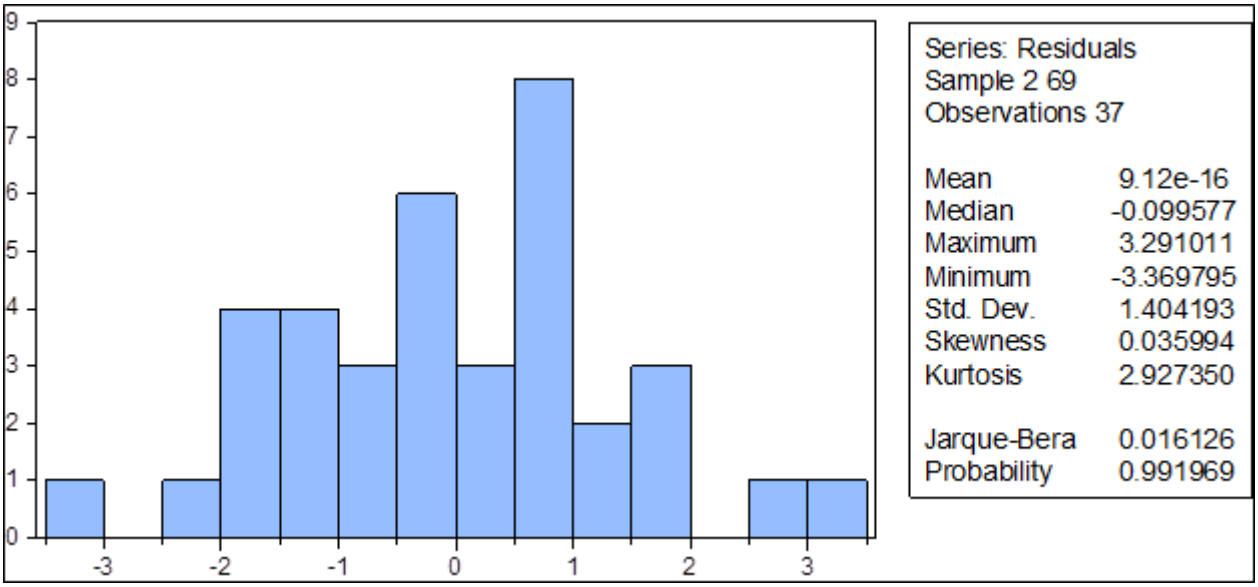
Appendix 6: Heteroskedasticity, serial Correlation, and normality test on Synergy Realization model

Synergy Realization			
OLS Assumptions that are tested	**Tests**	**Statistical Results**	**P-Value**
Heteroskedasticity Test: Breusch-Pagan-Godfrey	F-test	2.097442	0.0979
	Chi-square	9.19749	0.1014
Heteroskedasticity Test: White	F-test	0.673539	0.7869
	Chi-square	17.6155	0.6127
Breusch-Godfrey Serial Correlation LM Test:	F-test	0.094544	0.9101
	Chi-square	0.250145	0.8824



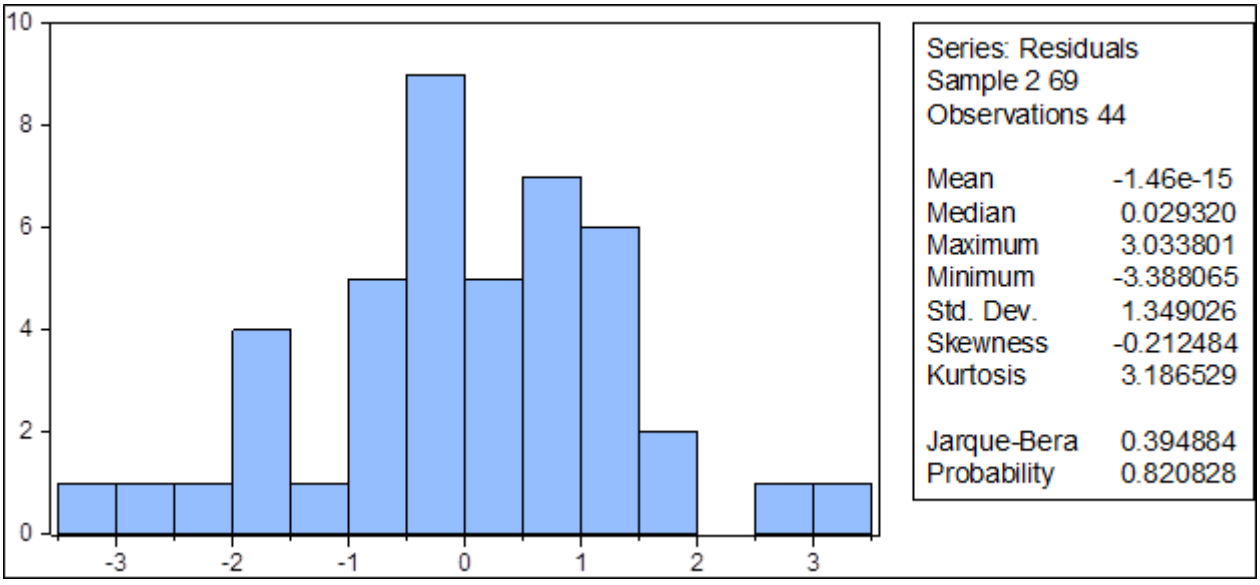
Appendix 7: Heteroskedasticity, serial Correlation, and normality test on Customer Reaction (1) model

Customers'_Reactions_1			
OLS Assumptions that are tested	**Tests**	**Statistical Results**	**P-Value**
Heteroskedasticity Test: Breusch-Pagan-Godfrey	F-test	1.221941	0.321
	Chi-square	4.902635	0.2974
Heteroskedasticity Test: White	F-test	1.042091	0.4521
	Chi-square	14.75305	0.3952
Breusch-Godfrey Serial Correlation LM Test:	F-test	1.953757	0.1594
	Chi-square	4.263893	0.1186



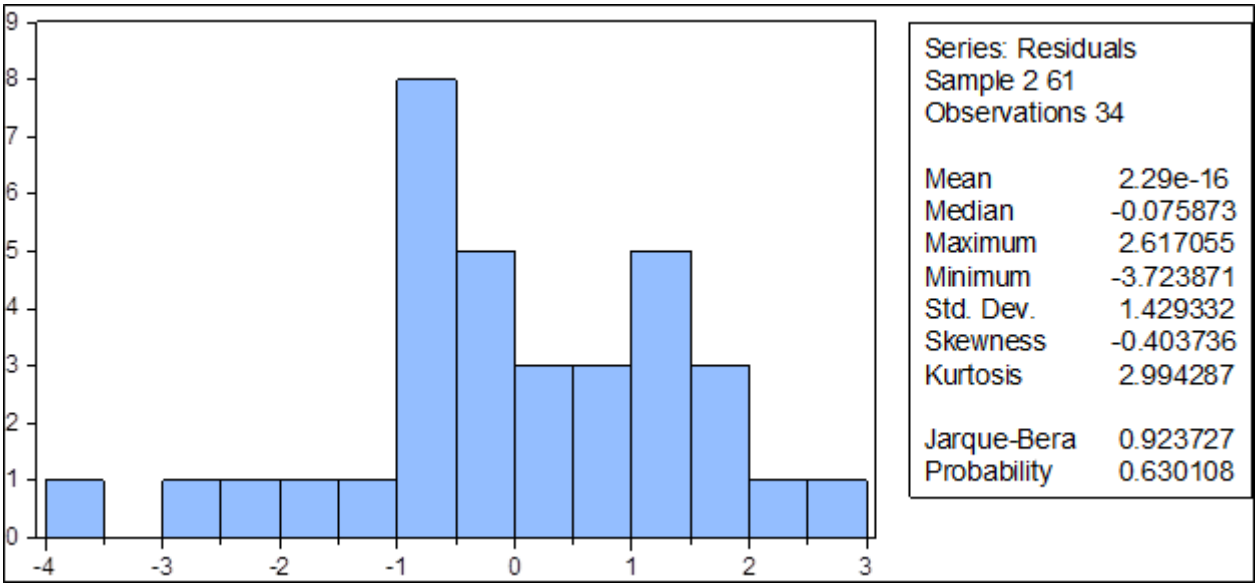
Appendix 8: Heteroskedasticity, serial Correlation, and normality test on Customer Reaction (2) model

Customers'_Reactions_2			
OLS Assumptions that are tested	**Tests**	**Statistical Results**	**P-Value**
Heteroskedasticity Test: Breusch-Pagan-Godfrey	F-test	0.562165	0.6915
	Chi-square	2.398648	0.6629
Heteroskedasticity Test: White	F-test	0.694419	0.7614
	Chi-square	11.04704	0.6823
Breusch-Godfrey Serial Correlation LM Test:	F-test	0.870588	0.4271
	Chi-square	1.977528	0.372



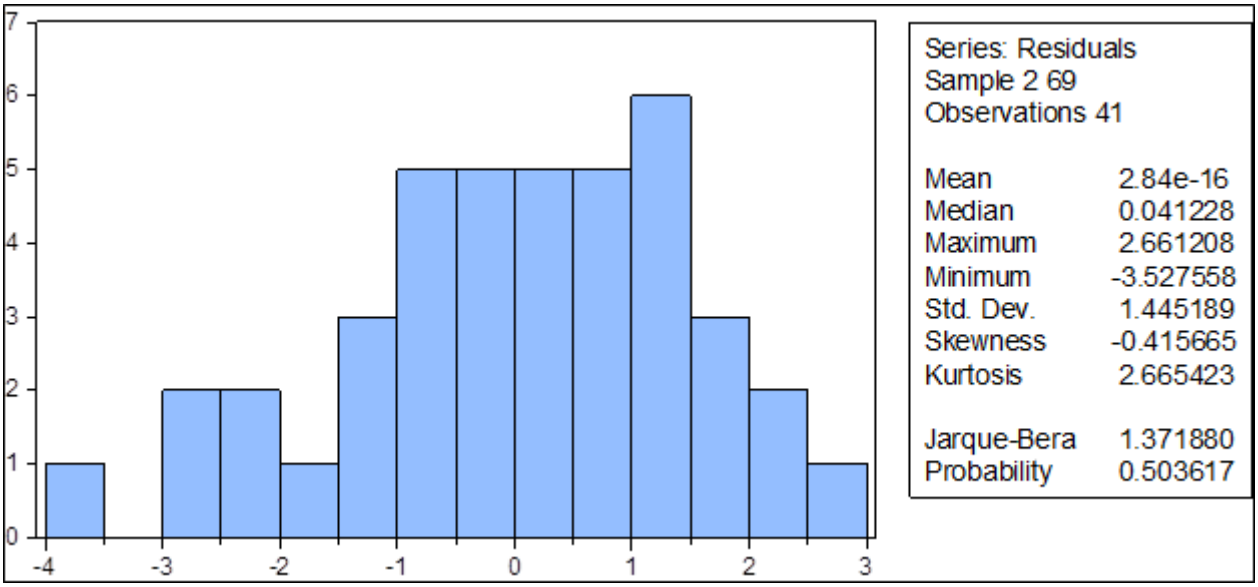
Appendix 9: Heteroskedasticity, serial Correlation, and normality test on Customer Reaction (3) model

Customers'_Reactions_3			
OLS Assumptions that are tested	**Tests**	**Statistical Results**	**P-Value**
Heteroskedasticity Test: Breusch-Pagan-Godfrey	F-test	1.804779	0.1549
	Chi-square	6.776806	0.1482
Heteroskedasticity Test: White	F-test	1.221257	0.3364
	Chi-square	16.10407	0.3071
Breusch-Godfrey Serial Correlation LM Test:	F-test	0.282501	0.7561
	Chi-square	0.6969	0.7058



Appendix 10: Heteroskedasticity, serial Correlation, and normality test on Customer Reaction (4) model

Customers'_Reactions_4			
OLS Assumptions that are tested	**Tests**	**Statistical Results**	**P-Value**
Heteroskedasticity Test: Breusch-Pagan-Godfrey	F-test	1.062582	0.3891
	Chi-square	4.32949	0.3632
Heteroskedasticity Test: White	F-test	1.0396	0.4486
	Chi-square	14.71432	0.398
Breusch-Godfrey Serial Correlation LM Test:	F-test	0.425998	0.6566
	Chi-square	1.00229	0.6058



Appendix 11: Heteroskedasticity, serial Correlation, and normality test on Customer Reaction (5) model

Customers'_Reactions_5			
OLS Assumptions that are tested	**Tests**	**Statistical Results**	**P-Value**
Heteroskedasticity Test: Breusch-Pagan-Godfrey	F-test	0.233535	0.9175
	Chi-square	1.04286	0.9032
Heteroskedasticity Test: White	F-test	0.383261	0.967
	Chi-square	7.126033	0.9297
Breusch-Godfrey Serial Correlation LM Test:	F-test	1.941404	0.16
	Chi-square	4.220113	0.1212