

建立併購的價值創造模式:策略整合方式的觀點

Establishing a Value-Creation Model On Mergers and Acquisitions: An Integrated Strategy Approach

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摘要：本文的目的是強調策略性的企業業務流程再造，以了解企業收購之價值創造的來源。此外，本研究整合資源基礎觀點，關係為基礎的策略途徑，以及波特的五力分析作為企業併購的策略理論基礎，進而產生價值創造模式與策略性的企業業務流程再造，提供管理者指導方針。本研究方法設計是透過質性研究情境的推論，擬訂整合性的策略制定過程及個案應用，主要包括分析個案收購公司和被收購公司的企業流程中價值創造來源，並啟動企業業務流程再造措施，透過整合性的策略應用，執行企業業務流程重組，進而創造價值，使得該個案公司躍升為高爾夫球代工產業市占率最大領導廠商，並進而建立高爾夫球國際品牌地位。

研究結果發現，規模經濟並不一定為併購策略帶來改善財務的競爭優勢，管理者必須了解推動組織契合的過程中，從流程設計結合價值創造的策略機制，建立可持續的競爭優勢。本研究管理意涵，企業併購的管理者可以從策略整合的觀點，分析企業再造流程的業務活動(例如:e 化平台專案計畫或策略行動方案)，建置併購時的價值創造來源，以提升併購後的管理績效。

本研究的原創價值在於提出併購企業的整合性策略架構，引導企業在併購整合過程中，因應產業競爭的複雜變化環境，從綜合性的策略邏輯角度，

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分析價值創造的關鍵策略業務流程，調整再造 e 化業務流程再造經營策略。

關鍵詞：e 化企業業務流程再造；企業併購；競爭優勢；價值創造；組織契合

Abstract: The aim of this article is to emphasize strategic business process reengineering perspective to better understand the sources of value creation in acquisitions. Moreover, an integrated approach embraces conceptual viewpoint with resource based view, relational approach, and Porter's five forces are employed as a guideline for managers to formulate value-creation models aligned with strategic e-business process reengineering projects when pursuing M & A strategies.

A qualitative research is employed to explore the business scenarios which involved the inference of an integrated strategy theory derived from a detailed M&A case study. The approach of this paper is to state a comprehensive strategy formulation process guided by three sections: a case study to show the importance of value creation via operation fit between acquiring firm and acquired firm, business process reengineering initiative, and integrated application of the strategic business reengineering to create value in pursuing M & A strategies. Finally, the leading company outperforms among the competitors in terms of market share and global brand creation.

To develop sustainable competitive advantage, executives must understand the true nature and mechanisms which drive the organization fit process, value creation through M&As and the consequent reengineering projects (such as e-projects to facilitate the knowledge sharing) for enhancing the post-merger performance and sustaining the company's competitive advantage.

The originality of this study is to propose an integrated strategic approach for corporate mergers and acquisitions. Managers need to understand the sources of value creation in acquisitions derived from strategic points-of-view and what they mean for B2B (Business-to-Business) management performance. This justifies the need for better guidelines for operation fit through examination organizational value creation in M&A (Mergers & Acquisitions) context in response to a complex business environment in mature industries, as well as the key strategic elements when formulating business and technical BPR (Business Process

Re-engineering) aligning with strategic fit. The discussion also raises awareness regarding the importance of strategic logic, correct interpretation of integrated strategic concepts and guidelines to business practice.

Keywords: e-Business process reengineering; Merger and acquisition; Competitive advantage; Value creation; Operation fit

1. Introduction

Nowadays, a key word in any merger and acquisition (M&As) is “value creation”. Value creation can be termed as synergy which delivers synergistic gains such as market power, economies of scale and scope, coinsurance, combination of complementary resources, and risk diversification (Eckbo, 1983; Stillman, 1983; Seth, 1990; Bradley *et al.*, 1988; Weston *et al.*, 2004). Seth (1990) distinguished alternative sources of gain associated with different acquisition strategies based on capital asset pricing model and discounted cash flow approaches to estimate combined returns of the entity. Seth (1990) further indicated that the related acquisitions with relatively larger size of acquiring firms tended to be associated with an increase in value creation due to operating efficiencies, which are measured by financial or economic ex-post predictor variables. But will this really happen? Why do so many M&As fail to deliver the above-average post-acquisition financial performance, sustain competitive advantages, and gain value creation for their customers, employees, and shareholders?

With failure rate around 50 percent, there was evidence that many mergers and acquisitions had unsatisfactory outcomes (Schoenberg, 2003). Most of the arguments derived from the organizational fit constraints or complexities stemming from the intangible knowledge assets surrounding the integration of people and business process which firms encounter on how to develop new business and products, and redeploying resources rapidly within their boundaries (Capron, 1998; Ranft, 2002; Chatterjee, 2007; Puranam, and Kannan, 2005). That is, there is evidence that ineffective business process integration appears to be a major reason that many acquisitions fail to create value, or from strategic

management viewpoint, unable to achieve sustained competitive advantage (Harrison, *et al.*, 1991; Jones and Miskell, 2007). Subsequently, the different value systems between firms can lead to different or opposite arguments with synergistic acquiring firms or acquired firms (Ernst and Vitt, 2000; Ranft and Lord, 2002). For that reason, organizational value in M&A context, as well as technical BPR (Business Process Re-engineering) aligning with strategic fit needed to be taken into accounts. A survey of the Pettigrew *et al.*'s (1985, 1989) framework has been used to integrate both function-based and process-based models. Thus, on the basis of the generic change model integrated with critical components of BPR that may be adopted for M&A firms at a strategic level to sustain their competitive advantage (CA) in the market. On the basis of these changes, this current study examines BPR from the qualitative perspective. The qualitative paradigm is elaborated with the contextual understanding of factors affecting the success of these changes over both short- and the long-term, and the strategies for managing such M&As in a strategic BRP perspective. As the contextualists believe that to 'understand people and social and cultural context within which they live' (Mayer, 1997). Our purpose is to identify the context of strategic BPR applied in M&A value-creation process, how it emerged as a change approach (Peppard and Preece, 1995).

The objective of BPR in the contemporary environment is to enhance business performance and competitiveness in the expanding global marketplace (Dekkers, 2008). Kettinger *et al.* (1997) stated that "rather than a "quick fix," BPR is increasingly recognised as a form of organisational change characterised by strategic transformation of interrelated organisational subsystems or strategic action plans producing various degree of impact." (Kettinger *et al.*, 1997). Strategic reengineering drives are meant to reduce operational costs, cost of developing new products through a content/process contextual approach in which the M&A firms can enlarging the scale as well as add customization value for customers.

To examine the effect of organizational fit, Daly *et al.* (2004) investigated M&A effectiveness by examining organizational espoused value. They examined the espoused value in two dimensions: concern for employees and concern for

production. Espoused values are those values that are expressed on behalf of the organization or attributed to an organization by its senior managers in public statements such as in the firms' annual reports (Daly *et al.*, 2004). Espoused values differ from what some have termed organizational values, (e.g., Rousseau, 1990), which are shared by all or a large proportion of an organization's members. Daly *et al.* (2004) found that organizational fit improve the performance of M&As. While Daly *et al.* (2004) employed statistical analysis of many M&As to show the effect of organizational fit, the current study employs a best-practice case study to show the importance of operation fit between acquiring firm and acquired firm.

2. Theoretical Background

2.1 Business Process Re-engineering Initiatives Integrated with M&A strategy

Organizations today seek to rationalize, innovate and adapt to changing environments and circumstances as part of business process reengineering (BPR) efforts (Kueng and Kaulek, 1997). As a consequence, many companies are engaged in intensive process redesign for their business processes. Different process models exist for use in analysis, design, and implementation phases (Kueng *et al.*, 1996; Mylopoulos *et al.*, 1999; Gans *et al.*, 2003; Gullledge and Deller, 2009). Irrespective of the process reengineering program selected and the IT-related technique used to model it, BPR brings with it the issues of organizational and process changes. All of them emphasize the steps involved in the design and implementation of new business processes to link established theoretical framework with BPR implementation methodologies.

This paper offers a framework based on the existing strategic change models which can be applied to implement process-based transformation in pursuing M&A strategies. It draws on three elements: strategic actions responding to change in general. For example, Kettinger *et al.* (1995) view BPR as a form of change, strategic-fit process identification (value-driven projects utilized in process as a unit of change) and technical BPR (radical improvements

implemented in business processes with the dominant role of technology); where BPR can be implemented in contextual perspective when pursuing M&A strategies.

Pettigrew *et al*'s (1989) suggest a contextual model to examine a strategic change of an organisation and is applied for implementation, a well established framework for empirical analysis. The purpose of the framework is to understand change through strategic perspective because strategic change is initiated at the top level and the support of top management is a key success factor in modern change initiatives between an acquired firm and an acquiring firm. By applying a strategic change initiative management can implement M&A success strategies for the long run benefit of the organisation concerned.

Thus, BPR initiatives involve long-term strategic goal for an organization. An integrated strategy map represents a composite potential improvement path of an investigated enterprise, starting from and improvement of its organizational profile towards an improved realization of its business objectives, thus providing strategic map or strategic logic on important linkages between business process management and organizational fit.

2.2 Business Process Re-engineering and Strategic M&A value

A plenty of BPR frameworks or methodologies have been developed to implement drastic changes. Kettinger *et al.* (1989) developed a multi stage framework; the main components include: Envision, inaugurate, diagnose, (re) design, (re) construct and evaluate. As mentioned in prior section, one of the sources of value creation in M&As is scarce complementary resources. Companies can analyze the business process initiatives before acquiring other firms to sustain competitive advantages such as a manufacturer of complementary product, or raw material suppliers, in order to diagnose the scare resources and control complementary resources (as mentioned in the prior section 2.1). However, the synergies promised to justify the transaction cost show up often as little more than goodwill on the balance sheet, without creating real value for shareholders. As a result, significant, unrealized value remains locked up in mergers. Reengineering is to unlock that value. The entire value chain activities,

the costs of supporting multiple business models and architectures, and the technology development roadmaps required to integrate businesses process and then should be considered for integrating the acquired firm. Understanding the operation fit beyond strategic fit would greatly enhance the probability of successful post-merger.

2.3 Business Process Re-engineering and Integrated Strategy Map

Firms are constantly facing turbulent environmental changes. To remain competitive, programs, projects and IT implementation for re-engineering should involve strategic thinking. Therefore, a conceptual framework encompassing both re-engineering implementation aligned with strategic thinking is required for developing a variety of service-oriented programs and projects across the organizations for creating value in evaluating post-merger performance.

This study is first rooted in the resource-based theory, which explains superior performance by gaining specific resources owned by the firm (Barney, 1991; Peteraf, 1993; Wernerfelt, 1984). According to Barney (1991, p. 101), we define resources “as assets, organizational processes, capabilities, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness.” Following this theory, resources must fulfill four basic elements—value, scarcity, hard to mimic, and insubstitutability (Barney, 1991)—to affect firm performance. The resource-based view has been used frequently as a theoretical explanation for why M&A occur (e.g., Anand and Singh, 1997; Karim and Mitchell, 2000). A key issue in M&A research that adopts a resource-based perspective is that the merging firms integrate certain resources in a merger or acquisition to achieve a stronger competitive position and thus superior financial performance.

However, to sustain the competitive advantage (CA), many organizational theorists argue that the firms face constraints (in terms of strong supplier relationships to control the market resources). That is, firms are likely to reassess their potential joint customer portfolio when acquire a target firm to ensure the supply of raw materials or the unique intellectual properties owned by the suppliers. Relation approach (RA) can explain the relationship activities which

derives the strong competitive advantage in the industry. As Boddy *et al.* (2000) indicated that in a competitive and mature market environment, a firm is required to aggressively establish cooperative partnerships with its supply chain entities. Moreover, during the 1980s, the Porter's Five Force Approach (PFA) (Porter, 1980) helped the mergers understand how they could position their businesses for success in a competitive environment (external analysis) and how industry forces could affect their return on investment.

A key issue in M&A research is that a firm adopts an integrated perspective to explain the merging firms which integrate certain resources before and after a merger or acquisition to achieve a stronger competitive position. Thus, this study integrates some conceptual differences of approaches to be addressed to accomplishing competitive advantage (CA). Three approaches including: Porter's five forces (PFA), resources based approach (RBA), and relational approach (RA), pursue similar goals in somewhat different ways. We propose an integrated approach to strengthen the strategic management process in the golf club industry. Advances in understanding the strategic management process toward CA can be impeded if managers adopt the PFA, RBA, or RA one at a time.

2.3.1 Weakness of Non-Integrated Strategic Management

Porter (1980) helped managers identify how they could position their businesses for success in a competitive global market and how industry forces could affect their performance. Today, the new business world requires managers to recognize recent developments such as globalization, technological advances, and the Internet as new sources of CA. According to the PFA, firms achieve CA over their suppliers, customers, or competitors. However, this approach does not fully take into consideration advantages of collaborative relationships with suppliers and customers. CA can emerge from the ability of a firm to develop collaborative relationships with more volatile customers (e.g. brand-switching customers) and to manage far-reaching networks of partners for mutual advantage. Furthermore, firms try to form relationships with their competitors to add value to their business.

The RBA has focused on resources that are typically internally developed

and that are specific to an organization (Barney, 1991; Wernerfelt, 1984). However, internally developed resources tend not to fully reflect the general needs of market constituents like customers and competitors. Therefore, we need to look at market-based resources such as the firm's market orientation, because those resources enable firms to overcome limitations of functional resources through the "commingling of the organization and the environment" (Srivastava *et al.*, 1998, p. 3). Market orientation is defined as firm activities/behaviors of offering unique products/services and creating customer value, based on a better understanding of customers' needs and competitors' actions or strategies (Kohli and Jaworski, 1990).

The RA tends to emphasize business-to-business relationships without giving a balanced treatment to business-to-customer relationships that also are important. The business-to-customer relationship is particularly critical in the service industry, because customers pursue ongoing relationships with service providers to reduce their perceived risk in evaluating services (Lovelock, 1983). Because of the intangibility and interpersonal focus of services, customers are likely to form relationships more with organizational members (i.e. employees) than with goods (Gwinner *et al.*, 1998).

2.3.2 An Integrated Strategy Approach

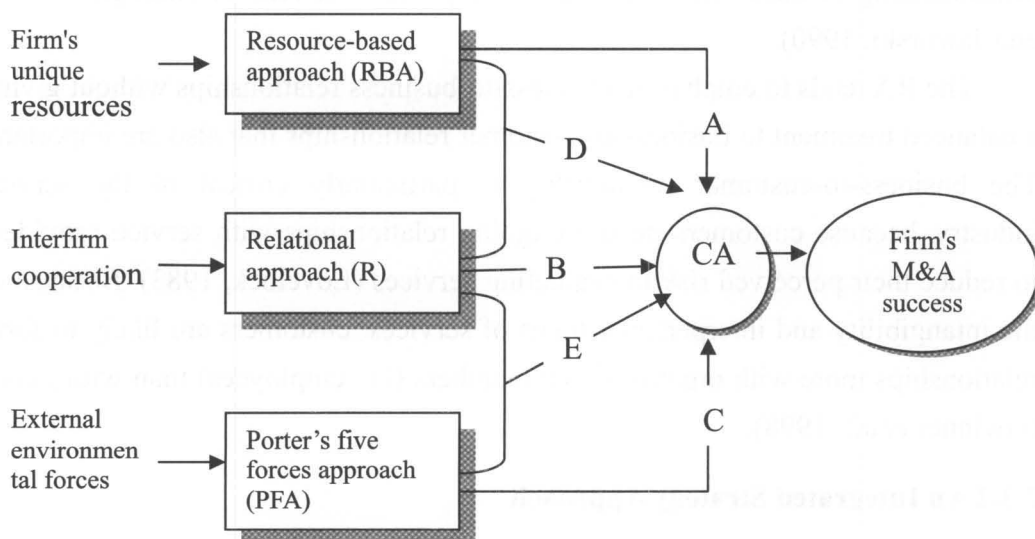
Each approach has helped managers understand how CA could be achieved in different ways. However, these separate approaches may fail to notice the fact that as follows:

- (1) firm resources are unique among firms within an industry and such unique resources can determine CA (i.e. PFA failed to notice);
- (2) market-based resources are a critical source of CA (i.e. RBA failed to notice); and
- (3) firm strategies should be aligned to firm resources (i.e. RA failed to notice).

Thus, when pursuing a M&A strategy, a firm's overall competitive position results from its internal and interfirm resources, both of which are greatly influenced by the firm's external environment (e.g. five industry forces). Because

sources of CA tend to be interrelated to one another, an integrated approach will be necessary to obtain and sustain CA. Figure 1 shows how these three approaches are integrated for a comprehensive framework of strategic M&A management. How each approach can contribute to achieving CA has been discussed in previous sections (i.e. A, B, and C in Figure 1).

Figure 1.
An integrated framework of the three approaches



Note : A, B and C each indicate independent (separate) relationships with competitive advantage(CA) , while D and E indicate integrated approaches to CA.

D (i.e., interfirm mutual cooperation via outsourcing)

E (i.e., joint cooperation against new competitors)

Achieving integrated approaches (CA sustained), the success of the interfirm mutual cooperation via outsourcing (D) and the joint cooperation against new competitors (E) are analyzed as follows. When the acquiring firm makes aware of that the rare resources-based assets such as organizational culture, scarce raw materials, and human capital assets leads to create a long-term niche market (RBA). Hence, establishing a strategic alliance relationship with a target firm with a long-term contract for key ingredient outsourcing, an acquiring firm can compete against new competitors and sustain competitive advantage in the niche market. As prior study indicates, the success of interfirm relationships can be affected by organizational resources such as organizational culture, decision-making processes, and information sharing among employees (Dyer and Singh, 1998). These combined organizational resources enable an organization to capture its value created through interfirm linkages. As two firms establish the long-term contract relationship (relational approach is emphasized), the combined organizational resources (resource-based approach), especially the key business process or key ingredients will help the acquiring firm to create new value to their customers which is differentiated from the competitors. For example, the Auto CAD design process is the key resource for golf club head manufacturers. By establishing the long-term contract relationship with the most specialized Auto CAD designer in the golf club head industry, a golf club head manufacturer can gain the competitive advantage (CA) in the market. This is shown as "D" in Figure 1. Thus, the RA can be complementary to the RBA in that internal resources can affect the relationship between interfirm resources and firm performance.

An integrated approach is helpful in implementing firm strategies more effectively than otherwise. Based on the figure 1, increased competition encourages a firm to develop interfirm linkages. An external threat such as an increasing competitive intensity described by Porter (1980) forces a firm to provide better products and services than its competitors' (PFA issue encountered). Accordingly, firms should attempt to build close relationships with their suppliers (RA in terms of supply chain management emphasized). Cooperative buyer-supplier relationships in the business-to-business context help reduce costs

and improve quality to the end buyer (i.e. customers). Reduced purchasing costs and improved product/service quality can enable firms to effectively implement their strategies such as product differentiation or cost leadership (Porter, 1980). Thus, sources of CA for achieving superior performance derived from mutually satisfying, sustainable relationships with suppliers. In addition, it is imperative for firms to build a close relationship with their customers to overcome intensive competition and stay profitable. These situations are described as “E” in Figure 1.

An integrated approach helps companies establish solid footholds for achieving long-term growth and profitability. That is, to achieve long-term growth and profitability, firms should adapt themselves to the rapidly changing industry environment (i.e. PFA), continually develop new resources such as market-based resources (i.e. RBA), and build strong relationships with their customers as well as suppliers (i.e. RA). Because various sources of CA make it hard for competitors to imitate the sources of CA (that is, value may be created by acquiring scarce complementary resources in M&As), companies can sustain their CA over the competitors.

In addition, an integrated approach would be beneficial to firms in developing an effective strategic plan. Strategic planning determines where a firm is headed in the next few years and how it is going to get there. Therefore, development of a strategic plan helps clarify the firm’s future. The success of strategic planning depends on how effectively firm resources can be deployed along key priorities. Thus, identification of various sources of CA can help companies conduct strategic planning and implement the plan effectively.

3. A Strategic Framework Applied in a Case Study:

the Best-practice Company

3.1. A Case Company and Industry Background

With rapid emergency of China and other Southeastern countries, industry structure and markets in Taiwan change dramatically during a short period of time.

Many firms shifted their production facilities to China or other Southeastern countries. For manufacturers in the traditional sectors, such as golf club makers, low cost may not be the deciding competitive factor. For example, golf club manufacturers in Taiwan have shortened the replacement cycles of their products and at the same time, they have been able to increase price. This has entailed focusing on golf club heads to make the swing even sweeter. (Metal Power Report, 2003). That is a golfing term referring to the most desirable point of impact of the club face to the ball. Club-head components require the highest degree of know-how technical skills, such as CAD file producing, mold making, casting specialized titanium and steel alloys (SRI International, 2002).

To meet the competition from manufacturers located in low cost areas and demands from their OEM customers, manufacturers in Taiwan may use M&As and reengineering to maintain and enhance their competitive advantages. This strategy has been successful so far. The number of golf club heads produced in 2008 by the four largest Taiwanese golf club producers— Advanced International Multitech Co. Ltd. (Advanced), Fu Sheng Industrial Co. Ltd., O-TA Precision Industry Co. Ltd., and Dynamic Precision Industry Corp.--totaled about 22.5 million, or nearly 60 percent of total global production.

3.2 A Case Study: the Best-Practice Company

Advanced International Multitech, (AIM) established in 1987, is a publicly listed Taiwan based company engaged in the manufacturing of golf club heads, shafts, composite materials, carbon fiber components, and accessories for bicycles, such as forks, frames, and seat posts. Headquartered in Kaohsiung, Taiwan, the company employs about 10,500 people.

The golf club industry in Taiwan has been in existence for more than thirty five years. AIM entered the industry in 1987. Within 20 years, the company has emerged as the largest golf club manufacturers in Taiwan. AIM suppressed other incumbents by focusing on this industry with value creation through acquisitions and integrated strategic business process re-engineering.

3.3 The Challenges for Value Creation on Strategic M & A

The fierce competition in this industry has caused many original equipment manufacturers (OEMs) to focus on their leading product and form partnerships, or purchase other specialized companies, to complete their product portfolio. Some examples from 2000 to 2003 are: Titleist buying Cobra for their low and midline product, Spalding buying Ben Hogan for their top line irons and then Callaway buying Spalding to gain market shares. To meet the demand from their customers, who are brand name owner and are facing intensive competitive pressure, manufacturers in Taiwan are investing enormously in R&D to capture the increased demand for personalized, value-added products, which is a growing portion of the 2.4 billion US\$ market for all golf equipment (SRI International, 2002). Since 1990, the number of golfers grew about 5% to about 30 million golfers, hence supporting the demand for personalization. This has largely been explained by the advances in technology which provide customized high-end products highly valued by customers.

3.4 Implementing Relational Approach to Enhance Resource-Based Competence through the technical Business Process Reengineering

When the acquiring firm recognizes that the rare resources-based assets such as organizational culture, scarce raw materials, and human capital assets leads to create a long-term competitive advantage in the industry (RBA issue encountered), the success of interfirm relationships (RA issue encountered) can be affected by the post-merger resources such as the new creative culture, and information sharing among employees (Dyer and Singh, 1998). These combined organizational resources enable an organization to capture its value created through interfirm linkages. As two firms establish the long-term contract relationship (relational approach is emphasized), the combined organizational resources (resource-based approach), especially the key business process or key ingredients can facilitate the acquiring firm in creating new value to their customers which is differentiated from the competitors.

Gulledge and Deller (2009) distinguished business process management (BPM) between technical IT perspective (Technical BPM) and business perspective associated with competitive advantage enhancement. Therefore, an integrated approach employed to deliver competitive advantage is proposed in this best-practice case company.

The technical business process management (technical BPM) must be related to value-driven business strategy events to gain interface cost reduction and flexibility. For example, based on strategic viewpoint, AIM aims to transformed from original equipment manufacturer (OEM) to original design manufacturer (ODM). AIM identifies that the value-creation business process mostly derived from co-design alliance with key ingredient supplier as well as the technical designer house within the industry. Therefore, intimate cooperation and coordination within supply chain partners to keep the key resource within the AIM company as a joint defense against new competitors is demanded, Co-Sports Chain developing e-projects with IT implementation platform was proposed to reduce inventory cost, to share information, and gain competitive advantage in time to end user, time to volume, time to market, and time to technology performance.

3.5 An Integrated Approach Applied in the Case Company to Create Business Process Reengineering Value

This study is first rooted in the resource-based theory, which indicates superior performance by gaining specific resources owned by the firm (Barney, 1991; Wernerfelt, 1984). According to Barney (1991, p. 101), this study defines resources “as assets, organizational processes, capabilities, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness.” Based on this theory, resources must fulfill four basic elements—value, scarcity, hard to mimic, and insubstitutability (Barney, 1991)—to sustain competitive advantage as well as to affect firm performance. The resource-based view has been used frequently as a theoretical explanation for why M&A occur (e.g., Anand and Singh, 1997; Karim and Mitchell, 2000). A key issue in M&A research

that adopts a resource-based perspective is that the merging firms integrate certain resources by analyzing the reengineering process in a merger or acquisition strategy to achieve a stronger competitive position and thus superior financial performance.

However, to sustain the competitive advantage (CA), many organizational theorists argue that the firms face constraints (in terms of strong supplier relationships to control the market resources). That is, firms are likely to reassess their potential join customer portfolio when acquire a target firm to ensure the supply of raw materials or the unique intellectual properties owned by the suppliers. Relation approach (RA) can explain the relationship activities which derives the strong competitive advantage in the industry.

To sustain a competitive advantage in an industry level viewpoint, as Boddy, Macbeth, and Wagner (2000) indicated that in a competitive and mature market environment, a firm is required to aggressively establish cooperative partnerships with its supply chain entities. Therefore, we integrated the Porter's Five Force Approach (PFA) (Porter, 1980) to help the mergers understand how they could position their businesses for success in a competitive environment (external analysis) and how industry forces could affect their return on investment.

Companies who own strategic assets (firm's internal resources: RBA is emphasized) outperform competitors because they control valuable resources that are hard to replicate. To sustaining competitive advantage in the matured golf club industry (PFA issue encountered: industry rivalry is intensified), a company should acquire or develop intangible assets such as employee know-how, reputation, and organizational culture (Michalisin *et al.*, 1997; 2000). To achieve the strategic goal, AIM decomposed their major business operation process (here, operation fit is taken into account) with the following figure 2. which illustrated the process from customer request data input, CAD file producing, tooling, casting, forging, face producing, welding, painting, and shipping. Some of the processes are outsourced (described as "D" in Figure 1) prior to M&A activities. Prior to M&As, AIM encountered difficulties in timely satisfying one-stop shopping service for customers. Because big customers quite often requested diversified models and products in one order, AIM had to outsource some of the

products such as golf balls. However, golf ball manufacturers quite often couldn't meet the demand on time and the customized materials conforming to different models of shafts. By acquiring a top-tier golf ball manufacturer, AIM would be able to streamline the process and meet the demand of buyers on time as one-stop shopping (RA is emphasized).

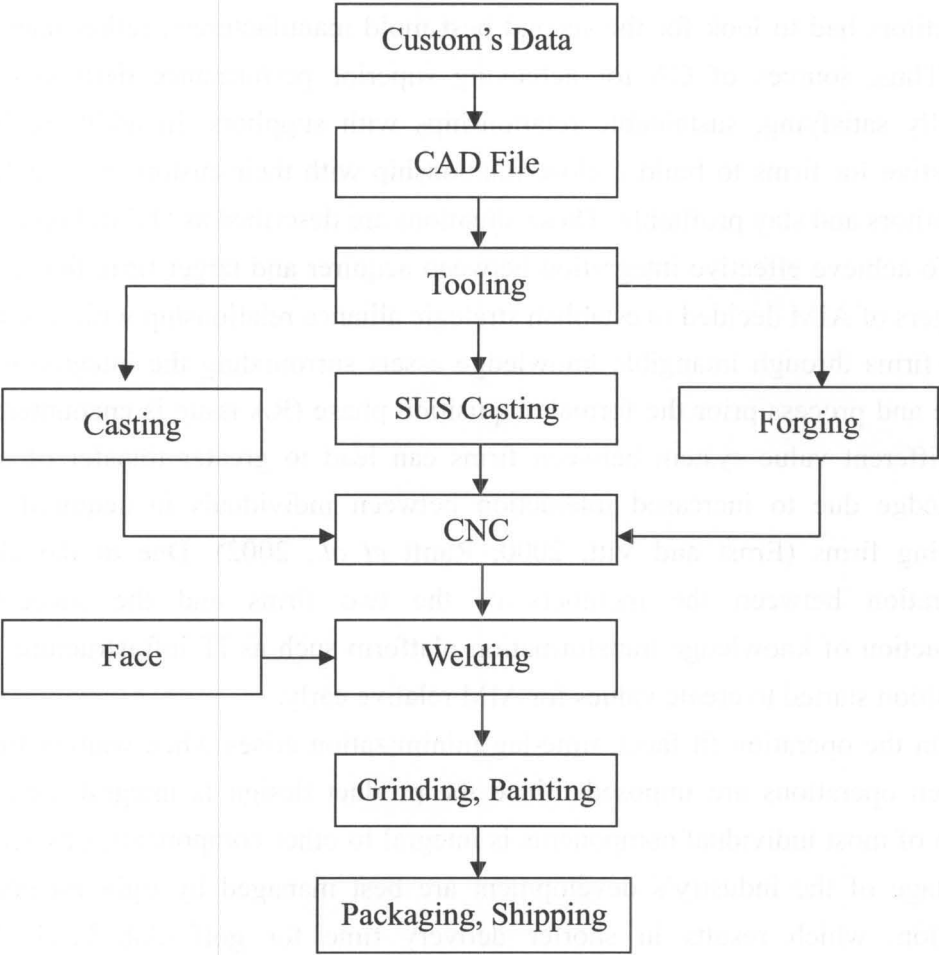
Another merger that AIM did in the past was to purchase two mold manufacturers. Molds are critical technology for golf club manufacturing. Before the merger, the two mold manufacturers were in high demand and again quite often could not meet the deadline requested by AIM. Acquiring the two mold manufacturers involve strategic fit and operation fit. On the strategic facet (RBA issue encountered), due to the scarcity of excellent mold manufacturers, competitors had to look for the second best mold manufacturers, rather than the best. Thus, sources of CA for achieving superior performance derived from mutually satisfying, sustainable relationships with suppliers. In addition, it is imperative for firms to build a close relationship with their customers to defend competitors and stay profitable. These situations are described as "E" in Figure 1.

To achieve effective integration between acquirer and target firm, the senior managers of AIM decided to establish strategic alliance relationship with potential target firms through intangible knowledge assets surrounding the integration of people and process prior the formal acquisition phase (RA issue is encountered). The different value system between firms can lead to greater transfer of tacit knowledge due to increased interaction between individuals in acquired and acquiring firms (Ernst and Vitt, 2000; Ranft *et al.*, 2002). Due to the close cooperation between the members of the two firms and the successful introduction of knowledge transformation platform such as IT infrastructure, the acquisition started to create values for AIM relative early.

On the operation fit facet, time-lag minimization arises when waiting times between operations are imposed. Since the product design is integral, i.e., the design of most individual components is integral to other components, projects at this stage of the industry's development are best managed by tight integrated operation, which results in shorter delivery time for golf club head. The technology-facilitated forms of interaction, or information communication

technologies (ICT) also play an important role to strengthen the operation fit during M&A. For example, product knowledge management (PKM) platform facilitates knowledge sharing among various departments. PKM also ensures the quality of the product by enforcing the standard operation procedures. Facilitating the quick search of product information and offering online meetings, PKM shortens the new product development cycles. Thus, ICT strengthens the operation fit for M&As.

Figure 2
Decomposition of major business operation process in AIM



4. Conclusions

While sources of value creation in acquisitions was recognized as an important issue in B2B management literature, the selection of an ideal relationship with target firms would be a major advantage to acquiring firm and a way to achieve competitive advantage. This justifies the need for better understanding in operation fit through examination organizational value in M&A context, as well as business and technical BPR (Business Process Re-engineering) aligning with strategic fit.

Business process reengineering (BPR) involves relatively complex different business process types (Goldkuhl and Lind, 2008) and without the support of Information and Communication Technology (ICT), it would not be accomplished easily (Gulledge and Greg, 2009). This study proposed BPR associated e-project (ex. Co-sports OEM-ODM logistics e-project) stemming from the strategic integrated approach. The integrated approach includes resource base view point, relational approach, and Porter's five force approach to balance a portfolio of competitive advantage stemming from business process reengineering opportunities, that is , a strategic business process reengineering perspective. Successful merger & acquisition (M&A) practice, therefore, requires operation fit in consideration of composite strategic BPR perspective to create organizational value.

The major implication for academicians lies in that the particular connection of strategic logic and BPR implementation for commonly determining M&A for managers is unique in literature. Moreover, this study contributes not only in developing a well-defined integrated strategic process for BPR managers' requirement determination but also determining useful techniques to effectively implement it. In conclusion, a strategy-based analysis is important because firms are able to adopt various internal resources with interfirm cooperation to defend against new competitors.

5. References

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